

NOT TO BE COMMUNICATED TO ANYONE OUTSIDE HM SERVICE WITHOUT AUTHORITY



Ministry
of Defence



[REDACTED]
DESHR – Reward Head

[REDACTED]@mod.uk



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



[REDACTED]
DE&S TU Side Chair
TU Room, Fir
NH4, Abbey Wood
Bristol

9-Jun-17

Our Reference:

Dear [REDACTED]

DE&S 2017 BEST AND FINAL PAY OFFER FOR GRADES BELOW THE SCS/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 DE&S to attract and retain the specialist skills it needs in a competitive market place. In exercising our freedoms, DE&S must continue to take account of the wider government pay policy, especially around the basis of pay progression and cost control.

This offer is the first pay offer for DE&S operating under the new balanced matrix, where all colleagues have been aligned to a role within a function, and to a level in the new level structure. This is critical because these new roles and levels have been designed to be comparable to the wider market, so that we can now fairly and systematically compare an individual's total reward with those carrying out similar roles at a similar level in similar companies.

The 2017 pay offer demonstrates a major step towards our vision 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 6% of the civilian pay bill. This is more than double the amount we were able to invest in the 2016 pay award. At a time of reducing operating costs, this is a substantial demonstration of confidence in our people. It offers a meaningful pay increase and performance award to the majority of colleagues, recognising that it is not just a few top performers or a few with the rarest skills that matter to our success.

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 towards and beyond a market rate for their type of work. Colleagues do not have to be promoted or change jobs to progress: while there will be promotion increases when employees move up a level, there is room for substantial 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 – not other government departments but large complex industrial companies.

NOT TO BE COMMUNICATED TO ANYONE OUTSIDE HM SERVICE WITHOUT AUTHORITY

- 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, benefits and pensions.

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 Partial Achievers 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 2.3% - at a cost of circa £10.5M.
- b. There will be no salary increase for those rated as Performance Improvement Required, anyone falling in this category will clearly fit the descriptor for this performance level. Guided distribution suggests this will be around 10% of staff, however as this is guided and not forced it is not possible to provide an absolute percentage for this, it could be more or less based on performance outcomes.
- b. Salary increases will be backdated to April, not from August as in previous years, at a cost of circa £3.5M, about 0.77% of the pay bill.
- c. Non-consolidated performance awards for around 70% of employees, compared to 40% in 2016 – for everyone assessed as Good, Very Good or Exceptional. The award levels for Very Good and Exceptional will be the same as in 2016; Good performers will get 2% of the average salary for the grade. This will cost circa £11.3M, 2.5% 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 the end of July as in previous years. Colleagues 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 where their salary sits relative to the benchmark given their final performance rating.

DE&S will assess an individual's performance both absolutely and relatively. DE&S moved away from a forced distribution to a guided distribution for the 2015/16 performance year, continuing with a guided distribution for 2016/17. This ensures that each individual performance rating is based on a considered view of the business and that performance is being assessed fairly and consistently against the published performance descriptors, and not just to satisfy a forced quota.

We will take active measures to assure that each individual performance rating is properly based on evidence, and is not based on any irrelevant factors, unintended bias or discrimination. Included within this will be more comprehensive Performance Management training across the organisation, better guidance and support for Moderating Panel Chairs, regular updates to People Committee members on performance outturns and areas of concern, and a confidential sample audit of objectives and performance ratings.

Discussions with the Trade Unions during negotiation have extensively covered performance management and the joint aspiration to ensure that the systems and processes are effective.

NOT TO BE COMMUNICATED TO ANYONE OUTSIDE HM SERVICE WITHOUT AUTHORITY

DE&S will continue with discussions with the Trade Unions on Performance Management throughout the 17/18 performance cycle.

Other features of the offer, described in more detail in the Annex, include:

- a. A review and simplification of allowances: most functional allowances and some general allowances will be consolidated into salary with the notable exceptions that we will retain the nuclear and airworthiness allowances. The deputising allowance will stop as it is no longer considered appropriate in a balanced matrix or in line with market practice.
- b. Additional investment worth some £0.26M, to address specific attraction and retention issues with qualified apprentices in two specific role profiles in Defence Munitions.
- c. New salary bands for the new DE&S levels with new minima and maxima. These bands have been set broadly enough to allow colleagues to progress their salary based on performance without the need to rely on promotion. In the few cases that individuals are below the new salary band minima then they will be moved up to the new minima.

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.

The DE&S People Committee 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 proposes a one year pay award consistent with the freedoms granted on 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 employees in levels below the SCS/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 Proposal

3. A one year pay award paid from 1 August 2017 to 31 July 2018, but backdated to April 2017.

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. Partially Achieved – 1%
- iii. Good and above – between 1%-10% based on both performance and gap to market.

with a total spend of 2.3% of pay bill;

5. Non-consolidated performance awards to be paid to circa 70% of employees, a spend of 2.5% of pay bill, award levels by grade at 31 March 2017 set out in annex A;

6. The salary increase for all levels to be implemented in August salary, but backdated to April 2017. A spend of 0.77% of pay bill;

7. Uplift of salary for small number of DE&S employees regardless of age to meet new National Living Wage from April 2017, with a spend of 0.03% of pay bill;

8. For all qualified apprentices in two specific role profiles in Defence Munitions, base pay will increase to **the higher of**:

- b. The new Entry Point of £23,000 p.a; or
- c. Current salary plus the 2017 calibrated salary increase (based on performance and gap to market as per the rest of DE&S)

9. A number of Functional and General Allowances to be consolidated into base pay from April 2017, implemented in August pay roll.

