



PUBLIC SECTOR PAY POLICY 2008-09

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FOREWORD

Foreword by Cabinet Secretary for Finance and Sustainable Growth



This Government has a very clear Purpose – to increase sustainable economic growth for Scotland.

This is underpinned by five strategic objectives:

- A wealthier and fairer Scotland;
- A smarter Scotland;
- A healthier Scotland;
- A safer and stronger Scotland; and
- A greener Scotland.

Achieving this purpose and delivering all 5 objectives drives all our decisions.

Scottish public bodies will have a crucial role to play in helping us achieve our goals. I recognise that people are key to what we can achieve and employees in the civil service, NDPBs and public corporations – at every level - make a vital contribution to this work.

We have to achieve our aims within the tightest financial settlement provided to any Scottish Administration, so we need to spend the resources available in the best possible way to have the maximum impact on delivering our Purpose. It is therefore essential that we maintain moderate, affordable and sustainable pay settlements. Whilst we trust that you can develop the pay and reward systems that are right for your business needs, a tight policy framework with limits, within which your decisions are taken, is necessary.

I expect you to comply fully with this policy and work within its parameters. The policy does have flexibility to allow more money to be targeted at making a difference. Whether that is dealing with low pay in the public sector, addressing inequalities in pay and reward systems, or making sure that you can recruit, retain and motivate your staff to deliver the outcomes expected of you and of your organisations.

The policy we have put in place offers a realistic approach to public sector pay increases in the current financial climate. One which provides strict limits where necessary but balances the need for flexibility in dealing with the issues facing many public bodies. It is a policy which is right for public bodies, right for Scotland and works towards our Purpose of increasing sustainable economic growth.

A handwritten signature in blue ink, appearing to read 'John Swinney', with a long horizontal flourish underneath.

John Swinney

Cabinet Secretary for Finance and Sustainable Growth

A: INTRODUCTION

What is Public Sector Pay Policy?

1. Public Sector Pay Policy sets the parameters for public sector pay increases for a range of public bodies in Scotland. Public bodies seek approval from the Scottish Government for their proposals within these parameters and then negotiate detailed pay settlements with trade unions and staff.

Who is it for?

2. Public Sector Pay Policy applies to these organisations in Scotland (called “public bodies” in the policy):

- The Scottish Government and its associated departments;
- Agencies;
- Non-Departmental Public Bodies (NDPBs);
- Public Corporations; and
- NHS Executive and Senior Managers.

A full list is set out in Annex A.

3. The policy for 2008-09 applies to those public bodies who will enter into new pay settlements between May 2008 and April 2009 (inclusive). In this period 55¹ public bodies will be reaching agreement on a new pay settlement for their staff.

4. Public bodies determine the pay and conditions for their staff that are appropriate for their business needs and which take account of the Scottish Government’s policy on public sector pay set out in this document.

5. As a result the policy is written for public bodies in Scotland, referred to as ‘you’ throughout the policy document. Trade unions and employees of these bodies will also find this policy of interest.

Who is not covered?

6. The pay increases for the rest of the National Health Service, teachers and the police and fire services in Scotland are determined through other arrangements. The UK Government determines the pay of the Senior Civil Service. The pay of local government employees is a matter for Scottish local authorities.

¹ This number includes the 12 Agencies and Non-Ministerial Departments that form part of the Scottish Government Main Bargaining Unit.

7. The remuneration of Chief Executives, Chairs and Board Members of public bodies in Scotland is not covered by this policy but by the Scottish Government's policy on the remuneration of senior public appointments. That policy for 2008-09 has not yet been determined.

What other information do you need?

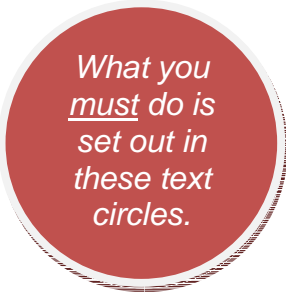
8. A paper setting out the 2008-09 Public Sector Pay Policy's key facts was issued on 1 April 2008. This document sets out the policy in full, but for ease the key facts paper is included at Annex E.

9. You should read the "Public Sector Pay Policy: Technical Guide" with this policy. It contains details of the **proformas** which you need to complete and what information should form part of the **business case**, together this makes up your **pay remit**. The Technical Guide also explains the terms used in the policy and its proformas.

10. A Glossary of terms can be found at the end of the document. All words in blue are explained in the Glossary. You will find a printed version of this document more easy to use if printed in colour.

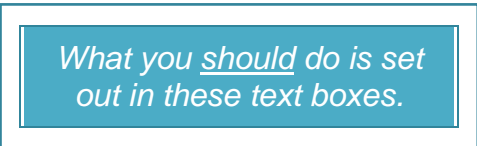
What do you need to do?

11. The policy sets out what you need to do in order for the Scottish Government to approve your pay remit proposals. You can clearly identify the things that you must do as they will be set out in the red text circles. They are summarised in the checklist at Annex B paragraph 1.



What you must do is set out in these text circles.

12. The policy also sets out the information or supporting evidence that you will need to provide to support your pay remit proposals and help make sure that they are approved. You can clearly identify the information that you should provide as they will be set out in the blue text boxes. They are summarised in the checklist at Annex B paragraph 3.



What you should do is set out in these text boxes.

What do you need to provide?

13. Your pay remit proposals will consist of:

- completed pay remit proformas that set out what was actually paid in your last pay award and your current remit proposals; and
- a business case that provides information and evidence that supports your proposals.

14. The content of your business case will depend on the proposals that you are making, if you are proposing a remit that simply seeks to continue the existing progression and bonus arrangements and make a basic award then the business case will be short and descriptive in nature. However, if you are seeking to make more complex proposals then the business case will be longer, more analytical and evidence focused.

15. The Supporting Technical Guide sets out the requirements for the proformas and the business case in more detail.

Who should you contact for help?

16. The role of the Scottish Government's Finance Pay Policy team is to ensure that your pay proposals are in line with the Government's policy on public sector pay as set out in this document and the accompanying Technical Guide. Before you submit your pay remit the team can help you make sure that your proformas and business case include all of the necessary information. When you submit your pay remit for approval by the Scottish Government the team will provide feedback on what you propose and your business case.

17. If you need help please contact the Finance Pay Policy team:

Nicola Paterson, Team Leader: 0131 244 0804
Lesley Doherty, Senior Policy Officer: 0131 244 7345
Geoff Owenson, Senior Policy Officer: 0131 244 7346
Paul Cooper, Policy Officer: 0131 244 7341

General Queries: 0131 244 7341

Email: financepaypolicy@scotland.gsi.gov.uk

18. We will make this policy document and the technical guide available on the Scottish Government's Website.

Where should you send your remit proposals to?

19. When you are ready to submit your remit proposals for approval then you should send your completed remit proformas (outturn and current proposals) and accompanying business case to the Finance Pay Policy team at financepaypolicy@scotland.gsi.gov.uk.

When should you send in your remit proposals?

20. You should send in your remit proposals in line with the timetable in Annex D. This timetable takes into account responses made by public bodies to the draft timetable circulated by the Finance Pay Policy team in February 2008.

B: STRATEGIC AIMS AND OBJECTIVES

What are the strategic aims of Public Sector Pay Policy?

1. The Scottish Government's policy on public sector pay has three strategic aims:
 - a) To make sure that public sector pay increases are affordable and sustainable and, through the targeting of resources, that value for money is secured.
 - b) To provide flexibility within an overarching policy for public bodies to determine the pay and reward systems that are right for their business needs.
 - c) To make sure that public sector pay is fair and non-discriminatory.

What are the objectives of Public Sector Pay Policy in Scotland?

2. From these strategic aims, Public Sector Pay Policy has a number of objectives:
 - to reward public sector employees fairly for the work that they do;
 - to allow public sector employers to recruit, motivate and retain able and committed staff;
 - to allow public sector employers to address low pay;
 - to make sure that pay is related to performance;
 - to reward exceptional performance by payment of non-consolidated bonuses;
 - to address inequality in pay within public bodies;
 - to allow public sector employers to address, over time, any equalities issues in pay and reward systems and structures;
 - for public sector pay range maxima or target rates to be in line with the medians of the maxima in the labour market data published as part of the annual policy or an agreed specific or specialist labour market where more relevant;
 - to make sure that public resources are used effectively and that public bodies secure value for money;
 - to encourage a total reward approach to public sector pay, including non-pay rewards as well as increases in basic pay;
 - to address issues impacting on the delivery of outcomes by public bodies; and
 - to pay increases on the settlement date when they become due.

C: KEY PAY POLICY PRIORITIES AND KEY METRICS FOR 2008-09

What are the key pay policy priorities for public bodies seeking new pay settlements in 2008-09?

1. The tight financial settlement for Scotland over the next three years means that public bodies must deliver affordable and sustainable pay settlements. Public Bodies should target resources at addressing the key pay policy priorities:

- inequalities within pay and reward systems and structures; and
- recruitment, retention or motivation issues that directly impact on a public body's ability to deliver outcomes.

Can you make proposals that cover more than one year?

