



HM TREASURY

Civil Service pay guidance 2010-11

December 2009



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1

Introduction

1.1 The Government's objectives for public sector pay policy are that pay awards should:

- Reflect the individual labour market position of workforces, particularly their recruitment and retention position;
- Be consistent with the achievement by the Bank of England of its CPI inflation target;
- Be affordable for departments; and
- Represent value for money for taxpayers.

1.2 The Civil Service accounts for around a tenth of the overall public sector paybill and workforce. Departments¹ have authority to determine pay and conditions for their staff below the Senior Civil Service. 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 consistent with the four objectives set out above while also being appropriate to the specific circumstances of individual businesses.

1.3 This guidance sets out the details of the 'pay remit process' which covers the pay setting arrangements for public sector workers in Non-Departmental Public Bodies (NDPBs), as well as Civil Servants throughout the Civil Service.

1.4 There are some important changes to the remit process for 2010, and these are highlighted in [section 4 below](#). 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 10)

¹ 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

Objectives of the pay remit process

Treasury role – delivering public sector pay policy

2.1 The Treasury seeks to deliver the Government's public sector pay policy. As set out above, the objectives of public sector pay policy are that pay awards should reflect the individual labour market position of workforces, particularly their recruitment and retention position; be consistent with the achievement by the Bank of England of its CPI inflation target; be affordable for departments; and represent value for money for taxpayers. The pay remit process provides an opportunity to ensure that pay awards are consistent with these four objectives while also being appropriate to the specific circumstances of individual businesses.

Cabinet Office role – workforce and reward structures in the Civil Service

2.2 Cabinet Office has overall responsibility for managing the Government's policies on pay and performance management for Civil Servants. They work with Departments and Agencies on their workforce and reward strategies to encourage greater consideration of workforce needs and properly tailored reward policies. Further guidance is available on the Cabinet Office website at: URL. <http://www.civilservice.gov.uk/about/resources/pay/reward.aspx>

3

Setting the context for 2010-11

3.1 Since September last year, the impact of the global financial crisis on economic activity has been more severe than expected. The public finances have been profoundly affected by the global financial crisis, as lower trend output has led to a permanent loss of tax revenue. Budget 2009 set out the Government's plans to halve the deficit over the next four years.

3.2 Public sector workers are at the heart of delivering world-class public services and the Government has invested significantly in them. The public sector paybill makes up around half of departmental budgets so restraint will be critical in delivering fiscal consolidation and protecting public services and jobs. This is in the context of wider developments across the economy, where it is clear that the weaker private sector labour market has increased the relative attractiveness of the public sector reward package.

3.3 In response to these circumstances, with senior groups giving a lead, for 2010-11, the Government has proposed a freeze for senior groups including chief executives of non-departmental Public Bodies (NDPBs), senior civil servants, judges, senior NHS managers, consultant doctors and GPs. The Government has proposed uplifts in 2010-11 for the remaining workforces not in multi-year deals in the range of up to 1 per cent, reflecting the wider economic circumstances.

3.4 Departments are therefore asked to consider value for money and affordability as an even greater priority when planning their business case for pay awards in this remit round.

4

Changes to this year's Civil Service Pay Guidance

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

- Basic awards will fall within the range of 0-1% (see section 6.2).
- The Increase for Staff in Post (ISP) range will be 0-2% (see section 6.2).
- Introduction of the option for Departments to access certain flexibilities in return for significant savings in the paybill (see section 7).
- HM Treasury will continue to approve the remits of the biggest five Departments (DWP, HMRC, MOJ, MOD and Home Office including UK Borders Agency). All other Departments' remits will be approved by their own Secretary of State, subject to the parameters and criteria set out in this guidance, with some exceptions. See Box 5A and Annex A for full details. **The Treasury retains the right to approve the remits of departments where there are concerns or potentially contentious issues.**

4.2 Main Departments will continue to report their outturn data to the Treasury. As was the case last year, sponsor departments are required to report to the Treasury the outcome of the pay round for the organisations they sponsor. Updated guidance on these reporting requirements will be issued shortly.

