Review Body on
Senior Salaries

Thirty-Seventh Annual Report on Senior Salaries 2015

REPORT No. 83

Acting Chair: Margaret Edwards

Cm 9035

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

March 2015

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Foreword

Review Body on Senior Salaries

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

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

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

Our terms of reference are now as follows:

The Review Body on Senior Salaries provides independent advice to the Prime Minister, the Lord Chancellor, the Home Secretary, the Secretary of State for Defence, the Secretary of State for Health and the Minister of Justice for Northern Ireland on the remuneration of holders of judicial office; senior civil servants; senior officers of the armed forces; very senior managers in the NHS;[1] *police and crime commissioners, chief police officers in England, Wales and Northern Ireland; and other such public appointments as may from time to time be specified.*

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

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

the need to recruit, retain, motivate and, where relevant, promote suitably able and qualified people to exercise their different responsibilities;

regional/local variations in labour markets and their effects on the recruitment, retention and, where relevant, promotion of staff;

Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;

the funds available to departments as set out in the Government's departmental expenditure limits;

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:

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1 NHS Very Senior Managers in England are chief executives, executive directors (except medical directors), and other senior managers.

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 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;

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:

Margaret Edwards *Acting Chair*
Professor Dame Hazel Genn DBE QC
David Lebrecht[2]
Professor Sir David Metcalf CBE
John Steele[3]
Bruce Warman

The Secretariat is provided by the Office of Manpower Economics.

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

[2] Ex Officio: Chair Police Remuneration Review Body

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

Contents

Executive summary and recommendations

Coverage of our report

1. The amendments to our terms of reference serve to confirm that we now provide advice on the pay of six groups:

   - senior civil service,
   - senior military,
   - judiciary,
   - very senior managers in the NHS,
   - police and crime commissioners, and
   - chief police officers.[4]

   This report covers all of these groups apart from chief police officers. As requested by the Home Secretary we will be reporting for the first time on the pay of chief police officers in June 2015.

2. We would like to thank all those individuals and organisations that we either met or that supplied us with evidence for this report.

Common themes

3. The members of our remit groups provide leadership and management in a range of public services undergoing major change at a time of fiscal consolidation. If the Government is to successfully reform public services it is vital that it is able to recruit, retain and motivate high calibre individuals to fill these leadership roles.

4. Like many others in the public sector those covered by our remit have been affected by the Government's public sector pay policy. This has meant two years of frozen pay in 2011 and 2012 followed by pay increases limited to 1 per cent in each year since. While the Government said that the overall remuneration of public sector employees is above that of the market this is generally not the case for our remit groups.

5. In general it remains possible to recruit and retain good quality individuals across our remit groups. However there are a number of indicators that suggest that dissatisfaction with pay is increasing, and there are signs that it is becoming more difficult to recruit to some of these roles.

6. The impact of public sector pension reform[5] on total remuneration has also featured strongly in evidence. New pension schemes are being introduced for each of our remit groups in 2015, based on career average earnings rather than final salary. Whilst these new schemes do not apply to many of the current members of our remit groups, they will form a core part of the package in the future. With the exception of the senior military each of our remit groups have been making higher rates of contribution towards the costs of their own pensions in each year since 2012.

7. Changes to the taxation of pensions have also been raised with us and is clearly a cause of considerable dissatisfaction for some of our remit groups but also a cause for concern for those traditionally seen as the recruitment pool for our remit groups. We are aware that this issue is often handled flexibly in the private sector, for example by allowing individual personnel to make choices about what pay is pensionable. We believe

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[4] This group was added to our remit by the Anti-social Behaviour, Crime and Policing Act 2014.

[5] The Office of Manpower Economics commissioned a study of the changes to the benefits provided by public sector pension schemes between 2010 and 2016. Details relevant to each remit group can be found in the relevant chapter of this report.

Government should consider whether there is scope to develop more flexible approaches in the future and we would be happy to consider this in future reports.

Senior Civil Service (SCS)

8. There is a shared recognition of the problems with the SCS pay system, which we welcome. We understand that funding constraints mean the Government cannot move as quickly as it might wish to reform the system. Within those tight constraints, the Government's direction of travel seems to us sensible, though very slow. Given the small sums available for pay increases, effective use of all of this money to support and reward performance is imperative. We support the principle of departmental discretion, but believe that the Cabinet Office should continue to carefully monitor how this is working in practice, and whether the discretions are being fairly and sensibly exercised to support performance in the round. We understand that there is a balance to be struck between using the small amount available to rectify the problems of the SCS pay system, as well as to reward performance. We feel that it is important to do as much as possible to raise the pay band minima in order to address the overlap with non-SCS grades, to maintain good morale and in order to address any gender disparities.

Recommendation 1: We recommend that the minima be increased from 1 April 2015 to: £64,000 for Pay Band 1, £86,000 for Pay Band 2 and £105,000 for Pay Band 3.

Recommendation 2: We recommend that departments use 0.93 per cent of the paybill for individual pay repositioning and general awards between 0 and 9 per cent that take account of performance, job weight and challenge of role other than for those in the bottom 10 per cent of the performance distribution.

Recommendation 3: We recommend that departments use the whole available budget for non-consolidated awards to the top 25 per cent of performers and use the flexibility provided to them to reward good performance in a timely fashion, as well as for base pay repositioning with up to 0.5 per cent of the SCS paybill on an exceptional basis to address pay anomalies.

Recommendation 4: We recommend that the Cabinet Office continue to ensure that departments carry out exit interviews with a view to full coverage.

Recommendation 5: We recommend that the minima of the Permanent Secretary Tiers each be increased by £1,500, to £143,500 for Tier 3, £161,500 for Tier 2 and £181,500 for Tier 1.

Senior officers in the armed forces

9. We welcome the improved data tracking by the Ministry of Defence (MoD) of the career paths of those with the ability to hold senior posts in all three services to determine whether the Armed Forces are retaining sufficient numbers of the highest quality officers.

10. We note an emerging theme from our evidence gathering this year, namely that expectations of senior military roles are showing signs of changing with roles becoming more financially complex and more akin to corporate business leadership. Should this continue to evolve, the pay of senior leaders within the wider public and indeed the private sectors may become increasingly relevant in considerations of senior military pay.

Recommendation 6: We recommend that the pay scales below apply for 2-star, 3-star, 4-star officers and the Chief of the Defence Staff (CDS) with effect from 1 April 2015.

Scale point	2-star £	3-star £	4-star £	CDS £
6	122,914	157,355	190,795	
5	120,555	152,845	187,054	
4	118,241	148,468	183,386	260,355
3	115,972	142,856	178,914	255,250
2	113,747	136,174	174,549	250,245
1	111,567	129,811	170,292	245,338

Recommendation 7: We recommend no change to current pay arrangements for Medical and Dental Officers (MODOs).

- **2-star MODOs should continue to be paid 10 per cent above the base pay at the top of the MODO 1-star scale plus X-Factor;**
- **3-star MODOs should continue to be paid 5 per cent above 2-star MODO base pay plus X-Factor.**

Judiciary

11. We welcome the first UK Judicial Attitude Survey, which provides a comprehensive evidence base from which to draw conclusions about judicial motivation and morale. The Survey also provides a base from which to measure change against in the future.

12. We are concerned that we may soon reach a point where the recruitment and retention evidence relating to the High Court requires a differential pay response. We also note that while a major review would offer an opportunity to address pay issues in the medium to longer term, issues in recruitment and retention are likely to require a more urgent response. Thus whilst we are not recommending a specific action for this group this year this is something we would welcome views on in the evidence we receive next year.

Recommendation 8: We recommend that with effect from 1 April 2015 salaries for the judiciary be increased by 1 per cent.

Very Senior Managers (VSMs) in the NHS

13. This year the Government did not ask us to make a recommendation on VSM pay for 2015-16. Instead it invited us to comment on the emerging findings from a departmental review of the 2012 VSM pay framework. We welcomed this opportunity but at the time of submitting this report we had yet to see the emerging findings from the review. We are disappointed that the delay to the review means we have been unable to comment as part of our work this year. However, we look forward to doing so as part of our work programme for the 2016 round.

Police and Crime Commissioners (PCCs)

14. This is the second year that PCCs have been included in our annual review. Like last year, we do not recommend any increase this year because the roles are still evolving. We stand ready to carry out a thorough review of their pay if asked before the next PCC elections in 2016.

Recommendation 9: We recommend that the current rates of pay of Police and Crime Commissioners should remain unchanged for 2015-16.

Chapter 1

The economic context

Summary

- GDP grew by 2.6 per cent in 2014;
- GDP growth is expected to be around 2½ per cent in 2015;
- Inflation remains low, with the headline rate of inflation, measured by the Consumer Prices Index (CPI), at 0.5 per cent in December, the lowest recorded rate since May 2000, and the RPI (Retail Prices Index) rate at 1.6 per cent. CPI inflation is expected to remain well below its 2 per cent target during 2015, while the RPI rate is expected to be 2 to 2½ per cent;
- Employment has risen markedly over the last year, and unemployment continues to fall, to 5.8 per cent in the three months to November 2014, with an expectation of further gradual improvement in the labour market;
- Whole economy average earnings growth was at 1.7 per cent in the three months to November, while public sector (excluding financial services) earnings growth was at 1.2 per cent. Pay settlements are likely to remain at their current 2 per cent level into 2015;
- The real take-home pay of our remit groups, after taking account of tax, National Insurance, CPI inflation and, where applicable, pension contributions, has now fallen by some 8 to 23 per cent, depending on the group, since April 2009;
- The Office for Budget Responsibility (OBR) forecast public sector net borrowing in 2014-15 to be £95.5 billion (5.5 per cent of GDP) and public sector net debt to peak at 77 per cent of GDP in 2015-16.

Economic growth outlook

1.1 The Bank of England published its most recent inflation report and economic forecasts in November 2014. It revised its GDP four-quarter growth forecast down slightly for both 2015 and 2016 to 2.7 per cent and 2.6 per cent respectively, reflecting the weakening global outlook, and slow growth in the Euro area in particular.

Table 1.1: **GDP annual growth forecasts**

	Office for Budget Responsibility (OBR), year on year (December 2014) (%)	**Bank of England central projection** for Q4 (November 2014) (%)	**Treasury independent median,** year on year (January 2015)* (%)
2015	2.4	2.7	2.6
2016	2.2	2.6	2.4
2017	2.4	2.6	2.4
2018	2.3	–	2.3

*2016 to 2018 from November 2014.

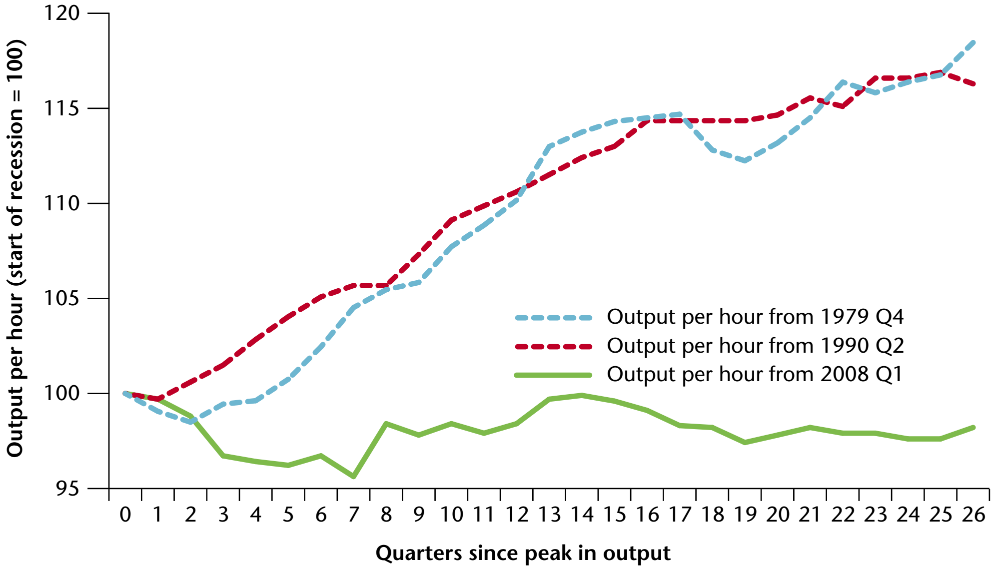
1.2 The OBR published its latest economic forecasts alongside the autumn statement in December 2014. It expects the pace of growth to slow into 2015 due to weaker external demand and the expectation that consumer spending growth will slow to rates more in line with growth in household incomes.

1.3 The OBR revised down its forecasts for global GDP and trade growth, particularly in the Euro area, the UK's largest export market. With unemployment falling more rapidly than expected, the OBR judged that there is less spare capacity in the economy than it forecast in March 2014 and therefore less scope for above-trend growth in the future as this spare capacity is used up. As a result, it revised down the forecasts for GDP growth for 2016 to 2018, to between 2 and 2½ per cent a year.

Productivity

1.4 GDP growth has been restored, but this mainly reflects a growing workforce. Productivity growth is the key to real wage growth. The fall in labour productivity during the 2008-09 recession was larger than in any other post-war recession, and the recovery has been significantly more protracted (see Figure 1.1). Even six and a half years after the initial downturn, the level of productivity is still 2 per cent below its pre-recession peak, in contrast to the level of output, which is 3 per cent above its 2008 peak. Last year, the Bank of England pointed to reduced investment and impaired resource allocation as a significant part of the explanation for the poor level of productivity.[6] Persistent low productivity growth partially accounts for the low earnings growth in the economy in recent years.

Figure 1.1: **Productivity after UK recessions**



Source: Office for National Statistics (ONS): output per hour (LZVB), for the whole economy, quarterly, seasonally adjusted, UK, Q4 1979-Q3 2014. Note: Quarter 0 is the pre-recession peak (1979 Q4 for the 1980s, 1990 Q2 for the 1990s, and 2008 Q1 for the 2008-09 recession).

Inflation forecasts

1.5 The inflation forecasts (see Table 1.2) suggest that CPI inflation will remain well below 2 per cent in 2015.

1.6 The Bank of England revised its 2015 forecast for CPI down in its most recent report, in November 2014, from 1.7 per cent to 1.4 per cent. It expects the drags from food, energy and other imported goods and services prices, and slack in the domestic economy to persist and reported that there was a significant probability that inflation could temporarily fall below 1 per cent in the near term, which it did in December 2014. It expects inflation to rise back to target by 2017 as external pressures fade and growth in unit labour costs gradually pick up.

1.7 The OBR expects the CPI inflation rate to reach a low of 0.9 per cent in the first quarter of 2015, well below its March 2014 forecast of 1.9 per cent. The reasons for this lower

[6] *The UK productivity puzzle*, Quarterly Bulletin, 2014 Q2, Bank of England.

forecast included, lower food, petrol and diesel prices, lower inflation for import intensive goods and lower than expected unit labour costs. However, it expects CPI to return to the 2 per cent target by the end of 2017. The Treasury panel of independent forecasters expects a CPI inflation rate of 1.0 per cent at the end of 2015, with the RPI rate at 2.0 per cent.

Table 1.2: **Inflation forecasts**

	OBR (December 2014) (%)		**Bank of England central projection** (November 2014) (%)	**Treasury independent median** (January 2015)* (%)	
	CPI	**RPI**	**CPI**	**CPI**	**RPI**
2015 Q4	1.5	2.5	1.4	1.0	2.0
2016 Q4	1.8	3.0	1.8	1.9	3.3
2017 Q4	2.0	3.5	2.0	2.0	3.4
2018 Q4	2.0	3.6	–	2.0	3.2

*2016 to 2018 from November 2014.

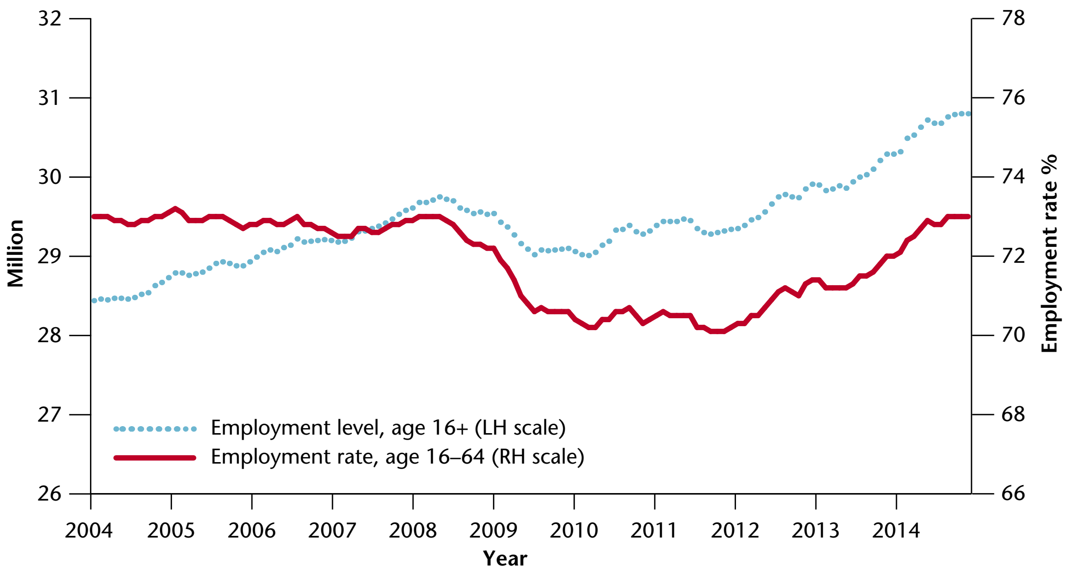
Affordability

1.8 The Government said that the public sector deficit has fallen from 11.0 per cent of GDP in 2009-10 to 6.5 per cent in 2013-14 but both the deficit and the debt remain at unsustainable levels. The OBR forecast the deficit in 2014-15 to be £95.5 billion (5.5 per cent of GDP) and public sector net debt to peak at 77 per cent of GDP in 2015-16. The Government said that in 2015-16 it is forecast to be spending £59 billion on debt interest, more than is spent on the Department for Education. It estimates that public sector pay accounted for £164 billion in 2013-14 around 50 per cent of departmental resource spending.

Employment

1.9 Employment has grown by 1.7 million over the last four years, and is over one million above the pre-recession peak of 2008 (see Figure 1.2). The employment rate has also increased and now stands at 73.0 per cent, equal to the pre-recession peak. Employment grew by 512,000 (1.7 per cent) in the year to November 2014. The number of full-time employees rose by 386,000 (2.0 per cent) over the year, while the number of part-time employees rose by 85,000 (1.0 per cent). Self-employment grew by 123,000 (2.8 per cent) over the year with substantial rises both in full-time self-employment (up 54,000, 1.7 per cent) and part-time self-employment (up 68,000, 5.5 per cent).

Figure 1.2: **Total employment, rate and level, UK, 2004 to 2014**



Source: ONS.

Employment and unemployment forecasts

1.10 In December 2014 the OBR revised up its employment forecast due to stronger than expected growth in 2014. It projects employment to rise by a further 1.0 million between 2014 and the start of 2020. It expects the unemployment rate to continue falling over 2015 – though at a slower pace than seen in 2014 – and to reach a trough of 5.2 per cent in mid-2016.

Table 1.3: **Labour market forecasts**

	OBR (December 2014)		**Treasury independent median** (January 2015)*
	Employment	**Unemployment**	**Unemployment**
	million	**rate %**	**rate %**
2015 Q4	31.2	5.4	5.5
2016 Q4	31.4	5.2	5.4
2017 Q4	31.5	5.3	5.4
2018 Q4	31.6	5.3	5.2

*2016 to 2018 from November 2014.

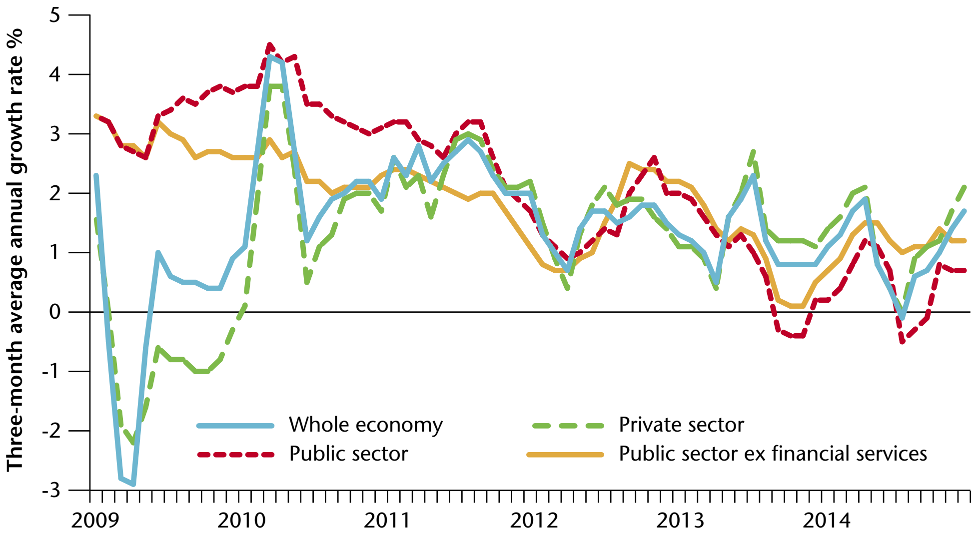
1.11 The Chartered Institute of Personnel and Development's (CIPD) latest quarterly Labour Market Outlook, published in November 2014, indicated sustained employment growth over the next quarter. The net employment intentions balance, which measures the difference between the proportion of employers who expect to increase staff levels compared to those who expect to decrease staff levels in the next quarter, was +30 in autumn 2014, up from +23 a year earlier.

1.12 The positive net employment intentions were driven by the private sector. The net balance for the private sector was +46 for autumn 2014, up from +38 a year earlier. The net balance for the public sector was -23 in autumn 2014, compared with -19 a year earlier.