2. During 2008-09 public bodies may negotiate and put in place pay awards for one or more years. Knowing the level of pay increases for future years brings certainty for employers and staff, but the length of any pay deal is a matter for each public body and its recognised trade unions. Public bodies should set out their plans in their business case but if they do not propose to enter into a multi-year pay deal provide a short explanation as to why not.

Set out the length of the pay deal in your business case but if you do not propose to enter into a multi-year pay deal, provide a short explanation.

What are the key metrics that we will use to assess your pay remits?

3. In 2008-09 we will use three key metrics:

- 1) The **Increase for Staff in Post percentage**. This is the cost of the increase in pay and benefits for staff within a public body as a percentage of the **baseline paybill** (the **paybill** for these staff immediately prior to the 2008-09 pay round) (See Chapter D, paragraphs 1-9);
- 2) The **basic award** percentage. This is the consolidated percentage increase for staff that applies in addition to the progression or consolidated performance pay element of the pay award (See Chapter D, paragraphs 10-14); and
- 3) The **new money** or **headline cost** of the pay remit. This is how much the paybill will increase by, as a result of your pay proposals (See Chapter E, paragraphs 3-6).

D: THE STANDARD ELEMENTS OF EVERY PUBLIC BODY'S PAY REMIT

What costs must you include in your pay remit?

1. You must cost all increases in pay and benefits that you propose to make and include them in the pay remit proformas, along with the increases to allowances, overtime rates, employer's pension contributions and National Insurance that result (this is set out in more detail in the Technical Guide). This is the **total**

You must cost all proposed increases in pay and benefits.

increase for staff in post of your proposals and reflects the aggregate value of the increases in pay and benefits that existing staff will receive.

2. There are limits on the increases in pay and benefits that you can make in any year, **with the exception of the one-off costs of harmonising terms and conditions** of employment of different groups of staff **as a direct result** of the Scottish Government's drive to have fewer, better structured national public bodies. Harmonisation usually involves the **buying-out** of the more beneficial terms and conditions of employment for one group of staff. The simplification of the public sector landscape in Scotland will affect many public bodies and bring long-term benefits. To make this simplification possible you will note the short term costs of harmonisation in the pay remit proforma and business case but these costs will **not** count against the Public Sector Pay Policy limits. You will, of course, need to be able to accommodate the actual costs within your agreed budget for the period.

3. However, if your pay remit includes the merger of groups of staff and you plan to increase the pay or non-pay benefits for the existing staff group then you must include the costs of such increases in the remit proformas. These costs **will** count against the policy limits.

4. You should always seek the advice of the Finance Pay Policy team in more complex situations.

What is the limit for pay remits approved under this policy?

5. There may be two parts to your pay remit proposal:

- standard elements that will be evident in all pay remits. In 2008-09 there is a limit on the increases to the **standard remit elements** that is set out in Chapter D paragraphs 8 & 10; and
- proposals to address the key pay policy priorities (Chapter C paragraph 1).

6. In 2008-09 there is an overall limit on the increase that you can add to your paybill for both parts of your pay remit proposal which is set out in Chapter E paragraph 4.

What is the standard remit limit for pay remits approved under this policy?

7. Whilst paragraphs 1-4 above set out what you need to cost in your pay remit, the **standard remit limit** will only apply to the standard elements that form part of all pay remits. These are:

- the basic award;
- **progression**;
- **consolidated performance payments**;
- **non-consolidated payments** over and above the **non-consolidated pot** that is included the baseline paybill; and
- increases in the costs of overtime, allowances, employers pension contributions and National Insurance Contributions that result from the increases in pay and benefits that you propose.

The standard remit elements of your pay remit must not exceed an ISP of 3.75% in each year.

8. The limit for the standard remit elements in paragraph 7 is an increase for staff in post (**ISP**) of **3.75%**. This is an absolute limit for each year of a remit approved under this policy. This annual limit is to make sure that public sector pay proposals remain sustainable over time.

9. Public bodies must seek approval for all pay remit proposals. You should base your proposals on **existing** costs of progression and **existing** arrangements for non-consolidated payments and any consolidated performance payments plus a basic award in line with the policy (see below). Therefore the ISP will not automatically be at the standard remit limit. If existing arrangements rolled forward to 2008-09 generate an ISP greater than 3.75% then you must consider how your proposals can be brought within the standard remit ISP limit. If you want to make **changes** to existing arrangements then you should provide sufficient information within the business case to support them.

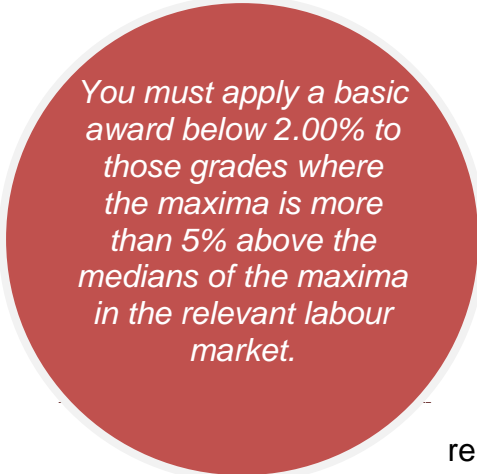
You should provide sufficient information within the business case to support any proposals to change existing arrangements for progression, non-consolidated payments and any consolidated performance payments.

What is the limit on the Basic Award?

10. The basic award forms part of a remit and is one of the standard remit elements. In pay remits approved under this policy the limit on the basic award is **2.00%**.

The basic award must be no more than an average 2% of the baseline paybill over the years of the pay remit.

11. If you are planning a multi-year pay deal, you can average the basic award over the period of the pay remit so long as the average basic award is no more than 2.00%.



You must apply a basic award below 2.00% to those grades where the maxima is more than 5% above the medians of the maxima in the relevant labour market.

12. You must compare the **maxima** or **target rates** of your **pay ranges** with the medians of the maxima in the **public sector labour market** in Annex C or a **particular labour market** if that is more appropriate and you have discussed your proposal with the Finance Pay Policy team (see Chapter E, paragraphs 23-26). You must apply a basic award **below** 2.00% to those grades where the maxima is more than 5% above the medians of the maxima in the relevant labour market.

13. Whatever the level of basic award you wish to apply, the standard remit limit of 3.75% ISP applies in each year.

14. As well as the basic award, you may seek approval for increases to pay range minima and maxima as part of any proposals to address the key pay policy priorities (see Chapter E).

E: ADDRESSING THE KEY PAY POLICY PRIORITIES

What issues can you address in your pay remit?

1. In addition to addressing the standard remit elements, if you intend to target part of your pay remit at addressing the key pay policy priorities (Chapter C paragraph 1), then you should take into account increases in both pay and non-pay benefits when you develop your proposals. Pay systems should be designed to motivate and reward performance, recognising pay as one element of a broader reward package you offer to staff.

Proposals over and above the standard remit elements must be targeted at the key pay policy priorities.

You should take a Total Reward approach to rewarding staff, considering increases in pay and non-pay benefits, and set out your strategy in your business case.

2. We expect you to outline your strategy towards **Total Reward** in your business case, including any changes to terms and conditions of employment, and any proposals to make employees more aware of the total value of their remuneration package.

What is the limit on the increase to the paybill for addressing the key pay policy priorities?

3. If you seek to address the key pay policy priorities you will need to cost all proposals as set out in paragraphs 1-4 of Chapter D and arrive at a Total Increase for Staff in Post. This is the increase in pay and benefits for staff in your organisation in each year of the remit.

4. Given the financial context over the next three years there is a limit on the amount that you can add to your paybill in each year. This headline cost of the full package of proposals (standard and key pay policy priority elements) must not exceed **4.50%** of your baseline paybill.

The total amount that you add to your paybill must not exceed 4.50% in any year.

5. In addition, you can use **paybill savings** to part fund your proposals addressing the key pay policy priorities. You can use

recyclable savings and other savings in the paybill in this way.

Such savings include those arising from reductions in staffing, the removal of allowances or reductions in overtime. Savings that you redirect to pay will be on top of savings you will already have delivered or need to deliver within the Efficiency Delivery Plans 2008-11. You must deliver the savings in the year in which they are being re-used. You should clearly set out how you will fund your proposals in your business case.

You must set out how your proposals will be funded, including details of any projected savings.

6. You should make sure that any savings projections are realistic. We will compare your outturn with your approved remit and you will need to explain any increase to the paybill resulting from the implemented pay increase that is beyond that approved by the Scottish Government.

How can you address the key pay policy priorities?

7. The measures you propose to address the key pay policy priorities will fall into one or more of the following 3 categories:

i. An increase in benefits or non-pay rewards

8. Examples of proposals that will fall under this category are those which seek to increase annual leave for staff or to reduce the hours in a working week. Such proposals are considered as additional benefits for staff and you must include the notional cost in the remit proforma. However, the additional benefit for staff will **not add actual costs to the paybill** and will therefore not impact on the headline cost limit to all proposals of 4.50%.

