



Review Body on Senior Salaries

REPORT No. 62

Twenty-Eighth Report on Senior Salaries 2006

Chairman: John Baker, CBE

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

March 2006

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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 and in 2001 to allow the devolved bodies direct access to the Review Body's advice.

The terms of reference are:

The Review Body on Senior Salaries provides independent advice to the Prime Minister, the Lord Chancellor and the Secretary of State for Defence on the remuneration of holders of judicial office; senior civil servants; senior officers of the armed forces; 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;

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;

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:

John Baker, CBE *Chairman*
Mark Baker, CBE
David Clayman¹
Mary Galbraith
Professor David Greenaway
Mei Sim Lai, OBE
Jim McKenna¹
Sir Peter North, CBE, QC¹
Richard Pearson¹
Janet Rubin

The Secretariat is provided by the Office of Manpower Economics.

21 February 2006

¹ Members of the Judicial Sub-committee, chaired by David Clayman

Summary of recommendations

The Senior Civil Service

Recommendation 1: We recommend that the SCS pay ranges from 1 April 2006 should be:

Pay Band	Minimum	Progression Target Rate (PTR)	Recruitment & Performance Ceiling (RPC)
3	£98,000		£205,000
2	£80,000		£160,000
1A	£64,000	£86,000	£127,000
1	£55,000	£77,000	£116,000

Recommendation 2: We recommend that the SCS base pay increases in 2006 should be in the range of 0 per cent to 9 per cent, according to relative performance, and that the average individual award should be 3.25 per cent.

Recommendation 3: We recommend that the minimum SCS bonus for 2006 should be £3,000.

Recommendation 4: We recommend that the minimum and maximum of the range for the Permanent Secretaries' Pay System should be increased to £137,000 and £273,250 respectively from 1 April 2006.

Senior officers in the armed forces

Recommendation 5: We recommend that the performance-related pay scales for 2-star officers and above be increased by 3 per cent from 1 April 2006 as set out in Tables 3.4 and 3.5 below.

Recommendation 6: We recommend that the pay of medical and dental officers of 2-star rank continue to be 5 per cent above their comparators at 1-star, and that those of 3-star rank continue to receive 5 per cent more than their 2-star comparators.

The judiciary

Recommendation 7: We recommend that the current structure of nine groups, including group 6.2, be retained and that group 6.2 be repositioned more centrally between groups 6.1 and 7 over a number of years.

Recommendation 8: We recommend the following changes to salaries and salary groups from 1 April 2006:

- (i) Judge Advocate General to move to group 5;
- (ii) The two Judges with open-ended attachments to the Employment Appeals Tribunal to move to group 5 for the remaining length of their attachments;
- (iii) Regional Chairman, Appeals Service, to move to group 6.1;
- (iv) Regional Chairman, Mental Health Review Tribunal (England) to move to group 6.2;
- (v) Adjudicator to HM Land Registry to move to group 6.2;
- (vi) Deputy President, Pensions Appeal Tribunal, to move to group 7; and

(vii) Chief Medical Member, Appeals Service, to move to group 7.

Recommendation 9: The Recorder of Belfast should receive a supplement of 8 per cent of salary applying from the date of his appointment for as long as he continues to sit in 'Diplock courts'.

Recommendation 10: We recommend that the administrations in England and Wales, Scotland and Northern Ireland consult with the Review Body on how to compile and include in future evidence to us quantified information on changes in case weight, case management, management responsibilities and any other significant elements of the overall job weight and efficiency of members of the judiciary.

Recommendation 11: We recommend that from 1 April 2006 the salary for the Lord Chief Justice should be £225,000.

Recommendation 12: We recommend that from 1 April 2006 the salaries for groups 1.1, 2 and 3 of the judicial salary structure should be:

Group 1.1	£200,800
Group 2	£194,000
Group 3	£184,400

Recommendation 13: We recommend that from 1 April 2006 the salary for group 4 of the judicial salary structure should be £162,000.

Recommendation 14: We recommend that from 1 April 2006 the salaries for groups 5, 6.1 and 7 of the judicial salary structure should be:

Group 5	£129,900
Group 6.1	£120,300
Group 7	£96,500

Recommendation 15: We recommend that from 1 April 2006 the salary for group 6.2 of the judicial salary structure should be £114,400.

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Chapter 1

Introduction and sources of evidence

Introduction

- 1.1 This report, our twenty-eighth on senior salaries, considers and makes recommendations on the pay of senior civil servants (SCS), senior officers in the armed forces, and the judiciary.
- 1.2 The Government accepted the recommendations in our twenty-seventh report¹, and they were implemented in full from 1 April 2005.
- 1.3 For this review we have as usual received evidence from a range of individuals and organisations. A full list of those submitting evidence is given in Appendix A. We have repeated the practice of holding meetings with postholders from the SCS, SCS Directors of Human Resources, and senior officers in the armed forces, with a view to hearing how the system is operating for those working within it. We found the discussions informative and helpful. In the case of the judiciary, we sought written responses to our consultation document on the major review of the judicial salary structure published in June 2005² and took oral evidence over six days in London, Edinburgh and Belfast. We are, as ever, grateful to all those who took the trouble to write or speak to us.

The senior civil service

- 1.4 In Chapter 2 we outline the evidence we have received from the Government, the Cabinet Secretary, the First Division Association and Prospect, and the Civil Service Commissioners. We also report on the results of the SCS market exercise carried out by our consultants, Hay Group³.
- 1.5 In our twenty-seventh report we drew attention to what we saw as the inconsistency between the Government's stated commitment to a strategic and sustainable market-facing approach to SCS pay, and the funding that it is prepared to make available in the short term. Our concerns have increased this year and it seems to us that there are serious problems with the SCS pay system, most notably the slow rate of progression for those performing satisfactorily, the continued development of a two-tier system where recruits from outside are paid substantially more than those who have progressed from within the civil service, and the risk of equal pay claims because of the reducing correlation between pay and job weight. At the same time, the evidence from the Hay Group's research shows the pay gap between the SCS and the private and wider public sectors increasing markedly for pay band 2 and above. Our analysis of the Government's evidence leads us to the following observations.
- 1.6 First, we note that, in the face of the above problems with the SCS pay system, the Government is changing its approach to SCS pay. There is a significantly greater emphasis on performance, with a clearly expressed wish to differentiate yet more sharply between, relatively, the best, the average and the least good performers. We agree with this thinking.

¹ The Twenty-Seventh Report on Senior Salaries, Cm 6451. London. The Stationery Office. 2005.

² Major review of the judicial salary structure – consultation document. <http://www.ome.uk.com/review.cfm?body=4>

³ <http://www.ome.uk.com/review.cfm?body=4&all#documents>

- 1.7 Secondly, the Government has this year placed greater weight on the evidence of its ability to recruit suitable talent within the current pay bands and on the evidence that the retention rate is very high. We accept that the current salary structure and levels are not impeding recruitment or retention. However, the 'two-tier system' (i.e. wide differentials between the pay of external and internal recruits) is a growing problem in that it is inequitable and there is some evidence that it is affecting morale. Therefore our main concern here should be to ensure, so far as possible, that the position does not deteriorate in the future to the point where recruitment and retention start to suffer.
- 1.8 Thirdly, and perhaps most importantly for the future, the Government has modified its view of what constitutes a 'market-facing approach' for SCS pay from the concept of comparability previously adopted. There are two aspects to this. First, the Government now interprets 'market-facing' as essentially meaning that pay "is not a barrier to recruitment". Secondly, the Government now puts greater weight on public rather than private sector comparators, arguing that it is the nature of the job and not remuneration which attracts private sector candidates to seek SCS jobs, whereas, for public sector candidates, pay is indeed a material consideration. The evidence presented to us seems to support these contentions and we do not contest the point. However, we note that restricting reference to the outside markets simply to find the point at which recruitment is not inhibited, rather than undertaking a wider bench-marking of comparable salaries for jobs of comparable weight and responsibility, has significant and long-term implications for SCS pay, which can – as a consequence – be expected to continue to drift downwards relative to the market.
- 1.9 The Government has stated clearly this year that it will not provide funding to move SCS pay closer to wider market rates, and the next public sector spending review may well point to continuing restrictions in the growth of public sector pay. In short, as has been experienced before, considerations of affordability will tend to prevail over aspirational claims about the basis and objectives of civil service pay policy. We believe that ultimately it is a benefit to all the parties to understand this situation and its possible consequences clearly, and to avoid the ambiguities that have clouded the point in the past.
- 1.10 In making recommendations this year we have also had to bear in mind the strong messages we have received from the Government about its policy on public sector pay generally. Although the SCS represents a very small proportion of public expenditure, so that funding is much less of an issue than for larger groups, we recognise that its pay award may be seen as a benchmark when the Government is seeking to restrain the growth in public expenditure.

Senior officers in the armed forces

- 1.11 Chapter 3 reviews the pay of 2-star officers and above. In reaching our conclusions we have been assisted by written evidence from the Ministry of Defence (MOD), and oral evidence from the Chief of Defence Staff, the Service Chiefs of Staff and the MOD Permanent Secretary.
- 1.12 We believe the performance management system put in place for the senior military following our twenty-fourth report⁴ is generally working well, and the new performance-related pay scales we endorsed last year simply need revalorising.

⁴ The Twenty-Fourth Report on Senior Salaries, Cm 5389-I. London. The Stationery Office. 2002.

The judiciary

- 1.13 Chapter 4 sets out our recommendations on judicial pay and reports the outcome of the major review we have conducted over the last two years into the judicial salary structure. We have carried out several major reviews in the past, more recently every four or five years, in order to test the continued fitness for purpose of the judicial pay structure.
- 1.14 As part of the major review we commissioned PricewaterhouseCoopers LLP (PwC) to carry out a job evaluation of a representative sample of the judiciary, and Ipsos Public Affairs to carry out a survey of pre-appointment earnings of recently appointed judges and earnings of experienced barristers. We published a consultative document in June 2005 with the PwC recommendations and the Ipsos findings. We have since considered carefully all the written and oral evidence we have received. We found that the structure was still broadly satisfactory although we make some recommendations for regrading certain posts and for a gradual repositioning of one of the judicial groups, to improve the internal consistency of the structure. We found that differentials in the judicial salary structure are compressed compared to the private and wider public sectors and we make some recommendations to start to address that problem.
- 1.15 Our review has been carried out while the senior judiciary are preparing for major changes as a result of the Constitutional Reform Act 2005. Provisions of the Act coming into force in April 2006 mean that the Lord Chancellor will cease to be the head of the judiciary in England and Wales, and a range of functions currently carried out by the Lord Chancellor or his department will transfer to the Lord Chief Justice. The Lord Chief Justice will be able to delegate certain functions to his senior colleagues. These changes are bound to have an impact on jobs at senior levels.
- 1.16 In addition the Department for Constitutional Affairs (DCA) and the judiciary have been reviewing the allocation of judicial resources, in particular to ensure that the expertise of the High Court bench is deployed on the cases that truly require it. We have tried to gauge the impact of the review on the different levels of the judiciary.

Economic and affordability evidence

- 1.17 As background to the work of all the Pay Review Bodies, the Government provided evidence on the economic considerations and its overall policy and objectives for public sector pay. We also received evidence from the three departments regarding affordability issues.
- 1.18 The Government's economic evidence emphasised that pay rises in the public sector must be set at sustainable rates and justified by productivity. Resources needed for service improvement should not be absorbed by pay, except to the extent necessary to help run an effective public sector. Pay increases should be at levels necessary to respond to the particular circumstances and requirements of the remit group concerned, for example, where the outcome improved service delivery by addressing specific recruitment and retention problems, or achieved significant reform. In determining our pay recommendations we were asked to consider the inflation target, and all other relevant factors, such as developments in the local market, recruitment, retention, motivation and reform, and regional prices.

- 1.19 With regard to inflation, the Government commented that too much emphasis should not be placed on a single month's inflation figure as monthly movements in the CPI⁵ and other inflation measures could reflect volatile and short-term influences. Instead, it asked us to consider the underlying trends. At the time of writing to us, the data showed that CPI and RPIX had continued at low levels over the previous 12 months. Inflation over the past three years had remained relatively stable, with CPI averaging 1.3 per cent, RPIX averaging 2.4 per cent and RPI at 2.5 per cent per annum. This period of stable inflation was expected to continue.
- 1.20 The Chancellor of the Exchequer wrote to each of the Review Body Chairmen on 23 November 2005. He drew attention to the "period of sustained low and stable inflation" since 1997 and to "the temporary impact of oil prices" on the CPI inflation rate. He said the Bank of England forecasts that CPI would fall to just below the 2 per cent target next year and then be close to the 2 per cent target in subsequent years. The Chancellor suggested that Pay Review Bodies should therefore base their recommendations on the achievement of the inflation target of 2 per cent, rather than on the temporary rise in the rate of inflation.
- 1.21 In November, the Bank of England's central projection was that CPI would fall back to target (2 per cent) in the following 12 months. The Pre-Budget Report, on 5 December 2005, forecast that CPI inflation would remain slightly above target in the short term as a result of rises in oil prices and increases in import prices. However, as this impact abated, inflation would return to a little below target later in 2006. In fact, in the 12 months to January 2006, the CPI (the Government's preferred measure) stood at 1.9 per cent, RPIX at 2.3 per cent and RPI (which we note remains commonly used as a reference point in pay negotiations across the economy) was 2.4 per cent. Looking ahead, Table 1.1 shows inflation forecasts from the Treasury's average of recent projections from independent forecasters.

Table 1.1: Inflation forecasts

	2006 (Quarter 4)
CPI	1.9%
RPIX	2.2%
RPI	2.2%

Source: Forecasts for the UK Economy. A comparison of independent forecasts. HM Treasury February 2006.

- 1.22 Average earnings (excluding bonuses) rose by 3.8 per cent in the three months to December 2005 (4.1 per cent in the public sector and 3.7 per cent in the private sector). The increase for the whole economy earnings excluding bonuses (the MPC's preferred measure of 'core' earnings growth) thus remains below 4.5 per cent – the maximum level that the Bank of England believes compatible with the inflation target.

⁵ CPI and other technical terms are explained in the glossary in Appendix J.

Table 1.2: Average earnings growth

% changes year on year 3 month average	Average Earnings (excluding bonus)		
	whole economy	private sector	public sector
October 2005	3.9%	3.8%	4.0%
November 2005	3.8%	3.8%	4.0%
December 2005	3.8%	3.7%	4.1%

Source: National Statistics (February 2006)

1.23 Pay commentators put the median level of settlements across the whole economy at around 3 per cent. The inter-quartile range has narrowed in recent months, suggesting a bunching of settlements around this level. Having said that, there has remained considerable variation in settlement levels, reflecting the economic circumstances of different employers and sectors. Among Pay Review Bodies we are uniquely concerned only with senior groups and, so far as our remit groups are concerned, it is worth noting that their market comparators have continued to enjoy increases above the median figure. In the 12 months to April 2005 Monks⁶ reported that the base salaries of parent company senior managers increased by 4.2 per cent at the median, while for directors the corresponding rise was 5.0 per cent. Hay Group⁷ reported that the base pay for subsidiary directors and heads of major functions rose by 4.2 per cent in the 12 months to May 2005. The Government's evidence noted that commentators such as IDS, Hay Group and Towers Perrin expected average base pay increases in 2005-06 to be in line with those in 2004-05, and for the emphasis on variable bonuses to continue with median target bonuses increasing noticeably at senior levels. In their research carried out for us, Hay Group found that the base pay of a sample of 42 SCS postholders "has fallen behind the private and broader public sector market" and "becomes increasingly less competitive as job size increases". The joint evidence from the civil service unions drew our attention to a number of pay surveys for comparator groups in the private sector.

Our remit

1.24 Our remit requires us to have regard to many different matters that at times inevitably point in different directions. This year the tensions are particularly marked. Inflation is low and likely so to continue. There are no very significant problems of recruitment or retention for our remit groups. Whilst there are some signs of discontent from within our remit groups, they are subdued and seem unlikely to give rise to short-term problems. We have no evidence on productivity but SCS and judiciary numbers have tended to grow in recent years, while the number of senior military has fluctuated. It therefore seems prima facie unlikely that a high pay award could be justified simply on productivity grounds, except for the senior judiciary affected by the Constitutional Reform Act.

⁶ Monks Management Pay, United Kingdom, April 2005.

⁷ Hay Group: Survey of Directors' Remuneration, July 2005.

Table 1.3: Population numbers for the SSRB remit groups

Remit group	2000	2001	2002	2003	2004	2005
SCS ¹	3,054	3,331	3,507	3,700	3,893	3,906
Judiciary ²	1,701	1,855	1,950	2,035	2,063	2,087
Senior officers ³	136	121	120	134	139	134

¹ SCS figures supplied by the Cabinet Office and relate to 1 April of each year.

² Judicial figures supplied by the DCA, Northern Ireland Court Service and Scottish Executive and relate to 1 April of each year.

³ Senior officer strengths supplied by DASA (Tri-Service) and relate to 1 July of each year. These figures exclude Medical and Dental Officers.

1.25 There is continuing evidence that our remit groups' remuneration is struggling to keep up with that of comparable employees particularly in the private, but also to a lesser extent in the wider public sector, and is falling behind at senior levels. Salary differentials for the more senior members of the remit groups are much smaller than in the other sectors. Our terms of reference require us to have regard to, among other things, differences in terms and conditions of employment between the public and private sectors, taking account of relative job security and the value of benefits in kind. However, as we have explained, the Government itself is shifting its stance on its desired level of SCS pay relative to the wider market. Problems are starting to arise within the SCS from the recruitment of people from outside on significantly higher salaries than existing civil servants and from the widespread weakening of the link between job weight and pay. But this issue does not apply to the senior military or the judiciary and there is no hard evidence that, as yet, the issue is not manageable within the SCS. For all our remit groups there are suggestions that factors such as job security and pensions – which have traditionally been regarded as compensation for lower public sector salaries – are now perceived by those within the remit groups as being eroded. However, it is by no means clear that any such erosion is of a different order from similar developments outside our remit groups. Indeed, some might hold that on pensions, at least, the relative position of our remit groups is improving rather than deteriorating, at least in regard to the private sector.

1.26 In the following chapters we seek to draw the balance from all these different issues which we have considered.

Chapter 2

The senior civil service

Introduction

2.1 Our remit includes all members of the senior civil service (SCS), which is now some 3,900 strong. The SCS has grown by nearly 28 per cent since 2000, although the increase may be ending as numbers grew by only 13 (0.3 per cent) between 2004 and 2005. This rapid growth has continued during the period when the Government has been pursuing a policy of reducing overall civil service numbers.

