

# Annual Report and Accounts

**2013-14**

# **Civil Service Commission**

## **Annual Report and Accounts 2013/14**

Accounts presented to Parliament pursuant to paragraph 16 of Schedule 1 to the Constitutional Reform and Governance Act 2010

Report presented to Parliament pursuant to paragraph 17 of Schedule 1 to the Constitutional Reform and Governance Act 2010

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## First Civil Service Commissioner's Foreword

You will see from this Annual Report that the Civil Service Commission continues vigorously to uphold the principle of an impartial and objective Civil Service, appointed on merit. We have done this by chairing 116 senior competitions aiming to select on merit from strong and diverse fields of candidates; by simplifying the 'Recruitment Principles' which govern Civil Service recruitment; by monitoring Government Departments' compliance with those Principles; and by hearing complaints both about recruitment practice and breaches of the Civil Service Code. Our work does not always make us popular, particularly with those who want to make short cuts to appointments or seek to put personal preference ahead of a proper assessment of merit. However, the Commission is tasked by Parliament with ensuring that those selected for appointment to the Civil Service are the best people for the job, assessed through a fair and open competition. That remains our priority and our preoccupation.

### *Future of the Civil Service*

The real story of the year is the growing debate, including in Parliament, about the capability of the Civil Service and, even in some quarters, the questioning of whether the traditional model of an impartial Civil Service, capable of serving successive Governments, is still valid.

There has been questioning from a range of politicians, including those within the Government, of the Civil Service's competence and skills. There have been suggestions that civil servants are resisting or blocking reform.

In the past few months there have also been unusually vigorous debates about the Civil Service in both Houses of Parliament. The Public Administration Select Committee has called for a Parliamentary Commission to build a new consensus around the future of the Civil Service. Two former Ministers have set up a cross-party think tank to feed fresh thinking on Civil Service reform into the manifestos of the political parties. Civil Service leadership has been criticised in a report from the Institute for Government.

The Civil Service itself has been on the defensive. In many areas there has been excellent performance against the backdrop of major reductions in resource and staffing. But there have continued to be problems in delivering big projects and managing external contracts. There are undoubted gaps in both leadership capability and in specific skills like project management and commissioning. The Civil Service Reform Plan contains some useful reforms, particularly in the areas of developing greater professionalism and in talent management. But questions continue to be asked about whether the reform agenda matches the scale of the change needed.

### *Impact on the Commission*

One impact for the Civil Service Commission is that some Ministers have become less trusting that an independent selection process, overseen by the Commission, will ensure that the best person is appointed. The Government continue to argue for Ministers, and particularly the Prime Minister, to have more choice in the final decision about who gets the top jobs. They have proposed setting up Extended Ministerial Offices with more political appointees and civil servants appointed personally by the Minister. There are cases, although they remain a minority, where Ministers intervene actively on behalf of, or against, individual candidates. Some civil servants seem less willing to abide by the legal requirement to select on merit following fair and open competition. The increase in the use of exceptions for senior appointments also poses a risk to the requirement for appointment on merit. In response the Commission has found itself needing to intervene to protect the integrity and independence of the selection process. We took the decision, following public consultation and particularly on the advice of the Public Administration Select Committee that we should not at present increase Ministerial choice in external competitions for Permanent Secretary appointments until there is a wider settlement about the future of the Civil Service.

We know there is a risk that, in drawing these lines, the Commission is regarded as inflexible or resistant to change. However, our priority is to ensure that a highly effective Civil Service is ready to serve successive Governments with equal commitment and competence. In the run up to the 2015 General Election it is essential that all the major political parties are confident that the Civil Service will be able to deliver on their programme if they form the next Government. Far from being resistant to change, we want to see faster progress in building that confidence, in increasing Civil Service leadership capability and in filling specific skills gaps.

### *Action needed*

We hope that an early outcome of the current debates about the Civil Service can be a re-establishment of trust at the top between politicians and civil servants. Without that, everything else is more difficult. This needs to be based on mutual respect; shared accountability for performance; swifter action to tackle weak performance; and an end to private briefings and blame-shifting.

Secondly, Civil Service leadership needs strengthening. There have been important developments in the last year in talent management, leadership development and succession planning. But this may not provide an adequate flow of candidates for the senior jobs in time for the post-General Election period. In the Commission's view it remains essential to supplement internal talent with the best of external recruits. This mix of this best of both worlds is the way to create a leadership team with the confidence to define the values and vision of the future Civil Service and to set the pace for reform.

There is a continuing debate about the value of external competitions for Permanent Secretary jobs given that such competitions rarely result in an external appointment. The Commission believes there can be value in testing the external market, even for Permanent Secretary jobs. For this to be a real, rather than a cosmetic exercise, more time is needed to complete the process and it will sometimes be necessary to offer better remuneration. However, the fundamental problem is risk aversion – on the part of both the Civil Service leadership and Ministers, who often want a candidate who has proven capability and experience working with Ministers and inside knowledge of Whitehall. Few external candidates will be able to match those from inside in these areas; but they may bring a fresh perspective and leadership capability which in the longer run adds strength to the overall leadership team.

Thirdly, there are some areas of skill shortages – commissioning skills, project management, digital skills, commercial and financial expertise – where there are not enough people inside and there is no alternative but to recruit from the external market. However, whether recruiting leadership or specialist skills, there is a continuing need for more flexibility in both pay and conditions and in recruitment practice. The Civil Service has fallen too easily into set patterns of recruitment, irrespective of the role. We are working with the HR Directors and the Heads of Profession to ensure that more customised and tailored recruitment can be wholly consistent with the principles of fairness, openness and merit.

Fourthly, the Commission's work on "what happens next" shows that there is a reasonable record in retaining senior external recruits, comparable with what happens in other sectors. However, there is a strong case for better induction for new senior recruits, including in the values of the Civil Service. It is too easy to assume that new recruits will automatically understand and embrace the expectations in the Civil Service Code. We would also like to see continued encouragement for external recruits at Director and Director General level to progress to the very top. This may require more intensive leadership development specifically aimed at this group. Where it has happened in the past it has proved a good way of refreshing the creativity and energy of the top team.

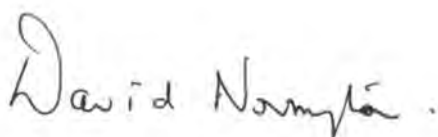
Finally, what is not required, in the Commission's view, is a change to the fundamental model. There is immense strength in a professional administration, dedicated to serving successive Governments with equal dedication and commitment, required to offer objective advice without fear or favour. It does not in itself guarantee effective Government but it is a strong and proven basis of one. The alternative is a Civil Service which is by definition more political, appointed on the basis of personal or political patronage, changing at the top with each change of Government. That is a possible model but it is not one that the Commission could support; and, in any case, it would require significant constitutional change, which is properly the job of Parliament, and should command cross-party agreement. The Civil Service is not the property of any one party or Government. In a sense it belongs to us all.



## Conclusion

To sum up, the Commission's plea for 2014-15 is not to search for alternative models: but to concentrate instead on the urgent reforms necessary to make the present system work. Organisations flourish when they have excellent leadership, a clarity of values and vision, up to date skills and a willingness to change with pace and energy. That is what is most needed now in the Civil Service. It requires politicians and civil servants working together to make it happen. The Civil Service Commission will do everything it can to support that change.

As this report shows, this has been an exceptionally busy year for the Commission. I am, therefore, particularly grateful for the hard work of Commissioners this year, including Neil McIntosh and Christine Hallett, who finished their five year terms in July and whose wisdom and judgment we greatly miss. On behalf of all the Commissioners, I would also like to put on record our thanks for the work of the Secretariat, led by our Chief Executive, Clare Salters. This Report shows how much has been achieved. It would not have been possible without the hard work of our excellent and committed team.



David Normington

### **Sir David Normington**

First Civil Service Commissioner

## Chief Executive's Foreword

The Commission's most visible challenge this year has been the consultation about the review of the framework for Civil Service recruitment (set out in our published Recruitment Principles, see page 13).

This review provided a great opportunity to streamline and simplify the framework governing recruitment, making sure that it was appropriate for recruitment at all levels of the Civil Service. Our aim was to keep the 'must dos' to a minimum, leaving Departments the flexibility to tailor their recruitment processes according to their own business needs. I know we all valued the opportunity to discuss the issues in some detail with our stakeholders, particularly the HR experts in Departments.

Our main focus was on getting to the heart of what is required to achieve 'merit, fair and open', and distinguishing between the essential steps to achieve this and the simply 'nice to haves'. We have received positive feedback on the way in which the consultation was carried out, and on the structure of the new Recruitment Principles:

*"We commend and appreciate efforts to consolidate separate guidance and rules into one streamlined document, and the resulting clarity in communication."*

*"We believe that clearer and simpler Recruitment Principles should make the regulatory framework more transparent, which is to be welcomed."*

*"I welcome the proposed changes, particularly in relation to the additional guidance around recruitment at lower grades."*

The resulting Recruitment Principles 2014 are clearer about what matters, much more appropriate to today's recruitment challenges and less onerous for Departments – all in all, I believe this was a very worthwhile piece of work for the Commission.

I am particularly proud that we have been able to perform this major review against a backdrop of both staff turnover – as the three-year secondments of some experienced staff, set up at the time the Commission was established as a statutory body, came to an end and they returned to their parent Departments – and increasing workload across the board. As the Annual Report demonstrates, we've seen a considerable increase in the number of Exception requests requiring the Commission's approval (page 24); a doubling of the number of complaints made under the Recruitment Principles (page 25); an increase in the number of complaints made under the Civil Service Code, including two complaints that were taken through to full investigation this year (page 26); an increase in the number of senior appointment competitions (page 17); as well as a continuation of the routine flow of queries from Departments and prospective applicants for Civil Service jobs, requiring specialist advice and input from our staff.

In facing all of these challenges, we have been helped by the extra flexibility created by bringing together the Secretariat team with the teams that support the other Independent Offices – the House of Lords Appointments Commission, the Advisory Committee on Business Appointments and the office of the Commissioner for Public Appointments (see page 11) – which has made it easier to flex staff resource between teams. But each of the other Independent Offices has had its own significant challenges during the year so we have not simply been able to take advantage of a trough elsewhere to help manage the peak in the Commission’s workload.

The considerable achievements of the last year would not have been possible without the hard work, dedication and commitment of my team within the Secretariat. I am extremely grateful to all of them for everything they have done to help the Commission realise its goals. The coming year is likely to be no less demanding, and I look forward to our meeting its challenges together.

A handwritten signature in cursive script that reads 'Clare Salters', with a long horizontal flourish underneath.

**Clare Salters**  
Chief Executive

# PART 1: Annual Report 2013-14

## The Civil Service Commission

The Commission is made up of eleven<sup>1</sup> Commissioners and a Secretariat of 21 staff, details of which are published on our website and at Annex A. We are independent of Government and the Civil Service.

Commissioners are appointed by The Queen, following open competition, and bring a mixture of senior level experience in the private, public and non-profit sectors to our work.

The Commission Board is chaired by the First Commissioner, Sir David Normington. The Chief Executive and Accounting Officer is Clare Salters, who is head of the Secretariat and principal policy adviser to the Commissioners.

While the Civil Service Commissioners have been responsible for regulating recruitment to the Civil Service since the middle of the nineteenth century, the Commission in its current form was established by the Constitutional Reform and Governance Act 2010 (referred to as ‘the 2010 Act’ in this Report). The 2010 Act assigns the Commission two primary functions:

- providing assurance that recruitment to the Civil Service is on merit, on the basis of fair and open competition; and
- hearing and determining appeals made by civil servants under the Civil Service Code, which sets out the values of the Civil Service – Impartiality, Objectivity, Integrity and Honesty – and forms part of the contractual relationship between civil servants and their employer.

The Commission has also agreed with the Government to take on the following functions under section 17 of the 2010 Act:

- regulating internal appointments at SCS Pay Band 3 (Director General) and Permanent Secretary level (the exact functions are described in the “Senior Appointments Protocol”);
- working with Departments to help them promote the core values of the Civil Service as outlined in the Civil Service Code; and
- providing secretariat support for three other Independent Offices: the House of Lords Appointments Commission<sup>2</sup> (HOLAC), the Advisory Committee on Business Appointments<sup>3</sup> (ACOBA) and the Office of the Commissioner for Public Appointments<sup>4</sup> (OCPA). This includes supporting the functions of the

<sup>1</sup> Twelve until July 2013.