9. You should provide support for any proposals in your business case, including any actual costs that you might incur, such as additional overtime or other staffing costs. These ancillary actual costs are not remit costs and will not count against the 4.50% headline cost limit but should be made clear when submitting your proposals. You will need to ensure you can meet these costs within agreed budgets for the period.

ii. One-off increases

10. Proposals which have actual costs but the **costs are limited to a single year** will fall under this category and will be included in the calculations. These could include one-off increases to buy out terms and conditions which are historical but are now outdated. Proposals to introduce non-pay rewards such as childcare vouchers or other salary sacrifice schemes may also fall under this category. You should include the administrative costs of running such schemes where this is not fully offset by savings in employers National Insurance costs. Again, you should provide evidence to support any proposals in your business case.

iii. Increases with ongoing cost implications

11. This category covers increases which have ongoing cost implications and therefore have the potential to significantly increase your paybill. They usually involve changes to pay and reward structures or increases to minima and maxima of pay ranges above the level of the basic award. They fall under the following sub-categories:

a) *Inequalities*

12. The Scottish Government is committed to ensuring that pay systems in the public sector are fair and non-discriminatory. You should make sure that you have due regard to your duties under the public sector equality duties on race, disability, gender and age when considering your pay systems. This must include the legal requirement on public bodies to assess the impact of their policies and practices on people from different ethnic groups, disabled people and women and men. In terms of pay proposals you are expected to have carried out equal pay reviews and set out in your business case the results of such reviews and the steps you propose to take to address any inequalities that you have identified. These can include measures to reduce the width of pay bands or to reduce **progression journey times**.

13. It is important that you review your pay systems on an annual basis after you have implemented pay awards, and carry out a full equality impact assessment of your reward policies and practices every three years. Further information about equality impact assessment is

available on the Scottish Government's website at

<http://www.scotland.gov.uk/Topics/People/Equality/18507/EQIAtool>. We encourage you to work jointly with your trade unions in undertaking your equal pay reviews.

You should set out in your business case the results of your equal pay review, a risk assessment and the steps you propose to take to address any inequalities.

14. You should carry out a proper assessment of the pay arrangements for different groups or roles including considering the impact of reward policies on equality groups. This should also consider the appropriate length and progression journey time for all jobs, in line with equalities legislation.

15. Where you have identified a potential pay inequality that you wish to address, you will need to provide evidence of the extent of this inequality. You will also need to propose ways of tackling this in a cost-effective way, subject to affordability constraints and within policy limits. You may need to prioritise within the constraints of your remit and strike an appropriate balance between general pay increases for staff and addressing issues arising from equal pay or age discrimination legislation.

16. A full risk assessment, including the likelihood of claims and the extent of potential liability as well as the costs of dealing with the issue, should form part of the business case which supports your proposals to address inequalities. You should also specify what proportion of your pay remit, if any, you plan to devote to addressing issues associated with equality issues.

b) *Recruitment, Retention and Motivation Issues*

17. If you wish to make a case for a pay remit to address problems associated with difficulties recruiting or retaining staff you will need to supply information on staff **turnover** in your business case. The degree of staff turnover deemed to be problematic may vary by public body and by grade and group of staff. You will need to provide evidence of difficulties recruiting, retaining or motivating such staff. There will always be some turnover in staff but we will be more likely to approve proposals to address staff turnover if such turnover is greater than the benchmark levels set out in paragraphs 20-22.

You should provide evidence of any turnover issues and demonstrate that they are related to pay.

18. We know that levels of recruitment, retention and motivation vary within and across public bodies and that what is not an issue for one body may be an issue for another. If you have levels of staff turnover or recruitment less than those benchmark levels in paragraphs 20-22 and wish to make a case to address them then you should provide information on why this particular level of turnover is problematic.

19. You will need to demonstrate that turnover problems are related to pay rather than wider organisational factors and demonstrate in your business case that turnover is having a negative impact on your ability to deliver outcomes.

20. Proposals which seek to address difficulties **recruiting staff** should provide evidence of the extent of the difficulties and whether they relate to particular grades, specialisms or locations. You should also provide information on the levels of pay that you have had to pay to recruit staff. In general, the requirement to recruit more than 25% of new staff above the median of the existing salaries for that pay range will be considered an issue.

We will consider that you have difficulties recruiting staff if you have had to offer pay above the median of the pay range to more than 25% of new staff.

21. Proposals which seek to address difficulties **retaining staff** should provide evidence of the extent of the difficulties (the number of individuals leaving the organisation for reasons other than retirement, early severance, or redundancy). Analysis of turnover in public bodies in 2007-08 reveals that average turnover at organisational level and in grade is 10%. As a result, in general, we will consider turnover above 10% to be an issue.

We will consider that you have difficulties retaining staff if you have turnover of more than 10%.

22. Proposals which seek to address difficulties **motivating staff** should provide quantitative evidence from survey data. You should also demonstrate in your business case that pay rather than organisational or other factors is the likely underlying cause of issues motivating staff.

You should provide quantitative evidence of difficulties motivating staff and demonstrate that pay is the likely underlying cause.

23. As you will need to demonstrate that recruitment and retention issues are related to pay, you will need to compare your salaries against those in the **relevant labour market**. We expect the relevant labour market for most staff to be the public sector labour market in Scotland and therefore you are expected to do your market comparison using the data in Annex C. In exceptional cases, some bodies, however, will employ staff in more specific or specialist labour markets and in this case you may wish to compare against a **particular labour market**. This may also be the case with more junior staff, who may be more usually recruited from the local labour market. In these cases, you should discuss the position with the Finance Pay Policy team in advance of the collection of relevant data that reflects those organisations that you have lost staff to or recruited staff from in recent years.

24. There are different labour markets for different staff, depending on factors such as location, grade and occupation. Remits should reflect the relevant labour market for particular groups of staff.

25. You should explain in your business case why this is the more relevant labour market. It should also be clear that comparable posts are being compared, based on job weightings or the relative roles and responsibilities and comparisons should be made on a like for like basis. So, data should reflect the same pay round, be adjusted so that both reflect the same number of hours in a working week. Any further adjustments to your data, such as taking into account employees pension contributions or annual leave provision should also be reflected in the comparator data.

26. Market comparisons should take into account both pay and non-pay benefits and you should consider amendments to terms and conditions of employment as well as increases to base pay.

27. How far your pay range maxima are below the median of the maxima in the relevant labour market will set the parameters of any additional increase to each pay range maximum. Your pay remit proposals must not result in pay range maxima being more than, or extending further from, 5% above the medians of the maxima in the relevant labour market.

Your proposals must not result in pay range maxima being more than, or extending further from, 5% above the medians of the maxima in the relevant labour market.

28. Proposals to make additional increases to the minima of your pay ranges should take into account the “Solidarity” target in the Scottish Government’s Economic Strategy² which is “to increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017” by specifically considering your lowest paid groups of staff.

You should take into account the “Solidarity” target in the Government’s Economic Strategy in your proposals.

29. At the minima you also need to take into account the extent of any difficulties recruiting staff across all grades, as well as the width of pay ranges and the effects of proposals on the costs of progression. The Finance Pay Policy team will continue to monitor the **coherence** of pay in the public sector in Scotland.

30. You should support any case for reducing or maintaining differences in pay by providing information on the benefits of doing so (such as helping to achieve efficiency plans; promoting the delivery of public services; improving recruitment, retention and motivation) and, if relevant, the time-frame over which you anticipate any differences being removed or reduced.

You should provide information on the benefits of reducing or maintaining differences in pay.

c) *Restructuring of pay and reward systems*

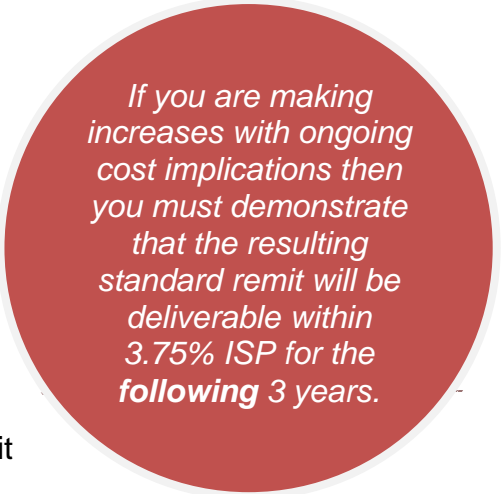
31. Proposals to restructure pay and reward systems could fall under either of the key pay policy priorities for 2008-09, the costs arising from the introduction of a new pay and reward structure usually relate to the assimilation of staff onto the new structure in the first year, rather than the more usual progression and basic award elements. As a result such proposals will be assessed against the headline cost limit of 4.50% **and** the future projected costs for the standard remit elements (see paragraphs 32-36). If proposals also include the costs of progression and/or a basic award then the limits set out in Chapter D will apply to these elements.

Are there any other limits to what you can propose in your pay remit?

32. The policy places limits on annual increases in pay and benefits because of the tight financial context in Scotland over the next three years. These limits take the form of absolute percentage limits for the three key pay metrics. However, pay remit proposals seldom impact on a single year and more commonly affect the costs of pay and rewards for years to come. It is, therefore, important to ensure that pay remit proposals remain sustainable.

