

# Civil Service Pay Guidance 2008-09

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February 2008



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## 1. Introduction

1.1. Departments<sup>1</sup> have authority to determine pay and conditions for their staff below the Senior Civil Service, which are appropriate to their business needs and which take account of Government policies on public sector pay.

1.2. Across the public sector as a whole, it is essential that pay awards be used to ensure that the right mix of staff are recruited and retained and that staff are sufficiently motivated to deliver and administer high quality public services.

1.3. The Civil Service accounts for around a tenth of the overall public sector paybill and workforce. Whilst administrative budgets are set for most Departments through the Spending Review process, the Pay Remit process provides an opportunity to ensure that pay awards are affordable, offer value for money, and meet the needs of individual businesses.

1.4. The Pay Remit process covers the pay setting arrangements for public sector workers in Non-Departmental Public Bodies (NDPBs) in addition to Civil Servants throughout the Civil Service.

1.5. There are some important changes to the Remit process for 2008, and these are highlighted in section 3. If Departments are unclear on what these changes mean, and what they should do differently as a result, they should contact the Workforce Pay and Pensions team for clarification (contact details are at Section 11).

## 2. Objectives of the Remit process

2.1. The Treasury seeks to ensure that levels of, and increases to, pay across the whole of the public sector do not add to inflationary pressure in the economy, support macroeconomic stability and are consistent with the wider fiscal environment. For the Civil Service, and NDPBs, the objectives of the Pay Remit process are:

- To ensure that increases to pay are affordable within the overall fiscal environment, offer value for money and are consistent with the achievement of the Government's inflation target of 2 per cent.
- To ensure that levels of pay are set at the amount necessary to recruit, retain and motivate staff.
- To ensure that pay in the Civil Service / NDPB sector reflects, and is responsive to, the wider public sector and private sector labour market.
- To ensure that pay is fair across the whole of the Civil Service / NDPB sector and not discriminatory.

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<sup>1</sup> Departments, Agencies and Non-Departmental Public Bodies are technically defined as individual "Bargaining Units" under the Remit process. For ease of reference the term "Department" is used in this Remit guidance

2.2. Cabinet Office has overall responsibility for managing the Government's policies on pay and performance management for Civil Servants and works with Departments and Agencies on their workforce and reward strategies to encourage greater consideration of workforce needs and properly tailored reward policies. Cabinet Office are also leading joint work with key stakeholders including the CCSU to make progress on reforming pay arrangements in the Civil Service so that they are more aligned with the reward principles. The principles have received the support of HR Directors and have been updated to include more tangible examples of the changes envisaged (Annex 4).

2.3. Part of the joint work with stakeholders mentioned above is to consider the various aspects of pay reform in the principles and how they can be applied across departmental workforce groups. The expectation is that departments will reform their reward systems along the lines set out in the principles subject to individual business needs.

### 3. Changes to this years Pay Remit Guidance

3.1 The following is a list of the main changes to the guidance from last year:

- Adjustment to the 'Increase for Staff in Post' range (see paragraph 6.1.2).
- Greater focus on specific workforce groups (including specialists) (see paragraph 7.1.3).
- A change to the emphasis on local pay policy (see paragraph 7.4).
- A change in emphasis to Multi-Year Remits (see paragraph 7.6).

### 4. Recent public sector & Civil Service pay developments

4.1 Both the Prime Minister and Chancellor have highlighted the importance for the public sector to enter into multi-year pay deals where it is appropriate to do so because of the stability they can bring. They also provide greater certainty for departments and public sector workers as well as facilitating better long-term strategic decision-making. This year's Remit guidance reflects this increased focus and requires organisations to submit Multi-Year Remits provided they have appropriate strategies in place.

## 5. **Outline of the Remit process**

### 5.1. Department responsibilities

5.1.1. All Bargaining Units must complete the Remit Financial Proforma (Annex 2) for each year of their proposed Remit, regardless of who their Remit is to be agreed by.

5.1.2. All Departments, Agencies and NDPBs will also be required to fill in a short business case template. An outline of the Template is given at Annex 3. The

template has been designed to gather the minimum amount of information necessary in order to judge a Remit against the criteria listed below. The template falls short of a full "business case": non-Main Departments (as defined in Annex 1) are discouraged from submitting information additional to that required by the Template unless it is absolutely necessary in order to understand the context for the Remit being sought, or unless additionally requested by Treasury or Cabinet Office. However, please note the requirement detailed in the Template that information supplied must be robust in supporting the remit proposals. The lack of such information/data may add to the time taken in processing the remit. Any additional information must be succinct and relevant to the Remit being sought.

5.1.3. However, in recognition of the fact that Remits from main Departments generally require greater scrutiny, Main Departments are free to supply any (succinct and relevant) information additional to that supplied on their template in order to justify their Remit.

5.1.4. A summary of the requirements of the Remit process for different Departments is given below. Annex 1 provides a list of Main Departments/Agencies/NDPBs.

- For non-main agencies with fewer than 500 staff (FTE), and NDPBs without a statutory requirement for Treasury clearance: Responsibility for agreeing the Remit is delegated to the relevant sponsor Department. The sponsor Department can choose whether to require the agency/NDPB to supply information additional to the Business Case Template (Annex 3).
- For non-Main Departments/Agencies with 500 or more staff (FTE), NDPBs with a statutory requirement for Treasury clearance and all Non-Ministerial Departments: Remits will be agreed by the Chief Secretary. Agencies/NDPBs will need to obtain approval for their Remit from their relevant Minister prior to submission to Treasury.
- For Main Departments/Agencies: Responsibility for agreeing the Remit will rest with the Chief Secretary. Agencies will need to obtain approval for their Remit from their relevant Minister prior to submission to Treasury.

5.1.5. Departments must ensure that they have provided outturn information for the previous Remit year, and where necessary, providing explanations for any differences between the agreed remit and the actual outturn (once this outturn data is available). Departments with multi-year remits agreed in previous years must also provide annual outturn figures to the Treasury.

5.1.6. Departments should not enter into formal negotiations with Trades Unions until their Remit has been agreed. If organisations are uncertain about what constitutes 'formal negotiation' they should contact the Treasury's Workforce Pay and Pensions (WPP) for clarification. Departments are encouraged to work constructively with their relevant Trades Union/s on the development of their overall pay and reward strategies prior to their Remit being submitted.

5.2. Treasury and Cabinet Office Responsibilities

5.2.1. Treasury and Cabinet Office have complementary responsibilities under the Remit process. The role of the Treasury is to ensure that Pay Remits meet the objectives set out in Section 2.1 above. The WPP Team within the Treasury co-ordinate and manage the Pay Remit process, with the involvement of the relevant Treasury Spending Team as appropriate.

5.2.2. Cabinet Office will provide Treasury with an assessment of reward and performance management policies / systems in terms of both current and future arrangements, for Civil Service organisations. Cabinet Office continues to work proactively with departments throughout the year and not just before submission of a remit, as with last year discussions will centre around the Civil Service Reward Principles.

5.2.3. While this will not be a formal requirement of the Remit process, it is anticipated that early dialogue with Cabinet Office about departmental long term reward strategies and the interim measures will ensure that Remits are processed faster by the Treasury with fewer follow-up queries. Departments will be required to demonstrate how their proposals align with the Civil Service reward principles, whilst remaining within the parameters of the remit process.

### 5.3. Pay Remit timetable.

5.3.1. HMT will work with departments on an individual basis with regard to appropriate time scales to clear their individual remit and the Workforce Pay and Pensions team will work as quickly as is possible to clear Departmental remits. For departments to stand the best chance of implementing their pay awards on time they should submit their remits to HMT at least 12 working weeks before their settlement date, after obtaining ministerial approval. However, Departments need to be aware that their remit will only be cleared once both Cabinet Office and HMT (both WPP and relevant Spending Team) are content with the proposals contained in the business case and financial pro-forma.