Evidence

- 2.2 Our work is informed by evidence from the Government, which includes data drawn from the Cabinet Office senior civil service database; from the Cabinet Secretary; the First Division Association and Prospect, who submitted joint evidence on behalf of the unions; and the Civil Service Commissioners.
- 2.3 We have also continued the practice of holding discussions with small groups of individual senior civil servants, and SCS HR directors. These have provided helpful insights into how the pay system is perceived to be working.
- 2.4 We also commissioned the Hay Group to survey a sample of SCS jobs and to compare the SCS reward package with that on offer for jobs of similar weight in the wider public and private sectors. The full report is available on the OME website¹ and the main findings are summarised in paragraph 2.46 below.

The SCS pay system

Objectives

- 2.5 The SCS pay system was introduced from 1 April 2002, with the objectives of:
- overcoming perceived shortcomings in the previous system, brought about by under-funding and lack of transparency;
 - aligning SCS pay with the market, to enable the SCS to recruit and retain high calibre people; and
 - reinforcing policies to raise the performance of individual senior civil servants by relating pay to performance within a formal performance management system.

In our annual reviews of SCS pay we have continued to have regard to these objectives.

Pay ranges

2.6 SCS staff below Permanent Secretary are divided into three pay bands. (Departments have discretion to introduce a fourth pay band, 1A, overlapping parts of the two lowest bands.) The rates applicable at each key point in the structure are given in Table 2.1.

¹ <http://www.ome.uk.com/review.cfm?body=4&all#documents>

Table 2.1: SCS pay ranges with effect from 1 April 2005

Pay Band	Minimum	Progression Target Rate (PTR)	Recruitment & Performance Ceiling (RPC)
3	£93,139	£132,586	£198,197
2	£75,607	£101,905	£159,659
1A	£63,555	£85,469	£126,627
1	£54,788	£76,156	£115,616

Permanent Secretaries' pay range: £130,350 to £264,250.

Progression target rates

2.7 In our proposals for a new SCS pay system (in a special report to the Cabinet Office in October 2001) we recommended that the Progression Target Rate (PTR) should be set around the mid-point between the minimum and maximum of each range. However, the Government set the PTR at approximately one third of the way between the minimum and maximum, on grounds of affordability. The intention was that progression from the median entry point to the PTR should take three to four years for consistently top performers and around ten years for other fully effective performers. The average speed of progression is determined by the amount by which the average base pay award each year exceeds the revalorisation of the PTR. That amount and hence the speed of progression have fluctuated, as shown in Table 2.2.

Table 2.2: Pay band 1 progression¹

Year	PTR revalorised by:	Average base pay award	Average progression (average award less level of revalorisation)	Number of years to reach PTR
2002-03	2.50%	5.90%	3.40%	11 years
2003-04	2.25%	4.90%	2.65%	13 years
2004-05	2.00%	3.50%	1.50%	23 years
2005-06	2.50%	4.20%	1.70%	20 years

¹ This was calculated using the *pay band minimum* rather than the *median entry salary* (as used in the original expectations) as the base level, to remove fluctuations due to any change in the median entry salary, which will vary from year to year depending on, for example, the number of external recruits.

The average time taken to reach the PTR from the pay band minimum had more than doubled by 2004-05 but last year's award reduced the time to 20 years. Nevertheless, as shown in Table 2.3, fewer than 25 per cent of SCS members are at or above the PTR and these include those recruited on salaries above the PTR.

Table 2.3: Percentage of SCS at or above the Progression Target Rate (PTR) by pay award, following award on 1 April 2005

Pay band	PTR	SCS members	
		Number	% ¹
3	£132,586	35	28.0%
2	£101,905	178	27.9%
1A	£85,469	64	30.6%
1	£76,156	584	22.4%
Overall		861	24.0%

Source: Cabinet Office's SCS database, dated 5 September 2005.

¹ Percentage of SCS members at or above the PTR has been calculated using the numbers of SCS members by pay band from Table 2.6.

- 2.8 However, as discussed below, the Government proposes to increase the PTR this year for pay bands 1 and 1A by 1.1 per cent and 0.6 per cent respectively (i.e. rounding up to the nearest thousand pounds), and to abolish it for bands 2 and 3. This will of course have the effect for bands 1 and 1A of further reducing the average time taken to reach the PTR, but only because the PTR itself will fall in real terms (i.e. after allowing for inflation) for the first time.
- 2.9 Departments may offer starting salaries above the PTR when, in seeking to recruit externally, they consider that the PTR does not allow them to attract candidates with the necessary skills. In these cases departments may agree a rate for the job with the Cabinet Office in the light of market evidence.

Performance award

- 2.10 SCS members are expected to progress annually towards the PTR for their pay band at a speed which is determined by their assessed performance each year. Individual pay increases are awarded within a range recommended annually by us (in 2005, 0 to 9 per cent of salary). Individuals are allocated to one of three performance tranches, with a quarter in the top tranche, between five and ten per cent in the bottom tranche, and the remainder in the middle tranche.
- 2.11 The allocation of individual SCS members to tranche depends on the assessment of their performance relative to others operating at broadly the same level, rather than on any absolute standard. According to the Cabinet Office's guidance to departments, the assessment should reflect:
- *how* the job has been performed;
 - overall track record and growth in competence; and
 - *what* has been achieved against the individual's performance agreement².

² The Cabinet Office's Guide to Performance Management and Reward in the SCS (March 2004), paragraph 25. The website reference is http://www.civilservice.gov.uk/management_information/senior_civil_service/scs_performance_and_reward/publications/pdf/scs_perf_manag_guide.pdf

- 2.12 In years prior to 2004, the Cabinet Office drew up a matrix that laid down specific base pay awards according to an individual's performance marking and position on the pay range. These awards were uniform across the SCS. In 2004, the Cabinet Office responded to departments' concern that the fixed matrix produced 'cliff edges', i.e. small differences in performance resulted in significant differences in the size of awards. Their revised approach was to set the overall cost envelope (in 2004, 3.5 per cent) for each department, but to allow departments the flexibility to design their own pay matrix.
- 2.13 We responded by restructuring our recommendation in 2005 to include an average base pay award of 4.2 per cent within a range of awards from 0 to 9 per cent, and gave an example pay matrix to illustrate this (Table 2.4).

Table 2.4: Illustrative pay matrix with effect from 1 April 2005

Performance tranche	Position in pay range	
	Below PTR	Above PTR
Top tranche (25 per cent)	7%	6%
Middle tranche (65-70 per cent)	4.5%	3.5%
Bottom tranche (5-10 per cent)	1%	0%

Source: Table 2.13, Twenty-Seventh Report on Senior Salaries.

Bonuses

2.14 In addition to base pay increases, senior civil servants are eligible for non-consolidated bonus awards. Bonuses are intended to reward delivery of personal business objectives during the reporting year or other short-term personal contributions to wider organisational objectives. In considering SCS staff for bonuses, line managers are asked³ to take into account:

- performance against agreed priority business objectives or targets;
- total delivery record over the year;
- relative stretch (i.e. the challenge of the job compared to that of others); and
- response to unforeseen events which affected the performance agreement.

The Government's stated objective is to build the bonus pot annually so that it reaches 10 per cent of the SCS pay bill by 2008. In 2005 it stood at 5 per cent.

Operation of the system in 2005

Base pay

2.15 The average base pay increase for SCS members in pay bands 1 to 3 following the award on 1 April 2005 was 4.2 per cent. The average base pay increase by tranche is shown in Table 2.5. Median base salaries after the award are set out in Table 2.6. According to the Cabinet Office, the award increased SCS base pay costs by 2.7 per cent per head (after recycling effects⁴), and the overall median base salary rose from £70,986 to £73,151, an increase of 3.0 per cent.

³ *ibid.* paragraph 21.

⁴ The impact of more expensive leavers being replaced by cheaper entrants.

Table 2.5: Average base pay award by performance tranche, 1 April 2005

Performance tranche	SCS members		Average base pay award
	Number	%	
Top	871	24.9%	6.5%
Middle	2,395	68.6%	3.7%
Bottom	225	6.4%	1.7%
Overall	3,491	100.0% ¹	4.2%

Table 2.6: Median base salary by pay band, following award on 1 April 2005

Pay band	SCS members		Median base salary ²
	Number	%	
3	125	3.5%	£122,400
2	638	17.8%	£94,684
1A	209	5.8%	£80,353
1	2,611	72.9%	£69,355
Overall	3,583	100.0%	£73,151

Source: Cabinet Office's SCS database, dated 5 September 2005.

NB Parts of the SCS Cabinet Office database are incomplete and consequently the total numbers of SCS members in Tables 2.5, 2.6, 2.7 and 2.11, and the percentages in Table 2.3 do not agree with the overall number of SCS members, some 3,900, given in paragraph 3.1.

¹ May not sum to 100% due to rounding.

² The median is the value in a set of data, ranked in ascending order, that divides the data into two parts of equal size.

Bonuses

2.16 In 2005, departments were able to spend 5 per cent of their SCS pay bill on non-consolidated bonuses. The average bonus by pay band and tranche in 2005 is shown in Table 2.7. Overall, 75.6 per cent of the SCS received a bonus and the average bonus was £5,011.

Table 2.7: Average bonus awards (£), following award on 1 April 2005

Pay band	Top tranche		Middle tranche		Bottom tranche		Overall		
	Nos.	Average bonus	Nos.	Average bonus	Nos.	Average bonus	Nos.	Average bonus	% of median salary
3	39	£8,614	57	£6,806	0	–	96	£7,540	6.2%
2	184	£7,160	308	£5,274	10	£3,961	502	£5,939	6.3%
1A	46	£6,347	95	£4,604	5	£3,545	146	£5,117	6.4%
1	558	£5,948	1,314	£4,082	23	£3,858	1,895	£4,629	6.7%
Overall	827	£6,365	1,774	£4,405	38	£3,844	2,639	£5,011	6.9%

Source: Cabinet Office's SCS database, dated 5 September 2005.

Evidence received

The Government's evidence

2.17 The Government's evidence⁵ sets out a new SCS reward strategy to:

- ensure SCS pay bands are sufficiently market facing for pay not to be a barrier to recruitment;
- adopt greater flexibility in the pay bands so that departments can respond to labour market realities and address the need to make more progress with pay progression;
- provide sufficient earnings growth to allow for greater differentiation on grounds of performance while encouraging departments to move further away from general cost of living rises or revalorisation; and
- reinforce the focus on recognising high performance by making meaningful progress towards the intention set out in last year's evidence of the bonus pot increasing to 10 per cent of base pay.

2.18 The evidence also states that pay ranges should enable departments to reflect:

- the range of job weights and job challenge;
- individuals' contributions and professional growth;
- individuals' market value and value to the organisation; and
- the premium required to attract candidates to the SCS.

2.19 To attract candidates and to be reasonably competitive, the Government believes:

- ceilings should be at least 80 per cent of the *private sector median* for broadly comparable jobs;
- mid-points should be at least 90 per cent of the *wider public sector median* for broadly comparable jobs;
- minima should be within 65 per cent of the *wider public sector median* to reflect the learning curve of new joiners and the newly promoted.

The Government acknowledges that it is proving more difficult to recruit high quality candidates from the private and wider public sectors, and that to do so it has to make extensive use of the top end of the SCS pay bands to attract strong applicants.

2.20 The Government envisages a more individualised approach to pay for bands 2 and 3, to mirror best practice for senior people in other organisations. This would mean the removal of PTRs for pay bands 2 and 3, so that starting salaries and progression within the whole range are determined on the basis of individual value, role, skills and marketability. The Government recognises the need to strengthen departmental pay committees to do this, for example by providing guidance and training, and making reward expertise and market data available to departments. An individualised approach for almost 3,000 members of pay bands 1 and 1A would be more difficult to adopt in the short term. Therefore, the Government currently proposes to retain the PTRs for those bands. The individualised approach will be extended to pay bands 1 and 1A in 2007 or 2008 if judged to have worked successfully for pay bands 2 and 3.

⁵ http://www.civilservice.gov.uk/management_of_the_civil_service/senior_civil_service_performance_and_reward/index.asp

- 2.21 In the interests of flexibility, departments will be encouraged to make more use of pay band 1A where the labour market justifies. (Seventeen departments currently use 1A but these are mostly the smaller departments and some of the larger departments which do so have only a handful of 1As.)
- 2.22 The Government proposes the following pay ranges for 2006. It should be noted that for pay bands 1 and 1A, and for the pay band 2 ceiling, these simply represent a rounding up of the existing figures. Only pay band 3 and the pay band 2 minimum are significantly increased.

Table 2.8: Proposals for pay ranges

Pay band		Minimum	Progression Target Rate	Ceiling	
3	2006	£98,000	(5.2% increase)	–	£205,000 (3.4% increase)
	2005	£93,139		£132,586	£198,197
2	2006	£80,000	(5.8% increase)	–	£160,000 (0.2% increase)
	2005	£75,607		£101,905	£159,659
1A	2006	£64,000	(0.7% increase)	£86,000 (0.6% increase)	£127,000 (0.3% increase)
	2005	£63,555		£85,469	£126,627
1	2006	£55,000	(0.4% increase)	£77,000 (1.1% increase)	£116,000 (0.3% increase)
	2005	£54,788		£76,156	£115,616

Source: Cabinet Office

Range of base pay increases

- 2.23 The Government says it will urge departments to make full use of the available spread of awards in balancing performance and pay progression. In particular they should give awards of less than revalorisation for weaker performers and those in the higher parts of the bands in order to release funds to progress effective people in the middle tranche. The Government asks us to recommend that the range for 2006 should, like last year, be between 0 per cent and 9 per cent but with an average award this year of 3.25 per cent (compared with 4.2 per cent last year). The Government suggests that, in order to allow for top performers to make significant progression, a substantially larger proportion of SCS members, perhaps up to 20 per cent, should receive no base pay increase at all this year.

Bonus levels

- 2.24 The increase in the bonus pot for 2005 resulted in more of the SCS (some 75 per cent in total) receiving a bonus, rather than an increase in the value of individual bonuses. The Government plans to increase the size of the bonus pot further, from 5 per cent to 6.5 per cent of the SCS pay bill, and asks the Review Body to recommend that the minimum bonus remain at £2,500. The Government does not say whether it intends to issue any guidance to departments on the allocation of bonuses.

Increase in SCS pay bill

- 2.25 The Cabinet Office calculated that the above recommendations would result in a 1.75 per cent increase in the base pay bill after allowing for recycling effects (compared with 2.7 per cent in 2005 and 2.0 per cent in 2004), plus a 1.2 per cent increase as a result of the larger bonus pot. (The bonus pot would actually increase by 1.5 per cent but the pay bill effect would be only 1.2 per cent because bonuses are not pensionable.) Thus the overall increase to the SCS pay bill per head, taking recyclables into account, would be 2.95 per cent. (3.25 per cent average increase less 1.5 per cent recycling effect – see paragraph 2.15 above – plus 1.2 per cent for the increase in the bonus pot.)

The unions' evidence

- 2.26 The evidence from the unions was based on their annual survey of their members, to which there had been 631 useable responses (about 16 per cent of the total SCS).
- 2.27 The survey indicated that 48 per cent of respondents considered that their morale had decreased during 2004-05, while only 14 per cent felt it had increased. The unions considered there were a number of factors contributing directly to a reduction of morale amongst senior staff: job reductions (although we note that overall SCS numbers have actually increased) and reorganisation; pressure on departments as the Government takes forward its post-election agenda; the failure of the pay system to deliver adequate rewards; and the continuing culture of long working hours. The 'Professional Skills in Government' initiative, though welcomed, had created uncertainty about its likely impact on individuals.
- 2.28 Specifically on the pay system, the unions said – and this was first time they had made such a comment – that they thought performance pay in the SCS was generally working well although they had concerns of detail. They reported that the increasing differential between SCS pay and that of public and private sector comparators was a major concern at all SCS levels. The main source of grievance was where high salaries initially awarded to external candidates in order to recruit them to specialist posts were maintained when those people moved to other posts. They suggested that the overall level of SCS pay should be increased so as to restore fair comparability and eradicate the two-tier pay system.
- 2.29 The unions considered that another area of concern to many SCS members was the failure of the pay system to deliver meaningful progression. Of those responding to the survey, 36 per cent were satisfied with the rate of progression in their pay band (compared with 34 per cent last year), while 57 per cent were dissatisfied (compared with 56 per cent in 2004, and 48 per cent in 2003). The unions said that such a high level of dissatisfaction with a central aspect of the pay system damaged overall confidence in the structure of the remuneration package. The system required higher levels of funding over a number of years to address this problem. Limiting the revalorisation of scales to give the appearance of increased progression did not address the problem. The unions also drew our attention to the considerable overlap in pay between grade 6 and pay band 1 emerging in some departments.
- 2.30 The unions raised concerns about the operation of the pay system. A quarter of respondents did not understand the pay and performance management arrangements; almost half of respondents considered their final pay decision had not been adequately explained to them; and just less than a fifth agreed that the results produced by the pay system were fair and equitable. The unions reported differing practice both within and between departments, in areas such as mid-year reviews and setting of performance agreements. They also believed that the practice in some departments of treating all SCS members as a single group, regardless of pay band, when allocating them to performance tranches disadvantaged pay band 1 members who tended to be allocated to lower tranches than those in pay bands 2 and 3. The unions asked for pay committees to record their decisions, with reasons, when a reporting officer's recommendation was overturned; and for staff to be allocated to the performance tranches by pay band, wherever appropriate.
- 2.31 The unions argued that there were still urgent questions about the reward strategy which the Cabinet Office had yet to answer satisfactorily: what it was trying to achieve with the current pay system; what were the respective objectives for the use of consolidated pay and bonuses; and how it planned to measure success of the system or otherwise?

- 2.32 The unions expressed continued concern over the culture of long working hours in the SCS. They argued that it ran contrary to the Permanent Secretaries' personal responsibility, under the 10-Point Plan, to deliver diversity and departmental targets. They also said that the unsatisfactory rewards of the pay system would undermine people's willingness to continue working such hours. They urged us to commission data on the extent of the problem in the SCS. However, we note that departments have a number of initiatives in this area, and we remain of the view that any problem of excessive hours is an issue for management, not the Review Body.

Discussion groups

- 2.33 As in the previous three years we met several groups of senior civil servants who volunteered to give us their views of the pay system. Many, though not all, still felt that the SCS performance and pay system was not sufficiently clear and well understood. Some managers failed to communicate appraisal results and pay decisions effectively or at all. For most of those we met, job interest was a greater source of motivation than salary but there was broad agreement that the pay system gave useful signals about the individual's value to the organisation. There was some resentment of the higher salaries paid to external recruits. Pay band 3 SCS members complained that salary constraints made it difficult to recruit and retain people with expertise from the wider public sector.
- 2.34 We also met a group of SCS Directors of Human Resources and discussed a similar range of issues with them. They told us they had no problems with retention or recruitment except for external recruits where they agreed that SCS salaries were a problem. The main concerns they raised were applying relative performance standards, particularly in small departments, lack of clarity about the criteria for performance pay, slow progression towards the PTR and potential equal pay problems.