² <http://www.scotland.gov.uk/Publications/2007/11/12115041/0>

33. If you are proposing to make increases, to address the key pay policy priorities with ongoing cost implications (paragraphs 11-31) then you must also provide a projection that demonstrates that for 3 years **after** addressing the key pay policy priorities, the resulting standard remit will be deliverable within a 3.75% increase for staff in post (on a basic award of 2% assumption).



If you are making increases with ongoing cost implications then you must demonstrate that the resulting standard remit will be deliverable within 3.75% ISP for the following 3 years.

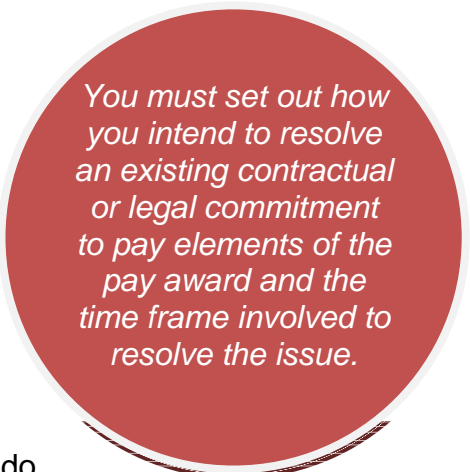
34. The Finance Pay Policy team will use this projection to assess the sustainability of your current proposals. If it does not demonstrate that the standard remit could be delivered within a 3.75% increase for staff in post for future years then we are very unlikely to approve your proposals.

35. Your projection will be based on known levels of staffing and usual levels of turnover for your organisation. You should note any assumptions you made when you provide your projection.

36. A projection within 3.75% ISP will not guarantee approval of proposals beyond the duration of the current remit, which may be a multi-year remit. Increases in your next remit will be subject to the Public Sector Pay Policy limits in place at the time that you need to enter into a new pay settlement. Also, the Finance Pay Policy team will not use your projection in the assessment of future proposals except to gauge the accuracy of further projections.

What happens if you are legally committed to elements of the pay award?

37. There may be rare occasions when a public body is contractually obliged to pay progression or where the pay award is legally linked to that of another group of staff (such as local government employees), such as after the transfer of staff or the creation of a new public body, for example. Where this is the case you should set out what the contractual obligation is and its background in the business case. You must also set out how you intend to resolve the situation and the time frame for its resolution.



You must set out how you intend to resolve an existing contractual or legal commitment to pay elements of the pay award and the time frame involved to resolve the issue.

38. You should however note the basis of approval of pay remits in Chapter G paragraphs 5 & 6 and ensure that you do not create new contractual obligations.

F: APPROVALS PROCESS

What should you do before you submit your proposals?

1. Use the checklists in Annex B to make sure that you have included all of the information necessary for us to approve your remit. If you have any questions or want to clarify anything please speak to the Finance Pay Policy team.

How are we going to assess your remit proposals?

2. Firstly, the Finance Pay Policy team will assess the **outturn** for all years of your last remit against that approved, for 2007-08 this will be forecast outturn. We will focus on comparison with the approved Increase for Staff in Post percentage and basic award. We will also take into account the actual new money and headline cost of the pay award and the **increase in the paybill per head**. As well as the figures we will also consider whether any changes to pay structures have been implemented as proposed and whether any conditions placed on approval have been met.

3. The Finance Pay Policy team will rate your outturn as follows:

Red

Your outturn will be rated as Red if:

- the outturn exceeded the percentages approved;
- the implemented pay award differs materially from the basis of your approved remit (for example the pay structure was not implemented as proposed); or
- you did not comply with any conditions placed on approval.

Amber

Your outturn will be rated as Amber if:

- outturn cannot be provided; or
- outturn is incomplete, for some reason; and

the increase to the paybill and the increase in paybill per head indicates that proposals were implemented as approved. If they do not indicate that this is the case then they will be rated as Red.

Green

- If your outturn is fully in line with that approved then it will be rated as Green.

4. If your outturn is rated as Red your current remit must be considered by the Remuneration Group. There may be circumstances that couldn't have been foreseen in your last remit that have led to the approved remit being exceeded, not implemented as proposed or conditions not complied with and you must provide an explanation.

You must provide an explanation if your outturn exceeds the approved remit; the pay award was not implemented as proposed; or conditions of approval have not been met.

5. The Remuneration Group will take into account this explanation when considering the circumstances of approval and implementation. Where you have significantly exceeded the approved remit or have materially moved away from the basis of that remit then the Remuneration Group may refer the outturn and your current remit to Ministers. The Remuneration Group expect Ministers to take action where the explanation is not adequate. The potential consequences of significantly exceeding your remit in such circumstances are set out in Chapter G paragraphs 7-8.

6. If your outturn is rated as Amber you will be expected to set out in your business case how you will make sure that full outturn information can be provided in future.

If your outturn is rated as Amber you should set out in your business case how you will make sure that full details of your outturn can be provided in future.

7. We will then assess your **current remit** and rate it as Red, Amber or Green:

Red

- If your proposals breach an absolute requirement of the policy (set out in the red text circles) they will be outwith Scottish Government policy and rated Red. Such proposals are those which:
 - (a) do not include the costs of all proposed increases in pay and benefits;
 - (b) do not clearly set out how your proposals will be funded, including details of projected savings and are not confirmed as realistic, affordable and sustainable by you and supported by the Portfolio Finance Team;
 - (c) include an Increase for Staff in Post percentage for the standard remit elements above 3.75% in any year;
 - (d) propose a basic award above an average of 2.00% over the lifetime of the remit;
 - (e) seek approval for proposals with a headline cost above 4.50% in any year;
 - (f) are not sustainable, they do not project that a standard remit is deliverable within 3.75% ISP in each of the 3 years following the approved remit;

- (g) you have not set out how you intend to resolve an existing contractual or legal commitment to pay elements of the pay award or the time frame involved to resolve the issue;
- (h) seek approval for proposals outwith the standard remit elements that are not targeted at the key pay policy priorities for 2008-09;
- (i) do not apply a basic award below 2.00% to those grades where the maxima are more than 5% above the medians of the maxima in the relevant labour market;
or
- (j) results in pay range maxima being more than, or extending further from, 5% above the medians of the maxima in the relevant labour market.

8. We will automatically reject any current remit proposals that are rated on submission as Red under any one of the criteria 7 (a), (b), (c), (d), (e), (f) or (g) and we will require you to revise your proposals to bring them in line with Scottish Government policy before they are given further consideration.

9. We will only rate proposals as Red under criteria 7 (h), (i) or (j) following more detailed consideration of your proposals. We will require you to revise any proposals that are rated red as a result of this more detailed consideration to bring them in line with Scottish Government policy.

10. The more detailed consideration will also identify proposals which do not fully meet what is required to support your proposals (paragraph 3 in Annex B). The Finance Pay Policy team will rate such proposals as Amber:

Amber

- Proposals will be rated as Amber if you have not included in your business case the information and evidence required to support them (set out in blue text boxes)
They are those where:

(a) the market comparison is based on a particular labour market but there is no evidence that the data represents active local labour market competitors; there is no clear link between the posts being compared based on job weightings or comparisons are not made on a like for like basis;

(b) there is no explanation why you do not propose to enter into a multi-year pay deal, where that is the case;

(c) there is no provision of evidence to support proposals to change existing arrangements for progression, non-consolidated payments and any consolidated performance payments;

- (d) there is no supporting evidence from the results of the comparison with the public sector labour market or the particular labour market previously discussed with the Finance Pay Policy team;
- (e) you propose to address inequalities in pay and reward systems without providing evidence of such inequalities, including the results of your equal pay review; or a risk assessment; or set out the steps you propose to take to address any inequalities over time;
- (f) you propose to address issues impacting on your ability to deliver outcomes without providing evidence of the impact on outcomes if the issues are not addressed as proposed;
- (g) you propose to address issues impacting on your ability to deliver outcomes without providing evidence of issues recruiting, retaining or motivating staff, or that evidence is not in line with Chapter E paragraphs 17-22; or
- (h) your business case does not support the proposals set out in your remit proforma.

11. Proposals rated as Green will be:

Green



















■ those which are in line with the policy limits and are fully supported by a robust business case.

Who is going to approve your proposals?

12. Ministers have decided that some remits may be approved by the Scottish Government's Remuneration Group or officials. Approvals require portfolio **and** public sector pay policy approval.

13. Officials may approve proposals where the current remit and outturn are both rated Green. All other proposals will be considered by the Remuneration Group who will decide whether the Strategic Board needs to be made aware of remits that are outwith the policy and whether proposals need to be brought to the attention of and approved by Ministers.

14. The following table sets out who will make initial decisions about your remit:

Outturn	Current Remit Proposals	Decision
		Officials
		Remuneration Group
		Remuneration Group
  	Standard Remit 	Remuneration Group
  	Addresses the key pay policy priorities 	Remuneration Group
  		Not able to be approved

15. Official approval will require approval by the Director of the sponsoring Directorate if you are an NDPB, by the relevant Director General or Director³ if you are an Agency, the Permanent Secretary if you are an Associated Department and in all cases the Deputy Director of Finance Expenditure Policy.

