

Public Sector Pay Policy 2022-23

Technical Guide



Contents

1. What is new for 2022-23	7
What is new in this Technical Guide for 2022-23?	7
What are the key features of the Public Sector Pay Policy for 2022-23?	7
What are the pay thresholds for 2022-23?	8
Where will I find the key policy information in this Technical Guide?	10
2. Introduction	11
Who does the Public Sector Pay Policy apply to?	11
What about Senior Civil Servants and other senior staff?	12
Role and responsibilities of the public body	12
Role and responsibilities of the Chief Executive	13
Role and responsibilities of the Chair/Board	13
Role and responsibilities of the trade unions	13
Role and responsibilities of the Public Sector Pay Policy team	14
Role and responsibilities of the Remuneration Group	14
Role and responsibilities of the Sponsor team	14
Role and responsibilities of Scottish Government Senior Officials	15
Role and responsibilities of the Scottish Government Finance Business Partner	15
Role and responsibilities of Scottish Ministers	15
How should pay increases be applied to part-time employees?	15
What is required to extend a No Compulsory Redundancy commitment?	15
What is the policy position on fair pay and pay inequalities?	17
What is the pay policy position on wellbeing?	18
What is meant by pay coherence?	19
What is meant by Right to Disconnect?	19
What does the suspension of non-consolidated performance payments mean?	19
Can a public body submit pay proposals that cover more than one year?	19
What might happen if the Public Sector Pay Policy is not followed?	20
Data Protection	20
Data Sharing Agreements - lawful basis for processing	20
What information is needed?	21
3. Staff Pay Remits	23
Key pay policy priorities and key metrics for staff pay in 2022-23	23
What are the key metrics that will be used to assess pay remits?	23
What is the limit on the overall increase to the paybill?	23
What are the basic pay increases that a public body can apply?	24
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?	24
Can paybill savings be used to part-fund the pay award?	25
What costs must be included in the pay remit?	25
What costs are excluded from the pay remit?	27
What are the measures to support lower paid staff?	27
What is the pay policy position on the real Living Wage?	27
What is the guaranteed wage floor and how should it be applied?	28
How does the pay policy apply to Modern Apprentices?	28
How does the pay policy apply to interns?	28
Who is eligible for the £775 guaranteed cash underpin?	29
What is the increase for staff earning between the Lower and Intermediate pay thresholds?	29

Can a public body propose to pay more than £700 to staff earning between the Lower and Intermediate pay thresholds?	29
What can a public body do if they have staff whose base pay is currently just above the Lower pay threshold?	30
The application of “smoothing” increases within a pay range which crosses the Lower pay threshold.....	30
The application of “smoothing” increases for pay ranges which are above the Lower pay threshold.....	32
What is the increase for staff earning above the Intermediate pay threshold?.....	33
Can a public body propose to pay more than £500 to staff earning above the Intermediate pay threshold?	34
What can a public body do if they have staff whose base pay is currently just above the Intermediate pay threshold?	34
The application of “smoothing” increases within a pay range which crosses the Intermediate pay threshold.....	34
The application of “smoothing” increases for pay ranges which are above the Intermediate pay threshold.....	36
How should pay increases be applied to part-time employees?	37
What is the position on progression?.....	39
What is included within the pay policy limits?.....	40
What are outwith the pay policy limits?.....	40
Does the pay policy provide flexibility for public bodies to use paybill savings to address inequalities?.....	41
What is required if a public body is seeking to use paybill savings to address inequalities?	41
What is required if a public body wants to submit proposals for reducing the working week?	43
What is required if a public body submits proposals for amending or restructuring their pay and reward system?	45
Can a public body align to another public body’s pay proposals or submit joint pay proposals? ..	45
What happens if a public body is legally committed to elements of the pay award?	46
Staff pay remit approvals process	46
What is the pay remit process in 2022-23?	46
What is the approvals process for the reduced working hours business case?	48
How is the outturn rating decided in the assessment process?	49
How is the pay remit rating decided in the assessment process?	51
What is required under the fast-track (low risk) process?	53
What is required under the full pay remit (high risk) process?	53
What if the proposals are not assigned a pay remit process?	53
Who approves the pay remit proposals?.....	54
How long will approval take?	55
Who is required to submit a settlement proforma?	56
What are public bodies who analogue or align to another public body expected to provide?	57
Staff pay discussions and negotiations	57
When should a public body engage with its trade union(s)?.....	57
What is the policy on legal commitments?.....	57
Can a public body make changes to its approved remit during negotiations?.....	58
Staff pay settlements	58
What information is a public body required to provide once it has implemented its pay settlement?.....	58
What happens if a public body exceeds its pay remit?	58
Staff pay worked example	59
Using the flexibility to use paybill savings to address equality issues.....	59

3A. Public Service Reform Approach to Public Sector Pay.....	63
Pay and public service reform.....	63
What are the key features of the reform option for 2022-23?.....	63
Areas of public sector pay policy that can be considered and business case process	65
What metrics can be changed as part of the reform public sector pay option?	65
Overview of business case guidance	66
Approvals and submission process.....	67
Guidance on completing business case form.....	68
Questions and Answers.....	69
How will the reform approach work in practice?.....	69
Are any changes expected to Employer Pension Contributions that need to be taken into account if considering the reform approach?.....	69
Can a multi-year deal start from 1 April 2023 rather than 1 April 2022?.....	70
4. Chief Executives.....	72
Key pay policy priorities and metrics for Chief Executives in 2022-23	72
What are the key metrics that will be used to assess Chief Executive pay proposals?.....	72
What costs must be included in the pay proposal?	72
What is the basic pay increase for Chief Executives?.....	72
What is the position on progression for Chief Executives?	72
Scottish Chief Executives Framework	73
What is the Scottish Chief Executives Framework?	73
How does the Scottish Chief Executives Framework operate?.....	73
Chief Executive remuneration packages	74
How should a Chief Executive be paid?.....	74
What if a Chief Executive is considering a Public Appointment or Non-Executive Directorship? ..	74
What needs to be taken into account when developing a new remuneration package for a Chief Executive?	74
When should a review of a Chief Executive’s remuneration package be considered?.....	74
What should the business case contain?.....	75
What elements need to be considered when developing a remuneration package for a Chief Executive?	76
What is required to determine the Scottish Chief Executive’s Pay Band?	76
What is the pay policy position on pay ranges and spot rates?.....	77
What is expected in regard to the remuneration of other senior roles within the public body?...	77
How should the proposed pay range for a Chief Executive be determined?	78
What factors must be considered when setting the salary?	78
What is the position on progression when setting a proposed pay range?	78
Are you still required to achieve a 10 per cent reduction in the remuneration package?.....	79
What is the policy position on non-consolidated performance payments (bonuses)?.....	80
What is the policy position on non-salary rewards?	80
What is the policy position on cars?.....	80
What is the policy position on life insurance and other health benefits?	81
What is the policy position on relocation expenses?	81
What is the policy position on affordability and sustainability?	81
What is expected in regard of equalities legislation?.....	81
What about temporary Chief Executives?	81
What to do if you want to vary a new remuneration package after it has been approved	82
Do you have to seek approval for the terms in a new contract?	82
Chief Executives approvals process	82
What must you do to seek approval of proposals?.....	82
Who is going to approve your remuneration proposals?.....	83

What is the process for approval?	83
How long should any approval take?	86
What might happen if the pay policy is not followed?.....	86
5. NHS Scotland Executive and Senior Management posts.....	88
Key pay policy parameters for 2022-23	88
Who does this cover?	88
What is the position on progression?.....	88
6. Chairs, Board Members and Public Appointments	90
Key pay policy parameters for Chairs, Board Members and Public Appointments for 2022-23.....	90
What is the pay policy position on the remuneration of Public Appointments?.....	90
What is a Daily Fee and what is it for?	90
What about appointments that are not linked to a public body?	91
What are the key metrics and thresholds for 2022-23?.....	91
What are the Daily Fee thresholds for 2022-23?	91
What are the pay policy parameters that can be applied?	91
What is the position on progression?.....	91
Chairs and Members: Framework	92
What is the Daily Fee Framework?.....	92
What are the Tier parameters?.....	92
How is the Tribunal Tier different?	93
What is the process for allocation to a Tier?	93
How to determine the Daily Fee of a Chair or Member of a public body?.....	94
Chairs and Members: additional information	95
Can a Daily Fee be paid monthly or annually?	95
Are appointees classed as employees?	95
How are Chairs and Members to be paid?	96
What about offering a pension?	96
What about expenses?	96
What about other tax matters?	97
What to do when making a Public Appointment where the individual is already a senior employee of another public body	97
What must you do to seek approval of proposals?.....	98
What should a business case contain?	98
Who is going to approve your remuneration proposals?.....	99
How long should the process take?.....	100
What might happen if the pay policy is not followed?.....	101
7. Sponsor Team Role and Responsibilities	103
What is the role of the Sponsor team?.....	103
What is a Sponsor team required to do before a public body submits any pay proposals for approval?	103
What is a Sponsor team required to do once their public body submits their pay proposals?....	104
What does the Sponsor team require to consider when preparing a submission seeking approval to their public body's pay proposals?.....	104
Does the Sponsor team require to notify Ministers of the approval?	105
What action will be taken if there are unresolved queries at the end of the assessment period?	105
What is required once the pay proposals have been approved?	106
What is the role of the Sponsor team with regards to Chairs, Board Members, and other Ministerial Appointments?	106
8. Glossary of Terms used in the Public Sector Pay Documents.....	107

9. Pay Policy Quick Reference	114
Chairs & Members Daily Fee Framework 2022-23 (gross Daily Fees)	115
10. Contacts.....	116
Who should you contact for help?	116
Where can you find further information?	116

1. What is new for 2022-23

What is new in this Technical Guide for 2022-23?

1.1 The following highlights what is new and where it can be found within this document:

Feature	Refer to paragraphs
Pay policy metrics for 2022-23	1.4 to 1.6
Extension of the flexibilities to include non-consolidated payments	1.4 and 2.47
Inclusion of introduction of the discretion for employers to work towards a 35 hour working week	1.4 and 2.45
Application of the wage floor	3.28 to 3.29
Update to the wellbeing section	2.43 to 2.45
Introduction of optional public service reform approach to pay	3.156 to 3.182

What are the key features of the Public Sector Pay Policy for 2022-23?

1.2 The Public Sector Pay Policy for 2022-23 was announced in the Budget statement on 9 December 2021. The policy sets the parameters for public sector pay increases for the period 2022-23 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. The policy introduces the option for employers to consider a strategic, multi-year approach to pay in the context of public service reform. Sections 3.156 to 3.182 provide further detail for those employers considering multi-year proposals.

1.3 The policy is available on the Scottish Government website at:
[Public sector pay policy 2022-23](#)

1.4 The key new features of the pay policy in 2022-23 are:

- Delivering a progressive approach to pay increases by:
 - setting a guaranteed **wage floor of £10.50 per hour**, going beyond the current **real Living Wage rate of £9.90**;
 - providing a **guaranteed cash underpin of £775¹** for those earning a fulltime equivalent salary of **£25,000 or less**;
 - providing a **basic pay increase of £700¹** for those with a fulltime equivalent salary of more than £25,000 and up to **£40,000**; and
 - providing a **basic pay increase of £500¹** for those with a fulltime equivalent salary of more than £40,000.
- Providing the flexibility for employers to use up to 0.5 per cent of 2022-23 baseline salaries to address clearly evidenced equality or pay coherence issues. Public bodies must demonstrate that all such proposals can be wholly funded by savings at the point of implementation and in future if the proposals result in changes to existing pay and grading structures. The inequalities can include:
 - to consider non-consolidated payments to address cost of living increases,
 - targeted increases to address **pay coherence** (see paragraph 2.47),
 - **working towards standardising to a 35 hour working week** if and when it is practical to do so (see paragraph 2.45).
- Introducing the requirement for employers to have meaningful discussions with staff representatives about the Right to Disconnect (see paragraph 2.46).
- Introducing an optional public service reform, multi-year approach to pay.

1.5 The 2022-23 pay policy also continues:

- To retain 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.
- To encourage the promotion of wellbeing in the workplace and a healthy work-life balance.
- To maintain the suspension of non-consolidated performance related pay (bonuses).
- The expectation to deliver a 10 per cent reduction in the remuneration packages for all new Chief Executive appointments.
- The commitment to No Compulsory Redundancy.

What are the pay thresholds for 2022-23?

1.6 The policy continues to target lower earners while restraining increases for higher earners to address pay erosion for those facing the greatest detriment and to continue to help work towards reducing overall income inequality. The thresholds for 2022-23 are set out in the following table and apply to all employees, senior appointments and those who are paid a Daily Fee:

¹ The cash underpin / basic pay increase is pro-rated for part-time employees

Threshold	Coverage
Lower pay threshold (£25,000)	<p><u>Below the Lower pay threshold:</u></p> <p>All employees with a fulltime equivalent salary of £25,000 or less prior to applying the 2022-23 pay award.</p>
Intermediate pay threshold (£40,000)	<p><u>Between the Lower and Intermediate pay thresholds:</u></p> <p>All employees with a fulltime equivalent salary of more than £25,000 up to £40,000 prior to applying the 2022-23 pay award.</p> <p>For public and Ministerial appointments who are paid a Daily Fee this equates to a daily rate of £154 or less per day before any uplift.</p> <p><u>Above the Intermediate pay threshold:</u></p> <p>All employees with a fulltime equivalent salary of more than £40,000 prior to applying the 2022-23 pay award.</p> <p>For public and Ministerial appointments who are paid a Daily Fee this equates to a daily rate of more than £154 per day before any uplift.</p>

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

1.7 The following sign-posts you to the relevant sections in this document on the application of the key features of the pay policy:

Feature	Staff	Chief Executives ²	Chairs, Board Members and Public Appointments
Application of the guaranteed wage floor	3.26 to 3.31	not applicable	not applicable
Application of the guaranteed cash underpin of £775	3.32 to 3.33	not applicable	not applicable
Application of the basic pay increase of £700	3.34 to 3.44	not applicable	6.10
Application of the basic pay increase of £500	3.48 to 3.58	4.3	6.10
Paying progression	3.65 to 3.71	4.4 to 4.5 5.3 to 5.4 ²	not applicable
The flexibility to use paybill savings to address pay inequalities	3.75 to 3.81	not applicable	not applicable
Standardising to a 35 hour working week	2.45	2.45	not applicable
Multi-year public service reform approach to pay	3.156 to 3.182	not applicable	not applicable

² For NHS Scotland Executive and Senior Management posts

2. Introduction

Who does the Public Sector 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:

Public body	Staff pay remits	Senior Staff Appointments	Chairs and Board Members and Public Appointments
The Scottish Government and its associated departments	section 3	not applicable	section 6
Agencies	section 3	not applicable	section 6
Non-Departmental Public Bodies (NDPBs)	section 3	section 4	section 6
Public Corporations	section 3	section 4	section 6
NHS Scotland Executive and Senior Management posts	not applicable	sections 4 and 5	section 6
Ministerial Appointments not covered by any of the organisations above.	not applicable	not applicable	section 6

A full list of public bodies is available at: [National public bodies: directory - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/national-public-bodies-directory/pages/1-introduction.aspx)

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, Appeal Boards, Advisory Committees and Inquiries.
- Appointments to lead Reviews, Inquiries etc.