<sup>2</sup> Chaired, until October 2013, by Lord (Michael) Jay of Ewelme and, from November 2013, by Lord (Ajay) Kakkar.

<sup>3</sup> Chaired by Lord (Ian) Lang of Monkton until March 2014. The Prime Minister appointed Sir Hugh Stevenson as Interim Chair from April 2014.

<sup>4</sup> Sir David Normington.

Commissioner for Public Appointments set out in the Royal Charter on press self-regulation, granted on 30 October 2013. All three of these institutions publish their own Annual Reports.

## Strategic Report

### Strategic Framework 2012-16

Our Strategic Framework for the period 2012-16<sup>5</sup> describes our overall purpose as being: to support a highly efficient and effective Civil Service, which recruits and develops the best talent, is free of personal and political patronage, and remains true to its core values of Impartiality, Objectivity, Integrity and Honesty.

We seek to fulfil this purpose by:

- being firm on principles but pragmatic about process;
- working with the Civil Service to improve recruitment practices and help achieve better outcomes;
- improving understanding of the Commission's purpose and approach among its key stakeholders; and
- supporting an effective and diverse Civil Service that reflects, and has the confidence of, the people it serves.

### Annual Business Plan 2013-14 and summary of progress

Our annual Business Plan, which the Commission publishes each year, sets out specific actions we propose to fulfil our purpose.

For 2013-14, we set ourselves the following challenges, and have reported on them throughout this Annual Report.

- As part of our contribution to the wider public debate on Civil Service reform, we introduced a new Exception to respond to the Government's decision to establish 'Extended Ministerial Offices'; undertook a major review of the *Recruitment Principles* (see page 13); and reviewed the Commission's continued involvement in the Senior Appointments Protocol.
- We introduced a new system for monitoring recruitment across the Civil Service (see page 21), establishing a solid set of baseline data through our data collection and review visits.
- We conducted an in-depth review of fast-stream recruitment (see page 23 and the full report published on our website<sup>6</sup>) and did an assessment of the longer-term outcome of senior appointments (details to be published during 2014-15) but postponed our review of specialist senior recruitment until 2014-15.

<sup>5</sup> <http://civilservicecommission.independent.gov.uk/wp-content/uploads/2013/02/Strategic-Framework-2012-2016.pdf>

<sup>6</sup> <http://civilservicecommission.independent.gov.uk/wp-content/uploads/2014/02/Fast-Stream-report.pdf>

- We continue to accommodate requests from Government to make appointments by exception, in urgent circumstances where this is in the interests of the Civil Service. We were able to respond to 87% of the 152 requests we received during 2013-14 within five working days or less (target 95%). Further details on page 24 and on our website.
- In line with our aim of increasing the quality and diversity of the fields of applicants in competitions for the most senior posts within the Civil Service, we have set out in this Report (page 17) our assessment of the state of recruitment at senior levels within the Civil Service. The position is mixed – there are some indications of improvements, but there is still some way to go. We will keep this issue in view during 2014-15.
- We increased our linkages with those responsible for recruitment within Departments, both through ‘Link Commissioner’ meetings with Permanent Secretaries and through strengthened engagement from the Commission Secretariat with recruitment teams. These links enable the Commission to share its expertise with those involved in recruitment, helping them to recruit the best people.
- We reviewed the way in which the Commission promotes the Civil Service Code and Values, and conducted an audit of Departments’ Code compliance, including the development of standard policies and procedures and support for Nominated Officers (see page 27; further details to be published on our website during 2014-15).
- We have made a number of enhancements to our website, aimed at improving the clarity and relevance of the information available and making it easier for those who need to contact the Commission – particularly those who wish to raise concerns for the Commission to investigate – to understand our role.
- At the request of the Cabinet Office, we review the recruitment practices of around 100 Non-Departmental Public Bodies on a three-year rolling basis. All reviews scheduled for 2013-14 were completed.

## Civil Service recruitment and senior appointments

### *Review of the Recruitment Principles*

The most significant development during 2013-14 was the review of the Commission’s ‘Recruitment Principles’, which contain the Commission’s interpretation of the legal requirement for selection for appointment on merit, on the basis of fair and open competition.

These Principles, which the Commission is required to produce by the 2010 Act, are effectively the code of practice for Civil Service recruitment. They are the main source document for Government Departments. They explain merit, fairness and openness; set down the steps for selecting people for appointment to the Civil Service; and specify the circumstances in which appointments may be made by exception to the legal requirement. Exceptions are designed to provide a flexible

way of recruiting staff where this is necessary in the interests of the Civil Service (for example, to meet a short-term need for specialist skills).

We decided to carry out a full review of the Principles for three reasons. First, they had not been revised, apart from some technical amendments, since 2009, when they replaced a more detailed process-based Recruitment Code. There was a need for some updating and clarification of the rules, in light of experience and to take account of recent developments in the Government's Civil Service Reform Programme, including those relating to the appointment of Heads of Department and the creation of Extended Ministerial Offices (for which we had introduced a special Exception in October 2013).

Secondly, we wanted to continue the process of simplifying and streamlining the existing framework of guidance that had developed to supplement the Recruitment Principles. We were determined to slim this down from five existing documents into a single considerably shorter one, while at the same time improving clarity.

Thirdly, we wanted to ensure that the Recruitment Principles were relevant and intelligible for all Civil Service recruitment, not just for the senior level recruitment, for which the Civil Service Commission is best known.

We consulted widely on proposed changes to the Recruitment Principles during January and February 2014 – with the general public and key interested parties involved in recruitment. We also received a report from the House of Commons Public Administration Select Committee, which conducted its own review of our proposals and held a committee hearing with the First Civil Service Commissioner. We met and received written comments from the Minister for the Cabinet Office, on behalf of the Government.

The responses to the consultation including the report by the Public Administration Select Committee and the letter from the Minister for the Cabinet Office can be viewed on our website.<sup>7</sup>

The responses were overwhelmingly positive and constructive, particularly from the Government Departments who are responsible for the recruitment. From the total responses received, there was broad agreement from the majority on the following:

- Essential steps were set out clearly
- Nothing was missing
- Nothing was superfluous
- Nothing could be made less onerous without compromising the legal requirement

<sup>7</sup> <http://civilservicecommission.independent.gov.uk/news/responses-public-consultation-recruitment-principles-11-april-2014/>

- Increased recognition and guidance for competitions below the Senior Civil Service were very welcome.

There were four more contentious issues:

### 1. Heads of Departments appointments

The Commission took the opportunity to consult on how much Ministers should be involved in the appointments of Heads of Departments, including whether the Prime Minister should be given a choice of candidates. This is a subject on which the Commission continues to disagree with the current Government. The Commission put forward two options for consultation: continuing the existing practice, which we revised at the end of 2012 to make clear the important role that the Secretary of State had in the process, or a second option which allowed the Prime Minister to make the choice where two candidates were judged by the panel to be of similar merit.

This would have been the first time that the Commission had been prepared to allow an element of choice, albeit on a limited basis. It inevitably attracted mixed views, with those consultees expressing a preference broadly evenly split between the two options. The Government argued strongly for more Prime Ministerial choice in Head of Department appointments, and expressed disappointment at the Commission's decision not to consult on the Government's own wider option. In contrast, the cross-party Public Administration Select Committee (PASC) advised us against change, arguing that further piecemeal change to the way Heads of Department are recruited should not take place ahead of a more holistic examination of the role of the Civil Service.

The Commission, after much discussion, decided that there was not sufficient support for the second option. This is an issue that goes to the heart of Civil Service impartiality and it is particularly important that we proceed on the basis of Parliamentary consensus. In the light of PASC's opposition to change at this point, we have decided to continue with our existing practice at this stage. We had, however, noted the criticism that the language used in the previous approach was quite opaque, and have re-drafted the text to increase the clarity and transparency of the process.

We recognise that the wider debate on the nature of the Civil Service, within which this is a small part, is moving fast. The Commission welcomes the wider debate and intends to contribute actively to it. In the event that Parliament were to reach a different consensus we would be willing to consider this issue again. But we will continue at every stage to put the case for the importance of appointment on merit as a counterweight to personal or political patronage.



## 2. The need for civil servants to comply with the Civil Service Code

We included in our draft Recruitment Principles a requirement that selection panels test applicants, as part of the selection process, to assure themselves that the individual would be capable of complying with the Civil Service Code requirements if appointed. We were particularly concerned to ensure that those who had previous political involvement could fulfil the Code requirements to act impartially and objectively.

There was a consensus that it remained essential everyone appointed to the Civil Service should understand the need to comply with the Civil Service Code. But many in the consultation questioned the proportionality and practicability of what was proposed, particularly for more junior posts. We therefore revised the requirement for this, making clear that it is for the panel to decide the most appropriate and proportionate way to achieve this, taking into account the nature and seniority of the post. Our view remains, however, that this is an important new addition to the Principles.

## 3. Delegation level for Exceptions

A central issue in the revision of the Recruitment Principles was the need for greater clarity about the use of Exceptions from the requirement for fair and open competition and appointment on merit. As we explain below, we remain concerned about the frequency with which Exceptions are being used, and about the poor level of understanding of the 'rules' on this issue. The revised Principles contain a major revision of the sections that deal with Exceptions, designed to be clearer and easier to use.

As part of this, we decided to tighten the rules on which senior Exceptions should come to the Commission for approval. In future, Commission approval will be required for all senior appointments, senior civil service pay band 2 or above, or on a salary above the Senior Civil Service Pay Band 2 minimum (currently £85,000).

This was generally not supported from within Government but, after detailed consideration, the Commission decided to stick to its new position. We are concerned that some Departments may be using the Exception rules to avoid fair and open competitions when making senior appointments.

## 4. Extended Ministerial Offices

In the course of the year, but before the consultation on the Recruitment Principles, we produced new guidance, in response to the Government's stated intention to set up Extended Ministerial Offices. We said in our consultation paper that we would review this after twelve months of operation, as we had indicated when we introduced the new Exception in October 2013.

Nevertheless, we received a number of responses during our consultation on the Recruitment Principles that show there is considerable unease that Extended

Ministerial Offices will lead to the politicisation of civil servants and/or the appointment of many more political appointees. The Civil Service Commission is very aware of these concerns and is keeping the position under close review.

### *The Recruitment Principles 2014*

The new *Recruitment Principles 2014*<sup>8</sup> came into effect on Monday 21 April 2014. In them, the Commission's overall approach remains unchanged. We remain committed to principles-based regulation and have aimed to keep the essential steps to the absolute minimum. Within this framework, it is the responsibility of Departments to develop their own approach to recruitment to suit their operational needs. The overall aim is to ensure that the best people with the right skills are selected from the strongest and most diverse fields possible. That is the ultimate test of successful recruitment.

### *Senior recruitment and internal appointments*

During 2013-14 the Commission has continued its practice of requiring Civil Service Commissioners to chair all 'open' competitions – that is, posts to which both existing civil servants and non-civil servants can apply – to fill posts at SCS pay band 2 and above.<sup>9</sup> In addition, Commissioners chair competitions for internal competitions (open only to existing civil servants) at SCS pay band 3 and above. Chairing senior competitions remains a key means by which the Commission fulfils its legal responsibilities for appointment on merit on the basis of fair and open competition.

As Table 1 shows, there has been a 12% increase in the number of competitions at these levels compared with 2012-13. In addition to the competitions listed, there were 10 competitions that were cancelled before completion (nine in 2012-13).

**Table 1: Competitions at SCS pay band 2 and above, 2013-14 and 2012-13**

	Competitions chaired by Commissioners			Appointments made			No appointment made
	Open	Internal	Total	Open	Internal	Total	
2013-14	100	16	116	83	15	98	18
2012-13	96	8	104	85	8	93	11

The vast majority of these competitions resulted in a successful appointment. The names of the appointees are published on our website.<sup>10</sup> In a few cases, a final appointment decision was still pending at the time of writing; the names of the appointed candidates will be added to the list on the website when available.

The majority of the competitions that did not result in an appointment were open competitions which did not attract a strong enough field of candidates to make an

<sup>8</sup> <http://civilservicecommission.independent.gov.uk/wp-content/uploads/2014/04/Recruitment-Principles-April-2014.pdf>

<sup>9</sup> Director (Pay Band 2), Director General (Pay Band 3) and Permanent Secretary (sometimes referred to as Pay Band 4).