## 6. Pay Metrics

### 6.1. Range of pay metrics

6.1.1. The Remit process collects information on a variety of different pay metrics to ensure that a fully-rounded picture of the affordability of any Remit is assessed from different perspectives.

6.1.2. In the previous two Remit rounds discussion with Departments has tended to concentrate on Increase for Staff in Post (**ISP**) (formerly Earnings Growth) as the major overall measure of the affordability of a particular Remit and the **Basic Award**, introduced in 2006/07, to ensure greater clarity and consistency in the way that Civil Service Remits are judged and compared against pay awards throughout the wider public sector.

6.1.3. Under pay delegation, Departments are operating a range of pay systems, which differ over the mechanisms used (if any) to progress staff through a pay range or scale. The applicability and degree of importance of the Basic Award will therefore correspondingly vary by Department, especially where systems have been

developed to move away from step based progression systems, where they no longer meet business need. Nevertheless, there is the need to ensure consistency with the wider public sector as well as ensuring that pay settlements are based on the achievement of the CPI target of 2.0%. **For the 2008/09 remit round, Basic Awards will be no more than 2%.**

6.1.4. The range of metrics that will be used to assess Remits will include:

- Changes in the **total paybill** – as an overall measure of whether the Remit is affordable within any Spending Review envelope that might have been agreed.
- Changes in the **Paybill Per Head (PPH)** – as a measure of the average cost of the Remit from the perspective of the employer. This metric is the actual increase in the average wage related cost of employing a member of staff. It includes the basic (pay) settlement and other factors such as the net effect of pay progression, changes in skill mix and composition of jobs across pay bands. 'Paybill per head growth' takes account of employer National Insurance and pension contributions.
- The **Increase for Staff in Post (ISP)** - The ISP metric captures the cost of average pay increases for staff that remain in the same grade/responsibility level. The figure includes both revalorisation (the basic award), progression and any increase to the bonus pot. This metric acts as a check on the degree to which average overall increases vary across Departments.
- The term '**Basic Award**' has different meanings for different pay systems, and it is anticipated that the interpretation of the Basic Award will form the basis of discussions with Departments. For organisations with a step or spine based system, the Basic Award refers to the revalorisation of the steps/spines. For those without step or spine based mechanisms for pay progression through pay ranges the basic award will generally be defined as the consolidated increase to the pay range maxima and/or milestones.

## 6.2. Range of ISP awards

6.2.1. As in previous Remit rounds, Departments will need to demonstrate that their proposed Pay Remit is affordable within settlements agreed under the Spending Review process.

6.2.2. Over the CSR period, spending growth across the public sector is anticipated to continue on a slower trajectory compared to previous strong growth in many areas. Given that the public sector pay bill accounts for around a third of all spending it must be subject to tight control. In common with the wider public sector, the Civil Service must play its part by making better use of existing resources within future affordability constraints.

6.2.3. The range of awards this year will be from 1.5% to 4.5% ISP based on the business case put forward by departments and where individual staff sit compared with the relevant labour markets. The expectation is that for this year Civil Service pay awards will average in the region of 3.75%.

## **7. Remit approval criteria**

All Pay Remits will be judged on a basis that will be consistent with both the rest of the Civil Service and also the wider public sector. The following criteria will be used to assess pay Remits:

### **7.1 Coherence of workforce groups (including specialists)**

7.1.1 Pay delegation has been successful in allowing Departments to design and implement pay systems that fit the needs of their individual businesses. However, where pay and conditions have diverged within the same relevant labour market (internal as well as external), departments may put forward proposals to reduce these differentials.

7.1.2. The Civil Service is made up of many different workforce groups and these may be contained within a particular grade or responsibility level. It is recognised that departments have a mixture of relatively higher-paid and lower-paid workforce groups, with possible variation by specialism or function, responsibility level and/or location.

7.1.3 If departments wish to reward workforce groups differently, such as specific specialists roles because of particular issues then this must be made clear in their remit. Departments should define these workforce groups with reference to the relevant internal and external labour market in which they operate, and demonstrate how they intend to use their Remit to address any particular problems or issues, whilst reflecting the relative position of these different staff. Departments must supply robust data in support of their business case.

7.1.4 Departments may determine in their Remit where various workforce groups sit relevant to the labour markets in which they operate. This will help facilitate discussion with the WPP team. Additionally, the distribution of staff within each workforce group's pay range will partly determine whether the most meaningful comparisons can be made using data on minima, maxima, median / quartile salary points, or some combination of these.

7.1.5 Where departments that have workforce groups that are considered to be higher paid, relative to others in the same relevant labour market, they will be expected to put forward a Remit that reflects a level of ISP that is towards the lower end of the ISP range outlined in paragraph 6.2.3. and those with workforce groups that are lower paid put forward a Remit towards the upper end of the range, subject to being able to demonstrate the problems that this is causing, and how these problems will be addressed under the Remit.

7.1.6 Any case for reducing or maintaining differentials between Departments needs to be supported by information on the benefits from doing so (such as helping to achieve efficiency plans; promoting the delivery of public services; improving recruitment, retention and motivation) and, if applicable, the time-frame over which it is anticipated any differences will be removed or reduced.

7.1.7 Any Departments intending to reduce intra-Departmental differentials (for example between a sponsor Department and its Agencies) need to similarly

demonstrate a common labour market for the relevant groups of staff. Departments will then need to work with their Agencies to demonstrate through the appropriate Remits how they propose to alleviate these differentials in a cost-effective manner.

7.1.8 Departments should take into account the Total Reward package offered, when making market comparisons.

## **7.2 Recruitment, retention and motivation**

7.2.1 Departments who wish to make a case for a Pay Remit to address any problems associated with labour turnover will need to supply information on turnover in their Business Case Template and then demonstrate why their turnover is problematic.

7.2.2 In supplying turnover information departments should clarify how much the turnover is due to resignations and how much is due to other factors such as seconded staff returning to their parent department.

Particular attention should be made to the potential inter-linkages between the Pay Remit and the requirements to make workforce reductions under the Efficiency Programmes announced under the 2004 Spending Review. The degree of labour turnover deemed to be problematic will vary by Department and by grade and group of staff. In addition, Departments will need to demonstrate the degree to which any turnover problems are associated with pay rather than other wider factors.

7.2.3 Where Departments are experiencing staff motivation problems they will similarly need to demonstrate the degree to which these problems are associated with pay – such as evidence from surveys of staff e.g. exit interviews, market comparators.

## **7.3 Equal Pay/Age Discrimination**

7.3.1 Departments will be required to demonstrate how any proposals are compliant with the Age Discrimination & Equal Pay legislation whilst remaining affordable within overall remit parameters.

The Civil Service Reward principles re-affirm the Government's commitment to ensuring that pay systems in the public sector are fair and non-discriminatory, reflecting the contribution of the individual.

7.3.2 It is important that organisations review their pay systems on an annual basis following implementation of pay awards as this helps inform departmental reward proposals and ensures appropriate targeting of resources. Departments are reminded that conducting equal pay reviews of their reward policies and practices every three years is a requirement of delegation. When equality proofing reward policies, departments should be wary of arguments that five years must be the appropriate length for any pay range - for some jobs this may be too short, for others it may be too long. There is no substitute for a proper assessment of the pay arrangements for different groups/roles within each responsibility level.