Recruitment and retention

- 2.35 The Civil Service Commissioners reported on recruitment through open competition to posts in the SCS. The Commissioners are responsible for overseeing the selection process following open competition to fill vacancies at SCS pay band 2 and above (around 800 posts in total).
- 2.36 The Commissioners approved 91 appointments to the SCS in 2004-05, including 19 appointments made by the Senior Leadership Committee (SLC)⁶. Of those appointed 37 were civil servants, 17 from other parts of the public sector, 35 from the private sector, and 2 from other organisations (Rockefeller Foundation and World Bank). This is shown in Table 2.9.

Table 2.9: Open competitions for appointments to senior civil service posts (pay band 2 and above) in 2004-05

Source of successful candidates	Number	Percentage
Civil Service	37	41%
Wider Public Sector	17	19%
Private Sector	35	38%
Other	2	2%
Total	91	100%

Source: Civil Service Commissioners

⁶ The 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.

- 2.37 The Commissioners commented on the quality of the applicant fields. For appointments at SLC level, the Commissioners were encouraged that of the 19 appointed, four were marked as “outstanding”, 14 as “very good” and one as “acceptable”. However, they were less positive about the competitions below SLC level, where only just over half (39) were able to produce at least one reserve candidate (compared with almost two-thirds in 2003-04). Having said that, the Commissioners reported that 7 per cent of the successful candidates were marked as “outstanding” and a further 63 per cent as “very good”.
- 2.38 In their written commentary to us, the Commissioners said it was difficult to gauge how far salary was an issue that affected recruitment to the SCS. They considered the issue was no longer just the comparison with private sector salaries, but also the increasing difference between civil service salaries and those in local government and the NHS. Nevertheless, the Commissioners had been able to recommend acceptable candidates for all but one competition, with a number of candidates prepared to accept a drop – sometimes significant – in salary on appointment.
- 2.39 Overall, the Commissioners think the system is just about flexible enough to allow for the recruitment of people from outside the civil service, though they note a number prefer to come on secondment or, if from the NHS, to retain their salary package, because of the greater benefits they can secure by these means. However, they believe that salary will increasingly become an issue for another reason. Civil servants might have been willing in the past to accept lower salaries than those on offer in the private sector because other elements of the package were attractive, e.g. job security and pension, and they recognised that private sector salaries reflected an element of risk and greater job insecurity. This is changing. The overall package for the civil service is beginning to come under pressure and the civil service has yet to work through the implications. Against this background, the Commissioners are concerned at the disparity between the salaries on offer to successful non civil service candidates and existing civil servants (this is what has become known as the ‘two-tier system’ and is discussed further below).
- 2.40 The Commissioners’ evidence confirms that of the Government itself which states that it is proving more difficult to recruit high calibre candidates from the private and public sectors (see paragraph 2.19).

Shadow target rates

- 2.41 As mentioned in paragraph 2.9 above, departments have the flexibility when recruiting through open competition to set starting pay above the progression target rate if they consider that the PTR does not allow them to attract candidates with the necessary skills. In these cases, shadow target rates may be agreed with the Cabinet Office in the light of market evidence. The Cabinet Office agreed 68 shadow target rates between September 2004 and August 2005, as shown in Table 2.10. We note that the number of cases referred to the Cabinet Office has increased each year (51 cases in 2003-04, and 27 cases in 2002-03) and only a small proportion are for those on fixed-term contracts.

Table 2.10: Shadow target rates agreed between September 2004 and August 2005

Pay band	No. of cases (fixed-term contracts)	Range of STRs agreed	Ave STR	Ave STR as % of PTR	Ave STR as % of maximum
3	3 (1)	£135,000 to £160,000	£145,000	112%	75%
2	24 (4)	£100,000 to £145,000	£124,000	124%	79%
1	41 (11)	£80,000 to £110,000	£89,000	118%	78%

Source: Cabinet Office

Turnover in the SCS

2.42 The Cabinet Office reported that turnover remains relatively low in the SCS. In 2004-05 it was around 10 per cent (9 per cent in 2003-04 and 8 per cent in 2002-03). Of the 375 SCS members who left the civil service:

- 138 retired at age 60;
- 89 resigned;
- 86 took early retirement;
- 31 left at the end of their contract or secondment;
- 28 left for reasons not known or not recorded; and
- 3 died.

2.43 Departments have not systematically carried out formal exit interviews or attitude surveys in the past though the Cabinet Office will encourage them to do so in future. For 2004-05 departments were asked to provide information on reasons given for leaving. They reported that though most have no explicit mechanism for collecting this data (because the number of leavers is so low), they were generally aware of the reasons for leaving cited by the SCS and feeder groups such as the fast stream and former grades 6 and 7. Pay was infrequently given as a reason for resignation. More typically, leavers mentioned better opportunities elsewhere for career development and, by implication, for potential earnings, as well as personal reasons. Departments said the reasons given were largely the same for all three groups and that turnover, though low, was increasing because of more managed departures.

2.44 We agree that there is no significant evidence of recruitment or retention problems at present. However, we share the Civil Service Commissioners' sense that problems in the future appear increasingly likely if SCS salaries are allowed to fall further behind those of comparator groups. Moreover, the two-tier system, if unaddressed, is likely to have an adverse effect on the motivation of existing civil servants.

SCS market exercise

2.45 For their SCS market exercise Hay interviewed 42 members of the SCS, evaluated their jobs and compared them with their database on rewards for jobs in other sectors. In order to identify candidates for interview, our secretariat drew up a list of 12 large, medium and smaller departments involved in policy and operational delivery. This list was agreed with the Cabinet Office and unions as being representative. Those departments were then asked to select candidates for interview representing a cross-section of jobs. However, the small sample size and the non-random method of selection mean that the survey should be regarded as a broad indication of the overall picture as opposed to a statistically significant exercise. In particular, only one person in Hay's sample reported having a salary above the PTR, whereas according to the Cabinet Office around 25 per cent of the SCS are currently paid at or above the PTR.

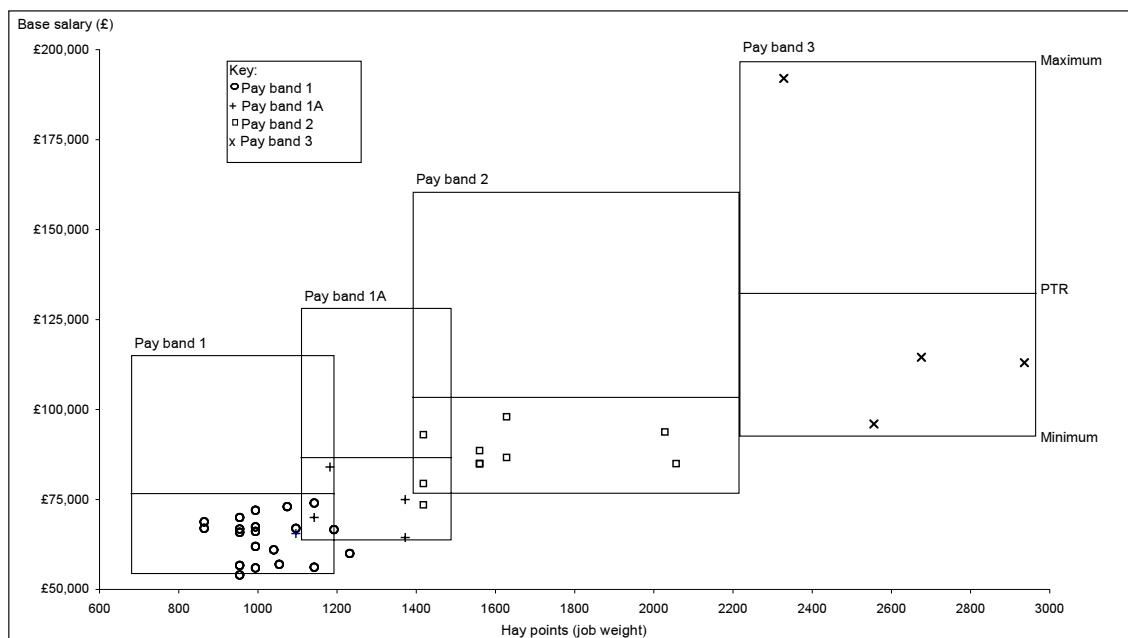
2.46 Hay's main findings were:

- Even at the lowest level in the SCS sample, base pay has fallen behind the private and broader public sector markets.
- Base pay of the sample becomes progressively less competitive as job size increases.
- Comparison with the market closest to the SCS, London local government, shows the SCS sample earning significantly less.

- Comparison of total cash (i.e. including bonuses) exacerbates the disparity between the SCS sample and the private sector market.
- SCS pensions remain competitive at lower levels. However, the annualised cash value is not competitive at higher levels compared with other defined benefit schemes because SCS salaries are so far below market levels.
- Total remuneration is significantly below private sector figures.
- Intangible benefits such as job variety and interest, maternity benefits and ability to influence were all quoted as compensating benefits of working for the SCS.

2.47 Hay also noted that the SCS job evaluation system (JESP) appeared to have fallen into disuse in many departments, with the consequence that pay bore little if any systematic relation to job weight. This is demonstrated in the following chart, most noticeably in pay bands 2 and 3, where in each case the highest paid member has a much lower job weight than others in the sample.

Chart 2.1 – Sample job scores



Source: Hay Report on SCS Pay Market Comparability

The two-tier salary structure

2.48 We drew attention in our twenty-seventh report to the growing evidence that those joining the SCS from outside are paid on average significantly more than existing civil servants. Sir Andrew Turnbull also acknowledged the problem in his valedictory speech as Cabinet Secretary, and the Civil Service Commissioners commented on it in their evidence to us this year, as did the Government itself which said: "To attract strong candidates we are having to make extensive use of the top end of the SCS Pay Bands. This is leading to widening and unsustainable differentials between external and internal recruits, the so called 'dual market'."

2.49 Table 2.11 shows the median salary for each pay band, split by internal and external members, following the 2005 award. As expected the median salaries for internal members of the SCS are lower than those of external recruits.

Table 2.11: Median base salaries for all SCS following award on 1 April 2005

Pay band	External source		Internal source		Overall ¹	
	Number	Median	Number	Median	Number	Median
3	37	£140,728	95	£120,271	132	£122,400
2	167	£102,500	476	£92,001	643	£94,704
1A	36	£85,427	173	£79,338	209	£80,353
1	421	£74,232	2,215	£68,382	2,636	£69,362
Overall	661	£78,795	2,959	£71,774	3,620	£73,151

Source: Cabinet Office's SCS database, dated 5 September 2005.

¹ Those of known source.

2.50 Our discussion groups confirmed that this is a source of resentment for existing civil servants who, if they compete successfully for advertised jobs, do not receive the salaries offered to external recruits. Moreover, some of those recruited to specialist posts and paid a premium for specialist skills are starting to move to other jobs in the SCS while retaining their higher pay levels. We believe the Government should consider whether there are other ways of attracting outside candidates, such as non-consolidated market allowances, 'golden hellos' or premia conditional on remaining in a specialism.

2.51 Our main concern about the Government's proposals is that they do not appear to us to do anything to address the two-tier problem, particularly at pay band 1. We hope that the move to more individualised pay for bands 2 and 3 will lead to pay rates much more closely correlated to job weight and performance in those bands, though we think a quantitative job evaluation programme is likely to be necessary to achieve this. Departments will need clear guidance and pay committees will need training to make these new, individualised pay arrangements work effectively.

Diversity

2.52 The Government has set new diversity targets⁷ to be achieved by 2008, that ensure the civil service becomes more open and diverse:

- 37 per cent of the SCS to be women, currently 29.1 per cent (April 2005);
- 30 per cent of top management posts to be filled by women, currently 25.5 per cent (April 2005);
- 4 per cent of the SCS to be from ethnic minority backgrounds, currently 2.8 per cent (April 2005);
- 3.2 per cent of the SCS to be people with disabilities, currently 2.9 per cent (April 2005); and
- To ensure that the civil service becomes truly representative of the public it serves.

⁷ The first set of diversity targets set by the Prime Minister were for: 35 per cent of the SCS to be women; 25 per cent of the top 600 posts to be filled by women; 3.2 per cent of the SCS to be from ethnic minority backgrounds; and 3 per cent of the SCS to be people with disabilities. These were to be achieved by 2004-05.

2.53 The tables in the evidence show:

- The pay gap between women and men in the SCS has widened from 4.0 per cent in 2003-04 to 4.4 per cent in 2004-05, but this is still below the gap of 5 per cent⁸ in 2001-02 when monitoring began.
- In the top and middle performance tranches, women received slightly higher average base pay awards than men. In the bottom tranche men received higher awards.
- A higher proportion of women than men were allocated to the top tranche (26.2 per cent compared with 24.4 per cent) whereas a higher proportion of men than women were allocated to the middle tranche (69.2 per cent compared with 67.3 per cent).
- The median base salary of women is lower than that of men in all four pay bands: in 1 by £2,358, 1A by £1,756, 2 by £2,683, and 3 by £799.
- As a proportion of the total female SCS population, 73.8 per cent of women received bonuses compared with 74.0 per cent of men. The overall average bonus was a little higher for men than women, though it varied by pay band.

Equal pay

2.54 Despite the above figures showing that the pay gap is less than 5 per cent, we heard evidence from SCS members, HR Directors and the unions suggesting there may nevertheless be a risk of successful equal pay claims being brought by SCS members. This is because, as shown by the Hay study, the relationship between SCS pay rates and job weight has noticeably weakened.

Permanent Secretaries

2.55 We are also responsible for recommending pay scales for the 41 Permanent Secretaries who head the civil service. The Permanent Secretary pay and performance management system broadly mirrors that for the SCS. Permanent Secretary posts are divided into three pay bands and pay awards are in two parts: base pay progression (using a three tranche approach similar to the SCS), and non-consolidated bonuses up to a maximum of 15 per cent of salary. Awards are made by the Permanent Secretaries' Remuneration Committee which comprises the Chairman of the SSRB (who acts as chair), two other members of the SSRB, the Cabinet Secretary and the Permanent Secretary of HM Treasury.

2.56 The Permanent Secretaries' Remuneration Committee met in June 2005 to determine individual pay awards based on performance in 2004-05. The Committee recommended base pay rises ranging from 0 per cent to 6.5 per cent, and bonus awards ranging from 4.0 per cent to 11.4 per cent of salary. The resulting salaries are given in Appendix D. (As in previous years, they are disclosed in bands of £5,000. The figures exclude non-consolidated bonus awards.)

⁸ The Equal Opportunities Commission's guidelines state that any overall pay difference between men and women of 5 per cent or more should be explored and explained.

Analysis and recommendations

A market facing system?

- 2.57 This year represents a turning point in the Government's policy towards SCS pay. In its evidence to us in 2002 the Government said: "we are committed to ensuring the pay system is market facing and that we do not as a matter of policy erode our market position, which is below mid-market, over the course of a number of years". By 2004 the Government recognised that it was failing to maintain the relationship between SCS and market rates, and accepted that its proposed increase for the SCS "should ensure that we do not fall too much further behind our chosen market position of 80 per cent – 90 per cent of the median market" although "it will not allow us to make up ground against the wider market". Nevertheless, while accepting that there was "a real shortfall [between] SCS total reward packages and those outside", the Government continued to argue that its strategy proposed "a more market facing approach to pay progression and bonuses".
- 2.58 Since 2002 we have had made clear in successive reports our view that the Government was failing to fund the SCS pay system in such a way as to meet its own targets for speed of progression. As pay at the most senior levels in the private sector and, to a somewhat lesser extent, in the wider public sector has continued to increase more rapidly than overall earnings, SCS pay has fallen further behind, especially at pay band 2 and above. In other words, the system has failed to be 'market facing' and this has been underlined by the fact that shadow target rates for external recruits, far from being rare as we originally expected, are now common. The continued growth in SCS numbers has compounded the problem, since it would have been easier to fund faster progression and revalorisation closer to market rates if SCS numbers had been falling, not rising, and producing savings to be recycled into pay.
- 2.59 We therefore welcome the fact that this year the Government has explicitly faced up to the need to shift its policy on SCS pay. Its strategy now includes ensuring that "SCS pay bands are sufficiently market facing for pay not to be a barrier to recruitment". We believe this redefinition of 'market facing' shifts the emphasis away from the original goal of maintaining a "chosen market position", a goal the Government failed to achieve. Instead, SCS pay ranges are now to be regarded as market facing to the extent that they do not inhibit recruitment. Moreover, the Government now takes the view that some private sector candidates are attracted to the civil service by the intrinsic interest of the work and its social worth, and tend not to be looking to sustain their current pay levels when considering a civil service appointment. The Government therefore concentrates on ensuring that candidates from the wider public sector, who are more concerned about pay levels, are not deterred from joining the civil service by the salaries on offer. In other words, the Government considers SCS salaries to be sufficiently market facing if the pay ranges enable shadow target rates to be set high enough to attract candidates with necessary skills from the wider public sector.
- 2.60 We accept that this redefinition of 'market facing' is more or less inevitable. It is not credible, given the Government's desire to restrain the growth in public sector pay bills wherever possible and to send out public signals about pay restraint, for SCS pay to increase at the same rate as, let alone catch up with, senior private sector salaries which tend to increase at above average rates. We think it right that this change in policy should be explicit and we urge the Government to draw attention to it as a means of ending what have proved to be unrealistic expectations on the part of SCS members based on previous Government statements.

Progression

- 2.61 We support in principle the Government's desire to encourage departments to make greater use of flexibility in the system and to make more progress with pay progression. In this context we support the Government's suggestion that departments consider making greater use of pay band 1A. We also agree with the Government that departments may not be making the best use of the flexibility available to them by concentrating base pay awards in the middle of the permitted range of 0 to 9 per cent – in 2005 over 70 per cent of the SCS received a base pay increase of between 2.5 and 5.9 per cent.
- 2.62 The Government proposes that, in order to make money available for faster progression by the better performers, a substantially larger proportion of the SCS should receive no base pay increase at all in 2006. The Government provided an example suggesting that up to 20 per cent might receive no increase. We fully agree in principle with greater differentiation in pay awards and we believe that up to 20 per cent might be reasonable for the longer term, but we think the transition to this target will need to be carefully managed. We have reported above the difficulties and concerns expressed by some SCS members with applying relative performance criteria where only 5 – 10 per cent are to be placed in the bottom tranche. Departments will need clear guidance and very transparent and fair appraisal systems to move to a significantly larger bottom tranche receiving a zero award. We therefore suggest that it may not be wise to make a very large increase in the proportion of the SCS receiving zero awards in 2006, not least because there has been no prior notice of such a change, nor has it been reflected in the setting of personal objectives for this year. However, we accept that the smaller the proportion of the SCS receiving no increase in 2006, the less scope there will be for paying high awards to the top performers. If it is intended that at least some of those receiving zero awards are to be encouraged to leave the civil service, departments should be clear about this and provide suitable assistance to the individuals in question.
- 2.63 Looking more widely at the issue of progression, we understand why the Government wishes to drop PTRs for pay bands 2 and 3, but we find its approach to pay bands 1 and 1A inconsistent. By virtually freezing the PTRs for these bands, the Government will increase the proportion of SCS members who reach the PTRs, but the PTRs themselves are, in effect, devalued. If the Government is no longer committed to achieving progression towards the PTRs in the time scales originally envisaged, it would be more honest to drop PTRs for pay bands 1 and 1A. If necessary, the Cabinet Office could continue to define a salary level for each band above which departments must continue to obtain Cabinet Office agreement to shadow target rates if they wish to offer higher salaries to external recruits. Such rates would not, however, create the same largely unfulfilled expectations as PTRs.

