CIVIL SERVICE COMMISSION

SENIOR SALARIES, TERMS & CONDITIONS – RECENT DEVELOPMENTS

Issue

1. Commissioners may be interested in the recent Report by the Senior Salaries Review Body (SSRB) and the Government’s response. Although this is ‘for information’ only, Commissioners will want to reflect on the impact of this Report and the Government’s response for recruitment of talented individuals from a diverse range of backgrounds to the Civil Service and their subsequent retention.

Recommendations

2. That the Board notes the summary of the SSRB recommendations; the Government’s response; and the consultation under way on changes to the SCS terms and conditions.

Detail

SSRB Report

3. The SSRB published its 35th Report on Senior Salaries in March 2013.¹ In respect of the Senior Civil Service (SCS) it concluded:

“There are serious, well-identified and long-standing problems with the SCS pay system but the Government has declined to propose the necessary major reform this year, although the Northern Ireland Executive has shown how this can be done by implementing a new pay system based on our proposals.”

4. The recommendations along with a summary of the Government’s response are set out in more detail in Annex A. The Government’s response is set out in full at Annex B.

5. Pending more significant reforms (see below), the SSRB recommended increases to the minima and maxima for each pay band and, for the current year, the retention of the existing arrangements for non-consolidated performance-related payments, including the cap on maximum payments, which the Government had proposed to lift. It also stated that it supported “on an experimental basis” and “for a narrowly defined group of SCS members while they are managing major projects” the Government’s proposal to introduce a new “pivotal role allowance”.

6. The SSRB’s main recommendation for SCS pay was that the system should be overhauled along similar lines to what has been done in the Northern Ireland Civil Service (NICS) – see Annex C. The Government has agreed to consider

which elements of the NICS system might be adopted for the Home Civil Service (HCS) but refused to give any commitment on implementation.

Review of SCS terms and conditions

7. The Civil Service Reform Plan proposed that the terms and conditions of employment in the civil service – in particular annual leave, privilege leave, occupational sick pay, hours of work, mobility and probation – should be reviewed.

8. Below the SCS, the reviews are being done individually by departments. The Cabinet Office is conducting a single review of SCS terms and conditions across the whole of the SCS. In some cases, the proposed changes at SCS level reflect changes being proposed by departments below the SCS but there are some variations. The changes proposed as part of the SCS review are set out in Annex D.

9. 
10.Relevant press articles are attached at Annex E.

Secretariat
April 2013
### ANNEX A – SSRB RECOMMENDATIONS AND GOVERNMENT RESPONSE

<table>
<thead>
<tr>
<th>SSRB recommendation</th>
<th>Government response&lt;sup&gt;2&lt;/sup&gt;</th>
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<tr>
<td>Government should examine the revision of the SCS pay system for the NICS with a view to implementing a similar system for the HCS from 2016.</td>
<td>Agreed to consider which elements of the NICS system may be suitable for HCS but “cannot give any commitments about implementation”.</td>
</tr>
<tr>
<td>Pay band minima to be increased to:</td>
<td></td>
</tr>
<tr>
<td>£61,500 for PB1</td>
<td>Accepted for PB2 and PB3.</td>
</tr>
<tr>
<td>£69,000 for PB1A</td>
<td>Not accepted for PB1 or PB1A.</td>
</tr>
<tr>
<td>£84,000 for PB2</td>
<td></td>
</tr>
<tr>
<td>£103,000 for PB3</td>
<td></td>
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<tr>
<td>An increase of 1% for all SCS staff other than the bottom 10% of performers.</td>
<td>Not accepted.</td>
</tr>
<tr>
<td></td>
<td>The equivalent recommendations of a 1% uplift for senior military officers, very senior NHS managers and the judiciary were accepted.</td>
</tr>
<tr>
<td>Pay band maxima to be increased to:</td>
<td>Not accepted.</td>
</tr>
<tr>
<td>£118,978 for PB1</td>
<td></td>
</tr>
<tr>
<td>£130,189 for PB1A</td>
<td></td>
</tr>
<tr>
<td>£164,125 for PB2</td>
<td></td>
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<tr>
<td>£210,181 for PB3</td>
<td></td>
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<tr>
<td>For this year, the current arrangements for non-consolidated, performance-related payments should be maintained, including the cash limits on the maximum amount of payments for each pay band.</td>
<td>Not accepted the recommendation to retain existing cash limits on maximum payments.</td>
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ANNEX B – FULL TEXT OF PRIME MINISTER’S STATEMENT

The Prime Minister (Mr David Cameron): The 35th report of the Review Body on Senior Salaries (SSRB) is being published today. This makes recommendations about the pay of the senior civil service (SCS), senior military officers, the judiciary and very senior NHS managers. Copies have been laid in the Vote Office, the Printed Paper Office and the Libraries of both Houses. I am grateful to the chairman and members of the review body for their work on this year’s report.