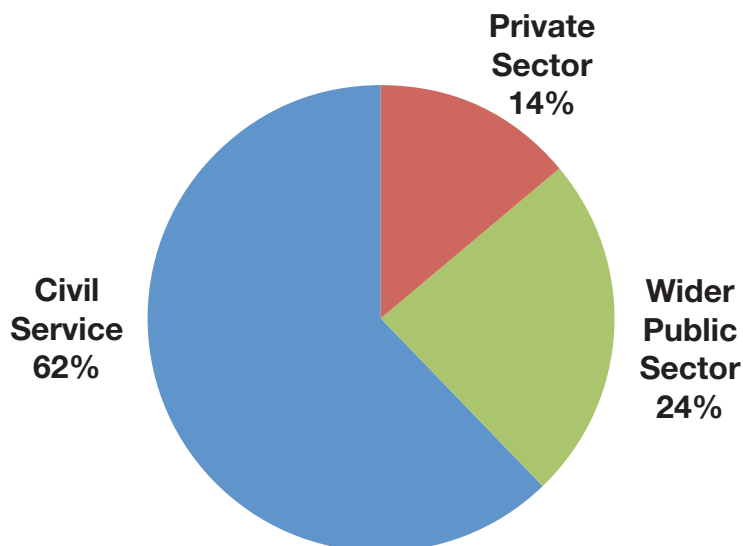
<sup>10</sup> <http://civilservicecommission.independent.gov.uk/wp-content/uploads/2014/06/Senior-Appointments-2013-20141.pdf>

appointment. Although it is not always possible to be specific about the reasons for a failure to appoint, we are increasingly seeing evidence that the uncompetitive levels of pay offered – particularly in skill shortage areas – are an impediment to attracting suitable applicants. In one of the competitions we chaired, a suitable candidate was identified but a private sector company offered a remuneration package some 50% higher than the Civil Service had offered. While this is at the extreme, we should expect competition from other sectors to grow as the economy picks up.

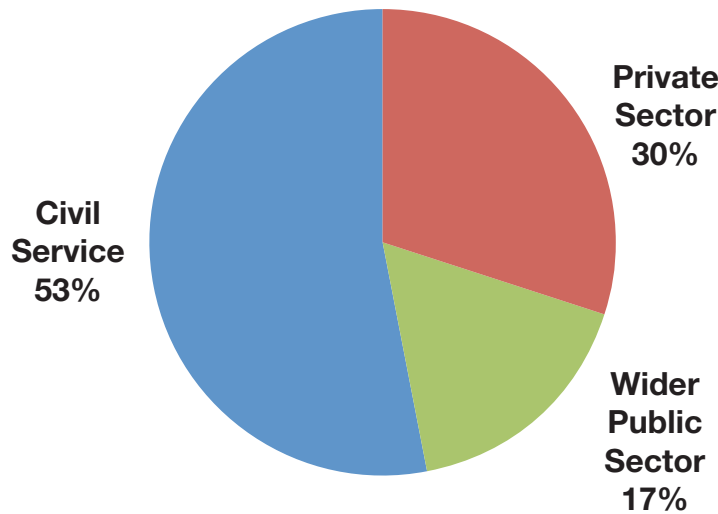
*Sector background of senior appointees*

As in previous years, most of those appointed at the most senior grades were working in the Civil Service immediately prior to their appointment. All three of those appointed to Permanent Secretary level posts through open competitions during 2013-14 had been civil servants immediately prior to their appointment. However, as Figure 1 and Figure 2 show, the picture was much more mixed at Director General (PB3) and, especially, Director (PB2) level where, respectively, 38% and 47% of those appointed came from outside the Civil Service. Furthermore, it is worth noting that, in previous years around a quarter of those labelled as ‘civil servants’ based on their immediately previous role were not, in fact, ‘career’ civil servants but had been recruited from outside the Civil Service at a relatively senior level.

**Figure 1: Sector background of candidates appointed to Director General (PB3) roles through open competition, 2013-14**

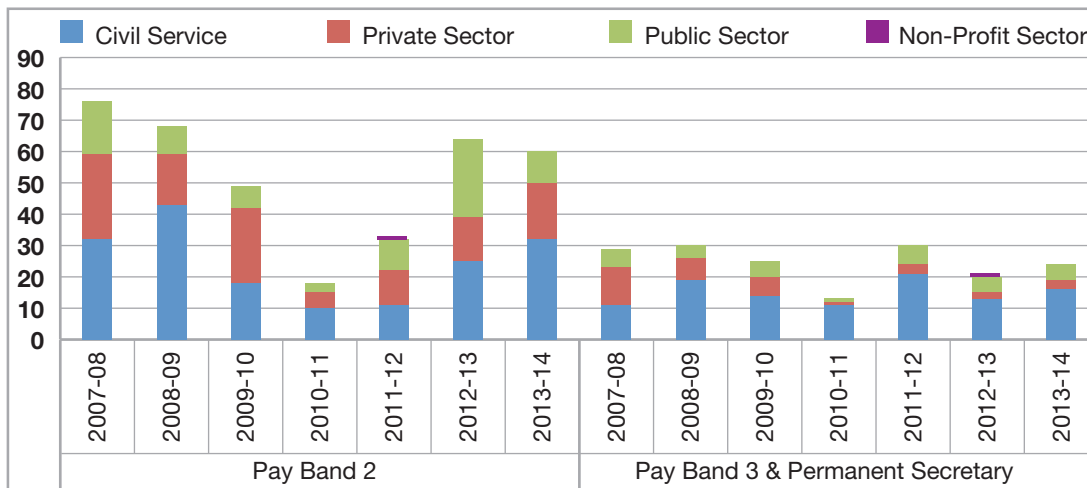


**Figure 2: Sector background of candidates appointed to Director (PB2) roles through open competition, 2013-2014**



The recent trend (Figure 3) in open competitions at the most senior levels is a continuing increase in the proportion of successful candidates whose immediately previous employment has been within the Civil Service. Compared with 2012-13, 2013-14 has seen a small increase in the proportion from private sector backgrounds and a decrease in the proportion from the wider public sector.

**Figure 3: Trends in sector backgrounds of senior open competitions, 2007-2014**



*Gender diversity in senior appointments*

We commented last year that there appeared to be a slight upward trend in the proportion of women appointed to the most senior levels of the Civil Service (SCS pay band 2 and above). That upward trend has continued in 2013-14.

Three out of the four appointments made at Permanent Secretary level, following competitions chaired by Commissioners, were to women, a higher proportion than in recent years. Overall, 35% of those appointed<sup>11</sup> at SCS pay band 2 or above following competitions chaired by Commissioners were women, with the proportions fairly similar between pay band 2 and pay band 3 (33% and 34% respectively). Encouragingly, it is comparable with the proportion of Senior Civil Servants that is female (35% in 2012, the most recent figure published by the Office of National Statistics), although it remains considerably lower than the proportion of the overall Civil Service that is female (53% in 2012).

However, appointments made following competitions represent only three quarters of recruitment at SCS pay band 2 and above. The remaining quarter of appointments is made using one of the Recruitment Principles Exceptions (see page 24), approved by the Commission. Of the 31 requests that the Commission was asked to approve during the past year, 87% were requests to appoint a male candidate and only 13% a female candidate. Although this includes some repeated requests for the same individuals<sup>12</sup> and some cases where the individual did not, in the end, take up post, the contrast is quite marked and there is a statistically significant difference with the proportions appointed through open competition. Departments appear more likely to choose a male candidate when they are appointing by Exception than they are when recruiting through a fair and open competition.

While there may be legitimate reasons for the contrast – for example, because many of the Exception appointments related to the need to meet skill shortages in areas where the industry is male dominated – it is a troubling finding, particularly when Exceptions are quite prevalently used at senior levels. It strengthens the Commission's determination to encourage Departments to recruit using open competition rather than Exception where ever possible, including at the most senior level.

### *Quality of candidates*

Given the Commission's role in providing assurance that the most meritorious candidates are appointed to the Civil Service, we have been encouraging Departments to try to attract a higher quality of candidates to apply for the most senior roles. While this is hard to measure objectively – so much depends on the particular nature of posts each year and the nature of the specialist job market in that specialism at that time – there are a few indicators we can examine to assess whether or not this is happening.

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<sup>11</sup> For those competitions where an appointment is pending at the time of publication, we have counted those recommended by the panel.

<sup>12</sup> For example, where a short-term appointment of a few months is approved and a later request is received to extend this for a longer period.

One such indicator relates to the panel assessment for the recommended candidates in the competitions chaired by Commissioners. We require panels to assess each candidate in the final pool on their suitability, categorised as 'outstanding', 'very good', 'clearly above the minimum appointable level', 'appointable', 'near miss' or 'unappointable'. Looking at the competitions chaired by Commissioners in 2013-14, 86% of the recommended candidates were assessed as either 'outstanding' or 'very good', an increase from 73% in 2012-13.

Looked at in isolation, this is a positive finding, indicating that the quality of those who come top in each competition has, on average, increased. But it is only part of the story.

There has also been an improvement this year in the proportion of competitions that result in only one candidate being assessed as suitable: in 2013-14, 29% of competitions where an appointment was made had only one 'above the line' candidate; the figure for 2012-13 was 45%. While the Commission welcomes this reduction, it considers that it remains a vulnerability, particularly in an increasingly competitive job market and in skill shortage areas. It is also of concern that the proportion of competitions that result in no appointment being made has increased from 11% last year to 16% this year (Table 1, page 17). Taken together, this suggests that too many of the most senior competitions fail to attract candidates of sufficiently high quality to make an appointment.

### ***Recruitment below SCS pay band 2***

Initial indications are that around 26,300 staff were recruited to the Civil Service at grades below SCS pay band 2 in 2013-14, the level at which the Civil Service Commission is normally directly involved in recruitment. This represents an increase of 34% compared with the 19,500 recruited in 2012-13, a higher increase than that seen at the more senior grades (see page 17).

### ***Compliance monitoring***

Below SCS pay band 2, the Commission monitors compliance with the Recruitment Principles through an annual compliance monitoring audit. Since 1995, the data collection and much of the analysis for this compliance monitoring work has been contracted out, most recently (since April 2013) to KPMG. As well as fulfilling the Commission's legal duty, the compliance monitoring work enables the Commission to pick up systemic developments in recruitment practice across the Civil Service, to note, identify and spread good practice and mitigate risks of future non-compliance.

We use four risk ratings to assess Departments:

GREEN	Indicators suggest minor or no compliance risk to the organisation and minor or no concerns with the capability to achieve successful recruitment
AMBER/GREEN	Indicators suggest moderate compliance risk to the organisation and/or moderate concerns with capability to achieve successful recruitment
AMBER/RED	Indicators suggest significant compliance risk to the organisation and/or significant concerns with capability to achieve successful recruitment
RED	Indicators suggest major compliance risks to the organisation or actual breach of the principles and/or major concerns with capability to achieve successful recruitment

On the basis of a range of quantitative and qualitative data that they supplied relating to their recruitment in 2012-13, all Departments received an indicative risk rating, from which we determined a programme of follow-up visits. A full recruitment review was undertaken for those that were provisionally assessed as red or amber/red, and then a final risk rating was determined, based on the original recruitment data for 2012-13 and in most cases more recent recruitment data relating to appointments made in 2013-14. Details of the risk ratings for all Departments are published on our website.<sup>13</sup>

Most Departments were assessed either as ‘green’ (38 of the 71 organisations, or 35% of total Civil Service recruitment) or ‘amber/green’ (21, representing 36% of total recruitment). This provides strong assurance that recruitment across the majority of the Civil Service is being conducted in line with the Recruitment Principles and the legal requirement of the 2010 Act.

There were, however, 10 Departments (representing 27% of total recruitment) that were assessed as having significant risks (‘amber/red’)<sup>14</sup> and a further two Departments (2% of total recruitment) that were ‘red’ rated: the Department of Health (DH) and the Department for International Development (DFID).