7.3.3 Where Departments have identified a potential pay inequality to address they will need to provide evidence of the extent of this inequality and propose ways of

tackling this in a cost-effective manner, subject to affordability constraints. Departments may need to prioritise within the constraints of the remit and strike an appropriate balance between general pay increases for staff and addressing issues arising from equal pay/age discrimination legislation.

7.3.4 An assessment of the likelihood of claims and the extent of potential liability as well as the costs of dealing with the issue, should accompany any business case based at least partly on addressing equal pay/age discrimination risks and this should be supported by any legal advice and details of any pending legal cases. Departments must clearly specify what proportion of their pay Remit, if any, they plan to devote to addressing issues associated with equality issues.

## **7.4 Local Pay**

7.4.1 There are different labour markets for different staff across the Civil Service, depending on factors such as location, responsibility level and occupation. Remits will be judged on the extent to which levels of pay for particular groups of staff reflect, and are responsive to, the relevant local labour markets in which they operate. (In this context, pay levels need to be compared after allowing for the fact that pay is one individual element of an overall remuneration and Total Reward package.) Where a Department has multiple locations or sites, they should use the data and information that is available and group together staff as appropriate.

7.4.2 Departments must include in their business case pay proposals that are consistent with local pay policy. They must have a robust evidence based argument if they operate across different locations and are not proposing to differentiate between pay across and recruit from the same labour markets as other public sector bodies who have been making moves towards greater differentiation of pay at a local level.

## **7.5 Total Reward**

7.5.1 A total reward approach taking account of the interrelationship between tangible (pay, pension provision, leave) and the intangible (work environment and learning and development) elements should be tailored and promoted to attract, motivate and retain the right talent. "Total Reward" schemes offer a range of benefits designed to demonstrate that staff are valued and improve staff recruitment and retention.

7.5.2 Pensions make up a substantial proportion of the total remuneration package across the public sector. The recent agreement on public sector pensions means that existing staff are unaffected by any increases in Scheme Pension Age, whilst new workers will continue to benefit from a defined benefit pension which will be of more value than many offered in the private sector.

7.5.3 Departments will be expected to outline their strategy with regard to Total Reward in their Business Case Template, including any proposed changes to key conditions of service, and any proposals to make employees better informed about the total value of their remuneration package.

## 7.6 Multi-Year Remits

7.6.1 The Comprehensive Spending Review set the affordability envelope that Departments will be operating within for the years 2008/9 to 2010/11.

7.6.2 Greater certainty over pay levels can be achieved for individual employees when Departments enter into Multi-Year Remits and they also provide a way to ensure that increases are paid on time.

7.6.3 Both HMT and Cabinet Office expect departments to enter into Multi-Year Remits over the lifetime of the current CSR provided they have the appropriate strategies in place and are operating reward policies as part of their wider workforce strategy. Organisations will need to show how the Remit supports their wider strategy whilst remaining affordable.

7.6.4 As set out in section 5.1.5 of the guidance organisations with Multi-Year Remits will need to provide annual outturn figures to the Treasury. Departments will also need to ensure that they report progress on their reward strategy to Cabinet Office.

## 7.7 Scope of the Remit process

7.7.1 All increases to basic pay including the effects of increases to pay range minima, maxima, reference points and milestones should be costed as part of a Departments Remit. In addition, the following elements should similarly all be costed:

- **Allowances** including the introduction of new allowances, increases to existing allowances, and the consolidation of allowances into basic pay.
- Increases to **annual leave**, including maternity leave and associated entitlements.
- **Buy-outs** including the costs of payments used to buy-out existing entitlements to allowances, overtime rates, or working practices.
- Increases to the **Non- Consolidated Performance Pot**.
- **Non-pay Rewards** such as child care vouchers, etc.
- **Salary Sacrifice Schemes** – where introduced these will have administrative costs and need to be presented in the Remit.

Further details of definitions and Proforma guidelines can be found at Annex 2 below.

Departments must seek clarification from Workforce, Pay and Pensions team if they have any uncertainty over the scoring of remuneration benefits under the Remit process. Failure to do so will be regarded as a breach of the Remit process.

## **7.8 Variations to proposals**

7.8.1 Pay remits are considered, and approved, on the basis of the supporting business case. Any significant deviations that are made to the pay award (from those originally approved by HMT) during subsequent Union negotiations need to be reported to Treasury prior to any final agreement being reached. Any organisation that is uncertain as to whether what they are agreeing constitutes a significant difference from that agreed under the Remit should contact the WPP team for advice.

## **8 Recycling Baseline Pay Bill Savings**

8.1 Departments can continue to score savings they are proposing to make under their Remit for recycling elsewhere in their pay bill. This is part of a general move to make better use of existing resources and intended to encourage organisations to make savings in their baseline such as removing allowances that are no longer consistent with business needs or other potentially outmoded terms and conditions. Any recycling of baseline savings must be on a cost neutral basis and not contribute to raising paybill costs.

8.2 These savings should be used to fund variable pay. However, if Departments wish to use the funds for other purposes elsewhere in their pay bill they will need to make an appropriate business case and this will be judged on a case-by-case basis.

8.3 Details of how to score any baseline savings on the remit proforma are provided in the example at Annex 2. If Departments are in any doubt on how to apply this provision they should consult the Workforce, Pay and Pensions team at the earliest opportunity.

## **9 Legal Commitments**

9.1 All new legally binding commitments should take into consideration affordability and financial constraints in current and future years. Departments and agencies are advised to take legal advice on the drafting of any pay commitments to ensure that these are affordable and consistent with the pay remit process.

9.2 Approval of pay remits is on the basis that an organisation does not enter into any legally-binding contractual agreements in Trade Union negotiations that effectively commits it to automatic costs in the future.

## **10 Feedback**

10.1 There are a number of changes to the Remit process this year. Departments are invited to submit feedback to Treasury and Cabinet Office on these changes and on the Remit process as a whole, either at the same time as submitting their Remit or upon conclusion of the Remit round. This will help to identify any areas for further improvement in future Remit rounds.

## 11 Contact Details

### Submission of Remits

All Remit submissions and completed proformas requiring Treasury approval must be sent to the following e-mail address:

[WPP.Remits@hm-treasury.x.gsi.gov.uk](mailto:WPP.Remits@hm-treasury.x.gsi.gov.uk)

In addition, all Remit submissions and completed proformas for Civil Service Bargaining Units (ie. excluding NDPBs) must be sent to the following e-mail address:

[HRdata@cabinet-office.x.gsi.gov.uk](mailto:HRdata@cabinet-office.x.gsi.gov.uk)

### Workforce, Pay and Pensions Team- HM Treasury

David Livingstone (Pay Remits)  
Tel: 020 7270 5602 (GTN 270 5602)  
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Bill McDermott (Pay Remits)  
Tel: 020 7270 5039 (GTN 270 5039)  
E-mail: [william.mcdermott@hm-treasury.x.gsi.gov.uk](mailto:william.mcdermott@hm-treasury.x.gsi.gov.uk)

Address: Workforce Pay and Pensions Team  
HM Treasury  
1 Horse Guards Road  
LONDON SW1A 2HQ

Fax: 020 7270 4657

### Employment Directorate- Cabinet Office

Jamie Knights (Reward and Performance Policy)  
Tel: 020 7276 1896 (GTN 276 1896)  
E-mail: [Jamie.knights@cabinet-office.x.gsi.gov.uk](mailto:Jamie.knights@cabinet-office.x.gsi.gov.uk)

Duncan Everest (Reward and Performance Policy)  
Tel: 020 7276 1523 (GTN 276 1523)  
E-mail: [duncan.everest@cabinet-office.x.gsi.gov.uk](mailto:duncan.everest@cabinet-office.x.gsi.gov.uk)

Address: Employment Directorate  
Cabinet Office  
Room 2.6  
Admiralty Arch  
The Mall  
LONDON SW1A 2WH

## **Annex 1: List of Main Departments and Agencies**

1. The following 19 Departments and Agencies will be expected to produce a full business case to support their Remit, in addition to the Business Case Template at Annex 3. These Departments represent the largest workforce groups and/or exert significant influence on pay rates in other Departments. The Chief Secretary to the Treasury will consider remits from these Departments. Departments currently on multi-year deals agreed in previous Remit rounds are not included.