5

Outline of the pay remit process

Departmental responsibilities

5.1 Departments are required to set out their pay award proposals in a short business case, using the template at Annex E. Departments must also complete the remit financial proforma (example at Annex B) for the proposed remit, and obtain the approval of their HR and Finance Directors before submitting to the relevant minister for approval.

5.2 Remit proposals will be assessed against the criteria set out in section 6 below. Information supplied by Departments in their business cases must be robust in supporting the proposals, and insufficient information may increase the time taken to process the remit.

5.3 A summary of the requirements of the remit process for different Departments is given in Box 5A below. Annex A provides a list of those departments expected to submit a pay remit to HM Treasury for approval in 2010-11, and those departments that must consult with Cabinet Office on their proposals.

5.4 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) team. Departments are encouraged to work constructively with their relevant Trades Unions on the development of their overall pay and reward strategies prior to their remit being submitted.

Box 5.A: Requirements for different departments

- For DWP, HMRC, MOD, MOJ, Home Office including UKBA, NDPBs with a statutory requirement for Treasury clearance and some Non-Ministerial Departments (see annex 1): The Chief Secretary will be responsible for approving the remit. Approval should be obtained from HR and Finance Directors, and the relevant minister prior to submission to the Treasury.
- For all other Departments, agencies and NDPBs without a statutory requirement for Treasury clearance: Responsibility for agreeing the remit is delegated to the Secretary of State of the relevant sponsor Department. Those NDPBs with a statutory requirement for Treasury approval will submit them to the Treasury via their sponsor department. If Departments are not sure who will approve their remit in 2010-11, they should contact the WPP team at HM Treasury for clarification.

Reporting of outturn information

5.5 All those Departments whose pay remit was agreed by the Treasury in 2009-10 must provide outturn information for the 2009-10 remit year, and where necessary, provide explanations for any differences between the agreed remit and the actual outturn. Departments with multi-year remits agreed in previous years must also provide annual outturn figures to the Treasury.

5.6 All bargaining units whose remit is approved by a sponsor department should submit their remit outturn figures to their sponsor department. In accordance with the guidance on reporting for sponsor departments referred to in section 4, sponsor departments will be required to provide information about the remits they have approved to the Treasury.

Treasury and Cabinet Office responsibilities

5.7 Treasury and Cabinet Office have complementary responsibilities under the remit process.

5.8 Treasury’s role is to ensure that pay remits meet the objectives set out in Section 1 above. The WPP Team within the Treasury co-ordinate and manage the pay remit process, with the involvement of the relevant Treasury Spending Teams.

5.9 Cabinet Office continues to work proactively with Departments throughout the year and not just before submission of a remit. Early dialogue with Cabinet Office about departmental long term reward strategies and interim measures will ensure that remits are processed more effectively, with fewer follow-up queries.

Pay remit timetable – submission requirements

5.10 For those Departments submitting proposals for a remit that does not include a request for ‘additional flexibilities’:

- All remits should be submitted to the relevant Sponsor Department or HM Treasury by 1 March 2010.

5.11 For those departments applying for a remit under the ‘additional flexibilities’ set out in section 7:

- These proposals should be submitted to HM Treasury by 1 May 2010.

5.12 Remits will only be considered by the Chief Secretary when both Cabinet Office and Treasury are content with the proposals and supporting information contained in the business case and financial pro-forma.

5.13 For those main departments whose remit will be approved by their own Secretary of State, please check annex A for details of whether the remit should be discussed with Cabinet Office in advance of submission to the Secretary.

5.14 The following timetable sets out the pay remit process cycle. It should be noted that the general election, which is expected in the first half of 2010, may cause this timetable to change.

Table 5.A: Timeline for 2010-11 remit process

Dec 2009	Jan –Mar 2010	Mar–May 2010	May–Jun 2010	Jul – Aug 2010	Sep – Dec 2010
HM Treasury publishes Civil Service Pay Guidance	Departments prepare business cases	Departments submit business cases to HM Treasury and sponsor departments for assessment	HM Treasury and sponsor depts assess and approve remits	Depts negotiate with Unions and pay awards to staff Sponsor Depts report pay award outcomes for the 2009-10 remit round to HM Treasury	HM Treasury considers pay guidance for 2011-12

6

Remit approval

6.1 Departments are required to submit a business case for their remit proposals. This section sets out the areas that the business case will be judged against. 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.