At DH, we judged, in particular, that there were problems identifying and managing staff recruited through one of the Exceptions set out in the Commission’s Recruitment Principles. As the Recruitment Principles explain, Departments’ delegated powers extend only to making temporary appointments (up to two years) and the Commission’s approval is required to extend this beyond two

<sup>13</sup> <http://civilservicecommission.independent.gov.uk/civil-service-recruitment/compliance/>

<sup>14</sup> The Cabinet Office (CO); the Department for Business, Innovation and Skills (BIS); the Department for Communities and Local Government (DCLG); the Department for Culture, Media and Sport (DCMS); the Department for Work and Pensions (DWP) ; the Food Standards Agency (FSA); the Insolvency Service; the Ministry of Justice (MoJ); the Royal Parks Agency; and the Serious Fraud Office (SFO).

years. Failure to keep track of staff appointed by exception creates a risk that staff may be retained inadvertently beyond the point at which the Department has legal authority to employ them, making their continued appointment unlawful. We identified at least one case where this had happened at DH in the past year.

The problem at DFID related more to the absence of evidence to demonstrate that the most meritorious candidates were selected following fair and open competitions. There were two recruitment campaigns in our test sample where this was the case. That is not to say that the wrong candidates were appointed, only that there was no evidence to explain the selection decision.

The Commission has written to the heads of all red and amber/red rated Departments, giving them an action plan for improvement and asking them to report back regularly on progress. Some of these Departments will receive a follow up visit during 2014-15 to ascertain whether the risks of non compliance are still live.

It is clear from what we have seen that most Departments have good policies and procedures to enable them to recruit in line with the legal requirement for selection on merit on the basis of fair and open competition. However, our compliance monitoring indicates a risk that the downsizing of human resources teams in advance of the transition to a Civil Service-wide recruitment system could reduce the future capability of those teams and increase the risk that Departments would make appointments that were unlawful. The principal shortcoming was inadequate evidence to underpin the decision making process. Without this, it is difficult to give assurance that the best candidates have been appointed and that the process has been fair and open.

### *Review of graduate Fast Stream recruitment*

The Commission said in its strategic framework that it would supplement its normal compliance monitoring with occasional more in-depth or thematic reviews of specific issues or programmes. In 2013-14, we decided to review recruitment and selection to the Civil Service Fast Stream, which is the main way the Civil Service aims to recruit and develop top graduates. The review, overseen by two Commissioners, looked at whether Fast Stream recruitment and selection was compliant with the statutory requirement for appointment to the Civil Service to be on merit on the basis of fair and open competition. This involved analysing material provided by Civil Service Resourcing, the organisation that operates the Fast Stream schemes, and observing Fast Stream selection processes.

While concluding that the Fast Stream was compliant with the Recruitment Principles, the report, which was published on the Commission's website in February 2014,<sup>15</sup> explores this compliance conclusion in more detail; and makes some suggestions to Civil Service Resourcing about the need to understand better who applies to the Fast Stream schemes; it also includes some wider

<sup>15</sup> <http://civilservicecommission.independent.gov.uk/wp-content/uploads/2014/02/Fast-Stream-report.pdf>



observations about the Fast Stream recruitment model more generally, raising some particular issues about the diversity of applicants to the Scheme. While diversity has improved enormously over the last decade, there is still the need to ensure both that the Scheme is attracting its 'share' of top graduates from all backgrounds and that the assessments used to select applicants at each stage are demonstrably fair. The review found that the information and analysis currently available is not sufficient to draw firm conclusions on these points.

### *Recruitment by Exception*

The 2010 Act gives the Commission the power to determine circumstances in which it is lawful for Departments to appoint staff by exception to the legal requirement for appointment on merit, following fair and open competition where this is either in the interests of the Civil Service or necessary to enable the Civil Service to comply with a Government employment initiative. These Exceptions, which are set out the Recruitment Principles (see page 13), are designed to provide a flexible way of recruiting staff when necessary. The number of people appointed by Exception is monitored and, for senior posts or for extended appointments, must be authorised by the Commission.

The Commission's prior authorisation is required for appointments to be made by Exception at SCS pay band 2 level or above.<sup>16</sup> We approved 31 requests for senior appointments by Exception (or extensions to existing senior Exception appointments) during 2013-14. The names of those appointed following Exceptions granted by the Commission at these grades are published on the Commission's website.<sup>17</sup>

Most of these (27, compared to 25 in 2012-13) were for short-term appointments. Three related to secondments (compared with seven in 2012-13). One related to the reappointment of a former civil servant (who had previously been on a secondment) (also one in 2012-13).

Departments have delegated authority to use the Exceptions in the Recruitment Principles for appointments below this level, however the Commission's approval is required for appointments by Exception that are for longer than two years (including extensions of existing appointments). We approved 123 appointments below SCS pay band 2 in 2013-14 (114 in 2012-13), the majority of which were extensions of short-term appointments.

In our 2012-13 Annual Report we reported our concern at what appeared to be an increase in the proportion of staff being recruited by Exception rather than through fair and open competition. On first sight, the figures for 2013-14 raised similar worrying concerns, showing that around 9,100 appointments were made

<sup>16</sup> With the introduction of the Recruitment Principles 2014 from 21 April 2014, the Commission's approval is also now required for appointments at salaries above the SCS pay band 2 minimum, currently £85,000.

<sup>17</sup> <http://civilservicecommission.independent.gov.uk/wp-content/uploads/2014/06/Exceptions-to-the-Recruitment-Principles-2013-2014.pdf>

by Exception (around 35% of total recruitment). This represents a very sizeable proportion and number of appointments that are made without complying with the legal requirement for appointment on merit following fair and open competition.

On closer inspection, the position is somewhat less concerning. Nearly 5,300 of these Exception appointments related to the appointment of staff who worked for an organisation that was transferred into the Civil Service – for example, the transfer of staff from the Health Protection Agency (a non-Departmental Public Body, and outside the Civil Service) into Public Health England (an Agency of the Department of Health and therefore part of the Civil Service). The Commission recognises that these situations represent entirely legitimate reasons to appoint by Exception and the high numbers do not imply a significant disregard for the legal requirement to appoint on merit. Rather, they are likely to be the result of the current Government public bodies reform policy, which has resulted in a number of functions, previously carried out by arm's length bodies, being brought into central government.

When those 5,300 appointments are excluded from the total, this leaves around 3,900 appointments made by Exception, 15% of total Civil Service recruitment in 2013-14.

### *Recruitment complaints and breaches of the Recruitment Principles*

We received 46 complaints about recruitment during 2013-14, compared with 22 in 2012-13. We ascribe the increase to an increase in recruitment and, in part, to a change in the way we record complaints data rather than an indication that recruitment practices are deteriorating.

Of these cases, 29 were referred back to the Department of origin as they had not yet been considered by the Department. Twelve cases, including one that had been received during 2012-13, were identified as being outside our remit, in most cases because they related to internal Civil Service competitions. One further case was discussed with the Department concerned without being investigated by the Commission and resulted in an apology being issued by the Department to the complainant.

Of the five 'within remit' cases that we investigated, we found that there had been no breach of the Recruitment Principles.

The Commission also investigates situations where Departments may have failed correctly to apply the Recruitment Principles (breaches). The Commission identified 17 cases (32 in 2012-13) where the Recruitment Principles had not been properly applied during 2013-14. All but two of these were comparatively minor cases, involving administrative errors:

- 1 breach each: Department for Culture Media and Sport; the Serious Fraud Office; the Competition and Markets Authority; and Her Majesty's Revenue and Customs.
- 2 breaches each: the Scottish Government; the Department for Environment, Food and Rural Affairs; the Office of Rail Regulation; and the Department of Health.
- 3 breaches: Department for Work and Pensions. These breaches occurred due to misunderstanding. DWP believed these posts were not secondments because the funding for them came from a separate Government initiative.
- The Government Actuary's Department breached the openness requirement of the Recruitment Principles in their graduate recruitment scheme by refusing to accept applications from previous applicants.

Of these, three of the cases (6 in 2012-13) related to the appointment of Senior Civil Servants.

## Civil Service Code

The Civil Service Code is the ethical code of the Civil Service and outlines its core values: Integrity, Honesty, Objectivity and Impartiality. It is issued by the Cabinet Office and forms part of the terms and conditions of employment of every civil servant.

The Commission has a role, under the 2010 Act, in hearing Code complaints from civil servants where it has not been possible to resolve these at Departmental level. From 2013-14, the Commission has published the outcomes of these cases on our website.<sup>18</sup>

### *Code complaints*

The Commission dealt with 19 new cases in the period 2013-14 (17 in 2012-13), and concluded two cases that had been received during 2012-13.

Most of these 21 cases (15, or 71%) were outwith the Commission's remit either because they dealt with HR issues (HR issues are explicitly excluded from the Code) or because they were made by individuals who were not civil servants (our legal powers only allow us to investigate cases brought by civil servants; there are other bodies – for example the Parliamentary and Health Services Ombudsman – who are able to look at complaints of maladministration brought by members of the public). Two further cases were ultimately dealt with satisfactorily by the Department, having first been brought to the Commission and another was passed to another authority for investigation.

<sup>18</sup> <http://civilservicecommission.independent.gov.uk/civil-service-code/complaints-to-the-commission/2013-civil-service-code-complaints/>

Three cases remained that were within the Commission's remit and were investigated during 2013-14, one of which remains under investigation at the time of writing. The Commission concluded that the Code had been contravened in one of the remaining two cases. The complaint that we upheld concerned the way in which the previous senior management team at the Serious Fraud Office had dealt with information about consultancy contracts in 2010.

### *Promotion of the Civil Service Code and values*

The Commission works with Departments to help them promote the Code and the core Civil Service values. This is an 'additional function' agreed between the Commission and the Government, which supplements the Commission's role in hearing complaints under the Code outlined in the 2010 Act. This year we conducted our third audit of Departments' activities to promote and uphold the values in the Civil Service Code (previous audits were in 2009 and 2011).

The purpose of the audit was to assess how well the Code is embedded and promoted across the Civil Service. In particular, we sought to gain a fuller picture of:

- Who is involved in promoting the Code;
- What processes are in place to address and record concerns raised; and
- Whether the values of the Civil Service Code are highlighted during the recruitment process.

We will publish the full results on our website later this year. Preliminary findings are that, as in previous years, the areas where good practice predominates are in the provision of advice to staff on their right to complain to the Commission, providing new entrants with a copy of the Code, and making reference to the Code within induction for new staff.

The weakest areas were those that related to the role of Nominated Officers. Cabinet Office established a network of Nominated Officers in 2006. They are individuals appointed in each department to advise staff on the interpretation of the Civil Service Code and on steps that might be taken to resolve a concern raised under the Code.

The Commission has reviewed how it can best fulfil its agreed additional role in helping Departments promote and uphold the values in the Civil Service Code. As part of this, we have worked with the Cabinet Office and Civil Service Resourcing to produce a first iteration of a set of standard policies and procedures for Departments to adopt or adapt. We have also decided to concentrate our efforts on supporting Nominated Officers, an area of need highlighted by the audit. We have already provided support material for Nominated Officers on our website, and will be taking forward further initiatives during 2014-15.

The fifth Civil Service People Survey took place in October 2013, and again included three questions on the Civil Service Code (Table 2). We were pleased to note that awareness among respondents of the Code has continued to grow across the Civil Service, though the improvement has not been as marked as in previous years. Confidence that Code complaints would be properly investigated is the same as last year. Similar patterns can be seen across almost all Departments.

**Table 2: Awareness of the Civil Service Code<sup>19</sup>**

Question Text (from the Civil Service People Survey)	2009	2010	2011	2012	2013
Are you aware of the Civil Service Code? (% answering yes)	75%	81%	86%	88%	<b>89%</b>
Are you aware of how to raise a concern under the Civil Service Code? (% answering yes)	44%	53%	59%	63%	<b>64%</b>
Are you confident that if you raised a concern under the Civil Service Code in [the organisation] it would be investigated properly? (% answering yes)	58%	62%	64%	67%	<b>67%</b>

While there have been improvements in these awareness figures over the last five years, we think there is scope for further improvements in the awareness of how to raise a complaint and in the confidence of staff that the complaint will be properly investigated. The 64% and 67% positive scores are good, but leave sizeable minorities with low awareness and confidence.

## Public and Stakeholder engagement

One of the key themes in the Commission’s Strategic Framework 2012-16 is to improve understanding of the Commission’s purpose and approach. There have been a number of initiatives in this area during the year.

We have taken forward a programme of incremental improvements of our website. This has included a new area with information and resources aimed particularly at those in Departments involved in recruitment or the Civil Service Code. We have also increased the amount of information on our work that we publish online, shifting some material from the Annual Report and Accounts to the website, where it is available much earlier than previously. We have also introduced a new section to help guide people quickly through the different complaint regimes the Commission runs, to help them decide much more quickly whether their concern is something the Commission may be able to investigate.