Cabinet Office

Department for Children, Schools and Families

Department for Communities and Local Government

Department for Culture, Media and Sport

Department for Environment, Food and Rural Affairs

Department of Health

Department for Innovation, Universities and Schools

Department for Business, Enterprise and Regulatory Reform

Department for Transport

Driver and Vehicle Licensing Agency

Environment Agency

Foreign & Commonwealth Office

Government Offices for the Regions

Highways Agency

HM Prison Service

HM Revenue and Customs

Ministry of Defence

Land Registry

Valuation Office Agency

## Annex 2: Example Financial Pro-forma

### SECTION 1

### Bargaining Unit "Outturn" Details

<b>Name of Bargaining Unit</b>	<i>Civil Service Department</i>	
<b>Remit Period</b>	<b>2007-08</b>	
<b>Settlement Date</b>	<b>01-Aug-07</b>	
<b>A. Actual Paybill for the Remit year</b>		£35,999,854.00
	<b>of which;</b>	
	Staff salaries	£26,579,223.00
	Allowances	£1,611,857.00
	Overtime payments	£250,662.00
	ERNIC	£1,974,794.00
	Employers pension contributions	£4,994,318.00
	Non-consolidated performance pot	£589,000.00
	Other (please specify below)	

### SECTION 2

<b>B. Baseline Paybill</b>		£34,618,128.00
<b>C. Actual New Money</b>	£1,381,726.00	3.99%
<b>D. Recyclables added to pay</b>	£401,274.00	
<b>E. Actual Increase for Staff In Post</b>	£1,783,000.00	5.15%
	<b>Breakdown of increase for staff in post:</b>	
	for Non-consolidated payments	£600,000.00
	for Consolidated payments	£1,183,000.00
<b>F. Staff in Post (FTE) for the year</b>	1541.00	
<b>G. Paybill per head for remit year</b>	£23,361.36	

### How Outturn differs from 2006-07 Pay Remit approved

**Annex 2 cont'd: Example Financial Pro-forma**

**SECTION 1**

**Bargaining Unit Remit Details – ‘Remit Year’**

<b>Name of Bargaining Unit</b>	<b>Civil Service Department</b>	
<b>Remit Period</b>	<b>2008-09</b>	
<b>Settlement Date</b>	<b>Aug-08</b>	
<b>A. Last Years Paybill</b>	£35,999,854.00	
<b>B. Baseline Paybill</b>	£36,718,549.00	
	<b>of which;</b>	
Staff salaries	£27,950,047.00	
Allowances	£875,669.00	
Overtime payments	£250,662.00	
Non-consolidated pot	£600,000.00	1.66%
ERNIC	£2,024,800.00	
Employers pension contributions	£4,917,371.00	
<u>Other (please specify below)</u>		
Partial buy out of allowance	£100,000.00	

**SECTION 2**

<b>C. Projected Paybill</b>	£37,358,030.00	
<b>D. New Money</b>	£639,481.00	1.74%
<b>E. Recyclables added to pay</b>	£568,905.00	
<b>F. Intended Increase for Staff in Post</b>	£1,208,386.00	3.29%
	<b>of which (enter appropriate categories - see Annex 2A of guidance):</b>	
Revalorisation	£761,458.00	
Increase to non-consolidated pot	£246,928.00	
Partial buy out of allowance	£200,000.00	
<b>G. Staff in Post for the remit year</b>	1571	
<b>H. Paybill per head</b>	£23,779.78	
<b>I. Increase in Paybill per head</b>	£418.42	1.79%

## Annex 2 cont'd: Example Financial Pro-forma

### SECTION 3

**Change in Baseline from Outturn to 2008-09 remit**

2.00%

### J. Baseline Paybill

**Remit Year 2008-09**

**2007-08 Outturn**

	Remit Year 2008-09	2007-08 Outturn
Staff salaries	76.12%	76.78%
Allowances	2.38%	4.66%
Overtime payments	0.68%	0.72%
ERNIC	5.51%	5.70%
Employers pension contributions	13.39%	14.43%
Non-consolidated pot	1.63%	1.70%
Other (as specified in Section 1 above)	0.00%	0.00%
Partial buy out of allowance	0.27%	0.00%
	0.00%	0.00%
	0.00%	0.00%

### K. Intended Increase for Staff in Post

3.29%

**of which:**

	0.00%
	0.00%
	0.00%
	0.00%
Revalorisation	2.07%
Increases to non-consolidated pot	0.67%
	0.00%
Partial buy out of allowance	0.54%
	0.00%
	0.00%

## **Annex 2 cont'd - Financial Pro Forma: Completion Guidelines.**

### **'Outturn' Details**

1. The reporting of actual ISP figures in section 2E of this pro-forma has been simplified. All that is now required are details of Consolidated and Non-consolidated payments rather than providing a detailed breakdown of where funds were spent i.e. revalorisation, progression, bonus payments etc.

### **'Remit Year' Details**

#### **Calculating the baseline paybill:**

- the baseline paybill is the cost to the department, for the remit year, of the expected staff compliment excluding the costs of progression or revalorisation or other increases.
- Any mandatory increases in pensions contributions (not linked to increases in staff salaries) or employer NICs will score in the baseline.
- the baseline is **not** the actual paybill given in the outturn sheet.

#### **Increase for Staff in Post (formerly Earnings Growth):**

- the Increase for Staff in Post should include the full costs of the settlement including:
  - increases to basic salaries from progression and revalorisation;
  - increased pensions and employer NICs resulting from these increases to basic pay;
  - the costs of increases to non-consolidated pot;
  - the costs associated with increases in leave entitlements, etc.
  - the costs associated with pay harmonisation arising from MoG changes
- the Increase for Staff in Post should not include the non-consolidated payments from existing non-consolidated performance pots, however departments should note:
  - increases in the size of the non-consolidated performance pot should be included in the Increase for Staff in Post;
  - the non-consolidated performance pot cannot be used to fund consolidated increases of any kind.

#### **Recyclables:**

- recyclables are calculated as the forecast savings from staff turnover (see Annex 2A for more detailed definition).
- recyclables are deducted from the cost of the settlement proposals (Increase for Staff in Post) to give the "new money" or increase on the baseline paybill.
- the recyclable figure in the pro-forma can on occasion be zero but can never be a negative amount.

#### **Costing non-pay rewards**

- In order to effectively utilise and promote the various non-pay rewards available to departments and agencies, it is important that the costs and benefits of various terms and conditions are taken into account. As such, the costs of increasing non-pay rewards such as reductions to working hours, increases to annual leave, maternity/paternity leave should be included in the remit calculation pro forma.

### **Staging Settlements (End of Year Salary)**

- The Treasury approves a level of forecast Increase for Staff in Post for each civil service Pay Remit, however the size of the Increase for Staff in Post can be distorted by staging settlements whereby the Increase for Staff in Post within the 12 months of the remit is met, but the end of year salary is higher than the agreed Increase for Staff in Post. Staged settlements that increase end of year salaries also generate increases in baseline costs in future remit years. Departments should not stage their settlements or move their settlement date in any way that results in increased paybill costs in the remit year or future years.
- Example: A department chooses to pay 2% increase on 1 August (costing 2% of the paybill) and also pays a 2% increase on 1 November (costing, over the remaining 9 months of the Remit year, 1.5% of the annual paybill). The total cost for the Remit year is 3.5%, but the end of year salary is 4% higher than at the beginning of the year and is therefore not contained within the remit threshold.
- Departments who have different progression dates to their settlement should ensure that they include the full 12-month costs of both progression and any revalorisation.

