

PUBLIC SECTOR PAY POLICY 2017-18



Scottish Government
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FOREWORD BY DEREK MACKAY MSP, CABINET SECRETARY FOR FINANCE AND THE CONSTITUTION



I am pleased to set out the Scottish Government's Public Sector Pay Policy for 2017-18 - a distinctive pay policy for Scotland – one that continues our focus on fairness, sustainability and delivering value for money.

As part of this Government's wider spending plans announced at the Budget today, this pay policy is designed to support our economy, tackle inequality and provide high quality services for all – underlining our distinctly Scottish approach.

We are taking this approach in the context of the UK Government's damaging programme of austerity, with deep cuts to spending right across the UK. As a result, the Scottish Government's resource budget will be around 9% lower in 2019-20 than at the start of the decade.

Recognising the financial constraints within which we are operating, this Government has formulated a pay policy that is balanced and reasonable, and works to improve pay particularly for lower paid staff. With this in mind, I have maintained the low pay threshold at £22,000 which will continue to benefit around a third of staff covered by our policy. The policy includes a requirement to pay the Scottish Living Wage and, in line with our ambition to see further increases in the number of accredited living wage employers, supports public bodies wishing to gain this status. Progression remains at the discretion of individual employers.

I am also able to again provide additional flexibility for employers to use payroll savings to address evidenced issues with their pay and grading structures. I am pleased to reaffirm the Scottish Government's commitment to our unique policy of No Compulsory Redundancy which is protecting public sector jobs and front line services.

Finally, I wish to acknowledge the contribution of public sector workers in helping us to achieve our ambitions and deliver our priorities right across Scotland. I want to express my thanks for your efforts to ensure the effective delivery of public services at a time when budgets are being squeezed and other pressures are affecting household incomes.

This policy is about doing the right thing for Scotland's public services, which are a core part of achieving our ambitions for Scotland and are fundamental to our growth and prosperity. As we take on new powers and become responsible for a wider range of public bodies, working together with our public bodies and our trade unions, we can build a better, stronger and more inclusive Scotland.

A handwritten signature in black ink, appearing to read 'D Mackay', written in a cursive style.

Derek Mackay
Cabinet Secretary for Finance and the Constitution

PUBLIC SECTOR PAY POLICY FOR 2017-18

Background

1. The 2017-18 Public Sector Pay Policy is a single-year policy. It sets out the parameters for pay increases for staff pay remits and senior appointments and applies to public bodies with settlement dates in the year between April 2017 and March 2018 (inclusive). A list of public bodies to whom this policy applies is available on the Scottish Government's Public Sector Pay webpages: www.gov.scot/publicsectorpay

Strategic Aims

2. The Scottish Government's Pay Policy is based on the following principles:
- To provide a distinctive pay policy which is fair, affordable, sustainable and, through the targeting of resources, delivers value for money.
 - To deliver top-class public services, protect jobs and preserve pay progression in return for continuing restraint on overall paybill costs.
 - To continue to protect the lowest earners, including maintaining our commitment to the Scottish Living Wage for the duration of this Parliament.

Key Pay Policy Priorities

3. This policy has been developed in the context of the Scottish Government's spending plans for 2017-18 and the UK Government Spending Review to 2020. The continued real term reductions in public sector budgets for Scotland in 2017-18 that flow from the UK Spending Round mean that constraint in paybills across all public sector organisations is still required. In the face of current financial challenges, to allow organisations to maintain staff numbers and employment opportunities, pay increases must continue to be carefully controlled.

4. However, it is also recognised that maintaining employment and fair rates of pay in the public sector is crucial in ensuring that Scotland's economy remains strong. The aim of this policy is to allow public bodies to provide a basic pay increase for all staff, with particular support for those on the lowest incomes and for employers to take their own decisions about pay progression.

5. There continues to be a legitimate public interest in the pay and conditions of senior public appointments in Scotland. The Scottish Government believes that alongside the general requirement for constraint in public sector pay, there is also a need for the most senior leaders in the public sector to take a lead in demonstrating restraint in their pay settlements. The pay policy parameters for 2017-18 are therefore set in the context of the need for on-going pay constraint for senior staff.

6. The key features of the 2017-18 pay policy are:
- an overall 1 per cent cap on the cost of the increase in the baseline paybill (for those earning more than £22,000).