<sup>19</sup> Detailed results for each Department are available on the Government’s data site: <http://data.gov.uk>

The Commission is required, by its Memorandum of Understanding with the Cabinet Office, to hold an annual open meeting. Last year we piloted a new approach by holding an online virtual Open Week, to provide an opportunity for civil servants from across the UK to raise issues and put questions to Commissioners via email, Facebook and Twitter.

We were delighted that the initiative reached a range of civil servants, across the UK and across the grade spectrum, and so we repeated it this year. The Open Week was held 24-28 February 2014 as part of our public consultation on the Commission's Recruitment Principles (see page 13). Among the issues raised were the relationship between 'whistleblowing' and the Civil Service Code, the use of secondments, the use of social media as a tool for advertising and selection, and the use of search consultants in Civil Service recruitment processes.

## Statutory disclosures

The following information is published in accordance with the requirements of the Companies Act 2006, as modified for public sector organisations by the *Government Financial Reporting Manual (FReM)*, published by HM Treasury.

### *Incidents involving personal data*

There have been no personal data incidents during 2013-14.

### *Attendance information*

The level of sickness absence within the Secretariat was 10.2 average working days lost per staff year<sup>20</sup> in 2013-14 (2.4 days in 2012-13). The equivalent figure for the Civil Service as a whole was 7.4 average working days lost per staff year.<sup>21</sup> The increase in sickness absence is, in large part, explained by the long-term absence of one member of staff, which in a small organisation like ours can cause a disproportionate impact. When that individual's absence is excluded from the calculation, the average working days lost per staff year is 3.9.

Commissioner attendance at Board and Standing Committee meetings is shown in table 3 (overleaf). Standing Committees are sub-committees of the Board (see page 41).

<sup>20</sup> Average Working Days Lost per Staff Year = the total number of working days lost across the year divided by the total number of potential staff years.

<sup>21</sup> <http://www.civilservice.gov.uk/about/improving/health-and-wellbeing/sickness-absence>

Table 3: Commissioners' attendance at Board and Standing Committee meetings, 2013-14

2013-14	BOARD												STANDING COMMITTEES									TOTALS			
	Commissioner	April	May	June	July	August	September	October	November	December	January	February	March	Recruitment – May	Recruitment – October	Recruitment – February	Code – April	Code – September (1)	Code – September (2)	Code – November	Audit & Risk – June	Audit & Risk – October	Audit & Risk – February	Attended	Not attended
BAUME	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓				✓		✓	✓	✓	✓	✓	✓	17	1
BISHOP	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓				✓	✓	✓	✓					15	0
BISS	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓				✓	✓	✓	✓	✓	✓	✓	✓	18	0
BLAUSTEN	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓			✓								13	1
FARNISH	✓	✓	✓	✓		✓	✓	✓	✓	✓		✓				✓		✓	✓					13	2
FLANAGAN						✓	✓	✓	✓	✓	✓	✓			✓					✓	✓	✓		11	1
GIBB	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓	✓		✓									10	4
GOLDWAG	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓	✓							✓	✓	✓		14	1
HALLETT	✓	✓	✓										✓							✓				5	0
HERMANN	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓									14	0
MCINTOSH	✓	✓	✓	✓												✓				✓				6	0
NORMINGTON	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓												11	0
SARKIS	✓	✓	✓	✓		✓		✓		✓	✓	✓	✓			✓	✓	✓	✓					15	3
Absences	0	0	0	1	0	0	1	1	2	0	1	1	1	2	2	0	2	0	0	0	0	0			
Attendance	12	13	12	11	0	11	10	10	9	11	10	10	5	3	3	6	3	5	5	6	4	4			

Grey shading indicates a meeting that individual was not required to attend.

\* indicates a clash between two Standing Committee meetings, making attendance at both impossible.

### *Sustainability, environmental, social and community initiatives*

The Civil Service Commission contributes to the Cabinet Office's commitment to making a continuing contribution to the goals, priorities and principles of the UK Government's Sustainable Development Strategy, Securing the Future. Details of the initiatives to reduce energy consumption in Cabinet Office can be found on the Government's website [www.gov.uk](http://www.gov.uk).

The Civil Service Commission has adopted the Cabinet Office's policy on volunteering which aims to encourage staff to participate in volunteering activity in the community and to enable staff to build their skills through practical experience. Staff are eligible for up to five days paid leave per year for volunteering activity as part of their personal development.

The Commission actively supports the Summer Diversity Internship schemes organised by Civil Service Resourcing to encourage staff from Black and Minority Ethnic backgrounds and from less-privileged backgrounds to consider a career in the Civil Service, in particular as part of the graduate Fast Stream. We benefited from having two interns from these schemes during summer 2013.

The Commission has a Code of Practice for Commissioners that requires them to observe the highest standards of integrity, honesty, objectivity and impartiality; and a Code of Practice for staff which requires them to offer the highest standards of conduct and service to the public.

The Civil Service Commission is committed to improving the work/life balance for its staff and we value diversity. We try to accommodate different work patterns and our staff may join the Cabinet Office's diversity networks.

### *Future developments*

The Commission was scheduled for its Triennial Review under the Public Bodies Act 2011 during 2013-14. As of 31 March 2014 the Triennial Review by the Cabinet Office has not commenced.



**Clare Salters**

Chief Executive

Civil Service Commission

16 June 2014



# Financial Report

## Financial Summary

The Commission's Accounts for 2013-14 are presented at Part 2. This year, the Commission's budget was increased to incorporate the budgets of the other Independent Offices for whom we provide secretariat support (see page 11).

In 2012-13, the Civil Service Commission had a total budget of £1.431m and incurred net expenditure of £1.335m, an under-spend of £96k.

The like-for-like equivalent figures for 2013-14, focusing on the Commission's 'core' responsibilities of regulating Civil Service recruitment and dealing with complaints under the Civil Service Code, are a budget of £1.431m and net expenditure of £1.328m, an under-spend of £103k.

Taking into account the Commission's work for the other Independent Offices, the Commission had a budget of £2.488m in 2013-14. The Commission's net expenditure was £2.252m, an under-spend against budget of £236k.

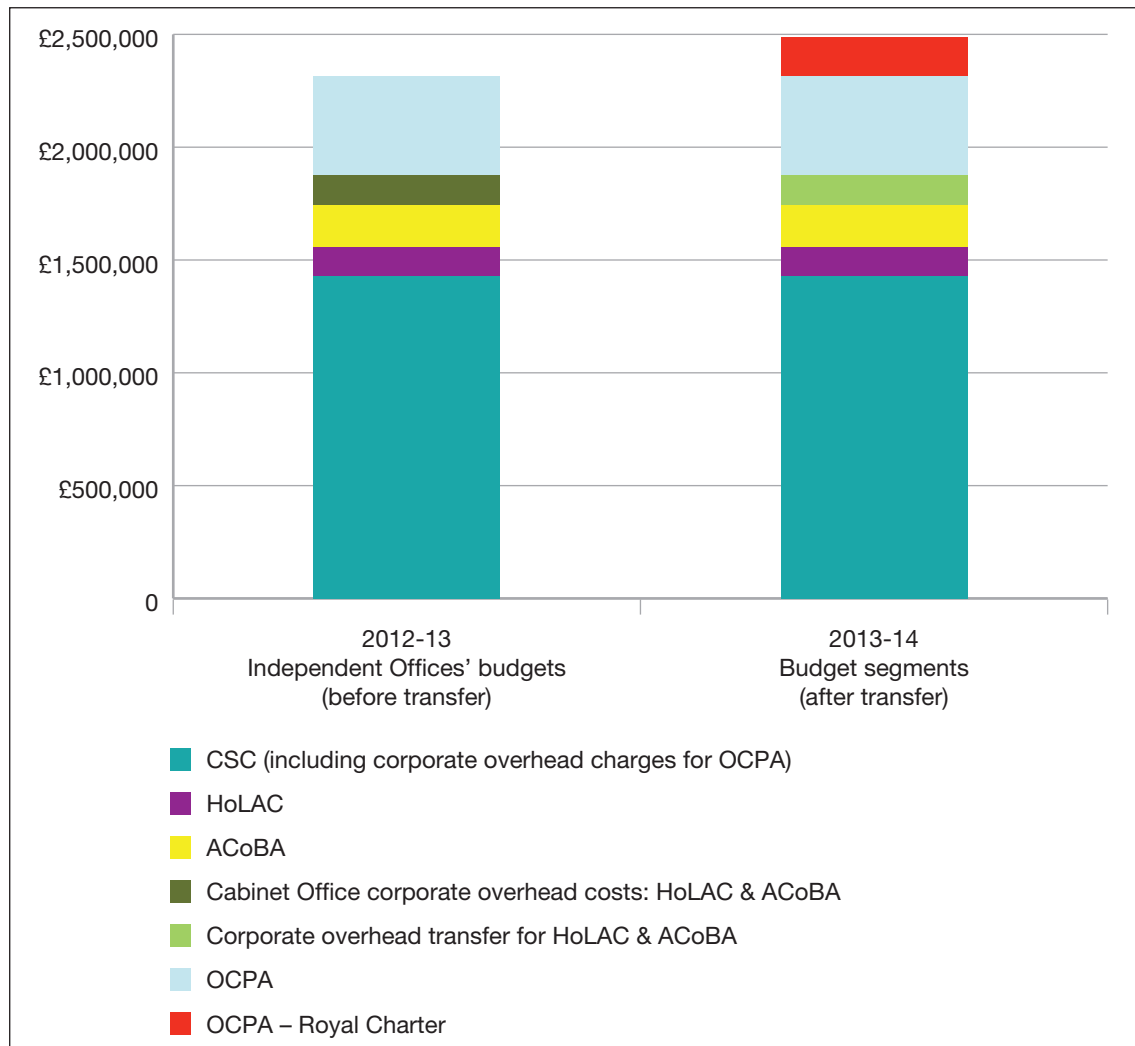
The reasons for the increase in budget and expenditure in 2013-14 are:

- An additional £884k<sup>22</sup> was allocated to the Commission when it took on responsibility for providing secretariat services to the three other Independent Offices (see page 11). These Offices' expenditure is now included within the Commission's 2013-14 Accounts.
- A further additional £171k was allocated to the Office of the Commissioner for Public Appointments during 2013-14 by the Department for Culture, Media and Sport for work to fulfil the requirements of the Royal Charter on press self-regulation, granted on 30 October 2013.

Figure 4 shows a comparison of the budgets before and after the transfer of functions. As can be seen, the only real increase is the £171k relating to the Royal Charter on press self-regulation.

<sup>22</sup> Equivalent to the combined budgets (£754k) of the three other Independent Offices (HoLAC, ACoBA and OCPA) plus the associated per capita corporate overhead costs (£130k) previously incurred by the Cabinet Office in respect of HoLAC and ACoBA (the corporate overhead cost for OCPA has been incorporated within the CSC budget since 2011-12).

**Figure 4: Funding for the Independent Offices before and after transfer of functions and addition of Royal Charter work**



Our main items of expenditure during 2013-14 were:

- Secretariat staff costs:** £901k, compared with £703k in 2012-13. The increase reflects the transfer of staff from the House of Lords Appointments Commission and the Advisory Committee on Business Appointments. The figure for both years includes the cost of providing support to the Office of the Commissioner for Public Appointments, which was previously recharged to the Cabinet Office.
- Compliance monitoring audit contract:** £234k, compared with £179k in 2012-13. Of the £234k figure, £129k (55%) relates to 'core' Civil Service Commission work of monitoring compliance with the Recruitment Principles, a decrease from last year's £179k, reflecting the higher cost in year 1 of the contract, which involved set-up costs as well as running the first year's audit. The remainder (£105k or 45%) relates to monitoring compliance with the Code of Practice on Public Appointments; and

- **Civil Service Commissioners' competition fees:** £188k, compared with £167k in 2012-13.<sup>23</sup> This is the most volatile element of the Commission's expenditure, and is driven primarily by the volume of senior competitions. The Commission's budget is based on an estimate of the number of recruitment competitions that may be held, however the Commission does not have control over when, or how often, Departments choose to recruit.

## Statutory disclosures

The following information is published in accordance with the requirements of the Companies Act 2006, as modified for public sector organisations by the *Government Financial Reporting Manual (FReM)*, published by HM Treasury.