Average earnings growth

1.13 Average earnings growth in the economy was subdued through much of 2014, with signs of a pick-up in the latest figures. The three months to November 2014 saw whole economy annual average earnings growth of 1.7 per cent. Average earnings growth was 2.1 per cent in the private sector and 1.2 per cent in the public sector (the latter excluding financial services). Earnings growth, excluding bonuses, was 1.8 per cent in the three months to November.

Figure 1.3: **Average weekly earnings growth (total pay), three-month average, GB, 2009 to 2014**



Source: ONS.

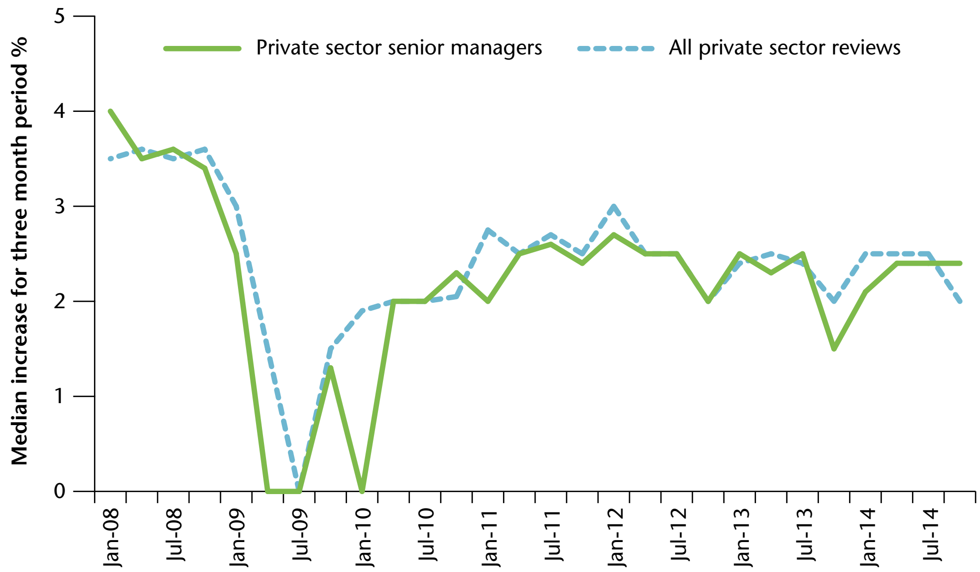
1.14 Earnings data from the Annual Survey of Hours and Earnings (ASHE) shows just 0.1 per cent growth in median full-time earnings in the year to April 2014. Earnings growth for those in continuous employment over the year (the same job with the same employer) was 4.1 per cent. [7]

Pay trends for senior staff, 2014

1.15 Data from Incomes Data Services (IDS) show pay awards for senior private sector managers were broadly stable during 2014, at 2-2.5 per cent, broadly in line with pay reviews for all staff groups across the private sector.

[7] The two earnings growth figures refer to different samples. The 0.1 per cent figure is drawn from a cross section of workers in 2013 and a different cross section in 2014. It will therefore be affected by the composition of the sample. The 4.1 per cent figure is the pay growth in 2013-14 experienced by a given cohort.

Figure 1.4: **Median pay awards for private sector senior managers and all private sector awards**



Source: IDS Executive Compensation Review, idspay.co.uk

Forecasts

1.16 In 2015, private sector managers and professionals are forecast a median pay increase of 2.5 per cent according to a survey of HR practitioners undertaken by IDS.[8] The median expected increase for managers in the public sector in 2015 is 1.0 per cent. A higher forecast, of 3.1 per cent salary increases for management and executives in 2015 was made by Aon Hewitt.[9]

Bonus payments

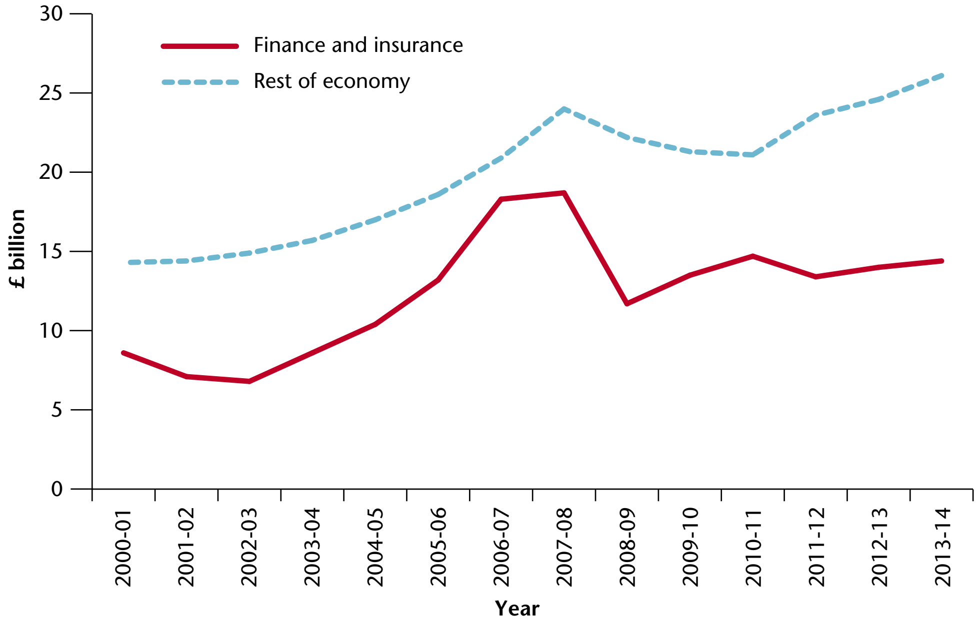
1.17 Bonus payments can make up a significant part of earnings in the private sector, especially for higher paid employees. The total amount of money paid in bonuses increased by 4.9 per cent in the year to April 2014 compared to the previous year.[10] Of the £40.5 billion paid out in total in bonuses, £14.4 billion was paid in the finance and insurance industry, which increased by 2.9 per cent over the year, and the rest of the economy increased by 6.1 per cent to £26.1 billion; the highest since the series began in 2000-01.

[8] Executive Compensation Review 402, IDS, December 2014/January 2015.

[9] Global Salary Increase Survey 2014, Aon Hewitt.

[10] The period May to April is considered, rather than the financial year (April to March) because a number of businesses shifted their bonus payments between March and April in 2012 and 2014 to avoid the 50 per cent income tax rate.

Figure 1.5: **Total bonus payments (May to April), 2000-01 to 2013-14**



Source: ONS Monthly Wages and Salaries Survey.

1.18 Bonuses as a percentage of total pay increased to 6.0 per cent for the whole economy in the year to April 2014, the highest level seen since 2007-08. Bonuses as a percentage of whole economy total pay have steadily increased since 2008-09, with an increase of 0.4 percentage points over the previous five years in total. Bonuses contributed nearly one quarter of total pay in the finance and insurance industry in the year to April 2014 at 24.2 per cent. This is up from 23.6 per cent of total pay on the previous year. Finance sector bonuses peaked in the year to April 2007 at 33.9 per cent of total pay.

1.19 Between May 2013 and April 2014, the whole economy average bonus per employee was just over £1,500, 2.6 per cent higher than the previous year. The average bonus per employee in the finance and insurance industry was £13,300, an increase of 5.6 per cent on the previous year. The average private sector employee received just over £1,800 in bonuses, higher than the average public sector worker's bonus of just below £300. If financial services are removed from the public sector, the average public sector worker's bonus was just £100 in the year to April 2014.

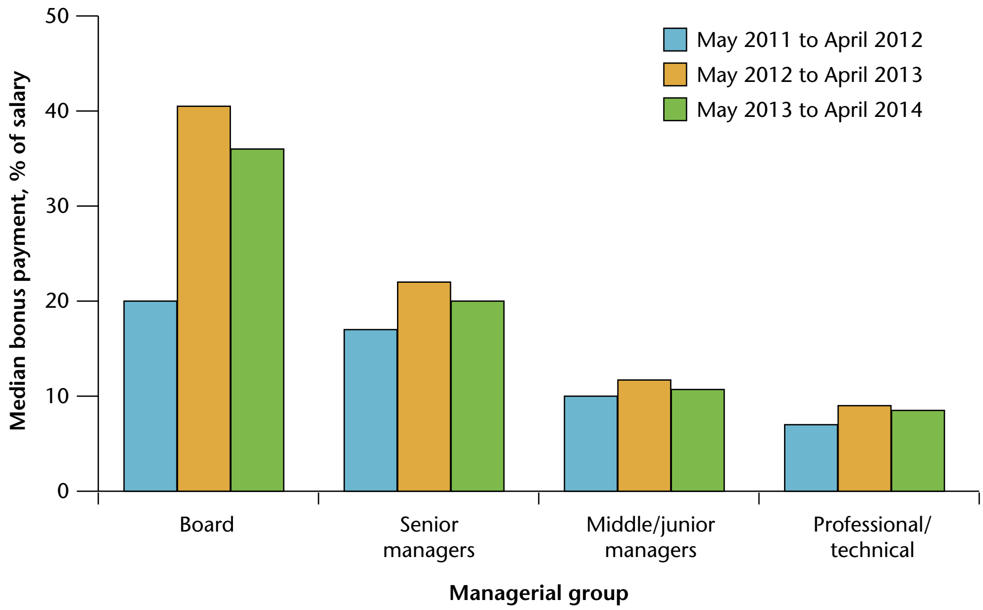
1.20 Bonus payments monitored by IDS for managers were down on the previous year. Bonus payments for the 12 months to April 2014 are given in Table 1.4. IDS report that the median bonus for senior managers was worth 20 per cent of salary between May 2013 and April 2014, down from 22 per cent in the previous year (in an unmatched sample), but up from 17 per cent in 2011-12. Bonus payments also fell for other senior groups of staff.

Table 1.4: **Bonus payments by managerial group between May 2013 and April 2014**

	Board	Senior managers	Middle/junior managers	Professional/ technical
	% of salary			
Number of schemes	44	56	52	45
Minimum	0	0	0	0
Lower quartile	19.5	10.0	5.0	3.9
Median	36.0	20.0	10.7	8.5
Upper quartile	72.1	30.0	16.6	12.5
Maximum	127.5	100.0	77.0	77.0
Average	45.7	23.4	13.0	9.8

Source: IDS Executive Pay Review, July 2014.

Figure 1.6: **Median bonus payments by managerial group, 2011-14**

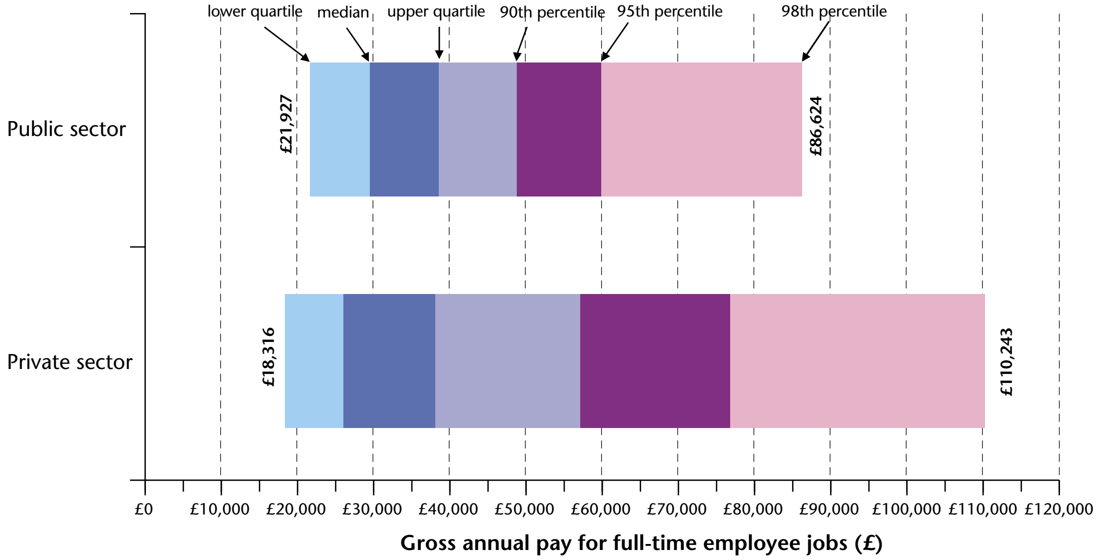


Source: IDS Executive Compensation Review.

Public and private sector earnings

1.21 Figures for the whole economy can mask significant differences at different points in the pay distribution and between the public and private sectors. Earnings in the public sector are compressed compared to the private sector and while the lowest paid in the public sector typically earn more than those in the private sector, even after adjusting for differences in qualifications, the highest paid public sector workers are paid substantially less than their private sector comparators.

Figure 1.7: **Distribution of full-time gross employee pay in the public and private sectors, 2013-14, United Kingdom**



Source: ONS, Annual Survey of Hours and Earnings 2014.

Changes in real, take-home earnings

1.22 As in recent years, we have asked our secretariat to calculate the combined effects of income tax, National Insurance and inflation on typical members of our remit groups and these are shown in Table 1.5. Full details of the calculations are at Appendix F.

Table 1.5: **Representative changes in take-home pay 2009-10 to 2014-15 resulting from pay, income tax, National Insurance, pension contribution changes and inflation**

Remit group		**Nominal Change %**	**Real Change (against CPI) %**
SCS	Pay Band 1	–0	–23
Judiciary	Circuit Judge (Group 6.1)	–9	–22
Senior Military	2-star	+7	–8
Very Senior NHS Managers (VSMs)	Chief Executive	–11	–23

Source: Office of Manpower Economics.

1.23 Most of our remit group members have experienced a fall of between a fifth and a quarter in their real-terms take-home earnings between 2009-10 and 2014-15. The senior military continue to be less affected than our other remit groups because the majority still benefit from annual pay progression and their pensions are non-contributory. Looking at employees working full-time across the economy as a whole, someone on median earnings in both 2009-10 and 2013-14 has experienced a fall in real earnings of 7 per cent over that period as a result of inflation, income tax and National Insurance changes.

Conclusion

1.24 Employment has grown since 2010 and although the economy has grown throughout 2013 and 2014 earnings growth remains subdued, partially reflecting below trend productivity growth in recent years. We expect that the Government focus on deficit reduction will remain and that Government will continue to stress the affordability constraints in its evidence in future years. Since our 2012 report we have highlighted the substantial reductions in take home pay experienced by our remit group. Fortunately, these real pay falls have not fed through to widespread recruitment and retention difficulties. However, should earnings growth in the private sector exceed that in the public sector for a prolonged period it will become harder to maintain the balance between affordability on one hand and the recruitment and retention of suitably able and qualified people on the other.

Chapter 2

The Senior Civil Service (SCS)

Introduction

2.1 In 2014 there were 3,802 members of the SCS, close to the number there were in 2004. This number has grown in each of the last two years, following a reduction in each of the previous two years. The Government explained that the increase in SCS numbers this year was a result of increases across a number of departments and the creation of the National Crime Agency. While the number of SCS rose for the second year, the size of the civil service overall fell for the fifth successive year. The ratio of SCS members to total civil servants fell to 1:116.[11] from 1:122 in 2013. SCS numbers peaked in 2010.

2.2 In 2014 78 per cent of the SCS were promoted from within the civil service, and 22 per cent were external hires.

Table 2.1: **Total SCS staff in post by year**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
SCS staff in post	3,507	3,700	3,893	3,906	4,031	4,072	4,212	4,271	4,353	3,912	3,616	3,695	3,802
% change since 2002	–	5.5	11.0	11.4	14.9	16.1	20.1	21.8	24.1	11.5	3.1	5.4	8.4

Source: Cabinet Office.

Developments in the SCS pay system

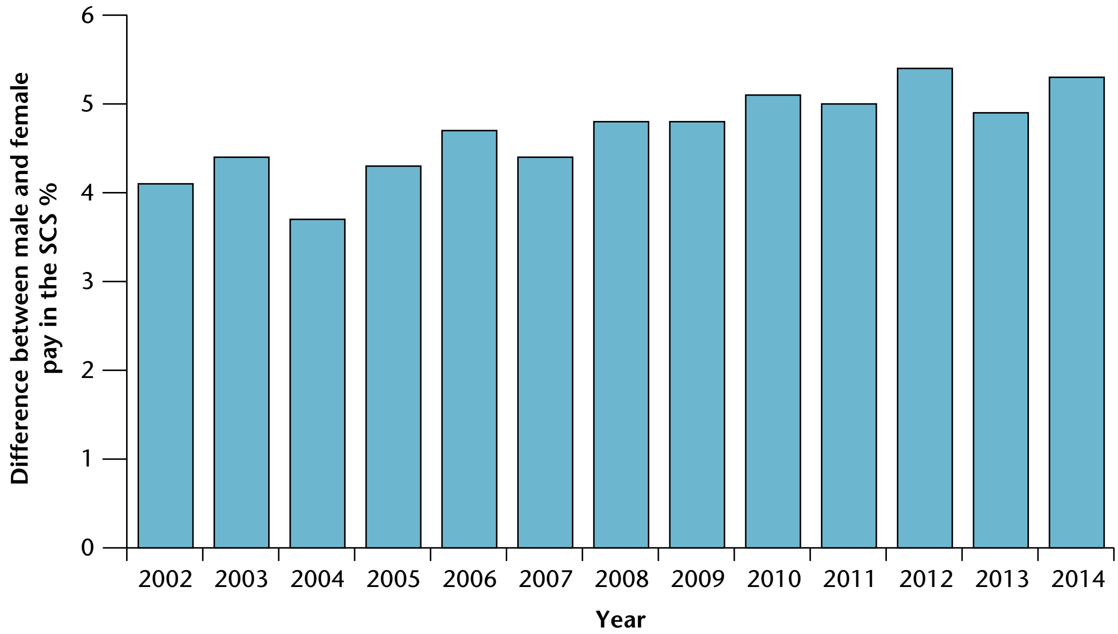
2.3 The current SCS pay system was described in detail in our 2012 annual report.[12] This year the combined effects of inflation, income tax and National Insurance changes, a reduction in non-consolidated performance payments and increased pension contributions mean that a member of SCS Pay Band 1 who was paid £67,000 base pay plus £6,080 non-consolidated performance pay in April 2009 has now suffered a real-terms cut in take-home pay of 23 per cent. Appendix F provides full details.

2.4 The gender pay gap in the SCS is 5.3 per cent in favour of men, compared with 17.5 per cent for full-time employees in the private sector and 9.4 per cent across the economy as a whole. Figure 2.1 shows the SCS gender pay gap widening over the last decade. One explanation provided to us is that externally recruited IT specialists tend to be both higher paid and male.

[11] Public Service Employment Statistics, ONS, December 2014.

[12] Review Body on Senior Salaries, Report No. 79, *Thirty-Fourth Report on Senior Salaries 2012,* Cm 8297, TSO.

Figure 2.1: **SCS gender pay gap 2002-2014**



Source: Cabinet Office.

2.5 Table 2.2 shows that three-quarters of the SCS are in Pay Band 1 with a median salary of £74,000.

Table 2.2: **SCS pay ranges and median pay by Pay Band 2013-14**

Pay band	Number in Pay band	Pay band minimum (£)	Pay band maximum (£)	Median salary (£)
1	2,782	62,000	117,800	74,000
1A[13]	104	67,600	128,900	78,500
2	688	85,000	162,500	96,000
3	142	104,000	208,100	133,500
Total	3,716*			76,900

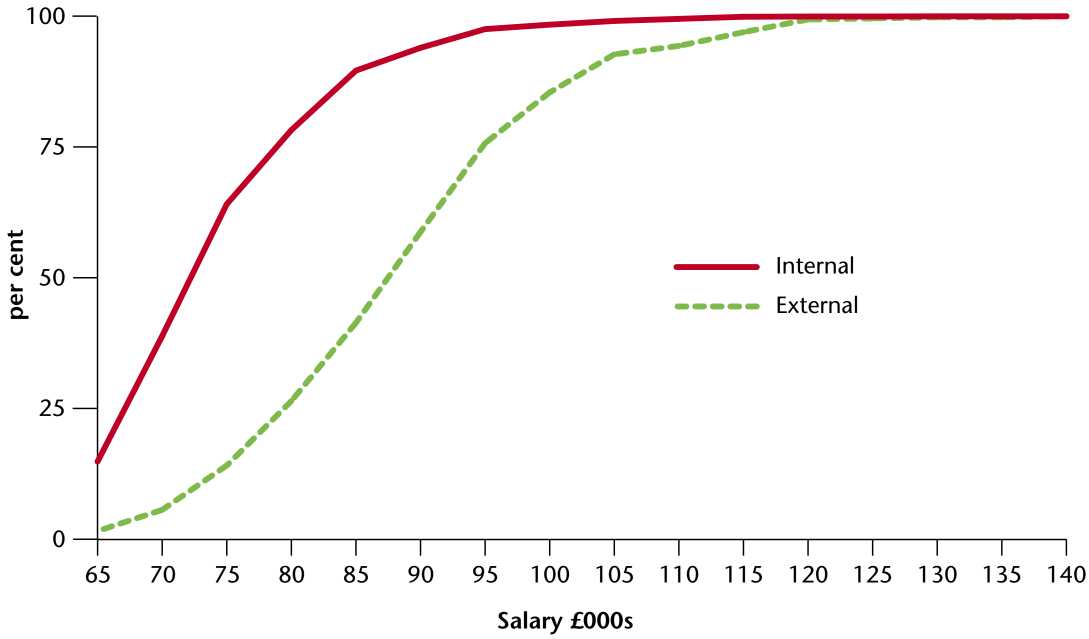
*This figure is lower than the total of SCS members in Table 2.1 because it excludes those on non-standard pay arrangements, e.g. those seconded from the NHS and paid on NHS rates.

Source: Cabinet Office.

2.6 Figure 2.2 shows the distribution of pay for those in Pay Band 1. It shows that over three-quarters of those promoted internally earn less than £80,000 a year, while almost three-quarters of those externally hired into the SCS are paid more than £80,000 a year. This highlights the gap in pay between internal and external recruits.