16. All proposals that require Remuneration Group consideration will need to be put forward by the relevant Director of the sponsoring Directorate if you are an NDPB, by the relevant Director or Director General if you are an Agency, and the Permanent Secretary if you are an Associated Department. By putting them to the Remuneration Group senior officials are signalling portfolio approval of the proposals.

17. The Remuneration Group is chaired by David Fisher, a non-executive member of the Scottish Government's Strategic Board. Members of the Remuneration Group are the Director General of Health & Wellbeing, the Director of Finance, Director of Change and Corporate Services and a portfolio Director, currently, the Director of Children, Young People and Social Care. Its remit includes making sure a consistent approach is taken to approval of pay remits.

18. The Remuneration Group will consider the proposals, including the Chief Executive's foreword to the Business Case, the advice from the sponsor team, the portfolio finance team, the Finance Pay Policy team and the views of the senior official putting forward the proposals for approval.

³ The Director General may delegate this responsibility to a portfolio Director.

19. The Remuneration Group will decide whether or not proposals need to be approved by Ministers. Such proposals are those where the outturn is rated as Red and they consider the explanation not to be adequate; where the current remit is novel; or where the remit is of particular interest to Ministers. A decision will be made on a case for case basis but the Remuneration Group expect to approve most proposals under delegated approval arrangements. If Ministerial approval is required it will continue to require the approval of the Portfolio Cabinet Secretary or Minister **and** the Cabinet Secretary for Finance and Sustainable Growth.

20. The Scottish Government's pay remit proposals will be approved by Ministers.

Who else is involved in the approvals process?

- The Sponsor Team

21. The sponsor teams of NDPBs and Public Corporations are responsible for making sure that their public bodies are aware of the Scottish Government's policy on public sector pay and that bodies are working towards submitting proposals on time. Sponsor teams also draft the **submission** to officials, and if required, the Remuneration Group and Ministers for approval. They will be copied in to all communication between the Finance Pay policy team and the public body.

- Director / Director General / Permanent Secretary

22. The Director of the sponsoring Directorate is responsible for making sure that public bodies submit proposals to the Finance Pay Policy team on time; for requiring public bodies to supply further information or adjust their proposals to bring them in line with Scottish Government policy if they remain rated as Red at the end of the fourth week following their submission to the Finance Pay Policy team; and to comment on proposals, including whether they offer value for money, in any submission to the Remuneration Group and Ministers. The relevant Director General or Director (where this responsibility has been delegated) will take on this role in relation to Agencies and the Permanent Secretary for Associated Departments.

- The Portfolio Finance Team

23. The Portfolio Finance Team will provide confirmation that proposals are affordable within existing budget allocations (taking into account delivery of efficiency savings) and comment on whether the proposals are value for money where relevant.

- The Agency / Associated Department

24. Agencies and Associated Departments will submit their proposals for approval, respond to queries and draft the submission seeking approval for their remit proposals.

- The Finance Pay Policy team

25. The Finance Pay Policy team are available to help you before and after you submit your pay remit proposals for approval. They will provide advice in advance of proposals; receive all proposals from public bodies; check the proformas; assess the business case; rate the outturn and the current remit proposals as Red, Amber or Green; provide feedback to public bodies that clearly sets out why the rating has been given; and advise officials, the Remuneration Group and Ministers on the assessment of the proposals. The Finance Pay Policy team will also escalate proposals to the relevant Director, Director General or Permanent Secretary and the Deputy Director of Finance Expenditure Policy where queries have not been resolved by the end of the fourth week following receipt of the proposals.

How long will approval take?

26. If you submit your remit proposals in line with the timetable that the Finance Pay Policy team have already circulated for comment and which is set out in Annex D then we aim to approve pay remit proposals within **7 weeks**. This includes **up to 4 weeks** for clarifying the remit costings and resolving queries with the Finance Pay Policy team and **3 weeks** for the subsequent approval of proposals. Remit proposals that are straightforward or approved at official level may take less time to approve. Proposals that are more complex may take more time to resolve, where the Finance Pay Policy team think this might be the case they will make it clear from the outset.

27. To achieve the above timescales it is important that proposals that you submit for approval include all of the necessary information, that they are submitted on time and that queries are resolved quickly. The Finance Pay Policy team will therefore run workshops for HR & Finance professionals to focus on what needs to be included in the proformas and the business case for your remit to be approved. Dates have been already set in April. The Finance Pay Policy team will also aim to provide the initial feedback on proposals within one week of receipt of the outturn and remit proformas and the business case.

28. The Remuneration Group will meet regularly to consider proposals during the periods of the year when remits are submitted (fortnightly at the busiest times). The total duration of the approvals process will be dependent on when your proposals are submitted, the length of time taken to resolve queries and when the next meeting of the Remuneration Group has been scheduled.

G: AFTER APPROVAL

When can you negotiate with your Trade Union(s)?

1. Pay remit proposals should reflect your maximum negotiating position within Public Sector Pay Policy limits and approval of those proposals sets the parameters for detailed negotiations with your recognised Trade Union(s). We encourage you to work constructively with your relevant Trades Union(s) on the development of your overall pay and reward strategies prior to submitting your remit. However, whilst informal discussions can take place **you must not enter into formal negotiations with Trades Unions until your remit has been approved**. Trade Unions should note that informal discussions cannot be treated as agreement until the remit is approved.

When should you contact the Scottish Government following approval?

2. If, during negotiations, you are considering enter into an agreement that exceeds the percentages approved in your remit, or deviating substantially from the basis of approval (such as the pay structure you proposed) then you need to contact the Finance Pay Policy team in the first instance. You may need to revise your proposals and seek further approval from the Scottish Government. Changes within the limits approved are a normal part of negotiations and need not be referred for further advice.

3. Formal approval of your proposals will set out any conditions on that approval, it will also include a settlement proforma that must be completed for all years of the pay award and returned within 1 month of it being implemented. More detail on this proforma is set out in the Technical Guide. You should contact the Finance Pay Policy team if you have any queries about its completion.

4. The Finance Pay Policy team will also send you an outturn proforma for you to complete at the end of the first year of a two year remit and the end of the first and second year of a three year remit. You should contact the Finance Pay Policy team if you have queries about their completion.

What are the limits on legal commitments?

5. Approval of pay remits is on the basis that you do not enter into any legally-binding contractual agreements in Trade Union negotiations that effectively commits you to automatic costs in the future (i.e. beyond the duration of the approved remit).

6. All existing legally binding commitments should take into consideration affordability and financial constraints in current and future years. All public bodies are advised to take legal advice on the drafting of pay commitments to ensure that these are affordable and consistent with the pay remit process.

What happens if you exceed your pay remit?

7. If you go beyond the three key pay metric percentages in your approved remit, deviate from the basis on which the remit was approved or if you negotiate changes to pay and conditions without featuring or costing them in your pay remit proposals then you will be considered to have exceeded your approved pay remit. We expect you to adhere to the basis on which your remit has been approved, including any key features of the remit involving the use of resources to meet the key pay policy priorities. We will make the basis of approval of the remit very clear.

8. There may be circumstances that could not have been foreseen when you submitted your remit for approval that nevertheless mean that you exceed your approved remit, and if so, you must provide an explanation. The Remuneration Group will take into account this explanation when considering the circumstances of approval and implementation. Where you have significantly exceeded the approved remit or have materially moved away from the basis of that remit then the Remuneration Group may refer the outturn and your current remit to Ministers. The Remuneration Group expect Ministers to take action where the explanation is not adequate. That action may require the sponsor team and accountable officer to justify the matter to the Portfolio Minister and the Cabinet Secretary for Finance and Sustainable Growth and may result in action being taken, such as capping of future pay remits or a governance review of the body.

GLOSSARY

Baseline Paybill

The cost of employing your staff for the 12 months of the pay remit year before you implement the pay award and includes mandatory increases in pensions contributions or employers National Insurance Contributions. It excludes the costs of increases in pay and benefits for which you are seeking approval.

Basic Award

The inflation or cost of living element of the pay award. It is one element of a standard remit.

Business Case

The word document that contains information and argument that supports the proposals you are making.

Buying-out

The offering of a one off non-consolidated payment in return for agreeing the removal of a particular pay or non-pay reward.

Coherence

The policy of bringing together levels of pay towards a market median with the aim of making sure that individuals undertaking similar roles in different public bodies receive similar levels of pay.

Consolidated Performance Payments

Payments that reward exceptional or outstanding performance and are consolidated into individual employees' basic pay.

Harmonising

A process of equalising the pay and benefits of two or more groups of staff usually following a merger.

Headline Cost

This is the monetary increase to the baseline paybill as a result of your pay proposals. It is expressed as a percentage of the baseline paybill.

Increase for Staff in Post Percentage

This is the cost of the proposed increase in pay and benefits as a percentage of the baseline paybill.

