



Review Body on Senior Salaries

REPORT No. 73

Thirty-Second Report on Senior Salaries 2010

Chairman: Bill Cockburn, CBE TD



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

March 2010

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Foreword

Review Body on Senior Salaries

The Review Body on Top Salaries (TSRB) was appointed in May 1971 and renamed the Review Body on Senior Salaries (SSRB) in July 1993, with revised terms of reference. The terms of reference were revised again in 1998 as a consequence of the Government's Comprehensive Spending Review, in 2001 to allow the devolved bodies direct access to the Review Body's advice and in 2007 to add certain NHS managers to the remit.

The terms of reference are:

The Review Body on Senior Salaries provides independent advice to the Prime Minister, the Lord Chancellor, the Secretary of State for Defence and the Secretary of State for Health on the remuneration of holders of judicial office; senior civil servants; senior officers of the armed forces; very senior managers in the NHS¹; and other such public appointments as may from time to time be specified.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; 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 and motivate suitably able and qualified people to exercise their different responsibilities;

regional/local variations in labour markets and their effects on the recruitment and retention 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;

¹ NHS Very Senior Managers in England are chief executives, executive directors (except medical directors), and other senior managers with board level responsibility who report directly to the chief executive, in: Strategic Health Authorities, Special Health Authorities, Primary Care Trusts and Ambulance Trusts.

the need to maintain broad linkage between the remuneration of the three main remit groups, while allowing sufficient flexibility to take account of the circumstances of each group; and

the relevant legal obligations, including anti-discrimination legislation regarding age, gender, race, sexual orientation, religion and belief and disability.

The Review Body may make other recommendations as it sees fit:

to ensure that, as appropriate, the remuneration of the remit groups relates coherently to that of their subordinates, encourages efficiency and effectiveness, and takes account of the different management and organisational structures that may be in place from time to time;

to relate reward to performance where appropriate;

to maintain the confidence of those covered by the Review Body's remit that its recommendations have been properly and fairly determined; and

to ensure that the remuneration of those covered by the remit is consistent with the Government's equal opportunities policy.

The Review Body will take account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Members of the Review Body are:

Bill Cockburn, CBE TD *Chairman*
Professor Richard Disney
Martin Fish
Professor David Greenaway
Mike Langley
Professor David Metcalf, CBE
Sir Peter North, CBE QC
Christopher Stephens
Bruce Warman
Paul Williams

The Secretariat is provided by the Office of Manpower Economics.

Summary of recommendations

The senior civil service

Recommendation 1: We recommend no general increase in base pay for the senior civil service in 2010-11.

Recommendation 2: We recommend that the Pay Band 1 minimum be increased to £61,500 from 1 April 2010.

Recommendation 3: We recommend that the budget for non-consolidated performance-related payments remain at 8.6 per cent of the senior civil service pay bill in 2010-11.

Recommendation 4: We recommend that the Government provide us with a report as part of next year's evidence showing how departments have identified and addressed pay anomalies.

Recommendation 5: We recommend that the Government reconsider its approach to recyclables in the senior civil service pay system.

Recommendation 6: We recommend no increase in base pay for Permanent Secretaries in 2010-11.

Senior officers in the armed forces

Recommendation 7: We recommend that the Ministry of Defence review the Performance Management and Pay System to define the objectives of performance-related pay in the senior military and consider whether the current system can be improved.

Recommendation 8: We recommend that the pay scales below apply for 2-star officers with effect from 1 April 2010¹:

2-star	2010-11
6	£119,214
5	£116,924
4	£114,678
3	£112,476
2	£110,317
1	£108,201

¹ The pay scale for 2-star officers includes X-factor at the rate of £2,383, this sum being equivalent to 25 per cent of the cash value of X-factor at the top of the OF4 pay scale as proposed by AFPRB from 1 April 2010.

Recommendation 9: We recommend that the pay scale below apply for 3-star officers with effect from 1 April 2010¹:

3-star	2010-11
6	£152,642
5	£148,265
4	£144,016
3	£138,569
2	£132,084
1	£125,908

¹ The pay scale for 3-star officers includes X-factor at the rate of £2,383, this sum being equivalent to 25 per cent of the cash value of X-factor at the top of the OF4 pay scale as proposed by AFPRB from 1 April 2010.

Recommendation 10: We recommend that the pay scale below apply for 4-star officers with effect from 1 April 2010:

4-star	2010-11
6	£185,184
5	£181,553
4	£177,993
3	£173,652
2	£169,416
1	£165,284

Recommendation 11: We recommend that the pay scale below apply for CDS with effect from 1 April 2010:

CDS	2010-11
4	£252,698
3	£247,743
2	£242,885
1	£238,123

The judiciary

Recommendation 12: We recommend that County Court judges in Northern Ireland should continue to be paid at the Group 5 rate for 2010-11 pending a thorough examination under the major review.

Recommendation 13: We recommend that with effect from 1 April 2010 the salaries for the judiciary should be unchanged from 1 April 2009.

NHS Very Senior Managers

Recommendation 14: We recommend that the Department of Health revisit the guidance on performance markings to allow some flexibility to reward high performing Very Senior Managers in organisations that fail to meet their financial targets.

Recommendation 15: We recommend that the level of the bonus pot should remain at 5 per cent of the Very Senior Managers' pay bill for 2010-11.

Recommendation 16: We recommend that from 1 April 2010 there should be a 2.25 per cent increase in the base pay of Very Senior Managers covered by the pay framework whose current total salary is less than £80,000.

Recommendation 17: We recommend an increase from 1 April 2010 in the base pay of Very Senior Managers covered by the pay framework whose current total salary is between £80,000 and £81,799, to bring their total salary to £81,800.

Recommendation 18: We recommend that from 1 April 2010 there be no increase in the base pay of Very Senior Managers covered by the pay framework whose current total salary is £81,800 or more.

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Chapter 1

Introduction and economic evidence

Introduction

1.1 We have prepared this, our thirty-second annual report, against a background of near unprecedented global economic turmoil and domestic pressure on public finances. We discuss below the Government's evidence to us on the economic circumstances and prospects. As usual, we devote separate chapters to each of our main remit groups: the senior civil service; senior officers in the armed forces; the judiciary; and very senior managers in certain National Health Service organisations. In this chapter we discuss issues, including the economic background, affecting all four remit groups.

The Government's response to our last report

1.2 In our last report² we recommended the following increases for our remit groups:

Senior civil service	2.1 per cent
Senior military officers	2.8 per cent
Judiciary	2.6 per cent
NHS very senior managers	2.4 per cent

The Government accepted our recommendation for the senior military but abated all other groups to 1.5 per cent. We were disappointed by that decision, both because our recommendations were carefully considered and based on, to us, compelling evidence, and because the Government itself had proposed increases of 2 per cent for these groups in its evidence to us.

1.3 We of course recognise that the United Kingdom had been in recession since 2008 and many private sector workers received no or very small pay increases in 2009, while some accepted pay cuts, moved to short-time working or lost their jobs altogether. Nevertheless, we feel that our remit groups, other than the senior military, were singled out for worse treatment than other public sector workers. For example, workers covered by the Agenda for Change pay structure (who comprise nurses and most other NHS workers apart from doctors, dentists and senior managers) received 2.4 per cent last year as part of a three-year deal. Some of those workers report directly to our NHS very senior managers (VSMs) and their pay scale overlaps with the VSM pay framework. This was the second consecutive year that VSMs received a lower increase than Agenda for Change staff. Given that there are over 1.1 million full-time equivalent staff covered by Agenda for Change compared to some 1,200 VSMs, the saving from abating our recommendation for that group was small while the damage to morale at the top of many NHS organisations was potentially serious.

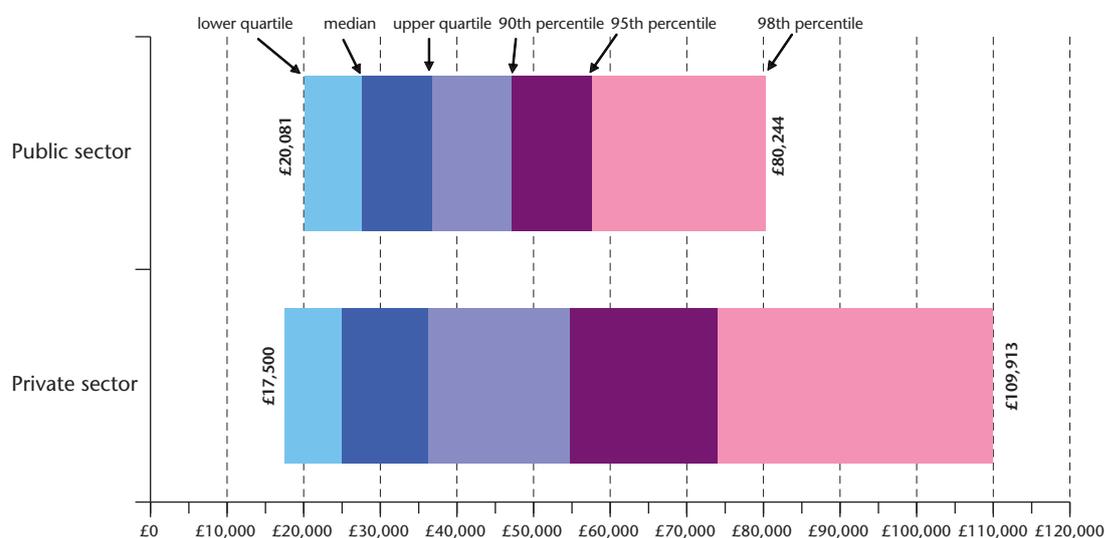
The role and relative pay of our remit groups

1.4 In recent reports we have emphasised the national importance of the work carried out by our remit groups who are the leaders of key areas of the public sector. We note with some concern recent ill-informed comment about senior public sector pay, including that of some of our remit groups. The reality, as we have often pointed out, is that the range of public sector pay is compressed compared with private sector pay. Those at

² Review Body on Senior Salaries. *Thirty-First Report on Senior Salaries*. Cm 7556 TSO 2009. Available at: www.ome.uk.com

lower levels are paid more than in the private sector. However, the top 25 per cent or so of private sector workers are paid more than the upper quartile in the public sector: more than 4 per cent of private sector workers but only 2 per cent of public sector workers are paid more than £80,000 a year. The divergence grows when total reward is taken into account.

Figure 1.1: Distribution of full-time earnings in the public and private sectors 2009



Source: Office for National Statistics, Annual Survey of Hours and Earnings 2009

1.5 There are understandable reasons for senior public sector pay to be lower than that in the private sector. Job security is on the whole much higher in the public sector. Job interest is high and public sector pensions are attractive and secure. Nevertheless, the fact remains that the public sector needs to pay sufficient to recruit, retain and motivate people of high calibre to lead and manage public services and serve in the judiciary and uniformed services. Otherwise it will become harder over time to fill senior posts with people of sufficient quality. Our concern is that in recent years our remit groups are increasingly gaining the impression that the Government takes their loyalty and goodwill for granted.

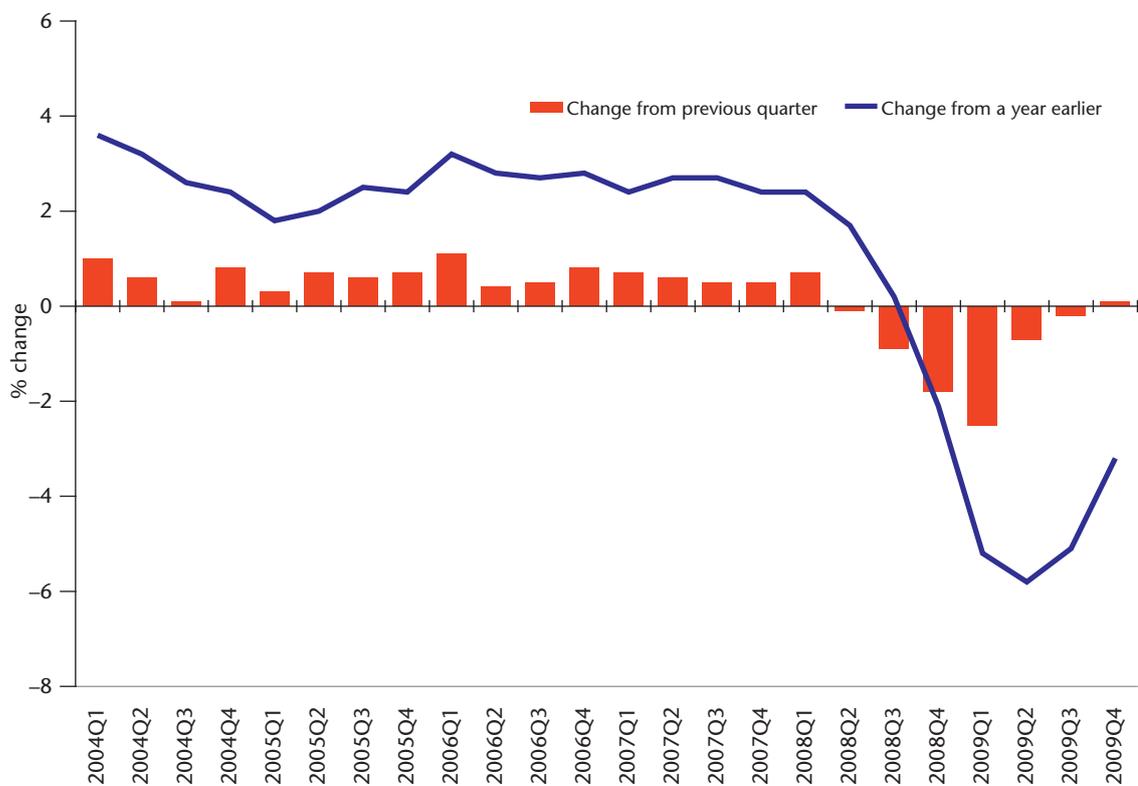
1.6 As an example of this attitude the Government has decided not to honour the third year of a pay agreement for the senior civil service (SCS) which it had itself originally requested. Under that agreement the SCS were promised a total increase of 7 per cent over three years from 2007, including an increase in the amount set aside for variable, performance-related payments to 10 per cent of the pay bill. We had reservations about both the timing and the logic of that agreement but the trade unions were not opposed to it and we said in our thirtieth annual report that we were “prepared to work within the Government’s proposed 7 per cent pay envelope for three years although we will continue to review SCS pay each year” (paragraph 3.56). The Government has allowed other three-year deals agreed around the same time to continue: in 2010 the deals for Agenda for Change staff, teachers and the police will deliver increases of 2.25, 2.3 and 2.55 per cent respectively in the final year. We are not convinced by the Government’s explanation of why the SCS agreement should not be adhered to while the others are honoured. When she gave evidence to us, the Minister for the Civil Service essentially argued that, given the economic circumstances, senior public sector workers needed to show leadership in pay restraint. However, while we accept the need for public sector pay restraint, we consider the Government’s approach to be inconsistent. Many public

sector workers, for example head teachers and senior police officers, paid significantly more than the lowest SCS pay band, will have the third year of their pay deals honoured while the SCS will not.

The economic context

1.7 The Government's evidence to us on the economy and affordability paints a bleak picture. The UK economy had been in recession since the middle of 2008, with GDP having fallen by 6 per cent since the peak in the first quarter of 2008. More recent GDP figures show that the recession ended in the autumn of 2009 and the economy grew by 0.1 per cent (provisionally) in the last quarter: see figure 1.2. The Treasury forecasts economic growth of 1 to 1.5 per cent in 2010,³ which is broadly in line with independent forecasts that give an average prediction of 1.4 per cent growth in 2010.⁴ The economy is not forecast to return to pre-recession levels of output until 2012.

Figure 1.2: Growth of GDP at market prices, 2004 to 2009 (at 2005 prices, seasonally adjusted)



Source: Office for National Statistics

1.8 The impact on the labour market has not been quite as bad as might have been expected given the volume of economic contraction. Employment has fallen by 2.2 per cent (659,000) from a record high in the spring of 2008 at 29.6 million⁵ to 28.9 million at the end of 2009. This brings overall employment back to the levels at the end of 2006. The fall in employment has affected younger people disproportionately: employment of 18 to 24 years olds has fallen by 8.3 per cent since spring 2008,

³ HM Treasury. *Pre-Budget Report. Securing the recovery: growth and opportunity*. Cm 7747. TSO, December 2009. Available at: http://www.hm-treasury.gov.uk/prebud_pbr09_repindex.htm

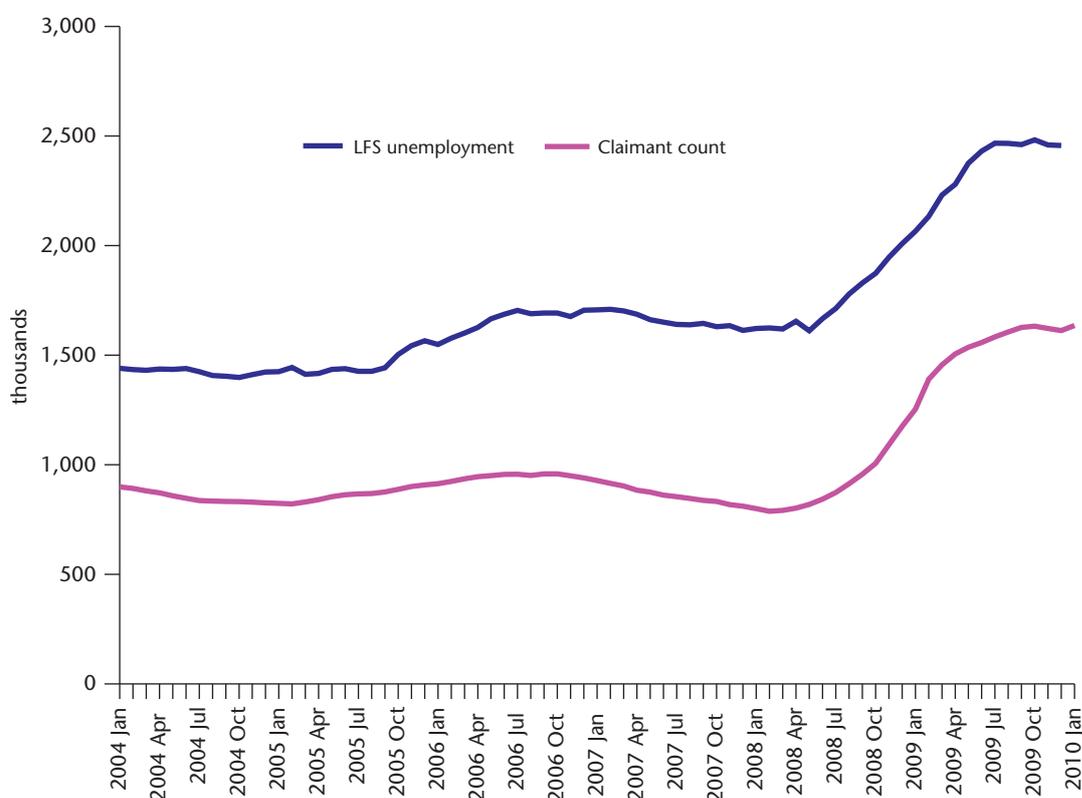
⁴ HM Treasury. *Forecast for the UK economy: a comparison of independent forecasts*. February 2010. Available at: <http://www.hm-treasury.gov.uk/d/201002forcomp.pdf>

⁵ Labour Force Survey, March-May 2008, 29,564,000 in employment; October-December 2009, 28,905,000 in employment.

compared to just 2.1 per cent for those aged 35 to 49. Unemployment rose sharply on both measures between mid-2008 and mid-2009 (see Chart 1.3). Since the summer of 2009, unemployment has been rising much more gradually, to reach 2.46 million on the broader International Labour Organisation measure in November 2009, from a low of 1.61 million in December 2007. The claimant count, a narrower measure of unemployment, reached 1.64 million in January 2010, from a low of 0.79 million in February 2008. The redundancy rate follows a similar pattern: redundancies peaked in the spring of 2009 and then fell back by autumn 2009 to the levels seen at the end of 2008. Claimant unemployment is forecast to grow by a further 100,000 or so during 2010.⁶ The Bank of England's Agents' summary reported in December 2009 that:

“there were relatively few plans to increase permanent staffing levels significantly. It was more common to hear of plans to let headcount drift down through non-replacement of leavers. But few firms were planning actively for significant cuts — the pervading sense among contacts was that so long as demand did not fall further, any material rationalisation of their labour forces was substantially complete”.⁷

Figure 1.3: Unemployment: LFS and the claimant count, January 2004 to January 2010



Source: Office for National Statistics

1.9 The rate of inflation reached historic lows during 2009. The annual rate of increase in the Consumer Prices Index (CPI) fell from a high of 5.2 per cent in September 2008,⁸ pushed up by rising gas and electricity prices, to a five-year low of 1.1 per cent in September 2009 as these fuel increases fell out of the 12-month comparison. CPI inflation then rose to 3.5 per cent in January 2010 and is expected to continue rising in the spring of 2010, but then fall back to 2 per cent by the end of the year. The Retail

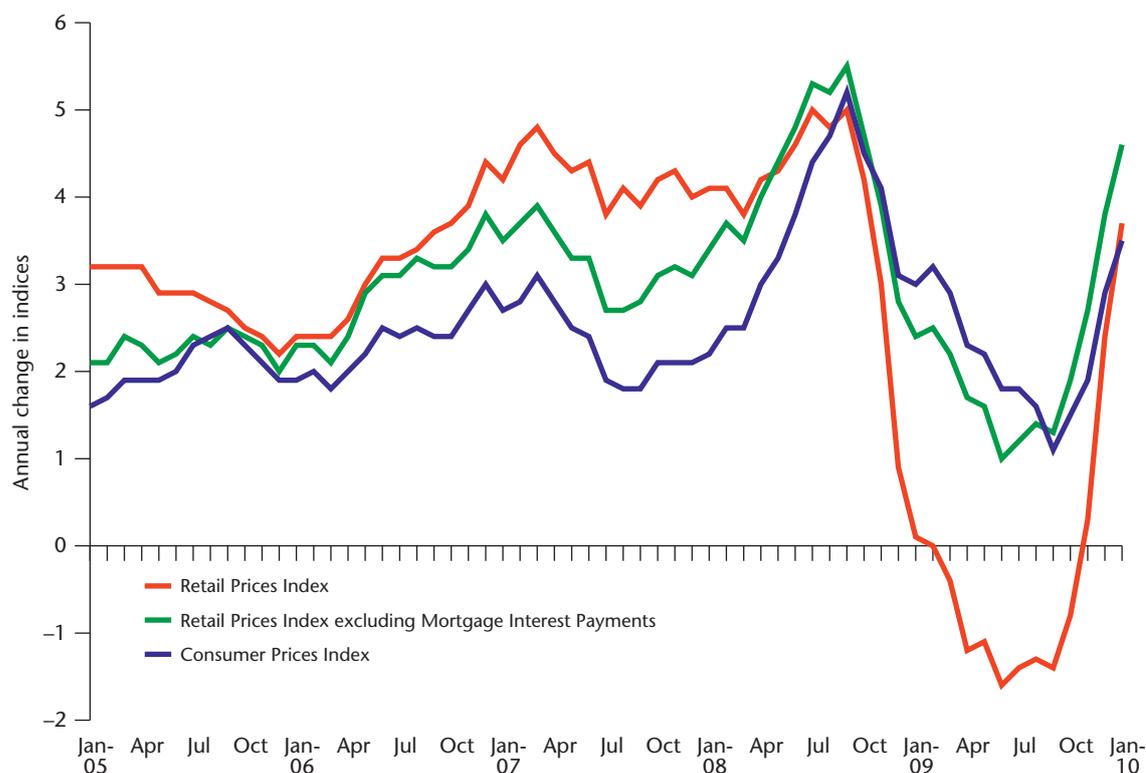
⁶ HM Treasury. *Forecast for the UK economy: a comparison of independent forecasts*. February 2010. Available at: <http://www.hm-treasury.gov.uk/d/201002forcomp.pdf>

⁷ Bank of England. *Agents' summary of business conditions*. December 2009. Available at: <http://www.bankofengland.co.uk/publications/agentssummary/agsum09dec.pdf>

⁸ The highest since CPI records began in January 1987.

