Public Sector Pay Policy 2020-21

Technical Guide

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COVID-19: IMPACT ON 2020-21 PAY ROUND

In recognition of Covid-19 emergency and the potential impact on availability of key staff for both public bodies and Trade Unions to engage in meaningful pay negotiations at this time-discussions have taken place at a national level with Trade Unions to deliver a constructive solution to allow staff to receive the pay award in a timeous manner.

The Cabinet Secretary for Finance has agreed with Trade Unions that public bodies should implement the basic award elements of the Public Sector Pay Policy as soon as is practicable (or at the appropriate pay award date if this is after 1 April).

Those public bodies whose funding is not significantly compromised by Covid-19 are expected to implement the pay award by May 2020 salaries. Where bodies have a multi-year deal in place, they are expected to implement the pay award they have agreed for 2020-21.

To facilitate this process, public bodies will be asked to confirm their intentions in regard of progression and the basic pay elements; that the costs are affordable within existing budget provision; and will be implemented in May 2020 salaries. For those public bodies who have not yet submitted their standard 2020-21 pay remit proforma, this will involve completing a separate confirmation template.

This approach does not replace local pay bargaining arrangements. This is in essence an interim pay award pending formal pay negotiations being able to be carried out at a later date when the COVID-19 restrictions have lifted. At that point, we would anticipate Trade Unions presenting their pay claim and public bodies will have the opportunity to consider local workforce issues. Public Bodies will need to submit a standard pay remit proforma in advance of any negotiations taking place with Trade Unions as set out in this Technical Guide.

1. WHAT IS NEW FOR 2020-21

What are the key features of the Public Sector Pay Policy for 2020-21?

1.1 The Public Sector Pay Policy for 2020-21 was announced in the Budget statement on 6 February 2020 and covers pay settlements in 2020-21. The policy sets the parameters for public sector pay increases for the period 2020-21 for both staff pay and senior appointments within a range of public bodies in Scotland and for public appointments not linked to a public body.

1.2 The policy is available on the Scottish Government website at:
[Scottish Public Sector Pay Policy 2020-21]

1.3 **The key features of the pay policy in 2020-21 are**:

- delivering a progressive approach to pay increases:
  - providing a **guaranteed cash underpin of £750**[1] for those earning a full-time equivalent salary of **£25,000 or less**
  - providing a **guaranteed basic pay increase of 3 per cent** for those with a full-time equivalent salary of **less than £80,000**
  - limiting the basic award increase for those earning £80,000 or more to £2,000
- continuing with the requirement for employers to pay their staff at least the real Living Wage
- providing the flexibility for employers to use up to 0.5 per cent of baseline salaries to address inequalities, Where such proposals result in changes to existing pay and grading structures, public bodies must demonstrate that they can be wholly funded by savings. The inequalities can include:
  - affordable and sustainable changes to existing pay and grading structures where there is clear evidence of equality or recruitment and retention issues
- retaining discretion for individual employers to reach their own decisions about pay progression (limited to a maximum of 1.5 per cent for Chief Executives) outwith the pay metrics for basic award increases
- maintaining the suspension of non-consolidated performance related pay (bonuses)
- removing the flexibility for employers to make non-consolidated payments of up to 1 per cent for employees on the maximum of their pay scales
- continuing to support the policy of No Compulsory Redundancy.

What are the pay thresholds for 2020-21?

1.4 The policy has removed the lower pay threshold for 2020-21 but has retained the upper pay threshold to continue to help work towards reducing overall income inequality.

[1] The £750 cash underpin is pro-rated for part-time employees

1.5 For 2020-21, the Upper Pay Threshold will remain at £80,000. The threshold includes all staff and Chief Executives earning a full-time equivalent base salary of £80,000 <u>or</u> more.

1.6 An equivalent £80,000 per annum threshold applies to the daily fees for all public and Ministerial appointments those who are paid less than £307 per day (this equates to £80,000 per annum).

Where will I find the key policy information in this Technical Guide?

1.7 For information on the application of the pay policy, you will wish to note, in particular, the following sections:

- <u>Application of the real Living Wage</u>
  - Staff Pay Remits — C.3.27 to C.3.33
  - Chief Executives — not applicable
  - Chairs, Board Members and Public Appointments — not applicable
- <u>Application of the guaranteed cash underpin of £750 for those earning a full-time equivalent salary of £25,000 or less</u>
  - Staff Pay Remits — C.3.34 to C.3.35
  - Chief Executives — not applicable
  - Chairs, Board Members and Public Appointments — not applicable
- <u>Application of the guaranteed basic pay increase of 3 per cent for those with a full-time equivalent salary of less than £80,000</u>
  - Staff Pay Remits — C.3.36 to C.3.40
  - Chief Executives — C.4.3
  - Chairs, Board Members and Public Appointments — not applicable
- <u>Application of the basic pay increase for those with a full-time equivalent salary of £80,000 or more</u>
  - Staff Pay Remits — C.3.41 to C.3.44
  - Chief Executives — C.4.4
  - Chairs, Board Members and Public Appointments — not applicable
- <u>Paying Progression</u>
  - Staff Pay Remits — C.3.48 to C.3.54
  - Chief Executives — C.4.5 to C.4.6
  - NHS Scotland Executive and Senior Management posts — C.5.3 to C.5.4
  - Chairs, Board Members and Public Appointments — not applicable
- <u>The flexibility to use paybill savings to address pay inequalities</u>
  - Staff Pay Remits — C.3.58 to C.3.62
  - Chief Executives — not applicable
  - Chairs, Board Members and Public Appointments — not applicable

2. INTRODUCTION

Who does the Pay Policy apply to?

2.1 The information in this Technical Guide is for employers in the relevant public bodies listed here, although their trade unions and employees may also find it of interest. The detail in sections 3 to 6 applies to the following public bodies:

- The Scottish Government and its Associated Departments
  - Staff Pay Remits / Chairs, Board Members and Public Appointments
- Agencies
  - Staff Pay Remits / Chairs, Board Members and Public Appointments
- Non-Departmental Public Bodies (NDPBs)
  - Staff Pay Remits / Chief Executives / Chairs, Board Members and Public Appointments
- Public Corporations
  - Staff Pay Remits / Chief Executives / Chairs, Board Members and Public Appointments
- NHS Scotland Executive and Senior Management posts
  - Chief Executives / Senior Executives / Chairs, Board Members and Public Appointments
- Ministerial Appointments not covered by any of the organisations above.

A full list of public bodies is available at: www.gov.scot/Topics/Government/public-sector-pay/staff-pay/public-bodies-covered

2.2 The policy also applies to all public appointments under the auspices of the Scottish Ministers. This includes, but is not limited to:

- all public appointments to Non-Departmental Public Bodies (NDPBs) and public corporations
- Non-executive directors of the Scottish Government and its agencies and associated departments
- Chairs and board members of Public Bodies
- Chairs and board members of short life and ad hoc working groups etc.
- Appointments to tribunals, appeals boards, advisory committees and inquiries
- Appointments to lead Reviews, Inquiries etc.

2.3 In addition, the policy acts as a benchmark for all major public sector workforce groups across Scotland including NHS Scotland[2], fire-fighters, police officers, teachers and further education workers. For local government employees, pay and other employment matters are delegated to local authorities.

[2] With the exception of NHS Scotland Executive and Senior Management posts in grades A-I which are directly subject to the public sector pay policy

What about Senior Civil Servants?

2.4 The Pay Policy **does not apply** to the remuneration of **Senior Civil Servants** as this is a reserved matter and operates within the UK Cabinet Office pay and performance management framework.

What role and responsibilities does the public body have in the pay policy process?

2.5 The **public body** is responsible for determining the pay and conditions for its staff that are appropriate for its business needs and which take account of and comply with the Scottish Government's Public Sector Pay Policy and processes. Where applicable, the public body's Remuneration Committee must be aware of all pay proposals, staff, Chief Executive, Chairs and Board Members.

2.6 **Each public body is expected to submit its staff pay proposals to the Scottish Government in sufficient time to ensure that they can implement their pay settlement on the date in which it is due** (which for the majority of public bodies is 1 April).

2.7 To assist in meeting the above requirement the existing risk-based approach will continue to apply for staff pay remits. Each public body will be assigned a rating, based on some key indicators, which will determine the approvals process required (see paragraphs C.3.71 to C.3.73).

2.8 Public bodies are expected to engage in early scoping discussions with their staff and staff representatives in preparing their staff pay proposals where appropriate, as part of a collaborative and constructive approach to the pay process.

2.9 **Public bodies are encouraged to attend a pay surgery with the Finance Pay Policy team before they formally submit their remit proposals. Where appropriate the relevant Sponsor team will be invited to attend. This will help reduce the time required for getting approval to the negotiating remit.**

What role and responsibilities does the Chief Executive have in the pay policy process?

2.10 **The Chief Executive**, as Accountable Officer[3], has the responsibility to provide assurance that staff pay proposals are in line with pay policy, there are robust performance management systems in place to support any progression payments and any projections for paybill savings are realistic and will be delivered during the 12 months of the pay remit year.

2.11 The Chief Executive also has the responsibility to confirm that the outturn for the previous pay year is in line with the approved remit. If the outturn is submitted before the end of pay year the Chief Executive is required to confirm that it is projected to be within the approved remit and, in particular, that the assumptions

[3] It is noted that in some circumstances the Chief Executive is not the Accountable Officer, in such instances it would be either the Chief Executive or the Accountable Officer who would undertake the responsibility to provide the necessary assurances required.

made in respect of paybill savings to fund the pay award are still valid and achievable.

2.12 **It is therefore assumed all completed proforma providing this confirmation are submitted either by or on behalf of the Chief Executive or Accountable Officer on this basis.**

What role and responsibilities does the Chair / Board have in the pay policy process?

2.13 The **Chair / Board** has the responsibility to develop remuneration proposals for their Chief Executive on any new or reviewed remuneration package and ensuring Scottish Government approval is obtained, through the sponsor team, prior to advertising, agreeing or implementing such proposals.

What role and responsibilities do the Trade Unions have in the pay policy process?

2.14 It is expected that **Trade unions and/or staff representatives** will want to participate in early engagement with their public body as part of a collaborative and constructive pay dialogue. However, pay negotiations must not be concluded until the staff pay remit has been formally approved.

What role and responsibilities does the Finance Pay Policy team have in the pay policy process?

2.15 The role of the **Finance Pay Policy team** is to ensure all pay proposals are in line with the Scottish Government's policy on public sector pay. Before a public body formally submits its pay remit or makes an appointment, the team can provide advice. This may be on any issue that arises during the scoping discussions between public bodies and their staff representatives or in the development of remuneration proposals for Chief Executives or public appointments including Chairs and Board Members. The team will help in making sure the proforma and any business case required include all of the necessary information.

2.16 The Finance Pay Policy team provides the main interface between public bodies and Remuneration Group. It is their role to advise senior officials, Remuneration Group and Ministers on all pay and remuneration proposals.

What role and responsibilities does the Remuneration Group have in the pay policy process?

2.17 The Scottish Government's **Remuneration Group** is chaired by a Non-Executive Director of the Scottish Government. The Group meets regularly throughout the year and its remit includes making sure a consistent approach is taken to approval of pay remits for staff, and to remuneration of Chief Executives and public appointments.

2.18 When required, the Remuneration Group will consider pay or remuneration proposals and will decide whether or not proposals need to be referred to Ministers.

2.19 Details of current membership of the Remuneration Group, meeting dates and the deadlines for papers are set out on the Scottish Government's Public Sector Pay webpages, available at: www.scotland.gov.uk/Topics/Government/public-sector-pay/RemunerationGroup.

What role and responsibilities does the sponsor team have in the pay policy process?

2.20 The **sponsor teams** of NDPBs and Public Corporations are responsible for making sure their public bodies are aware of the Scottish Government's Public Sector Pay Policy and the processes. It is their role to advise the Finance Pay Policy team on affordability and of any issues that they need to be aware of that may impact on the rating of the pay proposals.

2.21 Sponsor teams are also responsible for considering, along with the Finance Pay Policy team, any remuneration proposals for Chief Executives, Chairs, Board Members and public appointments (whether or not the public appointment is linked to a public body). If a new Chair is appointed to a public body, it is the role of the sponsor team to inform them of the Public Sector Pay Policy and this Technical Guide. In conjunction with the relevant Finance Business Partner, sponsor teams are responsible for considering and confirming the affordability and sustainability of remuneration proposals and seeking formal approval for the proposals.

2.22 Further detail on the role and responsibilities of the sponsor team is set out in section 7 of this guide.

What role and responsibilities do senior Scottish Government officials have in the pay policy process?

2.23 **Senior officials (Director / Director General / Permanent Secretary).** For NDPBs and Public Corporations, the Director of the relevant sponsoring Directorate is responsible for ensuring good governance within public bodies in respect of the Public Sector Pay Policy and the processes and where appropriate approving proposals. The Director for Budget and Public Spending is responsible for approving for Finance Pay Policy interests. These senior officials will refer proposals to Remuneration Group when they are novel or fall outside of Public Sector Pay Policy.

2.24 The relevant Director General will take on this role in relation to Agencies and to public appointments not linked to a public body. The Permanent Secretary takes this role for Associated Departments, the Scottish Government's Main Bargaining Unit and the Scottish Government Marine (off-shore) bargaining unit.

What is the role and responsibilities of the senior Scottish Government Finance Business Partner in the Pay Policy process?

2.25 The **Finance Business Partner**[4] is responsible for providing comment on the affordability of the proposals within agreed budget allocations (taking into account delivery of efficiency savings) and on whether the proposals offer value for money.

What role and responsibilities do Scottish Ministers have in the pay policy process?

2.26 If Ministerial approval is required the proposals will need to be approved by the relevant Portfolio Cabinet Secretary or Minister **and** the Cabinet Secretary for Finance or Finance Minister. Referrals to Ministers must include Remuneration Group advice.

How should pay increases be applied to part-time employees?

2.27 The policy intention is for all increases to be based on an individual's full-time equivalent salary so that part-time employees will receive all increases on a pro-rata basis. The reason for this is that it is the most equitable approach and maintains the integrity of existing pay and grading structures. This approach provides all staff in the same grade and job weight the same proportionate increase ensuring equal pay for like work or work of equal value.

[4] If a public body has a sponsor team within the Scottish Government it will also have a Finance Business Partner who provides advice to sponsor teams on all budgetary matters.

What is required to extend a No Compulsory Redundancy commitment?

2.28 The statutory definition of "redundancy" encompasses three types of situation: business closure, workplace closure, and reduction of workforce. The dismissal of an employee will be by reason of redundancy if it is “wholly or mainly attributable to” the employer:

- Ceasing or intending to cease to carry on the business for the purposes of which the employee was employed by it (business closure) (*section 139(1)(a)(i), ERA 1996*);
- Ceasing or intending to cease to carry on that business in the place where the employee was so employed (workplace closure) (*section 139(1)(a)(ii), ERA 1996*); or
- Having a reduced requirement for employees to carry out work of a particular kind or to do so at the place where the employee was employed to work (reduced requirement for employees) (*section 139(1)(b), ERA 1996*).

2.29 The intention behind Ministers’ No Compulsory Redundancy commitment is to ensure that, in any of the above circumstances, the employer works closely with affected staff and their unions, to identify suitable alternative employment opportunities.

2.30 This pay policy continues to support the Scottish Government’s position on No Compulsory Redundancy. The Government believes this commitment creates 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.

2.31 Public bodies will be expected to negotiate extensions to their No Compulsory Redundancy agreements for the duration of their 2020-21 pay settlement as part of constructive and collaborative discussions between employers and their trade unions to make the most effective use of the funding available for the pay award, within the bounds of the pay policy.

2.32 The details will be for agreement between employers and their staff groups as part of collective bargaining negotiations for 2020-21. The key aim remains for public bodies to manage costs and protect staff numbers to deliver the quality of services within constrained budgets. The Scottish Government expects all public bodies to engage with this framework.

2.33 The No Compulsory Redundancy agreement extends to all directly employed staff and public bodies would be expected to look at all appropriate measures to avoid compulsory redundancy such as transfer to other areas of work both within the organisation or to another public body (if agreed arrangements are in place); reviews of working practices such as reducing overtime; restricting promotions/recruitments; or restricting the use of temporary workers or fixed-term appointments, etc. The No Compulsory Redundancy agreement does not apply to the termination of a temporary appointment or the end of a fixed term contract where staff are recruited for a limited period.

What is the policy position on Fair Pay and pay inequalities?

2.34 The Scottish Government recognises the importance of treating people fairly in the work place and encourages best practice among its public bodies as set out in the Fair Work Framework[5]. This recognition is embedded in Scotland's Labour Market Strategy[6].

2.35 The Scottish Government's Fair Work First position will see investment in skills and training, no inappropriate zero hours contracts, genuine workforce engagement, including with trade unions, and payment of the real Living Wage extended to more contracts and government support grants. All employers are encouraged to follow the Scottish Government's lead and have a Fair Work Agreement with their respective Trade Unions and/or staff representatives.

2.36 It is important public bodies meet their public sector equality duty and review their pay systems on an annual basis, and ensure they carry out a full equality impact assessment of their reward policies and practices in line with the recommended time scales. Public bodies are encouraged to work jointly with their trade union(s) in undertaking their equal pay reviews. Further information on the Scottish Government's duties under the Equality Act 2010 is available at:
Outline of Scottish Government's duties under the Equality Act 2010.

2.37 Each public body is required to make sure it has due regard to its obligations under the public sector equality duties when considering its 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 gender. In terms of pay proposals, public bodies are expected to have carried out equal pay reviews and set out in their business case the results of such reviews and the steps they propose to take to address any inequalities they have identified.