2.3 In addition, the policy acts as a reference point for all major public sector workforce groups across Scotland including NHS Scotland³, fire-fighters, police officers, teachers and further education workers. For local government employees, pay and other employment matters are delegated to local authorities.

What about Senior Civil Servants and other senior staff?

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. The pay policy **applies** to all other senior staff below Chief Executive in the relevant public bodies.

Role and responsibilities of the public body

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 on which it is due (which for the majority of public bodies is 1 April). Any public body unable to do this should discuss with the Public Sector Pay Policy team at the earliest opportunity.

2.7 Public bodies are expected to engage in early scoping discussions with their staff and staff representatives in preparing their staff pay proposals (this includes paying progression and using the paybill flexibilities) where appropriate, as part of a collaborative and constructive approach to the pay process.

³ 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

2.8 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 3.96 to 3.105).

2.9 Public bodies are encouraged to discuss their draft proposals with the Public Sector Pay Policy team before they formally submit their remit proposals. Where appropriate the relevant Sponsor team should be included. This will help reduce the time required for getting approval to the negotiating remit.

Role and responsibilities of the Chief Executive

2.10 The **Chief Executive**, as Accountable Officer⁴, 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 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.

Role and responsibilities of the Chair/Board

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.

Role and responsibilities of the trade unions

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.

⁴ 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.

Role and responsibilities of the Public Sector Pay Policy team

2.15 The role of the **Public Sector 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 Public Sector 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.

Role and responsibilities of the Remuneration Group

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: [Remuneration Group](#)

Role and responsibilities of the Sponsor team

2.20 The **Sponsor teams** 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 Public Sector 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 Public Sector 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.

Role and responsibilities of Scottish Government Senior Officials

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 Public Sector 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.

Role and responsibilities of the Scottish Government Finance Business Partner

2.25 The **Finance Business Partner**⁵ 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.

Role and responsibilities of Scottish Ministers

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 fulltime 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 (see paragraphs 3.61 to 3.64 for more detail).

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:

⁵ 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.

- 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. Where public bodies are seeking to re-structure, particularly as a result of the pandemic, full consideration must be given to redeployment and retraining.

2.31 The policy position remains that public bodies should work with their staff representatives to negotiate extensions to their No Compulsory Redundancy agreements where it is practical to do so.

2.32 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 comply with this commitment.

2.33 The No Compulsory Redundancy agreement extends to all directly employed staff. 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.

2.34 The No Compulsory Redundancy commitment may mean that employers seeking to restructure, in discussion with trade unions, may wish to consider voluntary exit schemes following consideration of re-deployment and re-training. Any public bodies seeking to do this must follow the relevant guidance in the [Scottish Public Finance Manual](#). Further advice can be obtained by contacting severance-policy-for-scotland@gov.scot

What is the policy position on fair pay and pay inequalities?

2.35 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 Framework⁶. This recognition is embedded in Scotland's Labour Market Strategy⁷.

2.36 The Scottish Government's Fair Work First position will see:

- appropriate channels for effective voice, such as trade union recognition;
- investment in workforce development;
- no use of zero hours contracts;
- action to tackle the gender pay gap and create a more diverse and inclusive workplace; and
- payment of the real Living Wage.

2.37 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. The agreement between Scottish Ministers and the recognised civil service unions is available at: [Scottish Government Fair Work Agreement](#).

2.38 It is important public bodies meet the legal duty placed upon them in Equality Act 2010 and 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](#).

2.39 Each public body is required to make sure it has due regard to the legal requirements of the Equality Act 2010 (section 149) when considering its pay systems. To help public bodies better meet the requirements of the public sector equality duty the Scottish Government has introduced regulations in the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 which places a number of requirements on public authorities: report on the work being done to mainstream equalities; set outcomes; publish and use employee information and to assess the impact of their policies and practices on people from with one or more of the protected characteristics listed in the Equality Act 2010. 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.

2.40 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

⁶ <https://www.fairworkconvention.scot/the-fair-work-framework/>

⁷ <http://www.gov.scot/Publications/2016/08/2505>

not possible to make the necessary changes within the pay policy limits, the Public Sector 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.

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

2.42 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 2022-23 Public Sector Pay Policy, which is available at: [Scottish Public Sector Pay Policy - Equality Impact Assessment](#).

2.43 Public bodies are expected to carry out their own Equality Impact Assessment of their pay proposals as they develop their own proposals to ensure that there are no unintended consequences of the proposed pay award. They should consider the impact on different groups of staff or roles including considering the impact of reward policies on those with a protected characteristic as well as the potential impact on lower paid employees and working families. 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?

2.44 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 wellbeing strategy and identify any changes they propose to introduce during 2022-23.

2.45 The Scottish Government has made it clear that, where it is practical to do so, homeworking will be an effective tool as part of our continued response to the health crisis. Many employers have introduced more flexible working practices as part of their response to supporting staff. Examples of such practices have included reviewing HR policies on caring responsibilities, home-schooling, special leave and sick leave; and extending core working hours, (where it is agreed between employee and employer) to enable staff to work at times that are more suited to their home environment or domestic situation; ensuring that employer obligations in relation to duty of care and health and safety are met; and some may have provided regular articles on looking after the mental, emotional and physical wellbeing of the individual.

2.46 The 2022-23 pay policy maintains the discretion for employers to work towards standardising to a 35 hour working week if and when it is practical to do so. This applies to all public bodies with an existing working week of more than 35 hours. Consideration of reduction in working hours should form part of normal pay negotiations as part of a progressive and agreed package of measures including terms and conditions that support new ways of working. Where an employer is looking to work towards a 35 hour working

week they will be required to seek approval from Scottish Government. For further detail see paragraphs 3.82 to 3.87. The business case should include a cost/benefit analysis of any reduction in hours to demonstrate that it can be delivered within existing resources and there will be no detrimental impact on productivity maintaining service delivery.

2.47 The shift to a hybrid working model in many organisations in response to the pandemic has highlighted the potential for an ‘always on’ culture. Ministers have extended the wellbeing agenda to introduce the ‘Right to Disconnect’. This aims to provide a balance between the opportunities and flexibility offered by technology and the need for staff to feel able to switch off from work. This pay policy introduces an expectation that employers will have meaningful discussions with their trade unions about a healthy work-life balance and the introduction of a Right to Disconnect. It is expected that employer and trade union discussions will include consideration of best practice around wellbeing, working hours and the use of technology.

What is meant by pay coherence?

2.48 In the context of the pay policy, pay coherence is defined as the move towards greater consistency in rates of pay for roles with the same job weighting in public bodies covered by the Public Sector Pay Policy. Pay coherence can also refer to greater standardisation of terms and conditions. The policy expectation for public bodies intending to address pay coherence issues is that Scottish Government will be the main benchmark both for salary levels and for terms and conditions.

What is meant by Right to Disconnect?

2.49 A Right to Disconnect policy gives employees the permission to disconnect from work outside of normal working hours and refrain from engaging in work-related electronic communications, such as emails or other messages, during non-work hours.

2.50 Right to Disconnect is fundamentally a matter for discussion between employers and their trade unions/staff representatives although the pay policy would advocate it as good practice for employers to develop their own policies on this. The approach may evolve during 2022-23.

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

2.51 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?

2.52 The 2022-23 pay policy introduces the option for employers, in discussion with their staff representatives, to either apply the single year 2022-23 pay policy or take a multi-year

approach to pay enabling a more strategic approach to support achieving public service reform.

2.53 It is unlikely that pay proposals for more than one year that do not include an element of reform will be approved. Where a public body wishes to consider this, they should contact the Public Sector Pay Policy team and their Sponsor team (where applicable) at the earliest opportunity.

What might happen if the Public Sector Pay Policy is not followed?

2.54 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.

Data Protection

2.55 All personal data collected as part of the pay policy process is handled in accordance with the requirements of data protection legislation and in particular the principles of the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA 2018). Any personal data collected as part of the staff pay remit process is solely for the purposes of evaluating the costs of the current pay policy, modelling the impact future pay policy and helping shape the Scottish Government's strategic views about the public sector workforce. Any information published by the Public Sector Pay Policy team will ensure individuals cannot be identified.

2.56 Individual public bodies are responsible for ensuring they have due regard to their obligations under General Data Protection Regulation (GDPR) when providing information to the Scottish Government as part of the pay policy process. Public bodies are not asked to provide names of individual staff members.

2.57 To mitigate the risk of any inadvertent data protection breaches, public bodies are requested to identify any information that carries a risk or potential risk of identifying an individual staff member.

Data Sharing Agreements - lawful basis for processing

2.58 In the context of lawful basis for processing in Data Sharing Agreements, the pay policy has a lawful basis. Most statutory bodies give control of pay to the Scottish Government either in their constitution or a memorandum of understanding. Generally a pay policy is necessary to run the Scottish Administration and legal cover for running that body is in section 65 of the Scotland Act which allows for the financing of the Scottish Administration provided there is budgetary cover in annual budget acts.

When should a public body send in its remit proposals?

2.59 Scottish Ministers have highlighted the importance they place on 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 Public Sector Pay Policy team up-to-date on progress with pay negotiations.

What information is needed?

2.60 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. Public bodies are required to provide information on the costs of applying their maximum negotiating remit, their pay and grading structure and staffing profiles as well as detail of their non-salary benefits.

2.61 Where remuneration proposals are being developed for new public bodies or for public appointments not linked to a public body, Sponsor teams should contact the Public Sector Pay Policy team for advice on what information is required.

Staff Pay Remits

3. Staff Pay Remits

Please note this section should be read in conjunction with sections 1, 2 and 3A

Key pay policy priorities and key metrics for staff pay in 2022-23

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

3.1 The key features of the 2022-23 pay policy are set out in paragraphs 1.4 and 1.5. Public bodies are expected to implement the basic pay increases on the recognised settlement date (which is 1 April for the majority of public bodies) and the costs of applying these increases should be included in the pay remit which will be assessed on the following:

- Affordability and sustainability - the financial impact of the pay remit proposals – which includes:
 - the cost of the basic pay increases,
 - 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.
- The use of paybill savings particularly if there are proposals to address inequalities or if the savings are non-recurring.

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 reward staff fairly 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 public body covered by the policy must ensure that their pay proposals are affordable within their financial settlement for 2022-23.

3.4 The amount a public body can add to its paybill as a result of its pay proposals will be determined by their agreed⁸ 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 agreed⁸ 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.

⁸ 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.

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 agreed⁸ financial settlement. Employers and their staff representatives should give consideration to securing productivity improvements and flexibilities to help 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 If a public body 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?

3.7 Employers must apply the guaranteed £775 cash underpin for all staff whose current fulltime equivalent salary is below the Lower pay threshold (£25,000). For staff earning between the Lower and Intermediate pay thresholds (i.e. between £25,000 and £40,000) employers can apply a basic pay increase of £700. For all staff earning above the Intermediate pay threshold (i.e. above £40,000), employers can apply a basic pay increase of £500.

3.8 If a public body proposes to award more than these to address evidenced inequalities, the additional cost of applying above the levels guaranteed in the pay policy must be met from the 0.5 per cent limit for flexibilities (paragraphs 3.75 to 3.81). The only exception being where higher increases are required to maintain the integrity of existing pay and grading structures for grades which are close to or cross the Lower or Intermediate pay thresholds (see paragraphs 3.39 to 3.44 and 3.52 to 3.58).

3.9 It is the responsibility of each organisation to ensure their full paybill costs can be met from within their agreed⁸ budget provision. However, where a public body has evidenced inequalities but has difficulty in meeting the full cost from paybill savings they are invited to contact the Public Sector Pay Policy team and their Sponsor team (where applicable) to discuss options.

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 The 2022-23 pay policy allows public bodies to use paybill savings of up to 0.5 per cent of baseline salaries to address inequalities including addressing the current increases to cost of living. This is subject to the public body being able to demonstrate that they can deliver the necessary savings to sustainably offset the higher cost. For further detail refer to paragraphs 3.75 to 3.81.

3.12 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. Non-recurring savings are savings which are realised within the pay year whereas recurring savings are those which result in a permanent reduction in the paybill. For example non-recurring savings include those arising from staff turnover (recyclable savings) or from gapping vacancies etc, and recurring savings would be reductions in staffing and the removal of allowances or reductions in overtime.

3.13 Public bodies may use paybill savings to make affordable and sustainable changes to their existing pay and grading structures, or changes to existing terms and conditions to address evidenced equality issues, or to award higher increases as part of identified pay coherence issues. In such instances the public body must be able to demonstrate that these are funded from recurring savings and provide confirmation that future paybills will be 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 and that they have agreement to carry forward any unused savings, where appropriate. 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.

3.15 However, where a public body has evidence inequalities but has difficulty in meeting the full cost from paybill savings, they are invited to contact the Public Sector Pay Policy team and their Sponsor team (where applicable) to discuss options.

What costs must be included in the pay remit?