Pay bands 2 and 3

- 2.64 The Government proposes a more individualised approach to pay bands 2 and 3, with starting salaries and progression determined by "individual value, role, skills and marketability, where appropriate using job evaluation". We agree with this in principle and we welcome an approach which links pay directly to an individual's job weight and performance. But we also agree with the Government that such an approach will place heavier demands on departments, not least to ensure that job evaluation and appraisal systems are thorough, objective and comply with equal pay legislation. Again we suggest that it may be necessary to phase in the new system. We make no judgement at this stage on whether, and if so how quickly, it could be extended to pay band 1, given the much larger numbers involved.

Base pay and bonus

2.65 The Government acknowledges that there is still some confusion in departments about the different purposes of base pay awards and bonuses. It says the key differences are:

- *salary* should reward an individual's value to the organisation and sustainable contribution as a member of the SCS. It should reflect size and challenge of the job; professional and leadership competence; an individual's market value; and track record of delivery in so far as that gives assurance of future sustainable performance; and
- *non-consolidated bonuses* should reward delivery of personal in-year business objectives or other short-term personal contributions to wider organisational goals. Eligibility for bonus should be judged in relation to performance against agreed priority targets, total delivery record over the year, relative stretch of objectives, and response to unforeseen events which affected the performance agreement.

We broadly support these distinctions while noting that departments may have difficulty in identifying the market value of SCS members not recruited externally.

Base pay recommendations

2.66 The Government proposed:

- individual awards between 0 and 9 per cent, as last year;
- departments to manage the size and number of awards such that the increase in the pay bill, after allowing for the Government's assumed level of recycling effect, is 1.75 per cent. The Government calculates that the average award received could be 3.25 per cent; and
- the revalorisation of pay scales set out in Table 2.8 above – effectively a simple rounding up for pay bands 1 and 1A, with increases in the minima of 5.8 and 5.2 per cent respectively for pay bands 2 and 3, and a 3.4 per cent increase in the pay band 3 ceiling. Larger increases for pay bands 2 and 3 are justified because, as shown by the Hay research, they are much further below comparable market rates than bands 1 and 1A. Revalorisation alone has virtually no impact on individual SCS members' pay. It is the size and number of the individual performance awards which determine the increase in the pay bill.

2.67 It is not clear to us from the evidence how the Government has arrived at the proposed figures for the pay ranges. Its chosen levels – ceilings set at *80 per cent of the private sector median* mid-points at *90 per cent of the public sector median* and minima at around *65 per cent of the public sector median* – seem to us to be arbitrary. Moreover, the Government has not explained how it has calculated the different median figures so we are not able to verify that the proposed pay ranges actually correspond to the above percentages of the private and public sector medians. However, we recognise, as noted above, that this year represents a turning point with a new definition of market facing pay. We also accept that the evidence points to the need for progressively higher increases at more senior levels. We are therefore prepared to recommend the changes suggested by the Government. We hope that in its evidence to us next year the Government will explain more fully the case for its suggested pay ranges.

Recommendation 1: We recommend that the SCS pay ranges from 1 April 2006 should be:

Pay Band	Minimum	Progression Target Rate (PTR)	Recruitment & Performance Ceiling (RPC)
3	£98,000		£205,000
2	£80,000		£160,000
1A	£64,000	£86,000	£127,000
1	£55,000	£77,000	£116,000

2.68 We have no difficulty in accepting the Government's other two proposals on base pay. We strongly support increased differentiation in pay awards to reward the best performers. By increasing substantially the proportion of the SCS receiving a zero award, more money is made available for the best and middle performers whose rate of progression can therefore be increased. On the information provided by the Cabinet Office, an increase in the pay bill per head of 1.75 per cent will, taking account of recycling effects, allow an average individual award of 3.25 per cent.

Recommendation 2: We recommend that the SCS base pay increases in 2006 should be in the range of 0 per cent to 9 per cent, according to relative performance, and that the average individual award should be 3.25 per cent.

Bonuses

2.69 The Government plans to increase the bonus pot for the SCS from 5 per cent to 6.5 per cent this year. We welcome this and encourage the Government to continue to make progress as quickly as possible towards the target of a bonus pot of 10 per cent of the pay bill. We believe that the same approach to differentiation should apply to bonuses as to base pay. We note that last year some 75 per cent of SCS received a bonus. This must mean that many below average performers are receiving bonuses. We invite the Government to reflect on whether the criteria for the award of bonuses are sufficiently focused. The motivation and performance effects are likely to be lost if bonuses are seen to be awarded for mediocre performance. It will be important as the SCS moves towards zero base pay awards for a larger proportion of below average performers that managers are not allowed to 'compensate' those people with undeserved bonuses. However, we are not advocating that bonuses should simply be limited to consistently high performers. They should be awarded to people who have made an exceptional contribution during the year (e.g. in an emergency) whatever their overall rating, or who have genuinely delivered the stretching objectives set for them even if, for other reasons, their appraisal rating is relatively low. It is important that departments take a consistent approach and we suggest that Cabinet Office guidance may be needed.

- 2.70 The minimum level of bonus has been set at £2,500 for some years. We believe it is now right, given the steady increase in the size of the bonus pot and the importance of signalling a clear intent to move towards rewarding high performance, to increase the minimum bonus to £3,000. Because bonuses are not consolidated and not pensionable, the net effect on the pay bill of the proposed increase in the bonus pot will, according to the Government, be 1.2 per cent.

Recommendation 3: We recommend that the minimum SCS bonus for 2006 should be £3,000.

- 2.71 Taking the Government's calculation as our base, we note that the effect of our recommendations will be to raise the SCS pay bill per head by 2.95 per cent, midway between inflation and average earnings.

Permanent Secretaries

- 2.72 Consideration of individual awards for Permanent Secretaries falls to the Permanent Secretaries' Remuneration Committee, which will meet in mid-2006. We expect Permanent Secretaries' pay to move ahead consistently with our recommendations for SCS pay generally.
- 2.73 In its evidence this year the Government suggests extending the individualised approach to pay proposed for pay bands 2 and 3 to Permanent Secretaries. We agree in principle and the small number of Permanent Secretaries should make it easier in practice to introduce such an approach quickly, but we repeat the caveats above about the need for a thorough and objective means of evaluating job weight and performance.
- 2.74 The Government has proposed increasing the minimum of the Permanent Secretaries' range by 5 per cent to £137,000 and the maximum "broadly in line with the movement over the last year in senior executive remuneration levels" to £275,000, an increase of 4.1 per cent. While we accept that differentials in the SCS are greatly compressed compared to the private and wider public sectors, we do not understand the Government's logic in singling out the Permanent Secretaries' maximum for increase in line with market movements when, as we have discussed, that approach has now been explicitly rejected at lower levels. The Government proposes increasing the pay band 3 maximum by 3.4 per cent. We have not received evidence of any particular problems of recruitment or retention at Permanent Secretary level to justify a larger increase at this level. We therefore propose that the maximum of the Permanent Secretary range be increased by 3.4 per cent, in line with the increase to the pay band 3 maximum.

Recommendation 4: We recommend that the minimum and maximum of the range for the Permanent Secretaries' Pay System should be increased to £137,000 and £273,250 respectively from 1 April 2006.

Chapter 3

Senior officers in the armed forces

Introduction

3.1 At 1 July 2005 there were 122 senior officers (including the Chief of Defence Staff (CDS)) in post¹, one fewer than last year. Of these, 11 were 4-star officers, 22 were 3-star officers and 89 were 2-star officers. Currently all this remit group is male, although there were four female 1-star officers in April 2005. The manning trend is one of reduction in the number of posts, particularly at 2-star level where reductions have been and will continue to be made as a result of restructuring.

Evidence

- 3.2 Written evidence was submitted by the Government and the Ministry of Defence (MOD) covering the operation of the Performance Management and Pay System (PMPS) for senior officers; recruitment and retention; and issues for the pay round. The general economic context was provided in the Government's statement as set out in the evidence from the Cabinet Office on the SCS (reviewed in Chapter 1). The written evidence was supported by oral evidence from the CDS, the Permanent Under Secretary at the MOD, the Chief of General Staff, the Chief of Naval Staff and the Assistant Chief of Air Staff.
- 3.3 In addition, prior to receiving the evidence, we held discussion groups with a selection of 2-star and 3-star officers about their experiences of the PMPS and other issues affecting the senior military more generally. As in previous years, we found the comments from these sessions extremely informative. Five of us also visited RAF Leeming in North Yorkshire. We had an extensive tour of the base and its facilities, as well as an opportunity to discuss issues with those working at RAF Leeming. We would like to thank our hosts for providing such a useful visit. In the discussion groups and at RAF Leeming we heard views from senior officers on a wide range of issues including the changing conditions of service, morale and motivation, retention, pay and responsibilities on promotion, and how the current pay system is perceived. We raised a number of these issues at the oral evidence session with the CDS, and we comment below.

Recruitment and retention

3.4 With the exception of some senior medical and dental posts, the armed forces do not recruit directly to posts above the training ranks. Consequently, the posts within our remit are filled by promotion from within the services. It is therefore a matter of great importance that the armed forces are able to recruit, train and retain high calibre officers at the lower levels. These officers provide the pool of talent from which senior personnel will be drawn. The MOD's evidence commented that there was no shortage of appropriately qualified officers to fill senior officer posts. It emphasised the importance of maintaining a healthy pool of talent at lower levels.

¹ This refers to those senior officers **employed** and differs from the senior officer **strength** of 134 as at 1 July 2005, shown in table 1.3. The senior officer strength includes personnel between postings, on resettlement or pending retirement.

- 3.5 We heard from the CDS that the armed forces were continuing to experience an unusually high operational tempo. He said that military operations in Iraq and Afghanistan continued to involve senior officers directly. For example, there was currently a 3-star army officer on an operational tour in Iraq. With such a high number of senior officers on operational duty, some 2-star officers had suggested that they should begin to receive X-factor². The issue of eligibility for X-factor payments also came up in our discussions with 2-star officers. It was felt that not only were more senior officers posted overseas, but that UK tours also involved significant travel commitments and time away from home.
- 3.6 The MOD's evidence reported that outflow was carefully monitored for any signs of retention problems. It commented that officers, as a group, were now becoming more proactive in questioning whether their aspirations for promotion were likely to be met, and were more ready to start looking outside the services for their longer term futures. The evidence said there was no difficulty retaining senior officers of sufficient quality and number; the problem was managing careers in an era of competition for the most senior posts and a reduction in the number of such posts. This had led to some sense of insecurity in the senior officer community. For example, two naval officers at 2-star level had recently retired citing uncertainty about further employment as one of the reasons for going. There was anecdotal evidence from the RAF that individuals were considering their positions because the RAF was contracting, but it is too early to assess whether there will be any long-term impact on the feeder group pool. In oral evidence, the CDS said that expectations and roles had changed at 1 and 2-star level over recent years, and officers were increasingly beginning to appreciate their marketability and value in the private sector. This was thought to be particularly the case for specialist officers, two of whom had recently left the services for much higher salaries in the private sector.

The Performance Management and Pay System

- 3.7 The PMPS has been in full operation since 1 April 2002. It comprises what is essentially a discretionary incremental pay system for each of the groups of senior officers (with the exception of medical and dental officers who receive a spot rate) rather than the system of the SCS where there are no incremental scales, and awards directly reflect performance. The incremental points are revalorised in line with our recommended basic uplift each year, and are each worth about 2 per cent of the scale mid-point. Progression within the pay bands is determined by reference to the achievement of personal performance targets, and takes the form of zero, one or two incremental steps³. The system is described in full in our twenty-fourth report⁴. Current pay scales are set out in Table 3.1 below.

² 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. Officers up to and including Lieutenant Colonel Level 5, receive X-factor at 13 per cent of base pay. For Lieutenant Colonels Levels 6-9 and Colonels the cash value of the X-factor is equal to two-thirds of the full X-factor at level 5 of the Lieutenant Colonel incremental scale. For Brigadiers, the cash value of the X-factor is equal to one-third of the full X-factor at level 5 of the Lieutenant Colonel incremental scale.

³ To guard against potential legal challenge concerning the independence of the Service Prosecuting Authorities, the Director of Army Legal Services and the Director of Legal Services (RAF) are not subject to the performance-related pay element of the system, but receive a single increment.

⁴ The Twenty Fourth Report on Senior Salaries, Cm 5389-I. London. The Stationery Office. 2002.

Table 3.1: Pay scales at 1 April 2005

Scale point	Value of scale points			
	CDS	4-star	3-star	2-star
7				£100,978
6		£149,477	£120,728	£99,068
5		£146,546	£117,709	£97,158
4	£210,289	£143,673	£114,766	£95,247
3	£206,165	£140,857	£111,897	£93,337
2	£202,123	£138,094	£109,099	£91,543
1 (Minimum)	£198,160	£135,386	£106,372	£90,186

- 3.8 The fourth annual reporting period under the PMPS finished at the end of February 2005. All senior officers were assessed by their line managers against a set of objectives linked to departmental plans. Single service boards then considered the assessments for 2-star officers and graded their performance using a common scoring system which indicated whether an individual was in contention for the award of a double or single increment, or none at all. A Chiefs of Staff (COS) board graded 3-star officers and non-Chiefs of Staff 4-star officers using the same scoring system as used for 2-star officers.
- 3.9 The results were then reported in June 2005 to the Senior Officers Remuneration Committee, chaired by the Permanent Secretary and comprising the CDS, the other COS and Baroness Cohen of Pimlico as the external member. The committee endorsed the awards and concluded that the process for determining the awards was sound.
- 3.10 Approximately 16 per cent of senior officers were not eligible for any incremental uplift, having served insufficient time in rank. Of the 111 eligible officers, some 89 per cent received one increment, and the remaining 11 per cent received a double increment. No eligible officer failed to receive an increment. Incremental awards were paid with July salary (backdated to 1 April). The relevant Chief of Staff wrote to all his senior officers to notify awards and, for the first time, each line manager was informed of the awards of the officers reporting to him. We welcome this initiative.
- 3.11 The officers we met this year expressed increasing dissatisfaction with the 'senior officer package'. Although it was clear that pay was not a major target of complaint, it is a part of the overall package. We believe that senior officers' perceptions of the following factors may be contributing to make the overall package less attractive: limited opportunities for promotion; less security of tenure; no prospect of reduction in the high level of operations; uncertainties over restructuring; and some reduction in associated benefits (e.g. business travel, support for official entertaining). We believe the MOD and COS should systematically monitor senior officers' views of the reward package.
- 3.12 During our discussion groups we heard a number of complaints about the small increases and even, as for many lower ranks, decreases in some cases (e.g. where promotion entails the loss of allowances), in remuneration on promotion. Many 2-star officers considered that the pay increases from 1-star to 2-star and from 2-star to 3-star did not appropriately recognise the increase in job weight or span. They considered an increase of around 10 per cent to be fair.

2006 pay award

3.13 For the 2005 round, the MOD proposed new performance-related pay scales for 2-star, 3-star, 4-star officers and the CDS that aligned the pay of the CDS with that of the Cabinet Secretary and the Lord Chief Justice within three years. In our twenty-seventh report on senior salaries, we endorsed these pay scales, with an uplift of 2.5 per cent.

Table 3.2: Baseline scales for 2006-07

Scale point	Value of scale points			
	CDS	4-star	3-star	2-star
7				£101,441
6		£154,270	£126,656	£99,416
5		£151,245	£122,608	£97,389
4	£214,996	£148,280	£118,549	£95,363
3	£210,780	£145,372	£114,481	£93,337
2	£206,647	£142,521	£110,431	£91,543
1 (Minimum)	£202,598	£139,727	£106,372	£90,186

3.14 In its evidence, the MOD reported that it was content with the process set in place in the twenty-seventh report on senior salaries for realigning pay rates for senior officers, and proposed that the baseline scales (Table 3.2) agreed last year be uplifted to 2006-07 levels. Any uplift for senior officers should take account of the Government's measures of inflation and be informed by the recommendation made by the Armed Forces' Pay Review Body (AFPRB) for officers and other ranks within their remit group.

Analysis and recommendations

Review of X-factor

3.15 The CDS reported to us that a review of X-factor was due to take place for members of the armed forces covered by the AFPRB, to be completed for that Review Body's 2008 report. He suggested that this would provide an opportunity to look at whether there was a case for extending X-factor to 2-star officers in some form. In the light of comments we heard from discussion groups, we welcome the extension of the review.

Pay on promotion

3.16 We recognise the issue of pay on promotion to be one of motivational concern, and have considered this in some depth. Table 3.3 shows the increases senior officers can expect on promotion from one rank to another, depending on the level occupied by the officer. For example, a 2-star officer at the top of his scale (level 7) promoted to the bottom rung of the 3-star scale will receive an increase of 4.9 per cent.

Table 3.3: Promotional increases, based on 2006-07 baseline rates

On promotion	Levels	Increase of
From 4-star to CDS	level 6 to level 1	31.3%
From 3-star to 4-star	level 6 to level 1	10.3%
From 2-star to 3-star	level 7 to level 1	4.9%
	level 6 to level 1	7.0%
From 1-star ¹ to 2-star	level 5 to level 1	7.4%
	level 4 to level 1	8.5%

¹ Base salary rates for 1-star officers: level 5 – £84,008, level 4 – £83,143

3.17 It seems to us that there should be a significant increase in base pay on promotion from one rank to another to reflect the substantial increase in responsibility, and to recompense those officers who are disadvantaged by the loss of allowances on promotion. Our main areas of concern, as shown in the table above, are from 1-star to 2-star and from 2-star to 3-star. We note in this context that, at our recommendation, the SCS operates a system whereby a civil servant receives an increase of at least 10 per cent on promotion and we believe increases of that order are usual at senior levels in other sectors. Of course, this system cannot be automatically applied to the senior military where there are incremental scales. We would nevertheless invite the MOD to make further proposals to us on this subject for the next round.

Retention of specialists

3.18 We heard evidence of two specialist 2-star officers who had resigned to take up more highly paid posts in the private sector. We understand that there may be relatively rare instances when the forces would like to be able to retain such specialists. We therefore invite the MOD to consider whether it wishes to propose special retention allowances or increments above the normal scale maximum which could be offered, in exceptional circumstances, to officers with particular skills whom the forces need or wish to retain. This could lead to a few specialist officers being paid more than their immediate superiors. This is not uncommon in other areas, including the SCS, and would not in our view create a problem.

