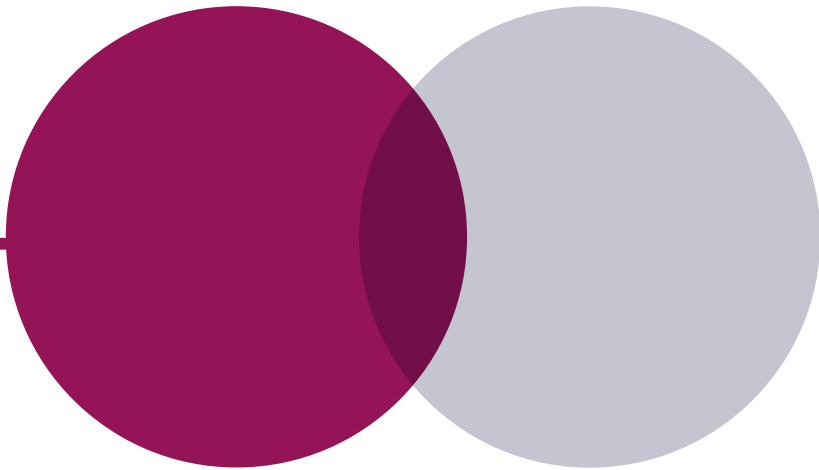




National Audit Office



The National Audit Office diversity pay gap report – 2021

REPORT

by the
National Audit Office

FEBRUARY 2022



**We are the UK's
independent
public spending
watchdog.**

**We support Parliament
in holding government
to account and we
help improve public
services through our
high-quality audits.**

The National Audit Office (NAO) scrutinises public spending for Parliament and is independent of government and the civil service. We help Parliament hold government to account and we use our insights to help people who manage and govern public bodies improve public services.

The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. We audit the financial accounts of departments and other public bodies. We also examine and report on the value for money of how public money has been spent.

In 2020, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £926 million.

The National Audit Office diversity pay gap report – 2021

Introduction

Since 2017 the NAO has made an annual declaration of our gender pay gap as required by legislation. Whilst reporting on other diversity pay gaps is not mandated, in 2020 we made the decision to voluntarily publish data on our ethnicity pay gap and have also decided we will voluntarily publish data on our disability pay gap from 2021 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 to be an exemplar organisation for diversity and inclusion.

The NAO, along with the Government departments and public sector bodies we work with, continue to operate in unprecedented times. A diverse workforce and an inclusive environment lead to better outcomes for both our people and our work and help us to better understand the challenges facing our clients and improve the way in which public services are delivered. Our goal of being an exemplar organisation will not only help us to ensure all our people feel valued and respected for the talents they bring, but also enable us to create a culture and environment that others can look to and learn from. We also take seriously our legal obligations under the Equality Act 2010.

In 2021, we published our new four-year Diversity & Inclusion Strategy, which sets out our plans and priorities to build a diverse and inclusive space where all colleagues can thrive and achieve their potential. Pay gap reporting is an important part of this.

Highlights

While we acknowledge we have further to go we are pleased that the actions we continue to take under our Organisation Development Plan (ODP) and our Diversity & Inclusion Strategy have resulted in reductions in our mean and median pay gaps for both gender and ethnicity. We are also pleased that our first formal review of our disability pay gap has resulted in a mean gap of 2.2% and a median gap of zero. These results provide us with confidence that we are on track to meet our targets of eliminating the gender pay gap by 2027 and the ethnicity pay gap by 2030.

Gender Pay Gap

Mean gap = 8.26% (a reduction of 1.73% percentage points from 31 March 2020)

Median gap = 6.39% (a reduction of 0.65% percentage points from 31 March 2020)

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 pay quartile (2020 figures in brackets)

Quartile	Females (%)	Males (%)
Lower	48% (46%)	52% (54%)
Lower middle	55% (56%)	45% (44%)
Upper middle	46% (47%)	54% (53%)
Upper	40% (38%)	60% (62%)

Ethnicity Pay Gap

Mean gap = 12.76% (a reduction of 0.6% percentage points from 31 March 2020)

Median gap = 18.04% (a reduction of 1.71% percentage points from 31 March 2020)

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 (2020 figures in brackets)

Quartile	Ethnic minority (%)	White (%)
Lower	32% (30%)	68% (70%)
Lower middle	23% (21%)	77% (79%)
Upper middle	19% (15%)	81% (85%)
Upper	14% (11%)	86% (89%)

Disability Pay Gap

Mean gap = 2.2% (no comparison available)

Median gap = 0% (no comparison available)

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

Proportion of disabled and non-disabled staff receiving a bonus: **not applicable**
(the NAO does not operate a bonus scheme)

Proportion of disabled and non-disabled staff in each quartile (no comparison available)

Quartile	Disabled (%)	Non-disabled (%)
Lower	11%	89%
Lower middle	11%	89%
Upper middle	14%	86%
Upper	9%	91%

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), ethnic minority and white staff (for ethnicity reporting), and disabled and non-disabled staff (for disability reporting) in each quartile.