2.38 Where a public body has identified a potential pay inequality they wish to address, they will need to provide evidence of the extent of this inequality. 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 all proposals to address inequalities. They will also need to propose ways of tackling this in a cost-effective way, subject to affordability constraints and where appropriate the pay policy limits. If it is not possible to make the necessary changes within the pay policy limits, the Finance Pay Policy team will liaise with the relevant sponsor team and advise whether the proposals should be put to the Remuneration Group and potentially Ministers for their consideration.

2.39 All employers will be required to confirm that they have considered their obligations under equalities legislation in developing their pay proposals.

[5] https://www.fairworkconvention.scot/the-fair-work-framework/
[6] http://www.gov.scot/Publications/2016/08/2505

2.40 The Scottish Government is committed to ensuring pay systems in the public sector are fair and non-discriminatory and has published an Equality Impact Assessment in relation to the 2020-21 Public Sector Pay Policy.
Scottish Public Sector Pay Policy 2020-21 - Equality Impact Assessment

2.41 Public bodies are expected to carry out an Equality Impact Assessment of their pay proposals 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.

What is the pay policy position on wellbeing?

2.42 The Scottish Government is committed to promoting wellbeing of all people living in Scotland. Employers are required to actively look at how they can promote wellbeing in their workplace to support a positive and healthy work-life balance. Public bodies will be expected to outline their well-being strategy and identify any changes they propose to introduce during 2020-21.

What does the suspension of non-consolidated performance payments mean?

2.43 The policy position remains that all non-consolidated performance payments (bonuses) remain suspended. This approach allows public bodies to maximise the resources available to them to address fair pay issues and pay restoration. The suspension applies to all non-consolidated performance payments (normally based on performance in the preceding year).

Can a public body submit pay proposals that cover more than one year?

2.44 This is a matter for public bodies, subject to affordability. There is an expectation that public bodies will submit pay proposals which cover one year, given budget allocations are for a single year, although this is not a mandatory requirement of the Pay Policy. The pay policy for 2020-21 applies to public bodies with settlement dates for the year between 1 April 2020 and 31 March 2021 (inclusive). Where a public body wishes to submit pay proposals for more than one year they should contact the Finance Pay Policy team and their sponsor team (where applicable) at the earliest opportunity.

2.45 A settlement covering more than one year may provide certainty for employers and their staff; help to ensure annual pay awards are paid on time and reduce the administrative burden and costs associated with the pay process. It may also provide public bodies with the opportunity to take a phased approach to addressing evidenced workforce or structural pay issues ensuring affordability and sustainability. It may also help to provide for meaningful pay negotiations between employers and staff representatives.

2.46 While it is for the public body to decide how the award may be packaged, taking account of their specific circumstances, the total increase must not exceed the equivalent annual average of the parameters set in the 2020-21 pay policy and take in to account forecast budget allocations.

2.47 If a public body has approval for a multi-year pay settlement, once the award has been implemented then the pay settlement cannot be re-opened during the period of the award. This policy position applies regardless of the pay policy put in place during the years of the multi-year settlement.

What might happen if the Pay Policy is not followed?

2.48 If any pay awards are implemented or daily fees are introduced without approval, or increased beyond that for which approval had been obtained previously, the sponsor Director will be required to explain the matter to the Remuneration Group. This could result in punitive action being taken by the Scottish Government, such as the recovery of any overpayments, the capping of future increases or a governance review of the public body.

What information is needed?

2.49 Public bodies will be issued with the relevant proformas and guidance which set out the information they are required to provide to enable them to seek approval for their proposals.

2.50 Where remuneration proposals are being developed for new public bodies or for public appointments not linked to a public body, sponsor teams should contact Finance Pay Policy team for advice on what information is required.

When should a public body send in its remit proposals?

2.51 Scottish Ministers have highlighted the importance they place in individuals being paid on or close to their recognised settlement date. To help achieve this, all parties taking forward the pay process should endeavour to adhere to the agreed timescales. While paying employees on their recognised settlement date is important, we recognise there is due process to follow in delivering this which can cause unavoidable delay and would ask that public bodies keep the Finance Pay Policy team up-to-date on progress with pay negotiations.

STAFF PAY REMITS

3. STAFF PAY REMITS

Please note this section should be read in conjunction with sections 1 and 2.

Key pay policy priorities and key metrics for staff pay in 2020-21

What are the key metrics that will be used to assess pay remits?

3.1 The key features of the 2020-21 pay policy is set out in paragraph 1.3. Each remit will be assessed on the following:

- affordability and sustainability - the financial impact of the pay remit proposals
  - this includes: the cost of paying progression; any known changes to staffing over the year; as well as any mandatory changes and/or changes outwith the annual pay award (such as an increase in employer's pension contributions) that may create budgetary pressures
- meeting the measures for addressing the lower paid
- application of the increases within the pay thresholds
- the use of paybill savings to address inequalities

What is the limit on the overall increase to the paybill?

3.2 The aim of the policy is to assist public bodies to reach effective pay settlements that help them to fairly reward staff and manage their staffing numbers to deliver services within constrained budgets.

3.3 The pay policy does not set any metric relating to the overall increase in paybill. Each body covered by the policy must ensure that their pay proposals are affordable within their financial settlement for 2020-21.

3.4 The amount a public body can add to its paybill as a result of its pay proposals will be determined by their agreed[7] financial settlement. Public bodies will need to include the cost of all elements of their proposals to determine the total value of the proposed increase in pay and benefits for staff in the organisation. The public body must confirm the total value of their pay proposals are affordable within their agreed financial settlement. They must also demonstrate, particularly where there are proposed changes to existing pay and grading structures, that their pay proposals are sustainable and that all savings identified to part-fund the proposed award are deliverable.

3.5 It is a matter for individual public bodies and their staff representatives to make decisions on their proposed pay remit and how they will meet the cost within the agreed[7] financial settlement. Employers and their staff representatives should give consideration to securing productivity improvements and flexibilities to help

[7] Where the financial settlement has not yet been agreed, the public body will be required to demonstrate the cost of their proposals can be delivered within their provisional financial settlement.

them afford pay increases while ensuring public services continue to deliver best value for the public purse. Such decisions should take into account the policy requirements while ensuring that there is no detrimental impact to staff and the provision of services. Where there are affordability pressures, the public body must contact their sponsor division and Finance Business Partner at the earliest opportunity to discuss.

3.6 Each public body should send in its staff pay remit proposals in line with the submission date they agreed in advance with the Finance Pay Policy team. If for any reason a public body is unable to meet their agreed submission date it should contact the Finance Pay Policy team (**FinancePayPolicy@gov.scot)** at the earliest opportunity to discuss an alternative date.

3.7 If a public body submits its staff pay remit proposals after its agreed submission date or is likely to implement its pay award after the recognised settlement date an explanation should be provided. Where appropriate this should include confirmation that staff and their representatives are aware of any delays to the implementation of their pay award.

What are the basic pay increases that a public body can apply?

3.8 For staff whose current full-time equivalent salary is below £80,000, the basic pay award employers must apply is the guaranteed 3 per cent pay increase and this should be applied as the £750 cash underpin for all staff whose current full-time equivalent salary is £25,000 or less. If a public body proposes to award more than this to address evidenced inequalities, the additional cost of applying above the levels guaranteed in the pay policy requires to be met from the 0.5 per cent limit for flexibilities (paragraphs 3.58 to 3.623.62).

3.9 For staff above the Upper Pay Threshold (£80,000), the basic pay award increase must be within the £2,000 cap. It is the responsibility of each organisation to ensure their full paybill costs can be met from within their agreed[7] budget provision.

What is the position on applying the pay uplift to individuals where a public body has an established policy on pay protection and/or linking pay to performance?

3.10 If a public body has an established policy on pay protection (sometimes known as “red-circled staff”) and/or linking pay to performance, this may be taken into account in developing pay proposals and may be used to determine whether or not an individual is entitled to the guaranteed basic pay uplift. Depending upon local arrangements some staff may receive a non-consolidated payment in line with the basic award for other staff in the same grade or for others their pay may be frozen. In all circumstances, the public body would be required to set out the details of their relevant remuneration policies and the number of staff affected in their business case.

Can paybill savings be used to part-fund the pay award?

3.11 Public bodies can use paybill savings to part fund their proposals but such savings should not be used to award pay increases that would otherwise result in the pay proposals exceeding the pay policy limits. Savings include those arising from staff turnover (recyclable savings), reductions in staffing and the removal of allowances or reductions in overtime.

3.12 In addition, public bodies may use paybill savings of up to 0.5 per cent of baseline salaries to make changes to their existing pay and grading structures to address evidenced equality issues or to award higher increases if there is evidence of being a lower paying organisation. For further detail refer to paragraphs 3.58 to 3.623.62.

3.13 Where a public body proposes to part fund any consolidated increase from an in-year non-recurring saving they will be required to confirm that future baseline paybills are affordable.

3.14 The proposals should include confirmation from the public body that they will deliver the specified savings during the period of the proposed remit. Public bodies should provide a risk assessment on their likelihood of achieving the projected savings. The Chief Executive/Accountable Officer will be expected to confirm in the outturn proforma that the proposed savings were delivered.

What costs must be included in the pay remit?

3.15 The pay remit costings must include the cost of all[8] proposed increases in pay and benefits as well as the consequential increases to allowances, overtime rates, employer's pension and National Insurance contributions that directly relate to the pay remit proposals. This is the Total Increase for Staff in Post of the proposals and reflects the aggregate value of the increases in pay and benefits existing staff will receive.

3.16 The pay remit costings should also include the costs of any changes to existing allowance rates[9], the buying-out of existing allowances or the introduction of new allowances that will form part of the negotiations. Changes in overtime rates or proposals for new allowances will only be considered where these can be demonstrated to be cost neutral. If your proposals include any changes to existing terms and conditions you will be expected to consider the impact on the overall remuneration package particularly in regard to delivering the pay policy expectations for the lower paid.

3.17 Proposals which carry a notional cost (such as, for example, changes in the qualifying period for annual leave) must also be included in the remit proforma. There should be a supporting business case which sets out the current

[8] This will include progression (if proposed), the measures for lower paid; basic pay increases; as well as any other proposed changes to existing pay and benefits.

[9] Public bodies are reminded that all new allowances must be non-pensionable (unless otherwise required by the employer's occupational pension scheme). If a public body wishes an existing or new allowance to be made pensionable this will require separate approval.

arrangements as well as the benefits and the read across for other public bodies. The additional benefit for staff will not add an actual cost to the paybill and will therefore not impact on the Net Paybill Increase. However, if the proposals result in ancillary costs such as additional staffing, overtime or any other staffing costs these costs will require to be included in the remit proforma with confirmation the costs can be met within the agreed budget for the period. Such costs are not required to be included within the pay policy limits (paragraph 3.56).

3.18 The Scottish Government encourages employers to offer assistance with green transport initiatives. Where a public body proposes to introduce such initiatives, the detail should be set out in the business case and the associated costs for setting-up and maintaining the scheme should be included as well as an indication of the value to staff. Such costs are not required to be included within the pay policy limits (paragraph 3.56) although the public body is required to provide confirmation the costs can be accommodated within the agreed budget for the period.

3.19 Proposals to introduce non-pay rewards such as salary sacrifice schemes also fall under this category. As above, the financial proforma should include the administrative costs of setting-up and maintaining any such schemes as well as an estimate of the value to the individual. Public bodies should provide evidence to support any proposals in their business case.

3.20 Salary sacrifice proposals which aim to reduce employees' pension contributions to a public service pension scheme with off-set increases to the employer contribution will not be considered acceptable.

3.21 Once these decisions have been taken, to ensure consistency in assessing individual proposals, the expectation is that each public body should model the paybill costs of their proposed pay award in the following order taking account of any affordability pressures (see paragraph 3.5):

- progression (if proposed)
- applying the real Living Wage as a minimum of annual salary of £17,965
- the guaranteed cash underpin of £750 for staff with a full-time equivalent salary of £25,000 or less
- the guaranteed 3 per cent pay increase for staff earning up to full-time equivalent salary of £80,000
- the pay increase for staff earning above the Upper Pay Threshold (£80,000)
- proposals to access additional flexibilities
- associated increases in the costs of overtime, allowances

Public bodies must also include the employer's pension and National Insurance contributions that result from the increases in pay and benefits that are proposed.

What costs are excluded from the pay remit?

3.22 Any changes to the baseline paybill such as: mandatory increases to the employer's pension and/or National Insurance contributions; or increases related to ensuring the financial health of the pension fund; or any other changes to terms and conditions directly outwith the control of the public body are not to be treated as increases within the annual pay award. Such costs however should be included in the baseline paybill as they help determine overall affordability. Where the actual costs are not known at the time of preparing the remit costings, then an estimate should be provided along with a note of the methodology for the calculation.

3.23 The costs of paying the employer's Apprenticeship Levy should be noted in the pay remit as the cost could have a potential impact on the affordability of the annual pay award.

What are the measures to support lower paid staff?

3.24 Employers covered by the policy are required to:

- pay at least the real Living Wage rate
- ensure all staff with a full-time equivalent salary of £25,000 or less receive the guaranteed cash £750 underpin

Further details are set out below.

What is the policy position on the real Living Wage?

3.25 The policy intention is that the employer of every worker whose pay is controlled directly by the Scottish Government will be paid at least the real Living Wage rate set out in paragraphs 3.27 and 3.28.

3.26 While not a pay policy requirement, public bodies are encouraged, if they have not already done so, to demonstrate their backing of the Scottish Government's commitment to support lower paid staff by becoming Accredited Living Wage employers.

How should the real Living Wage be applied?

3.27 To meet the Scottish Government's commitment to support the real Living Wage, the pay policy expectation is for the real Living Wage to be applied as an annualised rate, **referred to as the Scottish Living Wage**.

3.28 For 2020-21 pay remits, the Scottish Living Wage is set at an annual gross salary of **£17,965**[10]. The calculation for the 2020-21 Scottish Living Wage is based on an hourly rate of £9.30 which is consistent with the real Living Wage rate announced during the 2019 Living Wage week. Therefore public bodies are require to ensure they pay at least £17,965 and that all salaries meet the real living wage rate of £9.30 per hour based on actual working hours. See paragraphs 3.32 and 3.33 for the position for Interns and Modern Apprentices.

[10] The gross annual salary is used to set a pay floor to provide a minimum annual amount an individual must earn, before tax, to afford a basic but acceptable standard of living. The annual gross salary is calculated on a 37 hours working week as this is the most common length of week for pay negotiations among public bodies covered by the pay policy. This is then multiplied by the hourly rate and 52.2 weeks per year to calculate the annualised figure.

3.29 The Scottish Living Wage is the minimum annual full-time equivalent salary for all employees in public bodies covered by the pay policy regardless of the number of conditioned hours worked. Public bodies have the responsibility to ensure that in delivering the annual gross salary of £17,965 that all their salaries meet the statutory hourly rates for the National Living Wage and the National Minimum Wage.

When is the Scottish Living Wage applied?

3.30 **All public bodies will be expected to apply the new Scottish Living Wage rate by 1 April 2020** at the latest. Where a public body has just received Living Wage Accreditation[11] they will be required to apply it from that date

3.31 The cost of applying the uprate should be included in the pay remit proposals based on the 12 month cost (i.e. as if the increase had been applied on the settlement date).

How does the pay policy apply to Modern Apprentices and Interns?

3.32 The pay policy supports the Government's target for Modern Apprentices, recognising the importance of providing opportunities for youth training and employment, and as such it does not provide a barrier to delivering on this. Where a public body takes on a Modern Apprentice in a:

- recognised/existing job role - then the public body is expected to pay them the rate for that grade.
- specific training role - they are expected to pay at least the Scottish Living Wage unless it is the lowest pay point in the existing pay and grading structure and there is a need to create a differential between established roles and the training role. In such circumstances the public body would be expected to pay at least the adult National Minimum Wage rate rather than the statutory Youth Development or Apprentice rates. Where a public body pays a Modern Apprentice at a lower rate than the Scottish Living Wage they would be required to provide details of the rates paid. The public body would be required to pay the Modern Apprentice the established rate for the job on completion of the agreed training period.

3.33 The pay policy does not apply directly to interns who are on short-term, developmental placements. However, public bodies are encouraged to consider best practice when offering an internship particularly if they are in a recognised/existing job role or specific training role as set out in paragraph 3.32 for Modern Apprentices. Where it is appropriate and where they can afford to do so, employers should pay the Scottish Living Wage, particularly where the intern is undertaking a job equivalent to other staff within the organisation.

[11] http://scottishlivingwage.org/accreditation

How should the guaranteed £750 cash underpin be applied?

3.34 The policy requires that employers provide a guaranteed £750 cash underpin to all staff whose **current**[12] full-time equivalent base salary is £25,000 or less. **The policy expectation is for the guaranteed £750 cash underpin to be applied on a pro-rata basis for all part-time employees**. Further detail on the application of the pay policy for part-time employees is set out in paragraphs 2.27, 3.45 to 3.47.

3.35 **The policy position is that the guaranteed £750 cash underpin should be consolidated and paid in addition to any progression increase (where eligible)**. The only exceptions to this being:

- where a public body has an established policy on pay protection (see paragraph 3.10)
- where a public body has an established policy on linking pay to performance (see paragraph 3.10).
- where an existing pay point is aligned to the real Living Wage and the living wage increase on the pay point is less than £750. In such cases the difference may be awarded as a non-consolidated payment.

What is the increase for staff earning below the Upper Pay Threshold (£80,000)?

3.36 The policy intention is that every worker whose **current**[13] full-time equivalent base salary earning above £25,000 and below £80,000 should receive a guaranteed 3 per cent basic pay increase. **The policy position is that this payment should be in addition to any progression increase (where eligible)**.