Increase in the Paybill per Head

The result of comparing the Paybill per Head for the current remit with the Paybill per Head for the last remit. It is expressed as a percentage of the Paybill per Head for the last remit.

ISP

An abbreviation for the Increase for Staff in Post percentage.

Maxima

The highest point on a pay scale, sometimes known as the rate for the job.

New Money

The amount of money that the proposed increase in pay and benefits adds to your existing paybill.

Non-consolidated Pot

A pot of money that once established is carried forward in the baseline paybill each year and is used to make non-consolidated payments such as bonuses or payments to staff on their maxima.

Non-consolidated Payments

Payments that are not consolidated into basic pay, they are not pensionable and are often used to reward out performance in the form of bonuses.

Particular Labour Market

The labour market that reflects the comparators for particular workforce group(s). It consists of the bodies that your organisation has lost staff to or gained staff from in recent years. It may be a specific or specialist labour market.

Pay Ranges

The pay scale for each grade or role within a public body, with a minimum and a maximum or target rate and through which staff progress as they develop in knowledge, skills, experience and performance.

Pay Remit

Pay proposals made by public bodies that seek approval for increases in pay and benefits for staff.

Paybill

The full annual cost of employing your staff, including National Insurance and Employer's Pension Contributions.

Paybill per Head

The cost of employing staff following the implementation of the pay award as divided by the number of staff (full time equivalent).

Paybill savings

Savings in your paybill that can be re-utilised to part fund a pay award. They can include recyclable savings (see below); savings resulting from the removal of outdated allowances; reductions in overtime costs and reductions in staffing.

Proformas

Excel spreadsheets that set out what was actually paid as a result of the last pay award; the costs of the increase in pay and benefits that you intend to make and details of your pay and reward structure as well as details of current and projected staffing.

Progression

The movement that an individual makes from the minimum of a pay scale to the maximum or target rate depending on performance.

Progression journey times

The number of years it takes to move from the minimum of a pay range to the maximum or target rate.

Public Sector Labour Market

The labour market data provided by Finance Pay Policy. This is the public bodies in Scotland subject to Scottish Government policy on public sector pay, UK Government Departments employing more than 25 staff in Scotland and Scottish Local Authorities.

Recyclable Savings

Savings that are a consequence of a more highly paid member of staff being replaced by a lower paid individual (see Paybill Savings).

Relevant Labour Market

The Scottish public sector labour market or a more appropriate specific or specialist labour market for specific workforce groups, specialisms or locations.

Standard Remit Elements

The elements that form part of almost all pay remits: progression, the basic award, non-consolidated payments (over and above the non-consolidated pot that is included the baseline paybill), consolidated performance payments and the resulting increases in the costs of overtime, allowances, employers pension contributions and National Insurance.

Standard Remit Limit

The limit placed on the standard remit elements of pay proposals. In 2008-09 this is an absolute limit of 3.75% Increase for Staff in Post.

Submission

The paper to the Remuneration Group and Ministers that seeks approval for your proposed increases in pay and benefits.

Target Rates

The points in the pay system that reflect competence in a role, often the maximum of the pay range.

Total increase for Staff in Post

The full costs of the proposed increases in pay and benefits regardless of whether they add costs to the paybill.

Total Reward

All rewards for staff, including base pay, performance related pay, bonuses and employee benefits, such as flexible working and training & development opportunities.

Turnover

The movement of staff out of and into your organisation in a year.

PUBLIC BODIES TO WHICH PUBLIC SECTOR PAY POLICY APPLIES

- Architecture and Design Scotland
- Bòrd na Gàidhlig
- Cairngorms National Park Authority
- Communities Scotland (staff who retained existing terms and conditions of employment)
- Crown Office and Procurator Fiscal Service
- Highlands and Islands Airports Limited
- Highlands and Islands Enterprise
- Historic Scotland
- Learning & Teaching Scotland
- Loch Lomond & Trossachs National Park Authority
- Mental Welfare Commission for Scotland
- National Galleries of Scotland
- National Library of Scotland
- National Museums of Scotland
- NHS Executive and Senior Management
- Quality Meat Scotland
- Registers of Scotland
- Risk Management Authority
- Royal Botanic Garden Edinburgh
- Royal Commission for Ancient and Historic Monuments Scotland
- Scottish Arts Council
- Scottish Children's Reporter Administration
- Scottish Commission for the Regulation of Care
- Scottish Court Service
- Scottish Criminal Cases Review Commission
- Scottish Enterprise
- Scottish Environment Protection Agency
- Scottish Fisheries Protection Agency
- Scottish Further and Higher Education Funding Council
- Scottish Government Main Bargaining Unit
 - Fisheries Research Services
 - General Register Office for Scotland
 - HM Inspectorate of Education
 - Mental Health Tribunal for Scotland
 - National Archives of Scotland
 - Office of the Accountant in Bankruptcy
 - Office of the Scottish Charity Regulators
 - Scottish Building Standards Agency
 - Scottish Public Pensions Agency
 - Social Work Inspection Agency
 - Students Award Agency for Scotland
 - Transport Scotland
- Scottish Legal Aid Board
- Scottish Natural Heritage
- Scottish Police Services Authority
- Scottish Prison Service
- Scottish Qualifications Authority
- Scottish Screen
- Scottish Social Services Council
- Scottish University for Industry
- Scottish Water
- Skills Development Scotland
- SportScotland
- VisitScotland
- Water Industry Commission for Scotland

11 April 2008

PUBLIC SECTOR PAY POLICY 2008-09: APPROVALS PROCESS CHECKLIST

1. We will need the information in this checklist in order to approve your proposals. Before you submit your proposals you should therefore check that you have:

- (a) completed the outturn proforma(s) for all years of your last remit (projected the outturn for the most recent year) and provided an explanation if your outturn exceeds the approved remit.
- (b) costed all of your proposed increases in pay and benefits for each year of your current remit. As set out in the accompanying Technical Guide and:
- Chapter D for the standard remit elements; and
 - Chapter E for those remits also addressing the key pay policy priorities.
- (c) completed the pay data sheet of the proforma workbook.
- (d) made proposals within the limits of the three key pay metrics:
- the standard remit elements do not exceed an Increase for Staff in Post of 3.75% in any year;
 - the basic award is no more than an average 2.00% of the baseline paybill over the years of the pay remit; and
 - the headline cost does not exceed 4.50% in any year.
- (e) set out how the proposals will be funded including details of projected savings in the paybill and confirmed that proposals are affordable within existing budgets.
- (f) undertaken a market comparison:
- using the data in Annex C; or
 - you have discussed your particular labour market with the Finance Pay Policy team; and are
 - using more specific or specialist labour market data, taking into account pay and non-pay benefits, demonstrated clear links based on job weightings and comparisons are made on a like for like basis.
- (g) applied a basic award below 2.00% to those grades where the maxima are more than 5% above the medians of the maxima in the relevant labour market.
- (h) made proposals over and above the standard remit elements that are targeted at the key pay policy priorities.
- (i) made proposals that do not result in pay range maxima being more than, or extending further from, 5% above the medians of the maxima in the relevant labour market.
- (j) where you are making proposals to address the key pay policy priorities with ongoing cost implications you have included a projection that demonstrates that the resulting standard remit will be deliverable within 3.75% ISP for the following 3 years.
- (k) where appropriate you have set out how you intend to resolve an existing contractual commitment and the time frame involved.
- (l) supported your proposals with a business case (see (3)).

2. You should also have early discussions with the Finance Pay Policy team.
3. When you draft your business case you should take into account the guidance in the accompanying Technical Guide. Your business case needs to support the proposals that you are making and may:
- include a foreword by the Chief Executive that draws out the key points of the pay remit proposals;
 - set out the length of the pay deal and explain why you do not propose to enter into a multi-year pay deal, where that is the case;
 - briefly summarise the existing progression and bonus arrangements and set out if, and how you are proposing to change them;
 - where appropriate support any proposals to change existing arrangements for progression, non-consolidated payments and any consolidated performance payments;
 - set out your strategy on Total Reward;
 - where appropriate provide information and evidence to support proposals that are targeted at the key pay policy priorities which:
 - increase benefits or non-pay rewards;
 - make one-off increases in pay or non-pay benefits;
 - make increases with ongoing cost implications;
 - where appropriate supports the use of particular labour market data as the relevant labour market by demonstrating that it reflects organisations with whom you actively compete for staff, demonstrates that there is a clear link, based on job weightings, between the posts being compared and comparisons are on a like for like basis;
 - set out the results of your equal pay review, a risk assessment and the steps you propose to take to address any inequalities;
 - where appropriate provide evidence of any staff turnover issues and demonstrate that they are related to pay;
 - where appropriate provide evidence of the extent of any difficulties recruiting staff, whether the difficulties relate to particular grades, specialisms or locations and provide information on the levels of pay that you have had to pay to recruit staff;
 - where appropriate provide evidence of the extent of the difficulties retaining staff (the number of individuals leaving the organisation for reasons other than retirement, early severance, or redundancy);
 - where appropriate provide quantitative evidence of difficulties motivating staff and demonstrates that pay is the likely underlying cause;
 - where appropriate provide information on why the level of turnover is problematic and demonstrate that it is preventing you delivering your outcomes;
 - take into account the “Solidarity” target in the Scottish Government’s Economic Strategy;

- where appropriate make a case for reducing or maintaining differences in pay by providing information on the benefits of doing so and, if relevant, the time-frame over which you anticipate any differences being removed or reduced;
- where appropriate set out how you will make sure that full details of your outturn can be provided in future; and
- where appropriate explain why the remit was submitted outside the agreed timetable.