While we are mindful of the need to ensure that we are able to recruit, retain and motivate staff with the right skills and experience, it is important in the current economic climate that senior public servants continue to show leadership in the exercise of pay restraint.

Senior Civil Service

The Government have accepted the recommendation to consider which elements of the Northern Ireland senior civil service (SCS) pay model may be appropriate for the home SCS, but cannot give any commitments about implementation at this time.

The Government have accepted the recommendations on minimum salaries for SCS pay bands 2 and 3 but has not accepted the recommendations for pay bands 1 and 1A.

The Government have not accepted the recommendation to give all staff a 1% increase and to increase the maximum of each pay band by 1%. We have also not accepted the recommendation to retain the existing caps on the size of individual non-consolidated performance awards.

Senior Military Officers

The Government have accepted the recommendation of an increase of 1% to base military salaries for all 2, 3 and 4-star officers.

Judiciary

The Government have accepted the recommendation that the salaries of the judiciary should be increased by 1%.

As a result of the current fiscal challenge and public sector pay policy it is not possible at present to respond to the SSRB’s latest recommendations about the major review. The Government note the proposals but will not be able to respond at this time.

Very Senior NHS Managers

The Government have accepted the recommendation to increase the pay of those NHS very senior managers within the remit of the SSRB by 1%.

The Government have not accepted the recommendation that all very senior managers should be migrated to the terms of the pay framework published in May 2012 as we do not think this is the best use of scarce resources. The new pay framework is clear that it must apply to all new appointments and that where very senior managers are employed in the same organisation on different frameworks, employers should undertake an equal pay review and

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3 House of Commons Official Report, 14 May 2013, Columns 27WS-28WS
remedy any inequalities identified. This satisfies all of the requirements of employment law and good practice.

The Government therefore have also rejected the recommendation to suspend performance-related pay in 2013-14 as we believe this plays a useful role in the recruitment, retention and motivation of very senior managers and should continue as a feature of the pay system.

*Other Review Body reports for 2013-14*

Separate statements from the Secretaries of State for Justice, Health and Defence will also be laid today on the reports of the Prison Service Pay Review Body, the Doctors and Dentists Review Body, the NHS Pay Review Body and the Armed Forces Pay Review Body in respect of pay for the relevant workforces for 2013-14. The Government’s response to those reports is consistent with the need for senior public servants to show leadership in the exercise of pay restraint.
ANNEX C – RECENT CHANGES IN THE NICS SCS PAY ARRANGEMENTS

In 2010, the NI Minister for Finance and Personnel commissioned a special review of the NICS SCS pay by the SSRB. The SSRB’s report identified a number of problems with the pay system, in particular:

- the very wide span of pay bands, which served to set unrealistic expectations both to staff and external observers of the actual or potential earnings of civil servants;
- the spread of individuals’ salaries along the pay bands and the lack of pay progression for staff clustered close to the band minima;
- overlapping pay bands, both within the SCS and, in particular, with the non-SCS Grade 6 pay scale, with the result that existing staff in the SCS could be ‘leapfrogged’ by new promotes or find themselves managing staff who were getting paid more than them;
- the absence of what could be regarded as a ‘pay norm’ for the role in each of the pay bands; and
- the absence of a structured system of pay progression, with the consequence that differentials in the remuneration of staff at the same grade tended to be perpetuated over time.

The NI Executive accepted the SSRB’s recommendations and, from 2012, introduced a significantly different pay system for NICS SCS staff. The main features of the new system are:

- shortened pay ranges for each pay band (achieved primarily by very significant reduction in the pay band maxima, although a recruitment/retention premium may be paid for staff with specialist skills where necessary);
- no overlaps between pay bands, and overlap with Grade 6 removed;
- (from 2013) the introduction of ‘one step’ progression, up a series of pay points (11 for each pay band) for satisfactory performers; and
- a removal of non-consolidated performance-related bonuses.

The table below shows the 2012 minima and maxima for pay ranges in the NICS and HCS.

