



DESHR – Head of Reward

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Dear colleague

DE&S AND SDA 2020 BEST AND FINAL PAY OFFER FOR CIVILIAN LEVELS BELOW THE SENIOR LEADERSHIP GROUP

This final pay offer reflects DE&S' and SDA's freedom to make a pay offer separate from the rest of the Ministry of Defence. This freedom is intended to allow DE&S and SDA to drive individual and corporate performance, enabling us to attract and retain the specialist skills we need 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. This offer applies to DE&S and SDA staff at levels below the Senior Leadership Group (SLG).

We are making the 2020 pay and performance award offer in the context of the extraordinary times we are currently living in. We decided early that we would not require staff to complete annual performance appraisals in HRMS due to the disruption caused by COVID-19. Consequently, for this year, we do not have performance ratings on which to base our award. However, our overall reward approach will in future continue to be based on the achievement of individual and corporate performance objectives.

We want to implement our 2020 pay award in a way which allows staff to see the benefit as soon as possible and with the least complexity possible. We believe this offer meets our principles of being simple, fair, competitive and sustainable.

Last year, we committed to a programme of work to review our approach to Reward with the Trade Unions and other stakeholders. This is underway and will continue throughout 2020 and into 2021. We will communicate progress when we are able.

The main headlines of this offer are:

- a. A 2.25% rise in consolidated salary for all eligible employees below SLG. The total cost is circa £10.7 million for DE&S and £1.78 million for SDA. See paragraph 6 of Annex A.
- b. Whilst, this year we are making no distinction for individual performance, the principles of eligibility remain unchanged from previous years.
- c. We have not included distance from the market in the calculation of the consolidated pay award. However, in line with previous communications, we will continue to study our position against internal market comparators and our approach to external benchmarking, together with pay progression, as part of the ongoing reward review.
- d. Salary increases will be backdated to 1 April 2020, as in the past three years.

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- e. Non-consolidated performance awards to all eligible employees based on the "3" performance outcome shown in the table (see paragraph 8 of Annex A).
- f. Performance Awards will be set as a percentage of salary as at 31 March 2020, with adjustment for Corporate performance. This will cost circa £14.87 million (3.3% of the pay bill) in DE&S and £2.58 million (3.2% of pay bill) in SDA. See paragraphs 8 and 9 of Annex A.
- e. All eligible industrial and shop floor staff to receive a Team Performance Award, irrespective of individual performance (paragraph 11 of Annex A).
- f. All employees, including Apprentices, to receive at least the National Living Wage, regardless of age. See paragraph 12 of Annex A.

We aim for all staff to be informed about their salary increase and performance award during July 2020.

This final offer is being provided following a period of positive and meaningful negotiations with the recognised Trade Unions. Discussions have taken place between March and May 2020 and have resulted in an offer that both organisations and the recognised Trade Unions believe better represents the interests of staff. The negotiations have resulted in improvements to the initial offer.

We believe that this final offer is fair, extends as far as can be managed within our operating cost and is consistent with our Reward principles. We remain committed to developing an approach to Reward which is easy to understand and gives clarity to everyone on what they can expect as their career at DE&S/SDA progresses.

Yours sincerely,

A black rectangular box redacting the signature of the DE&S Head of Reward.

DE&S Head of Reward

Pay offer

1. DE&S and SDA propose a one year pay award consistent with the freedoms granted to both organisations, 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, including casual staff and fixed term appointments, but does not apply to staff covered by alternative arrangements. Eligibility principles remain unchanged from previous years; principally this means that pay and performance awards will be paid to those who were in scope for performance management (ie employed on or before 8 Jan 20) with salary increases only for those graduates and apprentices not subject to the performance management process.

Summary of main points of the offer

3. A one year pay award paid from 1 April 2020 to 31 March 2021 paid in July 2020 and backdated to 1 April 2020.

4. A total spend of £10.7m in DE&S and £1.78m in SDA, delivering a 2.25% consolidated salary increase for all eligible staff.