[13] The Government's evidence says that Pay Band 1A is now effectively a closed grade. Existing staff will remain in the grade and may receive pay awards but departments should not recruit into it and it will eventually be removed as part of 'de-layering'. Consequently the Government has excluded Pay Band 1A from the proposed increases in pay band minima.

Figure 2.2: **Cumulative distribution of SCS Pay Band 1 salaries, 2014 by internal and external hiring**



Source: Cabinet Office.

SCS pay and the external markets

2.7 Each year the Government obtains data on how SCS pay compares with that in the wider public and private sectors. The data in Table 2.3 below show that on the whole the gap between SCS median base pay and that of comparators, particularly in the private sector, is continuing to grow year by year and also increases with seniority.

Table 2.3: **Median base pay of wider public and private sector comparators as percentage of SCS median, by Pay Band, 2009-2014**

		% of SCS median		
		Pay Band 1	Pay Band 2	Pay Band 3
National wider public sector median*	2009	106	123	–
	2010	114	134	–
	2011	113	146	–
	2012	114	139	–
	2013	112	142	–
	2014	109	145	–
National private sector median	2009	119	164	–
	2010	124	170	201
	2011	128	168	225
	2012	132	175	228
	2013	132	181	230
	2014	133	195	238

* There are too few jobs of the same weight as Pay Band 3 in the database for reliable figures to be cited.

Source: Cabinet Office citing The Hay Group Reward Benchmarking reports 2009-2014.

2.8 The growing gap between SCS base pay and that of comparators is in part explained by the general fall in SCS median pay over the last five years (see Table 2.4), especially for Pay Band 2. This fall is the result of the pay freeze, downward pressure on salaries for new appointments and retirements of higher paid SCS members, although we note that median pay for Pay Band 1 has increased slightly since 2009.

Table 2.4: **SCS median base pay by Pay Band in 2009 and 2014**

Year	Pay Band 1 (£)	Pay Band 2 (£)	Pay Band 3 (£)
2009	73,699	102,005	135,150
2014	74,022	95,963	133,454

Source: Cabinet Office.

SCS pensions

2.9 SCS members have paid increased pension contributions from April 2014, 6.85 per cent for those in the Classic Scheme and 8.85 per cent for those in the Classic Plus, Premium and Nuvos[14] schemes. The increase means, for example, that a Pay Band 2 SCS member in the Classic Plus scheme on the median salary of £96,000 will pay some £345 more (0.36 per cent of salary) in pension contributions after tax relief in 2014-15 than in 2013-14. A new, career average pension scheme will start in 2015 for those who were more than ten years from their normal pension age on 1 April 2012.[15] This is similar to the current Nuvos scheme but with higher contributions and a slightly higher accrual rate. The Government has said that the average contribution rate will be 5.6 per cent but contributions for those in the SCS will be 7.35 per cent for those paid up to £150,000 and 8.05 per cent for those paid £150,001 or more.

2.10 The Office of Manpower Economics commissioned a study of the changes to the benefits provided by public sector pension schemes between 2010 and 2016. The study used a small number of illustrative careers, which for SSRB covered the judiciary, the SCS, the senior military and NHS Very Senior Managers (VSMs). The overall findings were:

- Net pension benefit value varied significantly depending on the employee's career path;
- In general, the most significant reduction in employee benefits was caused by changes between 2010 and 2013, i.e. the change from RPI to CPI indexation (typically causing a 15 per cent reduction in value, 4.5 percentage points of salary) and the first increases in member contributions;
- Value reductions between 2013-2016, driven in particular by the move from final salary to career average from 2015, were generally less significant than the indexation change and minimal for those with limited salary progression;
- Employees with significant salary progression were more likely to experience a reduction in net pension value as a result of the move to career average in 2015 and the ending of contracting out in 2016;
- Changes in private sector pension benefits between 2010 and 2016 were less significant than the changes in the remit group pension benefits, but there had been very significant reductions to private sector pension benefits over the preceding decade;

[14] Classic, Classic Plus and Premium are all final salary Civil Service Pensions. Nuvos is a career average Civil Service Pension.

[15] The new Civil Service Pension from 1 April 2015 is called alpha. There is also tapered protection for those between 10 and 13.5 years from normal pension age on 1 April 2012.

- Public sector pension benefits remain comparatively good. While the changes to public sector pensions since 2010 narrowed the gap, in general there remains a material difference between the net value to the remit group member of their pension benefits and alternative pension benefits in the private sector.

SCS recruitment and retention

2.11 The majority of the SCS are in Pay Band 1, which is drawn primarily from within the civil service on promotion. No party has raised concerns with us about the quality of candidates coming through. FDA and Prospect are concerned about the attractiveness for promotion given the overlap in pay with the non-SCS grades and the Government says it is having to pay more to attract external candidates to particular posts.

Civil Service Commission

2.12 The main points from the Civil Service Commission (CSC) evidence on competitions at SCS Pay Band 2 and above in 2013-14 were that:

- There were open competitions for 101 posts (up from 96 in 2012-13), attracting almost 4,000 applicants of whom 432 were shortlisted for final interview. Of those shortlisted 191 (44 per cent) were considered to be appointable;
- Ninety appointments were made but in 11 competitions (11 per cent) no appointment was made – two SCS Pay Band 3, and nine SCS Pay Band 2 competitions. This is a slight improvement from 2012-13 when 12 per cent of competitions resulted in no appointment being made;
- Of those candidates assessed as appointable, 76 per cent were 'outstanding' or 'very good', slightly higher than in 2012-13 (73 per cent);
- There was a reduction in the proportion of competitions where only one candidate was deemed to be appointable, to 36 per cent in 2013-14 from 45 per cent in 2012-13. There was also a reduction in the number of competitions where the field was described as weak;
- Just under a half of all appointments were existing civil servants, although almost one-third of Pay Band 2 appointments were from the private sector;
- Starting salaries again varied in 2013-14 with existing civil servants paid less that those entering from the wider public sector or the private sector. Compared with 2012-13 the salaries paid to external entrants at Pay Band 3 increased sharply, with relatively little change at Pay Band 2;
- Thirty-five per cent of those appointed were women, an increase from 26 per cent in 2012-13. However, the Commission expressed concern that at the most senior levels about a quarter of appointments are made without fair and open competition and of these just 13 per cent of appointments were women;
- Information about ethnicity and disability status of appointees is not collected but of the 432 candidates shortlisted for interview 27 were from a black or ethnic minority background and just two declared they had a disability.

2.13 The Commission acknowledges that it is difficult to disentangle the factors leading to a failure to appoint. It believes that pay is usually a factor, and that there were at least four competitions where salary was the determining factor in not being able to appoint (of the 11 competitions where no appointments were made).

2.14 The CSC said that pay was usually one of the factors in the minds of candidates as they assess the 'risk/reward' ratio of joining the SCS and that more flexibility on pay would help to attract better candidates in skills shortage areas. It noted that there has been a willingness on the part of the Government to show a little more flexibility in relation to salaries for individual posts in skills shortage areas.

2.15 The Commission said that better market analysis should take place before settling on an advertised salary. The civil service is often competing with private sector employers, who are probably able to offer a better package, for candidates with specialist skills.

Turnover and exit interviews

2.16 In 2013-14, 4.4 per cent of the SCS resigned, an increase from 3.8 per cent since last year.

2.17 Between April and September 2014, there were 39 reported resignations. Of these 13 stated that pay was one of the factors for them leaving. Other reasons given included career progression/different experience, joining other sectors and lack of promotion opportunities, although 14 did not give a reason. Most of these resignations were at Pay Band 1.

SCS morale and motivation

2.18 There were two different surveys of senior civil servants in 2014. One was the Civil Service People Survey run by the Cabinet Office and the other was the FDA/Prospect membership survey.

Civil Service People Survey

2.19 The scores for the SCS from the 2014 survey were again generally little changed or slightly improved, compared with the previous year. The SCS scores very highly on job satisfaction, for example 98 per cent of respondents say they are interested in their work and 93 per cent said their work gives them a sense of personal accomplishment, both scores slightly higher than in 2013. There were also slight improvements in the numbers agreeing that they have an acceptable workload (60 per cent) and that they achieve a good balance between work and private life (57 per cent).

2.20 Pay and benefits remain the area of greatest dissatisfaction but even here, for the second year in a row, the scores have slightly improved. For example, in 2014, 30 per cent of the SCS thought their pay was reasonable compared to people doing similar jobs in other organisations, up marginally from 29 per cent the previous year. Forty per cent of respondents said they were satisfied with their total benefits package, up from 38 per cent in 2013, and 38 per cent said that their pay adequately reflected their performance, up from 36 per cent in 2013.

FDA/Prospect membership survey

2.21 The FDA/Prospect survey showed that fewer than 8 per cent of respondents said they were satisfied with the overall SCS pay arrangements and two-thirds said they were more inclined to look for a job outside the civil service than they were 12 months earlier. The survey also showed SCS workload and working hours had increased, the proportion of respondents working at least 11 hours in excess of contracted hours had grown from a third to over half between 2012 and 2014.

The Government's proposals on SCS pay

2.22 The Government's proposals to us this year follow the pattern of the previous two years, in step with the 1 per cent public sector pay policy that is now in its third year. For 2015-16 it argues for:

Within an average 1 per cent consolidated award:

- Increases of £1,000 to each of the Pay Band minima for Pay Bands 1, 2 and 3 (with Pay Band 1A unchanged). This will use 0.01 per cent of the average 1 per cent consolidated award available from the SCS paybill;

- The balance of 0.99 per cent to be used by departments to make base pay awards of between 0 and 9 per cent to their staff "taking into account performance, job weight and challenge of role".

Non-consolidated payments from existing allocation:

- From the 3.3 per cent of SCS paybill allocated for performance pay: non-consolidated awards to the top 25 per cent of performers with some flexibility on the timing of payments, and 'base pay repositioning' on an exceptional basis to address pay anomalies. Up to 0.5 per cent of the SCS paybill can be used to address such anomalies but the allocation in future years for performance pay would be correspondingly reduced;
- Pivotal role allowances to address recruitment and retention issues for the most business critical roles, subject to a limit of 0.5 per cent of the SCS paybill.

2.23 The Government's evidence describes these proposals as being a continuation of the strategy in place since April 2013, with some further departmental discretion within current cost controls. Giving context to its proposals the Government states that 'there remains some concern about our ability to recruit key staff of the right calibre due to uncompetitive reward packages and that we may not be able to hold onto talented people as the economy improves'.

2.24 All parties recognise that there are problems with the SCS pay system and we are pleased that the Government noted the challenges in their evidence, as follows:

- Significant pay overlaps between delegated grades and SCS Pay Band 1 and across SCS Pay Bands;
- Externally appointed salaries well above those of internal appointees, creating a 'two-tier' system;
- Long salary ranges with slow movement up the pay range for many staff at a time of pay restraint, exacerbating differences between internal and external hires;
- More women occupying the lower end of the pay scales, thus impacting further on gender disparity.

Evidence from the trade unions

2.25 Like last year the Government did not send its written evidence to us until late December, which meant that the FDA and Prospect provided their main written and oral evidence before having seen the Government's proposals. The FDA submitted a supplementary note in January 2015 commenting briefly on the Government's evidence.

2.26 The unions made no explicit proposals on pay this year, other than to urge departments to ensure that the money available for in-year bonuses is used. Instead they called for SSRB to recommend the following:

- A fundamental review of SCS pay, following a detailed assessment of existing issues and consequence of interim policies;
- As assessment of SCS working hours and consequences of workload issues; and
- Replacement of the current performance management system and a strategic review of reward incorporating increased flexibility for individuals.

The FDA and Prospect said that raising the pay range minima is the 'least worst' option but not sustainable in the medium term and made no explicit proposal to increase range minima this year.

2.27 In oral evidence the FDA/Prospect were of the opinion that the Government was increasingly relying on the intrinsic interest and public importance of SCS work to retain staff. They warned that soon SCS members who already felt undervalued and uncertain about the future in a shrinking civil service would be more inclined to leave, particularly if pay restraint continued for a prolonged period. They felt that the increase in workload shown by their survey could not continue inexorably as it affected health, judgement, decision-making (in an environment where correct decisions were vital) and stress levels. Whilst accepting that the SCS was not a 9-to-5 role, they felt that the Government could not keep adding work for no additional pay reward.

2.28 In addition, the FDA/Prospect stated that while the link between performance and pay was not flawed in principle the Government needed to design a performance pay system that genuinely measured and differentiated between different levels of achievement and desirable behaviours. FDA/Prospect noted that the Normington Report in 2007-08 was a fundamental review of the SCS pay system which made some sensible suggestions, none of which had been taken forward. Finally, the FDA/Prospect reiterated the need for flexibility around pensions and ability to sell some annual leave.

2.29 In the FDA's supplementary note on the Government's evidence its position was that it:

- Welcomed the Government proposal to give greater flexibility on the timing of performance awards, but was disappointed that there were no proposals for greater flexibility around pension provision;
- Was surprised that only 39 exits had been reported and agreed that significantly more rigour is required. It would like the aggregate data broken down, preferably by department;
- Noted that SCS pay is behind the market and that the Government highlighted concerns about recruiting staff of the right calibre but did not say anything about how this is to be addressed;
- Would like to see starting salaries broken down by gender and the gender pay gap broken down by grade;
- States that the restriction of the increased pay band minima to 0.01 per cent of the paybill will do little to resolve the overlap between the SCS and other grades;
- Urges the SSRB to secure the breakdown, by department, of the proportions of paybill used to increase the pay band minima and the consequent funds left available for other pay awards.

Head of the Home Civil Service

2.30 The Head of the Home Civil Service, Sir Jeremy Heywood, gave oral evidence. He said that the Government's proposals sought to address structural problems such as the length of pay scales, as well as to reward good performance, within the constraints of the public sector pay policy. He was clear that departments need discretion and flexibility, as not all of the 1 per cent can be used to raise pay band minima as this could be seen as unfair and so the balance available for discretionary base pay increases was higher. Similarly the allocation of non-consolidated awards should be for departments to decide, within an overall framework and robust control mechanisms. He expressed concern about the staff survey results on pay, but noted that the recruitment and retention data showed few warning lights apart from in specialist areas like IT and commercial. Finally, he expressed a desire to continue improving data quality and evidence particularly through exit interviews.

Assessment

2.31 We are pleased that the Government accepted our recommended new reward principle[16] last year. We are also pleased that the recommendation to carry out exit interviews was accepted, as this will provide better management information with which to monitor this workforce. The need for robust and timely data remains and we discuss it later in this chapter.

2.32 We note that the Government acknowledges some fundamental problems with the SCS pay system, which we have highlighted in our recent reports. We reiterate our support for a clear workforce and reward strategy for the SCS, as a precursor to overhauling the SCS pay system. We recognise, however, that public sector financial constraints have hampered progress here. The Government still has a highly engaged workforce in the SCS cadre, where the challenge and interest of SCS jobs are the key factors that attract and retain good people. This cannot be taken for granted indefinitely, particularly if an external economic recovery opens up many more opportunities outside the public sector. We also note that for the second year the Government has told us that not always with sufficient justification are the salaries of external appointees set well above those of internal appointees.

2.33 Good industry practice in senior pay tells us that pay and wider reward strategy should be closely aligned with business objectives, and that pay systems need to be flexible. We note the Government's desire to give flexibility to individual departments within an overall control framework. We support this flexibility and differentiation, provided it is underpinned by relevant and timely evidence, and is done fairly within the constraints of the public sector pay policy. However, we note below that some aspects of the current arrangements could be made more flexible, even allowing for these constraints. We also have some concerns about whether civil servants in different departments can currently feel confident that their eligibility for performance awards is determined on a fair, consistent and objective basis across Government.

Raising the pay band minima

2.34 In our 2014 report we recommended that the minimum for Pay Band 1 be increased by £2,000 to £62,000 and the minima for Pay Bands 2 and 3 be increased by £1,000, to £85,000 and £104,000 respectively. These recommendations were accepted by Government. This year the Government has proposed to increase the minima for Pay Bands 1, 2 and 3 by a further £1,000. It said that this would add 0.01 per cent to the paybill and directly impact 124 members of the SCS (85 staff at Pay Band 1 and 39 at Pay Band 2) and continues to signal its intention to address overlaps, 'leapfrogging' on promotion and any gender disparities. It added that the cost of increasing the minima varies by department and that any further increase in minima would reduce the amount available for awards to other staff.

2.35 Raising the Pay Band 1 minimum to £63,000 will still leave 7,500 civil servants in grades below the SCS paid more than the SCS minimum. It is likely to impact on the morale of those SCS where they have team members paid more highly than them without any objective justification, especially if there seems little prospect of the situation changing. The FDA said the small proposed increase to pay band minima will do little to eliminate the gap between Grade 6 and SCS and will exacerbate the gap between those departments where the award is focused on the minima and the remainder. An increase of £2,000 would add 0.07 per cent to the paybill, directly impact 241 members of the SCS Pay Band 1 and reduce the number of civil servants in grades below the SCS paid more than the SCS minimum to 6,800. Whilst we recognise that this will reduce the amount available for awards to other staff, we do not think that the Government's

[16] The principle was: 'a pay system which is able to recruit, retain and motivate sufficient suitably able and qualified people to exercise the different responsibilities of the SCS.'

proposal goes far enough to make a material difference to the overlap, nor to address any gender disparities.

Recommendation 1: We recommend that the minima be increased from 1 April 2015 to: £64,000 for Pay Band 1, £86,000 for Pay Band 2 and £105,000 for Pay Band 3.

Framework for base pay increase

2.36 Last year we recommended a uniform percentage increase as, on the grounds of collegiality and fairness at a time of austerity and falling real incomes, we were not persuaded of the case for differentiation. The Government did not accept our recommendation. This year it has proposed using 0.99 per cent of paybill for individual pay repositioning and general awards between 0 and 9 per cent that take account of performance, job weight and challenge of role. It has said again that staff in the bottom 10 per cent performance group would not be eligible for a pay increase.

2.37 In the application of the 2014-15 award, HMRC and the Cabinet Office took a so-called 'radical targeting approach' meaning that more than half of SCS staff in these departments did not get a pay increase. It is too early to see what impact this had on retention. The majority of departments however were less radical, differentiating awards by performance and/or position in the pay range (particularly at Pay Band 1) and targeting individuals whose salary needed to be re-positioned. In these departments most staff, excluding the low performance group, got a pay increase.

2.38 Differing departmental approaches, with different pay consequences for their civil servants, is inherent in the Government's current approach to SCS pay. How this is managed will be key, not least to ensure fairness and consistency. We look forward to evidence in the next round about any effects on performance, recruitment, retention or motivation in the two departments that took a 'radical targeting approach'.

Recommendation 2: We recommend that departments use 0.93 per cent of the paybill for individual pay repositioning and general awards between 0 and 9 per cent that take account of performance, job weight and challenge of role other than for those in the bottom 10 per cent of the performance distribution.

Total cost of recommendations 1 and 2

2.39 We estimate the cost of increasing the SCS pay band 1 minima and SCS base pay by a total of 1 per cent to be £4.3 million.

Non-consolidated, performance-related payments

2.40 This year the Government has proposed that departments continue to make end of year bonus payments to the top 25 per cent of performers but with some additional flexibility on timing so payments can be made at the mid-year point or after reaching clear milestones for project based roles.

2.41 It has also proposed that up to 0.5 per cent be used for targeted salary re-positioning, which would require central approval. Any use of this money for permanent consolidated pay adjustments would reduce the size of the non-consolidated pay pot.

2.42 On the most up to date information available, based on the expenditure for 2013-14 performance, departments in 2014-15 made payments worth 2.5 per cent of the paybill from the total of 3.3 per cent available. This means almost a quarter of the pot was unspent. Departmental practice varies. Some made a single flat rate payment to all in the top 25 per cent of performers; others differentiated within the top 25 per cent. Some paid higher amounts and used up the full 3.3 per cent of the paybill; others made lower awards and did not spend the full amount available.

2.43 We look forward next round to hearing from the Cabinet Office on how they monitor departmental practice, to ensure that SCS staff are being fairly treated.

2.44 We also note that a system designed to promote flexibility has some features that seem to us unnecessarily inflexible. For example, SCS non-consolidated performance awards are limited to a rigid 25 per cent quota per department, regardless of the performance of that department, or the civil servants within it. Unused money allocated for performance pay in one department cannot be passed to other departments. Nor is there scope to reinvest paybill efficiencies. Such flexibilities could offer a better link between pay and performance, and would be possible to implement while maintaining tight paybill controls. We welcome evidence on this in future years.

2.45 In terms of the element of the proposal that up to 0.5 per cent be used for targeted salary re-positioning with central approval: we would be interested to see who this is used for, and how, in the next round. We would also caution against routinely using the performance pot for adjustments of this kind as we remain supportive of the system of performance-related pay.

Recommendation 3: We recommend that departments use the whole available budget for non-consolidated awards to the top 25 per cent of performers and use the flexibility provided to them to reward good performance in a timely fashion, as well as for base pay repositioning with up to 0.5 per cent of the SCS paybill on an exceptional basis to address pay anomalies.

Pivotal role allowance

2.46 The Government said that since it was introduced in April 2013 there have been just 35 applications for pivotal role allowance of which 22 have been approved. A £1.4 million pot had been allocated for the allowance but almost £1 million remains unallocated. We ask the Government to continue to monitor the use of pivotal role allowance and provide us with an assessment of why take up has been lower than expected.

Key monitoring information

2.47 We welcome the continued focus by the Cabinet Office on gaining high quality, timely evidence with which to monitor outflow and morale as it moves into the next phase of pay policy and given its desire to retain top talent. As we recommended last year on exit interviews, this monitoring should be done using a standardised approach. It need not be an onerous task.

Recommendation 4: We recommend that the Cabinet Office continues to ensure that departments carry out exit interviews with a view to full coverage.