PUBLIC SECTOR PAY POLICY 2008-09: MARKET DATA

37 hours working week

Table 1: Median of maxima or target rates offered by public bodies in Scotland 2007-08

	1a	1b	2a	2b	3	4	5	6	7	8
Basic pay	14,300	15,110	17,609	20,371	24,554	30,989	37,649	47,605	58,398	64,459
Adjusted for employee pension contribution	14,086	14,495	17,033	19,149	23,854	29,751	36,571	45,943	55,690	61,539
Adjusted for employee pension contribution and leave	14,086	14,495	16,899	19,157	23,881	29,425	36,474	46,060	54,926	61,470

Table 2: Median of maxima or target rates in Table 1 plus 5% (£)

	1a	1b	2a	2b	3	4	5	6	7	8
Basic pay	15,015	15,865	18,489	21,390	25,782	32,538	39,531	49,985	61,318	67,682
Adjusted for employee pension contribution	14,790	15,220	17,884	20,106	25,047	31,238	38,399	48,240	58,474	64,616
Adjusted for employee pension contribution and leave	14,790	15,220	17,744	20,115	25,075	30,896	38,297	48,363	57,672	64,543

Table 3: Median of minima offered by public bodies in Scotland 2007-08

	1a	1b	2a	2b	3	4	5	6	7	8
Basic pay	12,509	12,553	14,793	17,250	18,873	23,793	30,619	39,032	47,353	52,698
Adjusted for employee pension contribution	12,071	11,870	14,200	16,260	18,212	22,960	29,220	37,394	45,805	50,854
Adjusted for employee pension contribution and leave	12,180	11,941	14,109	16,471	18,306	23,181	28,967	37,321	45,452	50,691

35 hours working week

Table 4: Median of maxima or target rates offered by public bodies in Scotland 2007-08 (£)

	1a	1b	2a	2b	3	4	5	6	7	8
Basic pay	13,527	14,293	16,657	19,270	23,227	29,314	35,614	45,031	55,241	60,975
Adjusted for employee pension contribution	13,324	13,712	16,112	18,114	22,565	28,143	34,594	43,459	52,680	58,213
Adjusted for employee pension contribution and leave	13,324	13,712	15,986	18,122	22,590	27,834	34,502	43,570	51,957	58,147

Table 5: Median of maxima or target rates in Table 4 plus 5% (£)

	1a	1b	2a	2b	3	4	5	6	7	8
Basic pay	14,203	15,008	17,490	20,234	24,388	30,780	37,395	47,283	58,004	64,024
Adjusted for employee pension contribution	13,990	14,397	16,918	19,019	23,693	29,550	36,324	45,632	55,314	61,123
Adjusted for employee pension contribution and leave	13,990	14,397	16,785	19,028	23,720	29,226	36,227	45,748	54,554	61,055

Table 6: Median of minima offered by public bodies in Scotland 2007-08

	1a	1b	2a	2b	3	4	5	6	7	8
Basic pay	11,833	11,900	13,993	16,318	17,853	22,507	28,963	36,922	44,793	49,849
Adjusted for employee pension contribution	11,419	11,228	13,433	15,381	17,228	21,719	27,640	35,372	43,329	48,105
Adjusted for employee pension contribution and leave	11,522	11,296	13,346	15,581	17,317	21,928	27,401	35,304	42,995	47,951

Notes to the market data

1. In February 2008 the Scottish Government, its Associated Department, Agencies, NDPBs and Public Corporations provided the Finance Pay Policy team with up-to-date data on levels of basic pay for each grade. They also provided the hours worked in a week, employer and employee pension contributions as well as annual leave entitlements.

2. In carrying out our analysis we have taken the approach that the benefits package (pension and annual leave) for staff on the minima is that which would be offered to staff on starting in an organisation and for staff on the maxima that it is the maximum benefits package.

3. The information public bodies provided also included the job weights of each grade, using either the civil service Job Evaluation and Grading Support (JEGS) methodology, Hays or other bespoke job evaluation methodologies. Some bodies did not provide job evaluation information but indicated the equivalent Scottish Government grades.

4. We also sought information on Local Government pay in Scotland (spinal column points) and in those UK civil service departments and agencies that operate in Scotland. Using all of the information provided, the data for equivalent grades across the public sector in Scotland is set out in Tables 1-6.

5. As each public body applies different labels for each grade we have set out the market data in each table according to levels. Broadly the levels map as follows:

Level	JEGS range	Hays Levels	Hays Job size range	SG Grades
1a	0 - 220	8	98 -113	
1b	0-260	9	114-134	A2
2a	200-325	10/11	135 - 191	A3
2b	300-385	12	192 - 227	A4
3	320-430	13/14	228 - 313	B1
4	400-540	15/16	314 - 438	B2
5	490-620	16/17	371 - 518	B3
6	580-685	18	519 - 613	C1
7	650-720	19	614 - 734	C2
8	700+	20	735 - 879	C3

6. We adjusted the base data to reflect a 37 hour working week for all public bodies and this adjusted data is set out in Tables 1-3. Tables 4-6 reflects the base data adjusted to reflect a 35 hour working week. You should use whichever set of tables reflects the hours worked in your organisation when considering any adjustments to your pay ranges.

7. For information the median of the maxima or target rates as well as the median of the minima of the unadjusted basic pay offered by public bodies in Scotland 2007-08 is shown in the table below:

	1a	1b	2a	2b	3	4	5	6	7	8
Maxima	14,300	14,940	17,357	19,270	24,188	30,039	37,029	46,634	56,321	62,317
Minima	12,509	12,240	14,430	16,615	18,769	23,793	29,840	38,615	46,302	51,989

8. Tables 1 & 4 show the median of maxima or target rates offered by public bodies in Scotland following the 2007-08 pay award, and Tables 3 & 6 the medians of the minima.

9. Under the policy for 2008-09, pay remit proposals must not result in pay range maxima being more than, or extend further from, 5% above the medians of the maxima in the relevant labour market. The relevant labour market is expected to be the public sector labour market in Scotland for most staff and is set out in Tables 1, 3, 4 & 6. This data will be used to assess proposals in the first instance and Tables 2 & 5 set out the median maximum or target rate data plus 5%.

10. In exceptional cases a more specific or specialist labour market may be appropriate public bodies should discuss this with the Finance Pay Policy team before collecting market data and providing that additional market data in the business case. Such data should reflect who public bodies actively compete with for staff and should be accompanied by an explanation setting out why it is a more relevant labour market. There should also be a clear link, based on job weightings, between the posts being compared and comparisons should be made on a like for like basis.

11. The data in each table is as follows:

- Basic = base pay (this is the net salary excluding any allowances, overtime and pension contributions);
- Adjusted for employee pension contribution = base pay minus the pension contributions made by employees; and
- Adjusted for employee pension contribution and leave = base pay minus the employees pension contributions and the annual leave entitlement for each body. The data has then been standardised to reflect annual working days based on the median working days.

12. The following public bodies are included in the market data for 2008-09:

- Advisory, Conciliation and Arbitration Service
- Bord na Gaidhlig
- Cairngorms National Park Authority
- Communities Scotland
- Crown Office and Procurator Fiscal Service
- Department for Work and Pensions
- Driver and Vehicle Licensing Agency
- Highlands and Islands Airports Limited
- Historic Scotland
- HM Revenue & Customs
- Learning & Teaching Scotland
- Local Government in Scotland
- Maritime and Coastguard Agency
- Mental Welfare Commission for Scotland
- National Galleries of Scotland
- National Library of Scotland
- National Museums of Scotland
- Registers of Scotland
- Risk Management Authority

- Royal Botanic Garden Edinburgh
- Royal Commission for Ancient and Historic Monuments Scotland
- Scottish Arts Council
- Scottish Children Reporters Administration
- Scottish Commission for the Regulation of Care
- Scottish Court Service
- Scottish Criminal Cases Review Commission
- Scottish Enterprise
- Scottish Fisheries Protection Agency
- Scottish Further and Higher Education Funding Council
- Scottish Government Main Bargaining Unit
- Scottish Legal Aid Board
- Scottish Natural Heritage
- Scottish Parliament's Corporate Body
- Scottish Police Services Authority
- Scottish Prison Service
- Scottish Social Services Council
- Scottish University for Industry
- Scottish Water
- SportScotland
- VisitScotland

PUBLIC SECTOR PAY REMITS TIMETABLE 2008-09: NOTES

1. The timetable should be viewed at 150-200% and if printed, on A3 paper for clarity. It sets out:



The settlement date for each public body that will be reaching agreement on a new pay settlement between May 2008 and April 2009 (inclusive). They are shown in red squares except where a public body has indicated that it will send in its proposals for approval less than 7 weeks before its settlement date. In that case the settlement date will occur whilst approval is being sought and is shown hatched in red on the timetable.