3.37 The policy expects public bodies **to apply the guaranteed 3 per cent pay increase as a consolidated basic pay award**. The only exceptions to this being:

- where a public body has an established policy on pay protection (see paragraph 3.10)
- where a public body has an established policy on linking pay to performance (see paragraph 3.10).

3.38 Employers can use all or part of the paybill savings allowed in 2020-21 for pay inequalities to provide a basic award increase of more than 3 per cent in order to reduce any gender pay gap and/or the overall pay gap between the highest and lowest earners. This would require to be evidenced, affordable and may be costed from the flexibility allowed in the 2020-21 pay policy to address evidenced equality issues (see paragraphs 3.58 to 3.62).

[12] Current salary is an individual's salary prior to any uplift including progression (where eligible). For example if an individual's current salary was £24,750 and their progression increase was 2 per cent taking them to £25,245, under the policy, the individual would still be entitled to the £750 cash underpin in addition to progression.

[13] Current salary is an individual's salary prior to any uplift including progression (where eligible). For example if an individual's current salary was £79,000 and their progression increase was 1.5 per cent taking them to £80,185, under the policy, the individual would still be entitled to a 3 per cent uplift in addition to progression.

3.39 While public bodies can identify savings to part-fund their pay award (see paragraphs 3.11 to 3.14) they cannot use any such savings to make a case to exceed the policy limits.

What if a public body proposes to pay more than 3 per cent to staff below the Upper Pay Threshold (£80,000)?

3.40 A public body may propose to apply more than the 3 per cent for lower paid staff to address evidenced equality issues. In such cases, the additional amount above the 3 per cent would require to be costed from the 0.5 per cent flexibility allowed in the 2020-21 pay policy (see paragraphs 3.58 to 3.62).

What is the increase for staff earning above the Upper Pay Threshold (£80,000)?

3.41 The policy limits the basic pay increase for those with a full-time equivalent base salary of £80,000 or more to £2,000. This applies to all pay points which are £80,000 and above.

3.42 The £2,000 is the limit on the increase in base pay. Where an individual is eligible, they may also receive a progression increment in addition to this, if this is proposed for other employees. It is noted all proposed increases will be subject to any established policy a public body has on pay protection and/or linking pay to performance (see paragraph 3.10).

3.43 In determining the level of increase for those staff earning above the Upper Pay Threshold (£80,000), each public body should take in to account the progressive approach set out in this pay policy and what they propose for other staff to ensure that pay inequalities are not exacerbated.

What can a public body do if they have staff whose base pay is currently just above the Upper Pay Threshold (£80,000)?

3.44 A public body may propose to pay a higher increase of up to 3 per cent to staff who are currently on a base salary that is just over the Upper Pay Threshold (£80,000) to address any possible “leapfrogging” and to maintain the integrity of their current pay systems. If <u>less than half</u> of the pay range is above the Upper Pay Threshold (£80,000), the cost of applying the 3 per cent can be included within the costs for those above the Upper Pay Threshold. If <u>more than half</u> of the pay range is above the Upper Pay Threshold (£80,000), the proportion of the cost of applying 3 per cent which is above the £2,000 limit must be included under the costs under the paybill flexibilities.

How should pay increases be applied to part-time employees?

3.45 The policy intention is for all increases to be based on an individual’s full-time equivalent salary so that part-time employees will receive all increases on a pro-rata basis. However the pay policy provides flexibility for employers to take their own decisions in this regard. It does not prevent individual employers choosing to submit proposals to pay the same level of increase to all staff regardless of work-pattern to address their own specific circumstances. The additional cost above the policy limits would require to be met from the 0.5 per cent flexibilities (paragraphs 3.58 to 3.62) allowed in the pay policy to address inequalities.

3.46 If the same consolidated monetary increase was paid to all employees regardless of hours worked this could undermine some pay and grading structures. It could also create a legacy of a future higher base salary for some individuals solely as a result of part-time working rather than contribution compared within other employees with the same length of time in post and contribution but have worked full-time. There is also a risk that to pay all staff the same increase regardless of hours worked could undermine working relations between employees.

3.47 This may be better illustrated by the following examples where the full-time and part-time equivalent salaries are above and below £25,000 based on a full-time working week of 37 hours.

<u>Example based on a standard 37 hour working week:</u>

Employee A: works full-time with a salary of £20,000
Employee B: works part-time with a take-home salary of £20,000 (based on a full-time equivalent salary of £ 29,600)
Employee C: works full-time with a salary of £29,600

Employee	Hours worked	Current salary	Current Hourly rate*	Increase	Revised Salary	Revised Annual Salary FTE	Revised Hourly rate*
		£	£	%	£	£	£
A	37	20,000	10.36	£750	20,750	20,750	10.74
B	25	20,000	15.33	£750	20,750	30,710	15.90
C	37	29,600	15.33	3%	30,488	30,488	15.79

*Annual salary divided by hours worked and 52.2 weeks per year

In the above example, both employee A and B have a salary of £20,000 regardless of hours worked, however the full-time employee's current hourly rate is £10.36 compared with the part-time employee of £15.33. Therefore if the part-time employee were to receive a £750 increase, on the basis that their take-home pay was less than £25,000, this would mean that their hourly rate following the pay increase would then be higher than their full-time equivalent co-workers on the same grade and equivalent full-time pay point (£15.90 compared with £15.79).

What is the position on progression?

3.48 Nothing in the policy is intended to interfere with existing pay progression arrangements or to constrain discussions between employers and staff on this issue.

3.49 Where there is no contractual commitment to pay progression, bodies may continue to pay progression if they choose to subject to any established policy they have on pay protection and/or linking pay to performance (see paragraph 3.10).

Decisions taken to pay progression should be based on business needs, maintaining headcount and affordability.

3.50 It remains a matter for individual public bodies and their staff representatives to agree a pay settlement that is affordable. However where there are affordability pressures, decisions may be required on whether to cap progression increases or suspend progression in order to maintain headcount and services and meet the policy requirements for lower paid staff within the agreed financial settlement. In taking such decisions, consideration is required to ensure that no direct or indirect discrimination is introduced or perpetuated. In addition, if there is any proposed change to existing progression arrangements, consideration should be given to the impact for future years to ensure the public body is able to meet its equality obligations noting that the pay policy encourages public bodies to continue work towards ensuring maximum journey times are no more than 5 years. Where there are affordability pressures, the public body must contact the Finance Pay Policy team and their sponsor division and Finance Business Partner at the earlies opportunity.

3.51 Where necessary, public bodies must ensure they have sought legal advice as to the extent of contractual obligations in relation to paying progression.

3.52 All proposals to cap or suspend progression will be considered by Remuneration Group. The supporting business case will require to include the rationale for the decision taking into account affordability and legal advice.

3.53 The cost of paying progression under existing arrangements continues to be costed outwith the pay policy limits (see paragraph 3.56) and, as with all pay increases, will require to be met fully from within the agreed budget provision. Where a public body proposes to make a change to existing progression arrangements, such as reducing journey times, the cost of introducing the change should be included within the 0.5 per cent flexibilities allowed to address pay inequalities.

3.54 The cost of progression should be based on a full 12 month cost regardless of whether or not a public body awards increments to staff based on individual anniversary dates. Therefore the cost should not be scaled down to the cost payable within the pay remit period if that is different. Any savings arising from paying staff on individual anniversary dates should take in to account the residual progression costs from the previous year. The savings may be noted for affordability of the pay remit but may not be used to off-set the costs of any proposals which seek to address pay inequalities as detailed in paragraphs 3.58 to 3.62.

What is included within the pay policy limits?

3.55 All increases to pay must be included within the specified policy limits set out for 2020-21 unless they are specifically identified to address evidenced equality issues and it is proposed to seek to use the flexibilities within the pay policy outlined in paragraphs 3.58 to 3.62. Increases within the limits will include:

- the basic award including the specified low pay measures (see paragraph 3.24)

- any costs arising from proposed changes to existing terms and conditions that are not covered by the additional flexibility for addressing equality issues (see paragraph 3.58)
- the cost of any payment to staff on pay protection

What are outwith the pay policy limits?

3.56 The following costs are all outwith the respective pay policy limits for basic pay increases:

- progression
- flexibility to use paybill savings to address inequalities
- introducing assistance with green transport initiatives
- proposals which carry a notional cost (where there is no actual cost to the employer)
- the ancillary increases to allowances, overtime, employer's pension and National Insurance Contributions as a result of the pay proposals

3.57 For costs that are outwith the pay remit refer to paragraphs 3.22 and 3.23.

Does the pay policy provide flexibility for public bodies to use paybill savings to address inequalities?

3.58 Public bodies will be able to use paybill savings of up to an additional 0.5 per cent of baseline salaries, beyond those limits set out above to address any or all of the following:

- considering affordable and sustainable changes to their existing pay and grading structures or terms and conditions to address evidenced equality issues.
- address inequalities arising from recruitment and retention issues.

What is required if a public body is seeking to use paybill savings to address inequalities?

3.59 The following sets out some examples of the types of proposals that public bodies might submit to address inequalities:

- reviewing existing pay and grading structure, including:
  - reducing progression journey times (removing minima and/or recalibrating pay steps)
  - recalibrating existing pay steps
  - reducing and/or removing overlaps between grades
- equalising contractual and working hours.
- removing / changing out-dated allowances.
- changes to wider HR policies, including:
  - increases to maternity, paternity and adoption leave
  - changes to recruitment/promotion policies to encourage greater uptake of individuals with a protected characteristic where they are under-represented in a specific grade or grades.

    - reviewing service related benefits such as reducing the qualifying time for maximum annual leave entitlement
- future-proofing for the real Living Wage and National Living Wage

3.60 To assist public bodies in framing their proposals, the following sets out some guiding principles/benchmarks:

- public bodies should aim to have journey times of no more than 5 years for all grades.
- the proposed changes should not result in terms and conditions becoming more generous than the majority of other public bodies.
- any proposed increases to existing band maxima of more than the limits set out in the 2020-21 pay policy should not result in the band maxima exceeding the median of the equivalent market maxima by more than 5 per cent.
- public bodies should aim to have a qualifying time for maximum annual leave entitlement to be no more than 5 years.

3.61 Where a public body provides clear evidence of equality issues they must demonstrate:

- the cost does not exceed 0.5 per cent of baseline salaries
- the proposals can be evidenced to show a tangible improvement (such as reducing the overall gender pay gap)
- the cost of making the changes can be wholly funded from paybill savings. However, where a public body has difficulty in meeting the full cost from paybill savings, but meets the other criteria outlined, they are invited to contact the Finance Pay Policy team and their sponsor team (where applicable) to discuss options
- a risk assessment of being able to deliver the identified paybill savings
- the proposed changes are sustainable (that they do not create pressure on future baseline paybills).

3.62 See the worked example on using paybill savings to address equality issues (paragraph 3.116).

What is required if a public body submits proposals for amending or restructuring their pay and reward system?

3.63 If a public body is developing proposals that make any changes to their existing pay and grading structure it should take into account the following:

- the wider read across of their proposals for other public bodies
- the policy expectation is that any new pay range maxima should not result in it being more than 5 per cent above the median of the maxima in the relevant labour market. In most instances the expectation is for the relevant labour market to be the other public bodies subject to the public sector pay policy and public bodies should ensure any job evaluation scheme they use enables them to fully utilise this data

- there is no similar expectation for the pay range minima. However, public bodies should ensure that any proposed increases to a pay range minima will not result in paying above the relevant market for that grade or build in future paybill pressures as a result of paying new recruits and/or promotees a higher starting salary
- affordability and sustainability - the changes are affordable and sustainable in the years following the implementation of the restructuring. To demonstrate this public bodies are expected to projected annual progression costs for the 3 years following implementation of the restructuring

3.64 Where a public body is considering proposals which include restructuring their existing pay and grading system they should discuss them with the Finance Pay Policy team at the earliest opportunity.

Can a public body align to another public body's pay proposals or submit joint pay proposals?

3.65 The 2020-21 policy continues to encourage smaller[14] bodies to consider making a business case to align with another appropriate existing pay system (such as the Scottish Government or another Agency / Non-Departmental Public Body) which will be referred to as the host public body.

3.66 Thereafter, a brief review of the alignment arrangements should be carried out every three years to ensure it remains fit for purpose and continues to allow the body to recruit, retain and motivate its staff.
3.67 Public bodies wishing to put forward a case to align to another public body's pay system should speak with the Finance Pay Policy team in the first instance and in advance of their 2020-21 settlement date.

3.68 While the alignment arrangements continue to be available only for the smaller public bodies, there is no restriction on larger public bodies seeking to submit joint remit proposals where there are clear business benefits of doing so. Where two or more bodies propose to submit a joint pay remit they should seek early discussions with the Finance Pay Policy team.

What happens if a public body is legally committed to elements of the pay award?

3.69 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), for example after the transfer of staff or the creation of a new public body. Where this is the case and the commitment is not compatible with meeting the requirements of the pay policy, the public body should set out in its business case: the basis of the contractual obligations; whether or not they have sought legal advice; how it intends to resolve the situation; the potential impact with other employees and the timeframe for its resolution.

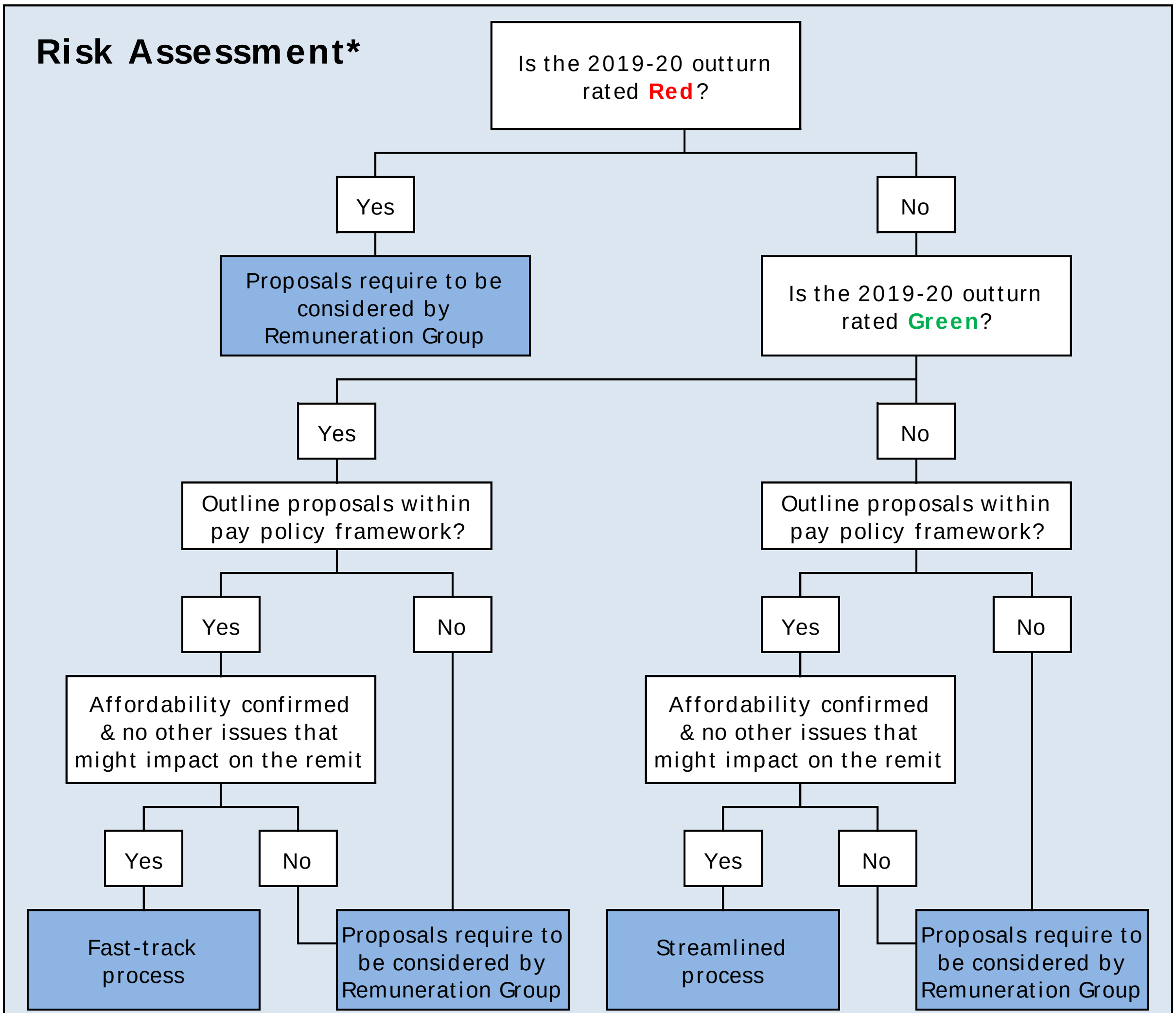
[14] A smaller public body, for this purpose, is defined to be one which employs around 100 staff (FTE) or less. This limit is based on capturing all public bodies in the lowest quartile for the number of staff employed in each of the public bodies directly subject to the policy.

3.70 Public bodies should note the basis of approval of pay remits in paragraphs 3.107 to 3.110 and ensure they do not create any new contractual obligations.

Staff pay remit approvals process

What is the pay remit process in 2020-21?

3.71 Pay proposals will be assessed by Finance Pay Policy Team, and where relevant in conjunction with the sponsor team using a risk-based approach to the pay remit process. Based on some key indicators, each public body will be assigned to one of three remit process. The following chart summarises the 2020-21 risk assessment process:



** The Scottish Government's pay proposals require to be approved by Scottish Ministers*
Analogue bodies will be rated low risk

Low Risk	Fast-track process	The public body can go ahead and engage in formal pay negotiations. The public body would then only be required to provide settlement information once the pay award was implemented.
Medium Risk	Streamlined process	The public body can go ahead and work up detailed proposals in conjunction with their Staff Representatives/Trade Unions but would require to seek formal approval prior to concluding formal pay negotiations.
High Risk	Full pay remit process	The public body requires to have their pay proposals considered by the Scottish Government's Remuneration Group prior to engaging in formal negotiations.