5. Non-consolidated performance awards to be paid to all eligible staff. This represents a spend of 3.3% of pay bill in DE&S and 3.2% of pay bill in SDA. Awards will be based on salary as at 31 March 2020 at the substantive level, adjusted for Corporate performance and to the 3 rating equivalent within the published performance award approach (see table in paragraph 8).

Salary increases

6. Salary increases will be paid to all eligible employees at the same rate, 2.25%. This represents a spend of £10.7m in DE&S and £1.78m in SDA.

7. Individual performance is not a factor in salary increases this year. We have also not based salary increases on distance from the market. However, in line with previous communications, we will continue to study our position against internal market comparators and our approach to external benchmarking, together with pay progression, as part of the ongoing reward review.

Performance awards

8. In December 2019, we communicated Performance Award percentages based on individual performance ratings and using 60%, 80% and 100% illustrative corporate outcomes, as follows.

Level	Corporate Performance Outcome (OGSM / KPI)								
	60%			80%			100%		
	3	2	1	3	2	1	3	2	1
5	4.50%	6.75%	9.00%	6.00%	9.00%	12.00%	7.50%	11.25%	15.00%
4	3.50%	5.25%	7.00%	4.50%	6.75%	9.00%	5.50%	8.25%	11.00%
3	2.75%	4.13%	5.50%	3.75%	5.63%	7.50%	4.75%	7.13%	9.50%
2	2.40%	3.60%	4.80%	3.20%	4.80%	6.40%	4.00%	6.00%	8.00%
1	2.40%	3.60%	4.80%	3.20%	4.80%	6.40%	4.00%	6.00%	8.00%

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9. DE&S corporate performance, measured through OGSM, has been confirmed as 87.8%. SDA corporate performance informed by KPI performance has been confirmed at 87.5%. Non-consolidated, non-pensionable performance awards will therefore be paid to all eligible staff as follows:

- A payment for all staff will be calculated based on the "3" performance outcome shown in the previous table.
- An adjustment for Corporate performance (measured by OGSM in DE&S and informed by Corporate Key Performance Indicators in SDA) will then be made.

This results in the following Performance Award payments.

Level	Perf. Award %
5	6.6%
4	4.8%
3	4.2%
2	3.5%
1	3.5%

Industrial Team Performance Award

10. All eligible industrial staff will receive a Team Performance Award in line with the process announced in December 2019.

11. Individual performance will not be a factor in calculating this, but each team's KPI performance will dictate the outcome, as shown in the following table:

Team	Max Award	KPI outcome	Award outcome
BFPO	£760	99.1%	£753
Fuels	£760	95.1%	£723
DM	£760	92.4%	£702
Ships	£760	97.8%	£743

National Living Wage

12. It is our intent that all employees will continue to be paid at or above the National Living Wage, regardless of age. The National Living Wage from 1 April 2020 is £8.72 per hour. This has been applied since April 2020 and a further review will be undertaken to ensure that all staff receive the greater of the adjustment to the new National Living Wage or the 2.25% consolidated increase proposed in this offer. This is in line with our approach in previous years.

Salary band minima and maxima increases

13. We propose no change to salary band minima or maxima, with two exceptions:
- **Administrator / Specialist**, uplifted to £16,777 (full time equivalent) to reflect the change in National Living Wage for industrial and shop floor employees contracted to work 37 hours net.
 - **Senior Administrator / Senior Specialist**, uplifted to £19,044 (full time equivalent).
14. The minimum and maximum of the salary bands by level are as follows:

Level	Min	Max
L5 (Senior Professional)	£56,000	£120,000
L4 (Professional I)	£42,000	£95,000
L3 (Professional II)	£30,000	£70,000
L2 (Senior Administrator / Senior Specialist)	£19,044	£50,000
L1 (Administrator / Specialist)	£16,777	£35,000

Apprentices

15. In prior years, our approach for Apprentices has differed, based on them not being included in the annual performance management process. Since no staff are being asked to complete this process for 2019/2020, we also propose a 2.25% uplift on current salary for Apprentices.

Graduates

16. For staff employed on a graduate scheme, we propose a 2.25% uplift on their current salary.

Allowances

17. Notwithstanding any separate discussions, this offer proposes no changes in respect to allowances recognised and in payment within our organisations.