The expected remit submission date for each public body. The Finance Pay Policy team circulated a draft timetable in February 2008 and dates were agreed with public bodies. Remits are expected to be submitted to the Finance Pay Policy team during the week coloured green.



Once pay remit proposals are submitted, the Finance Pay Policy team will assess proposals against the Scottish Government's policy on public sector pay set out in this policy document. They will then raise any queries with the public body. This dialogue may take a number of weeks, particularly where not all of the necessary information is provided, and is shown coloured tan on the timetable.



When any queries have been resolved and the pay remit proposals are clear and fully costed then the sponsor team, the Associated Department or Agency will draft a paper that sets out the proposals and its costs for official approval or Scottish Government's Remuneration Group consideration. This is shown in blue on the timetable. The Finance Pay Policy team will then include a summary of their assessment in the paper, with the full assessment of the proposals set out in a separate paper. The papers are then considered by the relevant Director, Director General or Permanent Secretary who then approve the proposals, where appropriate, along with the Deputy Director of Finance Expenditure Policy or put the proposals to the Remuneration Group for decision. The timescales for the papers being considered by the Remuneration Group are set out in the Table in paragraph 2 below.



The Remuneration Group will consider all pay remit proposals that are not approved at official level. Remuneration Group consideration is coloured yellow on the Timetable. The Group will meet frequently throughout the year, usually on a Friday, and the meetings that have been arranged for 2008-09 are set out in the Table in paragraph 2 below.



The Remuneration Group may decide that remit proposals need to be considered by Ministers, a decision will be made on a case for case basis but the Remuneration Group expect to approve most proposals under delegated approval arrangements. For illustrative purposes Ministerial consideration is coloured purple on the timetable.

2. The meetings of the Remuneration Group during 2008-09 and the deadline for papers is as follows:

Remuneration Group Meeting	Queries resolved and draft paper to the Finance Pay Policy team by noon on	Final paper seeking approval for proposals to the Remuneration Group Secretariat by noon on
Friday 13 June 2008	Wednesday 4 June 2008	Monday 9 June 2008
Friday 27 June 2008	Wednesday 18 June 2008	Monday 23 June 2008
Friday 11 July 2008	Wednesday 2 July 2008	Monday 7 July 2008
Tuesday 22 July 2008	Friday 11 July 2008	Wednesday 16 July 2008
Friday 22 August 2008	Wednesday 13 August 2008	Monday 18 August 2008
Friday 19 September 2008	Wednesday 10 September 2008	Monday 15 September 2008
Friday 7 November 2008	Wednesday 29 October 2008	Monday 3 November 2008
Friday 16 January 2009	Wednesday 7 January 2009	Monday 12 January 2009
Friday 30 January 2009	Wednesday 21 January 2009	Monday 26 January 2009
Friday 13 March 2009	Wednesday 4 March 2009	Monday 9 March 2009

If queries have not been resolved, or if either deadline for papers is missed, the proposals will be considered at the next available meeting of the Remuneration Group.

PUBLIC SECTOR PAY POLICY 2008-09: KEY FACTS

1. The policy for 2008-09 applies to public bodies with settlement dates between May 2008 and April 2009 (inclusive).

Strategic Aims

2. Government policy on public sector pay has three strategic aims:
- d) To make sure that public sector pay increases are affordable and sustainable and, through the targeting of resources, that value for money is secured.
 - e) To provide flexibility within an overarching policy for public bodies to determine the pay and reward systems that are right for their business needs.
 - f) To make sure that public sector pay is fair and non-discriminatory.

Key Priorities

3. The tight financial context in Scotland over the next three years means that the key priority for 2008-09 is for public bodies to deliver affordable and sustainable pay settlements. Public Bodies should target resources at addressing:

- inequalities within pay and reward systems and structures; and
- recruitment, retention or motivation issues that directly impact on a public body's ability to deliver outcomes.

Pay Metrics

4. In 2008-09 the key metrics are:

1) The Increase for Staff in Post percentage

5. An **absolute** standard remit Increase for Staff in Post limit of **3.75%** in any year will apply to the standard remit elements of all pay proposals:

- progression;
- the basic award;
- non-consolidated payments over and above the non-consolidated pot that is included in the baseline paybill;
- consolidated performance payments; and
- increases in the costs of overtime, allowances, employers pension contributions and National Insurance that result from the increases in pay and benefits that you propose.

6. Public bodies will, however, continue to include the costs of all increases in pay and benefits that they propose to make in the pay remit proformas, along with the increases to allowances, overtime rates, employers pension contributions and National Insurance that result. This will be the total increase for staff in post.

7. The one-off costs of harmonising terms and conditions of employment of different groups of staff as a direct result of the simplification of the public sector in Scotland will be noted in the proforma but will not count against the policy limits. Proposals which increase the pay or non pay benefits for the existing staff group, however, will continue to count against the policy limits. The advice of Finance Pay Policy should be sought in more complex situations.

2) The basic award percentage

8. An **absolute** Basic Award limit of **2.00%** will apply for 2008-09.

9. The Basic Award can, however, be averaged over a multi-year deal. It must be delivered within the absolute standard remit Increase for Staff in Post limit of 3.75% in any year. A Basic Award below 2% must be applied to those grades where the maxima or target rates are more than 5% above the market maximum medians.

3) The new money or headline cost of the pay proposals

10. An **absolute** headline cost limit of **4.50%** will apply to the total remit package (standard remit plus measures targeted at addressing the key priorities) in any year.

11. This is how much the paybill will increase by as a result of the total package of pay proposals for which approval is being sought. It can be less than the Increase for Staff in Post percentage where recyclable or other savings in the paybill can be delivered to reduce the cost of proposals to the organisation.

12. Increases targeted at the key priorities will fall into the following categories:

- Increases in benefits or non-pay rewards, for example reduction in working hours or additional leave. Such proposals have notional cost benefits for staff but do not add actual costs to the paybill;
- One-off increases, for example buying out terms and conditions of employment that are now outdated. These are actual costs to the paybill but are limited to a single year;
- Increases with ongoing cost implications, for example:
 - Addressing inequalities by reducing progression journey times;

- Addressing particular issues such as low pay and recruitment, retention and motivation of staff by adjusting pay range minima, maxima or target rates. Recruitment will be an issue if there is evidence of starting pay above the median of the existing salaries for that pay range for more than 25% of new staff and retention will be an issue if there has been turnover of more than 10%.
- Restructuring of pay and reward systems, these costs usually relate to the assimilation of staff onto a new structure in the first year. As a result such proposals will be assessed against the headline cost limit of 4.50% and the future projected costs for the standard remit elements (see below). If proposals do also include the costs of progression and/or a basic award then the policy limits will apply.

13. Proposals must not result in pay range maxima being more than, or extend further from, 5% above the relevant labour market maximum median. The relevant labour market is expected to be the public sector labour market in Scotland for most staff, and this market data is being provided by Finance Pay Policy. This data will be used to assess proposals in the first instance.

14. In exceptional cases, where a more specific or specialist labour market is appropriate public bodies may provide additional market data. Such data should reflect who public bodies actively compete with for staff and should be accompanied by an explanation setting out why it is a more relevant labour market. There should also be a clear link, based on job weightings, between the posts being compared and comparisons should be made on a like for like basis. If you think that you have a specific or specialist labour market you should discuss the position with the Finance Pay Policy team in advance of the collection of relevant data.

Multi-year remits

15. During 2008-09 public bodies may negotiate and put in place pay awards for one or more years, Knowing the level of pay increases for future years brings certainty for employers and staff, but the length of any pay deal is a matter for each public body and its recognised trade unions. Public bodies are expected to set out their plans in their business case and if not proposing to enter into a multi-year pay deal provide a short explanation.

What do public bodies need to do to obtain approval for a pay remit?

- Make sure that proposals are in line with the details of the policy set out in the published policy documents;
- Set out proposals that are within the policy's absolute limits set out above;

- Demonstrate that the standard remit elements do not lead to an increase for staff in post percentage greater than 3.75%;
- Demonstrate that proposals above a staff in post percentage of 3.75% are targeted at the key priorities and do not lead to a headline cost for the pay remit package greater than 4.50%;
- Support proposals with a business case that takes account of the requirements and expectations of the policy;
- Make sure that proposals are affordable within existing budgets and that the business case clearly sets out how the proposals will be funded;
- Demonstrate that proposals are sustainable by providing a 3 year projection that shows that after addressing any particular issues, the resulting standard remit will be deliverable within a 3.75% Increase for Staff in Post limit (on a basic award of 2% assumption).
- Start working on proposals early, attend the policy seminar and workshops and submit the remit on time; and
- Speak to the Finance Pay Policy team if you need help, by telephoning 0131 244 7341 or by emailing financepaypolicy@scotland.gsi.gov.uk .

Finance Pay Policy
April 2008