3.72 For the purpose of the 2020-21 risk assessment, the rating for the 2020-21 remit will be based on the following criteria:

Green

The 2020-21 remit will be rated **Green** if both of the following apply:

- the 2019-20 outturn is rated **Green.**
- the 2020-21 proposals are in line with pay policy and are affordable.

Amber

The 2020-21 remit will be rated as **Amber** if any of the following apply:

- the 2019-20 outturn is rated either **Green** or **Amber**.
- the 2020-21 remit is affordable but includes proposals to use the 0.5 per cent flexibilities to address inequalities which require Remuneration Group consideration.
- the 2020-21 remit includes proposals for restructuring.

Red

The 2020-21 remit will be rated as **Red** if any of the following applies:

- the 2019-20 outturn is rated **Red**.
- the 2020-21 remit proposals are outwith pay policy.
- the 2020-21 remit proposals are not affordable.

3.73 This process provides greater autonomy to public bodies and reduces the resources both for public bodies and Scottish Government officials required in the current process. The process also underpins the pay policy expectation for public bodies to actively engage with their staff representatives / Trade Unions as early as possible in the pay round as part of a positive partnership approach to pay negotiations. Regardless of the risk rating the policy expects public bodies and their Trade Unions to have constructive and collaborative pay scoping discussions prior to the public body submitting their outline proposals.

What should a public body provide for the risk assessment of their outline pay proposals?

3.74 All public bodies will be required to complete an assessment proforma in which they are asked to provide:

- 2019-20 Outturn information.
- the 2020-21 baseline position.
- indicative costs for progression and savings.

3.75 Public bodies will also be asked to provide a brief outline of their pay proposals, in particular details of any changes proposed to existing pay and grading structures or terms and conditions to address pay inequalities.

3.76 The sponsor division and Finance Pay Policy team will comment on the outline proposals. It will be the responsibility of the sponsor division to highlight any issues or affordability pressures and along with the Finance Business Partner approve the optimum funding envelope. The Finance Pay Policy team will advise on the risk rating of the proposals and provide guidance, if necessary, to ensure the proposals remain in line with pay policy. This rating will then provide the framework for public bodies to engage in formal pay negotiations with their Staff Representatives/Trade Unions.

How will the outturn be assessed?

3.77 The previous year's outturn information is required be provided as part of the current year's pay proposals. As noted in paragraphs 2.10 to 2.12, it is the responsibility of the Chief Executive or Accounting Officer to confirm the outturn is within the approved remit and the assumptions made in respect of savings to fund the pay award were met.

3.78 The Finance Pay Policy team will rate the outturn for the previous year as follows:

Green

The outturn will be rated as **Green** if all of the following apply:

- the settlement information for 2019-20 has been provided and confirms the pay award was implemented within the approved remit.
- the outturn is fully in line with the approved remit (it did not exceed the limits of the approved remit; all changes to pay structures were implemented as approved; all conditions placed on approval had been met; and where appropriate, all assumptions about paybill savings are still valid) and this has been confirmed by the Chief Executive.
- any paybill changes are attributable to factors not directly related to the approved remit.

Amber

The outturn will be rated as **Amber** if any of the following apply:

- the settlement information for 2019-20 has not been provided.
- the outturn exceeded the approved limits and there is insufficient information to determine that any other paybill changes are attributable to factors not directly related to the approved remit and the increase in paybill per head indicates proposals were implemented as approved.
- the savings identified in the approved remit have not been fully realised but were sufficient to cover the costs of implementing any changes to address inequalities.

Red

The outturn will be rated as **Red** if any of the following apply:

- the implemented pay award differs from the basis of the approved remit.
- the outturn exceeded the approved limits; there is insufficient information to determine that any other paybill changes are attributable to factors not directly related to the approved remit and/or the increase in paybill per head is higher than the approved remit.
- the savings identified in the approved remit have not been fully realised and were insufficient to cover the costs of implementing any changes to address inequalities.
- the public body did not comply with any conditions placed on approval.

3.79 If the outturn is rated as **Red**, the public body must provide an explanation as to why the outturn was exceeded and the current remit and outturn must be considered by the Remuneration Group.

3.80 Where a public body has exceeded the approved remit and the increase cannot be explained by changes in staffing over the year or has moved away materially from the basis of that remit then the Remuneration Group may refer the outturn and the current remit proposals to Ministers. The Remuneration Group expect Ministers will take action where the explanation is not adequate. The potential consequences of significantly exceeding a remit in such circumstances are set out in paragraphs 3.113 to 3.115.

What is required under the fast-track (Green) process?

3.81 Where a public body has been assigned the fast-track process then the pay remit would be signed off by their Board or Remuneration Committee and they would only be required to submit a settlement proforma once the pay award has been implemented.

What is required under the streamlined (Amber) process?

3.82 Where a public body has been assigned to the streamlined process they would be required to obtain approval to their pay remit proposals prior to concluding formal pay negotiations and implementing the pay award. The pay remit proposals will be rated as set out in paragraph 3.72 and this will determine who approves the pay remit (paragraphs 3.85 to 3.92).

What is required under the full pay remit (Red) process?

3.83 Where a public body has been assigned to the full pay remit process they would be required to submit their pay proposals with the necessary supporting information for approval by the Scottish Government's Remuneration Group prior to engaging in formal pay negotiations. Where the Remuneration Group consider the proposals as novel or have the potential of a wider read-across to other public bodies, they may decide to refer them to Ministers.

What if the proposals have been rated Red?

3.84 If the current remit proposals are rated **Red** the public body will be required to revise its proposals to bring them in line with public sector pay policy before they can be given further consideration and before they can be submitted for approval.

Who approves the pay remit proposals?

3.85 Ministers have decided some remits may be delegated to be approved by the Scottish Government's Remuneration Group or senior officials depending upon their rating.

<u>Senior Officials</u>

3.86 Senior officials may approve proposals where the current remit is rated **Green** and the outturn is rated either **Amber** or **Green**. All other proposals will be considered by the Remuneration Group who will decide whether they can be approved or need to be brought to the attention of Ministers. This is summarised in the following table:

Outturn	Current remit proposals	Decision
Green or **Amber**	**Green**	Senior officials
Red	**Green** or **Amber**	Remuneration Group
Green or **Amber**	**Amber**	Remuneration Group
Green or **Amber** or **Red**	**Red**	Requires further consideration as Remuneration Group would not be able to approve

3.87 Who approves the remit at senior official level will depend upon whether the public body is a NDPB / Public Corporation, Agency or Associated Department:

<table>
<tr><th>Public body</th><th>Portfolio approval</th><th>Finance approval</th></tr>
<tr><td>NDPB or Public Corporation</td><td>Director of the relevant Sponsor Directorate[15]</td><td rowspan="3">Director of Budget and Public Spending</td></tr>
<tr><td>Agency</td><td>Director General[16] of the relevant Sponsor Directorate</td></tr>
<tr><td>Associated Department</td><td>Permanent Secretary</td></tr>
</table>

[15] The Director may delegate this responsibility to a Deputy Director in specific circumstances where the Deputy Director has a closer working relationship with the public body or when known leave commitments would result in the time required for senior official approval to be more than 2 weeks.

[16] The Director General may delegate this responsibility to the Sponsor Director when known leave commitments would result in the time required for senior official approval to be more than 2 weeks.

3.88 Senior officials will consider the proposals and on the basis of the information provided will decide whether to approve the proposals or to seek further information or to refer them to Remuneration Group.

<u>Remuneration Group</u>

3.89 All proposals that require Remuneration Group consideration need to have the support of the relevant portfolio senior official.

Public body	**Relevant senior official**
NDPB/ Public Corporation	Director[15] of the relevant Sponsor Directorate
Agency	Director General[16] of the relevant Sponsor Directorate
Associated Department	Permanent Secretary

3.90 The Remuneration Group will consider the proposals, which will include the Chief Executive's foreword to the business case, the advice from the sponsor team (where applicable), the Finance Business Partner (where applicable), the Finance Pay Policy team and the views of the portfolio senior official. On the basis of this information, the Remuneration Group will decide whether to approve the proposals or to seek further information or to refer them to Ministers.

<u>Ministers</u>

3.91 Examples of proposals that may be referred to Ministers include those where the outturn is rated as red and the Remuneration Group consider the supporting explanation to be inadequate; or where the current remit is novel or contentious; or where the remit is of particular interest to Ministers. Each decision will be made on a case-by-case basis but the Remuneration Group expects to approve most proposals under the delegated approval arrangements. If Ministerial approval is required it will be the approval of the Cabinet Secretary for Finance or Finance Minister <u>and</u> the relevant Portfolio Cabinet Secretary or Minister.

3.92 The pay remit proposals for the Scottish Government's main bargaining unit require to be approved by Ministers regardless of its rating.

How long will approval take?

3.93 If a public body submits its pay proposals to the Finance Pay Policy team in line with their agreed submission date then they will be given priority.

3.94 The following flow chart summarises the expected length of time which will be taken at each stage of the process:

Remit process

Public Body (**PB**) submits their previous year's outturn and oultine remit proposals to the Finance Pay Policy team (**FPP**) and (where relevant) their Sponsor Team (**ST**) [(1)]

The FPP team, and where relevant, the ST assess the information provided, affordability and any other known factors (See Risk Assessment flow chart) and advise on the remit process[(2)]:

Up to 2 weeks

Fast-track process

Streamlined process

PB engages in formal negotiations with their Trade Unions (**TUs**) but must seek formal approval to the proposed award prior to implementation [(3)].

Remit proposals are approved by: Officals or Remuneration Group or Ministers

Full pay remit process

PB must submit assessment proforma with supporting business case for approval

The FPP team and where relevant the ST and Finance Business Partner assess the remit.

Up to 4 weeks

Remit proposals are approved by: Remuneration Group or Ministers

Up to 3 weeks

The negotiating framework is considered approved and the PB can engage in and conclude formal negotiations with their TUs [(3)].

Once the pay settlement has been Implemented, PBs are required to return their settlement proforma to the FPP team within 1 month. Failure to do so will result in a PB not being assigned to the fast-track process the following year.

(1) Public bodies are expected to engage with their Trade Unions in preparing their draft proposals prior to submitting their assessment proforma to the Scottish Government.

(2) The Scottish Government's pay proposals will follow the streamlined process. Analogue bodies will be rated low risk.

(3) PB/TUs must inform FPP of any issues arising during pay negotiations which may result in any implemented settlement deviating from the basis of the approved remit.

3.95 Where a public body is required to submit a full pay remit the aim will be to approve these pay remit proposals **within 7 weeks**.

- this provides for up to 4 weeks for assessing the outturn and remit proposals and resolving queries with the Finance Pay Policy team and sponsor team (where applicable). The aim is to conclude this assessment within a couple of weeks but this will depend upon the complexity of the proposals and the number of other remits submitted to the team at the time. Where possible the Finance Pay Policy team will try and advise on the likely length of time that might be required.
- it will then take up to 3 weeks for the formal approval of proposals. During these 3 weeks, the formal submission will be prepared and submitted to Remuneration Group for approval.

3.96 Please note that if the proposals require to be approved by Ministers then this may take longer than 7 weeks.

3.97 The Remuneration Group meets regularly throughout the year and the dates of meetings in 2020 can be found at: Remuneration Group meeting dates. If the deadline for the submission of papers is missed, the proposals will be put on the agenda of the next available meeting of the Remuneration Group. However, in exceptional circumstances, the submission may be put to the Remuneration Group in correspondence at the agreement of the Remuneration Group Secretariat and / or the Chair.

3.98 To achieve the above timescales, it is important that the proposal each public body submits to the Finance Pay Policy team includes all the necessary information, is submitted on time and the public body responds to any queries raised quickly. If a public body submits its proposals in line with the timetable, the Finance Pay Policy team will aim to provide initial feedback within 5 working days.

How will public bodies be notified of the outcome of the approval process?

3.99 Once the pay proposals have been approved; a letter will be issued to the public body setting out the decision made and where appropriate any requirements or conditions made in respect of that decision. The public body can, if it wishes, request a meeting with Scottish Government officials to discuss the submission and the subsequent decision made.

Who is required to submit a settlement proforma?

3.100 All public bodies are required to complete a settlement proforma to confirm that the implemented settlement is wholly in line with pay policy. This confirmation will form an important part of the process to determine the risk rating for 2021-22 (see paragraph 3.78).

What are public bodies who analogue or align to another public body expected to provide?

3.101 All public bodies which align or analogue to another public body (referred to as the “host public body”) are dependent upon the host public body having an agreed settlement before they can determine the impact for their own staff. The public body should discuss the affordability of the host pay award with their sponsor team prior to implementation. If a public body is not able to fully implement the host public body’s pay award then they should also discuss with the Finance Pay Policy team.

3.102 Public bodies which align or analogue to another public body are expected to submit a completed settlement proforma once they have implemented the pay settlement. This will confirm that they have implemented the pay award in line with the host public body as well as providing the supporting pay and equalities information.

Staff pay discussions and negotiations

When should a public body engage with its trade union(s)?

3.103 The policy encourages all public bodies to have constructive and collaborative pay discussions with their relevant trade union(s) on the development of their overall pay and reward strategies prior to submitting their assessment proforma and where necessary their remit for formal approval.

3.104 However, while informal discussions can take place, public bodies must not enter into formal negotiations with their trade union(s) until their remit has been formally approved. Trade unions should note that points considered in informal discussions cannot be treated as agreed until the public body's pay remit is approved.

3.105 The approved pay remits sets out the public body's maximum negotiating position within the pay policy limits, taking account of affordability and this will set the parameters for detailed negotiations with their recognised trade union(s).

3.106 If during pay discussions or negotiations any points arise regarding the application of the pay policy, public bodies and / or their Trade Unions are encouraged to speak with the Finance Pay Policy team to seek clarification.

What is the policy on legal commitments?

3.107 Approval of pay remits is on the basis that a public body does not enter into any legally-binding contractual agreements in trade union negotiations that effectively commits it to automatic costs in the future (i.e. beyond the duration of the approved remit).

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

Can a public body make changes to its approved remit during negotiations?

3.109 If, during negotiations, a public body is considering: entering into an agreement that exceeds the key pay metric percentages approved in its remit; or deviates from the basis of approval then the public body will need to contact the Finance Pay Policy team in the first instance. The team will advise if the public body requires to revise its proposals and / or seek further approval from the Scottish Government. Changes proposed within the limits approved are a normal part of negotiations and should not need to be referred for further approval unless the Finance Pay Policy team consider them novel or contentious.

3.110 Where a public body proposes to make any changes to its existing pay and grading structure, or any of its terms and conditions, at any time during the year and had not included the detail within the pay remit, they should contact the Finance Pay Policy team to discuss. The team will be able to advise if the changes require formal approval from the Scottish Government. Failure to notify the Finance Pay Policy team will result in the public body's outturn being rated **Red** and may result in further action as set out in paragraphs 3.113 to 3.115.

Staff pay settlements

What information is a public body required to provide once it has implemented its pay settlement?

3.111 It is important that public bodies provide confirmation that they have implemented their pay settlement and met all the conditions made as part of their approved remit in the settlement proforma. The settlement proforma must be completed and returned to the Finance Pay Policy team **within one month of a public body's pay award being implemented**.

3.112 Public bodies should contact the Finance Pay Policy team if they require any assistance in providing any of the required information.

What happens if a public body exceeds its pay remit?

3.113 Ministers expect all public bodies to adhere to the basis on which their remit has been approved. If a public body exceeds the key pay metrics in their approved remit; or deviates from the basis on which the remit was approved; or negotiates changes to pay and conditions without detailing or costing them in their pay remit proposals then they will be considered to have exceeded their approved pay remit.

3.114 There may be circumstances that could not have been foreseen at the time the public body submitted its remit for approval. If this means the public body will exceed or deviate from its approved remit, they must contact the Finance Pay Policy team at the earliest opportunity. The Finance Pay Policy team will advise if the changes require to be considered by Remuneration Group.

3.115 If Remuneration Group consider the issue needs to be brought to the attention of Ministers, it will then be the responsibility of the sponsor team and Accountable Officer to justify the matter to the Portfolio Minister and the Cabinet Secretary for Finance, Economy and Fair Work. Examples of this would be where the public body has significantly exceeded the approved remit or has materially moved away from the basis of that remit. In such instances, the Remuneration Group expect Ministers will take action such as the capping of future pay remits or a governance review of the body.

Staff pay worked example

Using the flexibility to use paybill savings to address equality issues

3.116 The following example illustrates how the public body can choose to use the additional flexibility in the policy to use up to 0.5 per cent of identified paybill savings to address pay inequalities.

The proposals in this worked example are:

- to apply progression under existing arrangements
- to apply the guaranteed £750 cash underpin to all pay points of £25,000 or less.
- to apply 3 per cent consolidated increase to all pay points above £25,000 and below £80,000
- to apply £2,000 to pay points £80,000 and above.
- to remove the Min+3 pay point in Grades B and C and to use the 0.5 per cent flexibilities to equalises the pay steps.