Prices Index (RPI) showed inflation rising to a similar high of 5.0 per cent in September 2008 before falling substantially, pushed down by falling interest rates and house prices, as well as gas and electricity prices, to give an unprecedented eight months of negative inflation from March to October 2009.⁹ RPI inflation turned positive again in November 2009 (0.3 per cent) and had risen sharply to 3.7 per cent by January 2010. RPI inflation is expected to rise further in the first half of 2010 but to fall back to 3 per cent by the end of the year.¹⁰

Figure 1.4: Annual change in consumer prices indices, January 2005 to January 2010



Source: Office for National Statistics

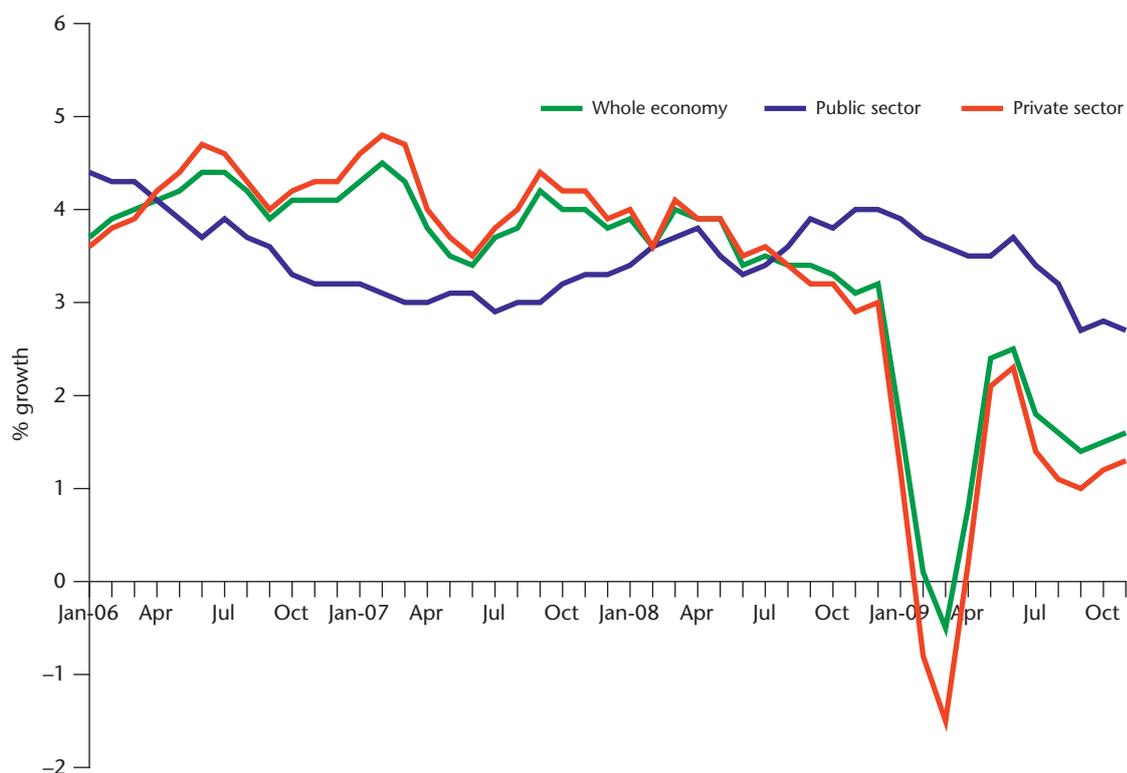
1.10 Pay settlements started the year at their long-term median of 3 per cent, boosted by the high inflation in the autumn of 2008. By the middle of the year, however, as the proportion of pay freezes grew to nearly half of all settlements, the median award dropped to an historic low of 1 per cent (according to Income Data Services (IDS)) and 0 per cent (according to IRS). Pay settlements showed a modest recovery by the autumn, reaching 1 to 2 per cent, although around a third of all reviews were still resulting in pay freezes. IDS forecasts that private sector pay rises could be centred on 2.5 to 3 per cent in 2010 with fewer freezes, and that there will be fewer long-term deals owing to uncertainty about economic forecasts. In IRS's survey of pay prospects, private sector companies are predicting a median increase of 2 per cent for the period from September 2009 to August 2010. According to the Bank of England's Agents' report, those that were planning for their 2010 settlements expected pay growth to remain subdued. While a few of those who had frozen pay this year expected to offer small increases, there were also reports from firms that expected to freeze pay in 2010 after giving increases in 2009.

⁹ The only other time in the RPI's history (since 1948) when it has been negative is in the 1959 to 1960 period. Even then, it was not negative for more than three months in a row, and the lowest figure was -0.8 per cent (June 1959).

¹⁰ HM Treasury. *Forecast for the UK economy: a comparison of independent forecasts*. February 2010. Available at: <http://www.hm-treasury.gov.uk/d/201002forcomp.pdf>

1.11 Private and public sector earnings growth have diverged significantly since the end of 2008 (see Figure 1.5). Private sector average earnings growth plummeted from 3 per cent in the three months to December 2008 to a low of -1.5 per cent in the three months to March 2009, pushed down by substantial cuts in bonus payments,¹¹ then recovered to 1 per cent by the autumn. The dip in average earnings growth in spring 2009, caused by lower bonuses, is likely to be reversed in spring 2010 as bonus payments recover. Public sector average earnings growth declined gradually during the year, from 4 per cent in the three months to December 2008 to 2.7 per cent in the three months to November 2009. The median forecast is for average earnings growth to be at 2.3 per cent by the end of 2010.¹²

Figure 1.5: Average earnings growth (including bonuses), three-month average, 2006 to 2009



Source: Average Earnings Index (Office for National Statistics)

Affordability

1.12 In its evidence this year the Government stressed that the public finances have been profoundly affected by the global financial crisis, as lower trend output has led to a permanent loss of tax revenue. Public spending will grow more slowly, at an average of 0.7 per cent a year in real terms between 2011 and 2014, compared with the estimated 1.9 per cent a year that the Government set in 2007 for the current spending review period. The Government therefore urged the pay review bodies to consider the medium-term implications for the Government's finances of the pay recommendations for 2010-11.

¹¹ According to data from the Office for National Statistics measure of Average Weekly Earnings (AWE), it was still the case that around £4.6 billion was paid in bonuses across the whole economy in February 2009; 58 per cent of this was paid in financial intermediation – a sector which accounts for just four per cent of employees covered by AWE.

¹² HM Treasury. *Forecast for the UK economy: a comparison of independent forecasts*. February 2010. Available at: <http://www.hm-treasury.gov.uk/d/201002forcomp.pdf>

Total reward

- 1.13 In order to calibrate the salaries of our remit groups with pay in the wider public and private sectors, we need to look at total reward. For our remit groups, the largest element of reward apart from salary is pension and we keep the value of pensions under review. This year we commissioned, jointly with the Review Body on Doctors' and Dentists' Remuneration, a study¹³ of total reward of workers in the parts of the private sector at salaries roughly equivalent to those of our remit groups. The study confirmed that pensions are a major element of total reward for our remit groups and, for new hires, are worth on average roughly double the pensions on offer to newly hired workers at similar pay levels in private sector defined contribution schemes (although many longer-serving workers at those pay levels in the private sector remain in legacy defined benefit pension schemes and tend to have pensions closer in value to those of public sector workers). However, our remit groups have few if any other quantifiable benefits, while private sector workers paid at similar levels often have a variety of benefits such as bonuses, long-term incentive plans, cars, private health insurance and other benefits which equal or outweigh the additional value of public sector pensions.
- 1.14 We have also looked at whether those at the very top of our remit groups enjoy additional benefits such as cars and drivers. We deal with the individual remit groups' benefits in subsequent chapters of this report, where relevant, but the main message from the Towers Watson report is that the total reward of private sector comparators for our remit groups is at least as high and probably higher on average. Moreover, for given levels of job weight and experience, pay in the private sector tends to be significantly higher than for our remit groups, as shown by the Office for National Statistics data in paragraph 1.4 above.

Job evaluation

- 1.15 All of our remit groups have recently been subject to some form of job evaluation or are expected to be so in the next year or two. The Ministry of Defence commissioned a job evaluation of the senior military beginning in 2008 and the results were summarised in the evidence to us this year. For the SCS, job evaluation is part of the new pay and grading system proposed in the Normington review, while judicial posts will be evaluated as part of the major review of the judicial structure which has just started and is due to report in 2011. Finally, the Department of Health is about to begin the job evaluation of very senior managers in the NHS. We discuss all these developments in the relevant chapters. Because the job evaluations are being carried out by different bodies for different purposes, we do not expect the results to be directly comparable. Nevertheless, we hope the results will enable us to draw at least broad conclusions about the relative job weights at different levels within each of our remit groups, as an indicator that we are achieving broad comparability, in line with our terms of reference.

Conclusions – our approach this year

- 1.16 The Government has argued that senior staff should demonstrate leadership on pay restraint and it proposes no increases for our remit groups this year. We are not persuaded by this signalling argument since we have seen no evidence, in this or previous years, that the level of settlements for our small remit groups has any impact on behaviour in the wider economy. Indeed, it is hard to see how freezing pay for senior staff demonstrates leadership when more junior staff are receiving significant increases, as in the case of VSMs and Agenda for Change staff.
- 1.17 We have therefore concentrated on the core criteria in our terms of reference, principally recruitment, retention, motivation, funds available to departments and wider economic

¹³ Towers Watson. *Research into total reward offered by comparator sectors*. Office of Manpower Economics, 2010. Available at: http://www.ome.uk.com/SSRB_Research_Papers.aspx

considerations. The stark reality of the economic background summarised above is that the nation has suffered a drop of some 6 per cent in GDP. Earnings growth in the private sector fell below that in the public sector in mid-2008 and was negative in the first quarter of 2009. Many people in the private sector have seen cuts in their real income, an inevitable consequence of the recession, and some have lost their jobs altogether. The public sector tends to become a haven of relative job and earnings security in these circumstances, and this is borne out by the healthy recruitment and retention data for our remit groups, but it cannot be immune from the consequences of the drop in economic output. Moreover, public finances are showing an unprecedented deficit and substantial reductions in public spending will be necessary in the coming years to redress the balance. We therefore conclude that there is no justification for general pay increases for our remit groups this year.

- 1.18 Many of the members of our remit groups are paid more than £100,000 a year. However, the lowest paid members of the SCS and the NHS VSM group are paid much less. Both of these groups have seen their pay increasingly overtaken by that of the grades immediately below them. The lower grades' pay is determined separately by individual civil service departments or, in the NHS, as part of the Agenda for Change pay structure. We therefore make recommendations, set out in the respective chapters, targeted at these groups and designed to begin to restore reasonable differentials, in accordance with our terms of reference which specifically provide for us to make recommendations "to ensure that, as appropriate, the remuneration of the remit groups relates coherently to that of their subordinates...".
- 1.19 For similar reasons, we recommend deletion of the bottom step of the senior military 2-star scale. This, coupled with the restructuring of senior military pay proposed in our last two reports, will ensure that officers receive at least a 10 per cent increase in base pay on promotion to 2-star rank. Again, this recommendation is described more fully in Chapter 3 of this report.

Chapter 2

The senior civil service

Introduction

- 2.1 In our thirtieth report, submitted in 2008, we recommended a three-year pay envelope for the senior civil service (SCS), in accordance with a proposal from the Government. Under the three-year deal, the increase in the SCS pay bill per head between April 2008 and March 2011 was limited to 7 per cent. Last year we recommended a headline increase of 2.1 per cent (which would have made a total of some 4.4 per cent for the first two years), plus recyclable savings, consistent with the terms of the deal. The Government decided, however, to abate our recommended uplift to 1.5 per cent, giving a compound increase of some 3.8 per cent over two years and leaving a balance of just over 3 per cent from the 7 per cent envelope agreed in 2008. The Government has subsequently informed us that it does not intend to implement the third year of the deal in 2010-11. We have commented on that decision in Chapter 1.
- 2.2 In this chapter we discuss the structure and pay system of the SCS, and consider the evidence we have received from the Government, the Cabinet Secretary, the Civil Service Commissioners and the trade unions – the FDA and Prospect. As well as outlining our recommendations on pay for 2010-11, we review developments in the pay and performance management system of the SCS, and discuss the progress made over the past year in implementing a new workforce and reward strategy.
- 2.3 Our remit covers all members of the SCS, which currently numbers 4,271. The size of the SCS has increased each year for many years and while the rate of growth has slowed considerably (from an increase of 17 per cent between 2001 and 2005, to an increase of 9 per cent between 2005 and 2009), the SCS has grown by more than 1,000 since 2000, an increase of over 37 per cent. The total number of members of the SCS in each year for the past ten years is given as Table 2.1.

Table 2.1: Total SCS staff in post by year

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
SCS in post	3,108	3,331	3,507	3,700	3,893	3,906	4,031	4,075	4,212	4,271
% change on previous year	n/a	7.2	5.3	5.5	5.2	0.3	3.2	1.1	3.4	1.4
% change since 2000	–	7.2	12.8	19.0	25.3	25.7	29.7	31.1	35.5	37.4

Sources: Cabinet Office, OME

- 2.4 We have commented in previous reports on the upward trend in SCS numbers. We understand that this tendency has at least in part been attributable to changes in the nature of the civil service itself, with an increasing quantity of policy work. Meanwhile developments in the use of technology have led to savings in clerical and administrative posts. Thus the size of the SCS has continued to grow against a background of decreasing numbers in the civil service as a whole in recent years (civil service numbers have fallen by over 7 per cent since 2005). In oral evidence, the Cabinet Secretary told us that, while he did not expect to see much more growth in SCS numbers over the next few years, it was clear that cutting numbers was not a preferred option even for departments facing severe funding pressures. Since that evidence session, however, the Government has announced plans in the Pre-Budget Report for large cuts in the SCS pay bill. It proposes to reduce the total cost of our remit group by £100 million over three

years, a 20 per cent cut: we assume that it intends to achieve this chiefly by reducing headcount. It is not clear whether this sudden change of direction is confirmation that the previous growth was unplanned and possibly unintended. Nor is it clear how, if at all, this vision relates to the work done so far on a new workforce strategy for the SCS. For our part, we look forward to receiving evidence on these plans, and we continue to urge the Government to ensure that the size of the SCS is determined in accordance with a clear strategy and an explicitly stated concept of its role and purpose.

Workforce and reward strategy

2.5 We believe that designing and planning for the SCS workforce should be a conscious, purposeful process, driven and sustained through leadership and co-ordination from the centre. We have been concerned for some time about the absence of coherent workforce planning in the SCS. In addition, while we continue to support strongly the principle of performance-related pay for the SCS, we echo the criticism we hear from many members of the SCS about the functioning of the current pay and performance management system. The report of the Steering Group on Senior Civil Service Workforce and Reward Strategy, chaired by Sir David Normington, made constructive recommendations to address deficiencies in these areas and we discussed these in some detail in our 2009 report. While we had reservations on some aspects of the report's conclusions, we were pleased that it appeared to represent a new and much-needed engagement with the present and future needs of the SCS workforce. This year, we have received evidence from the Cabinet Office on progress in implementing the report's recommendations, which are being taken forward by the Workforce Strategy and Reward Programme. We welcome the Government's commitment to implementing a coherent approach to workforce planning, but we remain concerned about the rate of progress. We wholeheartedly agree with the statement from the Cabinet Office that "To lead the civil service through the forthcoming fiscal consolidation it is vital that the SCS has the right number of leaders with the right skills and competencies in the right jobs, at the right time, and at the right cost", and we therefore urge the Government to complete the work envisaged in the Normington report as quickly as possible, ensuring that sufficient resources are made available for the task.

The SCS pay system

2.6 The SCS is divided into three main pay bands below the level of Permanent Secretary, numbered 1 to 3 in ascending order of seniority. There is also an additional pay band, 1A, which lies between 1 and 2 and is used by a few departments, mainly where there are unusually large management spans or for some specialist posts. Table 2.2 sets out the current pay range for each salary band, together with the number of staff in post at each level.

Table 2.2: SCS pay ranges 2009

Pay Band	No. in band	Pay range	Median salary	Mid-point of range
Permanent Secretaries	36	£141,836 - £277,349	£163,200	£209,592
3	171	£101,500 - £208,100	£135,150	£154,800
2	770	£82,900 - £162,500	£102,005	£122,700
1A	199	£67,600 - £128,900	£85,431	£98,250
1	3,078	£58,200 - £117,800	£73,699	£88,000

Sources: Cabinet Office, OME

Note: The above total of SCS members (4,254) is lower than the total staff in post in table 2.1 (4,271). The difference of 17 consists of SCS members in non-standard pay bands (i.e. not Pay Bands 1-3 or Permanent Secretaries) and with non-standard contracts, e.g. those paid at NHS rates.

2.7 Members of the SCS are normally eligible for annual, consolidated increases in base pay, subject to performance. Senior civil servants are ranked within their management units from strongest to weakest on the basis of their performance and are then allocated to one of four performance groups. The Cabinet Office issues a target distribution for the performance groups; since 2008 this has been: Group One (highest performance): 25 per cent; Group Two: 40 per cent; Group Three: 25 – 30 per cent; and Group Four (lowest): 5 – 10 per cent. Table 2.3 shows the actual distribution achieved in 2009.

Table 2.3: SCS performance group markings by pay band 2009

Pay Band	Performance Group %				
	One	Two	Three	Four	
	<i>Target distribution</i>	<i>25</i>	<i>40</i>	<i>25-30</i>	<i>5-10</i>
3	27	52.4	13.5	7.1	
2	29.9	44.1	21.5	4.5	
1A	24.6	47.5	25.1	2.7	
1	23.6	45.3	26.4	4.7	
All SCS	24.9	45.4	25.1	4.6	

Source: Cabinet Office

2.8 We have in the past noted that individuals in higher pay bands appear more likely to be placed in one of the top performance groups despite the fact that appraisal is intended to be relative rather than absolute. The results for 2009 still show some skewing: 69 per cent of Pay Band 1 members were placed in the top two performance groups compared with 74 per cent of Pay Band 2 and over 79 per cent of Pay Band 3, but the distribution is less uneven than in previous years.

