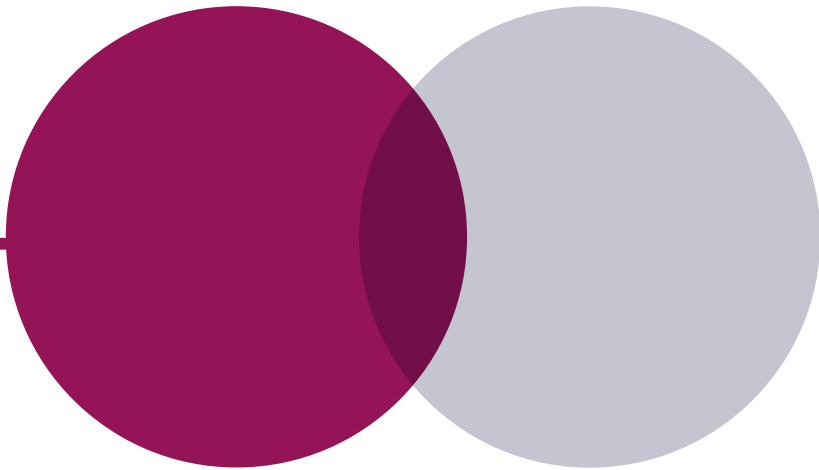




National Audit Office



The National Audit Office diversity pay gap report – 2022

REPORT

by the
National Audit Office

DECEMBER 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 2021, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £874 million.

The National Audit Office diversity pay gap report – 2022

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. We also decided to 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 and to hold ourselves to account for eliminating pay gaps where these are identified. It also forms part of our wider ambition 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. The majority of the strategy is being delivered under three key action plans related to race equality, disability and social mobility, with progress monitored against clear targets. Our annual pay gap report is an important part of evidencing our progress.

Highlights

We are encouraged by the results of the actions we have taken under our wider Organisation Development Plan (ODP) and our Diversity & Inclusion Strategy to improve diversity across the organisation, with a focus on the representation of women, ethnic minorities, colleagues with a disability, and colleagues from lower socio-economic backgrounds. Our Diversity and Inclusion Annual report for the period to end March 2022 showed that 48% of our colleagues were women, 23% were ethnic minorities, 15% had a declared disability, and 81% had attended state school.

Continued reductions in our mean and median pay gaps for gender give us confidence that we remain on track to eliminate this pay gap by our target date of 2027. However, as anticipated in our 2021 pay gap report, we have seen increases to our ethnicity and disability pay gaps, principally as a result of the high proportion of trainees we have recruited with these protected characteristics. Increasing the diversity of our intakes is a key element of our Diversity & Inclusion Strategy as it provides us with the opportunity to increase our diversity at senior levels over time. However, in the short-term, our Office-wide pay gaps for ethnicity and disability will widen because our feeder grades are lower paid.

Gender Pay Gap

Mean gap = 6.39% (a reduction of 1.87 percentage points from 31 March 2021)

Median gap = 5.46% (a reduction of 0.93 percentage points from 31 March 2021)

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 (2021 figures in brackets)

Quartile	Females (%)	Males (%)
Lower	48% (48%)	52% (52%)
Lower middle	52% (55%)	48% (45%)
Upper middle	47% (46%)	53% (54%)
Upper	42% (40%)	58% (60%)

Ethnicity Pay Gap

Mean gap = 14.50% (an increase of 1.74 percentage points from 31 March 2021)

Median gap = 19.25% (an increase of 1.21 percentage points from 31 March 2021)

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 (2021 figures in brackets)

Quartile	Ethnic minority (%)	White (%)
Lower	35% (32%)	65% (68%)
Lower middle	20% (23%)	80% (77%)
Upper middle	18% (19%)	82% (81%)
Upper	14% (14%)	86% (86%)

Disability Pay Gap

Mean gap = 6.00% (an increase of 3.80 percentage points from March 2021)

Median gap = 3.25% (an increase of 3.25 percentage points from March 2021)

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 (2021 figures in brackets)

Quartile	Disabled (%)	Non-disabled (%)
Lower	15% (11%)	85% (89%)
Lower middle	15% (11%)	85% (89%)
Upper middle	17% (14%)	83% (86%)
Upper	11% (9%)	89% (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

We are pleased to see that we continue to make clear and sustained progress in reducing both our mean and median gender pay gaps and we remain on target to close our gender pay gap (plus or minus 2%) by March 2027. Our mean gap has reduced from 10.60% in 2017 to 6.39% in 2022 whilst our median gap has reduced from 11.30% to 5.46% over the same period. This is as a result of improving the proportion of women at middle management and senior levels, although we recognise that we have further to go to improve the proportion of women at Director/ Executive Director level which is currently 37%.

Over recent years we have focused on improving the representation of ethnic minorities and colleagues with a disability in our trainee pipeline with very positive figures for our graduate and school leaver intakes. As at 31 October 2022, 40% of our trainees were ethnic minorities and 16% had declared a disability. We have also focused on ensuring diversity in the staff we recruit into qualified, corporate services and more senior roles.

Between April 2020 and March 2022, 36% of our new recruits, excluding trainees, were ethnic minorities, 46% were women, and 13% had a declared disability. As we highlighted in our 2021 pay gap report, one consequence of having a high proportion of ethnic minority and disabled staff in our pipeline grades is that it will have a negative impact on our pay gaps in the short term as our trainees are lower paid than the majority of their colleagues. As this cadre progresses to more senior levels our ethnicity and disability pay gaps will begin to reduce, providing we are able to retain a high proportion of trainees after they have secured their ICAEW qualification and in their early years post qualification. We have taken this into account in recognising that it will take longer for us to close our ethnicity pay gap than our gender pay gap and this is reflected in a later target date for the former of March 2030.

How we intend to close the pay gap further

We will continue to build on the 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 broader 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.

Internally we have also taken a number of specific actions under our Diversity and Inclusion Strategy which focuses on the following 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

Recent actions under the Strategy include:

- revising our performance management framework to provide greater focus on developing the strengths and potential of our people;
- launching our first sponsorship programme to support ethnic minority managers progress to Director; and
- revising our process for workplace adjustments to improve understanding of the needs of disabled colleagues and how these can be better accommodated in the working environment.

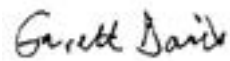
We are also developing additional actions to improve our retention of ethnic minority colleagues in post-qualification grades.

We have also undertaken a comprehensive review of our existing pay framework which has a strong focus on addressing in grade pay gaps and providing improved pay progression at all grade levels. Subject to consultation and negotiation, we expect to have the new framework in place from April 2023. Whilst the new framework will have a positive impact on closing our diversity pay gaps, we recognise that the biggest factor is improved representation of women, ethnic minorities and disabled colleagues at our most senior levels, and this will remain our key focus over the coming year.

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.

A handwritten signature in black ink that reads "Gareth Davies". The signature is written in a cursive style.

Gareth Davies

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