The Performance Management and Pay System

3.19 Another point raised with us was the complex and time-consuming nature of the PMPS. We were disappointed by this. It was certainly not our intention that the introduction of what is a very limited element of performance-related pay for the senior military should entail a burdensome system of administration. Of course the assessment process must be well-founded and fair but this does not mean that it must be burdensome. We therefore encourage the services and the MOD to review the PMPS as a matter of priority with a view to simplification and avoidance of any disproportionate burdens.

Pay awards

3.20 We now turn to our recommendation for the basic award to be applied to the scales from 1 April 2006. We have carefully considered the economic evidence provided by the Government. We have also noted the evidence from the MOD on affordability, recruitment and retention evidence and the operational pressures on senior officers. Taking all these factors into account, we recommend that the baseline pay scales (Table 3.2) should be increased by 3 per cent to maintain the position of senior officers in relation to the rest of the armed forces. We have revised the scales on this basis, as set out in Tables 3.4 and 3.5 below.

Recommendation 5: We recommend that the performance-related pay scales for 2-star officers and above be increased by 3 per cent from 1 April 2006 as set out in Tables 3.4 and 3.5 below.

Table 3.4: Pay scales at 1 April 2006

Scale point	Value of scale points			
	CDS	4-star	3-star	2-star
7				£104,484
6		£158,898	£130,456	£102,398
5		£155,782	£126,286	£100,311
4	£221,446	£152,728	£122,105	£98,224
3	£217,103	£149,733	£117,915	£96,137
2	£212,846	£146,797	£113,744	£94,289
1 (Minimum)	£208,676	£143,919	£109,563	£92,892

Table 3.5: Pay scales at 1 April 2007

Scale point	Value of scale points			
	CDS	4-star	3-star	2-star
7				£104,961
6		£163,837	£136,564	£102,756
5		£160,624	£132,183	£100,550
4	£226,362	£157,475	£127,801	£98,343
3	£221,924	£154,387	£123,421	£96,137
2	£217,572	£151,360	£116,492	£94,289
1 (Minimum)	£213,306	£148,402	£109,563	£92,892

Note: Table 3.5 reflects revalorisation as from 1 April 2006 and provides the baseline for further revalorisation for 2007.

Senior medical and dental officers

3.21 As a result of the work on the pay scales for mainstream senior officers, we asked the MOD to consider the implication of this for the pay of senior medical and dental officers (MODOs). At present all MODOs are paid spot rates, such that 3-star MODOs are paid 5 per cent more than 2-star MODOs, and 2-stars 5 per cent more than 1-stars. The current rates are set out in Table 3.6.

Table 3.6: Pay rates for MODOs at 1 April 2005

	Rate	Differential
MODO 3-star	£126,629	5.0%
MODO 2-star	£120,599	5.0%
Highest rate of MODO 1-star scale	£114,858	

3.22 Despite considering a number of options, the MOD concluded that for the immediate future no change should be made to the current arrangements. Its reasons included:

- maintaining the link with the subordinate group was seen as particularly important;
- 5 per cent uplift on promotion was considered appropriate;
- current arrangements were well understood and there was no discontent in the remit group;
- there was no evidence supporting a change in the rates of pay or justifying an increase in cost;
- the 2-star manning position was likely to change, and there were no reliable data on average time spent in rank; and
- changes could not be implemented until after the introduction of Joint Personnel Administration (new computer systems to deliver the services' personnel administration, beginning from April 2006).

The MOD commented that it still wished to include MODOs in the PMPS, as it was appropriate for MODOs to be brought into line with all other senior officers.

Recommendation 6: We recommend that the pay of medical and dental officers of 2-star rank continue to be 5 per cent above their comparators at 1-star, and that those of 3-star rank continue to receive 5 per cent more than their 2-star comparators.

Chapter 4

The judiciary

Introduction

4.1 Our judicial remit comprises around 2,100 salaried judicial office-holders in over 70 categories of post throughout the United Kingdom. In addition there are many fee-paid, part-time members of the judiciary whose fees are calculated by reference to the relevant salary level. For salary purposes, judicial posts are divided into nine salary groups. Each member of a salary group is paid the same spot rate. The current salary group structure is set out in the following table.

Table 4.1: Salaries and numbers in post at 1 April 2005

Salary group	Salary	Numbers in post
1	£211,399	1
1.1	£191,276	4
2	£184,814	15
3	£175,671	50
4	£155,404	140
5	£125,803	82
6.1	£116,515	812
6.2	£112,116	24
7	£93,483	959

4.2 As foreseen in our twenty-sixth report on senior salaries, published in February 2004¹, we have brought forward by one year the major review of the judicial salary structure. We did this because we believed it was time to review all the posts in the light of concerns we had heard, and because of the Government's proposed constitutional and legal reforms which appeared likely to have a major impact on the work of members of the judiciary. An additional consideration was the recommendation in our twenty-sixth report that broad salary linkage between our remit groups should henceforth be achieved by maintaining general salary equivalence at the top of the structures only. We discuss in paragraph 4.54 how this affects the position of the Lord Chief Justice.

4.3 We outline below the main changes affecting the judiciary, and go on to describe how we carried out the major review.

Changes affecting the judiciary

4.4 The Constitutional Reform Act 2005 gives the Lord Chief Justice of England and Wales a significantly expanded role which includes responsibility for the welfare, training and guidance of judicial office-holders, for deployment of judicial office-holders and the allocation of work within the courts, for making rules of court and practice directions and, with the Lord Chancellor, for judicial discipline. He will also have a statutory role in relation to all judicial appointments in England and Wales. The heads of the judiciary will continue to sit regularly as judges and will therefore need to delegate a significant proportion of their leadership functions and management responsibilities. The Department for Constitutional Affairs (DCA) expects the consequences of the Constitutional Reform Act will be felt down through the senior judiciary in England and Wales and we agree these changes will affect job weights at this level.

¹ The Twenty-Sixth Report on Senior Salaries, Cm 6099. London. The Stationery Office. 2004.

- 4.5 Another important source of change in England and Wales is the agreement of the Government and the senior judiciary that at present it is not appropriate to allow the number of High Court judges to increase above its current complement of 108 judges. As a consequence it is necessary to ensure that the High Court bench is focused on the most appropriate work consistent with its role within the wider justice system. The DCA has subsequently issued a consultation document 'Focusing judicial resources appropriately'² with proposals designed to ensure the appropriate use of judicial resources, particularly at High Court level. The recommendations mean that some work currently done by the High Court will be shifted down to lower courts with corresponding adjustments at lower levels as work is 'cascaded' down the system. At the same time there is to be improved IT and administrative support for the judiciary. The net effect is that some judges at all levels may continue to experience some increase in the weight of cases they have to deal with. The DCA has recently announced proposals³ for some of the most minor offences to be dealt with administratively by fixed penalty in order to relieve pressure on the magistrates' courts.
- 4.6 Other sources of change in the judicial system include the establishment in April 2005 of the single tier Asylum and Immigration Tribunal in England and Wales; the creation of Judicial Appointments Commissions for England and Wales, Scotland and Northern Ireland (the Commissions are already operating in Scotland and Northern Ireland and that for England and Wales will begin work in April 2006); and the launch of the Tribunals Service, also in April 2006, bringing together the administration of most of the specialist tribunals. Where possible, the review has taken account of changes already in force but it could not anticipate changes where the impact is not yet clear.

The major review

Background, purpose and method

- 4.7 The objective of the review was to produce a *salary structure* that attracts the right calibre of people, recognises the demands of particularly complex roles, takes account of recent reforms and maintains the confidence of the remit group. In other words, the review was essentially about soundness and suitability of the current salary structure, the number of groups, the allocation of judicial offices to specific groups and the differentials between groups. The major review was thus largely a separate exercise from the normal annual review of *salary levels* though it has substantially contributed to our annual review.
- 4.8 We described in our twenty-seventh report, published in February 2005, how we proposed to carry out the review with the assistance of consultants PricewaterhouseCoopers (PwC), who were selected following competitive tendering. PwC worked with us and our small consultative group, comprising five members of the judiciary from England and Wales, and Scotland, to develop a set of criteria for evaluating judicial posts. The PwC interviewers were specially trained and carried out ten pilot interviews to enable the consultative group to check and adjust the methodology. They then interviewed a sample of a further 141 judicial postholders in all types of post and widely spread across the UK. Following the interviews, PwC prepared job descriptions and sent them to those interviewed for checking and comment. Using the interview results and feedback from interviewees, they evaluated the posts against five factors:

² http://www.dca.gov.uk/consult/focus/focus_cp2505.htm

³ Supporting Magistrates' Courts to provide Justice, Cm 6681, available at <http://www.official-documents.co.uk/document/cm66/6681/6681.pdf>

- jurisdiction;
 - complexity and diversity of cases;
 - impact and sensitivity of decisions;
 - court craft; and
 - out of court administration, management and leadership responsibilities.
- 4.9 PwC developed and used a bespoke system of job evaluation for this review of the judiciary because the generic Monks Six Factor system did not distinguish fully between judicial responsibilities, and because it was felt that the use of generic language might prove to be unfamiliar to members of the judiciary and could have led to difficulties of interpretation. However, PwC converted the job evaluation scores for a sample of judicial posts to Monks Six Factor totals, in order to identify typical private sector differentials for jobs with comparable scores to the judicial posts.
- 4.10 We obtained data from the Law Society’s survey of solicitors’ earnings. We also commissioned Ipsos Public Affairs to carry out a survey of the pre-appointment earnings of members of the judiciary and of experienced barristers’ earnings, as well as of factors influencing the take-up of judicial posts. This showed that, while those appointed to the High Court typically suffered a drop in income of over 50 per cent after allowing for the value of the judicial pension, some of those joining at lower levels of the judiciary achieved an increase in income. According to the survey, most of those who took up a judicial post did so:
- for the challenge, change or to achieve ambitions (42 per cent);
 - because the work was considered interesting, enjoyable and provided greater job satisfaction (24 per cent); or
 - to contribute to society and the development of the law (19 per cent).
- 4.11 The pension was given as a reason by 13 per cent. Only 6 per cent cited secure salary as a reason. However, among the barristers surveyed, the most common reasons for *not* taking up a judicial post were reduction in salary, financial responsibilities and young family (23 per cent).
- 4.12 In June 2005 we published a short consultation document together with PwC’s report on their job evaluation of the sample of 151 judicial posts, and the report by Ipsos. The consultation document set out the methodology of the review and sought views on PwC’s recommendations for a change to the structure and some reclassifications of specific posts. Those documents are available on the OME website⁴.

Key questions arising from the major review

- 4.13 PwC identified a number of key issues during the course of their research. This led us to ask six specific questions in our consultation document, covering:

- (i) The overall pay structure:

Generally, do you feel that the terms of remuneration available to the judiciary are achieving the recruitment, retention and motivation of suitably qualified legal practitioners and are thus helping to maintain the acknowledged high quality of the UK judiciary? (*Question 6 in the consultation document*)

⁴ <http://www.ome.uk.com/review.cfm?body=4>

Do you agree with PwC's recommendation that salary group 6.2 should cease to exist as a separate salary group, and do you agree with PwC's recommendations regarding the individual posts currently in salary group 6.2? (*Question 2*)

Do you agree with PwC's conclusion that (subject to the removal of salary group 6.2) the current salary structure is otherwise sound, and well suited to the needs of the judiciary going forward? (*Question 4*)

Do you consider that (assuming the removal of salary group 6.2) current differentials between the different salary groups are appropriate? (*Question 5*)

(ii) Specific posts:

Do you agree with PwC's conclusions regarding the correct salary group for the individual posts discussed in paragraph 4.11 of the consultation document? (*Question 3*) (The proposals were:

- Presidents of the Asylum and Immigration Tribunal and Employment Appeals Tribunal to remain in group 4.
- Judge Advocate General to move from group 6.1 to 5.
- Resident Senior Immigration Judge and Senior Immigration Judge, currently in group 6.1, to be in 6.
- Judge, Employment Appeals Tribunal should remain in group 6.
- Regional Chairman, Mental Health Review Tribunal (England) should move from group 7 to 6.
- District Chairman, Appeals Service should remain in group 7.
- District Judge of the Principal Registry of the Family Division should remain in group 7.
- Deputy President, Pensions Appeal Tribunal, currently paid at 7.5 per cent below group 7, should be paid a full group 7 rate.)

(iii) Additional management responsibilities:

Do you consider that judicial postholders who carry out additional management responsibilities compared to their peers are appropriately rewarded under the current salary structure? If not, what changes should be made? (*Question 1*)

Responses to the consultation and oral evidence

4.14 We received 43 written responses to the consultation document (the authors are listed at Appendix A). We also held six days of oral evidence sessions in London, Edinburgh and Belfast during which time we had 28 meetings with representatives of the judiciary as well as meetings with the DCA, Scottish Executive and Northern Ireland Court Service (NICS) (the list of those who gave oral evidence is also at Appendix A).

Feedback on job evaluation

- 4.15 In the consultation document we invited those members of the judiciary who had been interviewed by PwC to apply to our secretariat if they wished to receive their own scores and a breakdown by the five factors used in the job evaluation. Around a third of those interviewed did so.
- 4.16 There were some challenges to, or expressions of dissatisfaction with, the scores awarded by PwC. Some were from individuals who had been interviewed and obtained their own scores, and others from representative bodies who argued that the score for a particular classification of members of the judiciary was wrong. Their concerns were often about the relative weight of their own posts compared with other judicial posts, rather than overall grouping. Our secretariat referred questions about the methodology of the evaluation to PwC who gave further explanations and, in a few cases, adjusted scores in the light of further information. In hardly any instances did the adjusted scores suggest that those concerned should have been placed in a different group. We took note during our oral evidence sessions of further representations about the methodology employed and the scores of individuals and posts. In consequence we referred a series of questions to PwC for further advice. Our report and recommendations take account of that further advice.

Our conclusions from the review

The overall pay structure

- 4.17 Most of the evidence and responses we received were either silent on question 4 about the general soundness and suitability of the current salary structure or indicated agreement that the structure was sound. However, a few responses suggested there should be more groups because, at the lower levels, there was not sufficient differentiation between jobs of different weights.
- 4.18 The structure contains nine groups – considerably more than our other remit groups, namely the senior civil service which has five bands covering the same salary range, and the senior military which has four. We do not believe it would be appropriate to add to the number of judicial pay groups. Indeed we were initially attracted to the suggestion of reducing the number. However, we accept that the senior civil service and senior officer pay bands, each of which comprises a range or scale of salaries, are not strictly comparable with the judicial pay groups, each of which attracts a spot salary. We believe the current structure appropriately reflects the range of job weights and the hierarchy of the judiciary.
- 4.19 In order to form a view on whether “the terms of remuneration available to the judiciary are achieving the recruitment, retention and motivation of suitably qualified legal practitioners” (*Question 6*), we sought evidence from the DCA, the Scottish Executive, the NICS and the judiciary on recruitment and retention. All reported that there was currently no difficulty in filling vacancies with suitable candidates and there was no problem with retention. Statistical evidence reported to us this round on recruitment into the judiciary is at Appendix H. The Scottish Executive and judiciary provided oral evidence on this issue. However, it was acknowledged in all parts of the United Kingdom that had the pensions problem not subsequently been resolved (see paragraphs 4.40 – 4.42 below), it could have had an adverse effect on both recruitment and retention.

- 4.20 Nevertheless, we heard oral evidence from some groups that suggested the quality of applicants for some group 7 and related posts was declining. Such anecdotal evidence does not outweigh the statistics showing a healthy recruitment picture and in any case it is not clear that a decline, if indeed there is one, in the quality of applicants is because of salary levels. However, some judges argued that salary is in many cases an indication of the standing of an occupation within society and we noted above (in paragraph 4.11) that reduction in earnings was among the most common reasons given by barristers for not taking up a judicial appointment. We therefore believe that recruitment should be monitored closely for signs of a drop in either the quality or quantity of candidates.
- 4.21 We also heard some concerns that the cultural changes implicit in the new process of independent appointments to the judiciary through Judicial Appointments Commissions (see paragraph 4.6 above) may deter some potential applicants. We recognise that this is a significant change, particularly at the more senior levels of the judiciary, and we appreciate that there may be some initial uncertainty about how the new process will work. It will be important to understand the effect, if any, on recruitment to the judiciary of all the changes we mention in this chapter. We therefore look forward to substantial evidence from the Judicial Appointment Commissions on recruitment to the judiciary being available for our future reports. We come back to this point in paragraph 4.52 below.

Group 6.2

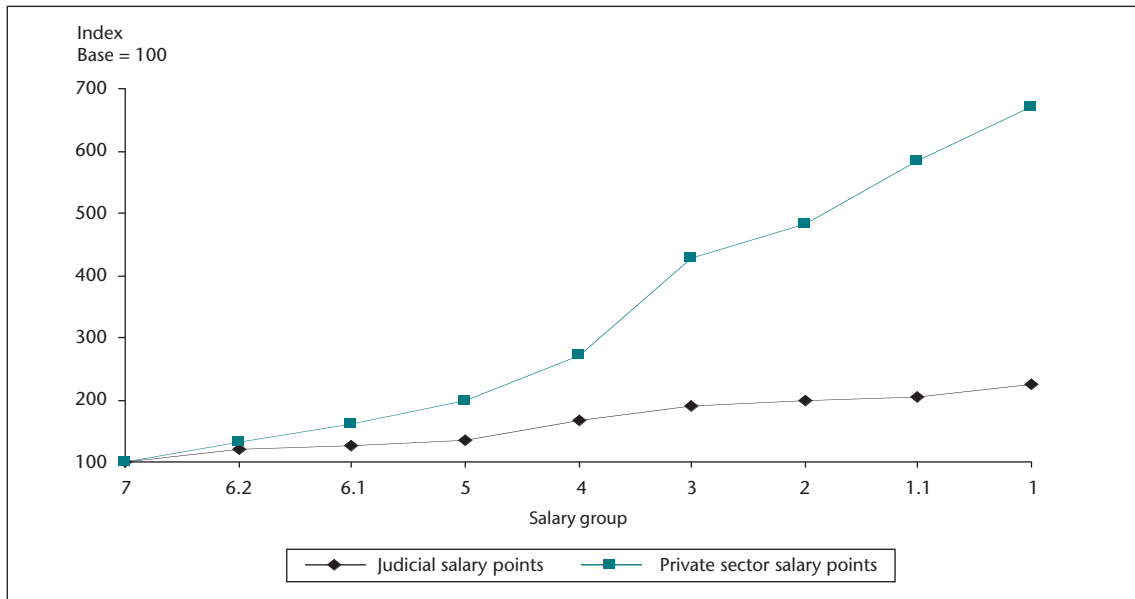
- 4.22 Responses to the PwC proposal to abolish group 6.2 (*Question 2*) were mixed. Several respondents supported abolition while others argued that the group provided a useful step in some judicial hierarchies. After considering the evidence carefully, we have come to the conclusion that group 6.2 should be retained because we agree that it serves a useful purpose in the hierarchy – and should be used more. At present there are only seven judicial offices in group 6.2 compared with 14 in 6.1 and 17 in group 7. If our proposals below are accepted, there will be a net increase of one in the number of offices in 6.2. We believe that over time the salary for group 6.2 should be repositioned towards the mid-point between groups 7 and 6.1. This will help to make 6.2 a more internally consistent and usable group in the structure.
- 4.23 We therefore conclude that, subject to the above comments on the position of group 6.2, the overall pay structure remains broadly satisfactory and fit for its purpose.