3.16 The pay remit costings must include the cost of all⁹ 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.

⁹ 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.

3.17 The pay remit costings should also include the costs of any changes to existing allowance rates¹⁰, the buying-out of existing allowances or the introduction of new allowances¹⁰ 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.

3.18 Proposals which carry a notional cost (such as, for example, reduction in the working week or changes in the qualifying period for annual leave etc.) must also be included in the remit proforma. There should be a supporting business case which sets out the current 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. (paragraph 3.72).

3.19 The Scottish Government encourages employers to offer assistance with green 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 3.72) although the public body is required to provide confirmation the costs can be accommodated within the agreed budget for the period.

3.20 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.

3.21 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.

3.22 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 wage floor of £10.50 per hour

¹⁰ 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.

- the guaranteed cash underpin of £775 for staff below the Lower pay threshold (£25,000)
- the basic pay increase of £700 for staff earning between the Lower and Intermediate pay thresholds (£25,000 to £40,000)
- the basic pay increase of £500 for staff earning above the Intermediate pay threshold (£40,000)
- proposals to access the 0.5 per cent additional flexibilities for addressing inequalities
- associated increases in the costs of overtime and/or 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?

3.23 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.

3.24 The costs of paying the employer's Apprenticeship Levy should also 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?

3.25 Employers covered by the policy are required to:

- pay a minimum wage floor of £10.50 per hour
- ensure all staff below the Lower pay threshold (£25,000) receive the guaranteed cash underpin of £775

Further details are set out in paragraphs 3.28 to 3.33 below.

What is the pay policy position on the real Living Wage?

3.26 Scottish Ministers support the payment of the real Living Wage across all sectors. However this year for the first time, the pay policy sets a guaranteed wage floor based on an hourly rate of £10.50 which is above the real Living Wage (which is set at £9.90 per hour for 2022-23). The position for Interns and Modern Apprentices is set out in paragraphs 3.30 and 3.31.

3.27 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.

What is the guaranteed wage floor and how should it be applied?

3.28 The pay policy requirement is that the employer of every worker whose pay is controlled directly by the Scottish Government will pay a guaranteed wage floor which is set at £10.50 per hour.

3.29 The wage floor should be applied as an hourly rate.

How does the pay policy apply to Modern Apprentices?

3.30 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 create 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 role.
- Specific training role - they are expected to pay at least the real Living Wage rate, 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 real 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.

How does the pay policy apply to interns?

3.31 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 3.30 for Modern Apprentices. Where it is appropriate and where they can afford to do so, employers should pay the real Living Wage rate, particularly where the intern is undertaking a job equivalent to other staff within the organisation.

Who is eligible for the £775 guaranteed cash underpin?

3.32 The policy requires that employers provide a guaranteed £775 cash underpin to all staff whose **current**¹¹ fulltime equivalent base salary is below the Lower pay threshold (£25,000). **The policy expectation is for the guaranteed £775 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, 3.61 to 3.64.

3.33 The **policy position is that the guaranteed £775 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 or an established policy on linking pay to performance (see paragraph 3.10).
- An existing pay point is uplifted to deliver the guaranteed wage floor and the increase on the pay point is less than £775. In such cases public bodies may seek approval for the difference to be awarded as a non-consolidated payment.

What is the increase for staff earning between the Lower and Intermediate pay thresholds?

3.34 The pay policy intention is that every worker whose **current**¹² fulltime equivalent salary is between the Lower and Intermediate pay thresholds (£25,000 and £40,000) should receive a basic pay increase of up to £700. **The policy expectation is for the basic pay increase 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, 3.61 to 3.64.

3.35 **The pay policy position is that this payment should be in addition to any progression increase (where eligible).**

3.36 The pay policy expects public bodies **to apply the basic pay increase as a consolidated award.** The only exceptions to this being, where a public body has an established policy on pay protection or an established policy on linking pay to performance (see paragraph 3.10).

Can a public body propose to pay more than £700 to staff earning between the Lower and Intermediate pay thresholds?

3.37 A public body may propose to apply more than £700 to address evidenced equality issues. In such cases, the additional amount above the £700 would normally require to be costed from the flexibility allowed in the 2022-23 pay policy (see paragraphs 3.75 to 3.81).

¹¹ 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 £775 cash underpin in addition to progression.

¹² For example if an individual's current salary was £39,500 and their progression increase was 1.5 per cent taking them to £40,093 under the policy, the individual would still be entitled to a £700 cent uplift in addition to progression.

Employers may also propose a “smoothing” increase of more than £700 to address any “leapfrogging” or structural issues as a result of the guaranteed cash underpin for lower earners (see paragraphs 3.39 to 3.44).

3.38 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. Where savings are being used to fund consolidated increases the public body must be able to demonstrate that they are recurring savings to ensure future affordability.

What can a public body do if they have staff whose base pay is currently just above the Lower pay threshold?

3.39 A public body may propose to pay a higher “smoothing” increase to provide an overall increase of up to £775 to staff who are currently on a base salary that is just over the Lower pay threshold (£25,000) to address any possible “leapfrogging”, and to maintain the integrity of their current pay system. The level of increases within a pay range may be tapered to mitigate the impact on the pay gap between pay ranges. It will depend upon the proposals as to how the costs will be treated within the pay remit, and the following paragraphs set out the expected approach for a pay range that crosses, or is just above the Lower pay threshold (£25,000).

The application of “smoothing” increases within a pay range which crosses the Lower pay threshold

3.40 It will depend upon the amount above the Lower pay threshold (£25,000) as to how the costs will be treated within the pay remit.

3.41 If less than half (50 per cent) of the difference, between the pay point and the pay range minima, is above the Lower pay threshold (£25,000) then the costs of providing an increase up to the £775 cash underpin will be included within the low pay measures. Otherwise, the top-up will require to be costed from the paybill flexibilities to address inequalities. The same principle would apply to a pay range minima which is just above the Lower pay threshold (£25,000).

3.42 Where a public body proposes to apply more than the guaranteed £775 for lower paid staff then the additional amount above the £775 would require to be costed from the flexibilities allowed in the 2022-23 pay policy to address evidenced equality issues (see paragraphs 3.75 to 3.81). If the additional amount is consolidated, the public body must be able to demonstrate that the additional amount can be funded from recurring savings to ensure future affordability.

3.43 This is illustrated in the following two examples:

Example 1: based on maintaining a fixed monetary amount between pay points:

- In this first example the proposal is to apply £775 on all pay points to maintain a £750 differential between pay points.

- The cost of providing the £75 top-up for all staff on the Min+2 pay point would be costed under the low pay measures. This is because only 17 per cent of the difference between Min+2 and the Minimum is above the £25,000 Lower pay threshold (£250/£1,500).
- Similarly, the cost for providing the additional £75 top-up for staff on the Min+3 point would also be costed under the low pay measures as again it meets the 50 per cent criteria.
- The cost of providing the £75 top-up for staff on the pay range Maximum would require to be costed from the flexibilities to address inequalities. This is because more than half (58 per cent) of the difference between Minimum and the Maximum is above the £25,000 Lower pay threshold.

Current Pay point	Minimum £23,750	Min+1 £24,500	Min+2 £25,250	Min+3 £26,000	Maximum £26,750
Difference between pay point and the minimum	£0	£750	£1,500	£2,250	£3,000
Amount above the £25,000 Lower pay threshold	£0	£0	£250	£1,000	£1,750
Percentage of the pay range above the £25,000 Lower pay threshold	0%	0%	17%	44%	58%
Proposed Pay point	£24,525	£25,275	£26,025	£26,775	£27,525

Example 2: based on maintaining the same percentage between pay points

- In this second example the proposal is to apply £775 on all pay points to maintain the same percentage difference between pay points.
- The cost of providing the £75 top-up for staff on the Min+2 pay point would be costed under the low pay measures. This is because only 14 per cent of the difference between Min+2 and the Minimum is above the £25,000 Lower pay threshold.
- The cost for providing the additional £75 top-up for staff on the Min+3 point would also be costed under the low pay measures as again it meets the 50 per cent criteria.
- However, the cost of providing the £75 top-up for staff on the pay range Maximum would require to be costed from the flexibilities to address inequalities. This is because more than half (58 per cent) of the difference between Minimum and the Maximum is above the £25,000 Lower pay threshold.
- The 3 per cent difference between the current pay points reduces to 2.91 per cent per cent following application of the £775 cash underpin. Any further adjustments to the pay points which result in applying more than £775 would require to be costed under the paybill flexibilities.

Current Pay point	Min £23,750	Min+1 £24,463	Min+2 £25,196	Min+3 £25,952	Max £26,731
Percentage difference between pay points		3.00%	3.00%	3.00%	3.00%
Difference between pay point and the minimum	-	£713	£1,446	£2,202	£2,981
Amount above the £25,000 Lower pay threshold	-	-	£196	£952	£1,731
Percentage above the £25,000 Lower pay threshold	-	-	14%	43%	58%
Proposed Pay point	£24,525	£25,238	£25,971	£26,727	£27,506
Percentage difference between pay points		2.91%	2.91%	2.91%	2.91%

The application of “smoothing” increases for pay ranges which are above the Lower pay threshold

3.44 A public body may propose to pay “smoothing” increases of more than £700 on pay points in pay ranges which sit above the Lower pay threshold (£25,000) to address any possible “leapfrogging” and/or to maintain the integrity of their current pay systems. The level of increases within a pay range may be tapered to mitigate the impact on the pay gap between pay ranges.

3.45 It will depend upon the amount above the Lower pay threshold (£25,000) as to how the costs will be treated within the pay remit. The same principle is applied as for pay ranges which cross the Lower pay threshold (£25,000).

3.46 If less than half (50 per cent) of the difference, between the pay point and the pay range maxima of the grade below, is above the Lower pay threshold (£25,000) then the costs of providing an increase up to the £775 cash underpin will be included within the low pay measures. Otherwise, the top-up will require to be costed from the paybill flexibilities to address inequalities. This is illustrated in the following example:

Current Pay point	Min £25,250	Min+1 £25,750	Min+2 £26,250	Min+3 £26,750	Max £27,250
Difference between pay point and the maximum (£24,250) of the grade below	£1,000	£1,500	£2,000	£2,500	£3,000
Amount above the £25,000 Lower pay threshold	£250	£750	£1,250	£1,750	£2,250
Percentage of the pay range above the £25,000 Lower pay threshold	25%	50%	63%	70%	75%
Proposed Pay point	£26,025	£26,525	£27,025	£27,525	£28,025

- In this example the proposal is to apply £775 on all pay points to maintain the same differential between pay.
- The cost of providing the £75 top-up for all staff on the Min and Min+1 pay points would be costed under the low pay measures. This is because 50 per cent or less of the difference between the pay point and the maximum of the range below is above the Lower pay threshold (£25,000).
- The cost of providing the £75 top-up for staff on Min+2 and above would require to be costed from the flexibilities to address inequalities. This is because more than half (at least 63 per cent) of the difference between the pay point and the maximum of the range below is above the Lower pay threshold (£25,000).

3.47 Where a public body proposes to apply more than the guaranteed £775 for lower paid staff then the additional amount above the £775 would require to be costed from the flexibilities allowed in the 2022-23 pay policy to address evidenced equality issues (see paragraphs 3.7 to 3.75). If the additional amount is consolidated the public body must be able to demonstrate that the additional amount can be funded from recurring savings to ensure future affordability.

What is the increase for staff earning above the Intermediate pay threshold?

3.48 The pay policy intention is that every worker whose **current** fulltime equivalent salary is above the Intermediate pay threshold (£40,000) should receive a basic pay increase of £500. **The pay policy position is that this payment should be in addition to any progression increase (where eligible).**

3.49 The pay policy expects public bodies **to apply the basic pay increase as a consolidated award**. The only exceptions to this being, where a public body has an established policy on pay protection or an established policy on linking pay to performance (see paragraph 3.10).

Can a public body propose to pay more than £500 to staff earning above the Intermediate pay threshold?

3.50 A public body may propose to apply more than £500 to address evidenced equality issues. In such cases, the additional amount above £500 would normally require to be costed from the flexibility allowed in the 2022-23 pay policy (see paragraphs 3.75 to 3.81). Employers may also propose a “smoothing” increase of more than £500 to address any “leapfrogging” or structural issues as a result of the guaranteed cash underpin for lower earners (see paragraphs 3.52 to 3.58).

3.51 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. Where savings are being used to fund consolidated increases the public body must be able to demonstrate that they are recurring savings to ensure future affordability.

What can a public body do if they have staff whose base pay is currently just above the Intermediate pay threshold?

3.52 A public body may propose to pay a higher “smoothing” increase to provide an overall increase of up to £700 to staff who are currently on a base salary that is just over the Intermediate pay threshold (£40,000) to address any possible “leapfrogging” and to maintain the integrity of their current pay systems. The level of increases within a pay range may be tapered to mitigate the impact on the pay gap between pay ranges. It will depend upon the proposals as to how the costs will be treated within the pay remit and the following paragraphs set out the expected approach for a pay range that crosses or is just above the Intermediate pay threshold (£40,000).

The application of “smoothing” increases within a pay range which crosses the Intermediate pay threshold

3.53 It will depend upon the amount above the threshold as to how the costs will be treated within the pay remit.

3.54 If less than half (50 per cent) of the difference, between the pay point and the pay range minima, is above the Intermediate pay threshold (£40,000) then the costs of providing an increase of up to £700 will be included within the low pay measures. Otherwise the top-up will require to be costed from the paybill flexibilities to address inequalities. The same principle would apply to a pay range minima which is just above the Intermediate pay threshold (£40,000).

3.55 Where a public body proposes to apply more than £700 for staff earning between the Lower and Intermediate pay thresholds (£25,000 to £40,000) then the additional amount above the £700 would require to be costed from the flexibilities allowed in the 2022-23 pay policy to address evidenced equality issues (see paragraphs 3.75 to 3.81).