- continuing with specific measures for supporting the lower paid, including providing for a minimum pay uplift of more than 1 per cent.
- flexibility to use paybill savings to consider meaningful restructuring of pay and grading systems to address evidenced equality issues.
- maintaining the suspension of non-consolidated performance related pay (bonuses).
- continuing the expectation to negotiate extensions to No Compulsory Redundancy agreements as part of constructive, collaborative discussions between employers and their trade unions to make the most effective use of the funding available.
- retaining discretion for individual employers to reach their own decisions about pay progression (limited to a maximum of 1.5 per cent for senior appointments) outwith the 1 per cent cap of the baseline paybill.
- continuing the expectation to deliver a 10 per cent reduction in the remuneration packages for all new Chief Executive appointments.

Affordability

7. This policy sets no metrics relating to the overall increase in the paybill of staff pay remits. Each body covered by the policy must ensure that their pay proposals are affordable within their financial settlements for 2017-18. The policy sets the framework within which bodies can develop effective pay settlements that help them to reward staff fairly and manage staffing numbers to deliver services within constrained budgets.

Single-year pay policy

8. There is an expectation that public bodies will submit pay proposals which cover one year, although this is not a mandatory requirement of the policy. There may be circumstances where a public body chooses to submit proposals that cover more than one year and in such instances they are asked that they discuss this in advance with the Finance Pay Policy team.

STAFF PAY REMITS

Pay Metrics

9. The following sets out details of each of the key pay metrics which apply in 2017-18 to all staff excluding those listed in paragraphs 17 and 18:

Support for Lower Paid Staff

10. The Scottish Government recognises the importance of supporting lower paid staff within the public sector and the policy continues to include specific measures to support such staff:

- maintaining the low pay threshold at £22,000.
- employers covered by the policy are required to ensure staff are paid the Scottish Living Wage.
- all staff with a full-time equivalent salary of less than the low pay threshold should receive an increase of £400. This excludes any increase that may be paid for progression.

Basic Award

11. A 1 per cent cap on the total cost of the increase in baseline paybill of all staff earning above the low pay threshold. Within that, public bodies will have discretion to submit proposals to vary the levels of basic pay increases across their workforce to take account of local circumstances, such as the impact of the low pay measures, staff and trade union priorities and affordability.

Progression

12. Nothing in this policy is intended to interfere with pay progression arrangements for staff in the pay remit nor to constrain discussions between employers and staff and/or their representatives on this issue.

Non-Consolidated Performance Related Pay

13. All access to non-consolidated pots, for payments linked to performance (bonuses) or paid to staff on their maximum, continues to be suspended for 2017-18.

Additional flexibility

14. Public bodies will be able to use paybill savings in addition to the 1 per cent cap to make affordable and sustainable changes to their existing pay and grading structures where there is clear evidence of significant and business critical equality issues.

Affordability

15. The cost of pay progression and the low pay measures are subject to affordability but are outwith the 1 per cent cap on the total cost of the increase in baseline paybill for all staff earning above the low pay threshold.

Technical Guide

16. A Technical Guide providing further detail to assist public bodies in the preparation of their staff pay remit proposals under this policy will be published in early 2017. This will be available on the Scottish Government Public Sector Pay webpages at:

www.gov.scot/publicsectorpay

SENIOR APPOINTMENTS

17. The pay policy for senior appointments governs the remuneration (salary, pay range, annual increase or review, non-consolidated performance payment (bonus) and other non-salary rewards, etc.) of:

- **Chief Executives¹** of Non-Departmental Public Bodies (NDPBs) and Public Corporations, etc
- **NHS Scotland Executive and Senior Management posts in Grades D to I**

18. This pay policy also governs the remuneration (daily fee rates, annual updates or reviews and any pension arrangements, etc.) of:

- **All public appointments (Chairs and Members)** to Scottish public bodies; Non-Executive Directors of the Scottish Government and its Agencies and Associated Departments; Chairs and Board Members of NHS Bodies; appointments to Tribunals, Appeals Boards, Royal Commissions, Advisory Committees and Inquiries, and *ad hoc* working groups, etc. under the auspices of the Scottish Ministers.

Pay Metrics

19. The following sets out details of each of the key pay metrics which apply in relation to the pay policy for senior appointments in 2017-18:

Basic Award

20. A 1 per cent cap on the cost of the increase in basic pay for all senior appointments.

21. The 1 per cent cap on basic award will also apply to the daily fees for Chairs and Members of Scottish public bodies.