Variable pay

2.9 As well as being awarded annual base pay increases on the basis of performance, members of the SCS are also eligible for non-consolidated, non-pensionable, performance-related payments. These payments are used to recognise and reward performance against in-year objectives, and departments can distribute both individual and corporate awards. When the system of variable pay awards was first introduced, it was envisaged that the proportion of the SCS pay bill allocated to these payments would rise gradually to 10 per cent by 2008. This target has still not been reached, however, in

part because of our concerns about the operation of the system. Last year, we recommended that the pot for non-consolidated payments should remain at 8.6 per cent of pay bill, in accordance with the Government's proposal.

- 2.10 A recurring theme of recent years has been that a proportion of the non-consolidated pot has remained unused: in 2006 departments used only 6 per cent of an available 6.5 per cent; in 2007 7 per cent was awarded from a recommended 7.6 per cent; in 2008 7.1 per cent was awarded from a recommended 7.6 per cent, and in 2009 departments used 7.4 per cent from a recommended 8.6 per cent. This is a cause for concern since the money available for non-consolidated performance payments to the SCS is specified as a percentage of the total pay bill and could otherwise have been used for consolidated pay. We do not regard such payments as being analogous to the much larger bonus payments potentially available in some parts of the private sector and notably in financial services. Private sector bonuses are largely determined in accordance with the financial performance of an organisation or cost centre and, as we have discussed in previous reports, on average represent a significantly higher proportion of salary than in the SCS. SCS performance-related payments are more akin to variable, non-consolidated merit payments and are paid out of an earmarked portion of the pay bill, currently 8.6 per cent. This has been built up since 2002 by allocating part of annual pay increases to the pot for variable payments, rather than consolidated base pay increases (thus, incidentally, reducing SCS pensionable pay below the level it would otherwise have reached). SCS performance payments do not increase the total pay bill above the planned level and failure to use the available amount effectively reduces the total pay bill. The fact that 1.2 per cent of the available pot was not used in 2009 may explain in part why SCS median pay fell between 2008 and 2009.
- 2.11 Written evidence from the Cabinet Office stated that, as well as collectively waiving their own entitlements to non-consolidated performance payments in 2009, Permanent Secretaries had agreed that performance payments to staff should be limited to a maximum of £10,000 for Pay Bands 1 and 1A, £12,500 for Band 2, and £15,000 for Band 3. Placing a cap on the level of awards to the top performers meant that more staff could receive payments from the non-consolidated pot: 73 per cent of SCS received a payment in 2009, compared with 67 per cent in 2008, while the size of the average award was reduced from £8,880 to £8,441.

Table 2.4: Average value of SCS non-consolidated performance-related payments by pay band 2009

Pay Band	Average payment	% of median salary
3	£12,704	9.4
2	£10,059	9.9
1A	£8,221	9.6
1	£7,770	10.5

- 2.12 We recognise that there are political sensitivities that must be taken into account in the handling of non-consolidated payments in the civil service, especially at a time of intense media scrutiny surrounding performance-related pay in both the private and the public sectors. We agree with the Government, however, that "the civil service scheme is not a 'bonus' system as is generally employed in the private sector"¹⁴, and we think it is better

¹⁴ Government Evidence submitted by the Cabinet Office to the SSRB on the Pay of the Senior Civil Service, November 2009, paragraph 50. See Appendix C

described as a merit scheme¹⁵. We believe that this distinction needs to be explained to the public.

- 2.13 The self-imposed upper limit on payments in 2009 also reduced departments' ability to differentiate strongly on the basis of performance. We therefore urge departments to make full use of the amount available for non-consolidated performance-related variable pay, and use the flexibility to ensure that those objectively identified as the very highest performers receive commensurate awards. Notwithstanding our reservations about the functioning of the current system, we continue to support the principle of using performance-related pay in the SCS and we encourage the Cabinet Office to work with other departments to resolve the shortcomings of the current system and develop it as an effective incentive and management tool.

Dual market

- 2.14 The disparity between salaries typically paid to members of the SCS who have been promoted through the civil service and those offered to external recruits from the private and wider public sectors has been another source of concern for us for some time, and it is one of the central issues addressed by the Normington review. The median salary of those promoted internally in the SCS now stands at 82 per cent of that of external recruits, down from 83 per cent last year; 2008-09 also saw the first increase since 2006 in the pay gap in Pay Band 1, the largest section of the SCS. Table 2.5 gives the difference in median salaries of those promoted internally and external recruits in each pay band.

Table 2.5: SCS median salary by pay band and origin, 2009

Pay Band	Median salary – internally promoted	Median salary – external recruits	Difference between external recruits and internally promoted %
3	£129,431	£148,798	15.0
2	£90,000	£122,460	36.1
1A	£81,043	–	–
1	£67,555	£86,480	28.0

Sources: Cabinet Office, OME

– Figures suppressed where number of individuals is below five.

Note: the median salaries differ from those in Table 2.2 because that table covers all staff in post, whereas Table 2.5 excludes SCS members with non-standard pay arrangements (e.g. those paid at NHS rates).

- 2.15 The Cabinet Office noted in written evidence that these figures tended to be subject to considerable fluctuation, particularly in the higher pay bands where the smaller numbers of SCS make large year-on-year changes likely, and commented that "Salary differentials on appointment are not unsound in principle but they become an issue of concern if they do not adequately reflect the market value of new appointees". The Cabinet Office informs us that it is committed to monitoring recruitment processes, encouraging departments to standardise advertisements for SCS posts, and challenging them to justify requests for starting salaries above the reference point for each pay band. It also noted the Civil Service Commissioners' observation that "It does seem that the civil service has addressed this issue and there is now much greater consistency". However,

¹⁵ See our *Twenty-Ninth Report on Senior Salaries 2007*, Cm 7030, in which we reported at paragraph 2.43, page 22, on a comparative study of bonus scheme design and effectiveness by Towers Perrin. We concluded: "It may be better to see the [SCS] scheme as designed simply to provide extra payments to better performers – a *merit* scheme rather than a *bonus* scheme."

the growth in the salary differential in Pay Band 1 (outside the remit of the Commissioners) may be a more significant development than the reduction of the gap in Pay Bands 2 and 3. Consistency in pay for internal and external recruits therefore remains a matter of concern since the gap we have seen in the past caused considerable problems of morale as well as potential equal pay claims.

Equal pay

- 2.16 The Equal Pay Act enshrines the right of men and women to equal pay for work of equal value. For the SCS as a whole, the difference in pay between men and women remained constant in 2009, at 4.8 per cent of male median base pay. The Cabinet Office's evidence stated that this gap was largely a consequence of there being more men than women in the higher ranks of the SCS: women currently occupy only 28 per cent of posts in Pay Bands 2 and 3. Within each band, therefore, the gaps are smaller: 2.8 per cent in Band 1, 2.2 per cent in Band 2, and approximate parity in Bands 1A and 3. Moreover, median starting salaries for women promoted internally are in fact higher than those for men within each band.
- 2.17 A significant gap remains between starting salaries for men and women joining the SCS from outside the civil service (Table 2.6). It may be that the SCS is inadvertently importing part of its pay gap from the private sector, where the overall disparity is much greater. However, this gap, too, has fallen over the past year and, as the Cabinet Office points out, the difference in salaries for external recruits can also be attributed to the relatively low numbers of women joining at the higher pay bands from outside the civil service – though that raises the question of why women are underrepresented in that area of recruitment.

Table 2.6: Difference between median starting salaries of men and women in SCS in 2007-08 and 2008-09

Route to post	Female median 2008-09	Male median 2008-09	Difference (as % of male median)	Female median 2007-08	Male median 2007-08	Difference (as % of male median)
Internal	£71,087	£72,169	1.5%	£69,123	£74,835	7.6%
External	£86,550	£97,593	11.3%	£84,050	£99,620	15.6%

Sources: Cabinet Office, OME

- 2.18 Evidence from the Cabinet Office also notes that women on average received slightly higher base pay awards than men in 2009: 2.4 per cent as against 2.2 per cent for men. This reflects the fact that women were more likely to be placed in the top performance groups, and also the fact that departments tend to award proportionately larger pay increases further down the salary scale.
- 2.19 Overall, it appears that the SCS comes close to achieving equal pay between men and women, with a pay gap well below the average for the whole economy – 17.1 per cent for full-time workers. Nevertheless, care is needed when recruiting externally to ensure that salaries offered are objectively justified.

Diversity

- 2.20 Table 2.7 shows progress to date towards the Government's diversity targets for the SCS. The aim is to reach the main targets by 2013, with a 'stretch target' of achieving them by 2011.

Table 2.7: Diversity in the SCS

Measure	April 2005	April 2006	April 2007	April 2008	March 2009	2011-2013 target
% of women in SCS	29.1	30.4	32.1	32.6	34.3	39
% of top management posts held by women	25.5	26.3	27.5	25.4	27.2	34
% of SCS from ethnic minority backgrounds	2.8	3.1	3.2	3.6	4	5
% of SCS with disabilities	2.9	2.8	2.8	3.1	3.2	5

Source: <http://www.civilservice.gov.uk/about/resources/monitoring.aspx>

Age discrimination

2.21 As in previous years, the Cabinet Office's evidence included information on the breakdown by age of the numbers of SCS members being placed in each Performance Group, and the numbers receiving non-consolidated performance-related payments. The figures, given in part as Table 2.8, suggest that younger members of the SCS continue to be more likely to be placed in Performance Group One, and to receive non-consolidated payments. Although the disparity in Performance Group markings appears slightly less pronounced in 2009 than in 2008, the tendency for younger SCS members to receive proportionally more non-consolidated payments has not seen a similar reduction.

Table 2.8: Breakdown by age of SCS median salary, Performance Group One markings and percentage receiving non-consolidated, performance-related payments in 2008-09

Age	Median Salary	% of age band in Performance Group One	% of age band receiving non-consolidated payment
<30	£59,199	40	69
30-34	£65,046	29	78
35-39	£71,400	34	79
40-44	£73,998	29	75
45-49	£77,341	28	76
50-54	£81,373	22	73
55-59	£81,913	18	68
60-64	£84,767	14	59
65+	£85,070	13	44

Note: percentages of age bands placed in Performance Group One are derived from totals which exclude those listed as 'not applicable' in Cabinet Office evidence.

Sources: Cabinet Office, OME

2.22 The Cabinet Office had in previous years indicated a commitment to carrying out work to establish whether or not results such as these were evidence of direct, or indirect, age bias in the SCS pay system. The Cabinet Office informed us this year that this work never took place, and suggested instead that "the new reward strategy under development will aim to introduce a more structured reward framework, which ... enhances transparency and therefore fairness." We have often noted concerns on the

part of SCS members themselves about the objectivity of the performance appraisal system. At first sight it would appear from the above table that there is an accelerating decline in performance on the part of those aged over 40. If this is true, it suggests that the SCS may be failing to manage out those whose performance has declined below an acceptable level. On the other hand, there may be an element of age bias in the appraisal system. The figures merit further study and we urge departments to monitor closely the data on age and performance.

Pay and bonus comparability

2.23 The Cabinet Office has provided us with evidence on the comparability of SCS salaries with those paid for roles of equivalent job weight in the private sector and the wider public sector. The data suggest that SCS pay has fallen further behind comparators in both sectors since last year. In Pay Band 1, for example, median SCS base pay has fallen to 85 per cent of private sector pay at equivalent job weight, compared with 89 per cent in 2008, and has fallen to 94 per cent of median base pay in the wider public sector, compared with 97 per cent in 2008. We ask the Cabinet Office to continue to provide us with information on pay comparability so that we can monitor these developments and establish whether there is a trend.

Pensions and total reward

2.24 The value of annual pension benefit accrual to the average member of the SCS is estimated to be around 22 per cent of base salary. The majority of the SCS are currently still in final salary arrangements (the Classic, Classic Plus and Premium schemes) which provide benefits in retirement linked to the best pensionable earnings received in the three years before leaving the civil service. The normal retirement age for these schemes is 60. The final salary schemes have all been closed to new entrants since 30 July 2007. Since that date, entrants to the civil service have mostly joined the 'nuvos' scheme, which offers a pension based on revalued career average earnings from a normal retirement age of 65. The value of the new scheme is slightly lower than the earlier schemes.

2.25 Pension provision is a valuable element of the total reward package in the SCS. This is particularly clear at a time when defined benefit schemes in the private sector are becoming increasingly rare for new hires, and are frequently being closed to future accrual even for established employees. Furthermore, the guaranteed nature of the benefits provided under the civil service schemes arguably enhances their worth beyond the nominal value of annual accrual. We also recognise, however, that total compensation for private sector employees frequently includes a range of benefits, from large bonus payments to company cars, which are not available to civil servants. Both the evidence from the Cabinet Office on pay comparability mentioned above and the research¹⁶ conducted for the Review Body on Doctors' and Dentists' Remuneration and us suggest that, notwithstanding that civil service pension schemes are more valuable than those in the private sector, total reward (including benefits such as cars, health insurance and long-term incentives) is significantly higher overall in the private sector than for comparable jobs in the SCS.

Other benefits

2.26 The Cabinet Secretary has in the past had the use of a car and driver; this entitlement extended to journeys treated as a taxable benefit in the Cabinet Office accounts. However, we understand that he has decided not to retain that benefit and thus is now in the same position as the Lord Chief Justice who is also entitled by his terms and conditions to a car and driver but does not use this benefit for journeys that would give rise to a tax liability.

¹⁶ Towers Watson. *Research into total reward offered by comparator sectors*. Office of Manpower Economics, 2010. Available at: http://www.ome.uk.com/SSRB_Research_Papers.aspx

Evidence

2.27 As in previous years, we have received written evidence from the Government, the Civil Service Commissioners, and the civil service unions; we also took oral evidence from these groups, as well as holding discussion groups with members of the SCS. A full list of those who provided evidence is at Annex A; Annex C gives a list of the website addresses where the written evidence from each group may be found.

Government evidence

2.28 We received written evidence from the Cabinet Office, and the Minister for the Cabinet Office, the Cabinet Secretary and other officials also gave oral evidence. The Government proposed that:

- there should be a pay freeze for the Senior Civil Service in 2010-11;
- the minima and maxima of the pay bands should remain unchanged; and
- the proportion of pay bill allocated to awarding non-consolidated, performance-related payments should remain static at 8.6 per cent.

2.29 The Cabinet Office informed us that it intended to instruct departments to use what are known as 'recyclable savings' (estimated at 1 per cent of pay bill) to address pay anomalies in the SCS, and asked us to endorse its approach. It also suggested that we "recommend a targeted approach within workforces where possible, to deliver the best value for money."

2.30 The Government's evidence expressed the view that a 3 per cent increase in pay bill per head, which would be the result of honouring the third year of the SCS pay deal, was inappropriate in the current economic climate, and stated that, although the cost of a pay uplift for the SCS would be comparatively small, there was "a responsibility for the most senior staff to demonstrate leadership on pay restraint". We also heard that:

- the wider labour market context was likely to contribute to strong recruitment and retention over the coming year;
- pay restraint would be crucial to protecting service quality in a tighter public spending environment in order to prevent pay absorbing a greater proportion of constrained budgets;
- members of the SCS understood the difficulty of awarding substantial pay uplifts to public servants in the current fiscal situation; and
- progress had been made on implementing the reforms called for by the Normington review, but this was moving slowly due to limited funding.

2.31 We note that in the Pre-Budget Report in December 2009, the Government announced that it intended to cut the SCS pay bill by £100 million, or 20 per cent, over the next three years. It intends to achieve this through a review of organisational design that will "reduce unnecessary bureaucracy and management layers". We have not yet received evidence from the Government on how this intention relates to the workforce and reward strategy currently being developed by the Cabinet Office, nor has the Government commented on how it expects these cuts to affect morale in the SCS.

Unions

2.32 The FDA and Prospect, the unions for the SCS, submitted joint written evidence, and also gave oral evidence. They outlined their disappointment at the way the Government had handled its decision not to keep to the three-year deal. While they recognised that it might have been difficult to award the full three per cent remaining from the agreed envelope as a headline increase, they were concerned that the Government had decided on a pay freeze without due consideration of how this would affect progress towards reforming workforce management and reward arrangements in the SCS. They also suggested that failure to reform the pay system now could lead to higher costs for the Government in the long run because of the ongoing risk of expensive equal pay claims. Their specific proposals for this pay round were:

- there should be a 2.5 per cent base pay uplift;
- the remaining money in the three-year deal should be used to reform the pay ranges by lifting the minima, reducing the size of each band, eliminating overlap, and guaranteeing pay progression within each band;
- the Cabinet Office should exert control over the 'dual market' to ensure that internal and external recruits were treated equitably, and should set out clear criteria for the payment of skills premia;
- the use of relative appraisals to assess performance should be dropped and replaced with a more objective performance management system on which pay decisions could be based;
- the system of non-consolidated performance payments should be abandoned, and the savings should be put into consolidated pay; failing that, the current system should be reformed to make it fairer and to focus more on rewarding team performance; and
- the idea in the Normington review of implementing a system of premia based on job weight should be rejected, but posts should be graded more consistently according to weight.

Civil Service Commissioners

2.33 We received written evidence from the Civil Service Commissioners, and the First Commissioner gave oral evidence. The Commissioners, who chair competitions for recruitment to SCS posts in Pay Band 2 and above, stated that the top SCS jobs continued to attract strong fields of candidates, and that current remuneration arrangements did not appear to be a barrier to recruiting high quality candidates from the private sector and the wider public sector.

2.34 In previous years, the Commissioners have expressed concerns about the disparity between starting salaries paid to internal and external appointees. Not only do successful candidates from the private sector and wider public sector frequently negotiate salaries above the advertised rate, but those promoted internally have frequently been paid salaries substantially below those advertised. As noted in paragraph 2.14, the Commissioners observed a reduction in these practices in 2008-09. They reported that there were far fewer instances of payments significantly over the advertised rate, and the average starting salaries of Pay Band 2 and 3 appointees from the civil service rose. More generally, internal candidates formed a greater proportion of appointees in 2008-09 than expected: 63 per cent, up from roughly 40 per cent in the two previous years. With regard to diversity, the Commissioners also noted that more women were appointed this year: 35 per cent of successful candidates across the two Pay Bands.

Discussion groups

- 2.35 We held discussion groups with members of the SCS from each pay band, in order to hear their views on remuneration, morale and motivation, and other related matters. We are grateful to all those who attended these sessions.
- 2.36 The SCS members who attended the discussion groups did not express surprise at the Government's decision to abate our recommended uplift to a lower rate, and did not have high expectations for a large award in 2010. They had other concerns about the pay system, however:
- there was a view that the performance management system, which enforces a fixed distribution between the four performance groupings, led to some good performers being placed in the bottom group through no fault of their own;
 - there were mixed views on non-consolidated performance-related payments, with most participants regarding them as a broadly positive element of the remuneration package, but some raising concerns about the way the system was applied; and
 - there were still concerns about the disparity between salaries paid to internally promoted members of the SCS and external recruits, although there were signs that the issue was being addressed.

The differential between Grade 6 and Pay Band 1

- 2.37 As noted above, the unions proposed raising the minima of each pay band to eliminate overlap and we had heard concerns from some SCS members about the overlap between Grade 6 and Pay Band 1. (Grade 6 is not used by all departments. In some of those that do use it, it is, like Pay Band 1A, largely for specialists and in large management spans, but in others the distinction between Grades 6 and 7 is less clear.) We therefore asked the Cabinet Office for information on Grade 6 pay scales which are set by individual departments:

Table 2.9: Pay Ranges for Grade 6 across example main departments and an agency – 2008-09 data – London Rates (including any London weighting or allowances)

Department	Minimum	Maximum
Work and Pensions	£57,670	£70,010
HM Revenue & Customs	£59,243	£72,747
Home Office	£58,009	£72,464
Ministry of Justice*	£44,138	£65,975
Ministry of Defence	£57,824	£74,685
Land Registry	£65,325	£73,572

* Ministry of Justice have amalgamated Grades 6 and 7
Source: Cabinet Office

- 2.38 While it is not unusual for the top of one pay band to overlap with the bottom of the next higher band, it is striking that two of the Grade 6 minima in the above table are higher than the Pay Band 1 minimum (currently £58,200). Since civil servants may be promoted to Pay Band 1 from either Grade 7 or Grade 6, those who come from Grade 6 tend to be placed higher in the Pay Band 1 range (because of the ten per cent increase on promotion rule) and they then often keep that pay lead over those promoted from Grade 7 for the rest of their careers.

- 2.39 The Government in its evidence to us asks us “to recommend a targeted approach within workforces where possible, to deliver the best value for money”. We believe it would be right to target an increase on the bottom of Pay Band 1 in order to start to address the problem of the Grade 6 overlap.

Pay recommendations for 2010-11

- 2.40 It has been difficult to reach a decision on pay recommendations this year. Different aspects of the evidence point in different directions. On the one hand it is clear that many people in the private sector have seen pay freezes or pay cuts in the last year. Moreover, the financial crisis and costs of the recession (reduced tax income coupled with higher unemployment benefit payments) have put great pressure on public finances. Recruitment and retention in the SCS are, if anything, even healthier as a result of the recession.
- 2.41 On balance, we feel that this year there is no justification for a general increase for any of our remit groups, including the SCS, at a time of unprecedented economic difficulty and pressure on public finances. However, we recommend an increase of some 5 per cent (rounded up) in the Pay Band 1 minimum, to go part of the way to tackling the problem of overlap with Grade 6, and we intend to look again at this next year. We estimate that this will cost 0.12 per cent of the SCS pay bill.