Recommendation 7: We recommend that the current structure of nine groups, including group 6.2, be retained and that group 6.2 be repositioned more centrally between groups 6.1 and 7 over a number of years.

Differentials

- 4.24 As reported in our consultation document (paragraphs 5.6 – 5.12) PwC’s research showed that differentials within the judiciary are considerably compressed compared with those for jobs of comparable size in the private sector. This is shown in the following chart:

Chart 4.1: Index of base salaries in the judiciary and private sector



Source: Office of Manpower Economics/PwC

- 4.25 PwC’s work suggested that the typical ratio of the highest to lowest salary in the private sector for jobs of equivalent weight is 6.7:1 whereas in the judiciary it is currently around 2.3:1. Separate research on the SCS carried out for us by Hay Group (see Chapter 2) shows that, in the wider public sector, salary differentials at more senior levels are also much greater for a given difference in job weight than in the judiciary.
- 4.26 PwC’s research also suggests that the differential between groups 4 and 5 is higher than expected, while that between group 3 and 4 is lower. This is explained by the fact that group 4 (High Court judges in England and Wales, and Northern Ireland, and Outer House judges of the Court of Session in Scotland) is a key recruitment level for the judiciary and attracts a recruitment premium. In the private sector the equivalent recruitment level is to the main board, the next higher job weight level corresponding to the judicial group 3. Even so, as the Ipsos research shows, on average those appointed to the High Court suffer a cut of over 50 per cent in earnings after allowing for pensions. In evidence to us both the Lord Chief Justice and the Lord Chancellor emphasised the importance, in their view, of maintaining or increasing the group 4 differential. We also note in this context that measures set out in the DCA consultation document ‘Focusing judicial resources appropriately’ will lead to the High Court concentrating on the most complex and significant cases, i.e. higher level work.
- 4.27 We accept that it would be unrealistic to seek to create salary differentials in the judiciary of the order that exist elsewhere. Nevertheless, we believe the increased responsibilities at the most senior levels, notably those flowing from the Constitutional Reform Act and the decision to limit the size of the High Court bench, should be recognised in modest increases in differentials for the senior judiciary. This will still leave differentials much smaller than at the same levels in the private and wider public sectors.
- 4.28 In contrast we have received representations to the effect that the differentials between the lower levels of the judiciary are too high relative to job weight. On reflection we believe there may be two reasons for this perception. The first is that, as explained above, differentials of the senior judiciary are greatly compressed compared with what might be expected in the private sector. In other words, in reality it is not so much that the differentials at lower levels are too large as that those at higher levels are too small. The second reason is the odd position of group 6.2 in terms of differentials with the adjacent groups.

Table 4.2: Differentials between the lower groups

Salary group	Salary	Numbers in post
5	£125,803	8.0%
6.1	£116,515	3.9%
6.2	£112,116	19.9%
7	£93,483 ¹	–

¹ plus £4,000 lead and allowance for London posts

4.29 If, as we recommend, over time group 6.2 is used more and is positioned more centrally between groups 6.1 and 7 in salary terms, then overall differentials will appear fairer. We propose to start the gradual process of repositioning this year by recommending slightly larger increases for groups 6.1 and 7 than for group 6.2. As group 6.2 becomes more clearly delineated over time, it might be sensible at some point to renumber the groups.

London allowances

4.30 We received requests for London allowances to be increased and to be paid above group 7. At present, group 7 posts in London attract a salary lead of £2,000 and an allowance of £2,000, both of which are pensionable. The research carried out for us by Hay on the SCS (see Chapter 2) provided evidence that, in the private sector, for jobs paid at around £100,000 a year or more there was no clear pattern of regional variation and London allowances were not paid. While we recognise that there may be difficulties for some members of the judiciary who live in the regions but obtain an appointment in London, we believe these are few in number and there is no case for extending London allowances above group 7, nor for increasing the allowance.

Specific posts

4.31 As stated above, we do not recommend following PwC's proposal to abolish group 6.2. Consequently we recommend that all but one of the posts currently in 6.2 should remain in that group. We also recommend below that two posts should move from group 6.1 to 5, one post in group 6.2 should move to 6.1, two posts should move from group 7 to 6.2 and two posts currently paid below group 7 should receive the full rate for that group.

4.32 We have examined particularly carefully the posts of Members of the Lands Tribunals in each United Kingdom jurisdiction. PwC recommended that these posts should be moved to group 7, because the job weight did not merit the higher group, but that incumbents should continue to be paid at the rate for 6.2 for as long as they are in post. We have, not surprisingly, received strong representations from the Presidents and Members of all three Lands Tribunals who maintain that the posts should remain in 6.2. Several members of the senior judiciary also supported this view. Two main arguments were put forward:

- the job evaluation misunderstood and underestimated the extent to which Members sitting alone hear cases involving significant points of law; and
- some Members are appointed from among highly experienced surveyors and it would be difficult to recruit surveyors of sufficient standing at the lower salary.

4.33 On balance we believe that these posts should remain in group 6.2.

4.34 Having considered PwC's job evaluation and the written and oral evidence, we recommend that the following posts set out in Table 4.3 be moved for the reasons given. We estimate that these changes will add 0.1 per cent to the pay bill.

Table 4.3: Judicial posts recommended for move

Post	Current group	Recommended group	Reason for recommended move
Judge Advocate General	6.1	5	Post has significant managerial, advisory and administrative responsibilities. It clearly scores in group 5 range.
Judge, Employment Appeals Tribunal	6.1	5	The two judges have open-ended attachments to the EAT which require them to spend at least 75 per cent of their time on EAT work. They are clearly distinguishable from Circuit Judges on fixed-term secondment to the EAT. They score in the group 5 range and should be paid at group 5 while their attachments continue.
Regional Chairman, Appeals Service	6.2	6.1	Primarily a management role but sits regularly as Appeals Service Chairman, including on cases of special difficulty. Post scores in line with other group 6.1 posts.
Regional Chairman, Mental Health Review Tribunal (England)	7	6.2	The management responsibilities are significant and PwC scored the post well within the range for 6.2.
Adjudicator to HM Land Registry	7	6.2	We heard evidence to show that the Adjudicator's administrative responsibilities are increasing significantly. PwC scored the post within the range for 6.2.
Deputy President, Pensions Appeal Tribunal	7 minus 7.5%	7	PwC recommended the post should receive the full rate as it had a greater job weight than some other group 7 posts.
Chief Medical Member, Appeals Service	[Currently paid £69,551 = 74% of group 7 salary]	7	The post has substantial management, training and appraisal functions and PwC scored the post clearly within group 7.

4.35 We considered a number of other posts where PwC or the postholders themselves suggested grounds for a change of group but we decided against recommending such changes. These posts are discussed in Appendix G.

Recommendation 8: We recommend the following changes to salaries and salary groups from 1 April 2006:

- (i) Judge Advocate General to move to group 5;
- (ii) The two judges with open-ended attachments to the Employment Appeals Tribunal to move to group 5 for the remaining length of their attachments;
- (iii) Regional Chairman, Appeals Service, to move to group 6.1;
- (iv) Regional Chairman, Mental Health Review Tribunal (England) to move to group 6.2;
- (v) Adjudicator to HM Land Registry to move to group 6.2;
- (vi) Deputy President, Pensions Appeal Tribunal, to move to group 7; and
- (vii) Chief Medical Member, Appeals Service, to move to group 7.

The Recorder of Belfast

4.36 In Northern Ireland County Court judges are currently paid at salary group 5, rather than 6.1, because they are required to sit without a jury in 'Diplock courts'. The Recorder of Belfast, who is in group 5, also sits in 'Diplock courts'. His predecessor was paid a supplement of 8 per cent because of this. (The differential between groups 6.1 and 5 is 8 per cent.) We recommend that the current Recorder should also receive the 8 per cent supplement, applied from the date of his appointment, for as long as he continues to sit in 'Diplock courts'.

Recommendation 9: The Recorder of Belfast should receive a supplement of 8 per cent of salary applying from the date of his appointment for as long as he continues to sit in 'Diplock courts'.

Additional management responsibilities

4.37 Responses to the question about whether to reward additional management responsibilities were mixed. It seems clear that there is no desire among judges in group 4 or above for any kind of management allowance. There is a belief that such allowances would damage collegiality. Management responsibilities are either rotated or seen as part of the job. Below group 4 the picture is more complex. Some respondents opposed any allowance for management responsibilities and one argued that such responsibilities were given too much weight in the job evaluation. However, others, notably representatives of circuit judges, argued strongly in favour of such allowances and suggested that the current system, whereby a resident circuit judge with responsibility for 10 or more courts is designated a senior circuit judge and placed in group 5, resulted in too sharp a cut-off. A resident judge with responsibility for, say, eight courts had a substantial management workload in addition to his judicial caseload but was paid the same as a circuit judge with no such management responsibilities.

- 4.38 Nobody has put a specific proposal to us on how a system of management allowances might work. In its evidence, the DCA said there was a distinction between tribunals and court-based judiciary. In the tribunals there tends to be a managerial hierarchy with posts in different groups reflecting the degree of management responsibility. This is not the case for the courts. The DCA concludes that “there may therefore be a case in principle for a system of allowances for Circuit Judges but there are difficulties of both principle and practicality” and the idea “merits further consideration for the future”.
- 4.39 The Review Body has weighed the arguments carefully and come to the conclusion that any system of allowances for management responsibilities would be very difficult to design and operate. It would complicate the pay system and be likely to lead to pay drift. If members of the judiciary at the same level have substantially different workloads because management responsibilities are unevenly distributed, we believe this should be tackled by organisational measures such as sharing or rotating the responsibilities, or reducing the sitting time of those with significant out of court duties. We believe it is an important principle that remuneration should be based on job weight and not on workload.

Other issues the Review Body has considered

Judicial pensions

- 4.40 Members of the judiciary belong to different pension schemes depending on their date of entry but broadly they pay contributions for dependants’ benefits of 3 or 4 per cent of salary and are entitled to a pension of half final salary after 20 years’ service. According to research carried out for the SSRB in 2003⁵, judicial pensions on average represent a benefit equivalent to between 32 and 35 per cent of salary. Thus pensions form a very important part of the reward package. The structure of the pension scheme reflects the fact that members of the judiciary are typically in their 40s or 50s on appointment. Moreover, as the Ipsos research shows, without the benefit of the pension scheme almost all those joining the judiciary would suffer a substantial drop in earnings.

Table 4.4: Effect of pensions on post-appointment earnings

Post	2004 median pre-appointment earnings	2004 judicial salary	Indicative increase or decrease on appointment	2004 judicial salary adjusted for value of pension scheme benefits	Indicative increase or decrease on appointment taking account of pension
High Court Judge (Group 4)	£430,565	£150,878	-65%	£202,176	-53%
Circuit Judge (Group 6.1 overall)	£181,212	£113,121	-38%	£152,713	-16%
Group 7 overall	£104,392	£90,760 ¹	-13%	£119,803	+15%

¹ Excludes London salary lead and allowance of £4,000 in total

Source: Ipsos

⁵ Report on the comparison of the pension schemes of the Senior Civil Service, Judiciary and Senior Military, Watson Wyatt LLP, <http://www.ome.uk.com/downloads/LinkagePensionsreport01.pdf>

- 4.41 We noted in our twenty-seventh report that the measures on the tax treatment of occupational and personal pensions in the Finance Act 2004 (providing for a new lifetime limit – initially £1.5 million – on the capitalised value of a person’s pension benefits, above which any further contributions will be taxed at an effective rate of 55 per cent) had the potential to impact adversely on the judiciary in groups 6.1 and above. Those below group 6.1 were unlikely to be affected unless they had built up significant pension entitlement before joining the judiciary. At that time we understood that the Government intended to introduce a Bill to protect the value of judges’ pensions.
- 4.42 On 15 December 2005 the Lord Chancellor, as administrator of the judicial pension schemes, announced that he had concluded it would be in the best interests of the members for the schemes not to be registered schemes for the purposes of the Finance Act 2004, for the future⁶. The principal effect will be that lump sum benefits payable from, and members contributions payable to, the schemes will cease to attract tax relief from 6 April 2006. Judicial pension benefits will consequentially not be taken into account for the purposes of the registered pension schemes provisions of the Finance Act 2004 as they will not receive the preferential tax treatment afforded to such schemes. The Lord Chancellor added that he also proposed to make provision for judges to receive a long service award which will become payable when they near retirement. The level of the award, which will be a proportion of the lump sum, will reflect their years of service and their judicial grade and will ensure their net position is maintained. The Lord Chancellor said his proposals would maintain but not improve the overall remuneration package for the serving judiciary; protect the principle of judicial independence; and entail no net cost to the Exchequer. These proposals removed the need for legislation. The DCA undertook to write to all judges shortly about the proposals.

Movement between different levels in the judiciary

- 4.43 We were struck by how few members of the judiciary move to a higher level within the judicial structure. It seems to us unrealistic to expect to recruit younger people into the judiciary if they then face working for 20 or more years in the same job for the same spot rate. We are not advocating a career judiciary along the lines of some European countries, where some lawyers join the judiciary on qualification and then move up through the hierarchy over the course of their careers. In particular, we understand the case for senior lawyers to be appointed to the judiciary at High Court level, to ensure that the senior judiciary has members with extensive experience in practice. Nevertheless, we believe there is scope to increase the potential for some members of the judiciary to apply successfully for higher posts, provided that they fully meet the criteria for appointment to those posts. We believe some increase in the prospects of progression could help to improve morale, encourage new entrants to the judiciary and ease some of the disadvantages of a spot rate pay system. We therefore encourage the administrations to examine whether there are measures they could take, such as assisting members of the judiciary to gain experience in different jurisdictions, which would help those who wish to apply for higher-level appointments.

Affordability

- 4.44 The DCA in its evidence to us proposed an increase of 2.5 per cent for the whole judicial structure, in line with the view then taken of actual and prospective inflation, although it did invite us to consider in addition the implications of the Constitutional Reform Act outlined in paragraph 4.4 above for the most senior judicial posts. The Department argued that a lower increase would be bad for morale, but a higher increase was not necessary for recruitment or retention (see above) and could not be afforded without

⁶ Written Statement by the Lord Chancellor: <http://www.dca.gov.uk/pubs/statements/st051215.htm>

adverse effects on service delivery, e.g. a cut in the number of sitting days of fee-paid judges, which would mean failing to hit targets for court sittings. The NICS also argued that the most it could afford was 2.5 per cent. The Scottish Executive did not offer any evidence on this issue. The total salary bill for the judiciary in the United Kingdom is around £330 million out of a total budget for the United Kingdom legal systems of around £4 billion.

Pay recommendations

4.45 On the occasion of a major review, normally conducted every four or five years, we believe we should stand back and take a view of judicial pay in the wider context. The judiciary are most unusual among higher paid workers and unlike the SCS, including Permanent Secretaries, and senior military in being paid a spot rate with no opportunity to earn bonuses or performance pay. This reflects their view that such elements would run counter to their constitutional position and judicial independence. It is also the case that members of the judiciary have limited prospects for progression, as discussed in paragraph 4.43.

Our remit

4.46 Our remit (set out in the Foreword to this report) requires us to have regard to a wide range of factors. Average earnings in the economy have in recent years increased faster than inflation. Moreover, most pay systems exhibit a degree of pay drift because of the effects of performance pay, bonuses, recruitment premia and other factors, so the growth in the pay bill per head is higher than the headline rate of pay settlements. The trend in pay awards is strongly towards conditional, performance-related increases. We have sought to compensate the judiciary for this to some extent by awarding them on average $\frac{1}{2}$ per cent more than the increases awarded to the SCS and senior military salary structures in each of the last four years. However, it is clear to us that, since our recommended award in 2002 of 8 per cent (which the Government staged over two years), judicial salaries, like those of the SCS and senior military, have not kept pace with the growth of earnings in the economy as a whole.

4.47 We take note of the evidence put to us on affordability although that evidence took no account of the fact that this year we have carried out a major review, nor of the significant impact on senior judicial posts flowing from the Constitutional Reform Act. Moreover, we must point out that the judicial salary bill is less than 10 per cent of the total public cost of the legal system in the United Kingdom, so each 1 per cent increase in the judicial salary bill, costing about £3.3 million, equates to less than 0.1 per cent of the cost of the system as a whole. We have taken careful note of the current and prospective levels of inflation, on which the Chancellor of the Exchequer wrote to Review Body Chairmen, but note that inflation is only one of several factors to which we must have regard (see our terms of reference in the Foreword). It would be inconsistent with our terms of reference and unrealistic for a major review, taking place four years after the previous one and looking at many different elements, to be entirely constrained by the current inflation rate.

Linkage

4.48 In the last major review, which led to a recommendation for an 8 per cent increase, we still operated on the principle of linkage between the judiciary and the SCS by read-across at each appropriate level. However, this became increasingly hard to justify once increases in the SCS were conditional on performance and, as discussed in Chapter 2, a growing proportion of the SCS receive no increase at all in a given year. Beginning with our twenty-sixth report, we moved away from the idea of linkage at each level,

preferring to maintain broad linkage through close equivalence at the very top of the SCS, judicial and senior military structures. Below the top level, pay structures and differentials within each remit group should be determined by internally focused evaluation, rather than the traditional comparator points. That is why, in this report, we pay particular attention to the differentials *within* all three remit groups. However, we also said in our twenty-sixth report that we should continue to keep an overview of the actual and perceived fairness of the system through our annual reviews, and this we do.