### *Risks and uncertainties*

The Commission maintains a risk register which is regularly reviewed by both the Audit and Risk Committee and the Board. As the regulator for recruitment to the Civil Service, we consider our principal risk to be that Government, Civil Service and/or Departmental policy initiatives and/or practice changes (including European legislation) unintentionally undermine confidence in our regulatory framework or leads to loss of confidence in the Civil Service appointments system.

All the identified risks have agreed risk controls and mitigation, including reliance on legislation and the fact that our regulatory approach has been made clear in the Recruitment Principles since April 2009. The risk controls also include maintaining close links with Government Departments, including the Cabinet Office as our sponsor.

### *Accounts preparation and going concern basis*

The accounts attached to this report have been prepared in accordance with the Accounts Direction issued by the Minister for the Cabinet Office under the 2010 Act.

The Commission's accounts have been prepared on the assumption that the Civil Service Commission is a going concern on the grounds that where the Commission has outstanding current liabilities at the end of the year these will be funded in the next year by annual Grant-in-Aid. The Cabinet Office has agreed our budget and business plan for 2014-15 and our four-year corporate strategy for 2012-16. These can be viewed on our website.<sup>24</sup>

In common with Government Departments, the future financing of the Commission's liabilities is accordingly to be met by future grants of supply to

<sup>23</sup> Competition fees are paid in addition to the Commissioners' Board fees and the First Commissioner's salary, all three types of fee (Commissioners' Board fees, Commissioners' Competition fees and the First Commissioner's salary amount to £356k).

<sup>24</sup> <http://civilservicecommission.independent.gov.uk/wp-content/uploads/2013/02/Strategic-Framework-2012-2016.pdf> and <http://civilservicecommission.independent.gov.uk/wp-content/uploads/2014/04/Business-Plan-2014-15.pdf>.

the Cabinet Office and the application of future income, both to be approved by Parliament. There is no reason to believe that future approvals will not be forthcoming.

### *Pension schemes and liabilities*

The Commission has no pension liabilities. Commissioners' appointments are not pensionable. All staff are currently seconded from the Civil Service and are members of the Principal Civil Service Pension Scheme.

### *Register of Board members' interests*

Commissioners record any interests such as company directorships and other significant interests in the Register of Interests, published on our website.<sup>25</sup>

### *Audit*

The Commission's internal audit service is provided by the HM Treasury audit team. The internal audit team advise the Chief Executive, who is also the Accounting Officer, and the Audit and Risk Committee. The Commission also uses an independent accounts specialist to provide training to its finance staff as required.

The external audit of the Commission's accounts is undertaken by the Comptroller and Auditor General, as required by the 2010 Act. The remuneration for this work is £7,250 for 2013-14 (2012-13: £7,250), see note 3 to the attached Accounts. No other non-audit work was undertaken by the National Audit Office during the year 2013-14 (2012-13: nil).

As far as the Accounting Officer is aware:

- there is no relevant audit information of which the auditors are unaware; and
- the Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the auditors are aware of, and have access as required, to that information.

### *Contractual relationships*

The Commission has a contract with KPMG to conduct annual compliance monitoring audits of Government Departments and Agencies' recruitment policies and procedures on the Commission's behalf to ensure that they comply with the Commission's Recruitment Principles.

The Commission has a contract with Compupaye to process the payment of Commissioners and a contract with DF Press to provide press officer support.

<sup>25</sup> <http://civilservicecommission.independent.gov.uk/wp-content/uploads/2014/06/June-2014-Register-of-Interests-v2.pdf>

The Commission also contracted with Gatenby Sanderson on behalf of the Appointments Committee appointed by the Commissioner for Public Appointments. Gatenby Sanderson were contracted, after a competitive tender process, to provide executive search services in relation to the appointments to the Board of the Recognition Panel established under the Royal Charter on the self regulation of the press.

In addition, the Commission's Memorandum of Understanding with the Cabinet Office enables us to use many of the Cabinet Office's suppliers, in particular the Department for Work and Pensions which provides the Cabinet Office with much of its corporate finance requirements. We are charged on a per capita basis for these services.

#### *Policy on payment of suppliers*

Payment of the Commission's suppliers is carried out by the Cabinet Office under the Memorandum of Understanding; it is not possible to identify separately the speed with which the Commission's suppliers are paid from those of the Cabinet Office. The Cabinet Office's terms of contract are usually payment within 30 days of receipt of a valid invoice. The Commission understands that during 2013-14 the Cabinet Office paid 98.9 per cent of invoices within 30 days (2012-13: 99.0 per cent).

#### *Compliance with Treasury and other guidance*

The Commission has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector information guidance.

## **Remuneration Report**

### *Board and senior staff remuneration*

The following information is covered by the Comptroller and Auditor General's audit opinion.

The First Civil Service Commissioner is a part time office holder; Commissioners are all part time fee-paid office holders.

**Table 4: Fees paid to Commissioners**

	Period 1 April 2013 to 31 March 2014	Period 1 April 2012 to 31 March 2013
Commissioners	Pay band (£000)	Pay band (£000)
David Normington	85-90	85-90
Adele Biss	Board fees 5-10	Board fees 5-10
	Competition fees 15-20	Competition fees 15-20
Andrew Flanagan	Board fees 5-10	Joined 1 July 2013
	Competition fees 10-15	
Angela Sarkis	Board fees 5-10	Board fees 5-10
	Competition fees 20-25	Competition fees 15-20
Christine Farnish	Board fees 5-10	Board fee 5-10
	Competition fees 15-20	Competition fees 10-15
Christine Hallett	Board fees 0-5	Board fees 5-10
	Competition fees 5-10	Competition fees 10-15
Eliza Hermann	Board fees 5-10	Board fees 5-10
	Competition fees 20-25	Competition fees 25-30
Jonathan Baume	Board fees 5-10	Board fees 0-5
	Competition fees 30-35	Competition fees 0-5
Kathryn Bishop	Board fees 5-10	Board fees 5-10
	Competition fees 10-15	Competition fees 5-10
Moira Gibb	Board fees 5-10	Board fees 5-10
	Competition fees 5-10	Competition fees 15-20
Neil McIntosh	Board fees 0-5	Board fees 5-10
	Competition fees 0-5	Competition fees 25-30
Peter Blausten	Board fees 5-10	Board fees 5-10
	Competition fees 5-10	Competition fees 5-10
Wanda Goldwag	Board fees 5-10	Board fees 5-10
	Competition fees 25-30	Competition fees 15-20

**Notes**

With the exception of the David Normington, Commissioners receive two separate forms of payment: a flat fee (Board fees) and additional payment to reflect the volume of competition work they are involved in (Competition fees).

David Normington's fees reflect his full remuneration for both his work as First Civil Service Commissioner and his work as the Commissioner for Public Appointments.

Neil McIntosh and Christine Hallett ended their terms as Commissioners in July 2013. Andrew Flanagan commenced his term as a Commissioner the same month.

The total fees payable to Commissioners for chairing competitions were £188k (£167k in 2012-13).

No bonuses or benefits in kind were received in year.

The Commission did not have a Remuneration Committee during 2013-14 because all staff members are currently on secondment from the Civil Service and their pay rates are determined in line with Cabinet Office policy. From April 2014 the Commission will have a Remuneration Committee in order to determine the remuneration of the Chief Executive and the remuneration policy for any staff directly employed by the Commission.

The Commission has determined that the Chief Executive meets the definition of senior management. The current Chief Executive, who is a civil servant on secondment to the Commission, was appointed in December 2012, after a Civil Service wide competition, by the First Commissioner with the approval of the Cabinet Office. The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

**Table 5: Senior staff remuneration**

	Salary (£000's)		Bonus Payments (£000's)		Benefits in Kind (to nearest £100)		Pension Benefits (£000's)		Total (£000's)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Clare Salters	65-70	15-20	0	0	0	0	20-25	5-10	85-90	25-30

**Note**

The 2012-13 salary reflects the fact that the Chief Executive did not take up post until 17 December 2012; her Full Year Equivalent salary band was £65-70K.

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Reporting bodies are required to disclose the relationship between the Full Year Equivalent (FYE) remuneration (to the nearest £5000 band) of the highest-paid employee in their organisation and the median remuneration of the organisation's workforce.

The banded full year equivalent of the highest-paid employee in the Commission in 2013-14 was £65-70k FYE (2012-13, £65-70k). This was 2.17 times the median remuneration of the workforce (2012-13, 1.91 times), which was £31,136 (2012-13, £35,415). The main reason for this change in the ratio was a turnover of staff at middle-management level within the Commission. Several long-serving staff, whose salaries were towards the higher end of their pay band, completed their secondments to the Commission and those that have replaced them are on salaries lower in the same pay band.

**Table 6: Hutton fair pay disclosure ratio**

	Period 1 April 2013 to 31 March 2014	Period 1 April 2012 to 31 March 2013
Band of Highest Paid Employee's remuneration (to nearest £5000 band)	65-70	65-70
Median Total Remuneration	£31,136	£35,415
Ratio	2.17	1.91

*Pensions*

Commissioner appointments, including that of the First Civil Service Commissioner, are not pensionable. The Commission does not operate its own pension scheme. All staff are on secondment from the Civil Service and are therefore members of the Principal Civil Service Pension Scheme. All pension arrangements for staff are dealt with by the Department in the Civil Service from which they are seconded to the Commission. All pension arrangements relate to defined contribution pension schemes and contributions are charged in the income and expenditure account as they become payable in accordance with the rules of the arrangements.

As shown in Table 7, the Chief Executive's pension has accrued in her role as a civil servant.

**Table 7: Chief Executive's pension**

	Accrued pension at pension age and related lump sum (£000)			Cash Equivalent Transfer Value (CETV) (£000)		
	At start of reporting period	At end of reporting period	Real increase in value during reporting period	At start of reporting period	At end of reporting period	Real increase during reporting period
Clare Salters	18 (plus lump sum of 50-55)	19 (plus lump sum of 55-60)	0-2.5 pension 2.5-5 lump sum	259	291	13

*Clare Salters*

**Clare Salters**

Chief Executive

Civil Service Commission

16 June 2014



## Statement of Accounting Officer's Responsibilities

Under the Constitutional Reform and Governance Act 2010 the Civil Service Commission is required to prepare, for each financial year, accounts prepared on an accruals basis and giving a true and fair view of the state of affairs of the Civil Service Commission and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the annual report and accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* (FReM) and in particular to:

- observe the Accounts Direction issued by the Cabinet Office, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in FReM have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Accounting Officer of the Cabinet Office has designated the Chief Executive as Accounting Officer of the Civil Service Commission. The responsibilities of an Accounting Officer – including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Civil Service Commission's assets – are set out in *Managing Public Money* published by HM Treasury.

## Governance Statement

The Civil Service Commission is an independent executive Non Departmental Public Body (NDPB), sponsored by the Cabinet Office that was created in its current form on 11 November 2010 by the commencement of Part 1 of the Constitutional Reform and Governance Act 2010.

As Accounting Officer, I have responsibility for maintaining effective systems of corporate governance controls – both structural and procedural – to support the achievement of the Commission’s policies, aims and objectives whilst safeguarding the public funds and assets for which I am responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

### *The Board and its Standing Committees*

The Commission’s Board is chaired by the First Civil Service Commissioner and the other ten Commissioners all sit on the Board. The Board is supported by a Secretariat, made up of the Chief Executive and 20 other staff. Together, the Board and the Secretariat constitute the Civil Service Commission.

The Board meets on a monthly basis (except in August) and its approval is required for any significant changes relating to the operation of the Commission. Minutes of Board meetings are published on our website.<sup>26</sup>

The Board has established three standing committees to advise the Board on specific areas and, in certain cases, to exercise functions on behalf of the Board:

- The Audit and Risk Committee, which supports the Board in its responsibilities for issues of risk control and governance;
- The Recruitment Standing Committee, which has oversight of the effective operation and impact of the Recruitment Principles and policies and procedures for handling complaints made under them;
- The Code Standing Committee, which advises the Board on the exercise of the Commission’s responsibilities relating to the Civil Service Code, and which has delegated responsibility for adjudicating on appeals brought to the Commission, under section 9 of the Constitutional Reform and Governance Act 2010.

Standing Committee membership during 2013-14 is set out at Annex B. With the exception of the Code Committee’s delegated power to adjudicate appeals, all recommendations made by standing committees are subject to Board approval.