Recommendation 1: We recommend no general increase in base pay for the senior civil service in 2010-11.

Recommendation 2: We recommend that the Pay Band 1 minimum be increased to £61,500 from 1 April 2010.

Variable performance pay

- 2.42 In its evidence this year the Government proposed to maintain the broad outlines and level of the arrangements for non-consolidated, variable performance pay for the SCS, subject to the following points:
- variable non-consolidated performance-related awards should be used as a reward for in-year performance against objectives;
 - non-consolidated performance-related awards can be a mixture of individual and corporate awards, aligned to business need (e.g. making greater use of corporate awards in response to issues emerging from Departmental Capability Reviews, an approach already applied by a few departments);
 - non-consolidated performance-related awards should continue to be differentiated at the individual level so that the strongest performers get the highest awards. The Cabinet Office will set limits on the proportion of SCS members in each department expected to receive an award and will continue to expect departments to rank and then allocate SCS members to the performance groupings to encourage greater differentiation and to enable continued analysis of reward practice and diversity issues; and
 - non-consolidated performance-related award pots could also be differentiated at the organisational level so that departments have the flexibility to differentiate the size of the pot between different directorates/groups in the department on the basis of their relative performance.

2.43 We continue to support strongly the principle of performance-related pay for the SCS, while having reservations which we have set out in this and previous reports about the current system. We welcome the Government's intention to modify the system as indicated above and we are content for non-consolidated, performance-related payments to the SCS to be made in 2010-11 on that basis, using the current budget of 8.6 per cent of the pay bill.

Recommendation 3: We recommend that the budget for non-consolidated performance-related payments remain at 8.6 per cent of the senior civil service pay bill in 2010-11.

Recyclable savings

2.44 For many years the Government has identified "recyclable savings" or negative pay drift in the SCS, caused by higher-paid leavers being replaced by lower-paid replacements. In our last report we noted that we had received a note from the Cabinet Office on the calculation of recyclable savings but that we wished to explore the precise calculation before our next report.

2.45 This year the Cabinet Office expects recyclable savings to be 1 per cent of the SCS pay bill. However, we have examined the method of calculation used by the Cabinet Office and have not been able to verify its accuracy to our satisfaction. Moreover, it is not clear to us why, even if recyclable savings exist at the level identified by the Cabinet Office, they should automatically be ploughed back into pay.

2.46 The Government asks us to endorse an approach whereby departments are allowed to use recyclable savings to increase individual SCS members' pay subject to the following criteria:

- recyclable savings cannot be used to reward performance or to provide an underpinning base pay award for all staff;
- those monies available for base pay awards must be targeted towards dealing with any instances where a pay anomaly has arisen that does not reflect market value. All such repositioning should be carried out against clear criteria and the reasons recorded; and
- if a department believes that the pay anomalies could give rise to equal pay concerns, it must liaise closely with the Cabinet Office in resolving these issues.

2.47 It is not clear to us what sort of pay anomalies (other than equal pay claims) can be identified systematically now, ahead of the job evaluation which we understand will be a feature of the new workforce and reward strategy flowing from the Normington report (see paragraph 2.5 above). However, if there are indeed anomalies and equal pay concerns that can be identified in the SCS, then they ought of course to be rectified and we would certainly support the Government's decision to allocate funds for this purpose. We do not see a connection, though, between pay anomalies and the calculation of recyclables as it has been presented to us. We therefore recommend the Government to provide us with a detailed report next year showing how departments have identified and addressed anomalies. We also invite the Government to reconsider its approach to recyclables.

Recommendation 4: We recommend that the Government provide us with a report as part of next year's evidence showing how departments have identified and addressed pay anomalies.

Recommendation 5: We recommend that the Government reconsider its approach to recyclables in the senior civil service pay system.

Permanent Secretaries

2.48 Given our approach to pay for Pay Bands 1–3 this year, we recommend no increase in base salary for Permanent Secretaries.

Recommendation 6: We recommend no increase in base pay for Permanent Secretaries in 2010-11.

Chapter 3

Senior officers in the armed forces

Our remit group

3.1 Our senior military remit group consists of 136 officers at 2-star level or above. Although they are the smallest of our remit groups, they clearly play a vital role in leading our armed forces, particularly at a time when the UK is actively involved in operations in Afghanistan and elsewhere. Table 3.1 provides a breakdown by rank of senior military numbers since 2007. The total number of officers has increased by six over the previous year. This is because the numbers include officers on leave/between posts, on resettlement or pending retirement; no new posts have been created.

Table 3.1: Senior military strengths 2007–2009

All service	2007	2008	2009	Net change 2008–2009
4-star	12	10	14	+4
3-star	32	29	33	+4
2-star	93	91	89	-2
Total	137	130	136	+6

Our last report

3.2 In our last report we recommended an increase of 2.8 per cent in senior military pay, in line with that awarded by the Armed Forces Pay Review Body (AFPRB) to all lower ranks. We also recommended that X-factor¹⁷ be paid to 2- and 3-stars at 25 per cent¹⁸ of the full rate from 1 April 2009, ahead of the timetable we had originally suggested. We are pleased that the Government accepted our recommendations in full. Last year was the second year of our proposed three year restructuring of senior military pay scales. The restructuring is intended to ensure that 1-star officers receive at least a 10 per cent increase to base pay on promotion to 2-star.

Evidence

3.3 For this round, as in previous rounds, we considered written and oral evidence from the Ministry of Defence (MoD). The Chief of Defence Staff, the Permanent Under Secretary and the three service Chiefs of Staff attended MoD's oral evidence session.

3.4 MoD's written evidence covered the following subjects:

- manning;
- recruitment and retention;
- specialist pay;
- the Performance Management and Pay System;
- job evaluation;

¹⁷ X-factor is an adjustment to military pay that recognises the relative disadvantage of conditions of service experienced by members of the armed forces compared to those in the civilian sector.

¹⁸ 25 per cent of the full rate of X-factor is equal to £2,383 at 2010-11 rates.

- attitude surveys; and
- cost and affordability.

Military visits

- 3.5 As in previous years, we visited HMS President to meet senior officers and discuss with them their views on pay and related matters. This year we met around 13 per cent of our remit group, consisting of both 2- and 3-star officers. Before the discussion group we were briefed by senior officers on the three main aspects of their work: procurement, operations and personnel. We greatly appreciated both the briefing and the subsequent discussion which gave us a better insight into the pressures faced by senior officers. We thank all those who attended for their time and frank expression of their views.
- 3.6 We also met senior officers during visits to HMS Illustrious, HQ Land Forces and RAF Benson. We found these visits, during which we saw senior officers in their normal working environments, very valuable. They helped us to understand the context in which this remit group operates and we are grateful to all those who organised and took part in those visits.

Award

- 3.7 MoD has not proposed a specific level of award for 2010-11 but states that it has assumed an uplift of 1.85 per cent for planning purposes. MoD's evidence says that any award above 1.85 per cent would result in "reductions to other Defence priorities", although it does accept that the costs involved would be relatively small. MoD's evidence also asks that the SSRB recommendation for 2010-11 "... not [be] made in isolation from AFPRB recommendations...". In the event, AFPRB has recommended an increase of 2 per cent for its remit groups.

Recruitment and retention

- 3.8 It is essential that there is an adequate flow of officers from more junior ranks with sufficient skills and experience to command at this level. However, as with most organisations, the management structure is a pyramid and many officers will leave before reaching the top levels. Officers in the armed forces are well aware of the opportunities at various points in their careers to leave and work in the wider public or private sectors. There is a balance to be struck between encouraging and helping some to leave while ensuring that sufficient of the best remain to fill the most senior positions. The overall package for 2-stars and above must be an attractive goal for ambitious and talented officers to aim for. The private sector can pay significantly higher salaries and provide other benefits. Unless the services demonstrate the value of all the components of the package – including job interest and satisfaction, pension and leave – they will not succeed in retaining the top quality leaders they need. It was in recognition of this that we recommended extension of X-factor to 2- and 3-stars.
- 3.9 During our discussions with senior officers we heard concerns that increasing numbers of good quality officers at 1-star level and below were leaving the services. MoD's written evidence notes that 22 1-star officers voluntarily left the services between July 2008 and June 2009, compared with 17 during the previous year. MoD conducted exit interviews with those 1-star officers and found that the main reason for leaving was to take up another job. It is important to monitor the numbers and quality of officers leaving the services prematurely at all levels below 2-star level and we request MoD to provide us with evidence in future years that will enable us to gauge whether the pool from which the most senior officers are drawn remains satisfactory.

- 3.10 There appear to be no major problems with the retention of senior officers at 2-, 3- and 4-star level, as can be seen from Table 3.2.

Table 3.2: Senior officers leaving the service voluntarily

Rank	July 2007 – June 2008	July 2008 – June 2009
4-star	0	0
3-star	1	0
2-star	4	1

- 3.11 Although every effort is made to employ officers until their Normal Retirement Age (NRA) (usually 55 years for 2-star, 57 years for 3-star and 58 years for 4-star officers), there is no guarantee. MoD advised us that the ability to release senior officers before their NRA allows greater flexibility in managing the careers of senior officers. Since 2005, 12 2-star officers have been asked to leave, under usual pension arrangements, after serving one tour and before reaching age 55. While this number is relatively small, less than 3 per cent on average of the total senior military each year, during our discussions with senior officers we heard that this uncertainty about future employment can act as a disincentive to officers considering whether to remain in the armed forces. Indeed, we were informed that a number of 1-star officers had decided to forgo promotion to 2-star because of the risk of being required to retire before 55. Moreover, the increased uncertainty of employment at 2-star and above was mentioned as being one possible reason for the increased incidence of 1-star officers seeking civilian employment and therefore leaving the services early. We urge MoD to consider whether this perceived negative aspect of policy could be addressed in some way.
- 3.12 The Directed Early Retirement (DER) scheme for 1-star officers and above was introduced in July 2001. The scheme provides for the directed retirement of senior officers who, while having the expectation of undertaking or completing an appointment, cannot do so because the role is unexpectedly disestablished or re-graded. Such directed retirement attracts a Special Capital Payment, subject to specific criteria, based upon the amount of time left to serve before NRA. The current value of these Special Capital Payments can range from one to 18 months' salary. Since the scheme's introduction, 26 officers have left the services under these arrangements, although only two cases have been approved since July 2006. MoD has informed us that the scheme is currently suspended while a review to achieve uniformity of application across the three services is completed. We should be interested to see the findings.

The Performance Management and Pay System (PMPS)

- 3.13 The PMPS came into being in 2002 and introduced incremental scales for 2-, 3- and 4-star officers. Under the system each senior officer can be awarded no, one or two incremental steps, depending on performance. Every year a remuneration committee comprising the MoD Permanent Secretary, CDS, the Chiefs of Staff and an independent member assesses the performance of all senior officers. In July 2009 the Senior Officers' Remuneration Committee met and awarded 12 double increments to senior officers, with the remainder of those eligible¹⁹ receiving single increments.
- 3.14 The introduction of the PMPS reportedly ran counter to a culture of collegiality in the senior military, although in recent years we heard that senior officers were getting used to the system. During this round of evidence gathering, however, some senior officers complained that the system was not actually performance based, was bureaucratic and the increments were too small to act as an incentive.

¹⁹ Officers already at the top of their pay scales were not eligible for increments.

3.15 We believe that it is important to distinguish between the principle and the application of performance-related pay. Automatic annual increments have almost entirely disappeared from the private sector and long pay scales are now regarded as contrary to age discrimination legislation. We accept that short incremental scales may be appropriate to reward demonstrated growing competence, but we believe there should be no automatic pay increases each year. We therefore support the senior military PMPS in principle although we have always argued that the system should be as simple and unbureaucratic as possible. We could envisage changes to the current system, for example to give fewer but larger increments or possibly non-consolidated performance-related payments. However, the first step would be for MoD to decide what it wants to achieve through the PMPS and then to consider how to design a system to deliver those objectives. We therefore recommend that MoD review the PMPS to examine whether concerns over its perceived bureaucracy and lack of incentive are justified, and if so, how it can be improved.

Recommendation 7: We recommend that the Ministry of Defence review the Performance Management and Pay System to define the objectives of performance-related pay in the senior military and consider whether the current system can be improved.

Pay

3.16 In previous years we heard that pay was not a main driver for the senior military. Responsibility of command and the nature of the work were cited as the real motivators. During this round we have heard that this remains true, but officers are generally more aware of the salaries their skills and experience could attract in the private sector. A number of officers we met during the course of our visits said they were pleased that the Government had accepted our recommendation for the 2009-10 award and this positive perception is reflected in the results from the attitude surveys mentioned at paragraph 3.18 below.

Specialist pay

3.17 Specialist pay is paid to specific groups in the Armed Forces to address recruitment and retention requirements, although it ceases on promotion to 2-star. At 1-star level the only form of specialist pay is flying pay. In the past we have heard that the loss of specialist pay on promotion to 2-star has led to a pay cut for some 1-star officers on promotion and that the MoD has had to make special arrangements to protect such officers. We believe that our proposed restructuring, once complete, will mean that there is no possibility of a reduction in pay on promotion for this group since all officers promoted to 2-star will receive at least a 10 per cent increase in base pay.

Attitude surveys

3.18 Each year MoD conducts two attitude surveys: one, known as the Armed Forces Continuous Attitude Survey (AFCAS), is sent to all members of the Armed Forces and centres on generic issues of service life; and the other, known as the Senior Officers' Survey, is sent only to senior officers in our remit group and focuses on issues at that level. The AFCAS data we received from MoD, in their written evidence, are limited to returns from senior officers. The AFCAS response rate for 2009 was 42 per cent and the Senior Officers' Survey response rate was 49 per cent. The results were generally positive compared with the previous year's findings. Some of the key points were:

- 39 per cent (14 per cent in 2008) were very satisfied or satisfied with their overall remuneration package; 45 per cent (57 per cent in 2008) were dissatisfied or very dissatisfied;

- 51 per cent (24 per cent in 2008) were very satisfied or satisfied with their rate of basic pay; 33 per cent (54 per cent in 2008) were dissatisfied or very dissatisfied;
- 25 per cent (11 per cent in 2008) were very satisfied or satisfied with pay on promotion; 56 per cent (66 per cent in 2008) were dissatisfied or very dissatisfied;
- 13 per cent (3 per cent in 2008) were very satisfied or satisfied with the value of reward gained through PMPS; 51 per cent (58 per cent in 2008) were dissatisfied or very dissatisfied;
- 83 per cent (72 per cent in 2008) reported that their current level of job satisfaction was very high or high; 8 per cent (12 per cent in 2008) scored it very low or low; and
- 65 per cent were very satisfied or satisfied with the value of X-factor being applied since 1 April 2009.

We commend MoD for carrying out these surveys, but note that the response rates are surprisingly low. This evidence would carry more weight if the response rates were improved. Nevertheless, we are pleased that there is clear improvement although there are still many areas of concern to us. We look forward to seeing next year's results.

Job evaluation

3.19 In 2008 MoD commissioned Hay Group to conduct a job evaluation exercise to compare the overall remuneration packages of senior officers with those available in the private and wider public sector for jobs of a similar weight. The review was completed in 2009 and included with this year's evidence. Although we have not studied the report in detail, it appears to provide further evidence to support the concerns we set out in Chapter 1 about the pay of our remit groups relative to equivalents in the private and wider public sectors. It found that total reward²⁰ of senior officers was substantially below that of similarly weighted posts in the private sector and lower than that of posts in the wider public sector (although there are too few public sector comparators at 4-star and CDS level to enable sensible comparison). It also suggested that the job weight of 4-star officers who are members of the Defence Board is significantly higher than that of other 4-star officers. Hay excluded senior officers' education allowance and accommodation from total reward because less than a quarter of senior officers were claiming the education allowance at any one time.

3.20 MoD asked us simply to note the report's findings at this stage as they do not wish to make any specific proposals for this round, given the economic climate and acute pressure on public finances. However, they say the report will assist in developing a strategy for a pay structure which is sufficiently competitive in the public sector market. We look forward to receiving MoD's response to the Hay report in their written evidence for the pay year 2011-12. We shall then consider the report in detail.

Leave and hours worked

3.21 MoD mention in their evidence that senior officers worked an average of 67.6 hours per week in 2008-09 compared with 62.4 hours per week in 2007-08. Similarly, an average of 22.1 days leave was taken in 2008-09, down by five days on 2007-08 figures. This is a sharp increase in the average hours worked and decrease in average leave days taken – these figures should be monitored.

Conclusion

3.22 In considering the evidence we are mindful of the current economic conditions, MoD's evidence and the Government's approach to public sector pay for 2010-11. We note

²⁰ Hay Group state that total reward includes the value of all bonus payments, long-term incentives, total cash which includes base pay and annual bonus payments, fringe benefits and pensions.

that there are no major retention problems at 2-, 3- and 4-star level and the survey findings indicate that senior officers are generally more content with their remuneration package than in the previous year. However, we are mindful of the unique nature of the Armed Forces and that any shortfall in command expertise cannot be 'bought in'. As mentioned above, it is crucial that sufficient officers of the highest quality progress through to the most senior levels. We have no evidence to doubt the quality of officers being promoted currently to the senior military although we have heard concerns from senior officers that the increasing pressures of service life, coupled with what is perceived as an erosion in some of the non-remuneration aspects of the package, mean that officers, especially at 1-star level, are attracted to jobs in the private sector. It is therefore essential not only that the overall package at 2-star and above is maintained, in order to retain sufficient suitable officers, but also that MoD ensure that officers are aware of the value of all the benefits available to them such as pensions, leave, education allowances and accommodation.

2-star pay scales

3.23 As mentioned above, it is important to make the overall package at 2-star level sufficiently attractive to draw through 1-star officers. During our discussions with senior officers we have heard that the difference in responsibility and workload between 1- and 2-star posts is significant. Consequently we feel it is important that the three-year restructuring of the 2-star officer pay scale is completed for 2010-11, and that the differential in base pay between the bottom of the 2-star scale and top of the 1-star scale is increased to 10 per cent. However, for the reasons set out in Chapter 1 of this report, we do not believe a general increase for our remit groups is necessary or justified in the current economic circumstances. We do, though, recommend removal of the bottom step of the 2-star pay scale, since this, combined with completion of the restructuring of scales proposed in our two previous reports, will ensure that officers receive at least a 10 per cent increase in base pay on promotion to 2-star rank. In reaching this recommendation, we have taken account of the AFPRB's proposed award of 2 per cent for the ranks below the senior military. We are satisfied that the completion of the restructuring begun in 2008, coupled with the adjustment to the 2-star scale, will mean that the pay of senior officers will remain coherent with that of their subordinates this year.

Recommendation 8: We recommend that the pay scale below apply for 2-star officers with effect from 1 April 2010¹:

2-star	2010-11
6	£119,214
5	£116,924
4	£114,678
3	£112,476
2	£110,317
1	£108,201

¹ The pay scale for 2-star officers includes X-factor at the rate of £2,383, this sum being equivalent to 25 per cent of the cash value of X-factor at the top of the OF4 pay scale as proposed by AFPRB from 1 April 2010.

3- and 4-star pay scales

3.24 As with 2-star officers we found no justification for further increases to the pay scales for 3- and 4-star officers beyond the restructuring already planned. There appear to be no problems with retention of officers at this level, nor with advancement from the 2-star cadre. In line with our overall approach in the current economic climate, we therefore recommend no increase to the 3- and 4-star officers' pay scales for 2010-11, although the third year of restructuring of the 3- and 4-star pay scales should of course be completed. We therefore recommend that the 2010-11 pay scales for 3- and 4-star officers should be those already agreed by the Government in our last report (i.e. the last year of pay scales from the three year restructuring programme), subject to the increase in X-factor for 3-stars resulting from the AFPRB award.²¹

Recommendation 9: We recommend that the pay scale below apply for 3-star officers with effect from 1 April 2010¹:

3-star	2010-11
6	£152,642
5	£148,265
4	£144,016
3	£138,569
2	£132,084
1	£125,908

¹ The pay scale for 3-star officers includes X-factor at the rate of £2,383, this sum being equivalent to 25 per cent of the cash value of X-factor at the top of the OF4 pay scale as proposed by AFPRB from 1 April 2010.

Recommendation 10: We recommend that the pay scale below apply for 4-star officers with effect from 1 April 2010:

4-star	2010-11
6	£185,184
5	£181,553
4	£177,993
3	£173,652
2	£169,416
1	£165,284

²¹ Review Body on Senior Salaries. *Thirty-first Report on Senior Salaries*. Cm 7556. TSO, 2009: paragraph 3.21. Available at: <http://www.ome.uk.com>

Chief of Defence Staff's (CDS) pay scale

3.25 As with 3- and 4-star officers we can find no case for further adjusting the pay scale for CDS and recommend that for 2010-11 it remain as proposed in our last report (i.e. the pay scale for the last year of the three year restructuring programme).