The example is based on a public body with 105.0 (FTE) across 9 grades and includes seasonal staff:

Current pay structure for staff (£)

Grade	Min	Min+1	Min+2	Min+3	Min+4	Max
A	17,385	17,850	18,350			18,800
Seasonal						18,900
B	18,900	19,900	20,900	21,900		22,725
C	22,725	23,609	24,493	25,376		26,260
D	27,270	28,180	29,090	30,000	30,910	31,820
E	33,000	34,000	35,000	36,000	37,000	38,000
F	41,000	42,500	44,000	45,500	47,000	48,500
G	55,000	57,000	59,000	61,000	63,000	65,000
H	70,000	72,500	75,000	77,500	80,000	82,500

Staff profile (FTE)

Grade	Min	Min+1	Min+2	Min+3	Min+4	Max
A	2.0	2.5	3.0			8.5
Seasonal						3.5
B	3.0	2.5	4.0	3.0		8.5
C	2.0	1.5	2.0	2.5		9.0
D	1.0	1.0	2.0	1.0	3.0	5.0
E	2.0	1.5	2.0	1.5	2.0	6.0
F	1.0	1.0	1.5	2.0	0.0	5.0
G	0.0	1.0	0.0	1.0	1.0	3.0
H	0.0	1.0	0.0	1.0	0.0	1.0

Baseline salary costs (£)

Total net baseline paybill for all staff, of which:	**£3,268,896**
£25,000 or below	£939,156
Between £25,000 and £80,000	£2,247,241
£80,000 or more	£82,500

Proposed pay structure (£)

Grade	Min	Min+1	Min+2	Min+3	Min+4	Max
A	17,965	18,600	19,100			19,550
Seasonal						19,650
B	19,650	20,925	22,200			23,475
C	23,475	24,666	25,857			27,048
D	28,088	29,025	29,963	30,900	31,837	32,775
E	33,660	34,680	35,700	36,720	37,740	38,760
F	41,820	43,350	44,880	46,410	47,940	49,470
G	71,400	73,950	76,500	79,050	81,600	84,100
H	18,135	18,600	19,100			19,550

Summary of costs for the proposed award as a percentage of baseline salaries:

Increase applied	Cost (£)	As a percentage of baseline salaries for the relevant cohort	As a percentage of baseline salaries
Progression	56,640		1.73%
£750 for those earning a full-time equivalent salary of £25,000 or less (1)	34,500(2)(3)	3.67%	1.06%
3% increase for those with full-time equivalent salaries above £25,000 and below £80,000	67,642(2)(3)	3.01%	2.07%
£1,600 basic pay increase for those earning £80,000 and above	2,000(2)(3)	2.42%	0.06%
Flexibilities	8,879		0.27%
Total	**169,661**		**5.19%**

(1) Includes £170 non-consolidated top-up for on living wage rate
(2) the costs are after applying the progression increase
(3) The £750 is pro-rated for part-time employees

The flexibilities are costed as follows:

Flexibility	**Cost (£)**	**% baseline salaries**
Removing Min+3 pay point in Grade B and equalising pay steps	5,500	0.17%
Removing Min+3 pay point in Grade C and equalising pay steps	3,379	0.10%
Total	**8,879**	**0.27%**

CHIEF EXECUTIVE REMUNERATION

4. CHIEF EXECUTIVES

Please note this section should be read in conjunction with sections 1 and 2.

Key pay policy priorities and key metrics for Chief Executives in 2020-21

What are the key metrics that will be used to assess Chief Executive pay proposals?

4.1 The key features of the 2020-21 pay policy are set out in paragraph 1.3. Each proposal will be assessed on the following:

- affordability and sustainability - the financial impact of the pay remit proposals will be considered by the sponsor team, public body, or policy team
- application of the increases within the pay thresholds and the Scottish Chief Executive Pay Framework
- comparability with the increases for other staff in the public body

What costs must be included in the pay proposal?

4.2 The pay proposal must include the cost of all proposed increases in pay (basic award and progression) and benefits as well as with the consequential increases to allowances, overtime rates, employer's pension and National Insurance contributions that directly relate to the pay remit proposals.

What is the increase for Chief Executives earning below the Upper Pay Threshold (£80,000)?

4.3 For those Chief Executives currently earning less than £80,000, a 3 per cent basic award may be made. The policy position is that this payment should be in addition to any progression increase (where eligible).

What is the increase for Chief Executives earning above the Upper Pay Threshold (£80,000)?

4.4 For those Chief Executives currently earning £80,000 or more, the basic award is limited to a maximum of £2,000. The policy position is that this payment should be in addition to any progression increase (where eligible).

What is the position on progression for Chief Executives?

4.5 Where a Chief Executive is eligible for pay progression this is limited to a maximum of 1.5 per cent and the increase should not result in the Chief Executive's pay exceeding their pay range maxima.

4.6 In calculating any award, the expectation is that progression, where eligible, will be considered first prior to applying the basic award.

Scottish Chief Executives Framework

What is the Scottish Chief Executives Framework?

4.7 In order to ensure consistency and fairness between the remuneration of Chief Executives, in public bodies covered by the Pay Policy, and senior staff employed in Scottish Government Agencies and Associated Departments, who are civil servants (and members of the Senior Civil Service), the salary and pay range of a Chief Executive must fall within the pay bands in the Scottish Chief Executive Framework.

4.8 While there is an element of read-across between the Scottish Chief Executive Pay Framework and the Senior Civil Service Pay Framework, Chief Executives of NDPBs and Public Corporations are not civil servants and are neither subject to the Senior Civil Service Pay Framework nor its operation.

4.9 The Scottish Chief Executive pay bands are uplifted annually in line with the pay policy and the Framework for 2020-21 is as follows:

Scottish Chief Executive Framework 2020-21 (base pay)

Pay Band	Minimum	Maximum	Ceiling
3	£110,821	£150,884	£221,750
2	£91,466	£130,072	£174,298
1A	£75,383	£109,352	£139,334
1	£64,901	£98,854	£127,731

4.10 The salary and pay range of a Chief Executive is expected to lie within the minimum and maximum of the relevant Scottish Chief Executive Pay Band.

4.11 In exceptional circumstances the Chief Executive’s pay range may extend beyond the maximum in the relevant Pay Band but this is only where there is robust market evidence in support of this.

4.12 In all cases, the proposed pay range maximum must be within the ceiling of the relevant Pay Band within the Scottish Chief Executive Pay Framework and is expected to remain so.

4.13 **The minimum, maximum or ceiling of the Pay Band should not be taken as the Chief Executive’s pay range.**

How does the Scottish Chief Executive Framework operate?

4.14 The Scottish Chief Executive Framework operates on the basis of base pay with salary and pay ranges excluding any non-consolidated performance payment (bonus), pension and the cash value of any non-salary rewards. Some job evaluation systems also refer to total cash reward which might include a non-consolidated performance payment or bonus, pension and the cash value of any other non-salary rewards, but this should not be used in determining the market median for this purpose. However, the business case may set out differences in pension contributions, etc. if this is considered relevant.

Chief Executive remuneration packages

How is a Chief Executive to be paid?

4.15 Chief Executives are expected to be paid through payroll with tax deducted at source in the same way as other employees. Payments must comply with the Tax Planning and Tax Avoidance section of the Scottish Public Finance Manual:
www.gov.scot/Topics/Government/Finance/spfm/taxavoidance

What if a Chief Executive is considering a public appointment or Non-Executive Directorship?

4.16 If a Chief Executive (or other senior employee) of a body covered by the Scottish Government Public Sector Pay Policy is considering accepting a public appointment or Non-Executive Directorship in addition to their existing role, then factors to be taken into account by the Chair / Board and Sponsor Team of the employing body include: conflict of interest; time commitment; and remuneration. Such matters, including (where relevant) the need to liaise with the Sponsor Team of the public body to which the individual might be appointed, are outlined in more detail in the *Public Bodies Information Update 109* which is available on the Scottish Government website at:
www.gov.scot/publications/public-bodies-information-update-109-public-sector-pay-policy/

What needs to be taken into account when developing a new remuneration package for a Chief Executive?

4.17 The following paragraphs are relevant where a new Chief Executive post is being created or where a review is being undertaken for an existing Chief Executive post (whether a change of incumbent or not). It also covers the appointments of a temporary or interim Chief Executive.

4.18 A review of an existing Chief Executive's remuneration package can include, for example, the introduction of or changes to non-pay rewards, such as a car, etc. or revisions to pension arrangements (for example: increases in employer's contributions) where these are not mandatory.

When should a review of a Chief Executive's remuneration package be considered?

4.19 While it is normally good practice to review remuneration arrangements on a regular basis, the Scottish Government would not expect a review of the Chief Executive's remuneration package to be undertaken unless there has been a significant change in the role and responsibility of the post.

4.20 The fact that a Chief Executive may have reached the maximum of the existing pay range or has fallen behind the market is not sufficient justification to review the pay range. Nor should the existing remuneration be used solely as the basis for establishing the new minimum of a proposed pay range.

What should the business case contain?

4.21 When developing a remuneration package for a Chief Executive, the following elements must be considered and covered in the business case, along with supporting evidence. This is summarised in the following table.

Element	Points to cover in business case	Paragraphs
Job evaluation score	Job evaluation system used, date and results; date of increase in role / responsibility (where relevant) While the evaluation report need not be part of the Business Case, the Finance Pay Policy team will still require sight of it	4.23 and 4.24
Determination of Pay Band in Chief Executive Pay Framework	Advice from the Finance Pay Policy team if new appointment or changes to the public body itself	4.23 to 4.25
Comparator labour market	Relevancy and justification of labour market selected; comparator organisations used; median of salaries in that labour market, date of sample	4.28 and 4.29
Internal referencing with the senior management team	Set out the pay differential over senior management team; if differences are proposed set out justification / rationale	4.30
Proposed pay range	Minima and maxima; further justification required if this exceeds the maximum in the Framework; must be less than the ceiling in the Framework	4.31 to 4.35
Proposed starting salary	Must be within lowest quartile, or clear justification for higher starting point	4.36 and 4.37

Element	Points to cover in business case	Paragraphs
Progression methodology	Set out proposals, taking into account equalities obligations; anticipated journey time, etc. Journey times cannot be guaranteed and spine points should not be explicit in any pay range	4.38 to 4.40
(*For new appointments to existing posts*) consideration of the required 10 per cent reduction in remuneration package over outgoing	Confirmation this has been achieved or justification as to why not	4.41 to 4.44
Bonus arrangement	Presumption against	4.45
Pension	Details and confirmation in line with other staff	4.46 to 4.48
Car (or related allowance)	Presumption against. If proposing, provide details and justification.	4.50 to 4.52
Life insurance or other health benefits	Presumption against. If proposing, provide details, justification or confirmation in line with other staff	4.53 and 4.54
Relocation expenses	Details and confirmation in line with other staff	4.55
Value for money	Comment required	4.56
Affordability and sustainability	Confirmation required	4.57

What elements need to be considered when developing a remuneration package for a Chief Executive?

4.22 There are a number of elements to consider as part of a remuneration package for a Chief Executive, but the first steps entail:

- Determining the Pay Band in the Scottish Chief Executive Pay Framework
- Identification of the **relevant labour market** (to determine the range maximum and setting of the pay range)

What is required to determine the Scottish Chief Executive's Pay Band?

4.23 In order to determine the appropriate Pay Band in the Scottish Chief Executive Pay Framework you first need to establish the weight of the post. A formal job evaluation of the role and responsibilities of the Chief Executive post should be undertaken. The outcome of the job evaluation should provide an evaluation score which will inform which Pay Band in the Scottish Chief Executive Pay Framework the post might sit.

4.24 Normally, the job evaluation will be carried out by the public body, though where this is not possible the Scottish Government may be able to assist. In such circumstances, advice should be sought from the Finance Pay Policy team. If you are considering engaging external contractors to carry out this work, then the expectation is that you will notify your Sponsor Team and the Finance Pay Policy team of your intention beforehand.

4.25 The Finance Pay Policy team must be consulted in determining the identification of the appropriate Pay Band and approval will include the Pay Band as well as the remuneration. Note: it is not the proposed salary, proposed pay range or current Tier of the body (in relation to the Chair and Members Daily Fee Framework) that determines the Chief Executive's Pay Band in the Scottish Chief Executive Pay Framework, but the job weight evaluation score of the role and responsibility of the Chief Executive post.

What is the pay policy position on pay ranges and spot rates?

4.26 The pay policy expectation is that a Chief Executive should be remunerated by way of a pay range (allowing individuals to progress, through the delivery of agreed objectives and by gaining experience, towards the maximum of the pay range which should reflect the market rate for the job). This is principally for two reasons. First, it provides that annual pay rises are, in part, based on performance; and secondly, provides a further incentive for a Chief Executive to perform well as they increase their knowledge and experience of the role.

4.27 Only in exceptional circumstances would the appointment of a new Chief Executive on a spot rate be considered for approval. In such cases the spot rate should reflect the market rate for the job which is expected to be the median of base pay of similarly weighted posts in the relevant labour market (see paragraphs 4.28 and 4.29).

What is the relevant labour market for determining the pay range?

4.28 The business case must include clear and convincing market evidence to support the proposed pay range. Normally this would be the Scottish public sector labour market which includes Scottish public body Chief Executives in the same Pay Band. The Finance Pay Policy team can provide a list of comparable Chief Executives of Scottish public bodies and remuneration information.

4.29 Public bodies may provide additional evidence where the labour market, from which the Chief Executive might be recruited, is wider in scope than the Scottish public sector labour market. In such circumstances, a public body must explain the appropriateness and relevance of that market data. Market comparisons should be made on the basis of similarly weighted posts. Before gathering such information, public bodies should discuss the scope of the proposed labour market with the Finance Pay Policy team. Normally, market data would exclude London-based posts.

What is expected in regard to the remuneration of other senior roles within the public body?

4.30 When developing pay range proposals, the public body must consider the relationship and pay differentials between the remuneration of the Chief Executive and members of the senior management team (or the most senior level of Director below the Chief Executive).

How should the proposed pay range for a Chief Executive be determined?

4.31 The proposed pay range should be within the relevant Pay Band, taking into account the operation of Scottish Chief Executive Pay Framework.

4.32 The pay policy expectation is that the proposed pay range should lie within the minimum and maximum of the relevant Pay Band in the Scottish Chief Executive Pay Framework, taking in to account other factors such as the relevant labour market and the job weight and salary of other senior staff within the public body. It is not expected for the minimum and maximum (or ceiling) of the proposed pay range pay range to be simply the minimum and maximum of that Pay Band in that Framework.

4.33 Where the proposed pay range maximum is above the maximum of the relevant Pay Band in the Scottish Chief Executive Pay Framework, the business case will need to set out a robust case for offering remuneration at such a level and this must be supported by market evidence, including a note of any recruitment and retention aspects. In all cases, the proposed pay range should not exceed the ceiling of the relevant Pay Band in the Framework.

4.34 Under no circumstances should the minimum, maximum or ceiling of the Pay Band be taken as the Chief Executive’s pay range.

4.35 **The pay policy expectation is that the maximum of the proposed pay range should be no greater than the median of base pay of similarly weighted posts in the relevant labour market.**

What factors must be considered when setting the salary?

4.36 A public body must indicate the anticipated starting salary. The starting salary may be at any level between the minimum and the lowest quartile (25th percentile) of the approved pay range. If the proposed starting salary is beyond the lowest quartile then the public body should set out in its business case the proposed salary and why such a salary is considered necessary.

4.37 Where a review is being proposed for an incumbent Chief Executive reflecting a significant change in the role and responsibility of that post (perhaps following a merger of bodies or additional responsibilities as a result of legislation, etc.), then the assimilation point on the proposed pay range should take into account the Chief Executive's experience in that higher-weighted role (from the point when the significant change in the role and responsibility of that post commenced).

What is the position on progression when setting a proposed pay range?

4.38 Under the pay policy, future basic awards and progression cannot be guaranteed. When developing remuneration proposals it should be noted that no commitment to levels of future annual increases (basic award or progression) should be given. Future annual increases will remain subject to the Pay Policy in place at that time and will require Scottish Government approval. Currently progression increases are limited to a maximum of 1.5 per cent for Chief Executives.

4.39 No contractual obligation or expectation to annual increases should be created nor implied: spine points should not be a feature of any Chief Executive's pay range as progression to such points cannot be guaranteed. Public bodies must ensure any contractual documentation is clear in this regard and the Finance Pay Policy team <u>must</u> be consulted on the remuneration clauses in draft contracts or letters of appointment (see section 3.64).

4.40 A public body must outline the approach to progression and journey time anticipated in determining the proposed pay range and demonstrate how this is affordable and sustainable in future.

Are you still required to achieve a 10 per cent reduction in the remuneration package?

4.41 Since 2010, the Pay Policy has included the expectation that the remuneration of a new Chief Executive appointment will be at least 10 per cent lower than that of the outgoing Chief Executive. This expectation is predicated on the ability to fill the post with a suitable candidate having regard to external market levels, value for money and recruitment and retention issues.

4.42 The whole remuneration package (salary, pay range, non-consolidated performance payment and any other non-salary rewards) should be considered as part of this expectation. This may be achieved by removing any existing bonus arrangement. Some of this reduction may be achieved simply by appointing a new Chief Executive on a salary less than that of the outgoing.

4.43 There may be a case to apply a lesser reduction where there is evidence the role of the Chief Executive post has increased significantly; where the post was reviewed recently; or where the outgoing Chief Executive had only been in post for a short period of time. Such issues should be discussed with the Finance Pay Policy team in the first instance.

4.44 The business case and submission for approval must clearly set out how this reduction is to be achieved or why a lesser reduction is being sought.

What is the policy position on non-consolidated performance payments (bonuses)?

4.45 All non-consolidated performance payments continue to be suspended in 2020-21. In addition, there is a presumption against provision for non-consolidated performance payments in all new Chief Executive contracts or following a review.

What is the policy position on pension arrangements for Chief Executives?

4.46 The pay policy expectation is that the pension arrangements for the Chief Executive should be in line with those for other staff of the public body.