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<tr>
<td></td>
<td>Minimum</td>
<td>Maximum</td>
</tr>
<tr>
<td>Pay Band 1</td>
<td>£63,360</td>
<td>£77,500</td>
</tr>
<tr>
<td>Pay Band 2</td>
<td>£81,600</td>
<td>£99,100</td>
</tr>
<tr>
<td>Pay Band 3</td>
<td>£103,700</td>
<td>£130,700</td>
</tr>
</tbody>
</table>

As can be seen, the pay bands in the NICS are much shorter than in the NCS (the maxima are significantly lower for the NICS) and, in the case of PB1 and PB3, the minima are higher in the NICS – by nearly 9% at PB1 level.

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ANNEX D  PROPOSED CHANGES TO SCS TERMS AND CONDITIONS

NB: Because reviews of terms & conditions below SCS level are being done individually by departments we do not have visibility of all the proposed changes and the level of consistency. We have set out the Government’s proposals for the SCS below, along with the Cabinet Office’s proposals for its non-SCS staff (in italics) as an illustrative comparator.

Privilege leave
Currently, all SCS staff (like staff below SCS) are entitled to 2.5 days privilege leave. One day is given for the Queen’s Birthday, which will remain. The Government proposes that, for existing SCS staff, the remaining 1.5 days privilege leave would be rebranded as annual leave (see below) which could be added to existing annual leave and taken flexibly rather than on set days. The Cabinet Office proposal for existing non-SCS staff is identical to this.

Annual leave
The Government proposes to cap annual leave to 30 days a year for staff who join the SCS from April 2013. Existing SCS staff whose annual leave entitlement has been increased to 31.5 days after amalgamating privilege leave (see above) would retain that additional limit only while they remained in their current grade. If they were promoted, their leave entitlement would drop to 30 days. For non-SCS staff, the Cabinet Office propose no change to existing staff. New starters would begin on 25 days and increase incrementally to 30 days after five years’ service.

Hours of work
Currently, SCS staff are formally contracted for 41 hours (gross) per week in London and 42 hours per week elsewhere in the UK. The Government proposes to harmonise the contracted working hours for all SCS to 42 hours (gross). This change would apply to all new joiners and to existing civil servants who are promoted into or within the SCS from April 2013. The Cabinet Office proposal for non-SCS staff is similar (albeit framed in terms of net hours – 36 & 37) but would only apply to new joiners. Existing staff would remain on their current T&Cs irrespective of whether they were promoted, unless they were promoted to the SCS in which case the SCS change would apply.

Occupational Sick Pay
Responsibility for determining entitlement to occupational sick pay has been delegated to departments for SCS as well as non SCS staff. The Cabinet Office does not propose any change for its existing non-SCS staff, but proposes for new starters, from October 2013, that the current entitlement of 6 months’ full sick pay followed by 6 months’ half pay should be reduced to one month’s full pay and one month’s half pay in year one, rising incrementally each year to a maximum of five months’ full pay and five months’ half pay by the fifth year.
UNDERPERFORMING civil servants are to be allowed to retain generous perks, despite promises of a Coalition crackdown.

Hundreds of thousands of Whitehall workers are entitled to perks that include a shorter working day for staff in London because it takes longer to get to work and extra holidays as "privilege days".

Francis Maude, the Cabinet Office minister, and Sir Bob Kerslake, the head of the Civil Service, set out plans last year to cut down on perks that were out of step with modern working practices.

However, Mr Maude and Sir Bob have now admitted that the changes will apply only to recruits or newly-promoted officials due to the difficulty of changing the terms of existing contracts. The change means that civil servants deemed not good enough to be promoted will be left with the best contractual perks, while those who excel will lose out.

Whitehall has imposed a recruitment freeze, so the change might affect only a small proportion of officials.

The minister and Sir Bob disclosed the new measures in a letter to the entire 451,000 workers in the Civil Service last month.

They said: "The Civil Service will continue to offer employment terms that are among the best available."

"The proposed changes will apply to new entrants and, potentially, staff on promotion."
The Cabinet Office has written to every government department urging them to look at reforming six employment areas for recruits and civil servants who are promoted. These include cutting down on holidays, "sick pay" and stricter probation rules.

The departments should also stop letting civil servants in London work an hour less than others because it takes longer to get to work and remove a "mobility clause" that stops them working away from the office.

Unions said the changes would effectively deter people from being promoted. Rob O'Neill, the assistant general secretary of the First Division Association, said: "We are arguing that it will be a disincentive to go for promotion."

Tory MPs criticised the Coalition for failing to change the terms and conditions for all staff – and effectively punishing those who were ambitious.