### **Baseline Savings**

- Baseline savings are general savings within paybill that can be used elsewhere within the paybill without counting towards the ISP figure, in other words the savings are cost neutral. e.g. removing outdated allowances and using the savings from these allowances for non-consolidated payments.
- An example of how Baseline savings work in practice and based on the example pro-forma is set out below:
- Example: An organisation wishes to buy-out a specific allowance at a negotiated cost of £300k. The actual annual cost of this allowance is approximately £100k year on year.

The pro-forma shows an allowance figure (that represents all the allowances the organisation pays) in section 1B of the 'Remit year' pro-forma of £875,669. The original figure was £975,669 but because the organisation wishes to buy-out the outdated allowance they have recycled the £100k (the

actual annual cost of the outdated allowance) into the baseline (see final entry of section 1B under 'other').

- You will see that the description in section 1B states 'partial buy-out of allowance'. This is because the total cost of the buy-out of the outdated allowance is £300k. The remainder of the buy-out (£200k) forms part of the intended ISP figure and is included in section 2F of the 'Remit year' proforma.

#### **Increase for Staff in Post formula:**

- Increase for Staff in Post = New Money + Recyclable Savings.

#### **Multi-Year Remits**

- Departments and agencies which have agreed multi-year remits in previous years do not need to bring forward a new remit, but do need to provide an outturn calculation sheet which complies with the Increase for Staff in Post (formerly Earnings Growth) agreed as part of the deal.

## **Annex 2A: Remit year Pro-forma: Definition of terms**

Last year's simplification of the entries under Sections 2F & 3k of the remit year pro-forma will be carried over this year. In earlier years the descriptions in these two sections have already been determined and entered into the pro-forma before being issued. Departments should now enter descriptions of where they are intending to spend the monies based on the definitions in this annex.

### **Settlement date**

- The date of the commencement of the remit year (e.g. 1 August).

### **Paybill**

- This is the salary and associated costs of the staff employed by the organisation below the Senior Civil Service. The paybill costs should include:
  - Staff salaries;
  - Allowances;
  - Overtime payments;
  - Non-consolidated pot;
  - ERNIC;
  - Employers pensions contributions.

### **Non-consolidated Performance payments (including Bonuses)**

In previous years the pro-forma and associated guidance was quite detailed on the categorisation of non-consolidated PRP, other non-consolidated bonus payments (such as in-year bonus payments/special performance bonuses) and non-consolidated payments for staff at the maxima.

As a result of last year's simplification of the approach to the treatment of non-consolidated bonus payments, there is an amalgamation of the existing categories under one heading now entitled 'Non-consolidated pot' in section 1B & 3 J of the Remit year pro-forma.

Any increase in the monies that an organisation wishes to spend on the 'Non-consolidated pot' will have to be recorded in section 2F. The change here means that any payments in 07/08 for staff at the max of their pay range are scored in the ISP in the Outturn sheet but are carried over into the baseline for 08-09 as part of the non-consolidated pot.

Non-consolidated payments refers to payments to individuals that are not consolidated into their basic pay,

- The advantage of non-consolidated payments is that they are not pensionable and do not accrue additional expenditure.
- Non-consolidated payments would also be used to reward those staff that are at the maximum of their pay range and are unable to receive any consolidated increases to their base pay.
- Bonuses are non-consolidated payments that are awarded to staff based on performance either at an individual, team or organisational level. Bonuses are re-earnable and do not have associated future costs.
- Types of bonuses include;

- Performance related bonuses based on individual contributions to the organisation and assessed by the departments performance management system;
- Special bonus schemes for individual bonuses for special projects or outstanding pieces of work that are not covered by the normal performance management system;

***Please note that the existing non-consolidated pot (entered in section 1B of the 'remit year' pro-forma) is a cash value derived from a percentage of the consolidated Baseline Paybill and not a fixed cash amount. e.g. an organisation has a consolidated Pay Bill of £20m and has built up a non-consolidated pot of 3%. The cash value of the non-consolidated pot is 3% of £20m = £600k. In 08-09 the organisation increases the non-consolidated pot by 1%. This means adding a further £200k to the pot (1% of £20m) providing a total non-consolidated pot of 4% or £800k. In 09-10, because of staff reductions, the consolidated baseline paybill is reduced to £19m. While the non-consolidated pot remains unchanged at 4%, the cash value is reduced (4% of £19m = £760k).***

### **Corporate bonuses**

- Are based on the profitability of an organisation (usually restricted to Trading Funds). Corporate bonuses are not a pre-allocated spend. At the beginning of the year the corporate 'pot' will be empty and is funded by profits from the successful sale of services (after the deduction of operating costs). For further information please contact the WPP team.

### **Staff In Post**

- This is the staff in post for the department counting part-time staff numbers as if they were Full-Time Equivalent (FTE) staff by adding up the part-time hours of staff within each grade.
- Example; there are 3 part-time staff within a pay band working 31 hours, 20.5 hours and 10 hours respectively. Their total staff hours are 61.5 hours. When this is divided by the conditioned hours for full time staff (41 hours) the 3 Part-time staff equal 1.5 Full-time equivalents.
- Section 2F of the 'Outturn' and Section 2G 'Remit Year' pro-forma's require SIP information.
  - Staff in post for the 'remit year' is the total number of FTE staff on which the remit is based and should be the 'mean average' SIP forecast over the 12 months of the remit – taking into account known leavers resulting from retirements or known downsizing
  - Staff in post for the 'outturn' year may be calculated by using a fixed date or 'snapshot' but this method may not reflect the changes that happened throughout the year. An alternative is to take a simple average at each quarter of the year and divide by 4.
  - It is for Department to decide the most appropriate date that adequately reflects the true staffing position for the outturn year.
- Departments should contact WPP if they cannot complete the Business Case Template on a FTE basis, to discuss alternative arrangements.

### **Last Years Paybill**

- The cost of the paybill for the previous remit year (see settlement date).

### **Baseline Paybill**

- The baseline paybill is calculated by forecasting the paybill costs of known staff complement for the 12 months of the remit year. Mandatory changes to employer Pension or National Insurance Contributions should be included within the baseline costs.

### **Baseline Savings**

- Any reductions to the baseline paybill resulting from changes to working practices, e.g. an overtime cap, removal of entitlement to allowances, etc which results in a saving within the proposed remit year baseline paybill.

### **Projected Paybill**

- The projected paybill is calculated by adding the paybill costs of the remit proposals to the baseline cost of the paybill.
- Example; if the total paybill costs of the remit proposals were £100,000 and the baseline costs were £2,000,000 the projected paybill costs would be £2,100,000.

### **New Money**

- This is the paybill costs resulting from the changes proposed in the remit.
- From the above example the new money is £100,000.

### **Non-Pay Rewards**

- Increases in annual leave entitlements, reduction in working hours, etc.
- These changes should be **costed** and included in the calculation pro forma.

### **Headline settlement**

- This is expressed as the %age increase on the "baseline paybill" and is calculated by dividing the "projected paybill" by the "baseline paybill".