Recommendation 11: We recommend that the pay scale below apply for CDS with effect from 1 April 2010:

CDS	2010-11
4	£252,698
3	£247,743
2	£242,885
1	£238,123

Senior Medical and Dental Officers (MODOs)

3.26 As at July 2009 there were five 2-star and one 3-star MODOs. Senior MODOs are paid spot rates of pay normally set 5 per cent above the immediately subordinate rank. However, with the introduction of a higher rate of X-factor for 1-star MODOs²² in 2008-09, the 2-star MODOs' pay differential narrowed markedly. Last year we recommended that a two-year programme be introduced to re-establish the 5 per cent differential in overall pay for 2- and 3-star MODOs. The differential in overall pay between 1- and 2-star MODOs will be achieved in 2010-11 by creating a 10 per cent differential in base pay. Our recommendation for 2- and 3-star MODOs' pay in 2010-11 therefore remains as proposed last year and is reproduced below for ease of reference.

Table 3.3: Senior Medical and Dental Officer rates of pay

Rank	Rate 2010-11
MODO 3-star	5 per cent above the base pay for 2-star MODOs
MODO 2-star	10 per cent above the base pay for level 7 of MODO 1-star

²² In 2008 X-factor was introduced for 1-star MODOs at a rate of 50 per cent of the full rate. At the same time X-factor for 2- and 3-star officers was introduced at a rate of 15 per cent of the full value. The rate for 2- and 3-stars was increased to 25 per cent in 2009.

Chapter 4

The judiciary

Introduction

- 4.1 Our judicial remit group includes all salaried members of the judiciary, both full- and part-time. In addition, there are many fee-paid, part-time members of the judiciary, whose fees are uprated each year by reference to the annual increase for the salaried judiciary, but do not themselves form part of our standing remit. Across England and Wales, Scotland and Northern Ireland, there were 2,151 salaried members of the judiciary on 1 April 2009: the same as the 2008 total, although the distribution of judges between posts has changed slightly. This follows a long period of small year-on-year increases; the Ministry of Justice has forecast that the number of judicial office-holders will continue to remain 'settled' over the coming year.
- 4.2 The remit group covers over 70 different posts within the judiciary; these posts are divided into nine salary groups. Members of the judiciary are unique among our four main remit groups in that they receive no incremental salary increases nor performance related pay. Instead each salary group is paid a spot rate. The uplift in basic pay is therefore the only source of increased income for the judiciary in any given year. Furthermore, the opportunities for progression are more limited in the judiciary than in our other remit groups. For instance, information from the 2008 recruitment exercises shows that only 12 per cent of new Circuit Judges were already members of the salaried judiciary, and only 9 per cent of appointees to the High Court were internal candidates. For many judges, therefore, their salaries will remain unchanged, apart from the effect of annual uplifts, for the duration of their judicial career. The current salary structure is set out in Table 4.1, together with the numbers in each group.

Table 4.1: Judicial salaries and numbers in post

Salary group	Salary from 1 April 2009	Numbers in post on 1 April 2005	Numbers in post on 1 April 2006	Numbers in post on 1 April 2007	Numbers in post on 1 April 2008	Numbers in post on 1 April 2009	Change in numbers in posts 2008-09
1	£239,845	1	1	1	1	1	0
1.1	£214,165	4	4	4	4	4	0
2	£206,857	15	16	15	15	15	0
3	£196,707	50	47	49	48	49	1
4	£172,753	140	143	141	144	143	-1
5	£138,548	91	87	84	87	88	1
6.1	£128,296	792	793	806	818	824	6
6.2	£120,785	33	16	20	20	20	0
7	£102,921	957	994	997	1,014	1,007	-7
Total		2,083	2,101	2,117	2,151	2,151	0

Sources: Ministry of Justice, Scottish Government, Northern Ireland Court Service

The 2008-09 review

- 4.3 In last year's report we recommended a pay rise of 2.6 per cent for all groups apart from group 6.2, for which we recommended a slightly smaller increase. This recommendation was 0.5 per cent higher than our recommendation for the senior civil service (SCS) and this was intended to compensate for the effect of spot salaries on judicial pay (outlined in paragraph 4.2 above). The Government, however, decided not to implement our recommendation, instead awarding an increase of 1.5 per cent to the judiciary, SCS and NHS very senior managers. This was the fourth successive year in which the SSRB's recommendation for the judiciary had not been promptly and fully applied: in 2006 and 2007 the award was staged, and in 2008 it was delayed because the Government submitted new evidence relating to the SCS in February, and asked us to submit our report later than usual. The failure to implement a differential increase for the judiciary has implications for the position of the judiciary in comparison to our other remit groups. The decision to give a flat increase across the board did not take account of the fact that some individual members of the senior military and SCS are likely to receive extra increases through increments or performance-related pay. We had taken account of the effects of the different groups' pay systems in reaching our conclusions in last year's report, in line with the obligation under our terms of reference to have regard to "the need to maintain broad linkage between the remuneration of the three main remit groups".

Evidence

- 4.4 For this round we received written evidence from the Lord Chief Justice, the Lord President of the Court of Session, the Lord Chief Justice of Northern Ireland, the Ministry of Justice, the Constitution, Law and Courts Directorate of the Scottish Government, the Northern Ireland Court Service, and the judicial appointments organisations for England and Wales and Northern Ireland. We did not receive written evidence this year from the Judicial Appointments Board for Scotland (JAB); we hope they will be able to return to the practice of providing us with a written record of their views in future rounds.
- 4.5 We heard oral evidence from the Lord Chancellor and Secretary of State for Justice, the Lord Chief Justice, the Chancellor of the High Court, Mr Justice Tomlinson, and the Ministry of Justice. We also heard evidence from the three judicial appointments organisations. A full list of those who supplied evidence is at Appendix A.
- 4.6 Members of the Review Body visit courts every year in order to observe the workings of the justice system, to gain an impression of judges' working environments, and to hear views on pay and related issues directly from members of the judiciary. This year, we visited the Cardiff Civil Justice Centre, and the Inner London Crown Court at Sessions House; we are grateful to our hosts and to all those who helped us with the visit arrangements.

Issues considered by the Review Body

Recruitment and retention

- 4.7 Ensuring that judicial pay is adequate to recruit and retain members of the judiciary of suitable quality in sufficient numbers is arguably the most important part of our remit. None of the evidence submitted to us this year raised any grave concerns over recruitment or retention. The Ministry of Justice described the position as healthy, emphasising that the depressed labour market and the reduced prospects for private sector earnings had made judicial positions, with their excellent job security, regular salaries and relatively generous pension benefits, more attractive. The Ministry of Justice also quoted evidence from the Judicial Appointments Commission for England and Wales (JAC(E&W)) which indicates an increase of almost 40 per cent in applications for judicial office in 2008-09 compared with 2007-08. The JAC(E&W) cited the current economic

climate, coupled with successful outreach work, as the main causes of that increase. We understand, however, that this figure refers to an overall increase in applications for all appointments administered by the JAC(E&W) and is influenced by high volumes of applications for the fee-paid positions of Recorder and Assistant Recorder. Healthy recruitment to these posts is encouraging, since they constitute the feeder group for salaried judicial posts, but neither is part of the SSRB's salaried judicial remit group. Nevertheless, the judicial appointment organisations for England and Wales, Scotland and Northern Ireland confirmed that they had experienced no difficulty in attracting sufficient numbers of high quality candidates for almost all positions. None of the parties told us of any problems with retention.

- 4.8 The recruitment exercises that in past years have experienced the greatest difficulty in attracting large numbers of high quality candidates have tended to be those for the more senior, specialist judicial posts. There were few exercises of this type in 2008-09.
- 4.9 There are, however, some indications that insufficient numbers of the very best qualified candidates in private practice are attracted to joining the higher levels of the judiciary. The Lord Chief Justice expressed his continuing anxiety over "a disinclination on the part of well qualified candidates, particularly leading members of the Bar but also leading solicitors, to apply for judicial appointments." The Lord President in Scotland and the Lord Chief Justice of Northern Ireland shared that anxiety and repeated concerns they have expressed in previous years that some senior lawyers hesitate to apply for judicial posts when the salaries attached to those posts would inevitably represent significant pay cuts, especially for successful barristers. The JAB and JAC(NI) also commented on this concern in their oral evidence. The JAB referred to anecdotal evidence that the judiciary struggled to attract the very best lawyers, while the JAC(NI) expressed concerns about the low number of applicants for a recent High Court vacancy. The JAC(NI) has provided us with information on the pre-appointment earnings of candidates for judicial office, which illustrates very clearly the reality of the salary gap between senior lawyers and senior judges in Northern Ireland.
- 4.10 The Lord Chancellor observed in oral evidence that judicial salaries had never sought to keep pace with earnings of successful lawyers in the private sector; he expressed the view that reduced earnings had always been an accepted part of the move from practice to judicial office, with many senior lawyers recognising that joining the judiciary involved a change in the nature of work that could more than compensate for the loss of income. We note, however, that while some loss of earnings might be inevitable and acceptable for senior lawyers on entering the judiciary, it could be a matter of concern if the size of that reduction became too great. While high-earning barristers might well accept that judicial salaries could not match their pre-appointment incomes, it was important that remuneration at the upper levels of the judiciary be maintained at an adequate level.
- 4.11 There is some uncertainty over the significance of salary level as an incentive or disincentive to potential applicants to the judiciary. Research carried out by the judicial appointments organisations suggests that, for many candidates, judicial salaries are not the most important factor in encouraging or discouraging applications: of the roughly four-fifths of respondents to a survey for the JAC(E&W) who had never applied for judicial office, only 6 per cent cited salary reduction as a reason for not applying. The most unattractive features of judicial office were said to be the isolated nature of the role, the loss of flexibility, the need to travel or relocate, and the culture of the judiciary. Notwithstanding this, 50 per cent of respondents stated that a higher salary would make them more likely to apply, while 44 per cent said that a reduction in earnings was an unappealing feature of judicial appointments. Similarly, in a survey of the Scottish legal profession conducted for the JAB, 35 per cent of respondents who were eligible to apply for judicial office cited a reduction in earnings as an unappealing aspect of judicial office.

It should be noted that the research did not seek to distinguish between respondents contemplating offices at different levels of seniority within the judiciary: it is possible that salary may constitute more of a disincentive at some levels than at others.

- 4.12 The judicial appointments organisations for England and Wales, Scotland and Northern Ireland are all concerned to promote greater diversity in the judiciary, subject to the requirement that all appointments should be made on the basis of merit alone. They are therefore working to encourage applications from the widest possible pool of qualified candidates and have provided us with information on the diversity of applicants for judicial office in their respective remit areas. We particularly welcome information collected by the JAC(E&W) on the professional backgrounds of successful candidates for the offices of Circuit Judge and High Court Judge. Results from the past two recruiting years are summarised in Table 4.2.

Table 4.2: Successful candidates by professional background

Competition	Solicitors		Barristers		Judicial Office Holders		Other/ Unknown		Total	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%	Numbers	%
High Court 2006-07	0	0	16	76	5	24	0	0	21	100
High Court 2008	0	0	20	91	2 ²³	9	0	0	22	100
Circuit 2006-07	6	6	87	85	9	9	0	0	102	100
Circuit 2008	5	6	67	80	10 ²⁴	12	2	2	84	100

- 4.13 The information on professional backgrounds of successful candidates in recent selection exercises suggests that barristers remain far more likely than solicitors to apply for judicial office. This is supported by survey data from Scotland published by the JAB which confirm that, from a pool of those eligible for judicial office, respondents who were advocates were far more likely to have applied for judicial posts than respondents who were solicitors. Women are relatively under-represented at the Bar and older barristers especially are predominantly male. There are proportionally more women at the younger end of the profession. Most respondents to the JAB's survey stated that they would not even consider applying for judicial office unless they had far in excess of the minimum experience required for the post in question. It therefore seems inevitable that, particularly at the upper levels, women will continue to be in a minority in the judiciary for some time to come. Nevertheless, we recognise that the judicial appointments organisations treat diversity as a priority, and have made the judicial appointments processes more open to candidates from a variety of backgrounds.

- 4.14 In summary, interpretation of the evidence on recruitment is not straightforward. In England and Wales especially, reform of the appointments procedure has been successful in attracting increased numbers of candidates for judicial office and both the JAC(E&W) and the Ministry of Justice are confident that the calibre of appointed candidates remains very high. On the other hand, increased application numbers may be attributable to the outreach work of the appointments organisations, to the type of posts for which recruitment exercises were held this year, and to the wider economic background, rather than being the result of an increase in the attractiveness of judicial office itself. Moreover, an increase in the number of applicants is not necessarily indicative of the quality of applicants. Whilst we welcome the efforts of the judicial appointments organisations to widen access to the judiciary, we remain sensitive to the concerns of the Lord Chief Justice and his colleagues that "the aim should be to recruit and retain the very best candidates ... [and it is] manifest that, with some exceptions,

²³ One was a former barrister; one was a former solicitor

²⁴ Five were former barristers; five were former solicitors

that is not being achieved.” Notwithstanding the Government’s evidence on affordability, it is of the utmost importance for the integrity of the UK justice system that the members of the judiciary, especially at the higher levels, have the experience and ability to deal confidently with senior lawyers in court. If the salary differential between practising lawyers and judges is a barrier to the recruitment of judges of this calibre, as has been suggested by the Lord Chief Justice and his colleagues, it is a matter of real concern to us.

Affordability

- 4.15 The evidence from the Ministry of Justice, as well as that from the Scottish Executive and the Northern Ireland Court Service, said that affordability was a matter of great concern. All three organisations proposed a pay freeze.
- 4.16 We have not in the past been persuaded by arguments that pressures on the Ministry of Justice budget should be taken to rule out the possibility of pay increases for the judiciary. We continue to uphold the principle that planning for the judicial workforce should be one of the highest priorities for the Ministry of Justice and its counterparts in Scotland and Northern Ireland; the pay bill for the judiciary should not be treated as the residual amount that can be afforded after all other claims on the budget have been met. The Lord Chancellor assured us in oral evidence that this was not the case, although the written evidence from the Ministry of Justice had, this year as previously, left us with that impression. Nevertheless, the economic crisis has resulted in widespread pressure for real public spending restraint, and the Government has made it clear that it expects higher-paid public sector workers to set an example or, as the Government puts it, ‘show leadership’.

Total reward

- 4.17 Members of the judiciary receive final salary pension benefits that compare favourably with those on offer both in the private sector and in our other remit groups. Outside the public sector, in fact, defined contribution schemes are now the norm for new entrants and, increasingly, for future service of existing workers, with defined benefit arrangements becoming rare. Research conducted for the Review Body in 2009 indicated that entitlements accrued under the judicial pension scheme are equivalent in value to roughly 40 per cent of base salary each year (net of member contributions). By comparison, the same study placed the typical value of employers’ pension contributions at around 6 per cent of salary for legal professionals in the private sector. Of the 75 legal sector companies surveyed, not one had a final salary pension scheme that was still open to new entrants. We note, however, that the high value of judicial pension benefits as a proportion of salary reflects the high accrual rate of those benefits; this feature of the judicial pension scheme reflects the fact that judicial office is invariably a second career, and judges therefore have a relatively short time in which to build up pension entitlements, on the assumption that they have not done so before joining the judiciary. This valuation of judicial pensions is also influenced by the relatively high average age of judicial office holders, which, using the actuarial methods employed, tends to increase the calculated value of a given level of benefit as a proportion of salary.
- 4.18 Notwithstanding these qualifications, the judicial pension is an attractive element in the total reward package for the judiciary, as indicated by the results of surveys carried out for the judicial appointments organisations: the most recent survey, carried out for the JAB in Scotland, indicated that judicial pension arrangements were seen by 72 per cent of respondents eligible for appointment as a feature that would encourage them to apply. Meanwhile, 89 per cent of respondents to a 2008 survey for the JAC(NI) found judicial pensions appealing, as did 81 per cent in a 2009 survey for the JAC(E&W).

4.19 Viewed in terms of total reward, rather than just base salary, a judicial career is therefore more attractive than it might at first appear, especially taking into account non-financial advantages such as job security. It should be noted, however, that members of the judiciary do not benefit from many of the other non-salary benefits that form part of total reward of employees (but not self-employed people such as barristers) in the private sector: performance-related pay, for instance, is not considered compatible with the principle of judicial independence. At any rate, it remains clear that, particularly for senior lawyers who may earn seven-figure salaries in private practice, entry to the higher levels of the judiciary is bound to result in a substantial reduction in income, and the judicial pension provides at best partial compensation. However, the picture at lower levels of the judiciary may be different. We have commissioned further research into the comparability of judicial salaries with remuneration for lawyers in the private sector, to be considered as evidence for the major review of the judicial salary structure which is now underway (see paragraph 4.24). We will gather information both on the pre-appointment incomes of recently appointed judges and on the earnings of lawyers in private practice more generally. This should provide a further insight into the extent to which salaries at different levels of the judiciary, adjusted for the value of judicial pensions, differ from earnings in private practice.

Morale and motivation

4.20 Representatives of the judiciary have expressed concern over the effect on judicial morale of the Government's rejection of last year's Review Body recommendation for a 2.6 per cent salary uplift. The Lord Chief Justice drew our attention to the fact that remuneration may be seen as a measure of the value placed by society on the work of the judiciary. He informed us that the decision to reduce the level of the award had caused resentment, and that the effect on judicial morale had been severe. The Lord President also reported that 'serious disquiet' had been expressed to him over the matter. The Lord Chief Justice of Northern Ireland, too, stated that there had been widespread disappointment, although he believed judicial morale to be good, notwithstanding some continuing concerns over the personal safety arrangements for judges in a changing security environment. We are also aware that the ongoing process of modernisation of the justice system has resulted in changes to the working conditions of judges; in some cases, members of the judiciary feel that reforms have reduced the level of support they receive, with declining numbers of ushers and other court staff, and increasing administrative burdens for judges themselves.

4.21 As judicial morale is considered a matter for the Lord Chief Justice and his counterparts in Scotland and Northern Ireland, the Ministry of Justice did not submit any formal statement of evidence on morale and motivation. The Lord Chancellor and Secretary of State for Justice did, however, state in oral evidence that he felt that the Government had a good record on upholding morale in recent years. The Scottish Government also reported that it did not detect any general problem with morale.

Non-jury trials in Northern Ireland

4.22 The Review Body has hitherto provided for County Court judges in Northern Ireland to be remunerated at Salary Group 5 rather than 6.1 in recognition of the fact that they could be required to take on the extra responsibility and caseload of presiding over non-jury trials under the 'Diplock' system for dealing with terrorist cases. The Justice and Security (Northern Ireland) Act 2007, which replaced Diplock courts, continued to provide for certain trials to be conducted without a jury. These provisions, formerly due to expire in July 2009, were renewed in light of the deteriorating security situation and will now remain in force at least until July 2011. As a result, County Court judges (as well as High Court judges) in Northern Ireland are still required to conduct some trials without juries. Evidence presented by the Northern Ireland Court Service in response to

a request from the Review Body appears to show, however, that the number of such trials has remained low, and it therefore seems questionable whether the added workload and responsibility resulting from non-jury trials is sufficient to justify the continued remuneration of an entire cohort of County Court judges at a higher salary level.

- 4.23 Our original recommendation called for County Court judges in Northern Ireland to be remunerated at Group 5 “as long as they carry out significantly different work from their counterparts elsewhere in the UK”. Last year we proposed that the arrangement should remain in place for one more year only, with the presumption that County Court judges would revert to Group 6.1 in 2010 unless new evidence suggested that the proportion of non-jury trials was likely to remain high enough to justify the differential treatment. We are not convinced that the evidence we have seen provides such a justification. We are aware, however, that it would be necessary to give further thought to the consequences of ending the current arrangement; it may be that some special provisions remain appropriate for those individual judges who are required to hear non-jury cases. We also feel that a final decision ought to be based on a formal job evaluation of County Court judges in Northern Ireland, which would provide more definitive evidence as to the implications of Diplock-type trials for responsibility and workload. Finally, we are mindful of the request from the Lord Chief Justice of Northern Ireland that we take into account the pressures resulting from the Northern Ireland security situation when making our decision. We therefore recommend that County Court judges in Northern Ireland continue to be remunerated at the Salary Group 5 level in 2010-11; we expect to revisit this recommendation in the light of the job evaluation exercise to be carried out under the major review of judicial salaries (see below, paragraphs 4.24 to 4.27).

Recommendation 12: We recommend that County Court judges in Northern Ireland should continue to be paid at the Group 5 rate for 2010-11 pending a thorough examination under the major review.

Major review

- 4.24 The SSRB conducts major reviews of the judicial salary structure every four to five years, examining the suitability and soundness of the overall pay structure, including the number and composition of the various salary groups, as well as the differentials between them. The conclusions of the most recent major review were included in the 2006 SSRB report; the review now underway will form part of the 2011 report. The Review Body has convened a Consultative Group, incorporating representatives of the various branches and levels of judiciary from England and Wales, Scotland, and Northern Ireland, along with the relevant administrative bodies, to support us in conducting appropriate research and to assist us in reaching our conclusions. In addition to this consultative process, the review will be informed by the results of a study, now in progress, of the pre-appointment earnings of new members of the judiciary and of current earnings of barristers and solicitors. A job evaluation exercise is also being conducted to gauge job weights of different judicial posts. As well as assessing the judicial salary structure on the basis of this research, the major review will examine other issues. A number of matters, outlined below, have been brought to our attention, both this year and in previous years, which we felt would be best covered comprehensively as part of the major review.