4.47 Any proposal to offer employer's pension beyond those required under the pension scheme, in order to increase the benefit for the postholder would require consideration by the Remuneration Group.

4.48 There is a presumption against making payments to individuals in lieu of employer pension contributions, where they have withdrawn from or opted not to join the company pension scheme, whether as a result of annual or lifetime limits or for other reasons. All payments to individuals must comply with the Tax Planning and Tax Avoidance section of the Scottish Public Finance Manual:
www.gov.scot/Topics/Government/Finance/spfm/taxavoidance

What is the policy position on non-salary rewards?

4.49 There may be a number of additional elements to the remuneration package offered to a Chief Executive over and above base pay. These are referred to as non-salary rewards. Where other staff employed by the public body benefit from such rewards, the arrangements which are to apply to the Chief Executive should be in line with these. Details of any such rewards must be included with any remuneration proposals when seeking Scottish Government approval.

What is the policy position on cars?

4.50 There is a presumption against the provision of a car (or related allowance).

4.51 However, where a Chief Executive is required to travel extensively as part of their duties, it may be cost effective to make arrangements regarding a dedicated car (for example; lease car, car allowance, etc.). In all cases, the provision or introduction of a car (or related allowance) will require Scottish Government approval. Approval will be given only where a clear financial benefit and a business need can be demonstrated.

4.52 Where a public body already has an agreed scheme for the provision of cars (or related allowance) for staff, any proposed arrangement should be in line with that scheme. Otherwise, a public body must set out in the business case comparison of costings and implications of personal tax and insurance costs, that supports the proposed arrangement. This should also include other options considered, for example; a pool car and the arrangements in place for other staff.

What is the policy position on life insurance and other health benefits?

4.53 There is a presumption against the provision of life cover or private medical plans, etc.

4.54 However, in the rare circumstances where a public body offers its staff life cover or a private medical plan or similar, the Chief Executive should be eligible to become a member of the scheme. In such circumstances, public bodies must still provide details of the scheme when seeking Scottish Government approval of the remuneration proposals. In the absence of any existing scheme, approval will not normally be given for such arrangements. Please discuss any other life cover / health related proposals with the Finance Pay Policy team.

What is the policy position on relocation expenses?

4.55 Eligibility for and the levels of relocation expenses should be in line with those for other staff of the public body. In the absence of such a scheme, relocation expenses should be in line with that for the Scottish Government. Exceptionally, relocation expenses beyond such arrangements may be paid but only where this is necessary to secure the best candidate. In such circumstances, public bodies must consult the Finance Pay Policy team before reaching agreement with the incoming Chief Executive.

What is the policy position of affordability and sustainability?

4.56 The remuneration (pay range, salary and any other financial and non-salary rewards) must demonstrably provide **value for money** in the use of public resources and be no more than is necessary to attract, retain and motivate able staff, on a sustainable basis, to deliver public functions.

4.57 Long-term affordability of the proposals is important and the public body must confirm it considers the proposals are affordable and sustainable. Proposals are expected to be affordable within existing resources. However, where additional resources are required, these must be set out clearly. In all cases, the Sponsor Team must confirm the affordability and sustainability of proposals, seeking the views of the relevant Finance Business Partner where appropriate.

What is expected in regard of equalities legislation?

4.58 Public bodies must take into account their obligations under equalities legislation when determining a pay range for the Chief Executive and must include confirmation of this when submitting any proposals for approval.

What about temporary Chief Executives?

4.59 Any proposals to appoint a temporary, interim or acting Chief Executive (for example, a member of staff on temporary promotion) must first be discussed with the Finance Pay Policy team prior to implementing such an arrangement. The Finance Pay Policy team can advise on remuneration arrangements for such appointments and whether approval might be required.

4.60 If the proposed temporary Chief Executive is to be an internal candidate, then the proposed salary should be based on the public body's existing temporary responsibility allowance or temporary promotion scheme. If there is no temporary responsibility allowance / temporary promotion scheme in place, the arrangement should mirror that for Scottish Government staff. In such instances there is no requirement to deliver a 10 per cent reduction in the overall remuneration package for a temporary post.

4.61 Should a fixed-term appointment be considered appropriate, then the approval process for new appointments, as outlined earlier in this section, should be followed and approval by the relevant senior officials or the Remuneration Group will be required. The business case will need to set out the term and period of notice on termination and whether any compensation on termination may be payable. The relevant Finance Business Partner will still be required to confirm the value for money aspects of the proposal.

4.62 Remuneration arrangements for temporary Chief Executive may differ to those for the outgoing Chief Executive and should not necessarily have a bearing on those of any future permanent Chief Executive.

What to do if you want to vary a new remuneration package after it has been approved

4.63 If, during negotiations with a prospective candidate, consideration is given to a remuneration package that differs from the one approved, a public body must seek the advice of the Finance Pay Policy team before any agreement is reached. The Finance Pay Policy team will advise whether approval by the relevant senior officials or the Remuneration Group will be required. No commitment should be given to the prospective candidate until appropriate Scottish Government approval has been obtained. Sufficient time should be built in to the recruitment process to accommodate such an eventuality.

Do you have to seek approval for the terms in a new contract?

4.64 It is a requirement of approval that a public body must consult the Finance Pay Policy team on the remuneration clauses in the draft contract before it is agreed. The public body must take particular care to ensure the letter of appointment does not give rise to any contractual expectation which goes beyond that in any contract or the remuneration package as agreed by the Remuneration Group.

Chief Executives approvals process

What must you do to seek approval of proposals?

4.65 The relevant Scottish Government approval must be obtained prior to implementing any pay proposals and prior to advertising, negotiating a remuneration package or appointing a Chief Executive. Please ensure sufficient time to obtain this is built into any timetable.

4.66 Where no change is proposed, the public body simply confirms details of the current remuneration package on the Chief Executive proforma and submits that jointly to the Finance Pay Policy team and the Sponsor Team.

4.67 If proposals are simply to apply the annual uplift in line with Pay Policy, then a completed Chief Executive proforma, signed-off by the Chair of the public body should be sent jointly to the Finance Pay Policy team and the Sponsor Team. The approval approach being taken under the Pay Policy for Staff Pay Remits by the public body (fast-tracked, streamlined, full remit) bears no relation to how the pay proposals for the Chief Executive are approved and these should follow the steps outlined in this guide.

4.68 Any proposals that go beyond that, will need to provide further information in line with the approval route set out in the following chart.

Who is going to approve your remuneration proposals?

4.69 The Finance Pay Policy team will assess all remuneration proposals and confirm the relevant approval route. The approval route will depend on the circumstances of your proposals as set out below and in the following chart.

4.70 The extent to which a new appointment requires actual Ministerial approval is dependent on the legislative arrangements for that particular public body. However, in all cases, Scottish Government approval of the proposed remuneration package is required before the post is advertised; contracts agreed; or the appointment is made. Potential remuneration packages should not be discussed with prospective candidates until Scottish Government approval has been given.

4.71 Approval will also be required if any changes to a public body's staff handbook are being proposed which will have the effect of amending or revising any aspect of those elements of a Chief Executive's reward package covered by the Pay Policy.

What is the process for approval?

4.72 Where the proposed annual award is wholly in line with Pay Policy and the Sponsor Team has confirmed affordability, the proposals will be 'signed-off' by the Finance Pay Policy team.

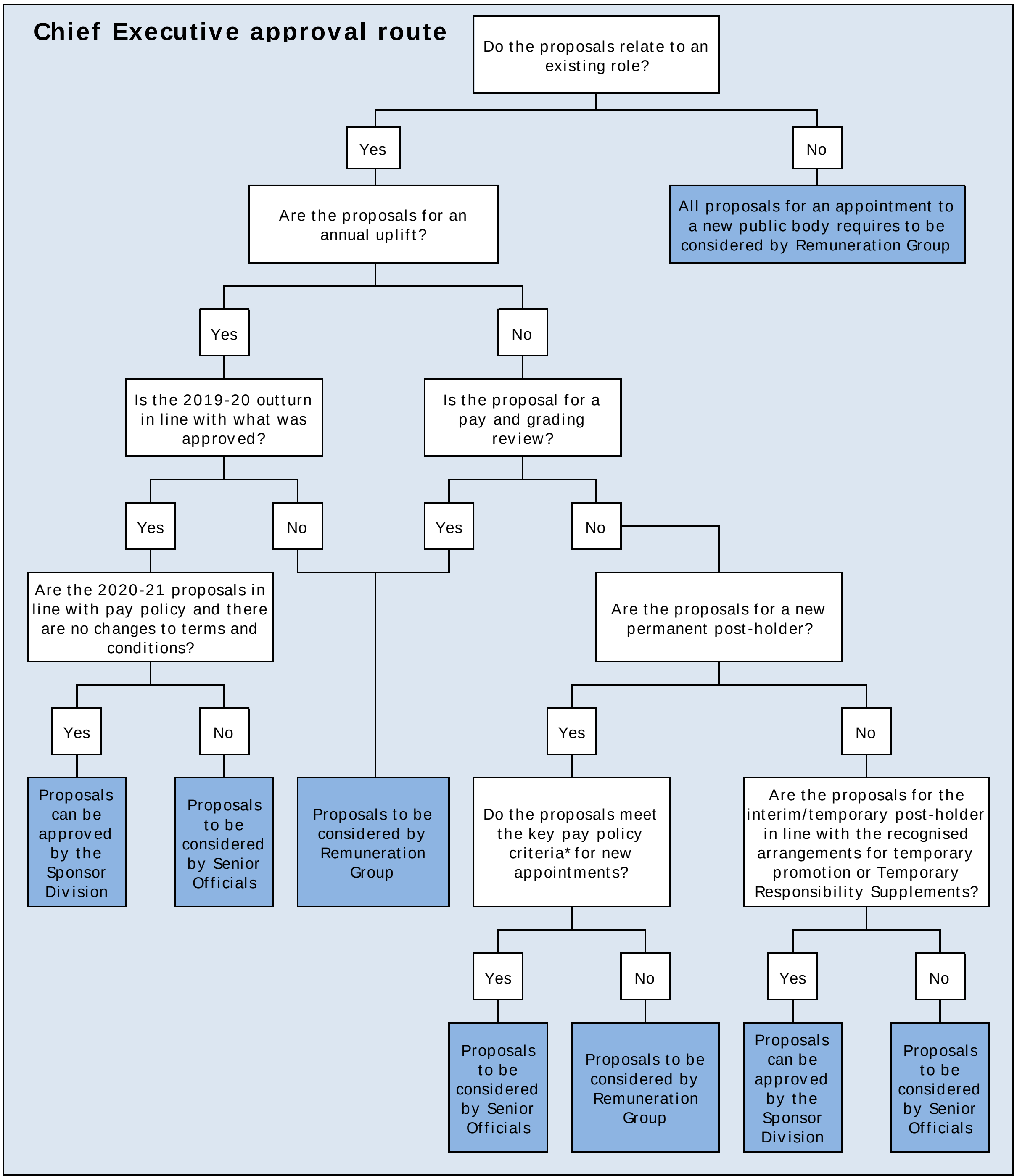
4.73 Where a **progression** increase is proposed, if the Sponsor Director (or Deputy Director, if they have a closer working knowledge of the Chief Executive) is content with performance and the progression is therefore justified, the proposals are then deemed to be approved and the Sponsor Team should notify the public body. This notification should be copied to the Finance Pay Policy team. Any increase should not be implemented until this notification has been received. The Finance Pay Policy team will also notify the Remuneration Group at the next meeting.

4.74 For those proposals which are to be considered for approval by senior officials, the Sponsor Team should send the proforma and a short note to senior officials (the Sponsor Director or Deputy Director and the Director of Budget and Public Spending) after they have confirmed affordability. For their part in the approval, the Sponsor Director is required to confirm to the Director of Budget and Public Spending that they are content with the proposals (including performance, if relevant). The Director of Budget and Public Spending will then confirm formal approval. Either Director has the option of referring the proposals to the Remuneration Group. Once approved, the Sponsor Team will notify the public body. This notification should be copied to the Finance Pay Policy team. Any increase should not be implemented until this notification has been received. The Finance Pay Policy team will also notify the Remuneration Group at the next meeting.

4.75 Any proposals for a new Chief Executive appointment to a new body or a review of an incumbent Chief Executive's remuneration package must be approved by the Remuneration Group.

4.76 The relevant senior official is responsible for putting forward the submission for any proposals which are required to be considered by the Remuneration Group. This submission must include details of the proposals, supporting business case and a confirmation of affordability. The Finance Pay Policy team should also be asked to contribute advice to this submission. The Remuneration Group will either approve the proposals or they may refer the approval to Ministers where they consider there is likely to be significant Ministerial interest.

4.77 If proposals are outwith the pay policy, they cannot be approved, even by the Remuneration Group. The public body must review any such proposals, following advice from the Finance Pay Policy team. If the proposals have already been implemented, then a submission must be provided by the Sponsor Director to the Remuneration Group together with an explanation for why this has occurred.



* Criteria for new appointments:
- The proposed starting salary is in the lowest quartile of the existing pay range
- The proposed remuneration package delivers a 10 per cent reduction in overall remuneration compared with the previous post-holder
- There are no changes to the existing terms and conditions

How long should any approval take?

4.78 Allow for up to five working days for consideration by the Finance Pay Policy team. If the issue is complex and is likely to take longer, then the Finance Pay Policy team will advise the sponsor body and Sponsor Team.

4.79 If the proposals are referred to the Remuneration Group, then these are normally considered at the next available Remuneration Group meeting. Dates of meetings are set out on the Scottish Government Public Sector Pay webpages:
www.gov.scot/Topics/Government/public-sector-pay/RemunerationGroup

4.80 Under exceptional circumstances, some items may be taken in correspondence. The Remuneration Group may refer some items to Ministers. Where the latter occurs, the minute from the Chair of the Remuneration Group must be annexed to the **submission** to Ministers. Any **submission** to Ministers must go to the Cabinet Secretary for Finance, Economy and Fair Work as well as the Portfolio Minister. Referral to Ministers will require further time.

What might happen if the Pay Policy is not followed?

4.81 If any payments are made without approval being obtained, this could result in punitive action being taken by the Scottish Government, such as the recovery of any overpayments, the capping of future increases or a governance review of the public body.

NHS Scotland Executive and Senior Management posts

5. NHS Scotland Executive and Senior Management posts

Please note this section should be read in conjunction with sections 1,2 and 4.

Key pay policy parameters for 2020-21

Who does this cover?

5.1 This section covers NHS Scotland Executives and Senior Management posts in all Grades A to I (referred to in this policy as "NHS Executives"). This group of staff is covered by way of a collective pay proposal: individual appointments, remuneration and terms and conditions are made in line with the Scottish Government's health policy.

5.2 The details in section 4 for Chief Executives also apply to NHS Executives with the exception of pay progression which is set out below.

What is the position on progression?

5.3 The pay policy intention is that cost of all progression increases for NHS Executive's must be delivered within an overall baseline paybill cap of 1.5 per cent. The progression increase may vary for individual NHS Executive's within this cohort subject to performance and the increase should not result in any NHS Executive exceeding their pay range maxima.

5.4 In calculating any award, the expectation is that progression, where eligible, will be considered first prior to applying the basic award.

DAILY FEES FOR CHAIRS, BOARD MEMBERS AND PUBLIC APPOINTMENTS

6. CHAIRS, BOARD MEMBERS AND PUBLIC APPOINTMENTS

Please note this section should be read in conjunction with sections 1 and 2.

Key pay policy parameters for chairs, board members and public appointments for 2020-21

What is a daily fee and what is it for?

6.1 Where Ministers have agreed that an appointee should be remunerated, the daily fee framework for Chairs, Board Members and Public Appointments must be used to determine the appropriate daily fee. The appropriate daily fee may be expressed in terms of daily, half-day or hourly rates for calculating payments, but changes to the number of days worked should not result in changes to the level of daily fee paid. The cost of any remuneration is met from the public body's existing administration costs or from the budget of the appointee's "owning" Directorate where the appointment is not linked to a specific public body.

6.2 If a daily fee is paid to an appointee, then the payment should reflect the time commitment involved. The daily fee should take into account provision for reasonable time spent by individuals in undertaking their agreed duties effectively, though there must be clear prior agreement on which activities are to be remunerated. A daily fee (or proportion thereof) can therefore cover activities other than attendance at board meetings, functions or events and for example may include time spent preparing for meetings, time travelling to and from meetings, etc.

6.3 The daily fee and the related activities covered by it should be agreed between the public body and the sponsor team (or owning Directorate where the appointee is not linked to a public body), recorded formally and embodied in the letters of appointment issued to the appointee. The agreement must abide by the general requirements of the pay policy and may be reviewed from time to time or at the request of the public body or sponsor team. There must also be a formal and proportionate arrangement in place for the claiming of daily fees which should be subject to audit by the public body.

What about appointments that are not linked to a public body?

6.4 The Daily Fee Framework applies to all public and ministerial appointments, regardless of whether they are linked to a public body or not. The guidance contained in this section is therefore relevant for public and ministerial appointments funded both by public bodies and by all other means.

What are the key metrics and thresholds for 2020-21?

6.5 The key features of the 2020-21 pay policy is set out in paragraph 1.3. Each proposal will be assessed on the following:

- affordability and sustainability - the financial impact of the pay remit proposals will be considered by the sponsor team, public body, or policy team
- application of the increases within the pay thresholds

What are the daily fee thresholds for 2020-21?

6.6 For 2020-21, the Upper Pay Threshold will remain at £307.

What are the daily fee increases that can be applied?

6.7 For daily fees that are below £307, an increase of up to 3 per cent can be applied. For daily fees that are £307 and above an increase of up to £8 can be applied.

What is the pay policy position on the remuneration of public appointments?