Terminology Used

Within the report we refer to white (including white minorities) 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 minorities, 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.

We also refer to disabled and non-disabled staff. Again, we know that these terms are not universally preferred and that they do not encapsulate the full diversity of people's experiences. Part of our commitment to build a fully inclusive organisation is the recognition that each of us is unique and brings our own experiences and perspectives to life and work.

Progress

In the first year of calculating our disability pay gap figures, we were pleased to see a mean pay gap of 2.2% and no median pay gap. This reflects the even distribution of staff with disabilities at all levels of the organisation. However, we do need to recognise that our recent success in recruiting a high proportion of trainees who have declared a disability (17% of the 2021 intake) may result in our disability pay gap increasing in the short term. Our Disability Equality Action Plan is focused on supporting the progression of staff with disabilities through to senior levels of the organisation which should ensure that future pay gaps are minimised.

We have seen positive movement in reducing our gender and ethnicity pay gaps in 2021 but recognise that the pace of these reductions is relatively slow.

The key factor that affects our pay gaps continues to be the proportion of female and ethnic minority colleagues in senior roles. Over recent years we have made positive progress in this area, although there is more work to do to further increase the proportion of women at Director level and the proportion of ethnic minorities at all post-qualification grades.

The speed at which we can close these gaps is constrained by the fact that the majority of our colleagues join the NAO through entry level grades, such as our Graduate, School Leaver and Analyst grades, where rates of pay are lower. The diversity of new joiners entering the organisation through these grades is key to improving the diversity of our representation at more senior levels over time as these colleagues progress through the organisation into higher paid roles. We have therefore focused heavily on increasing the diversity of the candidates we attract to these feeder grades, with positive results. However, until sufficient numbers progress through to more senior levels this will impact on our progress in closing pay gaps in the short-term.

We also know that we need to continue to improve our ability to retain ethnic minority colleagues during each stage of their traineeship and once they are promoted to lead roles. Our Race Equality Action Plan includes actions to ensure our ethnic minority trainees have a great experience during their training and see prospects for further advancement with the NAO after qualification.

How we intend to close the pay gap further

As improving diversity at senior levels is a key aspect of closing our pay gaps, we will continue to build on work we are already undertaking 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. This includes taking a considered approach to marketing our vacancies, actively encouraging candidates from under-represented groups to progress their interest in our roles, and reviewing, and challenging where necessary, the diversity of candidate shortlists. We are also using social media to celebrate senior appointments and highlight diverse representation in these grades.

Internally we are encouraging a wide range of employees to apply for roles and offering constructive feedback to support their development. Changes to our performance management framework, which now places greater emphasis on plans for the future, support colleagues to develop great careers with the NAO and give them the skills and work experiences they need to achieve their ambitions.

In April 2021 we published our new four-year Diversity & Inclusion Strategy. The Strategy was developed around four key priorities:

- Proactively strengthening the diversity of our talent pipeline
- Maximising the potential of all our people
- Building a culture of inclusion and respect for others
- Setting clear ambitions and holding ourselves to account

A strong pipeline of talent is crucial in supporting our goal of building greater diversity at senior levels, as is ensuring all colleagues have the opportunity to achieve their potential, including through promotions. Underpinning everything we do with a strong culture of inclusion and respect is part of making the NAO a fantastic place to work for all our people and will support us to improve retention rates for staff at junior grades.

In 2021 we introduced a performance coach model with fewer but better skilled line managers to coach and develop colleagues to realise their career goals. We are already seeing the positive impact of the performance coach model and will continue to invest in developing our people managers to ensure they have the relevant skills and expertise to support all of our people.

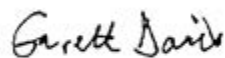
D&I is a key priority for the NAO and ultimate responsibility for delivering our Strategy rests with our Executive Team. Over recent years we have strengthened diversity in our leadership, ensuring it is representative of the workforce it leads and supports.

The Team is supported by an operational committee that is proactive in reviewing progress against our ambitious targets 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, Ethnic Minorities' Network, and disAbility Network. Each network is sponsored by a member of the Executive Team who provides support and oversight to their work.

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.

Our ethnicity and disability pay gaps, while not covered by specific regulations, have been calculated using a similar methodology.



Gareth Davies

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