3.56 This is illustrated in the following two examples:

Example 1: based on maintaining a fixed monetary amount between pay points:

- In this first example the proposal is to apply £700 on all pay points to maintain a £1,000 differential between all pay points.
- The cost of providing the £200 top-up for all staff on the Min+2 and Min+3 pay points would be costed under the basic pay uplift for staff earning between the Lower and Intermediate Thresholds (£25,000-£40,000). This is because 50 per cent or less of the difference between the pay point and the Minimum is above the £40,000 Intermediate pay threshold.
- The cost of providing the £200 top-up for staff on pay point Min+4 and the pay range Maximum would require to be costed from the flexibilities to address inequalities. This is because more than half of the difference between Minimum and the pay points are above the £40,000 Intermediate pay threshold.

Current Pay point	Min £38,500	Min+1 £39,500	Min+2 £40,500	Min+3 £41,500	Min+4 £42,500	Max £43,500
Difference between pay point and the minimum	£0	£1,000	£2,000	£3,000	£4,000	£5,000
Amount above the £40,000 Intermediate pay threshold	£0	£0	£500	£1,500	£2,500	£3,500
Percentage above the £40,000 Intermediate pay threshold	0%	0%	25%	50%	63%	70%
Proposed Pay point	£39,200	£40,200	£41,200	£42,200	£43,200	£44,200

Example 2: based on maintaining the same percentage between pay points:

- In this second example the proposal is to apply £700 on all pay points to maintain the same percentage difference between pay points.
- The cost of providing the £200 top-up for all staff on the Min+2 and Min+3 pay points would be costed under the cost of the basic pay uplift for staff earning between the Lower and Intermediate Thresholds (£25,000-£40,000). This is because 50 per cent or less of the difference between the pay point and the Minimum is above the £40,000 Intermediate pay threshold.

- However, the cost of providing the £200 top-up for staff on pay point Min+4 and the pay range Maximum would require to be costed from the flexibilities to address inequalities. This is because more than half of the difference between Minimum and the pay points are above the £40,000 Intermediate pay threshold.
- The 2.47 per cent difference between the current pay points would reduce to 2.43 percent after applying the above “smoothing”. Any further adjustments to the pay points which result in applying more than £700 would require to be costed under the paybill flexibilities.

Current Pay point	Min £38,500	Min+1 £39,451	Min+2 £40,425	Min +3 £41,424	Min+4 £42,447	Max £43,495
Difference between pay points		2.47%	2.47%	2.47%	2.47%	2.47%
Difference between pay point and the minimum	£0	£951	£1,925	£2,924	£3,947	£4,995
Amount above the £40,000 Intermediate pay threshold	£0	£0	£425	£1,424	£2,447	£3,495
Percentage above the £40,000 Intermediate pay threshold	0%	0%	22%	49%	62%	70%
Proposed Pay point	£39,200	£40,151	£41,125	£42,124	£43,147	£44,195
Difference between pay points		2.43%	2.43%	2.43%	2.43%	2.43%

The application of “smoothing” increases for pay ranges which are above the Intermediate pay threshold

3.57 A public body may propose to pay “smoothing” increases of more than £700 on pay points in pay ranges which sit above the Intermediate pay threshold (£40,000) to address any possible “leapfrogging” and/or to maintain the integrity of their current pay systems. The level of increases within a pay range may be tapered to mitigate the impact on the pay gap between pay ranges.

3.58 It will depend upon the amount above the Intermediate pay threshold (£40,000) as to how the costs will be treated within the pay remit. The same principle is applied as for pay ranges which cross the Intermediate pay threshold (£40,000).

3.59 If less than half (50 per cent) of the difference, between the pay point and the pay range maxima of the grade below, is above the Intermediate pay threshold (£40,000) then

the costs of providing an increase up to £200 will be included within the basic pay increases. Otherwise, the top-up will require to be costed from the paybill flexibilities to address inequalities. This is illustrated in the following example:

Current Pay point	Min £41,000	Min+1 £41,500	Min+2 £42,000	Min+3 £42,500	Max £43,000
Difference between pay point and the maximum (£38,500) of the grade below	£2,500	£3,000	£3,500	£4,000	£4,500
Amount above the £40,000 Intermediate pay threshold	£1,000	£1,500	£2,000	£2,500	£3,000
Percentage of the pay range above the £40,000 Intermediate pay threshold	40%	50%	57%	63%	67%
Proposed Pay point	£41,700	£42,200	£42,700	£43,200	£43,700

- In this example the proposal is to apply £500 on all pay points to maintain the same differential between pay.
- The cost of providing the £200 top-up for all staff on the Min and Min+1 pay points would be costed under the basic pay increases. This is because 50 per cent or less of the difference between the pay point and the Maximum of the range below is above the Intermediate pay threshold (£40,000).
- The cost of providing the £200 top-up for staff on Min+2 and above would require to be costed from the flexibilities to address inequalities. This is because more than half (at least 57 per cent) of the difference between the pay point and the Maximum of the range below is above the Intermediate pay threshold (£40,000).

3.60 Where a public body proposes to apply more than the guaranteed £700 for staff earning between the Lower pay threshold (£25,000) and the Intermediate pay threshold (£40,000) then the additional amount above the £700 would require to be costed from the flexibilities allowed in the 2022-23 pay policy to address evidenced equality issues (see paragraphs 3.70 to 3.75). If the additional amount is consolidated, the public body must be able to demonstrate that it's funded from recurring savings to ensure future affordability.

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

3.61 The policy intention is for all increases to be based on an individual's fulltime 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/or job weight the same proportionate increase, ensuring equal pay for like work or work of equal value.

3.62 However, the pay policy provides scope 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 pay policy limits would require to be met from the paybill flexibilities (paragraphs 3.75 to 3.81) allowed in the pay policy to address inequalities.

3.63 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, compared within other employees with the same length of time in post but have worked fulltime. There is also a risk that to pay all staff the same increase regardless of hours worked could undermine working relations between employees.

3.64 This may be better illustrated by the following two examples where the fulltime and part-time equivalent salaries are above and below the Lower and Intermediate thresholds based on a fulltime working week of 37 hours although the principles would be the same for a 35 hour working week.

Example 1: based on salaries above and below the Lower pay threshold:

Employee A: works fulltime with a salary of £24,000

Employee B: works part-time with a take-home salary of £24,000 (based on a fulltime equivalent salary of £ 35,520)

Employee C: works fulltime with a salary of £35,520

Employee	Hours	Current salary	Current Hourly rate*	Increase	Revised Salary	Revised Annual Salary FTE	Revised Hourly rate*
A	37	£24,000	£12.43	£775	£24,800	£24,800	£12.84
B	25	£24,000	£18.39	£775	£24,800	£36,704	£19.00
C	37	£35,520	£18.39	2%	£36,230	£36,230	£18.76

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

In this example, both employee A and employee B have a salary of £24,000 regardless of hours worked, however the fulltime employee's (employee A) current hourly rate is £12.43 compared with the part-time employee (employee B) of £18.39. Therefore, if the part-time employee (employee B) were to receive a £775 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 fulltime equivalent co-worker (employee C) on the same grade and equivalent fulltime pay point (£19.00 compared with £18.76).

Example 2: based on salaries above and below the Intermediate pay threshold:

Employee A: works fulltime with a salary of £38,000

Employee B: works part-time with a take-home salary of £38,000 (based on a fulltime equivalent salary of £ 46,867)

Employee C: works fulltime with a salary of £46,867

Employee	Hours	Current salary	Current Hourly rate*	Increase	Revised Salary	Revised Annual Salary FTE	Revised Hourly rate*
A	37	£38,000	£19.67	2.0%	£38,760	£38,760	£20.07
B	25	£38,000	£24.27	2.0%	£38,760	£47,804	£24.75
C	37	£46,867	£24.27	1%	£47,335	£47,335	£24.51

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

In this example, both employee A and B have a salary of £38,000 regardless of hours worked, however the fulltime employee's current hourly rate is £19.67 compared with the part-time employee of £24.27. Therefore if the part-time employee were to receive a 2 per cent increase, on the basis that their take-home pay was less than £40,000, this would mean that their hourly rate, following the pay increase, would then be higher than their fulltime equivalent co-workers on the same grade and equivalent fulltime pay point (i.e. £24.75 compared with £24.51).

What is the position on progression?

3.65 Nothing in the policy is intended to interfere with existing pay progression arrangements or to constrain discussions between employers and staff on this issue. However, any progression increase should not result in an individual exceeding their recognised pay maxima. If for any reason it does exceed the pay maxima, then the balance up to the guaranteed amount must be paid as non-consolidated.

3.66 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.

3.67 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. 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 Public Sector Pay Policy team and their sponsor division and Finance Business Partner at the earliest opportunity.

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

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

3.70 The cost of paying progression under existing arrangements continues to be costed outwith the pay policy limits (see paragraph 3.73) 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.

3.71 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 offset the costs of any proposals which seek to address pay inequalities, as detailed in paragraphs 3.75 to 3.81.

What is included within the pay policy limits?

3.72 All increases to pay must be included within the specified pay policy limits set out for 2022-23 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 3.75 to 3.81. Increases within the limits will include:

- The basic award including the specified low pay measures (see paragraph 3.25)
- The cost of any payment to staff on pay protection

What are outwith the pay policy limits?

3.73 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 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.

3.74 For costs that are outwith the pay remit refer to paragraphs 3.23 and 3.24 .

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

3.75 Public bodies will be able to use paybill savings, of up to 0.5 per cent of baseline salaries (see paragraph 1.4), to address inequalities, subject to the public body being able to demonstrate that they can deliver the necessary savings to sustainably off-set the cost. The inequalities would be any or all of the following:

- Inequalities arising from recruitment and retention issues.
- Pay coherence and closer alignment to equivalent Scottish Government pay ranges and/or terms and conditions.
- Provide additional non-consolidated increases to help reduce the impact of inflation on take-home pay.

3.76 Where proposals to use flexibilities exceed 0.5 per cent, public bodies may be able to submit proposals which carry forward up to 0.5 per cent unused flexibilities from 2021-22 to 2022-23. Approval of such proposals will be subject to the public body being able to demonstrate that they can deliver the necessary savings to sustainably off-set the higher cost. Where a public body is seeking to carry forward unused flexibilities, they should contact the Public Sector Pay Policy team at an early stage.

3.77 Where a public body proposes to use the flexibilities to apply consolidated increases then they must demonstrate that such proposals can be funded by recurring savings.

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

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

- Reducing any gender pay gap and/or the overall pay gap between the highest and lowest earners.
- Applying “smoothing” increases to remove the risk of “leapfrogging” and reduce the impact of the stepped increases on existing pay and grading structures.
- Making minor changes to existing pay and grading structures, including:
 - reducing progression journey times (removing minima and/or recalibrating pay steps)
 - recalibrating existing pay steps
 - reducing and/or removing overlaps between grades
 - See paragraphs 3.88 and 3.89 for further detail.
- Applying higher increases to work towards standardising rates of pay (pay coherence).
- Standardising to a 35 hour working week. (see paragraphs 3.82 to 3.87 for further detail)
- 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.
- Providing non-consolidated increases to help reduce the impact of inflation on take-home pay.

3.79 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, in particular the Scottish Government.
- Any proposed increases to existing band maxima of more than the limits set out in the 2022-23 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 maximum qualifying time for annual leave entitlement of no more than 5 years.

3.80 Where a public body provides clear evidence of equality issues, they must demonstrate each of the following points.

- The cost does not exceed 0.5 per cent of baseline salaries (see paragraph 1.4)
- 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 Public Sector 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 (i.e. they do not create pressure on future baseline paybills).
- Consolidated increases are funded by recurring savings.

3.81 See the worked example on using paybill savings to address equality issues (paragraph 3.155).

What is required if a public body wants to submit proposals for reducing the working week?

3.82 The 2022-23 Public Sector Pay Policy continues to provide the discretion for employers to work towards standardising to a 35 hour working week as well as introducing the opportunity to explore the risks and benefits of a four day working week. While the following framework is primarily designed for employers moving towards 35 hours, the principles will also be relevant for those considering a reduction in the working week as wider workforce reform. The reduction should be delivered through normal negotiations as part of a progressive and agreed package of measures, including terms and conditions that support new ways of working.

3.83 Where an employer is looking to work towards a 35 hour working week they will be required to seek approval from Scottish Government in line with the standard pay remit process. The business case should include a cost/benefit analysis of any reduction in hours to demonstrate that it can be delivered within existing resources and there will be no detrimental impact on productivity or maintaining service delivery. The purpose of providing a framework is to ensure public bodies provide sufficient information to enable their proposals to be assessed on a consistent and equitable basis.

3.84 It is the Public Sector Pay Policy team's role to ensure that all pay proposals, including standardising to 35 hours, are in line with pay policy. It is the Sponsor team and Finance Business Partner's role to consider the affordability and impact of the proposals. The Public Sector Pay Policy team will provide advice to support the public body and their Sponsor team in drafting their business case to ensure that all potential costs/benefits are considered including potential hidden financial implications that the public body may not have considered.

3.85 The following framework has been prepared to provide support in drafting a business case.

Framework for the business case to reduce working hours

3.86 When submitting a business case employers must demonstrate they have considered the following while preparing their proposals (this list is not exhaustive and employers are free to include additional considerations when submitting a business case):

- Benefits and risks of the change in hours
 - Including environmental impact.
- Productivity/service delivery impact
 - How will the public body measure and monitor the reduction in working hours. This could include agreed productivity or key performance indicators, service delivery as well as staff engagement scores, sickness absence, accruals to leave and/or flexi time, use of overtime, staff turnover etc. (it is recognised that productivity and service delivery impact may be measured differently in different sectors)
 - How do employers plan to handle the impact of a shorter working week. While this may be particularly relevant for public facing roles there will still be an impact for

other roles (for example what will a shorter working week look like and how will it be managed?).