10. Uplift of salary to new level minimums for those below minima on initial alignment, with a spend of 0.09% of pay bill.

Base Pay Awards

11. Salary increases will be paid to all eligible employees based on their individual performance outcome for the 2016/17 performance year in accordance with DE&S Performance Management Policy, and on the grade that an individual is moderated at during the 2016/17 end of year process, 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

NOT TO BE COMMUNICATED TO ANYONE OUTSIDE HM SERVICE WITHOUT AUTHORITY

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.

Total fixed pay relative to benchmark	Performance Rating (expected % of population)				
	Performance Improvement Required (10%)	Partially Achieved (20%)	Good (40%)	Very Good (20%)	Exceptional (10%)
-20% or less	0%	1%	5.00%	7.50%	10.00%
-15%	0%	1%	3.98%	5.96%	7.95%
-10%	0%	1%	3.16%	4.74%	6.32%
Benchmark	0%	1%	2.00%	3.00%	4.00%
10%	0%	1%	1.41%	2.12%	2.83%
15%	0%	1%	1.19%	1.78%	2.38%
20% or more	0%	1%	1.00%	1.50%	2.00%

- The amount of award will vary between these levels

Performance Awards

12. 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 grade that an individual is moderated at during the 2016/17 end of year process. The value of awards for those with exceptional and very good performance outcomes will be retained at the same level as 2016, and the award level for those with a good rating will be set at 2% of the grade average salary. This is to recognise that this year an additional 30% of employees will be eligible to receive a performance award in comparison to the previous 2 years in DE&S, and some 45% more than the MOD and Civil Service norm.

The proposed level of DE&S performance awards are as follows:

	Good (circa 40% of population)	Very Good (circa 20% of population)	Exceptional (circa 10% of population)
B1	£1,247	£4,185	£5,625
B2	£1,031	£3,488	£4,468
C1	£779	£2,511	£3,375
C2	£627	£2,046	£2,750
D	£481	£1,628	£2,188
E1	£382	£1,349	£1,813
E2	£355	£1,116	£1,500
SZ4	£466	£1,581	£2,125
SZ3	£373	£1,349	£1,813
SZ2	£357	£1,116	£1,500
SZ1	£320	£1,023	£1,375

NOT TO BE COMMUNICATED TO ANYONE OUTSIDE HM SERVICE WITHOUT AUTHORITY

National Living Wage

13. It is DE&S intent that all employees will 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 2017 will be £7.50 per hour. There are currently 62 DE&S employees (including 45 apprentices in Commercial and Finance) who were at E2 grade prior to April 2017, and are currently paid at a rate below this. We therefore propose to uplift salaries for this group from April 2017 to £16,500. The pay award outcome set out at paragraph 10 of this Annex will then be applied to this salary rate. For Industrial apprentices who are contracted to work 37 hours per week, the hourly rate is already set above the National Living Wage and the pay band minimum for the Administrator/Specialist level has been set to capture this, the pay award for this group is therefore covered in this offer.

Defence Munitions

14. To address specific attraction and retention issues with qualified apprentices in Defence Munitions aligned at Administrator / Specialist level in Complex Weapons Processing and Engineering and Maintenance role profiles, we propose that revised arrangements are implemented for this pay award. The Entry Point salary for newly qualified apprentices in the two relevant SZ3 role profiles will increase from £20,437 p.a. to £23,000 p.a. (+12.5%).

15. Salary for those already employed in one of the relevant SZ3 role profiles will increase to **the higher of** :

- a. The new Entry Point of £23,000 p.a; or
- b. Current salary plus the 2017 calibrated salary increase (based on performance and gap to market as per the rest of DE&S)

16. If the individual's performance is calibrated as 'Performance Improvement Required' then no salary increase will be awarded.

Salary Band Minima Increases

18. As all employees have moved to the new levels structure from 1 April 2017, and a number of current grades have moved into each level, the minimum and maximum of each level have been set to take account of the majority of circumstances. However, there are a small number of DE&S employees who have been aligned to a higher level than their peers, which will result in their current salary being lower than the new level minimum. We therefore propose that the salary of each employee placed below band minimum following the 2017 pay award increase is uplifted to the minimum from April 2017. There are currently 50 employees who will be below band minimum at 1 April 2017 based on their alignment to the new levels.

19. The minimum and maximum of the pay salary 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	£15,000	£35,000

NOT TO BE COMMUNICATED TO ANYONE OUTSIDE HM SERVICE WITHOUT AUTHORITY

Apprentices

20. Arrangements for apprentices who are currently progressing through the DE&S Apprentice schemes will continue until such time as they complete the scheme. For Technical and Defence Munitions craft apprentices, the Craft Entry Point upon which the salary rates for each year of the scheme are calculated will be uplifted to £21,000.