Permanent Secretaries

2.48 Permanent Secretaries, excluding the Chief of Defence Materiel and the Chief Medical Officer are paid in three bands:

- Tier 1 roles: paid between £180,000 and £200,000
- Tier 2 roles: paid between £160,000 and £180,000
- Tier 3 roles: paid between £142,000 and £160,000.

2.49 We make recommendations on the overall pay structure for Permanent Secretaries but the pay of individual officials, and the eligibility for non-consolidated performance payments, is set on the advice of the Permanent Secretary Remuneration Committee (PSRC).

2.50 The Government said that in 2014 the PSRC used the 1 per cent average award available for Permanent Secretaries to provide flat rate increases for those in the top two performance groups and to address any pay anomalies. For this year Permanent Secretaries are covered by the current public sector pay policy of consolidated awards averaging 1 per cent. The evidence said that the PSRC will take account of wider SCS pay policy and practice on the distribution of the consolidated award.

2.51 Applying an uplift of £1,500 to the minima of the pay bands would affect one person at Tier 1, three people at Tier 2 and no-one at Tier 3, of a total of 37 occupying roles within the Permanent Secretary pay structure.

Recommendation 5: We recommend that the minima of the Permanent Secretary Tiers each be increased by £1,500, to £143,500 for Tier 3, £161,500 for Tier 2 and £181,500 for Tier 1.

Conclusion

2.52 We understand that funding constraints mean the Government cannot move as quickly as it might wish to reform some of the obvious imperfections in SCS pay arrangements, which it identified in its own evidence. Within those tight constraints, the Government's direction of travel seems to us sensible, though very slow.

2.53 Given the small sums available for pay increases, effective use of all of this money to support and reward good performance is imperative. We support the principle of departmental discretion, but believe that the Cabinet Office should continue to carefully monitor how this is working in practice, and whether the discretions are being fairly and sensibly exercised to support performance in the round. We would encourage departments to find effective ways to spend a non-consolidated 3.3 per cent of paybill, to reward well-performing members of the SCS, who are deserving of some recognition after several years of pay restraint. We welcome further insights into the evidence base for decisions made in departments in the Cabinet Office submission to us next year.

2.54 Departments' tasks would be easier if the rules around this money were themselves more flexible. For example, we see no inherent justification for a rigid 25 per cent limit, in every department, on the numbers who can benefit from a performance bonus payment. We suggest the Government should consider how it can introduce extra pay flexibilities without endangering its overall pay control, and look forward to hearing about this next year.

2.55 Meanwhile, as the Government itself said, the effect of the reduction in take-home pay on SCS motivation and discretionary effort 'is difficult to categorically evidence ….. but it cannot be costless'. We agree with this. It therefore remains crucial to secure high quality data on recruitment, retention, motivation and morale among different SCS groups, to support monitoring and decision-making in the future.

Chapter 3

Senior officers in the Armed Forces

Our remit group

3.1 There were 130 senior officers at 2-star rank and above on 1 July 2014, an increase of two over the year. A breakdown by rank since 2010 is at Table 3.1.

Table 3.1: **Number of senior officers as at 1 July, 2010-2014**

All services	2010	2011	2012	2013	2014	Net change 2013-2014
4-star	10	10	9	9	8	–1
3-star	28	23	22	27	27	–
2-star	93	95	94	92	95	+3
Total	131	128	125	128	130	+2

Source: Ministry of Defence.

3.2 In the year to 30 June 2014, 16 officers were promoted into the remit group. In addition, 5 officers retired and a further 9 retired early compared to 2013 when 18 retired and a further 3 retired early. There were two 2-star female officers in the remit group. Before August 2013 there were none.

Pay in 2014-15

3.3 The Government accepted our recommendation to increase the base pay of the senior military by 1 per cent. This was implemented on 1 April 2014.

Increments

3.4 A large majority of our remit group also received an incremental payment in 2014-15 of between 2.0 and 4.9 per cent of base pay. These increments are subject to satisfactory performance but in practice all officers received an increment except for two who were already at the top of their pay scale and 12 who had insufficient seniority to qualify. The Ministry of Defence (MoD) told us this year that increments played an important part in retaining remit group members and in raising their morale.

Take-home pay

3.5 Take-home pay for a typical 2-star officer increased by around £5,100 (7 per cent) between April 2009 and the end of 2014. However, after adjusting for the CPI measure of inflation, take-home pay fell over the period by 8 per cent. It should be noted that SSRB's other remit groups had larger real-terms pay cuts than the senior military. This is because these other groups do not have an incremental pay system and the cost of their pension contributions has increased.

Strategic context – Transforming Defence

3.6 The MoD told us that the senior military continued to deal with the challenge of leadership at a time of change under the 'Transforming Defence' programme. This is aimed at ensuring that the Armed Forces and those who support them are able to face future priorities while reducing defence running costs. As part of this programme the senior military are still implementing the October 2010 Strategic Defence and Security Review (SDSR) and the June 2011 Defence Reform Review (DRR). The MoD told us in 2014 that the majority of DRR recommendations had been implemented and that the new defence operating model it produced, based on increased delegation and accountability, became fully operational in April 2014.

3.7 Under the 2012 Liability Review (which supports a reduction in the number of senior military posts at 1-star and above from 500 in 2010 to 405 in 2020) the latest estimate of the number of posts is 448 at 1 October 2014. The MoD told us that it expects this group to be 4 per cent over its target of 429 officers set for 1 April 2015 because of the creation of new posts and the extension of temporary posts but that the 2020 target remains achievable. In parallel with the Liability Review and to build on the new defence operating model the Army is conducting an Army Command Review to ensure that the Army is best placed to meet future challenges. In addition work is continuing on the Joint Assured Model in which members of our remit group are retained in key posts for longer and on the New Employment Model which is focused on updating the terms and conditions of service mainly for the ranks below this group.

Recruitment and retention

3.8 The MoD reported this year that voluntary outflow for the SSRB remit group had increased significantly. It was at its highest for six years and considerably above the average for the five year period from 2008-09 to 2012-13. Nine officers in the remit group left voluntarily in 2013-14 compared with a maximum of five in each of the previous six years. There was also a sharp increase in outflow from the OF6 rank, one of the ranks from which our remit group is drawn.[17] Thirty-four OF6 officers (or 11 per cent) chose to leave the feeder group in 2013-14 compared with 20 (or 6 per cent) in the previous year. Of those, eight gave 'seeking fresh challenges' as the reason for leaving while a further seven cited 'offer of civilian employment'. In addition, almost 280 OF4 and OF5 feeder group officers chose to leave in 2013-14, compared with just over 190 in 2012-13.

Table 3.2: **Officers in SSRB senior military remit group (OF7-OF9) and the feeder group (OF4-OF6) leaving the services voluntarily, 2010-11 – 2013-14**

	Rank	July 2010 – June 2011	July 2011 – June 2012	July 2012 – June 2013	July 2013 – June 2014
Senior military	4-star OF9	0	0	0	0
	3-star OF8	0	0	0	3 (11%)
Feeder group	2-star OF7	2 (2%)	2 (2%)	3 (3%)	6 (6%)
	1-star OF6	23 (7%)	21 (6%)	20 (6%)	34 (11%)
	OF5 & OF4	209 (4%)	264 (5%)	191 (4%)	277 (5%)

Source: Ministry of Defence.

3.9 The MoD told us that the Armed Forces were still able to incentivise and appoint sufficient numbers of talented individuals for promotion to 2-star rank and above. It added that it was too early to say if the increased outflow rate was a temporary spike or the start of a trend, which if sustained, would 'inevitably dilute the pool of talented officers'. It said that a range of possible causes could be at play including changed expectations about senior military work requiring a different skill set for 'running the business of defence' rather than overseeing military operations. It undertook to monitor the situation closely.

The feeder group

3.10 In our 2013 report we asked the MoD to identify those individuals within the feeder group with the potential to become senior officers; to track over time whether they became part of our remit group, or remained at their current rank or chose to leave the Armed Forces. We did so because we regard it as vitally important, particularly in an organisation unable to recruit externally at this level, to detect retention problems before

[17] We consider officers of OF4, OF5 and OF6 (or 1-star) rank to be those from which our remit group is drawn; on 1 April 2014 there were 3,720 OF4 officers, 1,080 OF5 officers and 308 OF6 officers. Source: Ministry of Defence.

they actually occur. In its evidence for our 2014 report the MoD provided data on the Army which showed that of 149 high potential officers, 23 were no longer serving – 19 OF5s and 4 OF6s. Over half of those who had left cited the offer of civilian employment or opportunities and outside prospects as the reason for leaving.

3.11 In 2014 SSRB recommended that the MoD should further develop its database on Army officers with the potential to serve in the senior ranks and expand it to cover each of the services. The MoD responded by tracking back to 2007 the most talented feeder group officers (or top scorers on promotion boards) in the Navy and RAF as well as in the Army. It found that of 900 officers in total nearly 600 remained in service. For the first time the MoD also analysed the career paths followed by graduates of the Higher Command and Staff Course (HCSC) at OF5 and OF6 rank and found that more than 80 per cent of them remained in service.

3.12 SSRB welcomes the MoD's expansion of the database to cover all three services this year. We look forward to receiving this information on an annual basis in future, supplemented with an analysis of why those who left the Armed Forces chose to do so.

Pensions

3.13 The New Armed Forces Pension Scheme will be introduced from April 2015. It will remain a defined benefit scheme and the only non-contributory pension for those groups covered by SSRB's remit but, in line with other reformed public sector schemes, benefits in future will be based on average career earnings rather than final salary. It will have a pension age of 60 rather than 55 and a new accrual rate. The MoD advised us that current members of the remit group will remain in existing Armed Forces pension arrangements because they are all within 10 years of normal retirement age.[18]

3.14 The MoD estimated that 300 members of the Armed Forces would receive a tax charge under the new reduced annual allowance limit of £40,000 introduced from April 2014 but said it would not be able to confirm this until later in 2015. The MoD also expected an increase in the number of officers at 1-star rank and above to exceed the lifetime allowance which was reduced to £1.25 million from April 2014.

3.15 We note that while the Armed Forces Pension Scheme remains one of the best available, in common with our other remit groups it was no longer identified by the senior military this year as one of the factors most likely to retain them. Some of the feeder group said that lessening the value of the future pension would make promotion to senior rank less attractive and make it more likely that they would seek external opportunities. We will therefore continue to monitor closely the effect of pension changes on senior military promotion and retention.

Morale

3.16 When we held a discussion group with remit group officers this year they told us that their counterparts outside the Armed Forces earned considerably more than them and that promotion looked less attractive. They explained that the pay increase on promotion to 2-star rank was outweighed by an exponential increase in responsibilities, reduced pension benefits, constraints on allowances and concerns about the Continuity of Education Allowance (CEA). They added that some 2-star officers typically worked 70-80 hours in a six-day week and that they believed this was putting off the feeder group from aspiring to greater responsibilities, as was the reduced provision of support staff who are important in ensuring the remit group operate effectively. Participants in the group also noted that senior officers were responsible for large defence budgets but were not given the freedom to manage other less significant aspects of their roles which left them feeling neither trusted nor valued.

[18] All those aged 45 or over on 1 April 2012 are excluded from the new pension scheme.

3.17 This year SSRB members also attended discussion sessions with feeder group officers in the OF5 and OF6 ranks. The participants said that they perceived that the overall package – which included elements such as the provision of support staff – had diminished at a time of increased workload. Longer working hours meant service life was having an adverse impact on families and on total income where it impinged on the ability of spouses to take employment. The feeder group now observed the remit group working harder and with little respite but without the status they once held and this meant pay had become increasingly important. Furthermore, there was dissatisfaction among feeder group members with the pay increase on promotion because it was not seen as sufficient recompense for the more onerous levels of responsibility at senior rank. Promotion opportunities had also been seen to decrease as the services reduced in size.

3.18 This year the MoD said that progressive erosion of the senior military package and poor work-life balance were the predominant causes of dissatisfaction in the remit group. It knew of senior officers frustrated by the lack of time they were able to spend with their families and by growing tension between the demands of service life and spousal employment. The MoD also acknowledged that it was vital for remit group officers to delegate more decision making and responsibility to the feeder group and this was something it was willing to address. It recognised there was frustration with what were seen as excessive levels of central financial scrutiny, particularly on travel, hospitality and allowances but said it was reviewing overseas allowances and the arrangements for the reimbursement of hospitality expenses. Finally, the MoD noted that 2- and 3- star officers were being posted overseas at very short notice but this did not justify changes to the X-Factor taper. However it undertook to monitor the situation closely.

The Armed Forces Continuous Attitude Survey (AFCAS)

3.19 In the 2014 Armed Forces Continuous Attitude Survey (AFCAS) most responses from the senior military were less positive than in 2013, for example on pay, pension benefits, and job satisfaction, and there was an increase in those reporting low morale. Nevertheless, the proportion reporting high morale as individuals and satisfaction with promotion opportunities was unchanged. In addition, responses to a question on X-Factor were more positive than the previous year and satisfaction with the fairness of the appraisal system rose to 100 per cent. For the second year in a row there was a small increase, to 31 per cent, in the proportion of senior officers able to take all their annual leave. The majority who were unable to do so again gave workload as the main cause. As usual, the positive response rates recorded in the AFCAS for the remit group were generally higher than for the Armed Forces as a whole.

3.20 For the first time the MoD also provided us with the responses from OF5 and OF6 officers to the AFCAS survey. In 2014, compared with 2013, their responses on pay, allowances and morale were more positive (but conversely the number that rated their morale as low rose too) but were less positive on pension benefits and job satisfaction. In contrast with the remit group a smaller proportion of feeder group officers were able to take all their annual leave in the last year – 28 per cent compared to 36 per cent in 2013. Those unable to do so also gave workload as the main cause.

OME-run survey of the senior military

3.21 For the fourth year our secretariat ran an on-line survey just for the remit group. This contains questions complementary to the AFCAS and replaces a survey of the senior military that the MoD used to undertake. In 2014 positive responses to the question on non-pay benefits increased and were unchanged for a question on the overall remuneration package, while responses on working hours, pay on promotion and X-Factor were less positive.

3.22 The OME survey also measured annual leave taken. This found that from an annual leave allowance of 30 days senior officers took on average 26 days of annual leave in 2014 (one day less than in 2013) and that the median range of hours worked each week was unchanged at 60-64 hours.

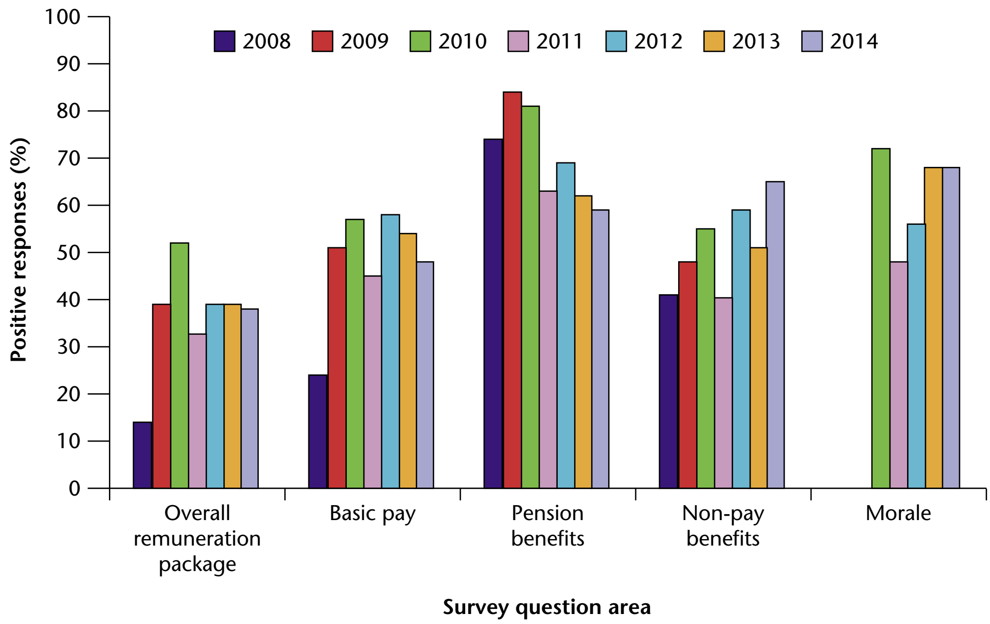
Summary

3.23 In oral evidence the MoD told us that the remit group's AFCAS survey scores were still mostly positive because pay was not their main motivator. They were driven more by the need to feel valued and highly regarded within a well-respected institution. In the view of the most senior officers in the Armed Forces the main concern in both the remit group and the feeder group was the erosion of work-life balance.

3.24 For those categories where we can compare AFCAS responses from the remit group over time responses in 2014, compared with 2013, were generally less positive while the 2013 responses were more positive than in 2012. For the feeder group an even greater proportion of answers showed a decrease in satisfaction in 2014 compared with 2013. In the context of significantly greater voluntary outflow we consider it particularly important to note the decline in satisfaction, albeit only to a minor extent, on many of the most significant retention factors identified for each group. For the senior military this year these included pay, job satisfaction and impact of service life. For the feeder group declines in satisfaction were recorded, among other things, on pension benefits, job satisfaction, challenge, sense of achievement, service life and opportunities for promotion. Furthermore, both groups recorded an increase in the numbers reporting low morale. Figure 3.1 shows changes in satisfaction with pay, pension, non-pay benefits, overall remuneration and morale as recorded in both surveys from 2008 to 2014.

3.25 These surveys are an important part of our evidence base. We encourage MoD to provide our remit group and the feeder group with feedback on the survey results and any action taken or proposed as a result of the survey.

Figure 3.1: **Changes in satisfaction with pay, pension, non-pay benefits, overall remuneration and morale 2008-2014**



Sources: Ministry of Defence (How satisfied are you with your basic pay? How satisfied are you with your pension benefits? How would you rate your level of morale?) and Office of Manpower Economics (How satisfied are you with your overall remuneration package? How satisfied are you with your non-pay benefits?).
For the questions about the overall remuneration package, basic pay, pension benefits and non-pay benefits the figure shows the percentage of respondents answering satisfied or very satisfied. For the question about morale the figure shows the percentage of respondents answering high or very high.

Pay in 2015-16

3.26 This year the MoD invited us to recommend the same increase to basic pay across all ranks and said that its budget for 2015-16 could fund a 1 per cent award. The MoD also referred in its evidence to the letter to us from the Chief Secretary to the Treasury of 29 July 2014 (at Appendix C). This said that for 2015-16 the Government would again propose an average public sector pay award of up to 1 per cent. Despite the increase in voluntary outflow recorded this year hard evidence of long-term retention problems is not strong. We therefore recommend a general 1 per cent pay increase from 1 April 2015 for our military remit group and preservation of the 10 per cent base pay differential between 1-star and 2-star rank before X-Factor. This award would add £0.25 million to the paybill.

2-star, 3-star, 4-star and Chief of the Defence Staff pay scales

Recommendation 6: We recommend that the pay scales below apply for 2-star, 3-star, 4-star officers and the Chief of The Defence Staff (CDS) with effect from 1 April 2015.[1,2]

Scale point	2-star £	3-star £	4-star £	CDS £
6	122,914	157,355	190,795	
5	120,555	152,845	187,054	
4	118,241	148,468	183,386	260,355
3	115,972	142,856	178,914	255,250
2	113,747	136,174	174,549	250,245
1	111,567	129,811	170,292	245,338

[1] Figures are rounded to the nearest pound.
[2] This includes X-Factor which is applied at the rate of £2,543, this sum being equivalent to 25 per cent of the cash value of X-Factor at the top of the OF4 pay scale as recommended by the Armed Forces' Pay Review Body (AFPRB) from 1 April 2015.

Medical and Dental Officers (MODOs)

3.27 In July 2014 there were five Medical and Dental Officers (MODOs). Four are 2-star officers and one is a 3-star. The 2-star MODO rate of pay is 10 per cent above the base pay at the top of the MODO 1-star scale plus X-Factor, and the 3-star MODO is paid 5 per cent above 2-star MODO base pay plus X-Factor.

3.28 In May 2014 the Government accepted the recommendation by the Armed Forces' Pay Review Body (AFPRB) that the pay of Defence Medical Services up to 1-star be increased by 1 per cent. For 2015-16 we recommend that all 2- and 3-star MODOs receive a pay award of 1 per cent and maintain their current percentage differentials.

Recommendation 7: We recommend no change to current pay arrangements for Medical and Dental Officers (MODOs).

- **2-star MODOs should continue to be paid 10 per cent above the base pay at the top of the MODO 1-star scale plus X-Factor;**
- **3-star MODOs should continue to be paid 5 per cent above 2-star MODO base pay plus X-Factor.**

Conclusion

3.29 We note an emerging theme from our evidence gathering this year, namely that expectations of the senior military are showing signs of changing with roles becoming more financially complex and more akin to corporate business leadership. Should this continue to evolve, the pay of senior leaders within the public and indeed the private sectors may become increasingly relevant in considerations of senior military pay.

3.30 We welcome the MoD's improved data tracking the career paths of those with the ability to hold senior posts in all three services to determine whether the Armed Forces are retaining sufficient numbers of the highest quality officers. It coincides with a sharp rise over the last year in the rate of voluntary outflow from both our remit group and the feeder ranks after a long period of stability. While the increase may be neither the start of a trend nor mean the most talented officers are leaving we believe it is time for the MoD to think imaginatively about the senior military package as a whole and identify relatively low cost measures that it can take to improve the quality of life in the Armed Forces. Examples would be standardising overseas allowances with other departments, reviewing the rules on reimbursement for official hospitality and ensuring that there is genuine delegation of responsibility within the feeder group in line with the Levene recommendations. Our view is that such initiatives, small as they are, would help at a time when those in our remit group continue to lead the Armed Forces through a period of great change and uncertainty.