- Trade union and/or staff engagement
 - What has been agreed with the unions/staff in relation to a reduced working week (examples might include determining the measures for monitoring the impact of the changes, more flexibility in availability of staff, reductions in overtime rates or reductions in overtime incurred by extending the working week).
- Financial Impact
 - On the assumption of no additional funding.
 - Impact on existing staffing numbers. The policy expectation is that all staff will have the reduction in hours applied on the same pro-rated basis.
 - Impact of the change in hours on overtime and allowances. Any proposed trade-offs e.g. changes to allowance, overtime rates etc. Employers will need to accommodate any increase in hourly rates within their agreed overtime budgets allocations.
 - Implications for part-time employees (e.g. reduced hours or increased hourly rate) and the potential cost.
 - Any incidental costs associated with changing working hours (e.g. changes to other HR policies, IT costs – such as consultant/developer costs associated payroll and HR systems or the need for new systems)
 - Any forecast recurring costs as a consequence of the changes.
- Future of work and staff wellbeing.
 - Hybrid working
 - Flexible working - what will a 35 hour week look like? Will it still be the same number of days but with less working hours per day or fewer working days, or is this being coupled with more flexibility in how/when/where work is undertaken?
 - Right to Disconnect
- Systems impact
 - Can the changes be accommodated within existing IT systems?
- Contractual issues
- Pension implications
- Annual Leave and Public Holidays
- Details of any pilot scheme (if proposed).
- Plans and timescales for implementation
 - If reducing hours, but not as low as 35, the business case would be expected to set out whether any further reductions are planned in future years.
- Equality impact assessment of the proposed changes.
 - To consider all protected characteristics including gender, disability, age, ethnicity etc.

3.87 Public bodies are encouraged to contact the Public Sector Pay Policy team and Sponsor teams (where applicable) at the earliest opportunity to discuss their proposals. The Public Sector Pay Policy team can provide a template to assist public bodies in setting out their business case.

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

3.88 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 points:

- The wider read across of their proposals for other public bodies.
- The pay 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. 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 – public bodies undergoing pay system review, redesign and reconstruction are permitted to address structural costs in their remits. They are expected to confirm the changes are affordable and sustainable in the years following the implementation of the restructuring. To demonstrate this public bodies are expected to provide projected annual progression costs for the three years following implementation of the restructuring.

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

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

3.90 The 2022-23 pay policy continues to encourage smaller¹³ bodies to consider making a business case to align with another appropriate existing pay system (such as the Scottish Government or another Agency or Non-Departmental Public Body) which will be referred to as the host public body.

3.91 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.

3.92 Public bodies wishing to put forward a case to align to another public body's pay system should speak to the Public Sector Pay Policy team in the first instance, and in advance of their 2022-23 settlement date.

¹³ 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 pay policy.

3.93 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 Public Sector Pay Policy team.

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

3.94 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.

3.95 Public bodies should note the basis of approval of pay remits in paragraphs 3.146 to 3.148 and ensure they do not create any new contractual obligations.

Staff pay remit approvals process

What is the pay remit process in 2022-23?

3.96 All public bodies are required to complete an assessment pro forma in which they provide:

- 2021-22 outturn information.
- The 2022-23 baseline position.
- Indicative costs for applying the basic pay increases, progression and where relevant, proposals under the flexibilities.
- Forecast paybill savings and the likelihood of being able to deliver these savings, particularly if the proposals include using the flexibilities to address inequalities.

3.97 Public bodies should also 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.

3.98 Pay proposals are assessed by the Public Sector Pay Policy team, and where relevant, in conjunction with the Sponsor team and Finance Business Partner using a risk-based approach. Separate risk assessments are carried out on 2021-22 outturn and the 2022-23 pay remit proposals, with each public body then assigned to one of three remit processes, which in turn determines whether proposals are signed off by Senior Officials, or Remuneration Group.

3.99 The Sponsor team, Finance Business Partners and the Public Sector Pay Policy team will comment on the outline proposals. It will be the responsibility of the sponsor team to

highlight any issues or affordability pressures and along with the Finance Business Partner approve the optimum funding envelope. The Public Sector 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.

3.100 The Sponsor Team may provide justification for a proposal to be assigned a remit process with more oversight than determined by the Public Sector Pay Policy team using the risk-based approach, or vice versa. In that circumstance, the default position is to use the remit process with greater oversight.

3.101 The broad pay remit assessment process is summarised below:

- The public body submits proforma to the Sponsor team, copied to the Public Sector Pay Policy team.
- Public Sector Pay Policy team risk assesses the 2021-22 outturn, and assigns one of a Green (low risk), Amber (medium risk) or Red (high risk) rating. [Details on the underpinning criteria are summarised here.](#)
- Public Sector Pay Policy team risk assesses the 2022-23 pay proposals, and assigns one of a Green (low risk), Amber (medium risk) or Red (high risk) rating. [Details on the underpinning criteria are summarised here.](#)
- Based on the risk assessments carried out, the 2022-23 remit is assigned to one of two remit processes: fast-track, or full-remit process.
- If proposals are approved, the public body engages in formal pay negotiations and implements the agreed pay award. The full-remit process requires additional Scottish Government sign-off (see below).
- Within one month of a pay award's implementation, the public body submits settlement information to the Public Sector Pay Policy team.

3.102 The Scottish Government's pay proposals require to be approved by Scottish Ministers. Analogue bodies' 2022-23 proposals will be rated the same as Scottish Government's pay proposals.

3.103 The following table summarises how the outturn and pay proposal ratings inform the assigned pay remit process and who provides sign-off.

Remit process	2021-22 outturn rating	2022-23 remit proposals rating	Decision maker	If approved, next steps
Fast-track process	Green or Amber	Green	Senior Officials within the sponsor area ¹⁴	Public body can engage in formal pay negotiations. Thereafter public body provides provide settlement information once the pay award was implemented.
Full-remit process	Green or Amber	Amber	Senior Officials ¹⁵	The public body has their pay proposals considered by either Senior Officials or the Scottish Government's Remuneration Group prior to engaging in formal negotiations.
	Red	Green or Amber	Remuneration Group	

3.104 Any proposals which are assessed as Red are unable to be put forward for approval.

3.105 The process 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 pay 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 is the approvals process for the reduced working hours business case?

3.106 Public bodies should submit their business case to the Public Sector Pay Policy and Sponsor teams (where applicable) at the same time.

3.107 The business case will be reviewed by the Public Sector Pay Policy team to ensure the proposals provide sufficient detail and are in line with pay policy expectations.

3.108 The Sponsor team along with the Finance Business Partner will consider the business case in the context of business delivery and value for money. The Finance Business Partner may also consider the wider read-across on a case-by-case basis.

3.109 Where it is agreed that the proposals are within the pay policy parameters and both the Sponsor team and the Finance Business Partner are content for their interests any

¹⁴ See table at paragraph 3.124 for relevant Senior Official.

¹⁵ Director of Budget and Public Spending and Senior officials within the sponsor area. See table at paragraph 3.124 for relevant Senior Official.

proposals can be approved in line with the standard pay remit process. Where proposals are considered to be novel or not within pay policy, Senior Officials will refer them to the Scottish Government’s Remuneration Group for approval. The Public Sector Pay Policy team will provide regular updates to Remuneration Group on all aspects of implementing pay policy, including changes to 35 hours.

3.110 Reducing the working week should be achievable through normal negotiations, as part of a progressive and agreed package of measures including terms and conditions that support new ways of working.

How is the outturn rating decided in the assessment process?

3.111 The previous year’s outturn information is required to 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.

3.112 The Public Sector Pay Policy team will rate the outturn for the previous year as follows:

Outturn Rating	Criteria
Green	<p>The outturn will be rated as Green if all of the following apply:</p> <ul style="list-style-type: none"> • the settlement information for 2021-22 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.

Outturn Rating	Criteria
Amber	<p>The outturn will be rated as Amber if any of the following apply:</p> <ul style="list-style-type: none"> • the settlement information for 2021-22 has not been provided, or was not provided within four weeks of the award’s implementation. • 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. However, 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.

Outturn Rating	Criteria
Red	<p>The outturn will be rated as Red if any of the following apply:</p> <ul style="list-style-type: none"> • the implemented pay award differed 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.

3.113 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, regardless of the 2022-23 proposal ratings.

3.114 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 3.149 to 3.154.

How is the pay remit rating decided in the assessment process?

3.115 The current year's remit is assessed by the Public Sector Pay Policy team, in conjunction with sponsor team colleagues where needed. The Public Sector Pay Policy team however assign the final pay remit rating. The table below summarises what criteria underpin each rating.

Remit Rating	Criteria
Green	<p>The pay remit will be rated as Green if all of the following apply:</p> <ul style="list-style-type: none"> Proposals (including the use of flexibilities) are within the pay policy framework and recognised benchmarks. Projected paybill costs and staffing numbers are consistent with the budget allocations. Proposals are affordable and sustainable, including any proposed savings - particularly those resulting from changes in staffing or terms and conditions - given their knowledge of the public body and its current and future budget and workload.
Amber	<p>The pay remit will be rated as Amber if any of the following apply:</p> <ul style="list-style-type: none"> Proposals are within the pay policy framework, and include the use of the 0.5% flexibilities allowance which might be contentious or could set a precedent across the wider public bodies covered by Public Sector Pay Policy. <p>Additionally, the following must all apply:</p> <ul style="list-style-type: none"> Projected paybill costs and staffing numbers are consistent with the budget allocations. Proposals are affordable and sustainable, including any proposed savings - particularly those resulting from changes in staffing or terms and conditions - given their knowledge of the public body and its current and future budget and workload.
Red	<p>The pay remit will be rated as Red if any of the following apply:</p> <ul style="list-style-type: none"> The current proposals are outwith the pay policy framework A use of the 0.5% flexibilities is proposed which is judged to be contentious.

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

3.116 Where a public body has been assigned to the fast-track process then their proposals are able to be approved off by Senior Officials within the relevant sponsor area. The Deputy Director for Budget and Public Spending and the Public Sector Pay Policy team should be copied in to all proposals that are submitted for portfolio approval.

3.117 The Sponsoring Senior Official has the opportunity to refer any proposals to Remuneration Group for further consideration. Once the pay remit has been approved, the public body can then engage in formal pay negotiations. They are able to implement the negotiated pay award without further recourse to the Scottish Government, if it is within the terms of the approved remit. If there are any changes to the approved remit then the public body should speak to the Public Sector Pay Policy team before concluding pay negotiations (see paragraphs 3.148 to 3.149).

3.118 The public body would then be required to submit a settlement proforma within one month of the pay award being implemented (see paragraphs 3.150 to 3.151).

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

3.119 Where a public body has been assigned to the full pay remit process then their pay proposals would require to be approved by the Scottish Government's Remuneration Group. 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.

3.120 Once the pay remit has been approved the public body is able to engage in formal pay negotiations with its trade unions. It is then able to implement the negotiated pay award without further recourse to the Scottish Government if it is within the terms of the approved remit. If there are any changes to the approved remit then the public body should speak to the Public Sector Pay Policy team before concluding pay negotiations (see paragraphs 3.148 to 3.149).

3.121 All public bodies are required to submit a settlement proforma within 1 month of the pay award being implemented (see paragraphs 3.150 to 3.151).

What if the proposals are not assigned a pay remit process?

3.122 If the current remit proposals are not considered to be within policy, 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?

3.123 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.

Senior Officials

3.124 Who approves the remit at Senior Official level will depend upon whether the public body is a NDPB, Public Corporation, Agency or associated department:

Public body	Portfolio approval
NDPB or Public Corporation	Director of the relevant Sponsor Directorate ¹⁶
Agency	Director General ¹⁷ of the relevant Sponsor Directorate
Associated department	Permanent Secretary

3.125 The Deputy Director for Budget and Public Spending and the Public Sector Pay Policy team should be copied in to all proposals that are submitted for portfolio approval.

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

Remuneration Group

3.127 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 ¹⁷ of the relevant Sponsor Directorate
Agency	Director General ¹⁸ of the relevant Sponsor Directorate

¹⁶ 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.

¹⁷ 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.

3.128 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 Public Sector 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, to seek further information or to refer them to Ministers.

Ministers

3.129 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 and the relevant Portfolio Cabinet Secretary or Minister.

3.130 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?

3.131 Where a public body is assessed to the fast-track process the aim will be to approve this **within four weeks**.

- This provides for up to two weeks for assessing the outturn and remit proposals and resolving queries with the Public Sector Pay Policy team, Sponsor team (where applicable) and Finance Business Partner. While the aim is to conclude this assessment within a couple of weeks, 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 Public Sector Pay Policy team will try and advise on the likely length of time that might be required.
- It could then take up to two weeks for the formal approval of proposals by Senior Officials within the sponsor area.

3.132 Please note that if the proposals are referred to Remuneration Group then this may take longer than four weeks. See paragraph 7.9.

3.133 Where a public body is required to submit a full pay remit the aim will be to approve this **within seven weeks**.

- This provides for up to four weeks for assessing the outturn and remit proposals and resolving queries with the Public Sector Pay Policy team, Sponsor team (where applicable) and Finance Business Partner. The aim is to conclude this assessment within two 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

Public Sector Pay Policy team will try and advise on the likely length of time that might be required.

- It could then take up to three weeks for the formal approval of proposals. During these three weeks, the formal submission will be prepared and submitted to Remuneration Group for approval.

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

3.135 To achieve the above timescales, it is important that the proposal each public body submits to the Public Sector Pay Policy team includes all the necessary information, and the public body responds timeously to any queries raised. The Public Sector Pay Policy team will aim to provide feedback on the initial proposals within five working days.

3.136 The Remuneration Group meets regularly throughout the year and meeting dates and the deadlines for papers are set out on the Scottish Government's Public Sector Pay webpages, available at: [Remuneration Group](#).

3.137 All papers must be with the Remuneration Group Secretariat three clear working days before the relevant Remuneration Group meeting and must be cleared in advance by the Public Sector Pay Policy Team. Failure to meet this deadline will result in delays to the proposals being considered. Further information is provided in paragraphs 7.8 to 7.9 on what is expected to be considered and timescales for preparing a submission. If the deadlines set out at paragraph 7.9 for the submission of papers are missed, the proposals will be added to 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.

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

3.138 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?

3.139 All public bodies are required to complete a settlement proforma, within one month of the pay award being implemented, 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 2022-23 (see paragraph 3.112).

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

3.140 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 Public Sector Pay Policy team.

3.141 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)?

3.142 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/or their remit for formal approval.

3.143 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.

3.144 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).