### **Recyclables**

- This is a forecast of the recyclable savings generated during the remit year.
- Recyclables are generated when staff leave the organisation and are replaced by entrants with a lower salary cost. The difference between the leaver's salary costs and the entrant's salary costs is the recyclable saving to the paybill. These savings can be legitimately used to finance the remit proposals.
- Vacant posts **do not** generate recyclable saving, because until the post is filled the salary cost to the paybill cannot be determined.
- If organisations have an overall recyclable figure that does not generate savings because staff leaving the organisation are in receipt of a salary lower than the newly appointed staff then they should speak to the WPP team.

### **Increase for Staff in Post (formerly Earnings Growth)**

- The remit definition of Increase for Staff in Post is “new money” plus “recyclables” (see sections above) and is expressed as the %age by dividing the “new money” **plus** “recyclables” by the “baseline paybill”.

### **Paybill per head**

- This is the total paybill cost divided by staff in post (FTE) to give you the “mean” average.

### **Increase in Paybill per Head**

- This is the %age increase in paybill per head for the current remit when compared with the paybill per head for last years remit.
- This is calculated by subtracting the paybill per head figure for last year from the paybill per head figure for the remit year, and then dividing this by the paybill per head figure for last year.

### **Progression**

- Progression is the cost of moving someone through the pay range and in spine point or step based system relates to the costs of incremental steps.
- In milestone & reference point based systems progression means the cost of moving staff within the pay range.
- Progression costs should be included on the remit year pro-forma under **section 2F**.

### **Revalorisation**

- Relates exclusively to spine point or step based systems and is the value by which all points on the pay spine are increased. This may be different for different grades, but the costs should be included on the remit year pro-forma under **section 2F**.
- The costs of range shortening where minima are raised at a higher rate than the revalorisation should also be included under the heading “Increases to minima, maxima and target rates”

### **Increases to minima, maxima and target rates**

- Progression costs and revalorisation costs aside, any additional increases to minima and maxima should be costed and included on the remit year pro-forma under **section 2F**.
- **Note: for non-step or spine point systems the additional costs of increases to range minima and maxima should be included here and not under progression costs.**

## **Annex 3: Business Case Template**

### **General Notes**

The template on the following pages needs to be completed by all Bargaining Units.

The purpose of this business case template is to summarise the main elements of information required to support your remit. All Bargaining Units are required to complete all the Sections below - any issues not covered by the headings in **Sections A to E** should be included under **Section F**.

Main Departments will be expected to provide a greater degree of detail than that to be provided by Non-main Departments.

*Bargaining Units are permitted to expand the text boxes below but only supply information relevant to the Remit being sought.*

**Name of Bargaining Unit:**

--

**Section A: Explanation of Bargaining Unit Core Business**

As a summary of the organisation's core business this section should explain the main role of the organisation and its business objectives in the short to medium term.

--

**Section B: Current & Future Business Pressures**

Provide an outline of any forthcoming pressures that may be facing the organisation and how these will impact on the pay bill. (E.g. a new Act of Parliament coming into force).

**Note:** Organisations should explain what areas of staffing these pressures will affect and how you intend to use the paybill to address these pressures.

--

**Section C: Affordability and Funding**

Provide brief confirmation that the proposals are affordable within expenditure limits or existing provision – please explain briefly. Confirmation that these costs will not generate future paybill pressures and, where applicable, have been cleared by Sponsor Departments.

--

## Section D: Summary of Pay Remit Proposals

Provide a summary explanation of what the Pay Remit will be spent on, and provide a breakdown of the Remit, in terms of Increase for Staff in Post; e.g. increases to minima, maxima, and target rates; basic awards to staff including underpins; proposed increases to allowances; other proposed increases to non-pay awards (annual leave); etc

**Note:** the Increase for Staff in Post levels indicated here should be presented in cash terms in the financial pro-forma.

Illustrative example:

1.25% for pay progression;

0.5% for targeted equal pay action;

0.5% for targeted Recruitment and Retention action (London);

0.25% for targeted Recruitment and Retention action (name location);

0.49% for increases to pay band minima/maxima & target rates; and

0.1% for increases in maternity/paternity leave.

## Section E: Detail of Remit proposals

Please provide a brief business case for the Remit you are seeking based on the criteria outlined in Section 5 of the main Remit Guidance, and provide an outline of your current pay system and any proposed changes. When describing your pay system please provide information under the following headings set out below and when giving reasons for any changes please provide robust data:

### Basic Award

- The proposed level of Basic Award under the remit, as outlined in the main body of the Civil Service Pay Guidance

### Base Pay

- Levels of base pay and how these are addressing recruitment/retention needs, motivation, etc.

### Progression

- The basic structure of your current/proposed pay system (e.g. step-based progression) and its objectives.

- Any proposals for differentiated progression across groups of staff

### Variable Pay

- Proposals for the use of performance related (variable) pay including, accessibility of staff to bonuses, spread of bonus payments, team bonuses etc.

**Workforce Group Coherence (including specialists)**

- If you are intending to target specific workforce groups then please state the reasons, e.g. Recruitment and Retention issues and include relevant and robust data in support of the case.

**Local pay**

- Any introduction/expansion of local pay. Departments who are not implementing local pay should provide robust evidence that local pay is inappropriate for them.

**Equal pay**

- Equal pay risks and measures to reduce them – Please provide evidence of the likelihood of claims and the extent of potential liability, including legal advice as well as details of any cases pending.

**Section F: Other factors not detailed above**

Please indicate if there are additional factors not covered above that should be considered against your Pay Remit proposals.

## Section G: Pay Data

Bargaining Units are required to complete the follow data fields to the best of their ability. The general intention is not create an additional burden for Bargaining Units as it is anticipated that much of this information will be required for modelling the settlement. Please clearly identify workforce groups (e.g. accountants, call centre operatives, etc) within the General Information table.

Turnover figures should make a distinction between resignations and any other reasons for staff churn e.g. seconded staff returning to their home department.

**Please note:** Incomplete data may delay the processing of the Pay Remit.

### General Information

Grade (CS equivalent <sup>1</sup> )	Location / Zone <sup>2</sup>	Minima	Maxima	Median <sup>3</sup>	SIP <sup>4</sup>	Leavers <sup>4</sup>	Turnover (%age)
AA (current)							
(proposed)							
AO (current)							
(proposed)							
EO (current)							
(proposed)							
HEO current)							
(proposed)							
SEO (current)							
(proposed)							
Grade 7(current)							
(proposed)							
Grade 6(current)							
(proposed)							

### Increase for Staff In Post Information

Grade (CS equivalent <sup>1</sup> )	Cost (£,000)	Increase for Staff in Post (%) <sup>5</sup>
AA		
AO		
EO		
HEO		
SEO		
Grade 7		
Grade 6		
<b>Overall Average</b>	<b>0</b>	<b>0.0%</b>

### Staff Distribution

Grade (CS equivalent)	SIP on Maxima (current, proposed)	SIP on Minima (current, proposed)	SIP on Reference point *
AA			
AO			
EO			
HEO			
SEO			
Grade 7			
Grade 6			

\* If applicable.

Notes:

1. Please use Civil Service equivalent grades wherever possible, or replace with organisation-specific grades if not relevant.

2. For Location/Zone please specify London, National, South East etc.
3. The median salary is the salary at which 50% of staff are above/below. It is not the mid-point of the range.
4. SIP and leavers should be expressed on a FTE basis
5. The overall total must be the weighted average of the Grade figures above it.