Priti Patel, the MP for Witham, said: "They should apply changes across the board. In these days when everyone is doing more for less, we have got to make sure we change the culture of the civil service, by rewarding it when it is a success and not when it is a failure."

A Cabinet Office spokesman said: "The Civil Service will remain a good employer so it can attract high quality staff."

The Telegraph

NEWS
Underperforming civil servants are to be allowed to keep hold of generous job perks despite promises of a Coalition crackdown.
By Christopher Hope Senior Political Correspondent
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2 April 2013
11:53
The Telegraph Online
TELUK
English
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These include allowing staff in London to work a shorter working day because it takes time to get into work and getting extra days off as "privilege days".

Cabinet Office minister Francis Maude and Sir Bob Kerslake, the head of the civil service, set out last year plans to cut down on staff perks that were out of step with modern working.
Mr Maude had asked departments to identify terms and conditions “that are beyond what a modern employer would provide”, according to sources, prompting reports that they would be axed.

In January Katherine Kerswell, director-general of civil service reform at the Cabinet Office, who is pushing through the changes, said: “Each department, as its own employer, is pursuing its own negotiations around its terms and conditions of service.

“They’re all beginning that now, and it’s going to be a tough conversation but it’s a very positive process”.

However, Mr Maude and Sir Bob have now admitted the changes – which had caused anxiety among unions - will only apply to new recruits or to newly promoted officials.

The change will mean perversely that civil servants who are neither good enough to be promoted, or hired from elsewhere, will be left with the best contractual perks.

Given that Whitehall currently is in the grip of a recruitment freeze, it might mean the changes only affect a very small proportion of officials.

The minister disclosed the change in a letter to the entire 451,000-strong civil service last month, co-written with Sir Bob Kerslake, the head of the civil service.

In the letter, sent last month, they said: “When we talk to civil servants, ‘Terms and Conditions’ are often raised.

“The Civil Service will continue to offer employment terms that are among the best available. The proposed changes will apply to new entrants and, potentially, staff on promotion.”

The Cabinet Office has now written to every Government department urging it to look at reforming six different employment areas for new recruits and ambitious civil servants who are promoted.

These include cutting down on holidays, “occupational sick pay” and stricter probation rules.

The departments should also stop letting civil servants in London work an hour less than others because it takes longer to get to work and remove a “mobility clause" which stops them working away from the office.

It emerged last year that some officials were able to use their contractual terms to work nine-day fortnights by cutting short their lunch breaks and staying in their offices until 6pm.

Civil servants are automatically given an extra two and a half ‘privilege’ days off every year, including on Maundy Thursday and the Queen’s Birthday.
It is likely that some of these will be rolled into a generous allocation of six weeks’ annual leave plus eight bank holidays.

A Cabinet Office source said: “Some terms and conditions are contractual and cannot be changed while civil servants are in post, which is why departments may choose to change them for new entrants or those on promotion.”

Unions warned that the changes would effectively put people off from being promoted. Rob O’Neill, assistant general secretary of the First Division Association, told Civil Service World [http://www.civilserviceworld.com/cabinet-office-backs-down-on-terms-and-conditions-reform/]: “We are arguing that it will be a disincentive to go for promotion.”

Tory MPs criticised the Coalition for failing to change the terms and conditions for all staff – and effectively punishing those who were ambitious or were recruited.

Priti Patel said: “They should apply changes across the board. In these days when everyone is doing more for less, we have got to make sure we change the culture of the civil service, by rewarding it when it is a success and not when it is a failure.”

Charlie Elphicke, a member of the Commons Public Administration select committee which reviews the civil service’s work, added: “In the private sector, terms and conditions can be changed for existing employees with a consultation and under performing workers can be put on performance review and dismissed if they don’t make the grade.

“Why should civil servants be any different? Given the state of the nation’s finance, the approach needs to be more business-like and we need to do more to get on top of the civil service unions.”

The changes are being pushed through by Clare Sumner, a former Downing Street private secretary and Katherine Kerswell, a former chief executive of Kent County Council who quit after 18 months in the post with a £420,000 pay off

Speaking earlier this year, Miss Kerswell admitted that some the terms and conditions in the civil service did not pass what she described as “the pub test”.

She told Civil Service World [http://www.civilserviceworld.com/interview-katherine-kerswell-and-clare-sumner/]: “If [civil servants] talk to their friends and say: ‘They’re doing this to me at work,’ and start sharing what terms and conditions their colleagues have in terms of sick pay, in terms of leave, in terms of training opportunities, actually, when you look at what the civil service is offering…

“I think it’s a very positive employment package and it rates very well against a lot of local government.