Pay metrics – basic award and ISP

6.2 The 'basic award' and the 'Increase for Staff in Post' are the main metrics that are considered in the pay remit process. Department's business cases should be designed to justify the level of basic award and Increase for Staff in Post (ISP) that they are applying for. Box 6A explains these metrics in more detail.

6.3 The parameters for the basic award and ISP for 2010-11 will be as follows:

- Basic awards: Will fall in the range 0-1%
- ISP awards: Will fall in the range 0-2%

6.4 The awards made will be based in the business case put forward by departments and where individual staff are placed compared with the relevant labour markets.

Other pay metrics

6.5 The pay 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. As noted above, and as in previous remit rounds, the main focus will be on the Increase for Staff in Post (ISP) and the Basic Award metrics. Box 6A below details the range of metrics used to assess pay remits.

Box 6.A: Types of pay remit metrics

- 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, 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. For organisations with a step or spine based system, the Basic Award refers to the revalorisation of the steps/spines (including the max, but excluding the min). 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.
- 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 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.

Workforce groups (including specialists)

6.6 The Civil Service is made up of many different workforce groups and these may be contained within a particular grade or responsibility level. If Departments wish to structure pay to meet specific organisation and recruitment needs, then this must be made clear in their remit proposals.

6.7 Departments should define 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. Departments should take into account the total reward package offered, when making market comparisons.

Recruitment, retention and motivation

6.8 Departments wishing to make a case to address problems associated with labour turnover need to supply this information in their business case, and also demonstrate why their turnover is problematic and whether it is associated with pay. Departments should quantify the amount of turnover due to resignations.

6.9 Particular attention should be paid to the potential links between the pay remit and the Department's value for money plans to meet CSR commitments. The degree of labour turnover deemed to be problematic will vary by Department and by grade and group of staff.

Equal pay/age discrimination

6.10 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.

6.11 Organisations should review their pay systems on an annual basis following implementation of pay awards to help inform reward proposals and ensure 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.

6.12 When equality proofing reward policies, Departments should be wary of arguments that five years must be the appropriate length for any pay range. Departments should consider whether their pay range lengths are suitable and make a proper assessment of the pay arrangements for different groups/roles within each responsibility level. This assessment should include consideration of whether any indirect age or sex discrimination is caused by pay ranges, and if so, whether this can be justified in law, taking legal advice where appropriate.

6.13 Where Departments have identified a potential pay inequality, they will need to provide evidence of its extent and propose ways to tackle 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.

6.14 An assessment of the likelihood of claims and the extent of potential liability, along with the costs of dealing with the issue, should accompany any business case based even partly on addressing equal pay/age discrimination risks and this should be supported by 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 equality issues.

Local pay

6.15 Different labour markets exist 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 considering that pay is one individual element of an overall remuneration and total reward package. Where a Department has multiple locations or sites, it should use the data and information that is available and group together staff as appropriate.

6.16 Departments must include pay proposals in their business case that are consistent with local pay policy. Where Departments are not proposing to differentiate pay across locations, robust evidence based reasons for this must be included in the remit.

Total reward

6.17 "Total Reward" schemes offer a range of benefits designed to demonstrate that staff are valued and improve staff recruitment and retention, and pensions make up a substantial proportion of the total remuneration package across the public sector.

6.18 For remit bodies, the key points to note from the 2005 agreement on public service pensions are agreement that a higher Pension Age would only affect new staff (staff in the Nuvos scheme introduced from July 2007), and that new staff would continue to benefit from a defined benefit pension. A defined benefit pension scheme is increasingly rarely offered in the private sector which tends to enhance its comparative value as part of public sector total remuneration.

6.19 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

Pay remit flexibilities

Baseline pay bill savings

7.1 As in previous years, Departments can continue to recycle savings they are proposing to make in their remit from the baseline paybill, such as outdated allowances, into variable pay. Any recycling of baseline savings must be on a cost neutral basis and not contribute to raising paybill costs. If Departments wish to use the funds for purposes other than variable pay in their paybill, they will need to make an appropriate business case, which will be judged on a case-by-case basis. Annex C gives an example of baseline savings.