3.145 If during pay discussions or negotiations any points arising regarding the application of the pay policy, public bodies and/or their trade unions are encouraged to speak with the Public Sector Pay Policy team to seek clarification.

What is the policy on legal commitments?

3.146 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).

3.147 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?

3.148 If, during negotiations, a public body is considering: entering into an agreement that exceeds the key pay metric percentages approved in its remit, or; deviating from the basis of approval, then the public body will need to contact the Public Sector Pay Policy team. 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 Public Sector Pay Policy team consider them novel or contentious.

3.149 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 Public Sector 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 Public Sector 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 3.152 to 3.154.

Staff pay settlements

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

3.150 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 Public Sector Pay Policy team **within one month of a public body's pay award being implemented**. Failure to do will result in the following year's remit risk assessment defaulting to Amber.

3.151 Public bodies should contact the Public Sector 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?

3.152 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 the 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 the pay remit proposals, then they will be considered to have exceeded the approved pay remit.

3.153 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 Public Sector Pay Policy team at the earliest opportunity. The Public Sector Pay Policy team will advise if the changes require to be considered by Remuneration Group.

3.154 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. 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

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

The example is based on a public body with 140.0 FTE across nine grades and includes seasonal staff.

Current pay structure for staff (£)

Grade	Min	Min+1	Min+2	Min+3	Min+4	Max
A	18,350	18,850	19,350			19,850
Seasonal						23,750
B	23,750	24,500	25,250	26,000		26,750
C	28,000	28,750	29,500	30,250		31,000
D	32,000	32,750	33,500	34,250	35,000	35,750
E	38,500	39,500	40,500	41,500	42,500	43,500
F	45,500	47,000	48,500	50,000	51,500	53,000
G	56,000	58,000	60,000	62,000	64,000	66,000
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	1.5	2.0			8.5
Seasonal						5.5
B	3.0	6.0	7.0	3.0		10.0
C	5.0	7.0	6.5	4.5		21.0
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	0.5	0.5	1.0

Base salary costs (£)

Total net baseline paybill for all staff, of which:	Cost £4,684,900	FTE 140.0
Below the Lower pay threshold of £25,000	£621,275	28.5
Between the Lower and Intermediate pay thresholds: £25,000-£40,000	£2,428,375	80.5
Above the Intermediate pay threshold of £40,000	£1,635,250	31.0

Summary of the proposals and costs for the proposed award as a percentage of baseline paybill:

Increase applied ⁽¹⁾	Cost	Percentage of base salaries
Applying progression under existing arrangements	£67,000	1.43%
£10.50 wage floor ⁽²⁾	£16,170	0.35%
£775 for those earning a fulltime equivalent salary of £25,000 or less ⁽³⁾	£23,063	0.49%
£700 for those earning a fulltime equivalent salary of between £25,000 and £40,000 ⁽⁴⁾	£57,050	1.22%
£500 basic pay increase for those earning £40,000 and above	£15,500	0.33%
Flexibilities	£23,600	0.50%
Total	£201,407	4.32%

(1) The basic pay increases are pro-rated for part-time employees

(2) This is the cost of introducing a £10.50 wage floor. It includes all costs above applying the £775 basic pay increase as well as additional increases on the other pay points in Grade A to maintain the integrity of the existing pay steps.

(3) This includes £975 to provide a top-up staff in Grade B on pay points which are just above the Lower Pay Threshold (£25,000) and meet the 50% criteria (see worked example at paragraph 3.43).

(4) This includes £700 to provide a top-up staff in Grade E on pay points which are just above the Upper Pay Threshold (£40,000) and meet the 50% criteria (see worked example at paragraph 3.43).

The flexibilities are costed as follows:

Flexibility	Cost	Percentage of baseline paybill
Cost of providing a consolidated top-up to £775 for staff in Grade B more than 50% above the LPT (£25,000)	£975	0.02%
Cost of providing a consolidated top-up to £700 cash for staff in Grade E more than 50% above the IPT (£40,000)	£1,900	0.04%
1% non-consolidated payment to staff on the maxima in grades B-H	£20,725	0.44%
Total	£23,600	0.50%

(1) This is costed under the flexibilities as more than 50% of the pay point is above the £25,000 Lower pay threshold. (see worked example at paragraph 3.43).

(2) This is costed under the flexibilities as more than of the pay point is above the £40,000 Intermediate pay threshold. (see worked example at paragraph 3.56).

Proposed pay structure after applying just the basic pay increases (£)

Grade	Min	Min+1	Min+2	Min+3	Min+4	Max
A	20,280	20,780	21,280			21,780
Seasonal						24,525
B	24,525	25,275	25,950	26,700		27,450
C	28,700	29,450	30,200	30,950		31,700
D	32,700	33,450	34,200	34,950	35,700	36,450
E	39,200	40,200	41,000	42,000	43,000	44,000
F	46,000	47,500	49,000	50,500	52,000	53,500
G	56,500	58,500	60,500	62,500	64,500	66,500
H	70,500	73,000	75,500	78,000	80,500	83,000

Proposed pay structure after applying basic pay increases and flexibilities (£)

Grade	Min	Min+1	Min+2	Min+3	Min+4	Max
A	20,280	20,780	21,280			21,780
Seasonal						24,525
B	24,525	25,275	26,025	26,775		27,525
C	28,700	29,450	30,200	30,950		31,700
D	32,700	33,450	34,200	34,950	35,700	36,450
E	39,200	40,200	41,200	42,200	43,200	44,200
F	46,000	47,500	49,000	50,500	52,000	53,500
G	56,500	58,500	60,500	62,500	64,500	66,500
H	70,500	73,000	75,500	78,000	80,500	83,000

Staff profile after applying the pay award (FTE)

Grade	Min	Min+1	Min+2	Min+3	Min+4	Max
A	1	1	1.5			10.5
Seasonal						5.5
B	0	3	6	7		13
C	0	5	7	6.5		25.5
D	0	1	1	2	1	8
E	1	1	1.5	2	1.5	8
F	0	1	1	1.5	2	5
G	0	0	1	0	1	4
H	0	0	1	0	0.5	1.5

3A. Public Service Reform Approach to Public Sector Pay

Pay and public service reform

3.156 The 2022-23 pay policy strongly signals pay as an investment in the public sector workforce which delivers top class, person-centred public services for all in its strategic aims. When the Scottish Government publishes the Resource Spending Review in May, this will cover the period to 2026-27. It will give a platform and set the conditions for enabling public service reform with a focus on improving outcomes for people, places and communities across Scotland.

3.157 The pay policy recognises the challenges that employers can face in responding to changes in demand for services and delivering wider workforce reform, including consideration of a reduced working week. In order to support employers in delivering the strategic aims of the pay policy and wider Government priorities, the policy includes the option for employers, in discussion with their trade unions, to either:

- apply the single year 2022-23 pay policy as set out in detail below; or
- take a multiple year approach to pay enabling a more strategic approach to support achieving public service reform, particularly with reference to delivering genuinely joined up, holistic, person-centred services. This allows employers to apply increases outwith the set metrics but within an overarching framework subject to affordability and sustainability.

3.158 This option enables employers to apply paybill increases outwith the set metrics above but within an overarching framework subject to affordability and sustainable public finances. This includes going beyond the discretion on shorter working week, allowable in the 2022-23 metrics, to explore the potential participation in a four day working week pilot.

3.159 This section covers the type of things that should be considered as part of the reform option.

What are the key features of the reform option for 2022-23?

3.160 The 2022-23 Public Sector Pay Policy includes the option for employers to take a multiple year approach to pay, enabling a more strategic approach to achieving public service reform. This must be done in consultation with relevant staff representatives and/or trade unions.

3.161 This approach allows employers to apply pay uplifts outwith the 2022-23 pay policy metrics. Taking a strategic, multiple year approach to pay:

- will provide more financial certainty for both employers and employees on the future pathway of pay;
- allows employers to work towards standardising to a 35 hour working week and to explore the potential participation in a four day working week pilot;

- will help facilitate reform that enables the organisation to realise efficiency savings.

3.162 The key principles of the 2022-23 pay policy set the overarching framework for any public service reform approach to pay. These are:

- To invest in our public sector workforce which delivers top class, person-centred public services for all, supports employment and the economy, while providing for sustainable public finances.
- To provide a distinctive, progressive pay policy which is fair, affordable, sustainable and, delivers value for money in exchange for workforce flexibilities.
- To reflect real life circumstances, protect those on lower incomes, continue the journey towards pay restoration for the lowest paid and recognise recruitment and retention concerns.
- A continuing commitment to No Compulsory Redundancy.

3.163 Employers seeking to take a public service reform approach to pay will be required to submit a business case in line with these overarching principles which includes an implementation approach. Business case guidance is included in this document.

3.164 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.

3.165 The policy is available on the Scottish Government website at: [Scottish Government Public Sector Pay Policy for 2022-23](#).

Areas of public sector pay policy that can be considered and business case process

What metrics can be changed as part of the reform public sector pay option?

3.166 The reform option allows for organisations, in conjunction with engagement from trade unions, to agree pay parameters out with the single year 2022-23 pay policy option.

3.167 The table below provides a non-exhaustive list of the 2022-23 single year policy features that could be considered as part of a multi-year year pay reform option.

Feature	2022-23 Policy Parameter	Potential flexibility within multi-year reform option for 2022-23 and future years
Living Wage of £10.50	A guaranteed wage floor of £10.50 per hour	A guaranteed wage floor of £10.50 per hour. Future years subject to overall progressivity of proposals
Paybill award	A guaranteed cash underpin of £775 for public sector workers who earn £25,000 or less; providing a basic pay increase of £700 for those public sector workers earning between £25,000 to £40,000; provide a cash uplift of £500 for public sector workers earning above £40,000	Flexibility available - subject to progressivity of proposal and protecting lowest earners

Feature	2022-23 Policy Parameter	Potential flexibility within multi-year reform option for 2022-23 and future years
Paybill flexibilities	Allowing flexibilities for employers to use up to 0.5 per cent of paybill savings on baseline salaries in 2022 to address clearly evidenced equality or pay coherence issues	Not only constrained by paybill savings towards baseline salaries
35 hour working week	Continues to encourage employers to work towards standardising to a 35 hour working week	Continues to encourage employers to work towards standardising to a 35 hour working week
Four day working week pilot	Exceptional four day working week pilot cases will be considered	Flexibility to explore being part of pilot
Right to Disconnect	Requirement for employers to have meaningful discussions with staff representatives about the Right to Disconnect	Requirement for employers to have meaningful discussions with staff representatives about the Right to Disconnect
Pay progression	Discretion for individual employers to reach their own decisions about pay progression	Discretion remains but ensuring existing arrangements support reform
Non-consolidated performance related pay	Maintains the suspension of non-consolidated performance related pay (bonuses)	Maintains the suspension of non-consolidated performance related pay (bonuses)
Chief Executive pay limits	Expectation to deliver a 10 per cent reduction in the remuneration packages for all new Chief Executive appointments plus limits on pay increases	Expectation to deliver a 10 per cent reduction in the remuneration packages for all new Chief Executive appointments plus limits on pay increases
No compulsory redundancy	Continues a commitment to No Compulsory Redundancy	Continues a commitment to No Compulsory Redundancy

Overview of business case guidance

3.168 A business case is required for employers (in partnership with trade unions) who seek to approach their pay policy through the lens of achieving public service reform. Employers should demonstrate a clear link showing how the proposals will benefit and improve outcomes for those people using the organisation's services as well as the wellbeing of staff.

3.169 When submitting a business case, employers must demonstrate they have considered and met the following overarching principles throughout their proposals:

- **Investment in workforce:** proposals must deliver long-term, person-centred changes to delivery and demonstrate improvements in productivity.
- **Sustainable public finances:** delivers cost-neutral savings and efficiencies to the paybill from early in the lifecycle of the multiple year pay proposals.
- **Progressive pay policy:** demonstrate how proposals are progressive and protect those on lower incomes throughout the lifecycle of the proposals.
- **Wellbeing:** demonstrate how wellbeing has been considered. Proposals may comprise the consideration of a reduced working week, including potential participation in a four day working week pilot, and how this will be achieved within allocated funding.
- **No Compulsory Redundancy:** where restructuring is required to achieve the reform approach, business cases must include details of any redeployment or re-training proposals and of how the Severance Policy for Scotland will be used for any proposed voluntary exits.

3.170 Business cases can be submitted through the corresponding 'Public sector pay reform option. Before completing and submitting a business case we recommend for employers to arrange an initial exploratory conversation with Scottish Government Public Sector Pay Policy Team (email: FinancePayPolicy@gov.scot).

Approvals and submission process

3.171 Public bodies should submit their business case to the Public Sector Pay Policy and Sponsor teams (where applicable) at the same time.

3.172 The business case will be reviewed by the Public Sector Pay Policy team to ensure the proposals provide sufficient detail. For longer-term and more complex cases, expertise from the Public Spending team may be used. If this is the case full disclosure with the employer will be made.

3.173 The Sponsor team along with the Finance Business Partner will consider the business case in the context of business delivery and value for money. The Finance Business Partner will also consider the wider read across.

3.174 As long as it is agreed that the proposals meet the objectives of the reform option, and both the Sponsor team and the Finance Business Partner are content any proposals can be approved by the sponsor director and will not need to go to the Scottish Government's Remuneration Group for approval. The Public Sector Pay Policy team will provide an update to Remuneration Group as part of the pipeline report. However any proposal which could be considered as contentious or has a risk of wider read across would require to be referred to Remuneration Group.

3.175 Further details of the type of information needed for the business case categories in paragraphs 3.169 to 3.170 above is discussed below.

Guidance on completing business case form

Flexibilities being applied for multi-year deal

- Provide detail on the flexibilities that are being proposed in comparison to the single year pay policy option
- If helpful, the table set out earlier in this document can be used

Investment in workforce

- Proposals must deliver long-term, person-centred changes to delivery and demonstrate improvements in productivity.
- The business case might show specific areas on how the workforce within the organisation can become more productive as a result of the reform changes.
- The business case should demonstrate how wellbeing has been considered. Proposals may comprise the consideration of a reduced working week, including potential participation in a four day working week pilot, and how this will be achieved within allocated funding.
- It would help if this section contained details of the short-term and longer-term effects of the reform option. For example, it might be the case that there will be shorter term disruptions to productivity before longer-term gains to productivity can be realised.

