



Ministry  
of Defence



DESHR – Reward Head

@mod.gov.uk



Defence Equipment & Support  
Poplar 0 #2030  
MOD Abbey Wood  
Bristol BS34 8JH



DE&S Human Resources

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Our Reference:

Dear colleague,

**DE&S AND SDA 2018 BEST AND FINAL PAY OFFER FOR CIVILIAN LEVELS BELOW THE SLG**

This final pay offer reflects DE&S' freedom as a bespoke Trading Entity to make an offer separate from the rest of the Ministry of Defence. This freedom is intended to allow DE&S to drive individual and corporate performance; enabling us to attract and retain the specialist skills it needs in a competitive market place. In exercising our freedoms, we must continue to take account of the wider government pay policy, especially around the basis of pay progression and cost control. For, SDA, given that employees eligible for this pay award were subject to the freedoms of DE&S for the 2017/18 performance year to which this award relates, this offer also applies to SDA staff.

The 2018 pay and performance award offer continues to embed our approach of providing market-informed performance-based reward that is simple, fair, competitive and sustainable. The total cost of the pay offer is around £25 million, about 5% of civilian pay bill. This represents a commitment to continue to provide employees with a meaningful increase.

At the heart of our approach is that colleagues will have the opportunity to progress their salary based on their performance. Those who perform well can progress against the market rate for their role. Colleagues do not have to be promoted or change roles to progress: while there will be promotion increases when employees move up a level, there is room for meaningful progression within the same level.

In comparing current total reward with the market we have sought to reflect:

- a. Other organisations that do similar work to ours and have similar roles – not other government departments but large complex industrial companies.
- b. Differences in reward structures, recognising that while basic salary levels for civil servants tend to be lower than the market, the value of the pension schemes is considerably higher. We aim to deliver competitive and fair total reward taking into account salaries, allowances and pensions.

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The main headlines of this offer are:

- a. A rise in consolidated salary for around 90% of employees. This increase will range from 1% of salary for Moderate performers to 10% of salary for Exceptional performers who are the furthest from the market benchmark for their role. The majority of colleagues will receive a salary increase of 1% to 4% given that the majority of colleagues are currently paid competitively when you factor in the pension and allowances. The average salary increase will be 2.2% - at a cost of circa £11M.
- b. There will be no salary increase for those rated as Performance Improvement Required, as in the 2017 pay award.
- b. Salary increases will be backdated to April, as in 2017.
- c. Non-consolidated performance awards for around 70% of employees, for everyone assessed as Good, Very Good or Exceptional. The awards for this year will be set at a percentage of annual salary. The value of performance awards paid will be set based on achievement against OGSM for the year. This will cost circa £14M, 2.8% of the pay bill.
- d. All employees to receive at least the National Living Wage, regardless of age.

Colleagues will be informed of their end-of-year performance rating by early September, and will then have a subsequent personal and confidential reward conversation about their salary increase and performance award. We will not publish the benchmarks for each role profile as this is commercially sensitive information. However, during the reward conversation, the individual will be able to determine broadly where their salary sits relative to the benchmark given their final performance rating.

This final offer follows a period of negotiation with the recognised Trade Unions, in which we have endeavoured to provide the information required under the MOD procedural framework for Collective Pay Bargaining to enable meaningful negotiation, and have held a number of meetings at which both parties have recognised each other's priorities and perspectives. These discussions have resulted in some adjustments to our original offer and we would like to thank the Trade Unions for their input into this important process. DE&S recognises that the Trade Unions want to move to an absolute standards-based approach to performance management which does not have any associated guided distribution.

We believe that this final offer is a fair offer that extends as far as can be managed within the operating cost envelope and is consistent with our reward and Transformation principles. Our new approach to reward provides a significant opportunity, for salary progression which is performance-based and market-informed.

Yours sincerely,



DE&S Reward COE Head

## Pay offer

1. DE&S and SDA propose a one year pay award consistent with the freedoms granted on DE&S becoming a Bespoke Trading Entity on 1 April 2014, and affordable within the operating cost budget.

## Employees covered by the offer

2. The offer applies to DE&S and SDA employees in levels below the SLG. The offer also covers casual staff and fixed term appointees, but does not apply to single outside analogue grades, nor any other staff covered by alternative arrangements.