Job weight

- 4.49 A further complicating factor is that the changes we have examined do not affect all members of the judiciary equally. The Constitutional Reform Act and the Judicial Resources Review, for example, chiefly affect only some members of the senior judiciary in England and Wales. We also believe that increasing case weight affects some parts of the judicial system much more than others. However, these effects are impossible to quantify accurately and in any case we do not believe it is practical or sensible to try to fragment the judicial salary structure. That would run counter to the need for flexibility, most notably in the Tribunal Service, and would lead to constant and unproductive fine tuning. Nevertheless, we are conscious that our recommendations below consequently involve an element of averaging or 'rough justice' because this year different posts within a given group are differentially affected by the developments we take into account. That is inevitable with any group not engaged on exactly the same activities, although, in the long term, significant and lasting changes in job weight can be identified by job evaluation, as in the latest major review which has led us to recommend upgrading of seven judicial offices.
- 4.50 We have found it particularly difficult this year to quantify separately all the different factors to which our terms of reference require us to have regard. We received extensive evidence from and about the judiciary, both in response to our consultation document and as part of our normal annual round of meetings. Many representatives of the judiciary made a persuasive case to our judicial sub-committee that their job weight is increasing. We are clearly satisfied that this is so for those members of the senior judiciary affected by the Constitutional Reform Act. We also accept that there has been, possibly over many years, an increase in the weight of cases dealt with in the High Court leading to an effect, variously described to us as 'trickle down' or 'cascade', whereby cases that would once have been dealt with at one level are passed down. This process happens gradually and seems likely to continue, particularly because of the decision not to increase the size of the High Court in England and Wales and the subsequent Judicial Resources Review. Views differ as to the significance of that decision and of the Judicial Resources Review for further 'trickle down'. The DCA does not expect the latest shift of work from the High Court to make a significant difference to either the quantity or quality of the work of the lower courts although it does accept that some group 5 circuit judges in major court centres might find themselves dealing with rather more heavy civil and criminal cases than hitherto. Others argued to us that case weight is increasing in several parts of the judicial system, including the Employment and Asylum and Immigration Tribunals, because of the increased volume and complexity of legislation, including the Human Rights Act. However, the evidence we have received on 'trickle down' is neither comprehensive nor systematic and does not enable us fully to quantify the increase. Moreover, we recognise that in practice the impact is almost certain to have been different at different levels and in different parts of the judicial system.

- 4.51 Case weight, case management and other management responsibilities are difficult concepts to measure but we wish to see established a base line that will enable subsequent changes in job weight to be gauged. In particular we wish to see whether and if so how the Judicial Resources Review affects the judiciary below the High Court level in England and Wales. We accept that some use of proxies is likely to be necessary, such as the number of judges 'ticketed' for particular types of case at each level. We therefore invite the relevant administrations to discuss with us how to secure better evidence in future years on whether the job weight and efficiency – the 'productivity' – of the judiciary at different levels and in different jurisdictions are changing. A consistent methodology will be needed, preferably one that can link back to the information obtained during the major review we have just completed. Such better evidence on job weight and efficiency should enable us to give more appropriate and precise weight to these elements, alongside the other matters we are required to consider by our terms of reference.

Recommendation 10: We recommend that the administrations in England and Wales, Scotland and Northern Ireland consult with the Review Body on how to compile and include in future evidence to us quantified information on changes in case weight, case management, management responsibilities and any other significant elements of the overall job weight and efficiency of members of the judiciary.

Evidence on recruitment

- 4.52 The evidence from the administrations shows that recruitment and retention, including the quality of recruits, are satisfactory at present, and we heard only limited, anecdotal evidence from representatives of the judiciary of incipient recruitment difficulties in a few areas. We believe that the new recruitment procedures operated by the independent Judicial Appointment Commissions can provide us with valuable information for future reviews. We look forward to receiving information from the Commissions in England and Wales, Scotland and Northern Ireland about both the numbers and quality of candidates for judicial posts. It would be helpful if all the Commissions could collect systematic evidence on pre-appointment earnings and provide evidence on the judiciary similar to that we now receive from the Civil Service Commissioners about recruitment to the SCS.
- 4.53 We believe that such independent information from all parts of the United Kingdom will put us in a much better position to judge whether judicial salaries are adequate to ensure the recruitment of sufficient and suitably qualified candidates. This, coupled with the better information on changing job weight, will in future help us to judge, taking account of other relevant factors, whether salary increases are justified and to recommend accordingly.

The Lord Chief Justice

- 4.54 In our twenty-sixth report we recommended that the pay of the Lord Chief Justice should be broadly comparable with that of the Cabinet Secretary (and the Chief of Defence Staff). It is difficult to express this principle as a precise formula because the Cabinet Secretary has a pay range that goes up to £264,250 (although as shown in Appendix D the Cabinet Secretary is currently in the band £215,000 – £219,999). Like all other members of the SCS, he is eligible for base pay increases and non-consolidated bonus payments only where justified by performance. At present the Lord Chief Justice is paid the spot rate of £211,399. As described above, the Lord Chief Justice's responsibilities are increasing significantly because of the Constitutional Reform Act.

We believe that the Lord Chief Justice should receive an increase for 2006-07 which both reflects those increased responsibilities and means that he is likely to earn broadly the same as the Cabinet Secretary over an assumed period of tenure of four or five years for the latter, taking account of the performance-related increases the latter is likely to receive. (The Cabinet Secretary's potential bonuses are broadly offset by the more favourable terms of the Lord Chief Justice's pension.) We therefore recommend that the Lord Chief Justice's salary be increased to £225,000.

Recommendation 11: We recommend that from 1 April 2006 the salary for the Lord Chief Justice should be £225,000.

The senior judiciary

4.55 As we have explained above (in paragraph 4.4), we have seen clear evidence that, as a result of the Constitutional Reform Act 2005, management responsibilities are increasing significantly for many members of the senior judiciary. Moreover, their differentials are greatly compressed compared with those typical in the private sector. The major review is the occasion to give some recognition to both these issues. In order to reflect the increased job weight and to counter the compression of differentials, we recommend the following increased salaries for groups 1.1 to 3.

Recommendation 12: We recommend that from 1 April 2006 the salaries for groups 1.1, 2 and 3 of the judicial salary structure should be:

Group 1.1	£200,800
Group 2	£194,000
Group 3	£184,400

High Court judges in England and Wales, and Northern Ireland, and Outer House judges of the Court of Session in Scotland

4.56 The High Court and equivalent is a key recruitment level where there is a need to have regard to the earnings of barristers in practice, from among whom most High Court judges are recruited. The Lord Chancellor and Lord Chief Justice both emphasised in their evidence the importance of recruitment at High Court level. Moreover, as described in paragraph 4.5 above, the decision to limit the size of the High Court in England and Wales, and to focus it on cases that meet criteria of complexity, public impact, importance, significance or setting precedent, will also increase job weight at this level. In recognition of both recruitment and job weight we recommend that this year the salary of group 4 judges should be increased to £162,000.

Recommendation 13: We recommend that from 1 April 2006 the salary for group 4 of the judicial salary structure should be £162,000.

4.57 Our recommended new salaries for the Lord Chief Justice and groups 1.1 – 4 are also consistent with the trend towards wider differentiation at senior levels, in both the private and public sectors, reflecting the responsibilities exercised at those levels.

Groups 5 – 7

4.58 We consider that, on balance, most members of the judiciary in groups 5 – 7 have experienced some increase in job weight since the last major review, because of the factors mentioned in paragraphs 4.49 – 4.50, although as explained we have not been able to obtain detailed evidence. This increase needs to be recompensed but, pending more specific evidence, in a conservative way. Taking account of the weight of evidence, and in the light of the information available to us on inflation and affordability, we recommend the following increased salaries for groups 5, 6.1 and 7.

Recommendation 14: We recommend that from 1 April 2006 the salaries for groups 5, 6.1 and 7 of the judicial salary structure should be:

Group 5	£129,900
Group 6.1	£120,300
Group 7	£96,500

4.59 For group 6.2 we recommend a salary of £14,400. This award maintains but does not increase the real value of the salary, as a first step towards positioning the group more centrally between groups 6.1 and 7, as explained above.

Recommendation 15: We recommend that from 1 April 2006 the salary for group 6.2 of the judicial salary structure should be £114,400.

4.60 We estimate that in total these awards will add 3.43 per cent to the judicial pay bill and we note that, because the judiciary are paid spot rates, there will be no pay drift.

John Baker, CBE *Chairman*
Mark Baker, CBE
David Clayman
Mary Galbraith
Professor David Greenaway
Mei Sim Lai, OBE
Jim McKenna
Sir Peter North, CBE, QC
Richard Pearson
Janet Rubin

21 February 2006

Appendix A

List of those who gave evidence to the SSRB

Senior civil service

Cabinet Secretary and Head of the Home Civil Service
Civil Service Commissioners
FDA and Prospect (joint union evidence)

Senior Civil Service Discussion Groups (14 attended)
HR Directors' Discussion Group (9 attended)

Senior officers of the armed forces

Chief of Defence Staff
Chief of Naval Staff
Chief of General Staff
Assistant Chief of Air Staff
Permanent Under Secretary, Ministry of Defence

Three-star officers' discussion group (5 attended)
Two-star officers' discussion group (9 attended)
1 two-star and 3 one-star officers during a visit to RAF Leeming.

Judiciary

Secretary of State for Constitutional Affairs and Lord Chancellor

Those providing evidence to the Judicial Sub-committee:

Written and oral evidence

Lord Chief Justice of England and Wales accompanied by the Chancellor and
Mr Justice Tomlinson
Lord Chief Justice of Northern Ireland
Lord President of the Court of Session accompanied by Lord Clarke
President of the Lands Tribunal (England and Wales)
Council of Her Majesty's Circuit Judges
Council of Her Majesty's County Court Judges in Northern Ireland
Full-time Employment Appeal Tribunal Judges
Judge Advocate General
Senior Costs Judge
Sheriffs' Association
Members of the Lands Tribunal for Northern Ireland
Members of the Lands Tribunal for Scotland
Bankruptcy Registrars
Costs Judges
Association of District Chairmen of the Appeals Service
Association of District Judges
Northern Ireland Association of District Judges
District Judges (Magistrates' Court)
Council of Employment and Industrial Tribunal Chairmen
Council of Immigration Judges
Adjudicator to HM Land Registry
District Judges of the Principal Registry of the Family Division

Masters of the Supreme Court (Northern Ireland)
President of the Pensions Appeal Tribunal

Permanent Secretary, Department for Constitutional Affairs
Northern Ireland Court Service

Written evidence only

President of the Lands Tribunal for Scotland
President of the Asylum and Immigration Tribunal
Regional Chairmen of the Appeals Service
Council of Social Security, Child Support & Pensions Appeals Commissioners
Joint submission from Group 7 Judges (Association of District Judges; Costs Judges of the Supreme Court; District Judges (Magistrates' Courts); Council of Immigration Judges; Council of Employment and Industrial Tribunal Chairmen; District Judges of the Principal Registry of the Family Division; Bankruptcy Registrars at the Royal Courts of Justice)
Chancery Masters
A further 10 pieces of written evidence from individual judicial postholders.

Oral evidence only

The Recorder of Belfast
Sheriffs Principal
President of the Industrial Tribunal and Fair Employment Tribunal
Resident Magistrates (Northern Ireland)

Scottish Executive, Justice Department

Appendix B

Website references for publications

Past reports from the SSRB, since 2001, can be found at
<http://www.ome.uk.com/review.cfm?body=4>

Twenty-Seventh Report on Senior Salaries
<http://www.ome.uk.com/downloads/Senior%20Salaries%2027th%20Report.pdf>

Evidence submitted to the SSRB by the Cabinet Office
http://www.civilservice.gov.uk/management_of_the_civil_service/senior_civil_service_performance_and_reward/publications/index.asp

Evidence submitted to the SSRB by the Department for Constitutional Affairs
<http://www.dca.gov.uk/judicial/judgepay.pdf>

Evidence submitted to the SSRB by the FDA and Prospect (Joint Union evidence)
<http://www.fda.org.uk/dman/Document.phx/Home+page+items/FDA+and+Prospect+SSRB+evidence+2005?folderId=Home%2Bpage%2Bitems&cmd=download>

Evidence submitted to the SSRB Judicial Sub-committee
<http://www.ome.uk.com/review.cfm?body=4>

The consultation document together with PwC's job evaluation report (in three parts), the Ipsos report on pre-appointment earnings and Watson Wyatt's comparison on pension schemes between SSRB's remit group.
<http://www.ome.uk.com/review.cfm?body=4>

Appendix C

Existing salaries for the three remit groups (1 April 2005 to 31 March 2006)

Senior civil servants

Pay Band	Minimum	Progression Target Rate (PTR)	Recruitment & Performance Ceiling (RPC)	Numbers in post ¹
3	£93,139	£132,586	£198,197	125
2	£75,607	£101,905	£159,659	638
1A	£63,555	£85,469	£126,627	209
1	£54,788	£76,156	£115,616	2,611
Permanent Secretaries: £130,350 to £264,250				41

¹ Numbers in post supplied by the Cabinet Office, extracted from its database on 5 September 2005.

Senior officers of the armed forces

Scale point	Value of scale points			
	CDS	4-star	3-star	2-star
7				£100,978
6		£149,477	£120,728	£99,068
5		£146,546	£117,709	£97,158
4	£210,289	£143,673	£114,766	£95,247
3	£206,165	£140,857	£111,897	£93,337
2	£202,123	£138,094	£109,099	£91,543
1 (Minimum)	£198,160	£135,386	£106,372	£90,186
Numbers in post ¹	1	10	22	89

¹ Numbers in post supplied by the MOD, and relate to numbers in post as of 1 July 2005.

Members of the judiciary

Salary group	Salaries	Numbers in post ¹
1	£211,399	1
1.1	£191,276	4
2	£184,814	15
3	£175,671	50
4	£155,404	140
5	£125,803	82
6.1	£116,515	812
6.2	£112,116	24
7 ²	£93,483	959

¹ Numbers in post supplied by the DCA, NICS and Scottish Executive, and relate to numbers in post as at 4 April 2005.

² Group 7 postholders in London are paid an additional £2,000 salary lead and an additional £2,000 London allowance.

Appendix D

Existing base salaries of Permanent Secretaries in £5,000 bands (as at January 2006)

Band	Number in band	Office Holder
£215,000 – £219,999	1	Cabinet Secretary and Head of Home Civil Service
£210,000 – £214,999	1	First Parliamentary Counsel
£205,000 – £209,999	2	Permanent Secretary of Department of Health & Chief Executive National Health Service Security and Intelligence Coordinator
£200,000 – £204,999	–	
£195,000 – £199,999	1	Permanent Secretary of the Foreign and Commonwealth Office
£190,000 – £194,999	–	
£185,000 – £189,999	1	Head of Prime Minister's Delivery Unit
£180,000 – £184,999	–	
£175,000 – £179,999	–	
£170,000 – £174,999	2	Chief Medical Officer Permanent Secretary of the Home Office
£165,000 – £169,999	–	
£160,000 – £164,999	3	Permanent Secretaries of: – National Assembly for Wales – Office of the Deputy Prime Minister PM's Adviser on the Economics of Climate Change and Development
£155,000 – £159,999	8	Permanent Secretaries of: – Department for Education & Skills – Department for International Development – Department for Work & Pensions – HM Revenue & Customs – HM Treasury – Ministry of Defence – Trade and Industry – Treasury Solicitor
£150,000 – £154,999	2	Permanent Secretary of Department for Transport PM's Adviser Overseas and Defence
£145,000 – £149,999	4	Permanent Secretaries of: – Department of Constitutional Affairs – Northern Ireland Office Director General of the Security Service Second Permanent Secretary, HM Revenue & Customs

£140,000 – £144,999	6	Permanent Secretaries of: – Department for Culture Media & Sport – Government Communications – Scottish Executive Chief Scientific Adviser: DTI Director, Government Communications Headquarters Executive Chair, Better Regulation Executive
£135,000 – £139,999	2	Head of the Secret Intelligence Service Permanent Secretary of Department of the Environment, Food & Rural Affairs
£130,000 – £134,999	8	Second Permanent Secretaries of: – HM Treasury – Ministry of Defence PM’s Adviser European Affairs MOD Chief Scientific Adviser Director of the Office for National Statistics Chief of Defence Procurement Chief Executive, Office of Government Commerce Chief Executive, Jobcentre Plus

Source: The Cabinet Office

Appendix E

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	Other	
2004-05	37(41%)	17 (19%)	35 (38%)	2 (2%)	91
2003-04	43 (48%)	19 (21%)	24 (27%)	3 (3%)	89
2002-03	29 (30%)	26 (27%)	42 (43%)	0 (0%)	97

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.

Fast Stream recruitment

	Vacancies		Applications		Recommended for appointment ¹	
	2004 ²	2005 ³	2004 ²	2005 ³	2004 ²	2005 ³
General Fast Stream	255	262	6,564	7,155	301	302
<i>Including:</i>						
<i>Central Departments,</i>						
<i>Diplomatic Service, Diplomatic</i>						
<i>Service Economists, European</i>						
<i>Fast Stream, Science &</i>						
<i>Engineering, Clerkships,</i>						
<i>European Lawyers⁴, DfiD</i>						
<i>(Technical Development</i>						
<i>Specialists)⁵</i>						
Economists	172	162	947	776	115	68
Statisticians	74	58	577	517	43	45
GCHQ	6	8	510	2,777	8	6
In-service nominations ⁶	46		99		46	53

Source: Cabinet Office

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

² Figures for the competition which finished between September 2003 and August 2004.

³ Figures for the competition which finished between September 2004 and August 2005.

⁴ No bids were made for European Lawyers during 2005.

⁵ The Department for International Development Technical Development Specialists were introduced during the 2005 scheme.

⁶ Figures not available for 2005.

Appendix F

Judicial salary structure at 1 April 2005¹

Group 1

Lord Chief Justice of England and Wales

Group 1.1

Lord Chief Justice of Northern Ireland
Lord President of the Court of Session
Master of the Rolls
Senior Lord of Appeal in Ordinary (Senior Law Lord)

Group 2

Chancellor²
Lords of Appeal in Ordinary
Lord Justice Clerk
President of the Family Division
President of the Queen's Bench³

Group 3

Inner House Judges of the Court of Session
Lords Justices of Appeal
Lords Justices of Appeal (Northern Ireland)

Group 4

High Court Judges
High Court Judges (Northern Ireland)
Outer House Judges of the Court of Session
Vice-Chancellor of the County Palatine of Lancaster⁴

Group 5

Chief Social Security Commissioners (England and Wales; Scotland; and Northern Ireland)
Circuit Judges at the Central Criminal Court in London (Old Bailey Judges)
Deputy President, Asylum and Immigration Tribunal⁵
Judges of the Technology and Construction Court
President, Appeals Service (England and Wales; and Scotland)
President, Care Standards Tribunal
President, Employment Tribunal (England and Wales; and Scotland)
President, Lands Tribunal (England and Wales)
President, Lands Tribunal (Scotland) and Chairman, Scottish Land Court
Presiding Special Commissioner, President of the VAT and Duties Tribunals and President of the Financial Services and Markets Tribunal⁶

¹ Alphabetical order within salary group.

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

³ Post became effective on 3 October 2005.

⁴ The post currently held by a High Court Judge.

⁵ These posts came into effect on 4 April 2005 with the introduction of the new Asylum and Immigration Tribunal.