## ANNEX 4: CIVIL SERVICE REWARD PRINCIPLES

### PURPOSE

*Delivering high quality public services requires a productive and engaged workforce with the necessary skills to meet operational needs. Reward is one of the key tools that employers have to attract, retain and engage the optimal workforce to deliver high performance services to their customers.*

*This framework is a key element of wider work to improve the operation of the delegated pay and conditions arrangements. It sets out the key principles within which employers can develop relevant, effective and affordable reward systems, which will enable us to:*

- *improve service delivery through engagement, recruitment and retention of the right staff*
- *drive an engaged and productive workforce*
- *achieve an appropriate degree of consistency across the Civil Service as a whole.*

*This framework is consistent with the thrust of the pay and reward principles agreed by trades unions, employers and Government representatives in the Public Services Forum (attached at Annex A).*

*It is recognised that delivering these principles will be challenging and in practice some of them may occasionally conflict but it is vital to have a framework within which optimal reward strategies and practices can be developed and operated by employing departments and agencies.*

*This note is divided into three sections as follows:*

- *Section 1 outlines the seven principles agreed by Civil Service organisations.*
- *Section 2 sets out the key steps required to achieve reward reform.*
- *Section 3 illustrates some of the practical steps departments can take to reform their reward structures.*

## **Section 1: Reward Principles**

### **1. Meet business need and be affordable**

- Business, operational and workforce needs are the drivers for a reward strategy.
- Business cases outline benefits, risks and costs and justify investment.
- Reward arrangements must be sustainable.

### **2. Reflect nature of work**

- Recognise and reflect workforce groups identified by function and skills utilised (e.g. operational, corporate or policy delivery service).
- Organisations employing similar workforce groups in similar markets are encouraged to consider similar reward arrangements.

### **3. Recognise performance**

- Reward reflects the continuing value and the sustained contribution of an employee and their performance in a given period.
- Value and performance rewarded reflect how jobholders contribute to their organisation, impact delivery and meet Professional Skills for Government (PSG) requirements.

### **4. Manage total reward**

- Reward includes all aspects of the “employee deal”; tangible and intangible elements of what is offered.
- Total reward is tailored and promoted to attract, engage and retain the right talent as well as providing personal choice and flexibility.

- Employers/employees need to develop a full understanding and appreciation of the value of the total reward package.

#### **5. Manage all cash**

- Total cash comprises base pay and variable pay.
- Base pay reflects job challenge and individuals competence in the job.
- Variable pay reflects performance delivered against agreed objectives.

#### **6. Face the market**

- Reward levels, generally and for specific skills, aligned with agreed market positioning to attract, motivate and retain the right talent.
- Reward competitiveness covers each element of total reward (e.g. base pay, pensions, leave) and the overall deal.

#### **7. Support Equal Pay**

- Eliminate direct and indirect reward discrimination and reduce any unjustified gender pay gaps.
- Operate reward systems that are perceived by staff to be reasonable and transparent.
- Reward systems and structures evaluated and kept up to date to ensure that they continue to meet the requirements of legislation.

## Section 2: Key steps towards reward reform.

The priority is to focus on getting reward structures right before adjusting pay levels accordingly.

### Reform needs to occur in a set order:

1. Shorten pay ranges to reduce existing in-built progression costs.
2. Segment the workforce to reflect the type of work undertaken by staff.

### *Which will enable us to:*

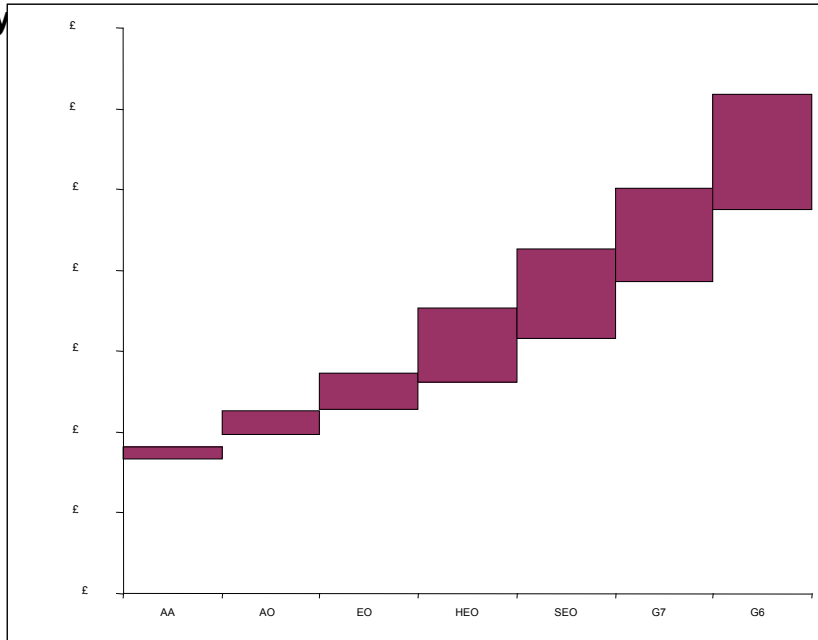
3. Replace service based progression with pay arrangements that reflect the time it takes to demonstrate competence within a workforce group or specialism.
4. Increase the proportion of reward that is contingent on performance.
5. Adjust standard pay levels for the workforce groups we employ to reflect the labour markets in which we operate.

6. Remove allowances or other outmoded terms and conditions that are no longer consistent with business needs.
7. Adopt pay supplements or separate pay ranges for roles which justify market premia.

**Section 3: Illustration of some of the practical steps departments can take to reform their reward structures**

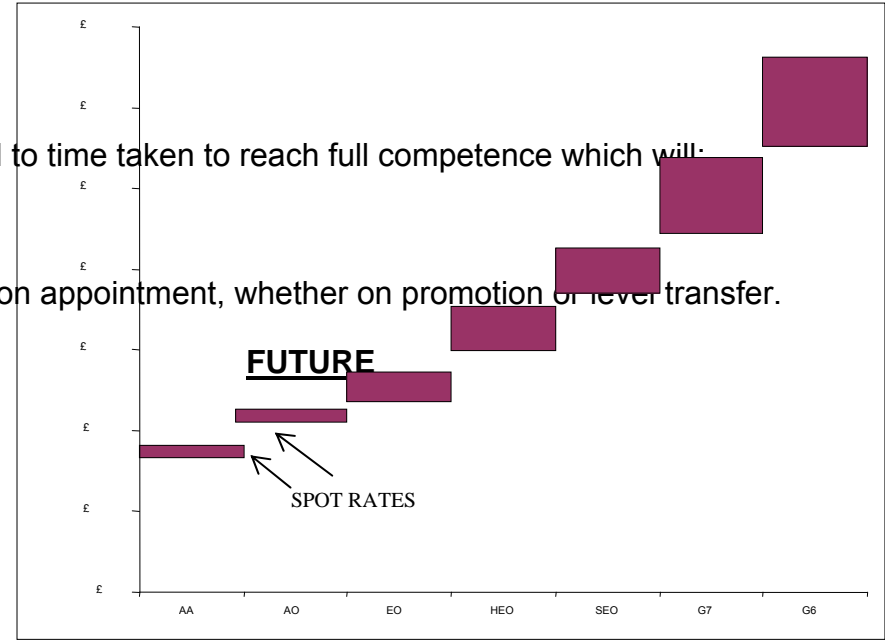
# Pay

- 



proportional to time taken to reach full competence which will:  
els).

it of pay on appointment, whether on promotion or level transfer.



## Competency-based pay arrangements

- Short pay ranges make it affordable to replace progression based on time-served to pay reviews dependent on demonstration of competence.