“It’s difficult when people feel they’re losing something; but when you do the ‘pub test’, I think you can see it’s a balanced package that’s being offered.”
A spokesman for the Cabinet Office said: “Civil Service terms and conditions are being reviewed through the Civil Service Reform Programme.

“The Civil Service will remain a good employer so it can attract and retain high quality staff. However some of its conditions have become outliers in comparison to the wider public and private sector and these will be addressed.”

The Cabinet Office is already to set the example by changing terms and conditions by the end of April. It is hoping that other departments will follow suit and introduce the new contracts over coming months.

A Cabinet Office source added: “Our aim has been to adopt best practices from the private and public sectors, creating an employment package that a good, modern employer would offer and tackling those terms that could leave the Civil Service open to criticism.

“To achieve that aim our proposal is to introduce these new SCS terms for new starters and those on promotion by the end of April this year.”

Sources close to Mr Maude said other feather-bedded perks, such as the little used clothing allowance for staff to replace items they damage on Government property, can be phased out without renegotiating contracts.

Letter from Francis Maude and Sir Bob Kerslake to civil service, March 2013

Dear Colleague,

Eight months ago we published the Civil Service Reform Plan. We set out our vision for an exceptional Civil Service that will deliver the best for Britain by becoming more skilled, less bureaucratic and more unified.

This action plan was based heavily on feedback from you. We listened to what frustrates and motivates civil servants. You have highlighted the need for improved workplaces and IT, fairer performance management, and less bureaucracy. And we are visiting civil servants across the country to continue to hear your views and discuss reform. The success of the Civil Service Reform Plan hinges on you – we want to harness your commitment and ideas. We want to hear about your experiences of delivering the best through the new Civil Service Reform pages on the Civil Service website.

One key frustration is the failure to address under-performance and reward the best. To address this a new Civil Service Competency Framework will be in place across the Civil Service from April. The Framework will improve performance management, and will make it easier for you to identify your learning needs and apply for jobs in different departments.

The digital transformation of government is underway. We are shifting the first wave of transactional services to digital channels and we have expanded GOV.UK as the online home for all government services and information. We will ensure that you
have the right skills to do your job in a digital world. You will hear more about this in the coming year.

In the current financial climate the Civil Service must be much more joined up, sharing services, skills and resources. Departments and arms-length bodies will work together to share functions such as HR, procurement, finance and payroll – delivering savings and making the Civil Service more unified.

On Monday, as part of our commitment to improve policymaking, we launched the What Works Network, a series of centres which will provide cutting edge research to all those commissioning and providing public services.

When we talk to civil servants, Terms and Conditions are often raised. The Civil Service will continue to offer employment terms that are among the best available. The proposed changes will apply to new entrants and, potentially, staff on promotion.

We are also aware of the importance you attach to positively promoting the good things the Civil Service does. We will play our part but every civil servant can be an ambassador for what the Civil Service does well. The work you do matters – civil servants quite simply keep this country’s public services going. We should all be proud of our roles, while at the same time focused on working to deliver more effective and efficient services - and challenging colleagues to do the same. If we do all this, while holding fast to our core values of integrity, honesty, objectivity and impartiality we will be an exceptional Civil Service delivering the best for Britain.

Yours sincerely,

Sir Bob Kerslake Francis Maude MP

Head of the Civil Service
Minister for the Cabinet Office

Telegraph Media Group Ltd.
CIVIL SERVANTS could hold on to perks while more ambitious colleagues who get promoted lose them under changes being made by the Government.

Civil Service chiefs announced last year that they wanted to review staff perks, such as those which see London officials allowed to work an hour less because it takes longer to get to the office.

But in a new letter to officials, Cabinet Office Minister Francis Maude and Sir Bob Kerslake, head of the Civil Service, confirm changes would only apply to new recruits and possibly promoted officials.

Changes will be determined by each department individually, but they could mean that if two officials have the same role and the more competent is promoted, he or she could lose perks while their colleague retains them. Any hopes of trimming back what one Whitehall source called "anachronistic" benefits from all 451,000 civil servants were dashed as ministers discovered contractual conditions could not be changed.

Perks targeted also include "compressed hours" which allow civil servants to have a day off each fortnight in return for working through lunch breaks and staying at their desks until 6pm.

Officials are also allowed to take off an extra two and a half "privilege" days. A government spokesman said: "Civil Service terms and conditions are being reviewed and changes will be announced in due course."