Chapter 4

The Judiciary

Introduction

4.1 Our remit group comprises full-time and part-time salaried judicial office holders in the courts and tribunals of the United Kingdom. Fee-paid judiciary members are not part of our standing remit. There were 2,213 salaried judicial office holders on 31 March 2014, an increase of 25 (1.1 per cent) from a year earlier. The numbers are broken down by salary group in Table 4.1.

Table 4.1: **Judicial salaries and numbers in post**

Salary group[1]	Salary from 1 April 2014	Numbers in post[2]					Change between 2013 and 2014
		2010	2011	2012	2013	2014	
1	£244,665	1	1	1	1	1	0
1.1	£218,470	4	4	4	4	4	0
2	£211,015	15	15	15	14	16	+2
3	£200,661	49	47	48	44	49	+5
4	£176,226	140	141	140	141	139	-2
5	£141,332	96	96	96	97	99	+2
6.1	£130,875	860	831	823	812	811	-1
6.2	£123,213	36	37	41	40	39	-1
7	£104,990	1,039	1,036	1,041	1,024	1,045	+21
Salaried medical members[3]	£83,325	n/a	n/a	6	7	7	0
Stipendiary magistrates[4]	£71,981	n/a	4	4	4	3	-1
Total		2,240	2,212	2,219	2,188	2,213	+25

Sources: Ministry of Justice, Scottish Government and Northern Ireland Department of Justice.

Notes:

1 A list of roles within each salary group is at Appendix K.

2 Numbers as at 31 March.

3 Salaried medical members were added to the remit group in October 2011.

4 Stipendiary magistrates (in Glasgow) were added to the remit on 12 July 2011.

Our 2014 report

4.2 In our 2014 report we recommended that salaries for the judiciary be increased by 1 per cent with effect from 1 April 2014. We also recommended that the Government address all the outstanding issues from the 2011 major review of the judicial salary structure by 2015.

4.3 In its response to that report the Government accepted the recommendation that judicial salaries should be increased by 1 per cent with effect from 1 April 2014. However, it said that, due to the continuing fiscal challenge and broader public sector pay policy, it was not appropriate to respond to our recommendations from the 2011 major review. It did say that although it was unable to respond at that time it would consider the recommendations in partnership with the judiciary as it developed a broader judicial strategy.

4.4 In paragraph 5.40 of our 2014 report we encouraged the Lord Chief Justice of England and Wales (LCJ) to find the time and resources to develop a survey to collect information on the factors affecting judicial morale. We are pleased that the LCJ, the Lord President of the Court of Session (LP) and the Lord Chief Justice of Northern Ireland (LCJNI) were able to commission such a survey and were all able to use the results to inform their evidence this year.

Evidence

4.5 For this round we received written evidence from many sources including the UK and Scottish Governments, the Chief Justices, those overseeing judicial appointments and a number of judicial associations and representative groups. We wish to thank all those providing written evidence this year.

4.6 We heard oral evidence from the:

- Lord Chancellor and Secretary of State for Justice;
- LCJ, LP and LCJNI; and
- Judicial Appointments Commission (England and Wales).

The full list of those who provided written and oral evidence is at Appendix A.

4.7 We also visited the Manchester Civil Justice Centre and Cardiff Crown Court where we met High Court Judges, Circuit Court Judges, District Judges and Mental Health, Social Security and Child Support Tribunal Judges.

UK Judicial Attitude Survey

4.8 We are pleased that the Chief Justices were able to find the time and resources to commission the first survey of all serving salaried judges in England and Wales, Scotland, Northern Ireland and UK Tribunals. The 2014 UK Judicial Attitude Survey[19] was conducted on-line by the Judicial Institute of University College London during September and October 2014. There were 1,884 responses, giving a response rate of 87 per cent.

4.9 We shall refer to results from the survey throughout this chapter but some of the key results include:

- An overwhelming majority of judges, 96 per cent, feel they provide an important service to society and 87 per cent said they feel a strong personal attachment to being a member of the judiciary;
- Just three per cent of judges feel valued by the Government;
- Working conditions were seen as worse now compared with 5 years ago by 85 per cent of judges;
- Three-quarters of judges agreed that the main issue for them was a net loss of earnings over the last 5 years, and 66 per cent said their pay and pension does not adequately reflect the work they do;
- Just over half of judges, 53 per cent, said they would either consider leaving the judiciary before reaching full retirement age or are currently undecided whether to stay;
- A majority of judges said they would discourage suitable applicants from applying to join the judiciary, the most common reasons being reduction in pension entitlements (76 per cent of those who said they would discourage suitable applicants) and reduction in income (69 per cent).

[19] http://www.judiciary.gov.uk/announcements/judicial-attitude-survey-media-release/

Judicial motivation and morale

4.10 The Judicial Attitude Survey (hereafter, the Survey) provides a comprehensive evidence base from which to draw conclusions about judicial motivation and morale. As this is the first year the Survey has been conducted we are unable to draw any conclusions about changes over time, but it does provide a base from which to measure change against in the future.

4.11 Judges feel proud to be part of the judiciary and clearly feel valued by those they come into contact with regularly as part of their role. Eighty seven per cent of judges said they feel a strong personal attachment to being a member of the judiciary, 89 per cent said that they feel valued by judicial colleagues, 84 per cent by court staff, 74 per cent by the legal profession and 75 per cent by the parties that appear before them. However, in contrast, only 49 per cent said they feel valued by the general public and just three per cent said they feel valued by the Government. Nearly two-thirds, 62 per cent, believe that judges are less respected by society than they were 10 years ago.

4.12 The lack of feeling valued by Government is likely to link in part to what has happened to judicial pay and benefits in recent years. The Survey found that 66 per cent feel that pay and pension do not adequately reflect the work they do, and three-quarters had felt a loss of net earnings over the last 5 years.

4.13 Other sources of discontent that could also explain this striking finding of not feeling valued by Government include working conditions, where 85 per cent feel they have worsened over the past 5 years, and changes to pension entitlement which 73 per cent believe should have only been applied to new judges. When we talked with judges in Cardiff and Manchester they highlighted the reduction in the number of court staff at the same time as an increase in the number of cases with litigants in person. They said that such cases took longer to hear, led to an increase in the number of appeals and an increased level of strain on judges. Seventy two per cent believe too much change has been imposed on the judiciary in recent years and 91 per cent see Government initiatives as the primary driver behind the changes that have been imposed.

4.14 Judges identified the challenges facing the judiciary in the future as:

- reductions in support staff (92 per cent);
- judicial morale (85 per cent);
- fiscal constraints (81 per cent);
- litigants in person (78 per cent);
- attracting the best people to the judiciary (77 per cent); and
- loss of judicial independence (66 per cent).

4.15 In oral evidence the Lord Chancellor acknowledged that the judiciary was undergoing a period of change and he was not surprised by the results of the survey. However, he said that judges could not be treated differently to those working in other parts of the public sector; judges have enjoyed facets of the job that are no longer affordable, that there had been less money available to spend in courts and that pension changes were unavoidable. The Lord Chancellor went on to say that £500 million was earmarked for a modernisation programme which would see modern and integrated technology replace paper based processes, and modernisation of the judicial estate to make better use of buildings, reduce costs and improve facilities for users including judges.

Recruitment

4.16 We received evidence from those responsible for recruiting judges in England and Wales (Judicial Appointments Commission (JAC)), Scotland (Judicial Appointments Board (JABS)) and Northern Ireland (the Northern Ireland Judicial Appointments Commission (NIJAC)).

4.17 In its evidence the JAC said it completed 21 selection exercises for salaried posts in 2013-14, attracting 1,087 applications for 170 vacancies, resulting in 169 recommendations for appointment. One vacancy, for a Salaried Judge of the First-tier Tribunal, Social Security and Child Support, was unfilled as insufficient selectable candidates indicated that they were willing to work in the South West of England. The Ministry of Justice (MoJ) said that one candidate declined the offer of a post to the Upper Tribunal, however overall the JAC said that it received sufficient applications to recommend good quality candidates, and it had found no evidence that changes to judicial pensions had made it more difficult to recruit high quality candidates.

4.18 In each of our last two reports we have expressed some concern about whether sufficient numbers of high quality candidates were coming forward at High Court level. The JAC said that again this year it had been able to fill all vacancies at High Court level with candidates graded ‘outstanding’. However, the JAC went on to say that the ratio of ‘outstanding’ candidates to the number of vacancies was falling and that it had some anxiety about whether a High Court competition due to finish in March 2015 would succeed in appointing sufficient candidates of the required quality.

4.19 The majority of recommendations that the JAC makes are for fee-paid judges. Although fee-paid judges are not within our remit, we are interested in them since it is generally expected that service as a part-time judge is a pre-requisite for full-time appointment. The JAC said that it was able to make 637 recommendations and was able to fill all but eight vacancies. The one competition where it was unable to recommend sufficient candidates was for fee-paid Medical Members of the First-tier Tribunal, Health Education and Social Care Chamber, Mental Health. It said that it was not unusual to have problems filling medical member positions partly at least because of the low fee compared with medical practitioner day rates and the regularity of exercises seeking medical members for different tribunals. Overall it said that 525 (82 per cent) of the appointments made were candidates who were graded as either ‘outstanding’ or ‘strong’.

4.20 The Judicial Appointments Board for Scotland (JABS) ran competitions for Sheriffs, Senators of the College of Justice, Sheriff Principals and the Chair of the Scottish Land Court in 2013-14 and was able to recommend candidates for all the vacancies it was asked to fill. Most of the vacancies were for Sheriffs and JABS described the field for this competition as large and strong. Fields for other competitions were either small or declining but JABS commented positively on the quality of those fields. Overall the Board said it ‘had no difficulty identifying candidates of sufficient high quality to recommend for appointment to all the judicial offices under its remit’.

4.21 The Northern Ireland Judicial Appointments Commission (NIJAC) reported on three judicial appointment exercises in 2013-14, to fill vacancies for one High Court Judge, two County Court Judges and two District Judges (Magistrates’ Courts). There was only one appointment following the County Court Judge competition, however, a further competition was held which resulted in a County Court appointment in May 2014.

4.22 In oral evidence, the LCJ said that recruitment to the High Court is of grave concern, with recruitment to more junior judicial roles being relatively buoyant. He said it was essential for the standing of the justice system, here and overseas, that there be a depth of candidates of outstanding quality for the High Court bench, and he was most concerned about those doing commercial, chancery and financial family work. He said there was anecdotal evidence that pension changes, work pressures, and the failure to provide modern working conditions was deterring the most accomplished and highest earning practitioners from applying. He thought that the gap between High Court remuneration and the average earnings of practitioners was widening dangerously. This was reiterated by the LCJNI who highlighted the discrepancy between salary levels on appointment to the High Court in the Northern Ireland jurisdiction. The Lord President also expressed concerns to us about difficulties recruiting to the High Court in very stark terms.

4.23 The Survey results show that there is a high degree of intrinsic motivation to being a member of the judiciary, stemming from the chance to contribute to justice being done, intellectual satisfaction and public service, amongst other reasons. The Survey also shows how these motivating factors are balanced against the reduced pay and pensions package, which are the main reasons why judges would discourage suitable people from applying to join.[20]

4.24 It is notable that in England and Wales Justices of Appeal – among the most senior judges – were most likely to raise these pay and pensions issues and in Scotland Senators – again the most senior – were more likely than Sheriffs to mention reduced pension and income.

4.25 In written evidence the MoJ said that the recruitment position in England and Wales 'remains healthy' and in oral evidence the Lord Chancellor added that there were far more applications for the judiciary than vacant positions. He said that with the LCJ and the Senior President of Tribunals he had set up a Steering Group to consider the future provision of judges (for example, looking at the possibility of part-time salaried judges in the High Court) and was working with the JAC to encourage experienced public sector lawyers to consider applying for judicial office.

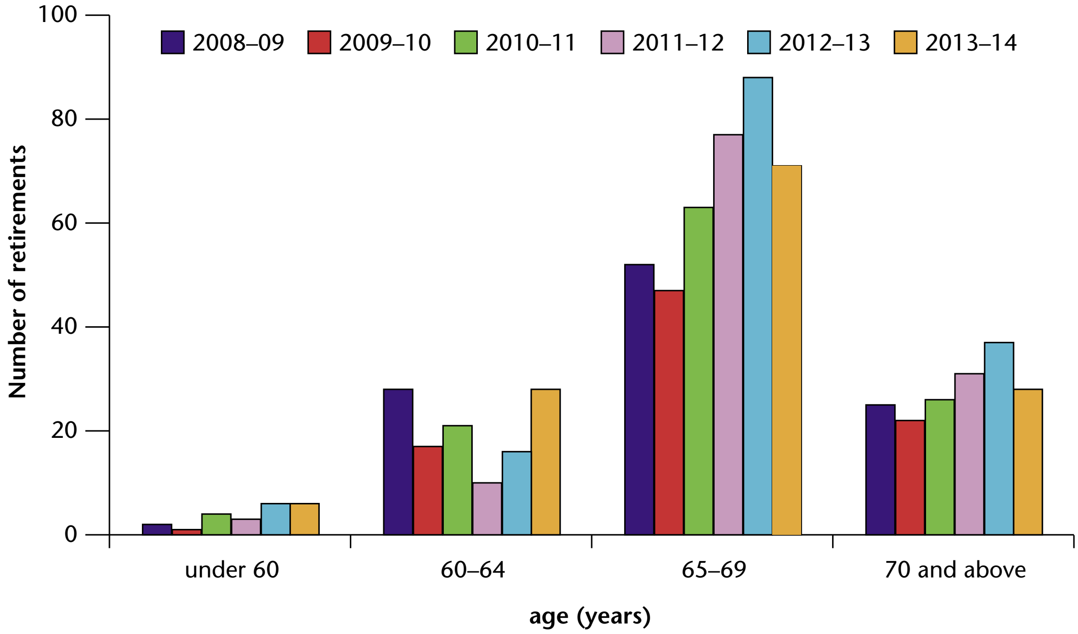
Retention

4.26 For most of our remit groups a low turnover rate might indicate satisfaction with pay and conditions. However, as judges are not allowed to return to private practice after holding judicial office this does not necessarily apply.

4.27 The MoJ supplied us with data covering the period from 2008-09 to 2013-14 which show that the number of retirements in 2013-14 (see Figure 4.1) was lower than in 2012-13 but higher than in each of the previous four years. However, the proportion of retirements accounted for by those aged less than 65 was higher in 2013-14 than in 2012-13.

[20] The main reasons cited to encourage suitable people to apply to join the judiciary are the chance to contribute to justice being done (86 per cent), the challenge of the work (80 per cent), intellectual satisfaction (73 per cent) and public service (69 per cent). The main reasons for discouraging suitable people to apply to join the judiciary are reduced pension entitlements (76 per cent) and reduction in income (69 per cent).

Figure 4.1: **Judicial retirements, United Kingdom, 2008-09 to 2013-14, by age**



Source: Ministry of Justice.

4.28 The LCJ said that generally more judges are retiring earlier than was previously the case. He was particularly concerned about retaining High Court Judges. He said that the daily rate for a commercial arbitrator of equivalent experience to a High Court Judge is £4,500 to £5,000 a day and that anecdotally he is aware that many judges may be seriously considering what they could earn elsewhere.

4.29 The Scottish Government evidence said there had been 12 judicial retirements in 2013-14, none of them before the age of 65. This is what it described as the normal retirement age, although the statutory retirement age for most of those retiring was 70. The Lord President said that of the 41 judges in Scotland that had retired between March 2010 and November 2014, eight had been before the age of 65.

4.30 The Survey asked judges if they were considering leaving the judiciary and which factors would prompt them to leave or to stay. Of those who responded, 32 per cent who are not due to reach full retirement age in the next 5 years said they would consider leaving the judiciary early in the next 5 years with a further 22 per cent undecided. The factors most likely to lead them to leave the judiciary early were further limits on pay awards (71 per cent) and reductions in pension benefits (68 per cent). The factors most likely to keep judges in the judiciary until they reach retirement age were higher remuneration (83 per cent), a settled position on pension entitlements (58 per cent) and better administrative support (57 per cent). The LCJ said they were considering a survey of retired judges and we encourage them to do so.

4.31 Although the MoJ does not conduct exit interviews, the Association of District Judges did survey a small number of retiring District Judges who said that the main reasons influencing the timing of their retirement were pay no longer being commensurate with their responsibilities, increased workload and a lack of recognition within the public sector leadership and policymakers.

4.32 The Lord Chancellor said that, at 67, the average retirement age was little changed from previous years and in his view early retirement provided an opportunity for greater turnover and for the judiciary to become more diverse. However, the Chief Justices felt that there was already sufficient turnover and that premature retirement resulted in a loss of experience and wisdom from the bench.

Judicial pensions

4.33 Judicial pensions fall outside the scope of our recommendations although we recognise that they are an important element of the overall judicial reward package.

4.34 Like many other public sector schemes the current Judicial Pension Scheme (JPS) for salaried judges will close on 31 March 2015, except for those where transitional provisions apply. Those provisions apply to judges within 10 years of normal retirement age (65) at 1 April 2012 who are fully protected, while those judges aged between 51½ and 55 at 1 April 2012 will have the option to defer joining the new scheme for a period linked to their age. Latest MoJ estimates are that 64 per cent of the current judiciary will be fully protected while a further 14 per cent would be partially protected.

4.35 Younger judges are more likely to be unprotected and all judges below the age of 50 are too young to qualify for any protection. Female and Black, Asian and Minority Ethnic (BAME) judges are less likely to be covered by the pension protection arrangements. The MoJ says this is partly the consequence of recent increases in judicial diversity. It adds that those in salary groups 4, 6.1 and 7 are less likely to be covered by the pension protection arrangements as these are the typical entry points to a judicial career.

4.36 Members of the current JPS contributed 1.8 per cent of salary to their pension in 2011-12. In April 2012 contributions increased to 3.08 per cent of salary, increased again to 4.36 per cent of salary from April 2013 and increased again to 5.0 per cent of salary from April 2014. Contribution rates for the New Judicial Pension Scheme (NJPS) from April 2015 will be either 7.35 per cent for those earning up to and including £150,000 or 8.05 per cent for those earning £150,001 and above.

4.37 The NJPS, to apply from April 2015, will be a career average scheme and will reflect the terms of the reformed pension scheme for civil servants but only open to judicial office holders. In common with other public service pension schemes, but unlike the current JPS, the NJPS will be registered with HM Revenue and Customs (HMRC) for tax purposes which will allow individual judges to claim tax relief on the contributions they make but pension accrual will be subject to the annual and lifetime tax allowances. Although judges within ten years of pension age at 1 April 2012 will not be affected by this change, some younger judges who built up substantial pension savings before joining the judiciary could face large tax bills on their judicial pensions. Concerns were raised by the judiciary about the impact of this change and the Government has introduced a transitional protection allowance, paid alongside salary in lieu of pension accrual in the new scheme. All benefits accrued up to and including 31 March 2015 in current schemes are fully protected.

4.38 In its evidence The Council of HM Circuit Judges highlighted the changes to the JPS which reduced the overall reward package which it said would demoralise and demotivate the Circuit Bench as a whole. It went on to say that the reduction in the value of the package would impact on the quality of those applying for a position on the Circuit Bench. The High Court Bankruptcy Registrars also argued that the pension changes will have an adverse effect on recruitment as potential registrars are less likely to apply in the future.

4.39 In his evidence the LCJ said the dissatisfaction and unrest caused by the changes to the judicial pension scheme from 1 April 2015 have not settled. The LCJ added that those joining the NJPS in 2015 will receive an annual tax charge (£12,000 per annum for High Court Judges) and he expects some judges to be unable to afford to join the new scheme and for them to be left without a pension after 1 April 2015. In oral evidence, the Chief Justices said there were concerns about the application of the transitional protection and the LCJ said that there is still a group of judges contemplating litigation against the Government in relation to the changes.

4.40 Of those responding to the Survey, 73 per cent said that, given the current economic situation, the approach to pension entitlements that they would accept as fair would be a reduction only for new judges entering the judiciary. A majority of First-tier Tribunal and District Judges in England and Wales said that the changes in pension entitlements will affect them more than salary.

4.41 The Office of Manpower Economics commissioned research from Towers Watson[21] looking at changes in the value of public sector pension schemes between 2010 and 2016, reflecting changes to contribution rates to existing schemes and the introduction of new schemes from 2015. The impact of changes are dependent on a range of variables, including length of service and salary group but the data show, for a sample of judicial careers, that while the pension was worth between 38-44 per cent of salary in 2010, this will fall to being worth between 29-36 per cent of salary by 2016. Whilst these findings confirm the reduction in pension value for the judiciary, the study did find that in general public sector pension benefits are still relatively good compared with private sector benefits. A full quantification of changes was requested of us; but this is a significant undertaking and the study showed that the impact of changes is highly variable depending on the situation of individuals.

Affordability

4.42 The MoJ described its 2010 Comprehensive Spending Review settlement, covering the four years from 2011-12 to 2014-15, as 'extremely challenging', which require it to make savings of 23 per cent over the period. Moreover, it said it was required to find a further 10 per cent saving on its 2014-15 baseline in 2015-16. The MoJ said that several significant changes had taken place since the Spending Review settlement was agreed including the loss of and delay to planned savings, unexpected volume increases in some areas and the tightening economic and fiscal position over the past three years, all of which add to the cost pressures on the department.

4.43 Judicial remuneration comes out of Her Majesty's Courts and Tribunals Service (HMCTS) budget, and in 2014-15 is expected to be £480 million. Seventy-one per cent of this total relates to the permanent salaried judiciary in our remit group. The MoJ evidence said that HMCTS had delivered savings through reducing administrative staff head count, improved procurement and productivity. The MoJ estimated that each extra 1 per cent on the paybill would cost £5 million a year, which was the equivalent of 2,500 Crown Court days or 10,500 Chairmen days in tribunals.

4.44 The MoJ said that while O'Brien v Ministry of Justice and other related litigation[22] continued it was difficult to forecast what the final outcome of providing equal benefits to eligible fee-paid judicial office holders was likely to be. However, its view was that the cost could be as high as £2 billion.