6.8 This section applies equally to the introduction of remuneration for public appointments or where an annual uplift, review or change to that remuneration is proposed.

6.9 Not all public appointees are remunerated. Public appointees benefit personally in a number of non-financial ways, for example: in the enhancement or application of professional expertise; general networking and personal development; or the opportunity to contribute to policy-making in an area of personal interest. The main objective in offering remuneration for such posts is to increase diversity. Remuneration may be proposed where it is particularly important to have representation from as wide and diverse a range of candidates as possible or where there is specific need for appointees to be drawn from otherwise under-represented groups.

6.10 Where a post is remunerated, it should be noted that any remuneration payable is not intended to meet in full the market rate that could be commanded by the individuals concerned.

What are the pay policy parameters for chairs and members and other public and Ministerial appointments in 2020-21?

6.11 An equivalent £80,000 per annum threshold applies to the daily fees for all public and Ministerial appointments those who are paid less than £307 per day (this equates to £80,000 per annum) can receive up to a 3 per cent increase; those receiving £307 or more are limited to a maximum increase of £8 per day.

6.12 There is an expectation that daily fee pay proposals for all public and Ministerial appointments will cover one year only.

6.13 Where a public or Ministerial appointee is already paid a daily fee in whole pound amounts, the proposed daily fee may be rounded (under standard accountancy practices) to the nearest whole pound. Where such rounding results in an increase in a daily fee of less than 3 per cent, then the post may move to being paid daily fees on the basis of pounds and pence. This arrangement would not be applicable to those earning £307 or more as a round figure of £8 is being added.

6.14 The pay policy expectation is that a daily fee should lie within the minimum and maximum of the relevant assessed tier in the daily fee framework. The daily fee should only exceed the maximum if it is demonstrated that this is required to recruit or retain chairs and/or members with the necessary skills, knowledge, experience or calibre for the role they are to undertake. daily fees are limited to and must not exceed the ceiling of the relevant assessed tier.

What is the position on progression?

6.15 There is no progression for appointees receiving a daily fee.

Chairs and Members: Framework

What is the Daily Fee Framework?

6.16 To ensure consistency and comparability across public bodies, a number of remuneration tiers have been developed within the daily fee framework. Appropriate rates of remuneration should be determined within this framework.

6.17 In general, Tier 1 bodies include a small number of the most significant Scottish NDPBs and public corporations; Tier 2 includes the majority of executive NDPBs and significant ad hoc bodies and appointments; Tier 3 includes the smaller NDPBs, advisory bodies and most short-life and ad hoc groups, etc.

6.18 The Daily Fee Framework tiers are uplifted annually in line with the pay policy and the Framework for 2020-21 is as follows:

Chairs & Members Daily Fee Framework 2020-21 (gross daily fees)

Chairs			
Tier	**Daily Fee**		
	Minimum	**Maximum**	**Ceiling**
Tribunal	£337	£558	£708
Tier 1	£335	£495	£552
Tier 2	£217	£369	£438
Tier 3	£149	£234	£320

Members			
Tier	**Daily Fee**		
	Minimum	**Maximum**	**Ceiling**
Tribunal *(specialist skills only)*	£262	£387	£507
Tier 1	£240	£357	£450
Tier 2	£182	£269	£339
Tier 3	£98	£190	£272

What are the tier parameters?

6.19 Each tier consists of a minimum, maximum and a ceiling. There are different rates for chairs and members reflecting the different levels of responsibility. The pay policy expectation is that a daily fee should lie within the minimum and maximum of the relevant tier in the daily fee framework. The daily fee should only exceed the maximum if it is demonstrated that this is required to recruit or retain chairs and/or members with the necessary skills, knowledge, experience or calibre for the role they are to undertake. Daily fees are limited to and must not exceed the ceiling of the relevant tier.

6.20 The daily fee rates in the framework are considered gross daily fees in that they <u>must</u> include any contribution made by the public body towards any pension (if offered). A daily fee must not be increased to cover the chair or member's own contributions to any pension.

6.21 It is usual practice for the daily fee for a chair to be set at a higher level than the daily fee for members, in recognition of the additional responsibilities placed upon chairs. There are no rules as to how high the level of differential between the chair and members' daily fees should be. Where there is a deputy chair, their daily fee would usually be somewhere between that for the chair and members. The main exception to this is where the deputy chair was required to have specialist skills, then they would fall within the relevant members tier.

How is the Tribunal tier different?

6.22 The 'Tribunal' tier within the chair and members daily fee framework covers the daily fees for Scottish Tribunal NDPBs and other tribunal-type bodies (where approval of the Remuneration Group has been obtained to allocate to this tier). The expectation is that Tribunal members would be allocated in the following way:

- Chair of the public body – Tribunal chair tier
- Specialist members (for example: those required to have professional qualifications or specialist knowledge, such as legal and medical members) – Tribunal member tier
- Non-executive board members of public body and layperson members – Tier 1 member tier

6.23 A member of a Tribunal who acts as a convener of a tribunal hearing may receive a higher daily fee than other members so long as that daily fee remains within the appropriate member tier in the daily fee framework.

6.24 Tribunal tiers in this section currently apply to the devolved tribunals. Those tribunals which are to be transferred in to the 'Scottish Tribunals' - as created by the Tribunals (Scotland) Act 2014 - will undergo an independent role evaluation. As such, the pay policy specifically for those tribunals may be subject to change.

What is the process for allocation to a tier?

6.25 Most appointees covered by this Technical Guide are associated with an established formal public body. The appointees are generally assigned the same tier as the public body they are associated with.

6.26 Each standard public appointment is allocated to one of the tiers by reference to the significance of the body - based on its size (staff numbers) and the resources managed (budget / grant), as well as consideration of its likely public profile.

6.27 When a new public body or public appointment is being established, the sponsor team must discuss with the finance pay policy team which tier in the daily fee framework might be appropriate. The finance pay policy team must also be consulted if a case is being made to move a public body to a different tier in the daily fee framework.

6.28 Ad hoc appointments are generally short life appointments with specific tasks or functions, with an anticipated end date and are also quite often small in size, ranging from just one member to a dozen or so. This includes, but is not limited to, appointments to Tribunals, advisory committees or to lead Reviews, Enquiries etc. Each ad hoc public body or appointment is allocated to one of the tiers by reference to its creation reason, the role specific knowledge and experience required, the expected interaction with Ministers, as well as consideration of its likely public profile.

6.29 Advice on the appropriate tier of a public body and a public or Ministerial appointment must be sought from the finance pay policy team. Details must be provided of the criteria listed above for standard and ad hoc appointments to allow the finance pay policy team to provide appropriate advice.

How to determine the daily fee of a Chair or Member of a public body?

6.30 The first consideration should be whether there is any need to pay a daily fee. In addition to the Scottish Government policy to reduce the number of public appointees, it is also the policy to consider reducing, where possible, the daily fees paid to appointees. It is therefore open to the sponsor team to decide whether a payment need be made (apart from expenses) or to set a level of remuneration below the minimum of the band.

6.31 If it is considered a daily fee is required but the relevant tier is still to be determined, sponsor teams need to contact the finance pay policy team, who will conduct an assessment based on set criteria, Each standard public or Ministerial appointment is allocated to one of the tiers by reference to the significance of the body - based on its size (staff numbers) and the resources managed (budget / grant), as well as consideration of its likely public profile.

6.32 Each ad hoc public or Ministerial appointment is allocated to one of the tiers by reference to its creation reason, the role specific knowledge and experience required, the expected interaction with Ministers, as well as consideration of its likely public profile.

6.33 If it is considered a daily fee is required, sponsor teams need to consider the appropriate level of fee, taking into account the pay policy expectations and the daily fee framework. When determining the proposed daily fee, the daily fees paid to appointees in the same tier should be considered (the finance pay policy team can provide assistance and information on daily fees paid). Only if it is anticipated the appointee will be recruited from further afield should the levels of remuneration offered elsewhere be considered.

6.34 When considering daily fee proposals for Scottish public and Ministerial appointments, it is sometimes reasonable to consider rates paid to comparable appointees in England and Wales undertaking similar duties. Historically, a MSP salary was 87.5 per cent of that of a MP but this linkage no longer applies. However, it is still the expectation that the daily fees for Scottish public and Ministerial appointments undertaking similar duties should continue to reflect a similar proportionate reduction unless a strong justification for doing otherwise is presented.

Chairs and Members: additional information

Can a daily fee be paid monthly or annually?

6.35 In relation to fees, letters of appointment may refer to a monthly or annual amount, as long as it is based on the approved daily fee multiplied by the 'authorised' number of days worked per month / year. The authorised number of days is the number of days stated in the letter of appointment expected to be worked (per month / year) as a result of the appointment.

6.36 It may be more convenient to remunerate appointees monthly (sometimes the fees are expressed as an annual amount), but problems may arise if the person works more or less than the authorised number of days.

6.37 If the remuneration is paid monthly, at a fixed amount based on an authorised number of days per month and the appointee commits more days per month, then the sponsor team may recompense them for this.

6.38 Conversely, if the remuneration is paid monthly, at a fixed amount based, say, an authorised four days a month, but an appointee spends, say, only two days a month in relation to their appointment, then clearly the sponsor team should review such an arrangement.

6.39 If a public body or sponsor team fixes the (monthly or annual) remuneration irrespective of the number of days actually worked and appointees feel they are not being remunerated sufficiently for their time commitment, then this is not necessarily an issue about the level of the daily fee but possibly more about being recompensed appropriately for their time commitment. This would therefore be a budgetary matter for the sponsor team rather than a daily fee issue for the finance pay policy team – it is not in itself justification for increasing the daily fee but rather a matter of reviewing the time commitment. Changes to the number of days worked should not result in a change to the level of the daily fee paid or the effective daily fee received (if the remuneration is expressed monthly or annually) although it will change the overall monthly or annual remuneration received.

Are appointees classed as employees?

6.40 Unless expressly provided for in legislation appointees are not employees of the public body nor of the Scottish Government (and likewise are not paid a salary). As such, they do not qualify for the rights and entitlements that are normally associated with the status of 'employees'. Public bodies and sponsor teams should therefore exercise care when drafting letters of appointment or advertisements to avoid references to salary or employment, or give an impression of such, as this may create expectations of other benefits (such as annual leave, sick pay, redundancy, etc.). Appointees can still be an "employee for tax purposes" when daily fee payments are paid through payroll because of the broad definition of "employee" for these purposes, but that does not make them an employee for any other purpose.

How are Chairs and Members to be paid?

6.41 Daily fee payments made to appointees must comply with the tax planning and tax avoidance section of the Scottish Public Finance Manual: www.gov.scot/Topics/Government/Finance/spfm/taxavoidance

6.42 In line with the Scottish Public Finance Manual, all appointees must be paid through a payroll system with tax deducted at source. Where there is no payroll system in place, then the Scottish Government payroll system may be available for use, but would be considered on a case by case basis through a clear commissioning process or charging model. For further information, please contact Scottish Government Pay Services: HR.Help@gov.scot. As daily fees are not usually pensionable, public bodies and sponsor teams are reminded the payroll system used should ensure no employer's pension contributions are made.

6.43 Where the appointee is employed elsewhere and their main employer allows such duties within work time, then it may be appropriate to reimburse the employer for the time commitment, rather than the individual receiving a daily fee. In such circumstances the daily fee may be paid direct to the employer. When such an arrangement is being considered and the appointee is a partner of, or shareholder in the 'employer' or is 'employed' through a private service company, then you must contact the finance pay policy team for advice before any payment is made.

What about offering a pension?

6.44 Given the relatively short duration of some appointments, the limited number of days on which appointees actually serve on bodies and the generally non-executive nature of their duties, approval is not usually given to offering pension arrangements to appointees.

6.45 However, in exceptional circumstances, pension arrangements may be considered, but the approval of the Remuneration Group must be obtained before proposals are implemented. Any such proposals must be supported by a business case which clearly demonstrates why offering a pension is necessary, including whether it is necessary as a matter of law, the detail of the proposed pension arrangements (as they are not employees, appointees may not be eligible to join the public body's pension scheme and a bespoke scheme may have to be set up) as well as confirmation of affordability.

6.46 Where it is approved that a pension may be offered, the level of daily fee must not be increased to cover the individual's resulting pension contributions. The daily fees in the daily fee framework are gross in that they include any contribution made by the public body towards any pension. So in the rare circumstance where a pension is provided, the daily fee figure used when considering the daily fee framework should be the 'net' daily fee receivable by the individual plus the amount of contribution made by the public body towards the pension.

6.47 Where pension arrangements are a result of previous practice, sponsor teams and public bodies must not assume this is justification for their continuation. Each case must be reconsidered on its merits prior to each appointment round.

What about expenses?

6.48 Expenses may be paid to appointees. The basic principle is no appointee should be out of pocket as a result of expenses arising from their appointment, provided such costs are considered reasonable.

6.49 Appointees may be reimbursed for the reasonable costs of travel and, when appropriate, accommodation associated with their public duties.. The tax associated with these expenses should be in accordance with HMRC guidance. To ensure consistency across public bodies, appointees' terms of appointment should provide that travel expenses should be paid at standard Scottish Government travel rates and have regard to the Scottish Government's Travel Management policy on air and rail travel.

What about other tax matters?

6.50 Responsibility for ensuring compliance with all relevant HM Revenue and Customs requirements concerning any payments made to appointees lies with the public body itself. Individual appointees must also satisfy themselves as to their own tax liabilities resulting from their appointment.

6.51 In certain circumstances, where an individual has been making sufficient National Insurance contributions to be considered to be an "employed earner" and meets other applicable qualifying criteria, they may be entitled to statutory family-related benefits (for example, Statutory Maternity Pay).

What to do when making a public appointment where the individual is already a senior employee of another public body

6.52 Issues to be considered by sponsor teams prior to the appointment of a chair or member where the individual is already a chief executive (or other senior employee) of another public body covered by the Scottish Government Public Sector Pay Policy includes conflict of interest; time commitment; and remuneration. Such matters, including (where relevant) the need to liaise with the sponsor team of the public body to which the individual might be appointed, are outlined in more detail in the *Public Bodies Information Update 109* which is available as a downloadable document on the Scottish Government website at:
www.gov.scot/publications/public-bodies-information-update-109-public-sector-pay-policy/

Chairs and Members: approval

What must you do to seek approval of proposals?

6.53 The relevant Scottish Government approval must be sought prior to implementing any proposals to:

- make any annual uplift
- change the tier of a body or appointment
- introduce, review or change the remuneration package, for example:
  - the daily fee
  - other matters, such as pension arrangements

6.54 Where no change is proposed, confirmation of details of the current daily fees is all that is required to be submitted to the finance pay policy team.

6.55 If proposals are simply the annual uplift in line with pay policy, then a chairs and members proforma should be either completed by the sponsor team and sent to the finance pay policy team; or, completed by the public body and sent to the finance pay policy team, copied to the sponsor team. The approval approach being taken under the pay policy for staff pay remits and chief executive pay remits by the public body (fast-tracked, streamlined, full remit) bears no relation to how the daily fee proposals for the chair and members are approved and these should follow the steps outlined in this guide.

6.56 For proposals that go beyond the annual uplift, further information will be required. For example, if proposals entail a change in remuneration or tier (for example, following a review) or the introduction of a benefit (for example: pension or car) then a supporting business case will need to be prepared. For new appointments, details of the proposals and supporting business case would be prepared by the sponsor team.

What should a business case contain?

6.57 Proposals for setting or reviewing a daily fee must be supported by a business case which should include:

- the need for paying a daily fee and/or reasons for introducing or reviewing it, which should include diversity and recruitment / retention issues
- details of the criteria needed to assign a tier
- the proposed daily fee, taking into account the pay policy expectations around the daily fee framework (minimum, maximum and ceiling of the relevant band)
- the remuneration of comparable appointees in Scotland and elsewhere (where relevant)
- (for Chairs) the remuneration of the last occupant of the post
- (for Members) the remuneration of other Members and the differential with the Chair’s daily fee

- the ancillary activities expected to be covered by the daily fee (for example: preparation time and travel time, etc.)
- affordability and sustainability

6.58 Apart from annual uplifts, the level of daily fee for existing appointees is not expected to require adjustment during the period of appointment. However, where there are significant recruitment or retention difficulties; or a significant change in the role and responsibility; proposals to review the existing daily fee rates may be submitted to senior officials or the Remuneration Group, dependent on the extent to which the proposals remain in line with pay policy.

Who is going to approve your remuneration proposals?

6.59 The finance pay policy team will assess all daily fee proposals and confirm the relevant approval route. The approval route will depend on the circumstances of your proposals as set out below.

Chair and Members – approval route

Current or new Chair or Member	Daily fee proposal	Approval *(in all cases, affordability must be confirmed by the sponsor team)*
Existing body	No Change / Annual increase (in line with pay policy)	Sponsor team once the finance pay policy team have 'signed-off' the proposals
	Current and previous annual increases (in line with pay policy)	Sponsor team once the finance pay policy team have 'signed-off' the proposals
	Change to any other aspect of current remuneration package (e.g. introduction of car, pension, etc.)	Remuneration Group
Existing body - review of Tier or daily fee rates	Setting tier and daily fees – in line with pay policy expectations	Senior Officials (who may refer to the Remuneration Group)
	Setting tier and daily fees – goes beyond Pay Policy expectations (i.e. above maximum in framework / profile used to justify a higher tier)	Remuneration Group
New body or new Appointment not linked to a public body	Setting tier and daily fees – in line with pay policy expectations	Senior Officials (who may refer to the Remuneration Group)
	Setting tier and daily fees – goes beyond pay policy expectations (i.e. above maximum in framework / profile used to justify a higher tier)	Remuneration Group

6.60 Where the proposed annual award is wholly in line with pay policy, provided affordability has been confirmed by the sponsor team, the proposals will be 'signed off' by the finance pay policy team. The sponsor team will then notify the public body / the public appointee(s). Any increase should not be implemented until this notification has been received.