Sustainable public finances:

- Delivers cost-neutral savings and efficiencies to the paybill from early in the lifecycle of the multiple year pay proposals.
- This section should include an appropriate baseline paybill over the multi-year time period being proposed. The assumptions for this should be clearly detailed.
- It should also show what the expected paybill will be after the reform option is implemented. As with the baseline calculation, assumptions should be set out clearly.

Progressive pay policy:

- Demonstrate how proposals are progressive and protect those on lower incomes throughout the lifecycle of the proposals.
- The awards offered, and the split by income band, may differ from the single year 2022-23 pay policy. But the overall policy should remain progressive, protecting the lowest paid.
- The commitment to the £10.50 wage floor must be maintained.

Wellbeing

- Demonstrate how wellbeing has been considered. Proposals may comprise the consideration of a reduced working week, including potential participation in a four day working week pilot, and how this will be achieved within allocated funding. See paragraphs 3.82 to 3.87 for further detail on the 35 hour working week framework.

No Compulsory Redundancy

- Where restructuring is required to achieve the reform approach, business cases must include details of any redeployment or re-training proposals and of how the Severance Policy for Scotland will be used for any proposed voluntary exits.

Trade union and/or staff engagement

- Provide details on how trade unions and/or staff have been engaged regarding the proposal

Equality impact assessment of the proposed changes

- Please confirm that an Equality Impact Assessment has been undertaken and provide the key findings

Questions and Answers

How will the reform approach work in practice?

3.176 As this is a choice, employers and trade unions can agree to take this approach instead of applying a single year policy. Multi-year spending plans will be available in May to facilitate this but conversations can start in advance of this.

3.177 Pay increases outwith the 2022-23 metrics will be allowable, subject to a business case that demonstrates joined up, holistic, person-centred changes to public services and wellbeing benefits to the workforce underpinned by affordability.

3.178 Business cases will be considered by sponsor team, pay policy and finance business partners and the Remuneration Group (as required). You will still be required to complete a pay remit proforma indicating your decision to take a reform approach.

3.179 Decisions will be taken on a case by case basis, without prejudice to the overarching pay policy principles or to the single year policy.

Are any changes expected to Employer Pension Contributions that need to be taken into account if considering the reform approach?

3.180 Employer Pension Contributions are an element of on-costs. Employers participating in one of the unfunded public service pension schemes (NHS, Teachers, Police, Firefighters,

Civil Service and Judicial pension schemes) should be aware that the current employer pension contribution rates will remain in effect until 31 March 2024. New rates will be set via the 2020 actuarial valuations and implemented from 1 April 2024.

3.181 We do not yet know what the new rates will be, whether they will increase and if so, by how much. Those employers participating in the Local Government Pension Scheme will be aware that their employer pension contribution rates are set by their pension fund via the local actuarial valuation and will remain in effect until 31 March 2024.

Can a multi-year deal start from 1 April 2023 rather than 1 April 2022?

3.182 Yes, employers can choose to submit proposals for a multi-year deal starting from 1 April 2023 but must pay the 2022-23 metrics from 1 April 2022. The option to consider reform will be a feature of future pay policies.

Chief Executive Remuneration

4. Chief Executives

Please note this section should be read in conjunction with sections 1 and 2. This section applies to Chief Executives. Pay arrangements for senior staff below Chief Executive are expected to be covered by the staff pay remit with the exception of Senior Civil Service pay which is a reserved matter.

Key pay policy priorities and metrics for Chief Executives in 2022-23

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

4.1 The key features of the 2022-23 pay policy are set out in paragraph 1.4. 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 basic pay increase for Chief Executives?

4.3 For all Chief Executives the basic award is limited to a maximum of £500. 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?

4.4 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.

4.5 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?

4.6 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.

4.7 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.

4.8 The Scottish Chief Executive pay bands are uplifted annually in line with the pay policy and the Framework for 2022-23 is as follows:

Scottish Chief Executives Framework 2022-23 (base pay)

Pay Band	Minimum	Maximum	Ceiling
3	£112,121	£152,184	£223,050
2	£92,766	£131,372	£175,598
1A	£76,637	£110,652	£140,634
1	£66,050	£100,154	£129,031

4.9 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.

4.10 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.

4.11 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. **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 Executives Framework operate?

4.12 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 should a Chief Executive be paid?

4.13 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](#).

What if a Chief Executive is considering a Public Appointment or Non-Executive Directorship?

4.14 If a Chief Executive (or other senior employee) of a body covered by the 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.

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

4.15 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.

4.16 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?

4.17 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.

4.18 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?

4.19 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	<p>Job evaluation system used, date and results; date of increase in role / responsibility (where relevant)</p> <p>While the evaluation report need not be part of the business case, the Public Sector Pay Policy team will still require sight of it</p>	4.21 and 4.22
Determination of Pay Band in Chief Executive Pay Framework	Advice from the Public Sector Pay Policy team if new appointment or changes to the public body itself	4.21 to 4.23
Comparator labour market	Relevancy and justification of labour market selected; comparator organisations used; median of salaries in that labour market, date of sample	4.26 and 4.27
Internal referencing with the senior management team	Set out the pay differential over senior management team; if differences are proposed set out justification / rationale	4.28
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	4.29 to 4.33
Proposed starting salary	Must be within lowest quartile, or clear justification for higher starting point	4.34 and 4.35
Progression methodology	<p>Set out proposals, taking into account equalities obligations; anticipated journey time, etc.</p> <p>Journey times cannot be guaranteed and spine points should not be explicit in any pay range</p>	4.36 to 4.38
For new appointments to existing posts expectation for a 10 per cent reduction in remuneration package over outgoing	Confirmation this has been achieved or justification as to why not	4.39 to 4.42

Element	Points to cover in business case	Paragraphs
Bonus arrangement	Presumption against	4.43
Pension	Details and confirmation in line with other staff	4.44 to 4.46
Car (or related allowance)	Presumption against. If proposing, provide details and justification.	4.48 to 4.50
Life insurance or other health benefits	Presumption against. If proposing, provide details, justification or confirmation in line with other staff	4.51 to 4.52
Relocation expenses	Details and confirmation in line with other staff	4.53
Value for money	Comment required	4.54
Affordability and sustainability	Confirmation required	4.55

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

4.20 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?

4.21 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.

4.22 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 Public Sector 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 Public Sector Pay Policy team of your intention beforehand.

4.23 The Public Sector 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?

4.24 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).

4.25 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 4.26 and 4.27).

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

4.26 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 Chief Executives in public bodies within the same Pay Band. The Public Sector Pay Policy team can provide a list of comparable Chief Executives of Scottish public bodies and remuneration information.

4.27 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 Public Sector 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?

4.28 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?

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

4.30 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 into 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 to be simply the minimum and maximum of that Pay Band in the Framework.

4.31 Where the proposed pay range maximum is above the maximum of the relevant Pay Band in the Scottish Chief Executive Pay Framework, there will need to be a robust business case for offering remuneration at such a level which 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.

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

4.33 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?

4.34 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.

4.35 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?

4.36 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.

4.37 No contractual obligation or expectation to annual increases should be created or 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 Public Sector Pay Policy team must be consulted on the remuneration clauses in draft contracts or letters of appointment (see paragraph 4.61).

4.38 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?

4.39 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.

4.40 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.

4.41 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 Public Sector Pay Policy team in the first instance.

4.42 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)?

4.43 All non-consolidated performance payments continue to be suspended in 2022-23. 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?

4.44 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.

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

4.46 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](#).

What is the policy position on non-salary rewards?

4.47 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?

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

4.49 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.

4.50 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 a 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?

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

4.52 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 Public Sector Pay Policy team.

What is the policy position on relocation expenses?

4.53 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 Public Sector Pay Policy team before reaching agreement with the incoming Chief Executive.

What is the policy position on affordability and sustainability?

4.54 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 staff, on a sustainable basis, to deliver public functions.

4.55 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?

4.56 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?

4.57 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 Public Sector Pay Policy team prior to implementing such an arrangement. The Public Sector Pay Policy

team can advise on remuneration arrangements for such appointments and whether approval might be required.

4.58 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 or 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.

4.59 Remuneration arrangements for a 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

4.60 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 Public Sector Pay Policy team before any agreement is reached. The Public Sector 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?

4.61 It is a requirement of approval that a public body must consult the Public Sector 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?

4.62 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.

4.63 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 Public Sector Pay Policy team and the Sponsor team.

4.64 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 Public Sector Pay Policy team and the Sponsor team. Any proposals that go beyond that, will need to provide further information in line with the approval route set out in the following chart.

4.65 The Staff Pay Remits approval approach should not determine how the pay proposals for the Chief Executive are approved. Chief Executive pay proposals should follow the steps outlined in this chapter.

Who is going to approve your remuneration proposals?

4.66 The Public Sector 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.

4.67 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.

4.68 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?

4.69 All proposals should be considered by the Public Sector Pay Policy team and the Sponsor team along with the Finance Business Partner (where relevant) prior to being submitted for approval.

4.70 Where the proposed annual award is just for a basic pay increase in line with pay policy and the Sponsor team along with the Finance Business Partner (where relevant) have confirmed affordability of all pay increases within the public body, the proposals will be 'signed-off' and the Sponsor team should notify the public body. This notification should be copied to the Public Sector Pay Policy team.

4.71 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 Public Sector Pay Policy team.

4.72 Proposals for new Chief Executive appointment to an existing public body or the review of an incumbent Chief Executive's remuneration package which are in line with policy or meet the criteria may be approved by Senior Officials. All other cases, including proposals

for a permanent new Chief Executive appointment to a new public body, must be approved by the Remuneration Group.

4.73 The same approval process applies for a fixed-term appointments although the business case will also need to set out the term and period of notice on termination and whether any compensation on termination may be payable.

4.74 Proposals for an interim or temporary appointment which are based on existing arrangements may be approved by the sponsor division otherwise they should be referred to Senior Officials¹⁸.

4.75 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 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-

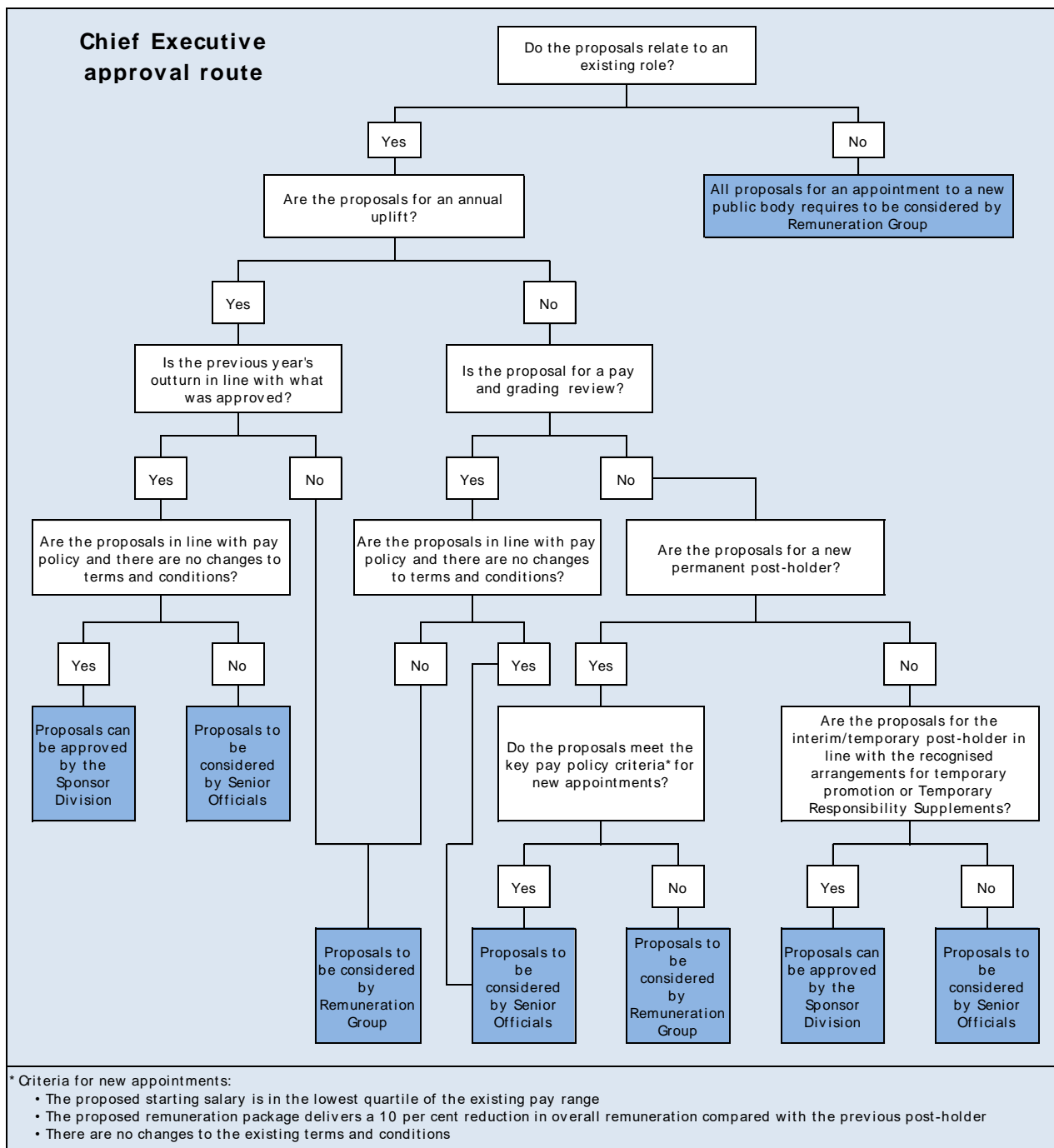
4.76 Proposals which are required to be considered by the Remuneration Group should be submitted by the relevant Sponsor team Senior Official (where relevant). The submission must include details of the proposals, supporting business case and a confirmation of affordability. The Public Sector Pay Policy 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. For further detail, refer to paragraph 7.9.