⁶ The current postholder is paid Group 4 salary. The post remains in Group 5.

Recorder of Belfast
Recorder of Liverpool
Recorder of Manchester
Senior Circuit Judges
Senior District Judge (Chief Magistrate)
Sheriffs Principal
Specialist Circuit Judges (Chancery, Mercantile and Patent Judges)

Group 6.1

Chief Registrar and Senior and Chief Masters
Circuit Judges
County Court Judges (Northern Ireland)⁷
Judge Advocate General
Judge Advocate of the Fleet
Master, Court of Protection
President, Appeals Tribunal (Northern Ireland)
President, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)
President, Lands Tribunal (Northern Ireland)⁸
Regional Chairmen, Employment Tribunals (England and Wales; and Scotland)
Registrar of Criminal Appeals
Senior District Judge, Principal Registry of the Family Division
Sheriffs
Senior Immigration Judge (Legal; Resident; and Training)⁵
Social Security Commissioners (England and Wales; and Scotland; and Northern Ireland)

Group 6.2

Chairmen, VAT and Duties Tribunals and Special Commissioners of Income Tax
Deputy Senior District Judge (Magistrates' Courts)
Members, Lands Tribunals (England and Wales; Scotland; and Northern Ireland)
Regional Chairmen, Appeals Service
Vice-Judge Advocate General
Vice-President, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)
Vice-Presidents, VAT and Duties Tribunals (England and Wales; and Scotland)

Group 7⁹

Adjudicator to HM Land Registry
Assistant Judge Advocates General
Chairmen, Employment Tribunals (England and Wales; and Scotland)
Chairmen, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)
Coroner, Northern Ireland¹⁰
Deputy President Pensions Appeal Tribunal¹¹
Designated Immigration Judges^{5,12}
District Chairmen Appeals Service
District Judges
District Judges (Magistrates' Courts)

⁷ Paid the salary for Group 5 so long as they are required to undertake significantly different work from their counterparts elsewhere in the UK: Circuit Judges in England and Wales and Sheriffs in Scotland.

⁸ The post is currently held by a High Court Judge.

⁹ Group 7 postholders in London are paid an additional £2,000 salary lead and an additional £2,000 London allowance.

¹⁰ Posts included in the Judicial Salary Structure from October 2005 following agreement from the Lord Chancellor.

¹¹ Paid at 7.5 per cent below the Group 7 salary.

¹² Paid at 108 per cent of the Group 7 salary.

District Judges (Northern Ireland)
District Judges of the Principal Registry of the Family Division
Immigration Judges⁵
Masters and Registrars of the Supreme Court
Masters of the Supreme Court (Northern Ireland)
President, Pensions Appeal Tribunals
Regional Chairman, Mental Health Review Tribunal (England)
Resident Magistrates (Northern Ireland)
Senior Coroner, Northern Ireland^{10,13}

¹³ Paid at 110 per cent of the Group 7 salary.

Appendix G

Comments on judicial posts

As outlined in Chapter 4, we considered the appropriate group for all judicial posts. At paragraph 4.33, we report on those posts for which we recommend changing the salary group. We comment below, but make no recommendations, on a number of other posts, for example where PwC suggested there were grounds, based on the job evaluation, for a change of salary group or the postholders themselves argued strongly for a change in salary group.

Group 6.1

President, Industrial Tribunal and Fair Employment Tribunal (Northern Ireland)

The President argued that her post should be in salary group 5, like the posts of the Presidents of the Employment Tribunals in England and Wales, and Scotland. She was also concerned that in the event of group 6.2 being abolished, both her post and that of the deputy would be in the new salary group 6.

In 2002 we recommended that the President of the Employment Tribunals (Scotland) should be moved from group 6.1 to 5. However, we thought then that the President, Industrial Tribunal and Fair Employment Tribunal (Northern Ireland) should remain in group 6.1 because job evaluation showed the role was broadly comparable in terms of job weight with other posts in group 6.1. A similar picture has emerged from the job evaluation conducted for this major review – the score for the role is clearly in line with other posts in group 6.1. Accordingly we do not recommend any change in salary group for this post.

Senior Immigration Judges (Resident, Legal, and Training)

The postholders argued for inclusion in group 5 because their job evaluation score had placed them just over the borderline of 400 points. We do not support this argument. We do not regard job evaluation scores as providing precise boundaries, e.g. a score of 400 equals group 5 while 399 equals group 6.1. This would be too arbitrary and would also be likely to lead to some posts repeatedly swapping groups in successive reviews. Rather we have looked at a number of factors, such as the spread of scores where more than one holder of a particular post has been evaluated, the hierarchy of posts, and the clustering of scores for different posts.

The PwC report found that there is a significant difference in job size between the roles of Deputy President of the Asylum and Immigration Tribunal (in group 5) and Senior Immigration Judge. We agree that they should not be in the same group so make no recommendation to move the Senior Immigration Judges from group 6.1.

Senior Costs Judge

The Senior Costs Judge accepted that his post was appropriately positioned with other Senior and Chief Masters in 6.1 but argued that he should have an additional allowance because he undertakes extra functions and management responsibilities not in his job description.

In their job evaluation PwC adopted the test of “usual custom and practice” when looking at additional roles. If it is the custom and practice for any holder of a particular post to carry out additional roles, those roles should be included in the evaluation. However, additional roles adopted because of the personal aspirations of the individual were not taken into account. It does not seem to us that the Senior Costs Judge’s additional roles meet the “usual custom and practice test”. We therefore do not recommend any allowance or change of salary group to recognise those additional personal responsibilities.

Group 6.2

PwC proposed that the following posts should be moved to the new group 6, given their proposal to remove group 6.2:

- Chairman, VAT and Duties Tribunal and Special Commissioners of Income Tax;
- Deputy Senior District Judge (Magistrates' Court);
- Vice President, Industrial Tribunal and Fair Employment Tribunal (Northern Ireland); and
- Vice President, VAT and Duties Tribunal (England and Wales, and Scotland).

However, we have reached the conclusion that salary group 6.2 should be retained (see paragraphs 4.21 – 4.22). We therefore re-examined the job scores in each case. We noted a clustering of these scores in the range of 311 to 335; there was also a clear divide in scores between posts in group 7, and those above in group 6.1. Consequently we believe the appropriate group for these four posts remains group 6.2.

Group 7

District Chairman, Appeals Service

PwC noted that the average score of the three postholders interviewed was marginally over 300 points, but did not propose moving the District Chairmen higher in the salary structure. The Association of District Chairmen suggested to us that salary group 6.2 should not be abolished, but remodelled so that it fell midway between 6.1 and 7, in salary terms. It would then be the appropriate group for District Chairmen.

Although we agree with the Association on the repositioning of group 6.2, having examined the spread of scores for those interviewed and compared the posts with others close to the boundary between groups 7 and 6.2, on balance we are persuaded by PwC's view that group 7 remains the most appropriate group for District Chairmen of the Appeals Service.

District Judge of the Principal Registry of the Family Division

This post scored marginally over 300 points, but PwC did not propose moving the post higher in the salary structure.

We accept that the District Judges of the Principal Registry of the Family Division have greater job weight than the generality of Family District Judges by virtue of their jurisdiction to hear public law cases to conclusion. We were also told by the DCA that the recent Adoption Act will narrow the difference between the district judges in both jurisdictions, and all family district judges and the Circuit bench. However, by definition these posts cannot have the same breadth of jurisdiction as circuit judges; and for that reason we believe that the appropriate salary group for the District Judges of the Principal Registry of the Family Division remains group 7.

President, Pensions Appeal Tribunal

The President has argued strongly for his post to be moved up in the salary structure, particularly given PwC's proposal for his Deputy to be paid at the full group 7 salary rate. The DCA also expressed some concern that two different posts in a jurisdictional hierarchy should be placed in the same salary group. We are not persuaded by such arguments because it is by no means uncommon in other sectors for posts at different levels to be paid the same, or even for a subordinate to be paid more than his superior. There are some examples of this in the SCS. In this instance the President's job score falls within group 7.

Designated Immigration Judges

There are currently two levels of Asylum and Immigration Tribunal judges in group 7: Immigration Judge (paid at the group 7 rate) and Designated Immigration Judge (paid at 108 per cent of the group 7 rate). PwC scored both posts within group 7. Designated Immigration Judge is a new post, and we recognise its importance in quality control of immigration cases. It also provides a useful link between Senior Immigration Judges and Immigration Judges. We are content for the post to continue to receive the 8 per cent allowance for the time being. However, once the role and responsibilities of this post in the new Tribunal structure have bedded in, we will reconsider the position of the post in the judicial salary structure, with a view to placing the post in one of the existing salary groups because we are not generally in favour of special allowances or uplifts. We believe that it should be possible to accommodate all judicial posts within the normal structure.

Appendix H

Recruitment to the judiciary 2004-05

England and Wales

House of Lords

No appointments were made.

Court of Appeal

During 2004-05 there was one appointment to the Court of Appeal. Lord Justice Gage was appointed on 23 September 2004 following the death of Lord Justice Kay on 2 July 2004.

High Court bench

Nine appointments were made to the High Court bench from 1 April 2004 to 31 March 2005. Of the nine judges appointed to the High Court, five had been applicants for the 2003 recruitment process. Four were invited to accept appointment. Two judges were promoted from the Circuit bench. The complement of the High Court bench is 108 and there are currently 107 judges in post excluding Mr Justice Bratza who is a Judge of the European Court of Human Rights.

In February 2005, a new High Court recruitment exercise was launched. This was held in order to fill vacancies that would arise from October 2005 until the establishment of the Judicial Appointments Commission and, should they so decide, until the new Commission has established its own revised procedures for appointments to the High Court bench.

The Lord Chancellor made a number of improvements to the process for the 2003 exercise. For the first time, only those who completed and submitted an application form were considered. A new framework of qualities and skills against which applicants were assessed replaced the previous criteria. Applicants were invited to provide a self-assessment against these qualities and skills. A consultation exercise followed whereby those nominated by applicants were approached as well as a limited number of automatic judicial consultees. The consultation evidence and self-assessments were considered by panels whose assessments were discussed by the Lord Chancellor and the Heads of Division.

128 applications were received from which 52 outstanding and very good candidates were identified. This has ensured that the Lord Chancellor has a pool of strong candidates, in all disciplines, to inform his decisions on forthcoming High Court appointments.

There were no refusals of offers of appointment in 2004-05.

Circuit bench

A total of 60 circuit judge appointments were made in 2004-05. These appointments were made from a merit list which had been compiled following a competition held in 2003 which had attracted 317 applicants, of whom 191 had been interviewed.

Although this is outside the period under review, the number of applications in the current circuit bench competition (2005-06) was 242 for 33 immediate vacancies. 112 candidates were interviewed but the results are not yet known. It is expected that the Lord Chancellor will agree to a short reserve list covering an 18 month period.

The quality of the candidates in both the competitions referred to above was high and the competition for comparatively few current vacancies was fierce.

A further two appointments were made to posts in salary group 5 (one Specialist Chancery Judge at Cardiff Civil Centre and one Specialist Mercantile Judge at Central London Civil Justice Court Centre).

District benches

District Judges (Civil) – 16 civil district judge appointments were made during the period from 1 April 2004 to 31 March 2005. These appointments were made from the reserve list from the competition held in 2002-03. This list was exhausted shortly after a general competition for district judges was announced in September 2004 to fill vacancies arising from retirements and promotions. 248 applications were received and 108 invited to interview. As a result of this competition 17 immediate appointments will be made in the current year and a reserve list of 37 has been created, four more than originally requested. The quality of candidates was generally high.

District judges (Magistrates' Courts) – A competition was announced in January 2005 to fill seven or eight immediate vacancies and to create a reserve list of seven or eight. 105 applications were received and 49 candidates were invited to interview. The interviews have been completed and seven appointments were made in July 2005.

The vacancies have largely resulted from the creation of several new posts to relieve the pressure both on courts and existing district judges throughout the country, although some were the result of retirements and promotion.

District Judges of the Principal Registry of the Family Division – One candidate was appointed from the reserve list from the 2003-04 PRFD district judge competition to fill a vacancy as a result of retirement.

Masters and Registrars of the High Court

Chancery Master – A competition was held during the period to fill one vacancy as a result of retirement. Applications were sought from all deputy Chancery Masters and seven applications were received. All were interviewed, one candidate was recommended for immediate appointment and two further candidates were placed on a reserve list.

Queen's Bench Master/Taxing Master/Registrar in Bankruptcy/Admiralty Registrar/Registrar of Criminal Appeals /Master of the Court of Protection – No vacancies were declared and thus there was no competition for appointments in 2004-05.

The Office of the Judge Advocate General

Judge Advocate General – During March 2004 one competition was held to fill the vacancy in the office of Judge Advocate General. There were 15 applications and four candidates were interviewed. The Lord Chancellor appointed one successful candidate and two candidates were placed on a reserve list in case a position became available within the next 12 months.

2005 Judge Advocate Competition – The DCA advertised for three, but only two salaried, positions, namely Vice Judge Advocate General and Assistant Judge Advocate in January 2005. The breakdown was as follows:

- Vice Judge Advocate – one vacancy, seven candidates
- Assistant Judge Advocate – two vacancies, 22 candidates

All three appointments were made in July 2005.

Tribunals

The Asylum and Immigration Tribunal – The Asylum and Immigration Act 2004 made provision for the unification of the two-tier appellate system into a single-tier tribunal, the Asylum and Immigration Tribunal (AIT). There were five critical appointment exercises: Deputy President, Training Judge, Senior Immigration Judge, Designated Immigration Judge and the transfer exercise of the remaining tribunal judiciary to new AIT appointments, all of which were completed by 4 April 2005.

1. Deputy President – There were two posts to be filled. One was filled following an effective level transfer of the Deputy President of the former Immigration Appeal Tribunal. The second post was filled by competition open to judicial office-holders from the former Immigration Appellate Authority. There were six applicants, of whom three were invited for interview and one was appointed.
2. Training Judge – This post was filled by competition open to judicial office-holders from the former Immigration Appellate Authority. There were only two applicants. One candidate was appointed.
3. Senior Immigration Judge Preference Exercise – All of the Regional Adjudicators and Vice-Presidents were invited to indicate their preference of roles upon transfer into the new Senior Immigration Tier. They were allocated positions based on their preference. There are 26 Legal Senior Immigration Judges and nine Resident Senior Immigration Judges.
4. Designated Immigration Judge – There were a total of 27 posts, seven of which were filled by the transfer of existing Deputy Regional Adjudicators. The competition was restricted to salaried Immigration Adjudicators. There were 54 applicants of whom 50 were invited for an interview. 20 appointments were made and six candidates placed on the reserve list for 18 months.
5. Transfer Exercise – This exercise required the transfer of all the remaining office-holders to their respective positions within the new tribunal. A total of 125 salaried Immigration Adjudicators were transferred and are now called Immigration Judges.

No competitions for salaried appointments to any other Tribunals were held and completed in 2004-05.

Source: Department for Constitutional Affairs

Northern Ireland

High Court Judges and above

There was one recruitment scheme for High Court judges during this period. The scheme was commenced to fill two vacancies caused by an increase in complement and the elevation of one of the High Court judges to Lord Justice of Appeal on 6 September 2004. The scheme was advertised and nine applications were received.

County Court Judges

There were two recruitment schemes during this period.

1. The first scheme was commenced to fill the vacancies caused by death, an elevation of one of the County Court judges to High Court judge and a requirement for two additional judges. The scheme was advertised and 52 applications were received.

2. The second scheme was commenced to replace a retiring County Court judge. The scheme was advertised and 23 applications were received during this period.

District Judge

There were no vacancies at this level during this period.

Resident Magistrate

There was one recruitment scheme during this period. The scheme was commenced to fill two vacancies caused by a retirement and a medical retirement. The scheme was advertised and 36 applications were received.

Part-time Resident Magistrate

There was one recruitment scheme during this period. The scheme was commenced to fill two vacancies caused by an increase in the complement of resident magistrates. The scheme was advertised and 44 applications were received.

Social Security and Child Support Commissioners

There were no vacancies at this level during this period.

Masters of the Supreme Court

There were three schemes during this period.

1. The first scheme was commenced to fill a vacancy caused by the elevation of the Master (Probate and Matrimonial) to the County Court bench. The scheme was advertised and 15 applications were received.
2. The second scheme was commenced to fill a vacancy caused by the Master (Bankruptcy) being appointed as Master (Probate and Matrimonial). The scheme was advertised and 14 applications were received.
3. The third scheme was commenced to fill a vacancy caused by the retirement of the Master (Care and Protection). The scheme was advertised and 15 applications were received.

Full-time Chairman of the Industrial Tribunals and the Fair Employment Tribunal

There were no vacancies at this level during the period.

President of the Industrial Tribunal and the Fair Employment Tribunal

There was one recruitment scheme during the period. The scheme was commenced to fill a vacancy caused by a retirement. The scheme was advertised and six applications were received.

Recorder of Belfast

Five applications were received for this post in January 2005.

Source: Northern Ireland Court Service

Appendix I

Previous reports in this series

No. 2: Interim Report on Top Salaries	Cmnd. 5001, June 1972.
No. 3: Second Interim Report on Top Salaries	Cmnd. 5372, July 1973.
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No. 56: Twenty-Sixth Report on Senior Salaries	Cm 6099, February 2004.
No. 59: Twenty-Seventh Report on Senior Salaries	Cm 6451, February 2005.

Appendix J

Glossary of terms and abbreviations

General

SSRB	Senior Salaries Review Body.
AFPRB	Armed Forces' Pay Review Body.
Average	The sum of a set of values divided by the number of values.
Median	The value in a set of observations, ranked in ascending order, that divides the data into two parts of equal size.
Base pay	Basic salary, excluding non-consolidated bonuses, allowances, value of pensions, etc.
Job weight	The relative level, complexity and responsibility of different jobs/positions.
Pay band	A salary range with defined minimum and maximum rates.
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.
CPI ¹	Consumer Prices Index.
RPI ¹	Retail Prices Index.
RPIX ¹	Retail Prices Index excluding mortgage interest payments.
MPC	Monetary Policy Committee.

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.
Progression Target Rate (PTR)	Point in the pay band which represents the effective maximum for most senior civil servants. Only the top 25 per cent of performers will be able to progress beyond this point.
Recruitment and Performance Ceiling (RPC)	The pay band maximum. 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.

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. RPIX simply means RPI excluding mortgage interest payments.

Shadow Target Rate (STR)	If a post is being filled through an open competition and requires specific, scarce skills, which would attract a market premium, a STR can be set above the standard PTR but below the pay band maximum.
SCS	Senior civil service/servants.
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.
Target Rate (TR)	A point in the pay band which represents the effective maximum for most Permanent Secretaries. Only the top 25 per cent of performers will be able to progress beyond this point.

The armed forces

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

The judiciary

DCA	Department for Constitutional Affairs.
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 F.



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