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[21] https://www.gov.uk/government/publications/comparative-pension-valuation-for-review-body-remit-groups

[22] O'Brien v Ministry of Justice, Supreme Court judgment that fee-paid judges should have the same access to the judicial pension scheme as salaried judges.
Miller v Ministry of Justice, Employment Tribunal judgment that the Ministry is liable to provide eligible fee-paid judges with equivalent benefits to salaried judges for training fees, sick pay, London Weighting, writing up and daily fees.

Pay proposal 2015-16

4.45 Responsibility for judicial pay lies with the United Kingdom Government. In his 2012 Autumn Statement the Chancellor of the Exchequer extended the United Kingdom Government's public sector pay policy, for awards to average up to 1 per cent, to 2015-16. In its evidence the MoJ said that a pay settlement of 1 per cent applied evenly across the board would be its preferred approach. It said that this reflected the view expressed by the senior judiciary in their evidence to SSRB in previous years that in the context of pay restraint it is less divisive and fairer if all judges are treated the same.

4.46 The Scottish Government proposed a 1 per cent cap on the cost of the increase in basic pay in line with public sector pay policy in Scotland and said it was not in favour of implementing the outstanding recommendations from the 2011 major review. The Courts Reform (Scotland) Act 2014 gained Royal Assent on 10 November and provides for the creation of the office of Summary Sheriff and their full or part-time appointment. Sitting below the level of Sheriff they would deal with lower value civil business and summary crime and initial stages of procedural matters in 'solemn' cases (e.g. granting warrants for arrest). The Scottish Government is assuming, notwithstanding the recommendation of SSRB, a base salary of £103,950 (current salary group 7), in line with District Judges in England and Wales.

Status of SSRB's 2011 major review recommendations

4.47 In our 2011 report we made 14 recommendations following a major review[23] of the judicial salary structure (hereafter, the 2011 major review). Following publication of that report the Prime Minister said: 'Given in particular the two–year pay freeze that will be in place for public servants earning over £21,000 from April 2011, the Government are not announcing any immediate changes to judicial salaries, but are considering the detail of the report overall and will respond at an appropriate time.' In each year since then the Government has said it was unable to respond because of public sector pay policy and the extent of the fiscal challenge.

4.48 However, in its evidence for this round MoJ said it had now considered and fully evaluated all of the recommendations from the 2011 major review. It said that it found many of the recommendations persuasive but that it is not able to afford to implement all the recommendations without breaching public sector pay policy limits. It said that implementing all of the recommendations would add 1.95 per cent to the paybill. The MoJ response to the recommendations is set out in Table 4.2.

4.49 MoJ said it had concerns with the job evaluations relating to the recommendations on Upper Tribunal Judges and Employment Judges and the Chairman of the Industrial and Fair Employment Tribunal in Northern Ireland and that the recommendations on salary leads for the President of the Land Chamber and the Vice President of the Industrial and Fair Employment Tribunal (Northern Ireland) were dependent on acceptance of the recommendations on Upper Tribunal Judges and the Chairman of the Industrial and Fair Employment Tribunal in Northern Ireland. It proposed that the recommendations about coverage of the remit group and additional reward for fraud work should be considered as part of the next major review. Although MoJ said it could accept our recommendation that the salary lead and allowance paid to salary group 7 judiciary in the London area should not apply to new appointments it went further and said that London Weighting should also be removed from those judges who currently receive it.

[23] SSRB carries out a major review of the judicial salary structure approximately every five years.

Table 4.2: **MOJ response to 2011 SSRB major review recommendations**

recommendations MoJ said are acceptable	recommendations MOJ said it finds problematic
• The post of Chairman of the Mental Health Tribunal for Wales be moved from salary group 6.2 to salary group 6.1. • The post of Presiding District Judge (Magistrates' Court) in Northern Ireland be moved from 108 per cent of salary group 7 to salary group 6.2. • The role of Recorder of Belfast/Presiding County Court Judge in Northern Ireland be paid a salary lead over salary group 5 while County Court Judges continue to be paid at salary group 5. • That management salary leads be standardised at 5 per cent. Judges who are currently paid a larger salary lead should continue to receive the larger lead while they remain in those roles. • That the salary lead and allowance paid to salary group 7 judiciary in the London area should not apply to new appointments. • Implement the new salary structure SSRB recommended in 2011, with salaries uprated to the levels we recommended in our 2014 report.	• That the role of Judge of the Upper Tribunal be moved from salary group 6.1 to salary group 5. • That the President of the Lands Chamber receive a salary lead over salary group 5. • That the role of salaried Chairman of the Industrial Tribunals and Fair Employment Tribunal in Northern Ireland and the role of salaried Employment Judge within the Tribunals Service be moved from salary group 7 to salary group 6.2. • That the post of Vice President of the Industrial Tribunals and Fair Employment Tribunal in Northern Ireland be given a salary lead over salary group 6.2. • That all salaried judicial office holders in the United Kingdom be covered by our recommendations in future. • That issues of additional reward for fraud work and of an allowance for Resident Judges be considered by the Lord Chief Justice.

4.50 Judges from each of the Upper Tribunals wrote to us again arguing in favour of the major review recommendation on Upper Tribunals Judges as did the Presidents of the Employment Tribunals in England and Wales, Scotland and Northern Ireland in favour of the recommendation on Employment Judges.

4.51 The London Association of District Judges, the Chief Registrar of the High Court Bankruptcy Registrars and the Association of High Court Masters (including Registrars, Costs Judges and Principal Registry District Judges) ('the AHCM') all argued against changes to London Weighting and questioned whether its removal from existing judges was lawful. MoJ said that London Weighting, as opposed to the salary lead, 'is an allowance and therefore may be amended or withdrawn as per any other analogous allowance'.

4.52 The Association of HM District Judges asked SSRB not to make any changes to the judicial salary structure before the next major review, highlighting increased job weight and responsibilities for District Judges since the last major review. We also received submissions on behalf of Assistant Judge Advocates General, Mental Health Judges and High Court Bankruptcy Registrars arguing that changes to their roles since 2011 justified being moved to a higher pay grade.

4.53 In his written evidence the LCJ said that the major review recommendations should be implemented as soon as possible and that all judges should receive a pay rise. However, he went on to say that he would value our views on how the 1 per cent available this coming year should be deployed. The Lord President said that if implementation of the

2011 major review recommendations is to be within a 1 per cent limit then he too would find it helpful to hear the review body's views on how that might best be achieved. The LCJNI thought it important that there are meaningful pay increases right across the judicial tiers but failed to see how that can be achieved within current Government public sector pay policy but would value our views on how an award might be meaningfully and fairly applied.

Analysis and recommendation

4.54 This year the Survey has provided us with a valuable source of information, which we encourage the Chief Justices to run again. It is striking that the Survey shows that although judges are proud to be a part of the judiciary and feel valued by those they come into regular contact with, they feel less valued by the general public and the Government in particular. This reflects restrictions to their pay and changes to their pension entitlements both of which they feel leave them worse off. However, they are also concerned about changes in working conditions in the form of greater workloads, reduced administrative support, an increase in the number of litigants in person, poor IT systems and equipment.

4.55 We note the £500 million investment in reform of HMCTS and the stated aim to improve working conditions and efficiency in the longer term. However we also note the points made to us by the Chief Justices that the modernisation programme will involve considerable change to working practices and in the short term this may increase discontent. These planned changes come at a time when there is already significant dissatisfaction with pay, pensions and working conditions, which we can see are feeding uncertainty among the serving judiciary about whether to remain in the judiciary and whether to recommend a judicial career to talented practitioners. All of these factors have the potential seriously to affect both recruitment and retention.

4.56 The number of retirements at the moment does not suggest a significant outflow of experience from the bench although many of the current serving judiciary are sufficiently close to retirement to not be affected by the introduction of the new pension scheme. In our 2014 report we recommended that the Cabinet Office conduct exit interviews when members of our senior civil service remit group leave the service. We note that there is not a similar process in place when judges complete their time on the bench so we welcome the Chief Justices' stated intention to survey retired judges. We would recommend that the Chief Justices organise exit interviews with those who retire early and those who resign in order to understand the extent to which the issues raised in the Survey have influenced decisions to leave the bench.

4.57 The recruiting bodies report that they are able to appoint new judges to fill judicial vacancies but that the ratio of candidates graded as 'outstanding' to the number of vacancies at High Court level has declined and the JAC said it had some anxiety about a High Court competition running early in 2015. The Chief Justices expressed their concern about recruitment to the High Court in very stark terms.

4.58 Almost four years after our 2011 major review the Government has finally responded to the recommendations. It said it may be possible to consider staged implementation of some of those recommendations, which would add 1.01 per cent to the paybill, if SSRB expressed a clear view and there was clear support from the judiciary.

4.59 When the 2011 major review was undertaken, we considered the soundness and suitability of the then salary structure, the number of salary groups, the allocation of posts to specific groups, the differentials between those groups and their appropriate salaries as an overall package. Things have moved on and while we remain confident that our recommendations at the time were sound, there have clearly been further changes to the range and complexity of judicial roles. In the circumstances, if a major review is to begin later in 2015 we do not feel it is appropriate to implement a sub-set of the 2011 major review recommendations at this time.

4.60 Although the evidence does not suggest widespread difficulties recruiting to the judiciary and there has been no great surge in judicial retirements, the results of the Survey do show widespread dissatisfaction across the judiciary. We will be interested to see if there is any change to the number and pattern of judicial retirements after the introduction of the New Judicial Pension Scheme in 2015 and if the concerns of the Chief Justices and the JAC about recruitment to the High Court are borne out. At the moment there is not enough evidence to break with the affordability constraints that MoJ are working within, requiring it to find a 10 per cent saving on its 2014-15 baseline budget in 2015-16. However we are concerned that we may reach a point where the recruitment and retention evidence relating to the High Court requires a differential pay response. We also note that while a major review would offer an opportunity to address pay issues in the medium to longer term, issues in recruitment and retention could come very quickly.

4.61 On balance therefore we consider that the evidence is sufficient to justify an across the board increase of 1 per cent this year, and we recommend that, with effect from 1 April 2015, salaries for the judiciary should be increased by 1 per cent. The resulting amounts are set out in Table 4.3.

Recommendation 8: We recommend that with effect from 1 April 2015 salaries for the judiciary be increased by 1 per cent (see Table 4.3).

Table 4.3: **Recommended judicial salaries from 1 April 2015**

Salary group	Recommended judicial salaries from 1 April 2015
1	£247,112
1.1	£220,655
2	£213,125
3	£202,668
4	£177,988
5	£142,745
6.1	£132,184
6.2	£124,445
7	£106,040
Salaried medical members	£84,158
Stipendiary magistrates	£72,701

4.62 We were asked by the Scottish Government and the Lord President to advise on the salary of the newly created Summary Sheriffs. The Scottish Government said it was assuming a base salary in line with that of a District Judge in England and Wales. The Lord President said that he was undertaking a project to identify the optimum number of Sheriffs and Summary Sheriffs and will have better information on that when he provides evidence to us next year. In the circumstances we do not think it appropriate for us to advise on the pay for this role at the moment, but consider it alongside other judicial roles as part of the next major review.

The next SSRB major review

4.63 In its evidence this year MoJ said that a major review is both timely and necessary and that it should commence as soon as practicable at the end of the current pay round. The MoJ thinks that the timing is appropriate as the New Judicial Pension Scheme will have been introduced, it will be well placed to begin to make the necessary policy and pay changes resulting from the O'Brien judgment, and that consideration in any case needs to be given to the size and scope of the remit group. The Chief Justices said that over the past five years there had been a significant change in the range and complexity of roles throughout the judicial structure and that a new review was needed to measure the comparative weight and value of jobs in the judicial structure but also how they compared externally.

4.64 The last major changes to the judicial salary structure took place after the major review of 2006 and the Tribunals Review in 2008 and it is clear to us that a major review is necessary. Nonetheless such reviews are substantial pieces of work. They are time consuming and resource intensive for us and all the stakeholders in the process. It was disappointing that the Government took so long to respond to the 2011 major review. While we agree with the MoJ that a major review is required and we stand by to assist, for it to be a worthwhile exercise there must be a willingness from Government to engage seriously with the recommendations and in a timely fashion. We hope also that the review can be conducted within a stable policy framework for public sector pay.

Chapter 5

Very Senior Managers in the National Health Service

Our remit group

5.1 The Department of Health estimated that there were 485 Very Senior Managers (VSMs) in our remit on 1 October 2014, most of whom are employed by NHS England. A full list of organisations employing VSMs in our remit is at Appendix M. The majority of VSMs, in NHS Trusts and Clinical Commissioning Groups, are outside our remit.

5.2 The number of VSMs in the organisations covered by our remit has increased by 61 (14 per cent) from a year earlier. Those organisations reporting the largest increases in the number of VSMs employed were:

- NHS England (+17);
- Health Education England (HEE) (+15);
- The Care Quality Commission (CQC) (+14); and
- The NHS Trust Development Authority (NTDA) (+14).

The Department of Health explained that the CQC has changed the structure and number of its VSMs in the light of the Francis Inquiry and The Care Act 2014. It said that the increase in VSMs employed by NHS England was a result of NHS England being able to fill vacancies and creating new roles as its remit became clearer. HEE became fully operational in April 2013 and had still been in the process of filling VSM roles at the time of our last report. The Department said that the increase in NTDA numbers reflects new roles created to reflect Ministerial priorities.

Our 2014 report

5.3 In our 2014 report we recommended that the VSMs in our remit receive a 1 per cent pay increase, although we went on to say that if the pay of other groups in the NHS was increased by less than 1 per cent we realised that the Government would wish to take this into account when considering our recommendation. In March 2014, having rejected a recommendation from the NHSPRB to make a 1 per cent consolidated award the Government rejected our recommendation and said that 'as system leaders, very senior managers must set an example of pay restraint and also that their pay should be subject to greater restraint than that of staff delivering front-line NHS services. In the view of the Government, this can be achieved only by a zero pay award in 2014-15.'[24]

This year's remit and review of the 2012 VSM pay framework

5.4 The Parliamentary Under Secretary for Health wrote to SSRB on 28 August 2014 to set out the review body's remit for VSM pay for the 2015-16 pay round. This letter is at Appendix D. In it he explained that the Government would not ask SSRB to make a recommendation on VSM pay for 2015-16. Instead he invited SSRB to comment on the emerging findings from a review of the 2012 VSM pay framework.

5.5 The Minister attached the terms of reference for the review. These stated that the purpose of the review was to ensure that the 2012 VSM pay framework remained fit for purpose in terms of both its design and application. Areas the review would cover included: whether VSM jobs had been correctly evaluated; the operation of the performance-related pay scheme; the criteria for the award of Recruitment and Retention Premia; changes to the current arrangements for development pay; pay framework

[24] Prime Minister's Written Statement on 13 March 2014.

migration issues; possible restrictions on pay increases on promotion; and options for making improvements to the framework.

5.6 When he wrote in August the Parliamentary Under Secretary of State expected that the emerging findings from the review would be available by the end of September. However, he wrote again to SSRB in October 2014 (at Appendix E) to advise us of a significant delay. He said it was essential to have SSRB's input at the appropriate time but explained that emerging review findings would not be available until early 2015. He added that it was likely that the Government would be seeking comments outside SSRB's normal reporting cycle.

5.7 At the time of submitting this report we had yet to see the emerging findings from the review. We expect any SSRB involvement in the future to be as part of the normal round for our 2016 review.

Monitoring information

5.8 The Department of Health provided information about VSMs covered by SSRB's remit. This included data for 2013-14 showing that the paybill for the VSMs in our remit was £62.2 million, that 20 VSMs had either resigned, retired or left their post on secondment and a further 9 had been made redundant. The Department also told us that it expected the number of VSM posts to reduce in NHS England as part of a restructuring exercise as well as about changes in other organisations in SSRB's remit.

5.9 Two remuneration committees from employing organisations said the morale and motivation of the VSMs they employed was high. However, another one expressed concern at whether it could attract and retain high calibre VSMs in a highly competitive market.

5.10 On VSM performance pay in 2013-14, six of the organisations employing VSMs in our remit group (as listed at Appendix M) had made awards in accordance with Government policy to the top 25 per cent of performers to an upper limit of 5 per cent of reckonable pay. Five organisations had yet to decide whether to make a performance pay award to VSMs for 2013-14 and two had decided not to.

Discussion with directors from VSM employing organisations

5.11 In preparation for contributing to the review of the 2012 VSM pay framework SSRB members met directors from a range of VSM employing organisations within its remit in October 2014. The purpose of the meeting was to discuss the pay of VSMs and hear the perspectives of remit group employers on the Department's review of the 2012 VSM pay framework.

5.12 The meeting participants identified the priority as greater flexibility and less time-consuming bureaucracy in pay setting for both new and existing VSM roles. Other suggestions were for the review to bring: a clear transition plan for migrating all VSMs to one pay framework; more clarity and fewer variables to VSM job evaluation and pay; an end to pay overlap for VSMs with Agenda for Change rates; and a more flexible and open VSM performance pay system tailored to organisational objectives.

5.13 The directors reported low morale among the VSMs in their organisations. They stated that they felt they were working hard and for long hours on difficult issues but with no appreciation from Government or the prospect of a pay rise.

Managers in Partnership

5.14 Jon Restell, the Chief Executive of Managers in Partnership (MiP), the staff association that represents health service managers, told our secretariat that his organisation was less involved in the review of the 2012 VSM pay framework than in the exercise behind its creation, when MiP had sat on the procurement panel and worked with the management consultants. He said that MiP wanted greater involvement in the review as it adds a valuable perspective and has shown its ability to work in partnership.

5.15 Jon Restell welcomed SSRB's invitation to MiP to provide views on the framework review findings once these were available. He confirmed that a coherent all-encompassing pay system for NHS VSMs was a priority for MiP. He said MiP was aware of plans to make a significant number of VSMs redundant in NHS England and that MiP was dealing with increased membership casework as VSM working conditions and morale worsened.

Our comments

5.16 SSRB welcomes the opportunity to comment on the review of the 2012 VSM pay framework. However we are disappointed that the delay to the review means we have been unable to comment as part of our activity this year but we look forward to doing so as part of our work programme for the 2016 round. It is important that organisations with VSMs covered by our remit are able to recruit and retain high quality managers and the continued uncertainty around the pay framework for VSMs in these organisations is not helpful.

5.17 We note the increase in VSM numbers reported by the Department of Health this year. This would seem to indicate that pay levels are not a great impediment to recruiting VSMs. We are concerned that some organisations are choosing not to make performance pay awards. We recognise choosing no more than 25 per cent of an already small number of VSMs to be rewarded in this way can be difficult, but we urge the remuneration committees to make awards rewarding performance where they are able to do so.

Chapter 6

Police and Crime Commissioners (PCCs)

Our remit

6.1 There are 41 directly elected Police and Crime Commissioners (PCCs) in England and Wales. The first PCCs were elected in November 2012 with the next elections due in May 2016. In 2011 we were asked to make recommendations on the pay arrangements for PCCs that were adequate to encourage, retain and motivate candidates of sufficient quality, bearing in mind the proposed duties, management responsibilities and budgets of PCCs. In October of that year we made recommendations, accepted by Government, that the pay of PCCs should be between £65,000 and £100,000 and be broadly linked to the size and complexity of the respective police force. Those pay levels are set out in Appendix G and have been in place since PCCs were first elected in November 2012.

Our 2014 report

6.2 Our report in 2014 was the first where we considered the pay of PCCs as part of our annual remit. We recommended that the pay of PCCs should remain unchanged for 2014-15 and that the Home Office conduct a review of the rules and guidance relating to expenses incurred by PCCs while undertaking their duties. We also said we were content to agree to a proposal from the Home Secretary that any future pay recommendations should take effect from May rather than April of the year in question.

6.3 The Government accepted our recommendation that the rates of pay for PCCs should remain unchanged for 2014-15. However it did not accept our recommendation that the Home Office review the rules and guidance relating to PCCs' expenses, although it did say that it would continue to work with the Association of Police and Crime Commissioners (APCC) to ensure the expenses arrangements are clear.

Evidence

6.4 This year we again received written evidence from the Home Office and the APCC. We also visited the PCC for West Yorkshire.

Home Office

6.5 In its evidence the Home Office said that PCCs are responsible for setting the strategic direction of their force, holding Chief Constables to account and overseeing the effective and efficient use of millions of pounds of public money. It stated that PCCs were visible figures, accountable to their local electorate and giving communities a stronger voice in policing. The Home Office was confident that the current package for PCCs was sufficient to attract strong fields of candidates, which it pointed out have included former Ministers, Members of Parliament and current company directors.

6.6 The Home Office view was that PCCs should receive no pay increase this year. It said that it would be inappropriate to alter PCC salaries so soon after taking office and, with no substantive changes to the role that can be assessed at this time, PCCs' pay should be frozen for a further year. It said that when SSRB was considering whether to increase PCCs' pay it should note the following factors:

- PCCs' roles are still relatively new and have not changed substantially since they took office in November 2012;

- Although PCCs have taken on responsibility for commissioning victim services from October 2014, an assessment of the impact of this upon the role should be conducted before any decision is taken to reflect this additional responsibility in their salary;
- Current Government policy caps awards at 1 per cent;
- The Police Negotiating Board (PNB) agreed a 1 per cent increase for chief officers in England, Wales and Northern Ireland for 2013-14 and 2014-15. The force weightings used to govern chief officer pay provide a suitable mechanism to calibrate pay for PCCs;
- The next PCC elections will be held in May 2016 and PCCs will hold office for four year terms.

6.7 The Home Office explained that PCCs have taken on responsibility for commissioning victim services from October 2014, as they 'are ideally placed to understand the support needs of victims in their communities and commission services specific to the needs of their area'. Additionally a small number of PCCs have taken on responsibility for the provision of victims' referral arrangements and associated support from the Ministry of Justice in October 2014, with the remaining PCCs taking on those responsibilities from April 2015. PCCs will be provided with indicative budgets of almost £61 million in total for 2015-16 to provide these services.