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 Public Sector Pay Policy team.

4.78 Any pay increase should not be implemented until notification has been received. If an increase is implemented without approval or the previous year's outturn is not in line with what was approved, then a submission must be provided by the Sponsor Director to the Remuneration Group together with an explanation for why this has occurred.

¹⁸ The Sponsor Director or Deputy Director and the Director of Budget and Public Spending. The Deputy Director for Budget and Public Spending and the Public Sector Pay Policy team should be copied in to all proposals that are submitted for portfolio approval.

The approval route for Chief Executives is summarised in the flowchart below.



How long should any approval take?

4.79 Allow for up to five working days for consideration by the Public Sector Pay Policy team. If the issue is complex and is likely to take longer, then the Public Sector Pay Policy team will advise the public body and Sponsor team.

4.80 If the proposals are referred to the Remuneration Group, then these are normally considered at the next available Remuneration Group meeting. Details of meeting dates and the deadlines for papers are set out on the Scottish Government's Public Sector Pay webpages, available at: [Remuneration Group](#).

4.81 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 as well as the Portfolio Minister. Referral to Ministers will require further time.

What might happen if the pay policy is not followed?

4.82 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 2022-23

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 the cost of all progression increases for NHS Executives must be delivered within an overall baseline paybill cap of 1.5 per cent. The progression increase may vary for individual NHS Executives 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 2022-23

What is the pay policy position on the remuneration of Public Appointments?

6.1 This section applies equally to the introduction of remuneration for Public Appointments or where an annual uplift, review or change to remuneration is proposed.

6.2 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.

6.3 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 is a Daily Fee and what is it for?

6.4 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.

6.5 Any 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.

6.6 The Daily Fee and the related activities covered by it should be agreed between the public body, the Public Sector Pay Policy team, 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?

6.7 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 2022-23?

6.8 The key features of the 2022-23 pay policy are set out in paragraph 1.4. 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 2022-23?

6.9 For 2022-23, the Intermediate pay threshold is £154 before any uplift. This is based on the equivalent intermediate £40,000 per annum threshold in the staff pay policy being applied to the Daily Fees for all Public and Ministerial Appointments.

What are the pay policy parameters that can be applied?

6.10 The maximum increase that can be applied to Daily Fees below £154 is £2.69 per day. The maximum increase that can be applied to Daily Fees over £154 is £1.92 per day. These increases are based on the basic awards of £700 and £500 set out in the staff pay policy.

6.11 There is an expectation that Daily Fee pay proposals for all Public and Ministerial Appointments will cover one year only.

What is the position on progression?

6.12 There is no progression for appointees receiving a Daily Fee.

Chairs and Members: Framework

What is the Daily Fee Framework?

6.13 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.

6.14 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.

6.15 The Daily Fee Framework Tiers are uplifted annually in line with the pay policy and the Framework for 2022-23 is as follows:

Chairs & Members Daily Fee Framework 2022-23 (gross Daily Fees)

Chairs Tier	Minimum	Maximum	Ceiling
Tribunal	£342	£563	£713
Tier 1	£340	£500	£557
Tier 2	£221	£374	£443
Tier 3	£155	£238	£325

Members Tier	Minimum	Maximum	Ceiling
Tribunal (<i>specialist skills only</i>)	£267	£392	£512
Tier 1	£244	£362	£455
Tier 2	£186	£274	£344
Tier 3	£103	£194	£277

What are the Tier parameters?

6.16 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.

6.17 The Daily Fee rates in the framework are considered gross Daily Fees in that they must 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.

6.18 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?

6.19 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

6.20 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.

6.21 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?

6.22 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.

6.23 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.

6.24 When a new public body or Public Appointment is being established, the Sponsor team must discuss with the Public Sector Pay Policy team which Tier in the Daily Fee Framework might be appropriate. The Public Sector 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.

6.25 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, Inquiries 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.

6.26 Advice on the appropriate Tier of a public body and a public or Ministerial Appointment must be sought from the Public Sector Pay Policy team. Details must be provided of the criteria listed above for standard and ad hoc appointments to allow the Public Sector Pay Policy team to provide appropriate advice.

How to determine the Daily Fee of a Chair or Member of a public body?

6.27 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 Tier.

6.28 If it is considered a Daily Fee is required but the relevant Tier is still to be determined, Sponsor teams need to contact the Public Sector Pay Policy team, who will conduct an assessment based on set criteria.

6.29 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, comparisons to the Daily Fees paid to appointees in the same Tier should be considered (the Public Sector 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.

6.30 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 and responsibilities.

Chairs and Members: additional information

Can a Daily Fee be paid monthly or annually?

6.31 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.

6.32 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.

6.33 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.

6.34 Conversely, if the remuneration is paid monthly at a fixed amount, but an appointee works fewer days a month in relation to their appointment, then clearly the Sponsor team should review the arrangement.

6.35 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 Public Sector 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 Daily Fee paid.

Are appointees classed as employees?

6.36 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?

6.37 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

6.38 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.

What about offering a pension?

6.39 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.

6.40 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.

6.41 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.

6.42 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?

6.43 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.

6.44 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?

6.45 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.

6.46 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

6.47 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?

6.48 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

6.49 Where no change is proposed, confirmation of details of the current Daily Fees is all that is required to be submitted to the Public Sector Pay Policy team.

6.50 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 Public Sector Pay Policy team; or, completed by the public body and sent to the Public Sector Pay Policy team, copied to the Sponsor team. The Staff Pay Remits approval approach (fast-tracked, or full remit) should not determine how the pay proposals for the Chair, Board Members and public appointments are approved. These pay proposals should follow the steps outlined in this chapter.

6.51 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?

6.52 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 Tier)
- 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

6.53 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?

6.54 Where the proposed annual award is wholly in line with pay policy, and provided affordability has been confirmed by the Sponsor team, the proposals will be 'signed off' by the Public Sector 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.

6.55 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, the Sponsor team should send the proforma, a confirmation of affordability and a short covering 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 of Budget and Public Spending will then decide whether or not to 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 Public Sector Pay Policy team will also notify the Remuneration Group at the next meeting.

6.56 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 Public Sector 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. For further detail, refer to paragraph 7.9.

6.57 The Public Sector 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 Public Sector Pay Policy team have 'signed-off' the proposals
	Current and previous annual increases (in line with pay policy)	Sponsor team once the Public Sector 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

6.58 If proposals are outwith 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 Public Sector Pay Policy team.

How long should the process take?

6.59 Allow for up to five working days for consideration by the Public Sector Pay Policy team. If the issue is complex and is likely to take longer, then the Public Sector Pay Policy team will discuss this with the public body and Sponsor team. Allow for up to a week for proposals to be considered by relevant Senior Officials.

6.60 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

6.61 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?

6.62 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 Roles 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 the Scottish Government's policy on public sector pay in making sure their public body is aware of what is required of them and they deliver on those requirements as set out in the policy.

7.2 Sponsor teams provide a crucial link between public bodies 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 Public Sector 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 public body.
- must make sure they know when their public 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 Public Sector 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 Public Sector 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 public body. Any queries should be raised with the public body at the earliest opportunity, copied to the Public Sector Pay Policy team.
- must consider the affordability and sustainability of the proposals including any proposed savings - particularly those resulting from changes in staffing or terms and conditions - given their knowledge of the public body and its current and future budget and workload.
- must seek the views of their Finance Business Partner. The Public Sector 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 the initial submission, the Sponsor team should escalate the proposals to their Senior Officials.

7.7 Once the Public Sector 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. The Sponsor team will be responsible for keeping the public body up to date with which remit process they are placed on, and formal notification of the outcome of the assessment.

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 Public Sector Pay Policy team and their Finance Business Partner and provide sufficient time for their contributions. The normal expectation would be at least three working days.

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

- the Public Sector Pay Policy team will provide a template for the submission. The Public Sector Pay Policy team will be able to provide advice on the information that Remuneration Group will expect to be included in the submission to enable them to give due consideration of the proposals.
- the Sponsor teams should make sure they meet the Remuneration Group deadlines including providing sufficient time to consult the Public Sector Pay Policy team on the draft. Draft papers must be submitted to Public Sector Pay Policy team no later than 10 days before the relevant [Remuneration Group meeting](#).
- proposals should normally be submitted from the Portfolio Director, where, exceptionally, this is not the case the views of the Portfolio Director should be included.

7.10 Sponsor teams must ensure they allow sufficient time for the submission to be with the Public Sector Pay Policy team no later than 10 days before the relevant Remuneration Group meeting and for the final version to be with the Remuneration Group Secretariat three clear working days before the Remuneration Group meeting. Failure to meet these deadline will result in delays to the proposals being considered.

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

7.11 If the public 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. 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?

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

7.13 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?

7.14 The Sponsor team should notify the public body of the outcome of the assessment of the staff pay remit.

7.15 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 (see paragraphs 2.55 to 2.58).

7.16 All public bodies are expected to provide settlement information within one month of implementing the staff pay award. Although the Public Sector 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.

7.17 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 Public Sector Pay Policy team, the Remuneration Group and Ministers informed as appropriate.

What is the role of the Sponsor team with regards to Chairs, Board Members, and other Ministerial Appointments?

7.18 When a new public body or Ministerial Appointment is being considered, or change to an existing Daily Fee, the Sponsor team or the appointee's "owning" Directorate must;

- engage with the Public Sector Pay Policy team at the earliest opportunity, before any discussion of Daily Fees with wider audiences.
- supply information about the public body or role of the Ministerial Appointment to the Public Sector Pay Policy team to allow an appropriate Tier in the Daily Fee Framework to be assigned.
- prepare a submission with detailed evidence seeking approval if a Daily Fee outwith the assigned Tier from the Framework is needed.

7.19 When an annual uplift for Chairs, Board Members or Ministerial Appointees is proposed the Sponsor team must;

- engage with the Public Sector Pay Policy team to ensure that proposals are within the pay policy.
- assess uplift proposals for any affordability issues.
- include the Public Sector Pay Policy team in any confirmation of proposed uplifts.

8. Glossary of Terms used in the Public Sector Pay Documents

Term	Definition
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 <i>before</i> 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 <i>before</i> 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.

Term	Definition
Intermediate pay threshold	This is set at £40,000 for 2022-23.
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.
Lower pay threshold	This is set at £25,000 for 2022-23.
Lowest quartile	This is the value of the middle number between the smallest number and the median of the pay range i.e. the lowest quarter of 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.
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.

Term	Definition
Consolidated performance payments	Payments that reward exceptional or outstanding performance and are consolidated into individual employees' basic pay.
Current salary	This is an individual's salary prior to any uplift including progression (where eligible).
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.

Term	Definition
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.
Outturn	This is the paybill at the end of the pay year. It takes into account the pay award as well as any other changes in staffing such as new starts, promotions and leavers.
Pay coherence	This is the move towards greater consistency in rates of pay for roles with the same job weighting as well as standardisation of terms and conditions in public bodies covered by the pay policy. The policy expectation is for the Scottish Government to be the main benchmark for salary levels and for terms and conditions.

Term	Definition
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 savings	Savings in the Paybill that can be used to part fund a pay award. <ul style="list-style-type: none"> • <u>Permanent savings</u> such as 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 recyclable savings or 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 Public Sector Pay Policy team. This covers the public bodies in Scotland subject to Scottish Government policy on public sector pay.

Term	Definition
Real Living Wage (rLW)	This is the minimum hourly rate an individual must earn, before tax, to afford a basic but acceptable standard of living. The rate is £9.90 per hour for 2022-23. However the wage floor of £10.50 per hour applies from 2022-23.
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 public sector wage floor	This is the minimum hourly rate for all employees directly covered by the public sector pay policy. The Scottish public sector wage floor was introduced in the 2022-23 public sector pay policy and is set at £10.50 per hour.
Settlement date	The date on which any annual pay award salary would normally be implemented
Settlement information	This is the staffing and paybill immediately following implementation of the pay award.

Term	Definition
Smoothing increase	These are higher increases applied to pay points that are just above the policy pay thresholds to enable a public body to maintain the integrity of their existing pay and grading structure.
Spot rates	These are staff who are on a single pay point which is set at the rate for job. 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 and/or the market rate for the 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.

9. Pay Policy Quick Reference

Guaranteed Pay Increases and Thresholds

- Cash underpin of £775 for those earning a fulltime equivalent salary of £25,000 or less.
- Basic pay increase of £700 for those with a fulltime equivalent salary of more than £25,000 and up to £40,000.
- Basic pay increase of £500 for those with a fulltime equivalent salary of more than £40,000.

Low pay measures

- Sets guaranteed wage floor of £10.50 per hour, going beyond the current real Living Wage of £9.90.
- Cash underpin of £775 for those earning a fulltime equivalent salary of £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 equality or pay coherence issues, or to consider non-consolidated payments to address cost of living increases.

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 to encourage employers to work towards standardising to a 35 hour working week.
- Introduces the requirement for employers to have meaningful discussions with staff representatives about the Right to Disconnect.
- 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 Executives Pay Framework 2022-23 (base pay)

Pay Band	Minimum	Maximum	Ceiling
3	£112,121	£152,184	£223,050
2	£92,766	£131,372	£175,598
1A	£76,637	£110,652	£140,634
1	£66,050	£100,154	£129,031

Chairs & Members Daily Fee Framework 2022-23 (gross Daily Fees)

Chairs Tier	Minimum	Maximum	Ceiling
Tribunal	£342	£563	£713
Tier 1	£340	£500	£557
Tier 2	£221	£374	£443
Tier 3	£155	£238	£325

Members Tier	Minimum	Maximum	Ceiling
Tribunal (<i>specialist skills only</i>)	£267	£392	£512
Tier 1	£244	£362	£455
Tier 2	£186	£274	£344
Tier 3	£103	£194	£277

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 Public Sector 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 Public Sector 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 Public Sector 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/



© Crown copyright 2022

OGL

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.scot

Any enquiries regarding this publication should be sent to us at

The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-80435-250-2 (web only)

Published by The Scottish Government, March 2022

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS1054490 (03/22)

W W W . g o v . s c o t