Trickledown

- 4.25 We are aware that there is a perception in the judiciary that weightier cases are increasingly being heard below the High Court. There appears to be a general trend for a changing workload for High Court Judges, resulting from the Woolf reforms introduced from April 1999 which shifted personal injury claims below a certain minimum value (£15,000 rising to £25,000) into the County Court jurisdiction. The number of cases heard by the Administrative Court has increased. On the criminal side, the High Court is increasingly occupied by high profile cases linked to terrorism. Given that the number of High Court Judges is subject to an agreed cap, this results in an increasing number of cases that might formerly have been dealt with by High Court Judges being heard by Circuit Judges instead. Cases that might once have been the prerogative of Circuit Judges may in turn now be heard by District Judges. This process is known colloquially as 'trickledown'. Research prepared by the Ministry of Justice confirms that the caseload at different levels of the judiciary has indeed seen considerable changes over the past decade; the trickledown effect, combined with administrative changes, has resulted in judges at each level doing substantially different kinds of work. Nevertheless, it remains unclear whether the changes constitute an increase (or reduction) in job weight for any of the groups concerned. We note, for instance, that more serious cases are not always more complicated or demanding from a legal perspective. One objective of the major review will therefore be to combine quantitative information on changing caseloads with qualitative assessments of job weight from the job evaluation exercise. This should enable the SSRB to determine whether 'trickledown' is a reality and if so whether its effects justify any adjustment to judicial remuneration.

New judicial offices

- 4.26 The Ministry of Justice has signalled its intention to seek our advice on the remuneration appropriate to a number of new judicial offices. It has asked us to determine whether the creation of the Supreme Court, replacing the Judicial Committee of the House of Lords, has implications for job weight, and thus for remuneration. In Scotland, the roles of the Lord President and some other members of the judiciary have been subject to change as a result of the Judiciary and Courts (Scotland) Act, which received Royal Assent in October 2008. We shall investigate all of these issues as part of the major review.

London allowances

- 4.27 Group 7 posts in London attract a salary lead of £2,000 and an allowance of £2,000, both of which are pensionable. As we reported in previous years, research carried out for us by Hay Group suggested that in the private sector London allowances are not usually paid for jobs with salaries of £100,000 a year or more. Accordingly we again propose no increase to the salary lead and allowance for Group 7 posts in London and we do not support the extension of London allowances to higher groups. We see this issue as a matter for consideration during the next major review.

Recommendation

4.28 The evidence presented to us this year showed that, for the most part, there were no significant problems for the judiciary in recruiting and retaining people of suitable quality. For almost all positions, the judicial appointments organisations for England and Wales, Scotland and Northern Ireland confirmed that they had received applications from sufficient numbers of high quality candidates. At the higher levels of the judiciary the aim is to recruit senior lawyers some of whom currently have high earnings from private practice. Here the level of judicial salaries may be an increasingly strong disincentive to some of the very best qualified candidates, and we shall continue to monitor this, although the evidence suggests that at present there are still sufficient suitably qualified applicants for most vacancies. Moreover, we fully acknowledge the disquiet expressed by the Lord Chief Justice and his colleagues about the Government's rejection of our pay award last year. Finally, we recognise that, given the absence of pay progression for the judiciary, the risk that judges' remuneration will fall behind that of their counterparts in our other remit groups remains a real issue. Nevertheless, as we have said in Chapter 1, we make our recommendations this year against a background of a long recession followed by severe pressure on public finances and at a time when many workers in the private sector have lost their jobs or seen their pay frozen and even cut. Consequently we feel that we cannot justify a pay increase for a group all of whose members are paid over £100,000 per year (full-time equivalent). We therefore recommend no salary uplift for the judiciary in 2010-11.

Recommendation 13: We recommend that with effect from 1 April 2010 the salaries for the judiciary should be unchanged from 1 April 2009.

Chapter 5

Very Senior Managers in the National Health Service

Introduction

5.1 This is the third occasion on which we have reviewed the remuneration of certain ‘very senior managers’, known as VSMs, working in the National Health Service (NHS) since they were added to our remit in July 2007. The VSM remit group includes chief executives, executive directors and other senior managers with board-level responsibility who report to the chief executives in Strategic Health Authorities (SHAs), Special Health Authorities (SpHAs) which provide a national service to the whole of England (e.g. the National Patient Safety Agency), Primary Care Trusts (PCTs) and Ambulance Trusts (ATs). Other senior managers such as those on medical consultants’ contracts, those working in other English NHS organisations and equivalent senior managers working in NHS organisations in Scotland, Wales or Northern Ireland are not within our remit.

Background

5.2 The publication by the Department of Health (DH) of *Commissioning a Patient-Led NHS*²⁵ in July 2005 began a period of significant structural reform of SHAs, PCTs, and ATs. The number of SHAs reduced from 28 to 10 and the number of PCTs from 303 to 152 although 14 PCTs are under joint management. There are now 11 ATs, down from 31 and they are coterminous with a single SHA except in the South West where there are two ATs for the South West SHA region.

5.3 Remuneration arrangements for VSMs are governed by a pay framework²⁶. Other managers in VSM organisations (except medical directors) come under Agenda for Change (AfC) pay arrangements, the single pay system for NHS staff other than doctors, dentists and senior managers above associate director level.

5.4 NHS Trusts not covered by the pay framework are free to adopt the principles of the pay framework’s arrangements, and ‘arm’s-length bodies’ (i.e. executive public bodies not under direct ministerial control) that are classified as Executive Non-Departmental Public Bodies are “strongly encouraged” to use them when considering their own pay arrangements for senior staff.

Our remit group

5.5 There are around 1,120 VSMs in our remit in 182 NHS organisations in England. Table 5.1 below provides an estimate²⁷ of the number of VSMs in organisations covered by the pay framework. However, around 10 per cent of VSMs remain on pre-framework contracts as discussed in paragraph 5.30 below. The Trusts and Health Authorities concerned are listed at Appendix B.

²⁵ *Commissioning a Patient-Led NHS*. Department of Health, 2005. Available from: http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_4116716

²⁶ *Pay Framework for Very Senior Managers in Strategic and Special Health Authorities, Primary Care Trusts and Ambulance Trusts*, updated 2 April 2009. Department of Health 2009. Available from: http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_097599

²⁷ DH was unable to provide us with exact figures for the total number of VSMs including the number of VSMs on the pay framework.

Table 5.1: Estimated number of all VSMs in the health organisations covered by the pay framework – May 2009

Organisation	PCT	AT	SHA	SpHA	Total
Chief Executives	152	11	10	9	182
Directors	771	57	56	54	938
Total VSMs	923	68	66	63	1,120

Source: Evidence to the SSRB from DH

5.6 The structural reform of the NHS mentioned above continues and since our last review the number of SpHAs has reduced from ten to nine as the Health Protection Agency has become an Executive Non-Departmental Public Body and is therefore no longer subject to the pay framework. PCTs are working to separate the commissioner and provider functions which will impact on the size and structure of PCTs in the future. ATs are now able to apply for Foundation status. If they are successful, their senior staff will also cease to be covered by the VSM pay framework.

Our last report

5.7 In our last report we recommended that the base pay of VSMs should increase by 2.4 per cent with effect from 1 April 2009, the same increase applied to AfC pay rates from that date. We also recommended no increase to the bonus pot which stood at 5 per cent of the pay bill. The Government accepted our recommendation on the bonus pot but reduced our recommendation to an increase of 1.5 per cent on base pay in line with its approach to some other areas of the public sector at senior level. We discuss the consequences of recent base pay increases in the AfC and VSM pay structures in paragraph 5.49.

VSM remuneration

5.8 Remuneration arrangements for VSMs include:

- base pay;
- annual performance bonus;
- recruitment and retention premia;
- additional payments for additional responsibilities;
- development pay; and
- pension.

Base Pay

5.9 VSM pay is reviewed every year with effect from 1 April and the pay framework is updated to reflect any changes. VSM posts are paid according to the relevant organisation's banding. This is determined by weighting factors which differ between the four types of organisation: for SHAs and PCTs the banding factor is 'weighted population', that is, resident population weighted for age and deprivation. For ATs it is expenditure on emergency services and activity, and for SpHAs, the organisational weighting factor is a combination of current grant-in-aid and national impact.

5.10 Chief executives in SpHAs are paid within a range specified for their organisation's banding, while chief executives in the other organisations covered by the pay framework are paid at a spot rate. The pay of VSM executive directors is expressed as a percentage of their chief executive's pay. Tables 5.2 to 5.4 below show the basic pay of chief executives and executive directors.

Table 5.2: Base pay of chief executives of PCTs, ATs and SHAs from 1 April 2009

	PCT Chief Executives	AT Chief Executives	SHA Chief Executives
London	not applicable	£150,351	£204,048
Band 5	£149,657	not applicable	not applicable
Band 4	£138,571	not applicable	not applicable
Band 3	£127,486	£128,873	£182,570
Band 2	£116,401	£121,355	£171,831
Band 1	£105,315	£112,764	£161,091

Table 5.3: Base pay of executive directors of PCTs, ATs and SHAs as percentages of the organisation's chief executive's pay from 1 April 2009

Examples of roles in organisation	PCT Directors	AT Directors	SHA Directors
Finance	75%	75%	75%
HR & Workforce Development	60%	60%	70%
Nursing	65%		65%
Information Management and Technology	60%		60%
Corporate Affairs	55%		55%

Table 5.4: Base pay ranges of chief executives and executive directors of SpHAs from 1 April 2009

	Chief Executives		Directors
	From	To	
Group 1	£162,878	£183,894	Executive directors in SpHAs are paid between 55 per cent and 75 per cent of the mid-point of the chief executive's pay.
Group 2	£141,861	£162,878	
Group 3	£99,829	£141,861	

5.11 NHS managers immediately below the VSM group are on the AfC pay scales for non-medical NHS staff. They tend to be in the top two pay bands (bands 8 and 9). From 1 April 2009, the maximum of the pay ranges for bands 8 and 9 are £79,031 and £95,333 respectively. AfC staff working in London are also entitled to a supplement of up to a maximum of £6,080, thereby giving maximum ranges of £85,111 and £101,413 for bands 8 and 9 respectively.

Performance pay

5.12 Annual uplifts in base pay and levels of bonus payments are dependent on the performance category in which the VSM has been placed. There are currently four categories (A to D), as set out in Table 5.5 below.

Table 5.5: Annual pay award by performance category

	Category	Base pay	Bonus
A	Outstanding	Annual uplift consolidated into salary	Up to 7 per cent (non-consolidated)
B	Exceeds expectations	Annual uplift consolidated into salary	Up to 7 per cent (non-consolidated)
C	Satisfactory	Annual uplift consolidated into salary	None
D	Not satisfactory	No increase	None

5.13 If an organisation fails to meet its financial targets, all VSMs in that organisation are automatically placed in category D (“not satisfactory” performance), regardless of their individual performance, and receive no uplift in salary or bonus payment.

5.14 The bonus pot has remained at 5 per cent of pay bill since the introduction of the pay framework. Bonus payments are determined annually and are non-pensionable, one-off payments. Prior to April 2009, bonus awards were set at 7 per cent for category A (“outstanding”) performers and 3 per cent for category B (“exceeds expectations”) but greater flexibility in awarding bonuses was introduced at our request last year, enabling organisations to use the full range of 0 per cent to 7 per cent when making bonus awards, provided that the value of total bonus payments is within the 5 per cent ceiling. Moreover, individual organisations can breach the 5 per cent bonus limit provided that this is balanced by organisations within the same group using less than the full amount, with the ‘grandparent’ organisation (as explained in paragraph 5.21) having the responsibility of ensuring that the overall 5 per cent limit is observed.

Recruitment and retention premia

5.15 Recruitment and retention premia (RRP) may be used when market pressures lead to difficulties in recruiting and retaining staff at the normal base pay rate for the post. Up to 30 per cent of base pay is available and the premia can be one-off, fixed-term or long-term, depending on job market conditions. One-off or fixed-term RRP do not count towards any other payment (e.g. pension) unlike long-term RRP which are pensionable and also count for other payments linked to basic pay (e.g. performance bonus payments). As we said in our last report, we do not believe that payments to cover short- or medium-term market shortages should contribute to future pension payment but we make no recommendation on this pending the job evaluation exercise.

Payment for additional responsibilities

5.16 Individuals taking on significant extra responsibilities are eligible for additional payments linked to the proportion of time spent on additional work. Such payments may be up to a maximum of 10 per cent of basic salary. Additional payments may be pensionable and can also count towards the calculation of bonus payments where the additional responsibilities form part of the core role.

Development Pay

5.17 Within the pay framework there is flexibility to pay a salary below the rate for the job, so-called ‘development pay’, to newly promoted or appointed VSMs below chief executive. Such payment continues for a fixed period while the individual develops the skills required for the role.

Pensions

5.18 Changes to the NHS pension scheme in England and Wales came into effect on 1 April 2008 and existing NHS staff could choose which scheme to join. Both schemes are defined benefit schemes linked to final salary but the new scheme has higher minimum and normal pension ages and a higher accrual rate but no automatic lump sum. Further details are set out in Table 5.6.

Table 5.6: NHS pension schemes available to VSMs

	NHS pension scheme prior to 1 April 2008	NHS pension scheme from 1 April 2008
Accrual rate	1/80th	1/60th
Lump sum	3/80ths of pension	Option to exchange part of pension for cash at retirement, up to 25% of capital value. Some members may have a compulsory amount of lump sum
Normal pension age	60	65
Minimum pension age	50	55
Employer contribution	14 per cent	14 per cent

5.19 Until 1 April 2008, VSMs contributed 6 per cent of their earnings to the pension scheme. The new scheme introduced tiered employee contributions depending on salary level as set out in Table 5.7 below.

Table 5.7: NHS pension scheme contribution rates applicable to VSMs from 1 April 2009

Contribution rate	Salary level for existing VSMs remaining in the same post ¹	Salary level of new VSMs and those moving to new jobs ²
8.5 per cent	Earning over £105,319	Earning over £107,847
7.5 per cent	Earning £66,790 - £105,318	Earning £68,393 - £107,846
6.5 per cent	Earning less than £66,790	Earning less than £68,393

1. VSMs in pensionable NHS employment on 31 March 2009 and continuing in the same employment.

2. New joiners and VSMs who have changed jobs (including promotion) on or after 1 April 2009.

Governance arrangements

5.20 There are two levels of governance. Remuneration committees within each organisation are responsible for making recommendations to the board on the remuneration of VSMs. They also monitor and evaluate the performance of VSMs and provide advice and oversight of contractual matters such as termination payments.

5.21 A second level of governance is provided by the 'grandparent' organisation which ensures consistency in the decisions made by remuneration committees. It also ensures compliance with the provisions of the pay framework and considers whether decisions are affordable. For SHAs and SpHAs it is DH that exercises 'grandparent' oversight and approval of the work of remuneration committees. SHAs have similar oversight responsibilities for remuneration committees in their respective PCTs and ATs.

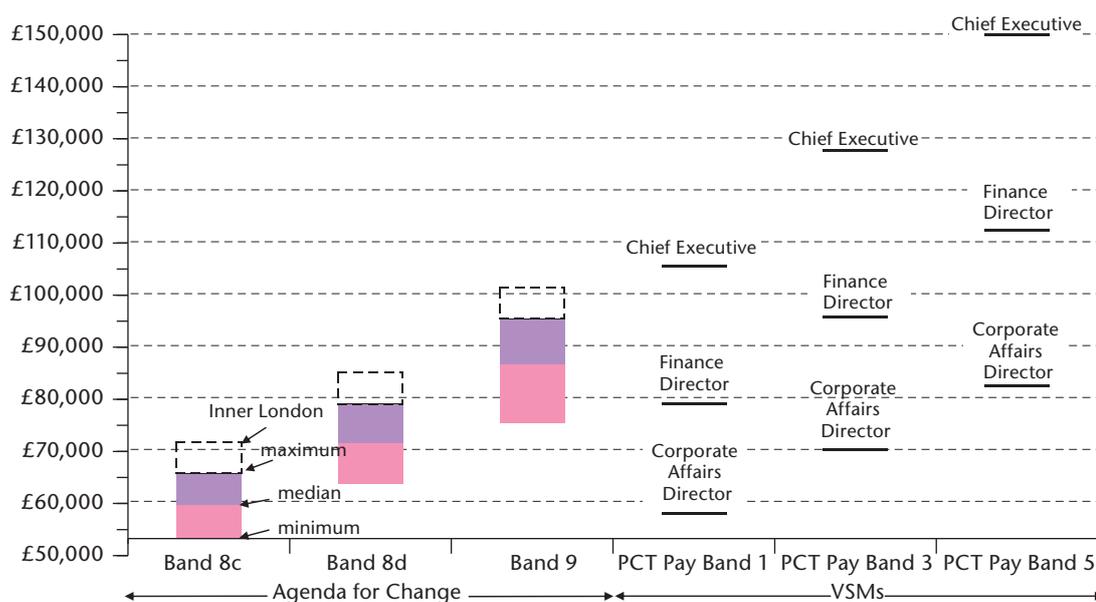
Evidence

- 5.22 As in previous years, we received written and oral evidence from DH, which this year included oral evidence from DH's chief executive, from NHS Employers and Managers in Partnership (MiP). We are pleased to note that DH has provided more comprehensive evidence this year, although we were disappointed to receive estimated figures, rather than actual numbers, of VSMs in NHS organisations and incomplete information on the number of VSMs in receipt of pay supplements. In particular, we welcome DH's response to the recommendations we made in our last report and the inclusion of an analysis of VSM data produced from a data collection exercise which has informed their evidence this year. The data collection provides data on a significant percentage (65 per cent) of VSMs. There is currently no reliable identifier of VSMs in NHS's Electronic Staff Record but we understand that this will be introduced following the job evaluation process.
- 5.23 DH proposes no increase in base pay and no increase in the bonus pot for 2010-2011. In support of these proposals, DH argues that:
- senior staff in the public sector should provide leadership on pay restraint;
 - the uplift should be affordable;
 - there are no significant recruitment and retention issues;
 - VSMs are in a comparatively healthy position when compared to equivalent managers elsewhere in the NHS and in the wider public sector; and
 - the total reward package is good.
- 5.24 NHS Employers represent NHS organisations in England on workforce issues. Their evidence is based on the results of a survey sent to PCTs and questionnaires sent to ATs and SpHAs. The responses led NHS Employers to propose a holding recommendation for 2010-2011 pending the outcome of DH's job evaluation exercise and they argue that any increase should be less than 1 per cent. Many of the arguments made in support of this proposal echo those of DH. In addition, NHS Employers emphasise the high level of morale amongst VSMs.
- 5.25 MiP is the trade union for senior managers in the NHS at AfC band 8 and above, including VSMs. Its evidence is drawn from its knowledge of VSM issues, discussions and interviews with VSMs and an on-line survey conducted through its website. MiP proposes a pay increase in base pay of 2.25 per cent, the same increase as that agreed for NHS staff on AfC pay rates. In addition, MiP calls for remuneration arrangements similar to those currently available to senior staff in other NHS Trusts such as Foundation Trusts, an examination of non-financial reward available to VSMs and more straightforward bonus pay arrangements.
- 5.26 We continued our practice of visiting VSM organisations and since our last review we have visited East Midlands SHA, NHS Brent PCT and the NHS Blood and Transplant SpHA. We held discussions with VSMs and members of remuneration committees from these organisations. In addition, the remuneration committee of the National Institute of Clinical Excellence (NICE) invited us to attend one of their meetings. We are grateful to all who took time to talk to us and to those who helped arrange the visits.

