



National Audit Office

The National Audit Office diversity pay gap report – 2020

DECEMBER 2020

Introduction

Since 2017 the NAO has made an annual declaration of our gender pay gap as required by legislation. Whilst the reporting of ethnicity pay gaps is not mandated, we have made the decision to voluntarily publish this data from 2020 onwards. Our motive for doing so is to offer transparency to our staff and the wider public, to hold ourselves to account for eliminating gaps where these have been identified and as part of our wider ambitions as an exemplar organisation for diversity and inclusion.

The NAO, along with the Government departments and public sector bodies we work with, are operating in unprecedented times. A diverse and inclusive workforce drawn from the widest possible talent pool provides us with a range of perspectives on the issues faced by the people and communities that our work affects and supports us to add even greater value. We are committed to be an organisation in which all our colleagues have the opportunity to build great careers and achieve their potential. We also take seriously our legal obligations under the Equality Act 2010.

Like many others across the UK and the world, we have felt the impact of COVID-19 on our work and our lives. Supporting our people to manage this new reality, and stay safe and well in work, has been our key priority. We are proud of how our colleagues have responded in this challenging time and of the contribution we have collectively made to providing Government and the public with early insights into the impacts of COVID-19, and how the Government has responded to the crisis, through our published reports.

In May 2020 we launched a new strategy setting out our plans and priorities for the next five years. How we support and develop our people is central to this and our new corporate value of Respect and Inclusion underpins our commitment to build a diverse and inclusive environment where all colleagues feel valued and engaged at work.

Our 2018-21 Diversity and Inclusion strategy concludes in March 2021. The strategy was formed on two key pillars – 1) to build a robust pipeline of diverse talent and 2) to build a culture of fairness and inclusion. Whilst we have made some progress against the strategy, including recent improvements in our recruitment and selection practices, strengthening our gender pipeline through to middle management and introducing a successful diversity mentoring scheme, we recognise that the pace of change needs to accelerate if we are to address the range of challenges we face and realise our ambitions of being an exemplar employer. We are now developing our new four-year Diversity and Inclusion strategy which will launch in April 2021 and take us through to 2025.

We will continue to monitor our progress in building a diverse workforce in which all colleagues have the opportunity to achieve their potential and develop their careers, paying particular attention to how we recruit, develop and retain colleagues from a diverse range of backgrounds. Pay gap reporting is an important part of this.

Gender pay gap

Mean gap = 9.99% (a reduction of 0.07% from 31 March 2019).

Median gap = 7.04% (a reduction of 0.78% from 31 March 2019).

Mean and median bonus pay gap: not applicable (the NAO does not operate a bonus scheme).

Proportion of males and females receiving a bonus: not applicable (the NAO does not operate a bonus scheme);

Proportion of males and females in each quartile (2019 figures in brackets):

Quartile	Females (%)	Males (%)
Lower	46% (48%)	54% (52%)
Lower middle	56% (51%)	44% (49%)
Upper middle	47% (44%)	53% (56%)
Upper	38% (37%)	62% (63%)

Ethnicity Pay Gap

Mean gap = 13.36% (no comparison available).

Median gap = 19.75% (no comparison available).

Mean and median bonus pay gap: not applicable (the NAO does not operate a bonus scheme).

Proportion of ethnic minority and white staff receiving a bonus: not applicable (the NAO does not operate a bonus scheme).

Proportion of ethnic minority and white staff in each quartile (no comparison available):

Quartile	Ethnic minority (%)	White (%)
Lower	30%	70%
Lower middle	21%	79%
Upper middle	15%	85%
Upper	11%	89%

Quartiles are calculated by dividing a list of all relevant employees ranked by salary into four equal parts and then calculating the percentage of men and women (for gender reporting) or ethnic minority and white staff (for ethnicity reporting) in each quartile.

Terminology used

Within the report we refer to white and ethnic minority colleagues. We are however conscious of the inherent limitations that can arise from using a single, broad term to incorporate all colleagues who are ethnic minority, not least that this can mask differing experiences and disadvantages which affect specific groups, or indicate that progress is being made without this being true in all cases. We are committed to ensuring all colleagues are treated fairly, feel supported and valued, and have an equal opportunity to develop their careers at the NAO. This includes more detailed monitoring of data where possible, building a deeper understanding of the challenges which might impact different groups, and developing actions to address these.

Progress

Whilst we are pleased to see a marginal reduction in our gender pay gap from 2019, we are taking action to close our pay gaps at a faster pace.

The key factor affecting pay gaps is the proportion of female and ethnic minority colleagues in senior roles. Over the past year we have made progress in rebalancing our gender diversity at middle management levels and have successfully recruited female candidates to a range of high-profile roles, including senior management. However, we have more work to do to further increase the proportion of women at Director level and the proportion of ethnic minority colleagues at all post qualification grades.

Our ethnicity median pay gap is also heavily affected by the higher proportion of ethnic minority colleagues in more junior roles, particularly at trainee level. We are working to ensure we capitalise on our junior talent pipeline and that these colleagues receive the support and opportunities to progress to senior roles.

As the majority of our colleagues join through entry level grades, we continue to focus on increasing the proportion of female and ethnic minority colleagues recruited into these posts as a way of securing a strong pipeline of diverse talent for the future. Whilst this will have an initial negative impact on the rate at which we can close our pay gaps, it will support our longer-term goal of a diverse balance across all grades as these colleagues progress through the organisation. However, our analysis has shown that we need to make significant improvements in retaining ethnic minority colleagues as they come through to qualification and we are focusing specifically on this challenge through our new race equality action plan.

How we intend to close the pay gap further

As a key element of closing our pay gaps is to improve diversity at senior levels, it is crucial to ensure we attract a wide range of talented applicants to our roles and that all candidates have an equal opportunity to demonstrate their potential. We have invested heavily in improvements in our attraction and selection practices including targeted advertising, attendance at industry events and seminars, and enhancing our use of social media. On our external careers page we have set out the support and flexibility we offer to candidates who are impacted by COVID-19.

Over recent years we've made a number of improvements to support D&I in our recruitment and promotion practices, including the use of independent challengers in internal assessments and actively highlighting our approach to flexible working in recruitment materials. We are also taking a more considered approach to reviewing applicants to increase our understanding of the talent pools available and where more action needs to be taken to improve the pipeline.

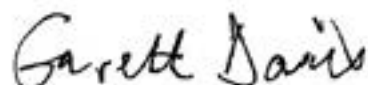
Internally we are also working to actively support and encourage colleagues to apply for roles. Changes to our performance management process have been designed to support colleagues develop great careers and to give them the skills and work experiences to achieve their ambitions.

Our current three-year D&I strategy will conclude next year and we have begun an internal consultation exercise to define plans for our updated strategy. Whilst many of our aims may remain relatively unchanged the new strategy will also be focused on ensuring all our colleagues feel included and engaged with our vision and strategic direction. We want all colleagues to feel they can bring their whole selves to work and be respected for the talent and insight they can bring to our business.

D&I is a key priority for the NAO and the ultimate responsibility of delivering our strategy rests with our Executive Team. The Team is supported by an operational committee that is proactive in reviewing progress and providing us with assurance that actions from the strategy are being taken forward. This committee includes representatives from across our diversity networks, including our women's network and ethnic minorities' network.

Written statement

I can confirm that the NAO's gender pay gap calculations are accurate and meet the requirements of the Regulations. The calculations have been reviewed by our internal auditors, who have confirmed that the methodology provided in the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 has been correctly applied.



Gareth Davies
Comptroller and Auditor General

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