Summary of main points of the offer:

3. A one year pay award paid from 1 August 2018 to 31 July 2019, but backdated to 1 April 2018.

4. Graduated consolidated salary increases across all levels from 0% up to 10% depending on market position and individual performance, with distribution by performance outcome as follows:

- i. Performance Improvement Required – No salary increase
- ii. Moderate – 1%
- iii. Good and above – between 1%-10% based on both performance and gap to market

with a total spend of 2.2% of pay bill.

5. Non-consolidated performance awards to be paid to circa 70% of employees, a spend of 2.8% of pay bill, award levels set as a percentage of salary, determined by performance outcome and level at calibration.

## Salary increases

6. Salary increases will be paid to all eligible employees based on their individual performance outcome for the 2017/18 performance year in accordance with DE&S Performance Management Policy, and their salary in relation to the market position of their role profile. The salary increases will range from 0% for the lowest performance outcomes to up to 10% for the highest performers most adrift of the market position of their role profile, and will be graduated exponentially for those with a Good or above rating. The distribution matrix that will be used to determine individual salary increase outcomes is depicted below.

2018 Pay award salary increase matrix (below SLG)					
Total fixed pay gap relative to benchmark	Performance rating				
	Performance Improvement Required	Moderate	Good	Very Good	Exceptional
- 20% or less	0.00%	1.00%	5.00%	7.50%	10.00%
- 15%	0.00%	1.00%	3.43%	5.14%	6.85%
- 10%	0.00%	1.00%	2.62%	3.93%	5.24%
Benchmark	0.00%	1.00%	2.00%	3.00%	4.00%
+ 10%	0.00%	1.00%	1.25%	1.48%	1.97%
+ 15%	0.00%	1.00%	1.15%	1.25%	1.50%
+ 20% or more	0.00%	1.00%	1.10%	1.15%	1.25%

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- The amount of award will vary between these levels. For example, an individual that receives a Good performance outcome, and is 12% below benchmark, will receive a percentage increase between 2.62% and 3.43%.

### Performance awards

7. Non-consolidated, non-pensionable performance awards will be paid to those with a Good, Very Good or Exceptional performance rating in accordance with DE&S Performance Management Policy, and will be based on the level that an individual is calibrated at during the 2017/18 end of year process. As previously set out in 2017, the final value of awards is determined by Corporate performance against OGSM. For 2017/18 achievement against OGSM measures has been endorsed as 80% by the DE&S Remuneration Committee, a Sub Committee of the DE&S Main Board. Therefore the percentage awards to be paid have been adjusted accordingly. The percentage of salary of awards for those with Exceptional, Very Good and Good performance outcomes are set out in the table below.

Adjusted performance awards for 2017/18 (% of base salary)			
Performance rating	Good	Very Good	Exceptional
Level			
Senior Professional	8	12	16
Professional I	5.6	8.4	11.2
Professional II	4	6	8
Senior Administrator / Senior Specialist	2.4	3.6	4.8
Administrator / Specialist	2.4	3.6	4.8

### National Living Wage

8. It is our intent that all employees will continue to be paid at or above the National Living Wage, regardless of age or whether they are employed as an apprentice. The National Living Wage from 1 April 2018 is £7.83 per hour. We therefore propose that following the application of the 2018 pay award, we will uplift salaries for any employees who have not achieved this rate through their individual salary increase.

### Salary band minima and maxima increases

18. We propose no change to salary band minima or maxima, with the exception of Administrator / Specialist level, which will be uplifted to £15,144 (full time equivalent) to reflect the change in National Living Wage for phase 1 Industrial apprentices contracted to work 37 hours net.

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19. The minimum and maximum of the salary bands by level are as follows:

Level	Min	Max
Senior Professional	£56,000	£120,000
Professional I	£42,000	£95,000
Professional II	£30,000	£70,000
Senior Administrator / Senior Specialist	£19,000	£50,000
Administrator / Specialist	£15,144	£35,000

**Apprentices**

20. For Apprentices on schemes which do not provide for participation in DE&S' performance management process, we propose a 2% uplift on their current salary. For Phase 1 Engineering/Technical apprentices contracted to work 37 hours per, this 2% uplift will bring them in line with the uplifted band minima.

**Graduates**

21. For Graduate Engineers and Business and Finance Graduates, whose schemes do not provide for participation in DE&S' performance management process, we propose a 2% uplift on their current salary.

**Allowances**

22. We propose no changes in respect to allowances recognised and in payment within DE&S.