6.8 As we said in paragraph 6.3 the Home Office rejected the recommendation we made in our 2014 report that it conduct a review of the rules and guidance relating to expenses incurred by PCCs while undertaking their duties. It said that it was appropriate that PCCs were reimbursed travel, subsistence and exceptional expenses incurred in carrying out their duties, but the system was not designed to provide a gratuity for undertaking the role. The Department's evidence said it is part of the role of the Chief Executive of the Office of the PCC to rigorously verify and audit all PCC expense claims and that expenses reimbursed to the PCC are published each quarter. It added that it was not aware of any examples of PCCs being unable to claim legitimately for expenses incurred, but that it continues to work with the APCC to ensure that PCCs understand the guidance already in place.

Association of Police and Crime Commissioners (APCC)

6.9 The APCC is the national body supporting PCCs. It said that since November 2012 PCCs have been responsible for combined police force area annual budgets of £8 billion, for holding the police to account and for ensuring community needs are met as effectively as possible. It also said that, as well as being accountable to their local electorates, PCCs work with different agencies at local and national levels to ensure a unified approach to preventing and reducing crime.

6.10 In its written evidence it pointed out that some PCCs are uncomfortable making proposals to SSRB about their own pay, especially shortly after what the APCC describes as a costly and poorly supported by-election in the West Midlands, the resignation of the South Yorkshire PCC and the announcement by at least one major political party that they would abolish the role. It surveyed its members and, of the 18 PCCs who responded, 14 said they were not in favour of the APCC making a pay proposal for 2015-16.

6.11 The APCC also surveyed its members on whether they would like to see a review of the expenses system. Nine of the PCCs who responded were in favour of a review and one issue raised was not being able to claim mileage for travel from home to the office which can be a significant distance. However the other nine survey respondents were not in favour of a review of the expenses system and the APCC concluded that they would not propose a review of the rules and guidance relating to expenses, although recognising that this view was not held universally by PCCs.

Conclusions

6.12 This is the second time we have considered the pay of PCCs as part of our annual remit. Neither the Home Office nor the APCC have yet to propose increasing the pay of PCCs.

6.13 The Home Office proposed that the pay of PCCs should not be increased this year as they have only been in place for a short time. The APCC did not feel able to make a pay proposal shortly after what it described as a poorly supported by-election, the resignation of a PCC and uncertainty about the longer term role.

6.14 We recommended the current rates of pay in 2011 before PCCs had been elected and based on an expectation of what the job was to involve. It is clear, with PCCs taking on responsibility for commissioning victims' services, that the role continues to evolve, but at this point we do not believe there is compelling evidence to justify an increase in PCC pay.

Recommendation 9: We recommend that the current rates of pay of Police and Crime Commissioners should remain unchanged for 2015-16.

6.15 In 2011 we recommended, and the Government accepted, that SSRB be asked to carry out a full review of the PCC roles and their remuneration to make pay recommendations to take effect from the second round of elections in 2016. We stand ready to undertake such a review should we be asked to do so by the Government.

6.16 When we considered the evidence for our 2014 report we found that PCCs were more likely to express concerns about being able to fully recoup the expenses they incurred as part of their duties and we encourage the Home Office and APCC to continue to work together to improve understanding of the guidance already in place.

Appendix A

List of those who gave evidence and information to the SSRB

The Senior Civil Service

Head of the Home Civil Service
Cabinet Office
FDA and Prospect
The Civil Service Commission

Senior officers of the Armed Forces

Ministry of Defence
Permanent Under Secretary for Defence
Chief of the Defence Staff
Chief of Naval Staff
Chief of General Staff
Chief of Air Staff
Chief of Defence Personnel
Senior military discussion group
Feeder group discussions

The Judiciary

The Lord Chancellor and Secretary of State for Justice
The Right Honourable the Lord Thomas of Cwmgiedd, Lord Chief Justice of England and Wales and The Right Honourable Lord Justice Vos
Lord President of the Court of Session
Lord Chief Justice of Northern Ireland
Ministry of Justice (included information from the Northern Ireland Courts and Tribunals Service)
Scottish Government
Judicial Appointments Commission (England and Wales)
Judicial Appointments Board for Scotland
Northern Ireland Judicial Appointments Commission
Supreme Court Justices
Bankruptcy Registrars of the High Court
Upper Tribunal Judges
Costs Judges of the Senior Courts Costs Office
Council of Appeal Tribunal Judges
Council of HM Circuit Judges
Council of Employment Judges
Council of HM District Judges (Magistrates' Courts)
Mental Health Judges' Association
Association of HM District Judges
Judge Advocate General
London Association of District Judges
The Association of High Court Masters (including Registrars, Costs Judges and Principal Registry District Judges) ('the AHCM')
Judges at Manchester Civil Justice Centre
Judges at Cardiff Crown Court
Written evidence from seven individual judicial post holders

Very Senior Managers in the National Health Service

Department of Health
Managers in Partnership
Discussion with seven directors from VSM employing organisations

Police and Crime Commissioners

Home Office
Association of Police and Crime Commissioners
Police and Crime Commissioner for West Yorkshire

Appendix B

Website references for publications

This SSRB report can be found at:
https://www.gov.uk/government/organisations/office-of-manpower-economics

Evidence submitted to the SSRB by the Cabinet Office:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/400236/SCS_Pay_-_Govt_Evi_2014_FINAL.pdf

Evidence submitted to the SSRB by the FDA/Prospect:
http://www.fda.org.uk/nmsruntime/saveasdialog.aspx?lID=3607&fileName=FDA-Prospect_evidence_to_SSRB_November_2014_final.pdf

Evidence submitted to the SSRB by the Ministry of Justice:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/373696/ssrb-annual-written-evidence-2015-16.pdf

Evidence submitted to the SSRB by the Home Office:
https://www.gov.uk/government/publications/home-office-evidence-submission-to-the-senior-salaries-review-body-2015-to-2016

Evidence submitted to the SSRB by the Association of Police and Crime Commissioners:
http://apccs.police.uk/

Appendix C

Letter from the Chief Secretary to the Treasury to the Senior Salaries Review Body of 29 July 2014

OFFICIAL

HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Review Body Members
Review Body on Senior Salaries
Office of Manpower Economics
Victoria House, Southampton Row
London WC1B 4AD

29 July 2014

Dear Review Body Members

PUBLIC SECTOR PAY 2015-16

I would like to thank you for your work on the 2014-15 pay round. I am strongly convinced of the role of the pay review bodies in determining national pay awards in the public sector and appreciate the important part the pay review bodies have played over the last four years. For a number of review bodies this has included providing expert advice and oversight of wider reforms to pay policy and systems of allowances, in addition to the annual award. I am confident the changes brought about by the pay review body recommendations in these areas are making a significant contribution to the improvement and delivery of public services.

2. You will have seen that for the 2014-15 pay round there were some review body recommendations which, after careful consideration, the Government decided were unaffordable at this time. I hope you will appreciate this was a difficult decision and that the Government continues to greatly value the contribution of the pay review bodies in delivering robust, evidence-based pay outcomes for public sector workers.

3. The Autumn Statement of 2013 highlighted the important role in consolidation that public sector pay restraint has played. The fiscal forecast shows the public finances returning to a more sustainable position. However, the fiscal challenge remains and the Government believes that the case for continued pay restraint across the public sector remains strong. Detailed evidence will be provided during pay review process, but at the highest level, reasons for this include:

a. Recruitment and retention: While recognising some variation between remit groups, the evidence so far is that, given the current labour market position, there are unlikely to be significant recruitment and retention issues for the majority of public sector workforces over the next year.

b. Affordability: Pay restraint remains a crucial part of the consolidation plans that are continuing to help put the UK back on to the path of fiscal sustainability – and continued restraint in relation to public sector pay will help to protect jobs in the public sector and support the quality of public services.

4. In the 2013 Budget the Government announced its policy that public sector pay awards would be an average of up to 1 per cent in 2015-16.

5. The pay review bodies will want to consider the evidence carefully in producing their reports. In particular, what award is justified within the bounds of pay restraint and whether there is a case for a higher award to particular groups of staff, relative to the rest of the workforce, due to particular recruitment and retention difficulties.

6. Pay awards should be applied to the basic salary based on the normal interpretation of basic salary in each workforce. This definition does not include overtime or any regular payments such as London weighting, recruitment or retention premia or other allowances.

7. Following the Government's announcement in the 2013 Spending Review, substantial reforms to progression pay have been taken forward or are already underway across the public sector. As in the 2014-15 pay round, the Government also asks the pay review bodies to again consider the impact of their remit group's progression structure and its distribution among staff in recommending annual pay awards.

8. In terms of the remit for very senior managers in the Department of Health's arm's length bodies, the Department of Health will write shortly with more details, but the Government may ask you to consider specific issues, other than a general pay uplift, that lie within your terms of reference.

9. I look forward to your recommendations, and reiterate my thanks for the invaluable contribution made by the Review Body on Senior Salaries during the course of this Parliament.

Best wishes

DANNY ALEXANDER

Appendix D

Letter from the Parliamentary Under Secretary of State for Health to the Acting Chair of the Senior Salaries Review Body of 28 August 2014

Department of Health

From Dr Dan Poulter MP
Parliamentary under Secretary of State for Health

Richmond House
79 Whitehall
London
SW1A 2NS

Tel: 020 7210 4850

POC5 883480

Margaret Edwards
Acting Chair
Senior Salaries Review Body
Office of Manpower Economics
Level 8
Fleetbank House
2-6 Salisbury Square
London EC4Y 8AE

28th August 2014

Dear Margaret,

VSM Pay: Remit for 2015/16

Following the letter of 29th July from the Chief Secretary to the Treasury, I am writing to you to set out in more detail the SSRB's remit for VSM pay for 2015/16.

I should first wish to add my own thanks to those of the CST for the robust and independent advice that the Government receives from the SSRB on VSM pay. I can assure you that we value this advice very highly and attach considerable importance to the role of the SSRB, informed as it is by expert, impartial and independent judgement. This is true even where, as in the previous review round, we are not able to accept your recommendations.

As you are aware, the Government decided that, in order to protect patient services and numbers of front-line NHS staff, it was not able to accept the recommendations of the NHS PRB and the DDRB for a consolidated 1% increase for all staff. It has however decided that all staff within the remits of these review bodies will receive additions to their pay worth at least 1% either through incremental progression or a non-consolidated addition to pay in both 2014/15 and 2015/16. Although the decision for VSM pay was for one year only, I recognise that that decision, in the context of the Government's clear position that VSMs in ALBs should be subject to greater pay restraint than staff delivering front line services, leaves the SSRB with few options in reviewing SSRB pay for 2015/16.

The Government therefore will not ask the SSRB to make a recommendation on VSM pay for 2015/16. However, as you will be aware, we are undertaking a review of the 2012 VSM pay framework this year. We are hoping to have some emerging findings from this review available by around the end of September. At this point we would propose to invite you to comment on these findings. The terms of reference for the review are attached below. Although we will not be aiming to provide the detailed evidence that would be required to support a normal pay review round, we will provide more limited evidence to help you assess the implications of the proposed amendments to the VSM pay framework. This might include information about recruitment and retention, staff morale from ALB staff surveys and targeted information about the financial challenges facing the ALBs. However, do let us know what you might find helpful.

As always, my officials will be happy to work closely with your secretariat to ensure you have all the information you need to assist your task of providing independent input to this important review.

Best wishes,

DR DAN POULTER

Annex

Review of VSM Pay Framework: Terms of Reference

The 2012 VSM pay framework was designed specifically for determining VSM pay in DH ALBs. It followed an independent review of the 2006 VSM pay framework, the main recommendations of which, including the central recommendation that the framework should be based on an analytical system of job evaluation, were accepted by the Govt.

The framework was developed with specialist technical input from Price Waterhouse Coopers and in partnership with the ALBs. However, the Department believes it is now necessary to conduct a review of the framework to ensure it remains fit for purpose in terms both of its design and application. The SSRB supports the need for this review which it suggested should be wide-ranging and go beyond the consideration just of absolute levels of pay and VSM numbers.

The principles on which the current pay framework is based are set out at para 2.1 of the framework document and will remain fundamental within the context of the review. However, the review should examine the extent to which these principles have been implemented in the application of the framework and whether there is a need for additional basic principles.

Areas the review will consider will include but are not restricted to:

- **Whether VSM jobs have been correctly evaluated in accordance with the framework**
- **The relationship of the NHS BSA job evaluators and the ALB rem coms**
- **The operation of the DH rem com, including relationships with ALB rem coms**
- **The operation of the performance-related pay scheme**
- **The criteria for the award of RRP**
- **Migration issues**
- **Options for making improvements to the framework, considering the advantages and disadvantages of each. These options will include:**
  - **Possible changes to the definitions of the evaluation levels**
  - **Further guidance relating to the practical use of the job evaluation system**
  - **Fewer pay points/broader pay ranges**
  - **Changes to the current arrangements for development pay**
  - **Possible restrictions on pay increases on promotion**

The review will require specialist technical input which DH will commission through an open tender exercise. It will be taken forward in close collaboration with the ALBs. Any changes recommended by the review will be subject to approval by Ministers and by HMT. The aim will be to implement a revised and updated VSM pay framework by 31 March 2015.

Appendix E

Letter from the Parliamentary Under Secretary of State for Health to the Acting Chair of the Senior Salaries Review Body of 28 October 2014

Department of Health

From Dr Dan Poulter MP
Parliamentary Under Secretary of State for Health

Richmond House
79 Whitehall
London
SW1A 2NS

Tel: 020 7210 4850

POC5 896080

Margaret Edwards
Acting Chair
Senior Salaries Review Body
Office of Manpower Economics
Level 8, Fleetbank House
2-6 Salisbury Square
London
EC4Y 8AE

28 OCT 2014

Dear Margaret,

I wrote to you on 28th August 2014 setting out in more detail the special remit for the SSRB for 2015/16 on the pay of very senior managers (VSMs) in DH arms-length bodies, following the letter from the Chief Secretary to the Treasury's letter of 29th July. I said that we would invite the SSRB to comment on the emerging findings of the review we are undertaking of the VSM pay framework and I know my officials have been keeping yours informed of the progress of the review. We expected that we would be able to share findings with you by the end of this month.

However, unfortunately I now believe it is necessary to write to you again to let you know of a possibly quite significant delay. Although the review has been proceeding at pace, making a certain amount of progress and our specialist consultants who are providing technical support and expertise may have emerging findings available in a few weeks' time, we think that we will still have a considerable amount of work to do to develop our proposals and consult with the arms-length bodies and other stakeholders before we are in a position to share them with you. Our current view is that this may not be until early next year.

I appreciate that you will already have committed the SSRB to a work programme based on my earlier letter and I do apologise for the change of plan and any inconvenience this may cause. We certainly do still consider it essential that we have the input of the SSRB at an appropriate stage, though I recognise that this is likely to mean that we will be asking for your comments outside the normal reporting cycle for the SSRB. I do hope this will be possible for you.

I understand that you have requested information from us to provide context for your consideration of the emerging findings resulting from the review and we will press on with obtaining this for you. We will ensure that our officials continue to work closely with the SSRB's secretariat to keep you informed of our progress and provided with all other relevant information.

Best wishes,

DR DAN POULTER

Appendix F:

Take-home pay – full calculations

Example 1 – VSMs

A Chief Executive in an Arm's Length Body paid £155,000 in 2009–10. Pay was unchanged until April 2013 when it increased by 1 per cent and has not changed since. He/she is a member of the NHS pension scheme making a personal contribution of 8.5 per cent in 2009–10, increased in stages to 14.5 per cent in 2014–15.

	2009–10		2014–15	
Gross Income	**£**	**Calculations**	**£**	**Calculations**
Base Pay	155,000		156,550	
Performance Pay				
Total Pay	**155,000**		**156,550**	
Pension Contribution	***13,175***	***£155,000 x 8.5%***	***22,700***	***£156,550 x 14.5%***
Personal Allowance	6,475		0	*the Personal Allowance of £10,000 reduces where income is above £100,000 – by £1 for every £2 of income above the £100,000 limit*
Taxable Pay	135,350	£155,000 – £6,475 – £13,175	133,850	£156,550 – £22,700
Income Tax	***46,660***	***(£37,400 x 20%) + (£97,950 x 40%)***	***47,167***	***(£31,865 x 20%) + (£101,985 x 40%)***
National Insurance	***4,747***	***(£5,715 x 0%) + (£38,160 x 11%) + (£111,125 x 1%) – (£35,100 x 1.6%)***	***5,883***	***(£7,956 x 0%) + (£33,909 x 12%) + (£114,685 x 2%) – (£34,268 x 1.4%)***
Take-home Pay	**90,418**	**£155,000 – £13,175 – £46,660 – £4,747**	**80,800**	**£156,550 – £22,700 – £47,167 – £5,883**

Change in take-home pay between 2009–10 and 2014–15	£	(%)	Calculations (between April 2009 and December 2014)
Nominal	**–£9,618**	**(–11%)**	
Real (based on RPI)	**–£24,052**	**(–27%)**	***RPI increased by 21.7%*** *£80,800/1.217 = £66,366*
Real (based on CPI)	**–£21,025**	**(–23%)**	***CPI increased by 16.4%*** *£80,800/1.164 = £69,392*
Real (based on CPIH)	**–£20,190**	**(–22%)**	***CPIH increased by 15.1%*** *£80,800/1.151 = £70,228*
Real (based on RPIJ)	**–£21,843**	**(–24%)**	***RPIJ increased by 17.8%*** *£80,800/1.178 = £68,575*

Example 2 – SCS

A senior civil servant in Pay Band 1 was paid £67,000 (placed in the 36th percentile for performance against objectives – i.e. for eligibility for non-consolidated performance-related pay (NCPRP)). Pay was then frozen for three years and increased by 1 per cent in both 2013–14 and 2014–15. In 2014–15 NCPRP was only available to the best performing 25 per cent and so he/she is no longer eligible. He/she is a member of the Principal Civil Service Pension Scheme making personal contributions of 1.5 per cent in 2009–10, increased in stages to 6.85 per cent in 2014–15.

	2009–10		**2014–15**	
Gross Income	**£**	**Calculations**	**£**	**Calculations**
Base Pay	67,000		68,347	
Performance Pay	6,080		0	
Total Pay	**73,080**		**68,347**	
Pension Contribution	***1,005***	***£67,000 x 1.5%***	***4,682***	***£68,347 x 6.85%***
Personal Allowance	6,475		10,000	
Taxable Pay	65,600	£73,080 – £6,475 – £1,005	53,665	£68,347 – £10,000 – £4,682
Income Tax	***18,760***	***(£37,400 x 20%) + (£28,200 x 40%)***	***15,093***	***(£31,865 x 20%) + (£21,800 x 40%)***
National Insurance	***3,928***	***(£5,715 x 0%) + (£38,160 x 11%) + (£29,205 x 1%) – (£35,100 x 1.6%)***	***4,119***	***(£7,956 x 0%) + (£33,909 x 12%) + (£26,482 x 2%) – (£34,268 x 1.4%)***
Take-home Pay	**49,387**	**£73,080 – £1,005 – £18,760 – £3,928**	**44,453**	**£68,347 – £4,682 – £15,093 – £4,119**

Change in take-home pay between 2009–10 and 2014–15	**£**	**(%)**	**Calculations (between April 2009 and December 2014)**
Nominal	**–£4,934**	**(–10%)**	
Real (based on RPI)	**–£12,875**	**(–26%)**	***RPI increased by 21.7%*** *£44,453/1.217 = £36,512*
Real (based on CPI)	**–£11,210**	**(–23%)**	***CPI increased by 16.4%*** *£44,453/1.164 = £38,177*
Real (based on CPIH)	**–£10,751**	**(–22%)**	***CPIH increased by 15.1%*** *£44,453/1.151 = £38,636*
Real (based on RPIJ)	**–£11,660**	**(–24%)**	***RPIJ increased by 17.8%*** *£44,453/1.178 = £37,727*

Example 3 – Judiciary (Circuit Judge Salary Group 6.1)

He/she was paid £128,296 in 2009–10. Pay was then frozen for three years and increased by 1 per cent in both 2013–14 and 2014–15. He/she is a member of the Judicial Pension Scheme (JPS) making contributions of 1.8 per cent in 2009–10, increased in stages to 5.0 per cent in 2014–15. As the JPS is a non-registered scheme, members do not qualify for tax relief on their contributions.

	2009–10		2014–15	
Gross Income	**£**	**Calculations**	**£**	**Calculations**
Base Pay	128,296		130,875	
Performance Pay				
Total Pay	**128,296**		**130,875**	
Pension Contribution	***2,309***	***£128,296 x 1.8%***	***6,544***	***£130,875 x 5.0%***
Personal Allowance	6,475		0	*the Personal Allowance of £10,000 reduces where income is above £100,000 – by £1 for every £2 of income above the £100,000 limit*
Taxable Pay	121,821	£128,296 – £6,475	124,331	
Income Tax	***41,248***	***(£37,400 x 20%) + (£84,421 x 40%)***	***45,977***	***(£31,865 x 20%) + (£92,466 x 40%)***
National Insurance	***4,480***	***(£5,715 x 0%) + (£38,160 x 11%) + (£84,421 x 1%) – (£35,100 x 1.6%)***	***5,370***	***(£7,956 x 0%) + (£33,909 x 12%) + (£89,010 x 2%) – (£34,268 x 1.4%)***
Take-home Pay	**80,258**	**£128,296 – £2,309 – £41,248 – £4,480**	**72,985**	**£130,875 – £6,544 – £45,977 – £5,370**

Change in take-home pay between 2009–10 and 2014–15	£	(%)	Calculations (between April 2009 and December 2014)
Nominal	**–£7,273**	(–9%)	
Real (based on RPI)	**–£20,311**	(–25%)	***RPI increased by 21.7%*** *£72,985/1.217 = £59,947*
Real (based on CPI)	**–£17,578**	(–22%)	***CPI increased by 16.4%*** *£72,985/1.164 = £62,680*
Real (based on CPIH)	**–£16,823**	(–21%)	***CPIH increased by 15.1%*** *£72,985/1.151 = £63,435*
Real (based on RPIJ)	**–£18,316**	(–23%)	***RPIJ increased by 17.8%*** *£72,985/1.178 = £61,942*

Example 4 – Senior Military

A 2-star on the 2nd point on the scale in 2009–10, paid £105,400. Although the pay scale was then frozen for three years and increased by 1 per cent in both 2013–14 and 2014–15, he continued to benefit from incremental progression each year. He is a member of the Armed Forces Pension Scheme which is a non-contributory scheme.