Progression

22. The cost of pay progression increases for senior appointees covered by this policy are limited to a maximum of 1.5 per cent.

¹ The Chief Executives of David MacBrayne Ltd., Quality Meat Scotland and the Scottish Futures Trust are not covered by this policy, although the Chairs and Members of those bodies are. This pay policy also covers the Chief Executive and Directors of Scottish Water insofar as the Board are expected to follow the principles of the pay policy, except in relation to non-consolidated performance related payments. Such payments are only made if Scottish Water outperforms the demanding efficiency targets that are set by its independent economic regulator.

Non-consolidated Performance Related Pay

23. Access to non-consolidated performance related pay (bonuses) is again suspended in 2017-18. The policy expectation is that any bonus arrangement in a Chief Executive's contract will be removed when an appropriate opportunity arises (on new appointment or following a review).

Technical Guide

24. A Technical Guide providing further detail to assist public bodies in the preparation of pay proposals under this policy will be published in early 2017. This will be made available on the Scottish Government's Public Sector Pay webpages at:

www.gov.scot/publicsectorpay

25. The Technical Guide will set out the pay frameworks for Chief Executives and Chairs and Members along with remuneration arrangements applicable for new appointments and pay reviews.

NO COMPULSORY REDUNDANCY

26. One of the key strands of Scottish Government policy is the commitment to No Compulsory Redundancy and this is reflected in the pay policy. The Government believes this commitment has created the right environment to provide staff with job security while enabling employers and their staff representatives to take a range of steps to manage their headcount and budgets to realise the necessary savings to deliver efficiencies. The policy position remains that public bodies will be expected to negotiate extensions to their No Compulsory Redundancy agreements for the duration of their pay settlement as part of constructive, collaborative discussions to make the most effective use of the funding available for the pay award, within the bounds of the pay policy.

EQUALITIES ASSESSMENT

27. It is acknowledged that continued on-going constraint of pay as a result of the real terms reductions made to the Scottish resource budget compounded by the increases in employer's pension and National Insurance contributions will continue to impact on the real incomes of those staff subject to the public sector pay policy. However, the pay policy is intended to help protect jobs of everyone subject to the policy.

28. To help employers work towards delivering the policy aim that pay is fair and non-discriminatory, the 2017-18 policy continues to provide public bodies with the flexibility to address evidenced equality issues.

29. Our equality impact assessment concluded that the measures proposed in the 2017-18 pay policy can be seen to positively benefit lower paid staff. From the data available there is a higher proportion of women, disabled people, individuals from a minority ethnic group, younger employees or a combination of one or more of these protected characteristics as well as part-time workers among lower paid employees.

Therefore, the measures proposed in the pay policy protect these employees from pay restraint and in many cases provide a positive benefit - underpinning Ministerial objectives for a wealthier and fairer Scotland.

30. The pay policy may also help in working towards reducing the gender pay gap within the public sector as it should increase the overall base levels of pay for those who are lower paid, particularly where there is a higher proportion of women. This is further supported by the continued restraint applied to higher earners, including senior appointments, where there are higher proportions of men.

31. The pay policy sets the overarching framework in which public bodies can make individual choices on the impact of the policy on their own circumstances. Public bodies have the flexibility to draw up their own pay proposals to take into account local pay issues such as recruitment and retention, equality, and the impact of the low pay measures on other staff. The pay policy actively encourages employers to take into account their own staffing profile, local evidence, views of staff and unions and equality issues in framing their pay proposals.

32. While we are satisfied that no discrimination exists at the level of the policy proposals outlined above, it will still be necessary for individual employers to ensure that they do not introduce or perpetuate any direct or indirect discrimination for individuals in their application of the policy. Employers covered by this pay policy are also subject to the equality duties and are expected to undertake their own assessment of their pay proposals prior to submitting them to the Scottish Government. The supporting Technical Guides to the pay policy will continue to remind public bodies of their duty to ensure their pay systems are fair and non-discriminatory and that they have due regard to its obligations under public sector equalities duties in considering their pay proposals.

33. The results from the equality impact assessment of the 2017-18 Public Sector Pay Policy are available on the Scottish Government's Public Sector Pay webpages at:

www.gov.scot/publicsectorpay

CONTACTS

34. Any queries on this policy should be directed to the Scottish Government's Finance Pay Policy team by emailing financepaypolicy@gov.scot or by telephoning:

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The Scottish Government

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