Graduates

21. Salary increases for Graduate Engineers and Business and Finance Graduates will be in line with the terms of their scheme.

Allowances

22. A number of allowances currently paid to employees will be consolidated into base pay effective from April 2017, and that these allowances will cease to apply in DE&S from this point as future needs will be addressed through market informed reward. This will, in effect, mean that the allowance will be consolidated into the employee's salary before the 2017 pay award is implemented, and the new salary level will be used as the basis for calculation of pay award outcomes.

23. A high level summary of the allowances we propose to consolidate this year is as follows:

- a. Functional Allowances – Propose to consolidate 29 of the 41 allowances in DE&S;
- b. General Allowances – Propose to consolidate 12 of the 20 allowances in DE&S
- c. Locational Allowances – Propose to retain all 23 locational allowances at this point, but will keep under review as the new Reward Strategy beds down.

24. The remaining 12 Functional, 8 General and 23 Locational Allowances will be retained. They will continue in operation in DE&S and will be reviewed periodically to confirm a continuing need. The NSQEP and Airworthiness RRAs are included in this group; it has been decided to retain these allowances at present. NSQEP will be retained pending the establishment of the Submarine Delivery Agency, and Airworthiness as it is in place for specific assignments which hold a Letter of Airworthiness Authority, and the allowance should only be for the period an individual is delivering in that assignment.

25. We propose no changes to those allowances that will be retained.

26. Further detail of the allowances we propose to consolidate is set out below.

Functional Allowances

27. The following table sets out those allowances that are proposed to be consolidated into salary from April 2017, together with a breakdown of the number of employees in receipt.

NOT TO BE COMMUNICATED TO ANYONE OUTSIDE HM SERVICE WITHOUT AUTHORITY

Allowance Detail	No of Employees
Marine Salvage Unit - Salvage Electrician RRA	4
Marine Salvage Unit - Salvage Engineer RRA	2
Marine Salvage Unit Salvage Operator Mechanical RRA	1
Marine Salvage Unit Salvage Operator Shipwright RRA	2
Marine Salvage Unit Salvage Operator Underwater RRA	4
Marine Salvage Unit Salvage Supervisor RRA	4
SALMO Chief - Non Pensionable RRA	1
Salvage & Marine Op (North) - Greenock Logistic Supp Off RRA	1
SALMO RRA	14
Chief SALMO - Pensionable RRA	1
Aldermaston & Burghfield - Band C2 (ex HPTO) SPA	11
Aldermaston & Burghfield Band C1 (ex SPTO) SPA	13
Boscombe Down - Retired Officers	1
Brize Norton - Ind Tech Skill Zone Staff(ex-Ind A/C 384)RRA	2
Scarce Discipline CAT 2 RRA C1	10
Scarce Discipline CAT 5 RRA C2	4
Band C1 Acct - 13% Specialist Nat RRA	190
Band C1 Acct - 17% Specialist Lon RRA	5
Band C2 Acct - 15% Specialist Nat RRA	41
Band C2 Acct - 21% Specialist Lon RRA	2
Band C - MOD Qualified Accountants RRA	240
Band B - MOD Qualified Accountants RRA	132
Support Solutions Specialist - Level 3 RRA	14
Abbey Wood - SSA E1 Commodity Manager RRA	70
Wyton RAF - CTS LARO RRA	4
AIS(SW)IT - Band C RRA	4
AIS(SW)IT - Band D (more than 24 mths in post) RRA	1
RAF Logistics Command - Direct Entry Band D (IT) RRA	1
CAAS Cost Forecasting Technical Coaching RRA	6
Total	785

General Allowances

28. The following table sets out those allowances that are proposed to be consolidated into salary from April 2017, together with a breakdown of the number of employees in receipt.

Allowance Detail	No of Employees
MSU Supervisory Allowance - 5% Basic Pay	2
Supervisory Level 1	54
Supervisory Level 2	21
SALMO Supervisory Allowance (5% of Basic Pay)	6
Multi Skilling Allow (DFD) 2.5% Basic Pay(ex-Ind code = 661)	2
Responsibility Allowance - 5% Basic Pay	19
Authorised Persons Supervisory Allowance Higher Rate	6
Authorised Persons Supervisory Allowance Lower Rate	2
Flexallo - Skill Zone Staff (ex-Ind Allow code = 363)	69
Mark Time	163
Consolidated Pay Award Payment	247
Protected Pay Allowance	27
Total	618

NOT TO BE COMMUNICATED TO ANYONE OUTSIDE HM SERVICE WITHOUT AUTHORITY

Inclusive Decision Making Analysis

29. An Inclusive Decision Making Analysis (IDMA) is being applied to this pay offer.

Equal Pay Audit

30. DE&S is committed to undertaking an audit of the outcome of each annual pay review. We agree to work with Defence Statistics and the Trade Unions to review any anomalies that may be identified.