The Board reviews information on the Commission’s core work at each Board meeting. The Board reviews its own performance annually, and periodically in-year, to ensure that the Board and its standing committees are acting effectively. Each

<sup>26</sup> <http://civilservicecommission.independent.gov.uk/about-us/board-papers/>

Commissioner has an annual review with the First Commissioner, to discuss their contribution to the work of the Board and its committees, their link relationships with Departments, their role as competition chair for senior recruitment and their involvement in compliance monitoring activities.

The Board complies with the *Corporate governance in central government departments: Code of good practice 2011 Compliance Checklist*, which is regarded as best practice, except in the following matters:

- All the Commissioners are non-executives. There are no additional non-executive members of the Board.
- The Chief Executive, as Accounting Officer, is responsible for writing the governance statement, rather than the Board. The statement is reviewed by the Audit and Risk Committee and cleared by the Board before publication.
- Our Memorandum of Understanding with the Cabinet Office is not automatically re-negotiated when key personnel leave (including when there is a change in Government). We have quarterly meetings with the sponsor team in the Cabinet Office and an agreement that the Memorandum of Understanding will be reviewed every three years; the review due in 2013-14 was delayed pending the Triennial Review.

#### *Other internal control mechanisms*

The Commission follows Cabinet Office guidelines and procedures or, where the Commission's policy differs from Cabinet Office, it has its own Standing Orders, which are set out on our website.<sup>27</sup> The Standing Orders, which have all been approved by the Board, include Commissioner and Staff codes of practice, delegations and standing committee structures.

The annual budget is set in agreement with Cabinet Office and expenditure against budget is reviewed regularly by the Secretariat senior managers and monthly by the Commission Board.

The Commission is registered in the Information Commissioner's register of data controllers. We have reviewed our procedures for information security against those used by the Cabinet Office and advice provided by the Information Commissioner – the Commission is compliant with the relevant security policies.

#### *Management of risk*

The Commission's corporate governance controls are designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, and not absolute, assurance of effectiveness. Risks are managed on an continuing basis in a process that is designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those

<sup>27</sup> <http://civilservicecommission.independent.gov.uk/about-us/how-we-work/>

risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. Cabinet Office guidelines and procedures have been observed for the whole of 2013-14 and this annual report and accounts accords with HM Treasury guidance.

The Audit and Risk Committee (ARC) meets every three to four months and reports to the Board at the following Board meeting. ARC supports the Board by reviewing whether proportionate assurances for meeting the Board's and Accounting Officer's responsibilities are available and by testing the reliability and integrity of these assurances. This includes responsibility for the effective operation and impact of the Memorandum of Understanding with the Cabinet Office; the Commissioners' Code of Practice; the Staff Code of Practice; and the Commission's business planning process.

In addition to its members (see Annex B), ARC is attended by the Chief Executive, relevant members of the Secretariat and representatives of both the internal audit team from HM Treasury and the National Audit Office.

### *Risk and control framework*

The Commission has a risk register in place that has been assessed and considered at senior management level and at Board level. The risk register has been scrutinised, discussed and ratified at both ARC and the full Board. Our main risk in 2013-14 was that changes in Government or Civil Service policy and practice might undermine confidence in the Civil Service appointments process.

The risk register is considered at each ARC meeting and formally reviewed by the Board twice a year (or additionally as required). It is maintained by the Secretariat and is available to all staff and Commissioners.

The Commissioners, Chief Executive, team leaders and the staff of the Commission all contribute to the compilation of the risk register. The risks are owned either by the Chief Executive or the relevant team leader.

The severity of the risks is assessed in terms of their likelihood and their impact, taking into account what actions are in place, or need to be taken, to mitigate the risks identified.

On-going operational risks are managed as follows:

- as an on-going process any risk is identified, evaluated and controlled by me and my senior management team under a delegation from the Board and following advice from ARC; and
- any changes to the assessment and evaluation of risk have to be ratified by ARC and the full Board.

ARC and the full Board lead on determining and evaluating the risks.

Risk management is embedded in the activity of the organisation by constructing roles and team responsibilities that are closely aligned to specific areas of work outlined in our Business Plan, which in turn are aligned to specific risks. Our Business Plan, budget and corporate framework were agreed by the Board and by the Cabinet Office. Team leaders are responsible for training and equipping members of staff to manage risk. Where staff members require training or skills outside their normal areas of responsibility the Commission ensures that this is provided. The organisation is sufficiently small that good practice, and changes in risks, can be shared by way of a monthly “all staff” meeting and internal bulletins.

### *Review of effectiveness*

As Accounting Officer, I have responsibility for reviewing the effectiveness of the Commission’s governance procedures and controls. Most of our support activities are provided by the Cabinet Office. I have engaged an internal audit team (from HM Treasury) and I have consulted them, and the National Audit Office (NAO), regularly on matters of internal control. NAO and internal audit attend all Audit and Risk Committee meetings.

We had three internal audit reviews during 2013-14: one into the arrangements for determining the Chief Executive’s remuneration; one into financial reporting arrangements; and the third into the management of the Recruitment Principles auditor contract. All three were given a ‘Substantial Assurance’ rating, defined by the internal audit team as ‘risk management, governance and control systems established and found to be operating effectively with scope for improvement’.

During my review of the effectiveness of the system of internal control I have consulted the Board and the Audit and Risk Committee, and have systems in place to ensure improvements are implemented as required.

During 2013-14 the Commission’s main risk was that proposals brought forward as part of the Government’s Civil Service Reform programme might either impact negatively on the Commission’s core regulatory role or lead to a loss of confidence in the Civil Service appointments system. To mitigate the likelihood of this risk being realised, the Commission has sought to maintain close and productive links with the Cabinet Office and other stakeholders.

I consider that the processes, checks and controls provided by the Board, the Audit and Risk Committee and the business support team have been effective.

No significant governance control issues have been identified in this year.



**Clare Salters**

Chief Executive  
Civil Service Commission  
16 June 2014

## Annex A: Commissioners and Secretariat

### *Commissioners*

The Commissioners, whose biographies all appear on the Commission's website, are appointed by the Queen for a single five-year term of office.

**David Normington**, First Civil Service Commissioner and Commissioner for Public Appointments, appointed 1 April 2011.

**Adele Biss**, appointed as a Commissioner 1 April 2010.

**Andrew Flanagan**, appointed as a Commissioner 1 July 2013.

**Angela Sarkis**, appointed as a Commissioner 1 April 2012.

**Christine Farnish**, appointed as a Commissioner 1 April 2012.

**Christine Hallett**, served as a Commissioner between July 2008 and July 2013.

**Eliza Hermann**, appointed as a Commissioner 1 April 2010.

**Jonathan Baume**, appointed as a Commissioner 1 November 2012.

**Kathryn Bishop**, appointed as a Commissioner 1 April 2012.

**Moira Gibb**, appointed as a Commissioner 1 April 2012.

**Neil McIntosh**, served as a Commissioner between July 2008 and July 2013.

**Peter Blausten**, appointed as a Commissioner 1 April 2010.

**Wanda Goldwag**, appointed as a Commissioner 1 April 2012.

Of the 11 Commissioners in post on 31 March 2014, 4 are men and 7 are women. Two other Commissioners served during 2013-14, one male and one female.

### *Secretariat*

The Secretariat, made up of civil servants on secondment to the Commission, supports the Board of the Civil Service Commission. The staff in the Secretariat during 2013-14 are listed below. The turnover of staff during this reporting period reflects the fact that many of those who had been seconded to the Commission when it became a statutory body in November 2010 had come to the end of their three-year secondments.

**Clare Salters**, Chief Executive

**Val Icton**, Personal Assistant to the First Commissioner and the Chief Executive

**Bill Brooke**, Principal Policy Adviser, Complaints, Accountability and Communications

**Ekpe Attah**, Secretary to Advisory Committee on Business Appointments and Principal Policy Adviser, House of Lords Appointments Commission

**Sandra Campbell**, Departmental Audit Policy and Contract Manager

**Sharon Foster-King**, Principal Policy Adviser, Civil Service Recruitment, Finance and Governance.

**Terry Willows**, Principal Policy Adviser, Public Appointments

**Carrie Aitken**, Senior caseworker, from March 2014

**Catherine Millington**, Caseworker, June to November 2013 and then Senior Caseworker, from December 2013

**Claire Hanna**, Senior caseworker, to November 2013

**Diane Macfarlane**, Senior caseworker, to November 2013

**Elaine McNaughton**, Senior caseworker, to May 2013

**Heidi Ferguson**, Senior caseworker, from July 2013

**Isabel Fraser**, Senior caseworker, from January 2014

**Jennifer Smith**, Senior caseworker, from July 2013

**Mariatu Turay**, Senior caseworker, to November 2013

**Michaela Greener**, Senior caseworker, from January 2014

**Paul Skinner**, Business Support Manager

**Baljit Rayit**, Caseworker, from January 2014

**Beth Watson**, Caseworker to April 2013

**Conrad Steel**, Caseworker, May 2013 to January 2014

**Dean Ponder**, Caseworker

**Rajvinder Bahia**, Caseworker

**Sean Edwards-Playne**, Caseworker

**Leroy Cargill**, Administration Officer

**Nicola Carpenter**, Finance Officer

We were also pleased to have the support of **Mayuri Pandya** and **Debora Camagliari**, both diversity scheme interns, who worked with us from June to September 2013 and of **Deborah De Beukelaer**, graduate intern, who joined us in March 2014.

Of the 21<sup>28</sup> staff in post on 31 March 2014, seven were male and 14 were female.

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<sup>28</sup> Since 1 April 2013, the Secretariat has also supported the Commissioner for Public Appointments, the House of Lords Appointments Commission and the Advisory Committee on Business Appointments. As a result, the size of the Secretariat increased from 14 (13.6 WTE) staff in 2012-13 to the current 21 (19.6 WTE) staff, as the staff from those other organisations were absorbed into the Secretariat.



## Annex B: Standing Committee Membership

### Audit and Risk Committee

- Wanda Goldwag (Chair from July 2013)
- Adele Biss
- Andrew Flanagan
- Jonathan Baume

*Until July 2013 only:*

- Christine Hallett (chair)
- Neil McIntosh

### Recruitment Committee

- Eliza Hermann (Chair)
- Andrew Flanagan
- Angela Sarkis
- Moira Gibb
- Peter Blausten

*Until July 2013 only:*

- Christine Hallett
- Wanda Goldwag

### Civil Service Code Committee

- Adele Biss (Chair from July 2013)
- Angela Sarkis
- Christine Farnish
- Jonathan Baume,
- Kathryn Bishop

*Until July 2013 only:*

- Neil McIntosh (chair)

# Part 2: Annual Accounts 2013-14

## Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Civil Service Commission for the year ended 31 March 2014 under the Constitutional Reform and Governance Act 2010. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Commission, Accounting Officer and auditor**

As explained more fully in the Statement of the Commission's and Accounting Officer's Responsibilities, the Commission and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Constitutional Reform and Governance Act 2010. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Civil Service Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Civil Service Commission; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Civil Service Commission's affairs as at 31 March 2014 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Constitutional Reform and Governance Act 2010 and Cabinet Office directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Cabinet Office directions issued under the Constitutional Reform and Governance Act 2010; and
- the information given in the Chief Executive's Foreword and Management Commentary sections for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

Sir Amyas Morse KCB  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

Date: 19 June 2014

## Statement of Comprehensive Net Expenditure for the period ended 31 March 2014

	Note	2013-14 £000s	2012-13 £000s
<b>Expenditure</b>			
Staff and Commissioner costs	3	1354	904
Other Expenditures	4	903	774
<b>Income</b>			
Income from Other Government Departments	5	(5)	(343)
<b>Net Expenditure</b>		2252	1335
Interest Payable/Receivable		–	–
Net Expenditure after Interest		2252	1335
<b>Total Comprehensive Net Expenditure for the period ended 31 March 2014</b>		2252	1335

The notes on pages 56 to 62 form part of these accounts.

## Statement of Financial Position as at 31 March 2014

	Note	2013-14 £000s	2012-13 £000s
<b>Total non-current Assets</b>		–	–
<b>Current Assets</b>		–	–
<b>Total Assets</b>		0	0
<b>Current liabilities</b>			
Trade and other payables	6	(225)	(68)
<b>Total current liabilities</b>		(225)	(68)
<b>Total assets less current liabilities</b>		(225)	(68)
<b>Total non-current liabilities</b>		–	–
<b>Assets less liabilities</b>		(225)	(68)
<b>Taxpayers' equity</b>			
I&E Reserve		(225)	(68)
<b>Total taxpayers' equity</b>		(225)	(68)

The notes on pages 56 to 62 form part of these accounts.