	2009–10		2014–15	
Gross Income	**£**	**Calculations**	**£**	**Calculations**
Base Pay	105,400		121,697	(assumes an annual increment from April each year)
Performance Pay				
Total Pay	**105,400**		**121,697**	
Pension Contribution	***0***		***0***	
Personal Allowance	6,475		0	*the Personal Allowance of £10,000 reduces where income is above £100,000 – by £1 for every £2 of income above the £100,000 limit*
Taxable Pay	98,925	£105,400 – £6,475	121,697	
Income Tax	***32,090***	***(£37,400 x 20%) + (£61,525 x 40%)***	***42,306***	***(£31,865 x 20%) + (£89,832 x 40%)***
National Insurance	***4,251***	***(£5,715 x 0%) + (£38,160 x 11%) + (£61,525 x 1%) – (£35,100 x 1.6%)***	***5,186***	***(£7,956 x 0%) + (£33,909 x 12%) + (£79,832 x 2%) – (£34,268 x 1.4%)***
Take-home Pay	**69,059**	**£105,400 – £32,090 – £4,251**	**74,205**	**£121,697 – £42,306 – £5,186**

Change in take-home pay between 2009–10 and 2014–15	£	(%)	Calculations (between April 2009 and December 2014)
Nominal	+£5,146	(+7%)	
Real (based on RPI)	**–£8,110**	(–12%)	***RPI increased by 21.7%*** *£74,205/1.217 = £60,949*
Real (based on CPI)	**–£5,330**	(–8%)	***CPI increased by 16.4%*** *£74,205/1.164 = £63,729*
Real (based on CPIH)	**–£4,563**	(–7%)	***CPIH increased by 15.1%*** *£74,205/1.151 = £64,496*
Real (based on RPIJ)	**–£6,081**	(–9%)	***RPIJ increased by 17.8%*** *£74,205/1.178 = £62,978*

Appendix G

Existing salaries for the SSRB remit groups

Senior civil servants in pay bands, median salaries and pay ranges, 2014

Pay band	Pay range	Median salary	Number in band
Permanent Secretaries	£142,000 – £200,000	£165,000 – £169,999	37
3	£104,000 – £208,100	£133,500	142
2	£85,000 – £162,500	£96,000	688
1A	£67,600 – £128,900	£78,500	104
1	£62,000 – £117,800	£74,000	2,782
Total		£76,900	3,753

Note: the above total of SCS members is lower than the total staff currently in post (3,802). The difference consists of SCS members in non-standard pay bands and with non-standard contracts, e.g. those paid at NHS rates.

Source: Cabinet Office.

Senior officers of the armed forces

	Value of scale points (from 1 April 2014)			
Scale point	CDS[2]	4-star	3-star[3]	2-star[3]
6		£188,906	£155,797	£121,697
5		£185,202	£151,332	£119,361
4	£257,777	£181,571	£146,998	£117,070
3	£252,723	£177,142	£141,441	£114,824
2	£247,767	£172,821	£134,826	£112,621
1 (Minimum)	£242,909	£168,606	£128,526	£110,463
Numbers in post[1]	1	7	27	95

[1] Numbers in post supplied by the MoD, and relate to numbers in post as of 1 July 2014.
[2] Chief of the Defence Staff.
[3] This includes X-Factor which is applied at the rate of £2,518, this sum being equivalent to 25 per cent of the cash value of X-Factor at the top of the OF4 pay scale from 1 April 2014.

Source: Ministry of Defence

Police and Crime Commissioners (PCCs)

Force	PCC Salary
Greater Manchester, West Midlands, West Yorkshire	£100,000
Avon & Somerset, Devon & Cornwall, Essex, Hampshire, Kent, Lancashire, Merseyside, Northumbria, South Wales, South Yorkshire, Sussex, Thames Valley	£85,000
Cheshire, Derbyshire, Hertfordshire, Humberside, Leicestershire, Nottinghamshire, Staffordshire, West Mercia	£75,000
Bedfordshire, Cambridgeshire, Cleveland, Dorset, Durham, Gwent, Norfolk, Northamptonshire, North Wales, North Yorkshire, Suffolk, Surrey, Wiltshire	£70,000
Cumbria, Dyfed-Powys, Gloucestershire, Lincolnshire, Warwickshire	£65,000

Police and Crime Commissioners for England and Wales were elected in November 2012 and salaries are those paid from that date.

Source: Home Office.

Members of the judiciary

Salary group	Salary from 1 April 2014	Number in post on 31 March 2014
1	£244,665	1
1.1	£218,470	4
2	£211,015	16
3	£200,661	49
4	£176,226	139
5	£141,332	99
6.1	£130,875	811
6.2	£123,213	39
7	£104,990	1,045
Salaried medical members	£83,325	7
Stipendiary magistrates	£71,981	3
Total		2,213

Sources: Ministry of Justice and Scottish Government.

The 2012 VSM pay framework – salary bands for the organisations' chief executives 1 April 2014

Organisation	SSRB Band	Floor £	Ceiling £
Care Quality Commission Monitor NHS England	F	175,000	225,000
Health Education England National Institute for Health and Clinical Excellence NHS Blood and Transplant Authority NHS Business Services Authority NHS Health and Social Care Information Centre NHS Litigation Authority NHS Trust Development Authority	E	150,000	200,000
Human Fertilisation and Embryology Authority	D	125,000	175,000
Health Research Authority Human Tissue Authority	C	100,000	150,000

Source: Department of Health.

The 2006 VSM pay framework
Pay for VSMs in Special Health Authorities (SpHAs) 2014–15

		Group 1 (£)	Group 2 (£)	Group 3 (£)
SpHA Chief Executive (CE)		**164,507–185,733**	**143,280–164,507**	**100,827–143,280**
	Mid-point	175,120	153,893	122,053
SpHA Directors	% of CE			
Finance	75%	131,340	115,420	91,540
HR and Workforce Development	70%	122,584	107,725	85,437
Information Management and Technology	60%	105,072	92,336	73,232

Source: Department of Health.

Pay for VSMs in Ambulance Trusts (ATs) 2014–15

		AT Band 1 (£)	AT Band 2 (£)	AT Band 3 (£)	AT Band 4 (£)
AT Chief Executive		113,892	122,569	130,162	151,855
AT Directors	% of CE				
Finance	75%	85,419	91,927	97,621	113,891
Operations	70%	79,724	85,798	91,113	106,298
Human Resources	60%	68,335	73,541	78,097	91,113

Source: Department of Health.

Appendix H

Existing base salaries of Permanent Secretaries in £5,000 bands (as at October 2014)

Band £	Number in Band	Office Holder
220,000 – 224,999	1	Chief Defence Materiel – Ministry of Defence
215,000 – 219,999	–	
210,000 – 214,999	–	
205,000 – 209,999	–	
200,000 – 204,999	1	Chief Medical Officer, Department of Health
195,000 – 199,999	1	Director of Public Prosecutions – Crown Prosecution Service
190,000 – 194,999	3	Cabinet Secretary and Head of the Civil Service
		Chief Executive of the Civil Service
		Permanent Secretary, Department for Communities and Local Government
185,000 – 189,999	–	
180,000 – 184,999	9	Permanent Secretaries:
		– Home Office
		– Ministry of Justice
		– HM Revenue and Customs
		– HM Treasury
		– Department for Work and Pensions
		– Ministry of Defence
		– Foreign and Commonwealth Office
		– Scottish Government
		National Security Adviser
175,000 – 179,999	1	Chief Scientific Adviser – Business, Innovation and Skills
170,000 – 174,999	1	Permanent Secretary:
		– Secret Intelligence Service
165,000 – 169,999	2	Permanent Secretaries:
		– Department of Energy and Climate Change
		– Transport

Band £	Number in Band	Office Holder
160,000 – 164,999	11	Permanent Secretaries:
		– Business, Innovation and Skills
		– Department of Health
		– Department for International Development
		– Environment, Food and Rural Affairs
		– Welsh Government
		– Government Communications HQ
		– Department for Education
		– Security Service
		Treasury Solicitor
		First Parliamentary Counsel and Permanent Secretary, Cabinet Office
		Second Permanent Secretary, HM Treasury
155,000 – 159,999	1	Permanent Secretary – Northern Ireland Office
150,000 – 154,999	5	Permanent Secretaries:
		– Department for Culture, Media and Sport
		– Office for National Statistics
		Second Permanent Secretaries:
		– HM Treasury
		– HM Revenue and Customs
		Prime Minister's Adviser on Europe and Global Issues, Cabinet Office
145,000 – 149,999	1	Chair of the Joint Intelligence Committee
140,000 – 144,999	–	

Source: Cabinet Office.

Appendix J

NATO rank codes and UK service ranks – officers

NATO code	UK Stars	Royal Navy	Royal Marines	Army	Royal Air Force
OF-9[1]	**4**	**Admiral**	**General**	**General**	**Air Chief Marshal**
OF-8[1]	**3**	**Vice Admiral**	**Lieutenant General**	**Lieutenant General**	**Air Marshal**
OF-7[1]	**2**	**Rear Admiral**	**Major General**	**Major General**	**Air Vice-Marshal**
OF-6	1	Commodore	Brigadier	Brigadier	Air Commodore
OF-5		Captain	Colonel	Colonel	Group Captain
OF-4		Commander	Lieutenant Colonel	Lieutenant Colonel	Wing Commander
OF-3		Lieutenant Commander	Major	Major	Squadron Leader
OF-2		Lieutenant	Captain	Captain	Flight Lieutenant
OF-1		Sub-Lieutenant	Lieutenant	Lieutenant	Flying Officer
OF(D)		Midshipman	–	Officer Designate	Officer Designate

Source: Ministry of Defence.

[1] These officers belong to our remit group.

Appendix K

Judicial salary structure at 1 April 2014[25]

Group 1

Lord Chief Justice

Group 1.1

Lord Chief Justice of Northern Ireland
Lord President of the Court of Session
Master of the Rolls
President of the Supreme Court

Group 2

Chancellor of the High Court
Deputy President of the Supreme Court
Justices of the Supreme Court
Lord Justice Clerk
President of the Family Division
President of the Queen's Bench Division
Senior President of Tribunals

Group 3

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

Group 4

High Court Judges[26]
High Court Judges (Northern Ireland)[27]
Outer House Judges of the Court of Session
Vice-Chancellor of the County Palatine of Lancaster[28]

Group 5

Chairman, Scottish Land Court/President, Lands Tribunal for Scotland
Chamber Presidents of First-tier Tribunals (Immigration and Asylum Chamber, General Regulatory Chamber, Health, Education & Social Care Chamber, Property Chamber, Social Entitlement Chamber, and Tax Chamber)
Chief Social Security Commissioner and Child Support Commissioner (Northern Ireland)
Circuit Judges at the Central Criminal Court in London (Old Bailey Judges)
Judge Advocate General
Judge of the First-tier Tribunal (Social Entitlement Chamber) and deputy Judge of the Upper Tribunal (former Chief Asylum Support Adjudicator, Asylum Support Tribunal)
Permanent Circuit Judges, Employment Appeals Tribunal
President, Employment Tribunals (England & Wales)
President, Employment Tribunals (Scotland)

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[25] Alphabetical order within salary group.

[26] Includes the posts of President, Employment Appeal Tribunal and President of the Upper Tribunal (Tax and Chancery Chamber), both of whom are High Court Judges.

[27] High Court Judges in Northern Ireland are also known as Puisne Judges. Includes the post of President of the Upper Tribunal (Immigration and Asylum Chamber), who is a High Court Judge in Northern Ireland.

[28] Post currently held by a High Court Judge.

Recorder of Belfast[29]
Recorder of Liverpool
Recorder of Manchester
Senior Circuit Judges
Senior District Judge (Chief Magistrate)
Sheriffs Principal
Specialist Circuit Judges, Chancery, Mercantile, Patents & Business List
Specialist Circuit Judges, Technology & Construction Court
Vice-Presidents of the Upper Tribunal (Immigration and Asylum Chamber) (former Deputy Presidents, Asylum and Immigration Tribunal)

Group 6.1

Chamber President of First-tier Tribunal (War Pensions and Armed Forces Compensation Chamber) (former President, Charity Tribunal)
Chief Bankruptcy Registrar
Chief Chancery Master
Circuit Judges
County Court Judges (Northern Ireland)[30]
Deputy Presidents of the First-tier Tribunal (Health, Education & Social Care Chamber)
President, Appeals Tribunal (Northern Ireland)
President, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)
President, Lands Tribunal (Northern Ireland)[31]
Regional Employment Judges (formerly Regional Chairmen, Employment Tribunal)
Registrar of Criminal Appeals
Senior Costs Judge
Senior District Judge, Principal Registry of the Family Division
Senior Judge of the Court of Protection
Sheriffs
Social Security and Child Support Commissioner (Northern Ireland)
Upper Tribunal Judges (Administrative Appeals Chamber, Immigration and Asylum Chamber,[32] Lands Chamber and Tax and Chancery Chamber)
Vice-President, Employment Tribunal (Scotland)

Group 6.2

Adjudicator, HM Land Registry
Chairman, Mental Health Review Tribunal (Wales)[33]
Deputy Principal Judge of the First-tier Tribunal (Social Entitlement Chamber) (former Deputy Chief Asylum Support Adjudicator)
Deputy Senior District Judge (Magistrates' Courts)
Designated Immigration Judges
Regional Chairmen, Mental Health Review Tribunals (Health, Education & Social Care Chamber)
Surveyor Members, Lands Tribunal (Northern Ireland)
Surveyor Members, Lands Tribunal (Scotland)
Surveyor Members, Upper Tribunal (Lands)
Vice-Judge Advocate General
Vice-President, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)

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

[30] Post holders are paid the salary for Group 5 so long as they are required to carry out significantly different work from their counterparts elsewhere in the UK.

[31] This role is currently carried out by a Lord Justice of Appeal.

[32] These judges are also called Senior Immigration Judges.

[33] The Welsh Assembly Government is responsible for the Chairman of the Mental Health Review Tribunal (Wales) post.

Group 7[34]

Assistant Judge Advocates General
Chairmen, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)
Chief Medical Member, First-tier Tribunal, Social Entitlement Chamber and Health, Education & Social Care Chamber
Coroners (Northern Ireland)
Costs Judges
District Judges
District Judges of the Principal Registry of the Family Division
District Judges (Northern Ireland)
District Judges (Magistrates' Courts)
District Judges (Magistrates' Courts) (Northern Ireland)
Employment Judges (England and Wales and Scotland)
Judges of the First-tier Tribunal (Health, Education & Social Care Chamber, Immigration and Asylum Chamber,[35] Property Chamber, Social Entitlement Chamber, Tax Chamber and War Pensions and Armed Forces Compensation Chamber)
Masters and Registrars of the Supreme Court
Masters of the Supreme Court (Northern Ireland)
Presiding District Judge (Magistrates' Courts) (Northern Ireland)[36]
Queen's Bench Masters
Senior Coroner (Northern Ireland)[37]

Other

Salaried Medical Members, Social Entitlement Chamber[38]
Stipendiary Magistrates

[34] Group 7 post holders in London are paid an additional £2,000 salary lead and an additional £2,000 London allowance.

[35] These judges are also called Immigration Judges.

[36] This post is paid at 108 per cent of the Group 7 salary.

[37] This post is paid at 110 per cent of the Group 7 salary.

[38] This post is paid £83,325.

Appendix L

Recommendations on the judiciary – SSRB's Thirty-Third Report

Recommendation 2: We recommend the following changes:

- The role of Judge of the Upper Tribunal be moved from salary group 6.1 to salary group 5.
- The post of President of the Lands Chamber be given a salary lead of 5 per cent over salary group 5.
- The post of Chairman of the Mental Health Tribunal for Wales be moved from salary group 6.2 to salary group 6.1.
- The role of salaried Chairman of the Industrial Tribunals and Fair Employment Tribunal in Northern Ireland and the role of salaried Employment Judge within the Tribunals Service be moved from salary group 7 to salary group 6.2.
- The post of Vice President of the Industrial Tribunals and Fair Employment Tribunal in Northern Ireland be given a salary lead over salary group 6.2.
- The post of Presiding District Judge (Magistrates Court) in Northern Ireland be moved from 108 per cent of salary group 7 to salary group 6.2.

Recommendation 3: We recommend that the post of County Court Judge in Northern Ireland continue to be placed in salary group 6.1 but that it be paid at the rate of salary group 5 while the non-jury trial provisions remain in force.

Recommendation 4: We recommend that the role of the Recorder of Belfast/Presiding County Court Judge in Northern Ireland be paid a salary lead over salary group 5 while County Court Judges continue to be paid at salary group 5.

Recommendation 5: We recommend that all salaried judicial office holders in the United Kingdom be covered by our recommendations in future.

Recommendation 6: We recommend that the salary lead and the allowance continue to be paid to existing group 7 judiciary in the London area who currently receive these payments, while they remain in post, but these payments should not apply to new appointments.

Recommendation 7: We recommend that management salary leads be standardised at 5 per cent. Judges who are currently paid a larger salary lead should continue to receive the larger lead while they remain in those roles.

Recommendation 8: We recommend that the issues of additional reward for fraud work and of an allowance for Resident Judges be considered by the Lord Chief Justice. We will consider further evidence on these issues as part of our next annual report.

Recommendation 9: We recommend that the proposed new salary structure be implemented once that is consistent with public sector pay policy.

Recommendation 10: We recommend that from 1 April 2011 newly appointed judges should be paid at the lower of the proposed new rate and the old rate for the salary group to which the post is now allocated from 1 April 2011. Those appointed to London posts in group 7 should not receive the London salary lead and allowance and salary leads for newly appointed judges should be 5 per cent.

Appendix M

NHS Very Senior Managers (VSMs) – organisations and numbers in SSRB's remit on 1 October 2014

Organisations	Estimated number of VSMs on 1 October 2014
NHS England	225
NHS Business Services Authority[39]	83
NHS Trust Development Authority	41
Health Education England[40]	34
Ambulance Trusts[41]	30
Care Quality Commission	20
Monitor	11
NHS Health and Social Care Information Centre	10
NHS Blood and Transplant Authority	9
National Institute for Health and Clinical Excellence	7
Human Tissue Authority	5
NHS Litigation Authority	5
Human Fertilisation and Embryology Authority	4
Health Research Authority	1
TOTAL	**485**

[39] The VSMs employed in NHS Commissioning Support Units, which are hosted by the NHS Business Services Authority, are in SSRB's remit. The number of VSMs comprises 6 VSMs in the Business Services Authority and 77 in the 11 Commissioning Support Units.

[40] Includes 26 VSMs employed in the Local Education and Training Boards.

[41] East Midlands; East of England; London; North West and Yorkshire are the five Ambulance Service NHS Trusts still in SSRB's remit.

Appendix N

Glossary of terms and abbreviations

General

Accrual rate	The rate at which future benefits in a defined-benefit pension scheme accumulate
Base pay	Basic salary, excluding non-consolidated bonuses, allowances, value of pensions, etc
CSR	Comprehensive Spending Review
CIPD	Chartered Institute of Personnel and Development
CPI	Consumer Prices Index
CPIH	Consumer Prices Index including owner-occupiers' housing costs
GDP	Gross Domestic Product
IDS	Incomes Data Services
Office for Budget Responsibility	Created in 2010 to provide independent and authoritative analysis of the UK's public finances
ONS	Office for National Statistics
Pay Band	A salary range with a minimum and maximum within which posts are allocated
RPI	Retail Prices Index
RPIJ	Retail Prices Index (calculated using the Jevons formula)
SSRB	Senior Salaries Review Body
Take-home pay	Basic salary and any performance-related pay less income tax, National Insurance and, where appropriate, pension contributions

Senior civil service

Civil Service Commission	Oversees appointments to senior positions within the SCS to ensure fair and open competition for jobs.
SCS	Senior civil service/servants

Senior officers in the armed forces

AFCAS	Armed Forces Continuous Attitude Survey
AFPRB	Armed Forces' Pay Review Body
CDS	The Chief of the Defence Staff
MoD	Ministry of Defence
MODOs	Medical and dental officers
X-Factor	The X-Factor is an addition to military pay that recognises the special conditions of service experienced by members of the armed forces compared with civilian employment

The judiciary

HMCTS	Her Majesty's Courts and Tribunals Service
JAC	Judicial Appointments Commission (England and Wales)
LCJ	Lord Chief Justice of England and Wales
LCJNI	Lord Chief Justice of Northern Ireland
Lord President	Lord President of the Court of Session
MoJ	Ministry of Justice
Spot rate	Judges are all paid a standard amount in each salary group. This contrasts with Senior Civil Servants whose base pay can be any amount within a specified pay band.
NIJAC	Northern Ireland Judicial Appointments Commission
Salary group	The grouping of judicial posts, for pay purposes, according to job weight. See Appendix K.

NHS Very Senior Managers

MiP	Managers in Partnership
NHSPRB	National Health Service Pay Review Body
SpHA	Special Health Authority
VSMs	Very Senior Managers

Police and Crime Commissioners

PCCs	Police and Crime Commissioners
APCC	Association of Police and Crime Commissioners

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