Base Pay

- 5.27 DH reports no significant recruitment and retention issues and says that salaries are compatible with those in the wider public health sector. We heard similar views from NHS Employers and some VSMs. However, this could be due to the availability of RRP and additional payments for additional responsibilities which together can increase salary by up to 40 per cent. We also heard of other creative recruitment practices to enhance salary in order to fill vacancies with good quality appointees. These included advertising some VSM posts at Band 9 of the AfC pay scale because the AfC salary is higher than the pay framework salary for those posts, and employing interim managers on separate contracts in VSM posts. Recruiting problems led to one organisation having to use the service of a head hunter after failing to attract good quality candidates. We heard of other anomalies such as the case of a medical director on a medical contract whose salary, including a clinical excellence award, is significantly more than that of the chief executive. DH reports that, despite use of various means to fill vacancies, an estimated 4 per cent of posts (i.e. around 45 posts), have been vacant for longer than six months.
- 5.28 VSMs and remuneration committee members we spoke to disliked the rigid application of a fixed percentage of the chief executive's salary to arrive at executive directors' salaries and some felt that the VSM pay framework was not suitable for their organisation. For example, we heard about one area of the NHS Blood and Transplant SpHA which competes with the pharmaceutical sector (where salaries are higher) to attract certain skills.
- 5.29 Criticism of VSM base pay levels comes most frequently from low-banded organisations and those competing for scarce skills with other health and wider public sector bodies which can pay higher salaries. Moreover, low-banded organisations have to pay the same AfC rates as higher banded organisations. This causes problems where AfC rates overlap with VSM salaries. One organisation we talked to had failed to recruit for certain skills in the past because it was unable to match market salary levels and expected further recruitment problems in the future if pay awards continued to be at a low level or if there is a pay freeze.
- 5.30 We have particular concerns about the base pay of VSMs in London PCTs which are in low bands, with the consequence that their VSMs' base salaries are lower than those for equivalent roles in some other NHS organisations in London and in higher-banded PCTs in the rest of England. London PCTs make extensive use of RRP, as described in paragraph 5.33 below. These PCTs were not restructured as they were already coterminous with London boroughs and nearly all of their VSMs remained on their previous contracts, which provided higher remuneration, when the pay framework was introduced. However, as posts become vacant, new appointments are automatically covered by the pay framework and the restructuring of PCTs discussed earlier may result in more VSMs being covered by the pay framework.
- 5.31 Another concern is the increasing overlap between AfC bands 8 and 9 and the VSM pay framework. When we started reviewing the salaries of VSMs we heard of overlap with band 9. In 2008 VSMs reported overlap with band 8d and this year NHS Employers reported that band 8c is "touching" the pay framework. The data available for VSMs shows that the median total earnings of executive directors (£88,740) is slightly less than median total earnings for those on AfC band 9 (£89,600). Figure 5.1 shows the AfC pay structure at bands 8c, 8d and 9 and the pay rates of some PCT posts in the VSM pay framework. It illustrates the overlap in base pay between the AfC structure and VSM director posts.

Figure 5.1: Basic pay ranges of the AfC pay structure and some PCT VSM posts in 2009-10



1. The Corporate Affairs Director and the Finance Director are on 55 per cent and 75 per cent of a chief executive's salary respectively.
2. The Inner London high cost area supplement is £6,080 for those on the AfC pay structure.

Payment for additional responsibilities

- 5.32 DH's data collection analysis shows high usage of additional payment for additional responsibilities, particularly in London where 76 per cent of VSMs in the data collection receive additional payment for additional responsibilities at an average rate which is slightly above the maximum 10 per cent allowed. DH expects additional payments paid to VSMs with a broad remit to disappear when their full role is job evaluated.

Recruitment and retention premia

- 5.33 Significant use is made of RRP although usage varies between organisations. DH's data analysis shows that particularly high usage of long-term RRP is made by ATs (which paid RRP to 72 per cent of their VSMs in the data collection) and PCTs in London (which paid RRP to 73 per cent of their VSMs in the data collection). DH reports that one of its aims in the development of a new, job-evaluated pay framework is to reduce the current reliance on RRP to recruit and retain VSMs.
- 5.34 Remuneration committee members we met regard RRP as a useful flexibility and it is clear that RRP helps where salary constraints make filling particular posts, such as commissioning directors and finance directors, particularly difficult. However, it is also clear from the evidence we heard that RRP is being used to increase current base pay rates to more realistic market levels, but as noted above there are still 45 posts vacant for more than six months. The extensive use of RRP and other supplements suggests to us that the current pay framework is increasingly out of line with salaries required to attract applicants of the appropriate quality.

Performance pay

- 5.35 During discussions with VSMs and remuneration committee members we heard mixed views about the bonus system but there was general consensus that it does not incentivise performance. Reasons for this view varied; some thought that in order to motivate high performing individuals, bonus payments should be much higher, at least 10 per cent of salary. Others believed that a bonus system was not appropriate in the public sector, particularly in the NHS where team working was important, and felt that the challenge of the job was the main motivator.
- 5.36 VSMs and remuneration committees dislike the automatic awarding of D category (“not successful”) to all VSMs in an organisation that fails to meet its financial target and we heard of one organisation that had turned a deficit into a surplus but had failed to meet its target and so received this performance rating. Last year we recommended that automatic application of the D category should stop and that remuneration committees should have greater discretion in awarding an annual uplift consolidated into base pay subject to the individual’s performance. However, the Government rejected this recommendation on the grounds that VSMs’ annual uplifts and bonus payments should be dependent on organisations achieving their financial control targets. It argued that effective financial control was vital in the current economic situation. Nevertheless it is perverse and contrary to good practice that a VSM who makes a significant personal contribution should receive no increase in base pay because the organisation in which he or she works fails to meet its financial target. As we have said in previous reports, this rule makes it more difficult to recruit VSMs of high quality into failing organisations. We therefore repeat this year that we do not support the automatic awarding of a “D” rating for VSMs in organisations that fail to meet their financial targets and we recommend that DH revisit this guidance to allow some flexibility to reward high performing VSMs in such organisations.

Recommendation 14: We recommend that the Department of Health revisit the guidance on performance markings to allow some flexibility to reward high performing Very Senior Managers in organisations that fail to meet their financial targets.

- 5.37 During discussions with VSMs, we heard concerns about the late payment of bonuses. We have not come across any other organisation that pays performance awards so late, i.e. from September onwards for a bonus year which ends in March. This weakens further any incentive effect of bonuses and we welcome DH’s assertion that they are working to improve the situation. We will look for evidence next year that this issue has been addressed.

Development Pay

- 5.38 There was little comment about development pay and the data supplied by DH indicates that only around 1 per cent of VSMs in the data collection are on development pay.

Pensions

- 5.39 The increase in contribution rate has resulted in a reduction of net pay for VSMs. However, in general VSMs are satisfied with the pension scheme and one said to us that it helped with the retention of staff. Defined benefit schemes linked to final salary are becoming increasingly rare for new hires in the private sector where companies are moving to defined contribution schemes for staff at this level. Media attention on pensions has helped create greater awareness of pension provision amongst the public, making public sector pension provision an attractive part of the remuneration package and encouraging retention.

Governance arrangements

- 5.40 Members of remuneration committees we spoke to said they would like less oversight from the 'grandparent' organisation and greater flexibility to carry out their functions. They therefore welcomed the replacement of the rigid 3 and 7 per cent bonus awards by the facility to make awards in the range of 0 to 7 per cent. Remuneration committee members and VSMs said that they wished they had the same freedoms on pay and bonuses as Foundation Trusts which can set their own pay and bonus levels.
- 5.41 MiP told us that they had not expected to see different levels of bonus awarded for the same performance rating but we are content that remuneration committees should have this flexibility.
- 5.42 Another issue was the length of time taken by the 'grandparent' organisations to endorse recommendations made by remuneration committees. VSMs and remuneration committee members believe that their organisations would be more efficient if the governance process was less bureaucratic.
- 5.43 DH has issued *Guidance for Remuneration Committees*²⁸ which contains a section on "The Grandparent Role" explaining in detail the relationship between remuneration committees and their grandparent organisations. However, we do not believe that this document will dispel the sense of dissatisfaction that we encountered during our visits. We have already referred to the need to avoid unacceptable delays in approval of decisions, but believe that consideration should be given to whether some of the "oversight process" could be accomplished better and more speedily so as to communicate a greater sense of trust without losing the ability to monitor for consistency across remuneration committees.

Job evaluation

- 5.44 In our last report we said that we believed "job evaluation will address some of the concerns we have heard about the operation of the pay framework" and most stakeholders we talked to supported a scheme to consider VSM job size in relation to level of remuneration.
- 5.45 VSMs in general welcomed job evaluation but had some concerns. For example, job evaluation arrangements suitable for one type of NHS organisation may not be suitable for another. It was pointed out to us that job evaluation looks at job size and is a bottom-up approach while it may be more appropriate to consider the individual organisation first.
- 5.46 In its evidence DH stated its aim that the VSM total pay bill should not materially increase following job evaluation and the development of a new pay framework. If the money available for additional payments and RRP is used to fund improvements in base salary, it is possible that the pay bill will not increase. However, it is conceivable that implementing a more effective and appropriate pay structure will entail additional cost and we urge the Government to ensure that there is sufficient funding. A better pay system will have clear benefits if it makes vacancies easier to fill and avoids the risk of equal pay claims.
- 5.47 DH's evidence also said that it expected the appointed contractor to complete its work in early 2010-11 and that clearance would then be required from the Public Sector Pay Committee to proceed with the implementation of the job evaluation system. Our 2009 report requested DH to provide us with regular updates on progress with work on job

²⁸ *Guidance for Remuneration Committees*. Department of Health, 2009. Available from: http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_105254.pdf

evaluation. It has done so and informs us that, at the time of writing, the contract has not yet been awarded. It now appears that job evaluation is unlikely to be implemented until the third quarter of 2010 at the earliest. We are extremely disappointed by this timescale given that the Wright report, which recommended the introduction of a job-evaluated pay system for VSMs, was published in June 2008. We look forward to examining the outcome of the job evaluation exercise and meanwhile we urge DH to press ahead with its introduction as quickly as possible.

Affordability

- 5.48 DH's evidence to us proposed no increase in base pay or the bonus pot, arguing the need for affordable uplifts and pointing to the tighter fiscal situation in the NHS after 2010-11. However, the pay of VSMs in our remit group represents a very small percentage of the pay budget for the organisations concerned. DH estimates that the VSM pay bill is about £152 million. This includes salary, NI contributions, bonus payment (assuming that the 5 per cent bonus pot is used in full) and pension contributions, and is in total around 0.3 per cent of the NHS pay bill.
- 5.49 The submission also suggested that higher-paid staff in the public sector, including senior NHS staff, should provide leadership in pay restraint. However, it could be argued that when comparing the pay uplifts of those on the AfC pay structure or in the Doctors and Dentists Pay Review Body's remit group with increases in the base pay of VSMs, VSMs have been subject to pay restraint since the introduction of the pay framework. For example, since 2007 increases for AfC staff have totalled 7.65 per cent while those for VSMs totalled 5.0 per cent. If DH's proposal for this year is accepted, the relative figures would be a compound growth in base pay of 10.3 per cent for AfC staff and 5.1 per cent for VSMs. Table 5.8 below shows the annual uplifts in base pay for VSMs, AfC staff, doctors and dentists in the NHS since 2007.

Table 5.8: Uplifts in base pay for certain NHS pay structures

Year	VSM pay framework	Agenda for Change	Doctors' & dentists' salaries
2007	1.3%	2.5% staged	£1,000 (equivalent to average 2%)
2008	2.2%	2.75%	2.2%
2009	1.5%	2.4%	1.5%
2010	0% proposed by DH	2.25%	Up to 1% proposed by DH (0% proposed for consultants)

Pay recommendations for 2010-11

- 5.50 Many of the issues with the pay framework may be addressed by job evaluation in June (if the promised current timetable is adhered to), thus contributing to the development of a more robust and coherent pay structure. We look forward to a VSM pay framework redesigned on the basis of job evaluation and addressing the problems with the current system. Therefore this year we make 'holding' recommendations on VSM remuneration.

Bonus arrangements

- 5.51 As noted above, DH's evidence proposes that the bonus pot should remain at 5 per cent of the pay bill. NHS Employers found little support for the bonus among respondents to a survey they conducted and also propose no increase. VSMs and remuneration committee members we talked to had mixed feelings about the bonus system: many felt that in its present form it did not motivate and, because it involved subjective judgements, could be divisive and counter-productive to team working. Others were in

favour of bonuses but there was little agreement on the detail, for example on the size of bonuses where suggestions ranged up to 50 per cent of base pay. MiP's survey showed a similar lack of consensus although there was moderate support for bonuses amongst respondents.

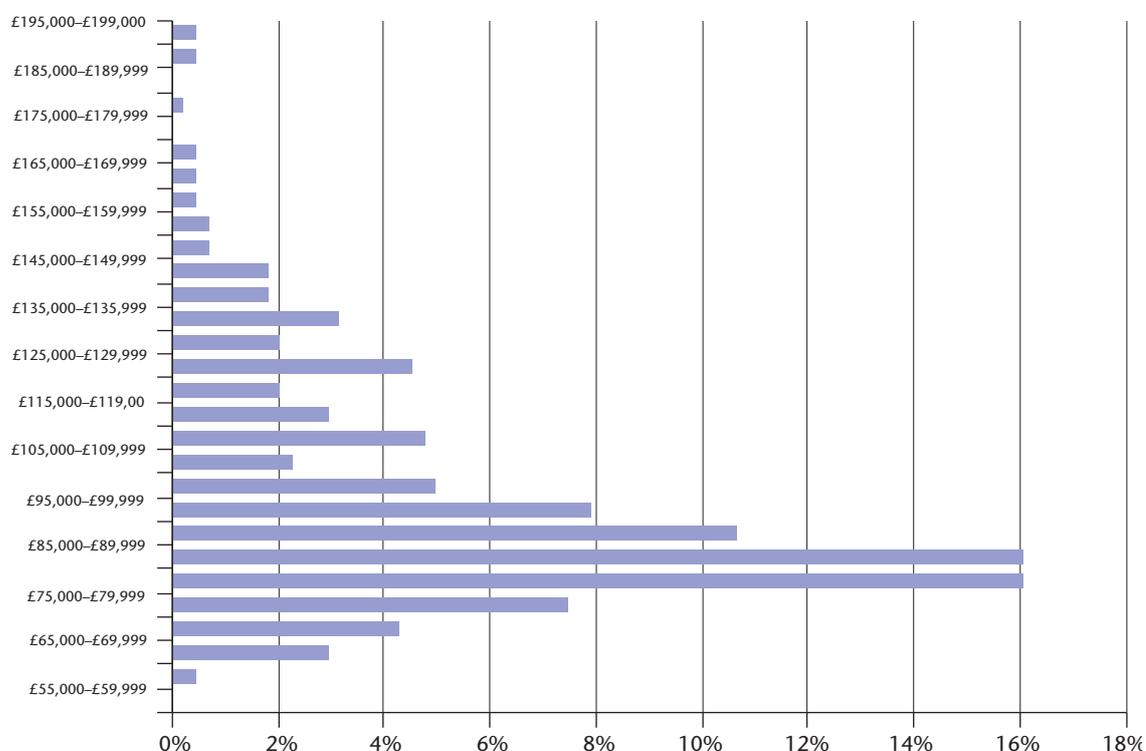
5.52 In past reports we have discussed concerns with the performance pay arrangements for VSMs. For example, we have reported that VSMs and remuneration committee members felt bonus payments could be demoralising. We conclude that the performance pay arrangements are failing to fulfil their purpose. The new DH guidance to remuneration committees will help in this respect, as will the flexibilities already agreed. However, the evidence we have seen this year has not changed our view on the VSM performance pay arrangements and we therefore recommend no increase to the bonus pot for 2010-2011.

Recommendation 15: We recommend that the level of the bonus pot should remain at 5 per cent of the Very Senior Managers' pay bill for 2010-11.

Base pay

5.53 In considering our recommendations on base pay we are clearly concerned about the overlap between the VSM and AfC pay structures. This is an issue which affects a small but important number of VSMs. Figure 5.2 below shows the total earnings of a sample of VSMs in 2008-09²⁹. While very few VSMs in the sample earned less than those at the top of the AfC 8c pay range (set at £64,118 for that year), around 12 per cent of VSMs in the sample earned less than those at the top of the AfC 8d pay range (£77,179 in 2008-09).

Figure 5.2: Total earnings of VSMs in 2008-09



²⁹ Data taken from DH's Electronic Staff Record relating to a sample of VSMs covered by the pay framework in 83 PCTs and 6 SHAs.

5.54 We are persuaded that, in the interests of motivation, morale and equity, the salary overlap between VSMs and AfC staff should be eliminated over time. As mentioned earlier, numbers of VSMs are small compared with those on the AfC pay scales. We note that those scales will increase by 2.25 per cent in April 2010 as the final year of the AfC three-year deal. This will increase further the overlap in salary between those on AfC bands 8 and 9 and VSMs. We therefore recommend an increase in base pay of 2.25 per cent for all VSMs whose total salary is less than £80,000 per annum. We estimate the cost of this recommendation, based on DH's evidence on pay levels, to be between £350,000 and £400,000, or around 0.25 per cent of the VSM pay bill.

Recommendation 16: We recommend that from 1 April 2010 there should be a 2.25 per cent increase in the base pay of Very Senior Managers covered by the pay framework whose current total salary is less than £80,000.

5.55 We are conscious that this recommendation will result in the salaries of some VSMs overtaking the salaries of VSMs currently earning either £80,000 or just over, and to correct this anomaly we recommend that a small uplift be applied to the salaries of those affected. The AfC pay uplift of 2.25 per cent applied to a salary of £79,999 is about £1,800. We therefore recommend that all those whose total salary is between £80,000 and £81,799 receive an increase in their base pay so that their total salary is £81,800 from 1 April 2010.

Recommendation 17: We recommend an increase from 1 April 2010 in the base pay of Very Senior Managers covered by the pay framework whose current total salary is between £80,000 and £81,799 to bring their total salary to £81,800.

5.56 As explained in Chapter 1, we do not accept the Government's argument that our remit groups should show leadership in pay restraint. We do, however, accept that in the current economic climate and given both the positive position on recruitment and retention and the need to rebalance public finances, there should be no general increase in pay for our remit groups this year. For VSMs, this means that we recommend no increase for those currently paid £81,800 or more.

Recommendation 18: We recommend that from 1 April 2010 there be no increase in the base pay of Very Senior Managers covered by the pay framework whose current total salary is £81,800 or more.

5.57 We realise that these recommendations will result in some slight distortion to the current pay framework and may possibly result in some very small differential anomalies for a short period. However, the introduction of job evaluation should put these right and we believe that the case for restoring coherent differentials with AfC staff reporting to VSMs significantly outweighs any short-term anomalies.

Appendix A

List of those who gave evidence to the SSRB

The senior civil service

Minister for the Cabinet Office
Cabinet Secretary and Head of the Home Civil Service
Civil Service Commissioners
FDA and Prospect (joint union evidence)
Senior civil service discussion groups held in London (9 attended)
Senior civil service discussion groups held in Leeds (9 attended)
HR Directors' discussion group (3 attended)

Senior officers of the armed forces

Chief of the Defence Staff
Chief of Naval Staff
Chief of General Staff
Assistant Chief of Air Staff
Permanent Under Secretary, Ministry of Defence
7 x 3-star officers and 10 x 2-star officers during visit to HMS President

The judiciary

Lord Chancellor and Secretary of State for Justice
Lord Chief Justice (England and Wales)
Lord President of the Court of Session
Lord Chief Justice of Northern Ireland
Chancellor of the High Court
Mr Justice Tomlinson
Judicial Appointments Commission (England and Wales)
Judicial Appointments Board, Scotland
Northern Ireland Judicial Appointments Commission
Northern Ireland Court Service
Scottish Government, Constitution, Law and Courts Directorate
Cardiff Civil Justice Centre (10 judges attended)
Inner London Crown Court, Sessions House (15 judges attended)

Very Senior Managers in the National Health Service

The Chief Executive of the NHS
The Department of Health
NHS Employers
Managers in Partnership
Brent PCT (3 VSMs, 3 from the remuneration committee (including its Chair and the Chief Executive))
East Midlands SHA (4 VSMs, 4 members of the remuneration committee and the Chief Executive)
NHS Blood and Transplant SpHA (3 VSMs, the Chairman of the Authority and the Chairman of the remuneration committee)

Appendix B

List of NHS organisations^{1,2,3,4} employing VSMs in SSRB's remit group

Strategic Health Authorities (SHAs)

East Midlands SHA	South Central SHA
East of England SHA	South East Coast SHA
London SHA	South West SHA
North East SHA	West Midlands SHA
North West SHA	Yorkshire and the Humber SHA

Special Health Authorities⁵

Health Protection Agency ⁶	NHS Blood and Transplant
Mental Health Act Commission	NHS Business Services Authority
National Institute for Health and Clinical Excellence	NHS Professionals Special Health Authority
National Patient Safety Agency	The Health and Social Care Information Centre
National Treatment Agency	The NHS Institute for Innovation and Improvement

Ambulance Trusts⁷

East Midlands Ambulance Service NHS Trust	South Central Ambulance Service NHS Trust
East of England Ambulance Service NHS Trust	South East Coast Ambulance Service NHS Trust
Great Western Ambulance Service NHS Trust	South Western Ambulance Service NHS Trust
London Ambulance Service NHS Trust	West Midlands Ambulance Service NHS Trust
North East Ambulance Service NHS Trust	Yorkshire Ambulance Service NHS Trust
North West Ambulance Service NHS Trust	

¹ <http://www.nhs.uk/ServiceDirectories/Pages/StrategicHealthAuthorityListing.aspx>, January 2010

² <http://www.nhs.uk/servicedirectories/pages/primarycaretrustlisting.aspx>, January 2010

³ <http://www.nhs.uk/servicedirectories/pages/specialhealthauthoritylisting.aspx>, January 2010

⁴ <http://www.nhs.uk/servicedirectories/pages/ambulancetrustlisting.aspx>, January 2010

⁵ We understand that the list of Special Health Authorities now includes the NHS Litigation Authority.

⁶ Although the Health Protection Agency is still shown on the NHS website, we understand that it has now become an Executive Non-Departmental Public Body.

⁷ Ambulance services on the Isle of Wight are provided by the Isle of Wight NHS PCT.