### Clare Salters

Chief Executive

Civil Service Commission

16 June 2014

## Statement of Cash Flows for the period ended 31 March 2014

	Note	2013-14 £000	2012-13 £000
<b>Cash flows from operating activities</b>			
Net Deficit		(2252)	(1335)
Adjustment for non-cash transactions		–	–
(Increase)/Decrease in Inventories		–	–
(Increase)/Decrease in trade and other receivables		–	–
Increase/(Decrease) in trade payables	6	157 <sup>29</sup>	(97)
<b>Net cash outflow from operating activities</b>		<u>(2095)</u>	<u>(1432)</u>
<b>Cash flows from investing activities</b>			
<b>Net cash outflow from investing activities</b>		–	–
<b>Cash flows from financing activities</b>			
Grants from parent Department		2106	1432
Non-cash adjustments for restatements	8	(11)	–
<b>Net financing</b>		<u>2095</u>	<u>1432</u>
<b>Net Increase/(Decrease) in cash and cash equivalents in the period</b>		–	–
<b>Cash and Cash equivalents at the beginning of the period</b>		–	–
<b>Cash and Cash equivalents at the end of the period</b>		<u>–</u>	<u>–</u>

The notes on pages 56 to 62 form part of these accounts.

<sup>29</sup> This increase is due to the late invoicing by DCMS for the whole year salaries for two members of staff.

## Statement of Changes in Taxpayers' Equity

	Note	I & E Reserve £000	Total Reserves £000
<b>Balance at 1 April 2012</b>		(165)	(165)
Grants from Parent Department		1432	1432
Comprehensive Net Expenditure for the year		(1335)	(1335)
<b>Balance at 31 March 2013</b>		(68)	(68)
<b>Balance at 1 April 2013</b>		(68)	(68)
Transfer of Function	8	(11)	(11)
Grants from Parent Department		2106	2106
Supply repayable to Parent Department		–	–
Comprehensive Net Expenditure for the year		(2252)	(2252)
<b>Balance at 31 March 2014</b>		(225)	(225)

The notes on pages 56 to 62 form part of these accounts.



## Notes to the accounts for the year ended 31 March 2014

### 1. Statement of Accounting Policies

#### Basis of preparation

As an independent executive Non Departmental Public Body (NDPB), the Civil Service Commission's financial statements have been prepared in accordance with the Accounts Direction given by the Minister for the Cabinet Office, the Cabinet Office is the Civil Service Commission's sponsoring Department. They meet the requirements of the *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply *International Financial Reporting Standards* (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Civil Service Commission for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Civil Service Commission are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### Going concern

The financial statements have been prepared on the basis that the Commission is a going concern. The Commission is a statutory body created by the Constitutional Reform and Governance Act 2010. The Commission's budget and business plan for 2014-15 and corporate framework 2012-16 have been agreed by the Cabinet Office.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the date of the Statement of Financial Position and amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The Commission, with the exception of accruals, has not made any estimates in producing these accounts.

## *1.2 Income*

Income principally comprises fees and charges for services provided on a full-cost basis to external customers as well as public re-payment work and includes income due to the Consolidated Fund that, in accordance with the FReM, is treated as operating income.

## *1.3 Cash and cash equivalents*

The Commission does not hold a bank account or cash. Under a Memorandum of Understanding, payments are made, and receipts collected, on behalf of the Commission by the Cabinet Office, through its central bank account.

## *1.4 Grant-in-Aid*

As the Commission is an independent executive Non-Departmental Public Body, Grant-in-Aid is treated as financing from the sponsoring Department. This is recognised as a credit into general reserves and is treated on a cash basis in accordance with guidance given in the FReM.

## *1.5 Financial Instruments*

The majority of financial instruments relate to contracts to buy non-financial items in line with expected purchase and usage requirements. The Commission is not exposed to significant liquidity, interest rate, or foreign currency risk.

## *1.6 Operating Segments*

The Commission provides Secretariat support for four units. Further details are provided in Note 2. We report to the Civil Service Commission Board in most detail on the Civil Service Commission functions derived directly from the 2010 Act. For the three other independent offices<sup>30</sup> for which the Commission only provides Secretariat services we report to the Civil Service Board only for oversight purposes. Our operating segments reflect these four functional areas.

## *1.7 Future changes in Accounting Policy*

There are no Accounting Standards that have been issued but not yet come into effect under the FReM that will have a material impact on the Civil Service Commission's Financial Statements.

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<sup>30</sup> The Office of the Commissioner for Public Appointments (OCPA), House of Lords Appointments Commission (HOLAC) and the Advisory Committee on Business Appointments (ACOBA).

## 2. Operating Segments

From 1 April 2013 onwards the Civil Service Commission agreed with the Government to provide secretariat support to the House of Lords Appointments Commission, the Advisory Committee on Business Appointments; and the Office of the Commissioner for Public Appointments. The spend for each area is reflected in the table below.<sup>31</sup>

£000s	2013-14					2012-13				
	CSC	OCPA	HOLAC	ACOPA	Total	CSC	OCPA	HOLAC	ACOPA	Total
Commissioner or Committee Member Fees	325	41	26	27	419	335	—	—	—	335
Other Gross Expenditure	1008	482	179	169	1838	1343	—	—	—	1343
Income	(5)	(0)	(0)	(0)	(5)	(343)	—	—	—	(343)
<b>NET EXPENDITURE</b>	<b>1328</b>	<b>523</b>	<b>205</b>	<b>196</b>	<b>2252</b>	<b>1335</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1335</b>

<sup>31</sup> The cost of Secretariat and other generic support cost is based on a work-sampling exercise and calculated on the basis of: Civil Service Commission 61%, House of Lords Appointments Commission 12%, the Advisory Committee on Business Appointments 12% and the Office of the Commissioner for Public Appointments 15%. As explained in the Statement of Financial Position (page 53), the Civil Service Commission does not have any assets and therefore does not hold segmental information on assets held.

### 3. Staff Numbers and Related Costs

#### 3.1 Commissioner<sup>32</sup> and staff costs<sup>33</sup>

£000	2013-14				2012-13
	Total	Staff	Commis- sioners <sup>34</sup>	Office Holders <sup>35</sup>	Total
Wages and salaries	1117	701	356	60	888
Social security costs	99	62	37	–	82
Other pensions costs	138	138	–	–	101
<b>Total</b>	<b>1354</b>	<b>901</b>	<b>393</b>	<b>60</b>	<b>1071</b>

#### 3.2 Commissioner and staff numbers (full time equivalent)

	2013-14				2012-13
	Total	Staff	Commis- sioners <sup>34</sup>	Office Holders <sup>35</sup>	Total
Directly employed	0	0	0	0	0
Inward secondments	19.3	19.3	0	0	13.6
Office holders	40.4	0	11.4	29	12
<b>Total</b>	<b>59.7</b>	<b>19.3</b>	<b>11.4</b>	<b>29</b>	<b>25.6</b>

#### Notes

The numbers of staff, Commissioners and Office Holders reflect the monthly average throughout 2013-14. The numbers in post on 31 March 2014 were 11 Commissioners, 29 Office Holders and 19.6 (full time equivalent) staff.

The increase in staff and Office Holders since 2012-13 reflects the transfer of responsibility for providing secretariat support to HOLAC, ACOBA and OCPA from 1 April 2013. The staff supporting OCPA had moved into the Civil Service Commission (from the Cabinet Office) in 2011-12, and the Commission then recharged the cost of these staff to the Cabinet Office until 31 March 2013.

<sup>32</sup> Commissioners receive two different types of fees. "Board fees" and "Competition fees" that are paid for each day that a Commissioner chairs a recruitment competition". In 2012-13 "Competition fees" were classified as "Other Expenditure". They are now included in "Staff Costs". This reclassification has also been applied retrospectively to the last year comparators in these Accounts.

<sup>33</sup> This figure represents 100% of staff costs for the period 1 April 2013 to 31 March 2014. As explained in Note 2 (operating segments), staff costs for 2013-14 were calculated at 61% for the Civil Service Commission's 'core' regulatory responsibilities, 15% for OCPA, 12% for HOLAC and 12% for ACOBA.

<sup>34</sup> 'Commissioners' includes the First Commissioner and Commissioner for Public Appointments (a single joint appointment) and all Civil Service Commissioners.

<sup>35</sup> 'Office Holders' includes the Chair and Members of HOLAC and the Chair and Members of ACOBA. It includes the 14 Public Appointments Assessors and (in Note 3.1) the proportion of their costs that is met by OCPA (the majority of their fees are paid direct by Departments). It does not include the Commissioner for Public Appointments, who is included under 'Commissioners'.

#### 4. Other Expenditure

	Note	2013-14 £000	2012-13 £000
<b>Other Expenditure</b>			
Accommodation, utilities and IT costs		456	241
Consultancy		330	258
Supplies and services		64	71
Other staff related costs		35	(3)
Travel, subsistence and hospitality		11	33
Audit Fee		7	7
<b>Total</b>		<b>903</b>	<b>607</b>

Note

Of the £330k Consultancy figure, £234k relates to the audit of Departments' compliance with the Recruitment Principles and the Code of Practice on Ministerial Appointments; £80k relates to search consultancy work relating to the appointment of Chair of the Recognition Panel established by the Royal Charter on press self regulation; and £8k relates to the work done by HMT Internal Audit.

#### 5. Income

	Note	2013-14 £000	2012-13 £000
<b>Administration</b>			
Income From Other Government Departments	1.2	5 <sup>36</sup>	343 <sup>37</sup>
<b>Total</b>		<b>5</b>	<b>343</b>

#### 6. Trade Payables and Other Liabilities

	2013-14 £000	2012-13 £000
<b>Current</b>		
Accruals and deferred income	225	68
<b>Total</b>	<b>225</b>	<b>68</b>

<sup>36</sup> During the reporting period the only income was from the Home Office for the Commission's assistance with some recruitment competitions for posts below SCS pay band 2.

<sup>37</sup> During the previous reporting period, the income received was from the Cabinet Office, relating to recharges for staff time spent supporting the other Independent Offices – HOLAC, ACOBA and OCPA (see page 61).

### 6.1 Intra-Government Balances

	2013-14 £000	2012-13 £000
<b>Current</b>		
Balances with other central government bodies	148	20
<b>Subtotal intra-government balances</b>	<b>148</b>	<b>20</b>
Balances with bodies external to government	77	48
<b>Total payables at 31 March 2014</b>	<b>225</b>	<b>68</b>

### 7. Related Party Transactions

The Civil Service Commission is an independent executive NDPB funded by the Cabinet Office. The Commission has had a small number of transactions with other Government Departments<sup>38</sup> in relation to staff secondments and the Home Office in relation to chairing a small number of more junior recruitment competitions.

Back office services are provided to the Commission from the Cabinet Office under a Memorandum of Understanding for a per capita charge of £25,976, a total of £458k for the period ending 31 March 2014.

No manager or other related party has undertaken any material transaction with the NDPB during the year.

### 8. Transfer of function

From 1 April 2013 onwards the Civil Service Commission was tasked by the Government to provide secretariat support to three other independent offices sponsored by the Cabinet Office: the House of Lords Appointments Commission (HOLAC), the Advisory Committee on Business Appointments (ACOBA); and the Office of the Commissioner for Public Appointments (OCPA). The transfer of these responsibilities has been accounted for as a transfer of function by absorption. In accordance with the Financial Reporting Manual, comparators from 2012-13 have not been restated. The net liabilities relating to this transfer have been introduced into the accounts on 1 April 2013, with a corresponding balance to the General Fund of (£11k). This is primarily due to accruals at year end 2012-13 for HOLAC and ACOBA Office Holders' honorariums offsetting a £16k credit relating to an invoice for salary costs for a member of staff who had left the HOLAC/ACOBA unit on secondment during 2012-13.

<sup>38</sup> Cabinet Office, Department for Culture Media and Sport, Home Office, Northern Ireland Office, Crown Prosecution Service, Department for Communities and Local Government and the Government Actuary's Department.

### ***9. Events after the Reporting Period***

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. There are no other events to report.

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