Additional flexibility in 2010-11

7.2 Departments that can provide a strong business case for delivery of significant savings in paybill through workforce reform will be able to gain access to new flexibilities for the duration of their reform programme. This will help managers to deliver increased productivity and support medium term fiscal consolidation.

7.3 Departments can choose whether to take up this option; those that do will need to make a business case to the Treasury setting out their workforce strategy for the period of reform, which can span up to three years. The business case should also explain in detail what flexibilities Departments are seeking, how they will make savings and what they will do with any flexibilities that are agreed.

7.4 The Chief Secretary will be responsible for approving the business case of any Department that wishes to access these flexibilities. Proposals will be assessed case by case and should be submitted to both Cabinet Office officials who will advise on the workforce reform aspect of any proposals, and to HM Treasury for assessment and submission to the Chief Secretary. This requirement to submit business cases for flexibility to the Chief Secretary overrides the change in remit approval set out in section 4 above.

7.5 Specific flexibilities are not set out in detail in this guidance – it will be for Departments to consider what best suits their business needs, and set out their business case accordingly. It is expected that business cases should focus on workforce restructuring to deliver savings, reliant on strong performance management at all levels. It should be noted that business cases must be robust and costed, setting out detailed proposals for the type of flexibilities required in return for significant savings to be delivered in the paybill. Business cases should also include details of how savings will be achieved, an assurance on how they will be delivered and how the flexibilities will benefit the organisation.

7.6 If Departments currently in a multiyear deal wish to put forward a business case, these will be considered case-by-case, and details will need to be discussed with Cabinet Office and HM Treasury Officials.

8

Other aspects of the remit process

8.1 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 Department's remit. In addition, where the following elements result in a cost to the Department, the cost should similarly be included in the remit proposals.

- **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. . A letter from the Financial Secretary to Secretaries of State on 3 November 2009 clarified the rules on salary sacrifice in the public sector and Departments should refer to this if needed.

8.2 Further details of definitions and proforma guidelines can be found at Annex C 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.

Variations to proposals

8.3 It is Government policy not to reopen Civil Service pay remits, once the relevant ministers have approved them. Pay remits are considered and approved on the basis of the proposals submitted in the supporting business case. If, during subsequent Union negotiations, any significant deviations are made from those proposals, these 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.

Legal commitments

8.4 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.

8.5 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.

9

Pay of senior staff in NDPBs

9.1 NDPB Chief Executives' remuneration is not included in the pay remit of the organisation; however, all other staff are included, including Senior Civil Service equivalents. Chairs and non-executive directors are not included in the pay remit.

9.2 Senior staff have an important leadership role in demonstrating the need for pay decisions to follow public sector pay policy. Therefore any annual pay increase or decision to award performance-related pay to such staff must be considered alongside and according to the same principles as the pay remit of the rest of the organisation.

9.3 The 2009 Budget and Pre-Budget Report set out new arrangements on scrutiny, transparency and accountability for senior public sector pay. Cabinet Office public bodies guidance will set out further detail on implementation of these new arrangements.

10

Feedback and contact details

10.1 As previously outlined, 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.

Contact Details

Submission of Remits

10.2 All Remit submissions and completed proformas requiring Treasury approval must be sent to the following e-mail address (please note new format for Treasury email addresses):
WPP.Remits@hmtreasury.gsi.gov.uk

10.3 In addition, all remit submissions and completed proformas for Civil Service Bargaining Units (ie. excluding NDPBs) must be sent to the Cabinet Office employment directorate contacts below (as set out in annex A).