**Grade**

**Illustrative Range Length**

**Number of Competence Levels**

**Description**

**AA/AO (e.g. contact centre worker, clerical processor/caseworker)**

**Spot Rate**

**1**

**“Competent”**

**EO (e.g. caseworker manager)**

**5%**

**2**

**“Entry”, “Competent”**

**HEO/SEO (e.g. research analyst)**

**10%**

**3**

**“Entry”, “Competent”, “Expert”**

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**G7/G6 (e.g. lawyer)**



**CIVILSERVICE**

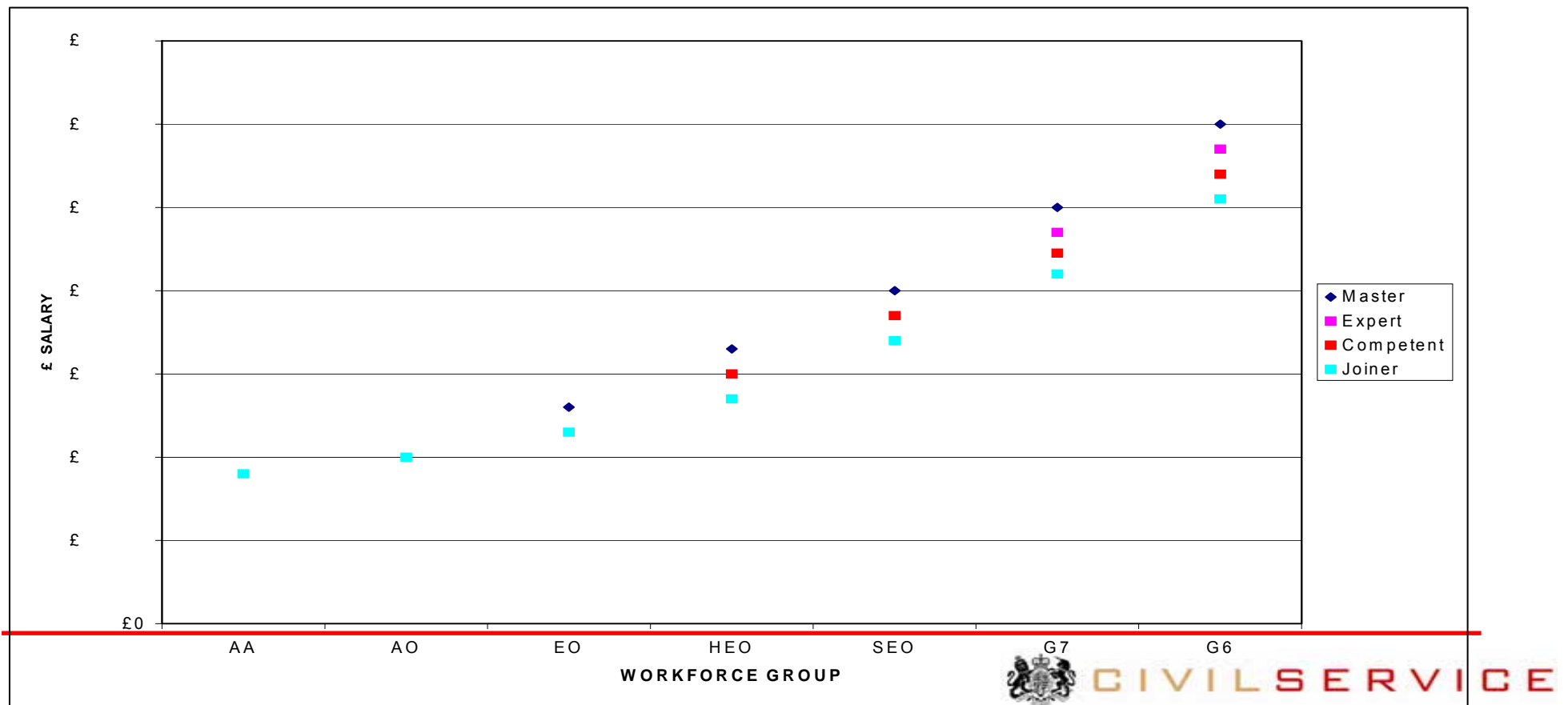
## Workforce segmentation

During transition:

- Identify segments within the traditional Civil Service grades that have distinct roles and capabilities
- Assess need to differentiate reward between segments

After transition:

- Move pay “levels” to desired market position (informed by common source of pay benchmarking data provided by Cabinet Office)
- Use market supplements or separate pay ranges to reflect greater value (in the market or in the organisation) of some workforce segments



## Facing the Market

- Post-transition, pay ranges maintained at appropriate lengths by uplifting mins, maxs and salaries by equal amounts
- For different Departments, grades and workforce segments within a grade the uplift will differ depending on coherence, market positioning, retention grounds
- Market positioning for most roles on base salary is expected to be below external median
- For posts/workforce groups which demand a market premia, RRA's can be used to bring to desired market position

## Risks: During transition pay levels may not be completely aligned with desired market position

- Maximas constrained & minimas increased rapidly to facilitate range shortening
- During transition
  - Maximas may fall below desired market position
  - Minimas may rise above level needed to support retention, recruitment, engagement

Post transition lower in-built costs mean that desired market position can be restored rapidly

## Measures of Success

- During transition
  - Success measured indirectly by speed of reform
- Post transition
  - Employee engagement measured by index
  - Reduced cost base
  - Retention rates improved for specialists
  - Proportion of fully qualified/competent staff measured by PSG
  - Internal coherence between similar workforce groups and link to prescribed market positions
  - Reduction in number of Equal Pay and Age claims

## ANNEX A

### PUBLIC SERVICES FORUM – PUBLIC SECTOR PAY AND REWARD PRINCIPLES

The Government and trade unions are committed to pay and workforce modernisation to deliver high quality and efficient public services, improve working lives and enhance the experience of users and local communities. Core elements of this modernisation agenda include a fair and equitable employment and reward package and flexible employment and working practices, underpinned by collective bargaining and supported by the close involvement of the workforce and trade unions.

The following framework sets out the key principles and parameters within which all public service pay and rewards systems should be developed with the workforce and trade unions. The principles, which focus on support for high quality jobs and a commitment to equal pay for work of equal value, will be widely communicated across public services and should form the basis of all Pay Review Body and collective bargaining remits.

Delivering public service improvement requires a productive workforce with the right skills in place. Investing in skills and development across the workforce will support the drive to improve services. The employment and reward package should be sufficient to recruit, retain and motivate this workforce. To achieve this, employers, working with trade unions, should articulate and promote all the benefits on offer as part of the employment and reward package. The reward strategy should be monitored, evaluated and kept up to date to ensure that it continues to meet high standards of fairness and be fit for purpose.

It is unacceptable for women to be paid less than their male counterparts for work of equal value. All employers should be taking steps to ensure that they are complying with legislation on equal pay and where necessary have in place action plans to close any unjustifiable pay gaps. In order to achieve this, equal pay audits should be undertaken and where there is evidence of inequality in pay and conditions of employment, action should be taken to eliminate discrimination.

Public service pensions are a key benefit of public service employment and should be celebrated as such. Changes in demographics, employment patterns, and the legal and regulatory framework require public service pension schemes to be modernised. Underlining the importance of a diverse workforce, there is scope to address how to develop flexible retirement options to meet the needs and aspirations of older workers and to make the most of their experience and expertise

Where in place national bargaining should be retained, with sufficient flexibility to allow response to local issues. In the civil service, the coherence agenda will improve the operation of pay and conditions arrangements within an overarching delegated framework.

As part of a pay and reward package, provision for systems of pay incentives may be considered, taking account of potential advantages and disadvantages, and the development of alternative pay systems to achieve the same aims of service quality. In such cases, principles of equality, transparency and trade union involvement must be adopted and monitored consistent with the need to minimise bureaucracy, throughout the design and implementation of all pay systems.

Against the background of the above principles, unions and employers commit to responding constructively and speedily to proposals to increase workplace flexibility, leading to improved public services and better working lives.