Primary Care Trusts (PCTs)

Ashton, Leigh and Wigan PCT	Barking and Dagenham PCT
Barnet PCT	Barnsley PCT
Bassetlaw PCT	Bath and North East Somerset PCT
Bedfordshire PCT	Berkshire East Teaching PCT
Berkshire West PCT	Birmingham East and North PCT
Blackburn with Darwen Teaching PCT	Blackpool PCT
Bolton PCT	Bournemouth and Poole PCT
Bradford and Airedale Teaching PCT	Brent Teaching PCT
Brighton and Hove City Teaching PCT	Bristol Teaching PCT
Bromley PCT	Buckinghamshire PCT
Bury PCT	Calderdale PCT
Cambridgeshire PCT	Camden PCT
Central Lancashire PCT	City and Hackney Teaching PCT
Cornwall and Isles of Scilly PCT	County Durham PCT
Coventry Teaching PCT	Croydon PCT
Cumbria PCT	Darlington PCT
Derby City PCT	Derbyshire County PCT
Devon PCT	Doncaster PCT
Dorset PCT	Dudley PCT
Ealing PCT	East and North Hertfordshire PCT
East Lancashire PCT	East Riding of Yorkshire PCT
East Sussex Downs and Weald PCT	Eastern and Coastal Kent Teaching PCT
Enfield PCT	Gateshead PCT
Gloucestershire PCT	Great Yarmouth and Waveney Teaching PCT
Greenwich Teaching PCT	Halton and St Helens PCT
Hammersmith and Fulham PCT	Hampshire PCT
Haringey Teaching PCT	Harrow PCT
Hartlepool PCT	Hastings and Rother PCT
Havering PCT	Heart of Birmingham Teaching PCT
Herefordshire PCT	Heywood, Middleton and Rochdale PCT
Hillingdon PCT	Hounslow PCT
Hull Teaching PCT	Isle of Wight Healthcare PCT
Islington PCT	Kensington and Chelsea PCT
Kingston PCT	Kirklees PCT
Knowsley PCT	Lambeth PCT
Leeds PCT	Leicester City Teaching PCT
Leicestershire County and Rutland PCT	Lewisham PCT

Lincolnshire Teaching PCT	Liverpool PCT
Luton Teaching PCT	Manchester PCT
Medway Teaching PCT	Mid Essex PCT
Middlesbrough PCT	Milton Keynes PCT
Newcastle PCT	Newham PCT
Norfolk PCT	North East Essex PCT
North Lancashire PCT	North Lincolnshire PCT
North Somerset PCT	North Staffordshire PCT
North Tyneside PCT	North Yorkshire and York PCT
Northamptonshire Teaching PCT	Northumberland Care Trust
Nottingham City PCT	Nottinghamshire County Teaching PCT
Oldham PCT	Oxfordshire PCT
Peterborough PCT	Plymouth Teaching PCT
Portsmouth City Teaching PCT	Redbridge PCT
Redcar and Cleveland PCT	Richmond and Twickenham PCT
Rotherham PCT	Salford Teaching PCT
Sandwell PCT	Sefton PCT
Sheffield PCT	Shropshire County PCT
Somerset PCT	South Birmingham PCT
South East Essex PCT	South Gloucestershire PCT
South Staffordshire PCT	South Tyneside PCT
South West Essex Teaching PCT	Southampton City PCT
Southwark PCT	Stockport PCT
Stockton-on-Tees Teaching PCT	Stoke on Trent PCT
Suffolk PCT	Sunderland Teaching PCT
Surrey PCT	Sutton and Merton PCT
Swindon PCT	Tameside and Glossop PCT
Telford and Wrekin PCT	Tower Hamlets PCT
Trafford PCT	Wakefield PCT
Walsall Teaching PCT	Waltham Forest PCT
Wandsworth PCT	Warrington PCT
Warwickshire PCT	West Essex PCT
West Hertfordshire PCT	West Kent PCT
West Sussex PCT	Western Cheshire PCT
Westminster PCT	Wiltshire PCT
Wirral PCT	Wolverhampton City PCT
Worcestershire PCT	

Appendix C

Website references for publications

SSRB reports from 2001 onwards can be found at:
http://www.ome.uk.com/SSRB_Reports.aspx

Written evidence from the Cabinet Office
http://www.civilservice.gov.uk/Assets/GovernmentEvidenceSSRB2009_tcm6-34813.doc

Written evidence from the Ministry of Justice
<http://www.justice.gov.uk/publications/docs/ssrb-evidence-2009.pdf>

Written evidence from the FDA and Prospect (joint union evidence)
<http://www.fda.org.uk/home/FDA-Prospect-evidence-to-SSRB.aspx>

Written evidence from the Department of Health
http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_106801

Written evidence from NHS Employers
http://www.nhsemployers.org/Aboutus/Publications/Documents/NHS_Employers_submission_to_SSRB_2010-11.pdf

Written evidence from Managers in Partnership
<http://www.miphealth.org.uk/Media/MiPPublications.aspx>

Appendix D

Existing salaries for the four remit groups

Senior civil servants (as at 1 April 2009)

Pay Band	Minimum	Reference points	Recruitment & Performance Ceiling (RPC)	Numbers in post ¹
3	£101,500	£140,000	£208,100	171
2	£82,900	£120,000	£162,500	770
1A	£67,600	£100,000	£128,900	199
1	£58,200	£90,000	£117,800	3,078
Total				4,254
Permanent Secretaries: £141,836 to £277,349				36

¹ Numbers in post as for 2009 supplied by the Cabinet Office (data which includes 17 'others').

Senior officers of the armed forces

Scale point	Value of scale points (April 2009 – March 2010)			
	CDS	4-star	3-star ¹	2-star ¹
7				£117,065
6		£179,084	£151,609	£114,655
5		£175,571	£146,821	£112,244
4	£247,427	£172,130	£142,030	£109,831
3	£242,576	£168,754	£137,243	£107,420
2	£237,819	£165,445	£129,669	£105,400
1 (Minimum)	£233,157	£162,212	£122,095	£103,873
Numbers in post ²	1	13	33	89

¹ This includes X-factor which is applied at the rate of £2,336, this sum being equivalent to 25 per cent of the cash value of X-factor at the top of the OF4 pay scale as proposed by AFPRB from 1 April 2009.

² Numbers in post supplied by the MoD, and relate to numbers in post as of 1 July 2009.

Members of the judiciary

Salary group	Salaries from 1 April 2009	Numbers in post on 1 April 2009
1	£239,845	1
1.1	£214,165	4
2	£206,857	15
3	£196,707	49
4	£172,753	143
5	£138,548	88
6.1	£128,296	824
6.2	£120,785	20
7	£102,921	1,007
	Total	2,151

Sources: Ministry of Justice; Scottish Government; Northern Ireland Court Service

Chief executives of PCTs, ATs, SHAs and SpHAs – base pay from 1 April 2009

	PCT Chief Executives ¹	AT Chief Executives ²	SHA Chief Executives ¹
London	not applicable	£150,351	£204,048
Band 5	£149,657	not applicable	not applicable
Band 4	£138,571	not applicable	not applicable
Band 3	£127,486	£128,873	£182,570
Band 2	£116,401	£121,355	£171,831
Band 1	£105,315	£112,764	£161,091
	SpHA Chief Executives³		
	From	To	
Group 1	£162,878	£183,894	
Group 2	£141,861	£162,878	
Group 3	£99,829	£141,861	

¹ The organisational weighting factor used for banding is weighted population i.e. resident population weighted for age and deprivation.

² The organisational weighting factors used for banding are expenditure on emergency services and activity.

³ The organisational weighting factor is a combination of current grant in aid and national impact.

Appendix E

Existing base salaries of Permanent Secretaries in £5,000 bands (as at January 2010)

Band	Number in band	Office holder
£235,000 – £239,999	1	Cabinet Secretary and Head of Home Civil Service
£230,000 – £234,999	–	
£225,000 – £229,999	1	1 st Parliamentary Counsel
£220,000 – £224,999	–	
£215,000 – £219,999	–	
£210,000 – £214,999	1	Chief Executive – National Health Service
£205,000 – £209,999	1	Chief Medical Officer
£200,000 – £204,999	–	
£195,000 – £199,999	–	
£190,000 – £194,999	–	
£185,000 – £189,999	3	Permanent Secretary – Home Office Chief Executive – Jobcentre Plus Chief Executive – Office of Government Commerce
£180,000 – £184,999	3	Permanent Secretaries: – Ministry of Justice – Dept Children, Schools and Families – Dept Work and Pensions
£175,000 – £179,999	3	Permanent Secretaries: – Dept for Communities and Local Government – Ministry of Defence – HM Treasury
£170,000 – £174,999	3	Permanent Secretaries: – Foreign and Commonwealth Office – Dept for International Development Chief Executive Officer – HM Revenue and Customs

£165,000 – £169,999	3	Permanent Secretaries: – Dept Energy and Climate Change – Secret Intelligence Service Chief Scientific Adviser – BIS
£160,000 – £164,999	8	Permanent Secretaries: – Northern Ireland Office – Dept of the Environment, Food & Rural Affairs – Business, Innovation and Skills – Scottish Government – Government Communications – Welsh Assembly Government 2 nd Permanent Secretary – HM Revenue and Customs Chairman of the Joint Intelligence Committee and Head of Intelligence Assessment
£155,000 – £159,999	7	Permanent Secretaries: – Security Service – Department of Health – Department for Transport – Department for Culture, Media & Sport Head of International Economic Affairs and Europe, Cabinet Office Treasury Solicitor 2 nd Permanent Secretary – Ministry of Defence
£150,000 – £154,999	4	Permanent Secretaries: – Northern Ireland Civil Service – No.10 2 nd Permanent Secretary – HM Treasury Chairman – HM Revenue and Customs
£145,000 – £149,999	1	Permanent Secretary – Government Communications HQ
£140,000 – £144,999	2	CSA – MoD (2 nd Permanent Secretary) Permanent Secretary – Office for National Statistics

Appendix F

Recruitment to the senior civil service

Open competitions for appointments to senior civil service posts (Pay Band 2 and above)¹

	Source			Total
	Civil service	Wider public sector	Private sector & others	
2008-09	62 (63%)	23 (23%)	13 (13%)	98
2007-08	43 (41%)	39 (37%)	23 (22%)	105
2006-07	36 (40%)	33 (37%)	21 (23%)	90
2005-06	42 (38%)	39 (35%)	30 (27%)	111
2004-05	38 (42%)	36 (39%)	17 (19%)	91

Source: Civil Service Commissioners

¹ From 16 July 2002, the Civil Service Commissioners ceased to have responsibility for approving the majority of SCS posts at Pay Bands 1 and 1A. Commissioners' approval is now only required for open recruitment to SCS Pay Band 2 and above.

	Vacancies		Applications		Recommended for appointment ¹	
	Dec 06 – Nov 07	Dec 07 – Nov 08	Dec 06 – Nov 07	Dec 07 – Nov 08	Dec 06 – Nov 07	Dec 07 – Nov 08
General Fast Stream:	211	313	9,219	10,000	249	376
<i>Including:</i>						
<i>Central Departments,</i>	161	256	6,631	7,418	190	304
<i>Clerks House of Parliament,</i>	4	7	135	234	5	8
<i>DFID Technical Development,</i>	1		106		5	
<i>Diplomatic Service,</i>	25	27	1,720	2,004	29	45
<i>Fast Stream (Europe), and</i>						
<i>Science/Engineering.</i>	20	23	527	255	20	19
Economists	170	182	660	815	101	159
Statisticians	28	36	522	415	20	18
GCHQ	12	12	3,054	3,087	2	8
Technology in Business	6	9	164	177	8	9
In-service nominations ²			122	119	131	54

Source: Cabinet Office

¹ The number of applicants who were successful in the competition.

² These are provisional numbers.

Appendix G

Judicial salary structure at 1 February 2010¹

Group 1

Lord Chief Justice

Group 1.1

Lord Chief Justice of Northern Ireland

Lord President of the Court of Session

Master of the Rolls

President of the Supreme Court

Group 2

Chancellor of the High Court²

Deputy President of the Supreme Court

Lord Justice Clerk

Justices of the Supreme Court

President of the Family Division

President of the Queen's Bench Division³

Group 3

Inner House Judges of the Court of Session

Lords Justices of Appeal

Lords Justices of Appeal (Northern Ireland)

Group 4

High Court Judges⁴

Outer House Judges of the Court of Session

Puisne Judges (Northern Ireland)

Vice-Chancellor of the County Palatine of Lancaster⁵

Group 5

Chairman, Scottish Land Court

Chief Social Security Commissioner (Northern Ireland)

Circuit Judges at the Central Criminal Court in London (Old Bailey Judges)

Deputy President, Asylum & Immigration Tribunal⁶

First-tier Chamber Presidents (Health, Education and Social Care Chamber; Social Entitlement Chamber)

Judge Advocate General

Judges of the Technology and Construction Court

Permanent Circuit Judge, Employment Appeals Tribunal

President, Employment Tribunals (England & Wales)

President, Employment Tribunals (Scotland)

¹ Alphabetical order within salary group.

² Formerly known as Vice-Chancellor until 1 October 2005.

³ Post became effective on 3 October 2005.

⁴ Includes the posts of President, Asylum and Immigration Tribunal and President, Employment Appeals Tribunal, both of whom are High Court Judges.

⁵ Post currently held by a High Court Judge.

⁶ Post came into effect on 4 April 2005 with the introduction of the new Asylum and Immigration Tribunal.

President, Lands Chamber of the Upper Tribunal
President, Lands Tribunal (Scotland)
President, Financial Services and Markets Tribunal (FINSMAT); President, First-tier Tax Chamber;
(Former President, VAT and Duties Tribunals; Former Presiding Special Commissioner of Income
Tax; President, Claims Management Services Tribunal)⁷
Recorder of Belfast⁸
Recorder of Liverpool
Recorder of Manchester
Senior Circuit Judges
Senior District Judge (Chief Magistrate)
Sheriffs Principal
Specialist Circuit Judges⁹

Group 6.1

Chief Registrar and Senior and Chief Masters
Circuit Judges
County Court Judges (Northern Ireland)¹⁰
Deputy Chamber President of the First-tier Tribunal (Health, Education and Social Care
Chamber); (Former Deputy President, Care Standards Tribunal)
President, Appeal Tribunals (Northern Ireland)
Judges of the First-tier Tribunal and Deputy Judges of the Upper Tribunal (Former President,
Charity Tribunal; Former President, Consumer Credit and Estates Agent Appeals Tribunals)
President, Gambling Appeals Tribunal
President, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)
President, Lands Tribunal (Northern Ireland)
Regional Chairmen, Employment Tribunals (England & Wales)
Judge of First-tier Tribunal, Social Entitlement Chamber (Former Regional Chairmen, Appeals
Tribunal)
Registrar of Criminal Appeals
Senior Costs Judge¹¹
Senior District Judge, Principal Registry of the Family Division
Senior Immigration Judges/Special Immigration Appeals Commission Judges¹²
Senior Judge of the Court of Protection
Sheriffs
Social Security and Child Support Commissioner (Northern Ireland)
Upper Tribunal Judges (Finance & Tax Chamber and Administrative Appeals Chamber)
Vice-President, Employment Tribunal (Scotland)

Group 6.2

Adjudicator, HM Land Registry
Deputy Senior District Judge (Magistrates' Courts)
Designated Immigration Judges¹³

⁷ All three offices formerly held by the same person. Current incumbent (as at 1 April 2009) paid at Group 4 rate.

⁸ Current post-holder receives a salary of 108 per cent of Group 5 rate under arrangement established from 1 April 2002.

⁹ Chancery, Mercantile and Patents Judges.

¹⁰ 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.

¹¹ Formerly known as Senior Taxing Master.

¹² Posts came into effect on 4 April 2005 with the introduction of the new Asylum and Immigration Tribunal.

¹³ Current post-holder receives a salary of 108 per cent of Group 7 rate.

Deputy Chief Asylum Support Adjudicator, Asylum Support Tribunal¹⁴
Regional Chairmen, Mental Health Review Tribunals, England
President, War Pensions and Armed Forces Compensation Chamber
Special Commissioners of Income Tax
Surveyor Members, Lands Tribunals (Scotland; Northern Ireland)
Surveyor Members, Upper Tribunal (Lands)
Transferred-in Tax Judges
Vice-Judge Advocate General
Vice-Presidents, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)

Group 7¹⁵

Assistant Judge Advocates General
Chairmen, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)
Chief Medical Member, First-tier Tribunal, Social Entitlement Chamber
Coroner, Northern Ireland¹⁶
Costs Judges¹⁷
District Judges
District Judges (Magistrates' Courts)
District Judges (Northern Ireland)
District Judges (Magistrates' Courts) (Northern Ireland)
District Judges of the Principal Registry of the Family Division
Employment Judges (England and Wales)¹⁸
Employment Judges (Scotland)¹⁹
First-tier Tribunal Judges (Social Entitlement Chamber, Health, Education and Social Care Chamber and Tax Chamber)
Immigration Judges
Masters and Registrars of the Supreme Court
Masters of the Supreme Court (Northern Ireland)
Senior Coroner, Northern Ireland^{20,21}

¹⁴ 108 per cent of the Group 7 rate. In addition, Deputy Chief Asylum Support Adjudicator and Designated Immigration Judges in London and London Group 7 posts will continue to attract a London salary lead of £2,000 p.a. and a London Allowance of £2,000 p.a.

¹⁵ Group 7 post-holders in London are paid an additional £2,000 salary lead and an additional £2,000 London allowance.

¹⁶ Post included in the Judicial Salary Structure from October 2005 following agreement from the Lord Chancellor.

¹⁷ Formerly known as Taxing Masters.

¹⁸ Formerly called Employment Tribunals Chairmen.

¹⁹ Formerly called Employment Tribunals Chairmen.

²⁰ Post included in the Judicial Salary Structure from October 2005 following agreement from the Lord Chancellor.

²¹ Paid at 110 per cent of the Group 7 salary.

Appendix H

Previous reports in this series

No. 2: Interim Report on Top Salaries	Cmnd. 5001, June 1972.
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No. 62: Twenty-Eighth Report on Senior Salaries	Cm 6727, March 2006.
No. 63: Twenty-Ninth Report on Senior Salaries	Cm 7073, March 2007.
No. 65: Thirtieth Report on Senior Salaries	Cm 7388, June 2008.
No. 68: Thirty-First Report on Senior Salaries	Cm 7556, March 2009.

Appendix I

Glossary of terms and abbreviations

General

AFPRB	Armed Forces' Pay Review Body.
Average	The sum of a set of values divided by the number of values.
Base pay	Basic salary, excluding non-consolidated bonuses, allowances, value of pensions etc.
CPI ¹	Consumer Prices Index.
Job weight	The relative level, complexity and responsibility of different jobs/positions.
Median	The value in a set of observations ranked in ascending order that divides the data into two parts of equal size.
Pay Band	A salary range with a minimum and maximum within which posts are allocated according to job weight.
Performance related pay	Any method by which links are established between the assessed performance of an individual in a job and what he or she receives in salary, bonus payments, incentives or benefits.
RPI ¹	Retail Prices Index.
RPIX	Retail Prices Index excluding mortgage interest payments.
SSRB	Senior Salaries Review Body.

Senior civil service

Fast Stream	A recruitment, training and development scheme aimed at very able graduates, selected on the basis of their potential to reach the senior civil service.
JESP	Job Evaluation of Senior Posts.
Performance tranche	One of three tranches (or sets) to which individuals are allocated according to annual assessment of their performance. These are then used in a pay matrix to determine the size of individual annual increases in salary.
Recruitment & Performance Ceiling (RPC)	The pay band ceiling. Once pay has reached the RPC, further consolidated pay awards are restricted to the annual revalorisation of the RPC, with the balance of any award non-consolidated.
SCS	Senior civil service/servants.

¹ RPI and CPI are the two main measures of inflation in the UK. They each measure the average change in the prices of goods and services bought for the purpose of consumption by the vast majority of households in the UK.

Senior Leadership Committee (SLC) Considers applications and appointments to the most senior posts – normally those at pay band 3 and Permanent Secretary level. The Committee is chaired by the Head of the Home Civil Service and attended by the First Commissioner.

The armed forces

CDS Chief of Defence Staff.
COS Chiefs of Staff.
MOD Ministry of Defence.
MODOs Medical and dental officers.
PMPS Performance Management and Pay System.

The judiciary

JAB Judicial Appointments Board (Scotland)
JAC(E&W) Judicial Appointments Commission (England and Wales)
JAC(NI) Judicial Appointments Commission (Northern Ireland)
LCJ Lord Chief Justice
NICS Northern Ireland Court Service.
Salary group The grouping of judicial posts, for pay purposes, according to job weight. See Appendix G.

NHS Very Senior Managers

AT Ambulance Trust
DH Department of Health
MiP Managers in Partnership
PCT Primary Care Trust
SHA Strategic Health Authority
SpHA Special Health Authority
VSMs Very Senior Managers



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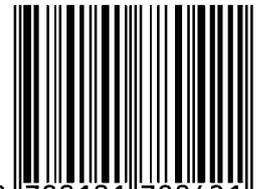
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