Workforce, Pay and Pensions Team – HM Treasury

- David Livingstone (Pay remits)
Tel: 020 7270 5602 (GTN 270 5602)
email: david.livingstone@hmtreasury.gsi.gov.uk
- Bill McDermott (Pay remits)
Tel: 020 7270 5039 (GTN 270 5039)
email: william.mcdermott@hmtreasury.gsi.gov.uk
- Susan Creighan (Pay remits)
Tel: 020 7270 5106
email: susan.creighan@hmtreasury.gsi.gov.uk
- Kate Sargent (Pay Remits)
Tel: 020 7270 4338
Email: kate.sargent@hmtreasury.gsi.gov.uk
- Address: Workforce Pay and Pensions Team
HM Treasury
1 Horse Guards Road
LONDON SW1A 2HQ

Employment Directorate – Cabinet Office

- Jamie Knights (Reward and Performance Policy)
Tel: 020 7276 1896 (GTN 276 1896)
email: jamie.knights@cabinet-office.x.gsi.gov.uk

- Duncan Everest (Reward and Performance Policy)
Tel: 020 7276 1523 (GTN 276 1523)
email: duncan.everest@cabinet-office.x.gsi.gov.uk
- Robert Pesci (Reward and Performance Policy)
Tel: 020 7276 6212 (GTN 276 6212)
email: robert.pesci@cabinet-office.x.gsi.gov.uk
- Address: Employment Directorate,
Cabinet Office,
Room 3.16 Admiralty Arch
The Mall
LONDON SW1A 2WH

A

Where Departments should send their pay remit

A.1 The following Departments and agencies should submit their business case to HM Treasury for CST approval:

Home Office
Department For Work And Pensions
Ministry Of Defence *
Ministry Of Justice *
HM Revenue and Customs *
Valuation Office Agency
Charity Commission For England And Wales *
Export Credits Guarantee Dept
Food Standards Agency
Office Of Fair Trading
Office Of Rail Regulation *
Child Maintenance and Enforcement Commission
SIA

A.2 All other main departments should submit their pay remit to their Secretary of State for approval. All other executive agencies and NDPBs should submit their remit to their sponsor department for Secretary of State approval, unless an NDPB has a statutory requirement for Treasury approval, in which case the remit will come to the Treasury following approval by the Secretary of State of the sponsor department. If organisations are not sure where their remit should be submitted, contact the WPP team for clarification.

A.3 In addition, the following departments should also submit their pay remit business case to the Cabinet Office for discussion before it is approved by the relevant Secretary of State. Cabinet Office will supply the Secretary of State with commentary on the remit.

Ministry of Justice *
Home Office (including UKBA)
HM Revenue and Customs *
Dept for Work and Pensions
National Offender Management Service
Business Industry and Skills
Communities and Local Govt
Dept Culture Media and Sport
Dept Energy and Climate Change
Dept Environment Food and Rural Affairs
Dept for International Development

Dept for Transport

Driver and Vehicle Licensing Agency

Land Registry

Cabinet Office *

Dept for Children Schools and Families*

Dept of Health *

Foreign and Commonwealth Office *

HM Treasury

* Organisations that are in a multiyear deal in 2010-11.

B

Example Financial Pro-forma

SECTION 1

Bargaining Unit "Outturn" Details

Name of Bargaining Unit	<i>Civil Service Department</i>	
Remit Period	2009-10	
Settlement Date	01-Aug-09	
A. Actual Paybill for the Remit year	£35,999,854.00	
	of which;	
	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 pot	£589,000.00
	Other (please specify below)	

SECTION 2

B. Baseline Paybill	£35,074,858.00	
C. Actual New Money	£924,996.00	2.64%
D. Recyclables added to pay	£25,000.00	
E. Actual Increase for Staff In Post	£899,996.00	2.57%
	Breakdown of increase for staff in post:	
	for Non-consolidated payments	£300,000.00
	for Consolidated payments	£599,996.00
F. Staff in Post (FTE) for the year	1500.00	
G. Paybill per head for remit year	£23,999.90	

How Outturn differs from 2008-09 Pay Remit approved

SECTION 1

Bargaining Unit Remit Details

Name of Bargaining Unit

Remit Period	2010-11		
Settlement Date	Aug-10		
A. Last Years Paybill	£35,999,854.00		
B. Baseline Paybill	£35,519,858.00		
	of which;		
	Staff salaries	£27,900,050.00	
	Allowances	£875,669.00	
	Overtime payments	£200,250.00	
	Non-consolidated pot	£600,500.00	1.72%
	ERNIC	£2,000,000.00	
	Employers pension contributions	£3,843,389.00	
	Partial buy out of allowance	£100,000.00	