6.61 Proposals for the introduction of or changes to tiers and daily fees for existing or new bodies, where these are wholly in line with pay policy, may be approved by senior officials. For those which are to be considered for approval by senior officials, once the sponsor team has confirmed affordability, the sponsor team should send the proforma and short note to senior officials (the sponsor Director or Deputy Director and Director of Budget and Public Spending). For their part in the approval, the sponsor Director is required to confirm they are content with and support the proposals. The Director for Budget and Public Spending will then confirm formal approval. Either Director has the option of referring the proposals to the Remuneration Group. Once approved, the sponsor team will notify the public body / the public appointee(s). Any increases or changes should not be implemented until this notification has been received. The finance pay policy team will also notify the Remuneration Group at the next meeting.

6.62 More significant changes, such as the introduction of a benefit (for example: pension or car) will require consideration by the Remuneration Group. The sponsor Director is responsible for putting forward the submission for any proposals which are required to be considered by the Remuneration Group. This submission must include details of the proposals, supporting business case and a confirmation of affordability. The finance pay policy team must be asked to contribute advice to this submission. The Remuneration Group will either approve the proposals or they may refer the approval to Ministers where they consider there is likely to be significant Ministerial interest. Once approved, the sponsor team will notify the public body / the public appointee(s). Any increases or changes should not be implemented until this notification has been received.

6.63 If proposals are out with the pay policy, they cannot be approved, even by the Remuneration Group. The public body (or sponsor team) must review any such proposals, following advice from the finance pay policy team.

How long should the process take?

6.64 Allow for up to five working days for consideration by the finance pay policy team. If the issue is complex and is likely to take longer, then the finance pay policy team will discuss this with the sponsor body and sponsor team. Allow for up to a week for proposals to be considered by relevant senior officials.

6.65 If the proposals are referred to the Remuneration Group, then these are normally considered at the next available Remuneration Group meeting - the dates of which are set out on the Scottish Government Public Sector Pay webpages:
www.gov.scot/Topics/Government/public-sector-pay/RemunerationGroup

6.66 Under exceptional circumstances, some items may be able to be taken in correspondence. Referral to Ministers will require further time.

What might happen if the Pay Policy is not followed?

6.67 Where daily fees have been introduced without approval or increased beyond that for which approval had been obtained previously, the sponsor Director will be required to explain the matter to the Remuneration Group. Such actions could result in punitive action being taken by the Scottish Government, such as the recovery of any overpayments, the capping of future increases or a governance review of the public body.

SPONSOR TEAM ROLE AND RESPONSIBILITIES

7. SPONSOR TEAM ROLE AND RESPONSIBILITIES

What is the role of the sponsor team?

7.1 Sponsor teams have a key role to play in promoting Scottish Government's policy on public sector pay in making sure their public body is aware of what is required of them under the policy and they deliver on those requirements.

7.2 The sponsor team provides a crucial link between its public body and the Scottish Government:

- in making sure staff and members of their public body know what Ministers expect of them.
- in monitoring whether performance of their public body meets Ministers' policies and priorities and taking action in the event of any shortcomings.
- in making sure the circumstances and concerns of their public body are understood within the Scottish Government.

7.3 In relation to Public Sector Pay Policy, this means the sponsor team has the responsibility to raise the circumstances and concerns of their public body in communications with the Finance Pay Policy team, the Remuneration Group and Ministers.

What is a sponsor team required to do before a public body submits any pay proposals for approval?

7.4 The sponsor team:

- should familiarise themselves with Public Sector Pay Policy and what is expected of their sponsor body.
- must make sure they know when their sponsor body's proposals are due to be submitted.
- should monitor the progress their public body is making in developing its pay proposals and work with them (if necessary) to make sure they are on target to submit proposals as scheduled.
- should inform the Finance Pay Policy team at the earliest opportunity if the proposals will not be submitted as scheduled.

What is a sponsor team required to do once their public body submits their pay proposals?

7.5 This stage is usually referred to as the assessment period and the sponsor team:

- will be copied into all communications by the Finance Pay Policy team and will be invited to attend any meetings.
- must check the existing and the projected paybill costs and staffing numbers are consistent with the budget allocations and their knowledge of the sponsor body. Any queries should be raised with the public body at the earliest opportunity, copied to the Finance Pay Policy team.
- must consider the affordability and sustainability of the proposals including any proposed savings - particularly those resulting from staff reductions with their knowledge of the public body and its current and future budget and workload.
- must seek the views of their Finance Business Partner. The Finance Pay Policy team will forward a copy of their initial assessment to their Finance Business Partner so they are aware of any pay policy issues.
- should maintain awareness of the progress of the remit, the queries that have been raised and any significant issues with the proposals.
- the sponsor team should engage Senior Officials as early as possible in the process particularly if there are issues.

7.6 If there are outstanding issues on any proposals after 4 weeks from initial submission, the sponsor team should escalate the proposals to their Senior Officials.

7.7 Once the Finance Pay Policy team sign-off the proposals and give them a final rating they will forward to the sponsor team for their rating along with the Finance Business Partner (Staff remits). It will then be the sponsor team's responsibility to put the proposals forward for formal approval from Senior Officials or to Remuneration Group or Ministers as appropriate.

What does the sponsor team require to consider when preparing a submission seeking approval to their public body's pay proposals?

7.8 In preparing the submission, the sponsor team should take in to account the following:

- set out the rationale for the recommendation.
- where relevant, include detail of any sponsorship issues that the "Approvers" require to be aware of as part of their consideration.
- include the views of the Finance Pay Policy team and their Finance Business Partner and provide sufficient time for their contributions. The normal expectation would be at least 3 working days.

7.9 If the proposals require to be approved by Remuneration Group or Ministers:

- Finance Pay Policy team will provide a template for the submission
- proposals should normally be submitted from the Portfolio Director, where this is not the case the views of the Portfolio Director should be included.
- the sponsor teams should make sure they meet the Remuneration Group deadlines and provide sufficient time to consult the Finance Pay Policy team on the draft.

Does the sponsor team require to notify Ministers of the approval?

7.10 If the sponsor body's remit proposals have been approved at either Senior Official level or by the Remuneration Group and the proposals are straightforward, it is not necessary to notify the Cabinet Secretary for Finance or Finance Minister of this approval. It is a matter for the sponsor division to decide whether they require to notify their own Cabinet Secretary and/or Portfolio Minister.

What action will be taken if there are unresolved queries at the end of the assessment period?

7.11 If, at the end of the 4 week assessment period, there are still unresolved queries or the staff remit is rated Red, the Finance Pay Policy team will escalate proposals to their Portfolio Director and the Director of Budget and Public Spending.

7.12 If the public body's pay proposals have been rated Red, the pay remit cannot be approved under any circumstances and the public body will be required to bring their proposals in line with policy before it can be put forward for approval.

What is required once the pay proposals have been approved?

7.13 The Finance Pay Policy Team will normally advise the Public Body of the outcome of the assessment of the staff pay remit. The exception to this would be where there are sponsorship issues.

7.14 The sponsor team should notify the appropriate personnel in their public body of all decisions for the Chief Executives and/or Board Members taking account of the sensitivities with handling personal data.

7.15 All public bodies are expected to provide settlement information within 1 month of implementing the staff pay award. Although the Finance Pay Policy team will contact the public body directly if they have not submitted settlement information in line with the policy requirements, it is the sponsor team's responsibility to make sure their public body is aware of the requirement in their approval letter.

7.16 It is also the sponsor team's responsibility to make sure the public body makes progress on any requirements or conditions imposed by Senior Officials, the Remuneration Group or Ministers (for example a review of its pay and grading structure) and to keep the Finance Pay Policy team, the Remuneration Group and Ministers informed as appropriate.

8. GLOSSARY OF TERMS USED IN THE PUBLIC SECTOR PAY POLICY DOCUMENTS

Assimilation point: The position of a salary on a proposed/revised pay range which reflects the number of years' experience an individual has at the recognised weight for the post.

Baseline paybill: The cost of employing staff for the full 12 months of the pay remit year *before* implementing the pay award. It should include mandatory increases in employer's pension or National Insurance contributions (NIC) but exclude the costs of increases in pay and benefits for which approval is being sought. The baseline paybill may also include other paybill increases that are not directly a result of the proposed pay award such as the changes to paternity pay and leave entitlement (or holiday pay) etc.

Baseline salaries: These are the base salaries *before* implementing the pay award. As such they exclude allowances, overtime, employer's pension or National Insurance contributions (NIC).

Base pay or basic pay: This is an individual's net annual salary. It excludes on-costs (pension contributions and payroll tax), the monetary value of any non-consolidated performance payment (bonus), and other non-salary rewards, etc.

Basic award: This is normally, the inflation or cost of living element of the pay award. It is one element of a standard remit. The basic award has different meanings in different pay systems. For public bodies with a step or spine based system it refers to the revalorisation of steps/spines. For those without step or spine based mechanisms for pay progression the basic award will normally be defined as the consolidated increase to the pay range minima, maxima, milestones and/or individual employee's base salaries within the pay range.

Bonus: See non-consolidated performance payment.

Business case: A document which contains additional information and evidence to support the proposals that are being made.

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

Ceiling: The absolute limit for salary / pay range maxima in the Scottish Chief Executive Pay Framework or for a daily fee in the Daily Fee Framework.

Consolidated pay: Pay which is taken into account for pension and tax purposes.

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

Daily fee: The amount a Chair or Member is remunerated per day. This can be expressed as an annual sum, but changes to the number of days worked should not result in a change to the daily fee. The fee may be paid in a half-day or hourly amounts.

Daily Fee Framework: The Framework within which the daily fee of a Chair or Member of a Scottish public body is expected to sit. It contains minima, maxima and ceilings for the four tiers of public bodies.

Financial proforma: 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 proposed and details of the pay and reward structure as well as details of current and projected staffing.

Gross daily fee: The daily fee for a Chair or Member inclusive of any pension contribution made by the public body.

Hourly rate: The hourly rate should be calculated on the same basis as the National Minimum Wage as defined by HM Revenue and Customs.

Host public body: this is the public body which another (usually smaller) public body aligns or analogues to for its annual pay award.

Increase for staff in post (ISP): This is the cost of the proposed increase in pay and benefits to an average member of staff as a percentage of the baseline paybill.

Increase in 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.

Journey time: The time (in years) taken by an individual on a pay range to move (subject to satisfactory performance) from the minimum to the maximum of that pay range.

Lowest quartile: This is the value of the middle number between the smallest number and the median of the pay range ie the lowest quarter if the pay range and. It is also known as the 25th percentile.

Market median: The value of the midpoint of comparator salaries in the relevant market for similarly weighted posts.

Market rate: The market median in the relevant market for similarly weighted posts.

Maximum / maxima: The highest point on a pay range, sometimes known as the rate for the job this includes staff who are on **spot rates** of pay. Staff are not normally paid above the maximum of their pay range. Where a member of staff is paid above the maximum and eligible for a pay increase, the award should be non-consolidated. There should also be arrangements to move such staff onto their pay range maximum within a defined time scale. Such staff are often referred to as "red-circled".

Median: The value of midpoint in a series.

Minimum / minima: The lowest point on a pay range. Staff are not normally paid below the minimum of their pay range. Where a member of staff is paid below their pay range minimum there should be arrangements to move them onto their pay range minimum within a defined time scale. Such staff are often referred to as "green-circled".

Net Paybill Increase: This is the percentage increase to the baseline paybill as a result of the pay proposals. The New Money is the monetary value of the proposed increase in pay and benefits added to the existing paybill.

Non-consolidated performance payments: These are normally payments such as bonuses or performance payments which are awarded in addition to the annual pay award. They are awarded to staff, at an individual, team or organisational level, and would normally be based on performance in the preceding year. Such payments are re-earnable and as they are not consolidated into basic pay they do not have associated future costs. Non-consolidated payments would be taxable but not pensionable. The current pay policy position is that all non-consolidated performance payments are suspended.

Non-salary Rewards: Remuneration other than pay, pension or tax. It covers for example, car, health insurance, etc.

Notional cost: These are costs which have a benefit to the individual but with no actual cost to the employer. This could for example include changes to the working week, annual leave or public holiday entitlement.

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. It is not normal for staff to be paid at a level either below the pay range minimum or above their relevant pay range maximum.

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 the staff subject to the pay remit, including employer's pension and National Insurance contributions (NIC).

Paybill per head: This is calculated by dividing the total paybill by the number of staff (full time equivalent).

Paybill savings: Savings in the Paybill that can be used to part fund a pay award.

- <u>Permanent savings</u> such as recyclable savings; savings resulting from the removal of outdated allowances; reductions in overtime costs and reductions in staffing. These will all have an impact on future baseline paybills.
- <u>In-year non-recurring savings</u> such as deferring filling vacant posts which result in a saving only in the year in which they are implemented.

Progression: The movement an individual makes from the minimum of a pay scale to the maximum or target rate. For example if a pay range had 6 spine points an individual would expect to progress from minima to target rate in 5 years. The policy expects the movement to be dependent on performance or competency.

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 the Finance Pay Policy team. This covers the public bodies in Scotland subject to Scottish Government policy on public sector pay.

Recyclable savings: Savings which 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.

Salary Sacrifice Scheme: HM Revenue and Customs define a salary sacrifice as "when an employee gives up the right to receive part of the cash pay due under his or her contract of employment. Usually the sacrifice is made in return for the employer's agreement to provide the employee with some form of non-cash benefit. The 'sacrifice' is achieved by varying the employee's terms and conditions of employment relating to pay".

Scottish Chief Executives Pay Band: The category (1, 1A, 2 or 3) within the Scottish Chief Executive Pay Framework to which a Chief Executives is allocated following a job evaluation exercise. It reflects equivalent Senior Civil Service bands. There is not necessarily any relationship between the pay band of a Chief Executive and the tier of the body to which they are appointed.

Scottish Chief Executive Pay Framework: The framework of minima, maxima and ceiling within which the pay of a Chief Executive of a Scottish public body sits.

Scottish Living Wage: this is the annual amount an individual must earn, before tax, to afford a basic but acceptable standard of living. The annual gross salary is rate based on a 37 hours working week as this is the most common length of week for public bodies covered by the pay policy. This is then multiplied by the hourly rate and 52.2 weeks per year to calculate the annualised figure.

Settlement date: The date on which any annual pay award salary would normally be implemented

Spot rates: staff who are on spot rates of pay should be treated in the same way as staff who are on their pay range maximum.

Submission: The paper to senior officials, the Remuneration Group or Ministers which seeks approval for the proposed increases in pay and benefits.

Target rate: The point in a pay system that reflects competence in a role, often the maxima of the pay range.

Tier: The category (1, 2, 3 or Tribunal band) within the Daily Fee Framework to which a public body is allocated for the purposes of assessing daily fees. There is not necessarily any relationship between the pay band of a Chief Executive and the tier of the body to which they are appointed.

Total increase for staff in post (TISP): This is the full cost of the proposed increase in pay and benefits to an average member of staff, regardless of whether or not they add costs to the paybill, as a percentage of the Baseline Paybill.

Turnover: The movement of staff out of and in to the organisation in a year.

Upper Pay Threshold: set at **£80,000** for 2020-21.

9. PAY POLICY QUICK REFERENCE

Pay Increases and Thresholds
- Guaranteed 3 per cent increase for those who earn between £25,000 and £80,000
- Limits the basic pay increase for those earning £80,000 or more to £2,000

Low pay measures
- Requirement for employers to pay the real Living Wage (£9.30 per hour)
- Guaranteed cash underpin of £750 for those earning £25,000 or less

Addressing inequalities
- Provides the flexibility for employers to use up to 0.5 per cent of paybill savings to address evidenced inequalities in pay and grading structures

Other Elements
- Retains the position on progression as a matter for discussion between employers and their staff and/or representatives (limited to a maximum of 1.5 per cent for Chief Executives)
- Continues the commitment to No Compulsory Redundancy
- Maintains the suspension of non-consolidated payments (bonuses)
- Continues the expectation to deliver a 10 per cent reduction in the remuneration package for all new Chief Executive appointments

Scottish Chief Executive Pay Framework 2020-21 (base pay)

Pay Band	Minimum	Maximum	Ceiling
3	£110,821	£150,884	£221,750
2	£91,466	£130,072	£174,298
1A	£75,383	£109,352	£139,334
1	£64,901	£98,854	£127,731

Chairs & Members Daily Fee Framework 2020-21 (gross daily fees)

Chairs			
Tier	**Minimum**	**Maximum**	**Ceiling**
Tribunal	£337	£558	£708
Tier 1	£335	£495	£552
Tier 2	£217	£369	£438
Tier 3	£149	£234	£320

Members			
Tier	**Minimum**	**Maximum**	**Ceiling**
Tribunal *(specialist skills only)*	£262	£387	£507
Tier 1	£240	£357	£450
Tier 2	£182	£269	£339
Tier 3	£98	£190	£272

10. CONTACTS

Who should you contact for help?

10.1 If you need help at any stage in the process or require information on any aspects of the policy and its application, please contact your designated contact in the Finance Pay Policy team in the first instance to discuss or to set up a meeting.

10.2 All emails should be sent direct to the Finance Pay Policy mailbox:

FinancePayPolicy@gov.scot

10.3 We would ask that Public Bodies include the recognised abbreviation for their organisation in the subject heading in all correspondence so that they can be easily identified within the Finance Pay Policy mailbox.

Where can you find further information?

10.4 Further information on public sector pay can be found at: www.gov.scot/policies/public-sector-pay/

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