SECTION 2

C. Projected Paybill	£35,875,054.00	
D. New Money	£355,196.00	1.00%
E. Recyclables added to pay	£169,804.00	
F. Intended Increase for Staff in Post	£525,000.00	1.48%
	of which (enter appropriate categories - see Annex 2A of guidance):	
	Revalorisation	£170,000.00
	Non-consolidated performance payments	£155,000.00
	Partial buy out of allowance	£200,000.00
G. Staff in Post for the remit year	1480	
H. Paybill per head	£24,239.90	
I. Increase in Paybill per head	£240.00	1.00%

SECTION 3

Change in Baseline from Outturn to 2009-10 remit	-1.33%		
J. Baseline Paybill	Remit Year 2008-09	2007-08 Outtu	
	Staff salaries	78.55%	75.78%
	Allowances	2.47%	4.60%
	Overtime payments	0.56%	0.71%
	ERNIC	5.63%	5.63%
	Employers pension contributions	10.82%	14.24%
	Non-consolidated pot	1.69%	1.68%
		0.28%	0.00%



Financial Pro Forma Completion Guidelines

1. 'Outturn' Details

As for last year, all that is required are details of Consolidated and Non-consolidated ISP payments rather than a detailed breakdown of where funds were spent i.e. revalorisation, progression, bonus payments etc.

2. Remit Year' Details

Calculating the baseline paybill:

- the baseline paybill is the cost to the Department, for the remit year, of the expected staff complement 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** necessarily 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.

NB: Negative figures should not be entered anywhere on the proforma

Recyclables:

- recyclables are calculated as the forecast savings from staff turnover (see Annex 2B 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 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.

Baseline Savings

- Baseline paybill 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' pro-forma.

Increase for Staff in Post formula:

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

Multi-Year Remits

- Departments and Agencies that have agreed multi-year remits in previous years need to provide an 'outturn' calculation sheet, which shows that their outturn figures comply with the Increase for Staff in Post (formerly Earnings Growth) agreed as part of their pay award.

D

Remit Pro-forma Definition of terms

D.1 The previous 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.

Baseline Paybill

- The baseline paybill is calculated by forecasting the paybill costs of known staff complement for the 12 months of the remit year before any increases. 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.

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). These can sometimes be treated outside the remit process. For further information please contact 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 below) and is expressed as a percentage %age by dividing the "new money" plus "recyclables" by the "baseline paybill".

Increase in Paybill per Head

- This is the percentage increase in paybill per head (pbph) for the current remit when compared with the paybill per head for last year's remit.
- This is calculated as , "pbph for current remit" less "pbph for last year's remit" divided by "pbph for last year's remit"..

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.

Last Year's Paybill

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

New Money

- This is the %age increase on the "baseline paybill" and is calculated by dividing the "projected paybill" less the "baseline paybill" by the "baseline paybill".
- In the 'projected paybill' example below, the new money is £100,000.

Non-consolidated Performance payments (including Bonuses)

- As a result of the simplification of the approach to the treatment of non-consolidated bonus payments, existing categories are amalgamated under one heading entitled 'Non-consolidated pot' in sections 1B and 3J 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.
 - Non-consolidated payments refer to payments to individuals that are not consolidated into their basic pay,
 - These payments are not pensionable and do not accrue additional expenditure.
- Non-consolidated payments may 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. These payments, which used to be scored in the ISP, are now included in the non-consolidated pot.
 - 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).

Non-Pay Rewards

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

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.

Paybill per head

- This is the total paybill cost divided by staff in post (FTE)

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- and 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**.

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.

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.

Revalorisation

- Relates exclusively to spine point or step based systems and is the value by which all points on the pay spine are increased, including the maxima, but not the minima. 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"

Settlement date

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

Staff In Post (SIP)

- The number of Full Time Equivalent staff in the Department.
- 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 of the '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.

E

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 information outlined in 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.

HM Treasury contacts

This document can be found in full on our website at:
hm-treasury.gov.uk

If you require this information in another language, format or have general enquiries about HM Treasury and its work, contact:

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