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FROM: COLIN SULLIVAN **Copy Distribution List Below**:

DATE: 20 DECEMBER 2016

TO: FINANCE DIRECTORS **FD (DoF) 12/16**

PAY REMIT APPROVAL PROCESS AND GUIDANCE (2016-17)

Purpose

1. The purpose of this Finance Director (FD) letter is to provide departments with revised guidance on the application of public sector pay policy in Northern Ireland. This letter explains the implications of the 2016-17 HM Treasury Pay Policy on the pay remits approval process in Northern Ireland.

2. This FD letter replaces the previous guidance on the pay remit approval process (FD letter issued on 15 February 2016). An updated Single Year Remit pro forma template is attached separately.

Scope

3. The pay remit approval process must be applied to the staff costs of public bodies whose expenditure scores against the Northern Ireland DEL, including all Northern Ireland Civil Service (NICS) departments[1], agencies, Non-Departmental Public Bodies (NDPBs) and other relevant Arm's Length Bodies.

4. The pay remit process applies to all staff in such organisations irrespective of seniority. When staff working within the same organisation are subject to different pay agreements or pay determination processes, a separate pay remit pro forma and business case template must be submitted for each group. For example,

[1] It should be noted that the pay remit process for civil servants in NICS departments is separately applied by DoF Corporate HR, who take into account public sector pay policy parameters when determining the NICS pay award. Public bodies that choose to follow NICS terms and conditions, but whose staff are not civil servants, must wait for the NICS determination before submitting a pay remit to DoF Supply for approval.

within the NICS the pay award for staff below Senior Civil Service (SCS) level is determined separately from that for the SCS.

5. Staff groups currently not covered by the pay remit process include:

- o Staff employed by Public Corporations;
- o Staff employed in Higher Education[2];
- o Staff employed by District Councils; and
- o Ministerial appointments[3].
- o North South Bodies[4]

Roles and Responsibilities

6. Enforcement of pay growth limits is devolved to the Northern Ireland Executive. With the Executive's endorsement, the Finance Minister is responsible for the approval of pay remits for most of the staff groups in bodies within the wider public sector in Northern Ireland within the broad parameters of public sector pay policy [5].

7. As with all aspects of public expenditure, responsibility for value for money and all regularity issues associated with pay remits sits with the relevant Departmental Accounting Officer. In practical terms, this must be evidenced by all proposed remits (and supporting evidence) being approved by the Departmental Finance Directorate before being formally submitted to DoF Supply. This includes ensuring that the calculations and information supporting the pay remits are accurate and complete. DoF expects that pay remits that breach pay parameters as outlined in paragraphs 28 to 31 of this FD letter would be approved by the departmental Minister prior to submission to DoF Supply[6].

8. It is DoF's responsibility to provide advice on pay policy and information requirements as well as to challenge departments when we believe the policy has not been implemented properly. Technical quality assurance of the pay remit business case and pro forma will be provided by DoF Strategic Policy Division (SPD), which is responsible for monitoring the application of public sector pay policy. SPD also provides advice and liaises (where required and with the agreement of the Finance Minister) with HM Treasury/Cabinet Office. DoF Supply will have responsibility for liaising with departments on pay approvals, acting upon the advice of and in co-operation with DoF SPD. Supply will also consider whether pay remits raise associated issues in relation to the control of public expenditure, affordability, departmental delegations and the need for wider Supply approvals.

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[2] This includes staff employed in Stranmillis University College and St. Mary's University College.

[3] Ministerial appointments are excluded from the process on the grounds that the Minister agreed their specific remuneration package upon appointment. However, contractual conditions of all new appointments should still include adherence to the principles of public sector pay policy.

[4] Most North South Bodies adopt the Civil Service pay agreements of the jurisdiction in which staff work. Increases (or otherwise) for Northern Ireland staff are approved by the Department of Finance.

[5] Although some select cases may be referred to HM Treasury where they raise significant 'repercussive' issues.

[6] For instance, if the Increase for Staff in Post exceeds the 1% limit and where there is no clear legal/contractual entitlement or other justification to this.

Background

9. The effective management of public sector pay and workforce issues is crucial to the delivery of high quality public services, the achievement of departmental objectives and targets, and the management of the overall public expenditure position. While it is imperative that public sector workers have the necessary skills and expertise and are properly motivated, it is also vital that increases in public sector pay are affordable within the limits determined by the Executive and represent value for money.

10. In the Summer Budget 2015, the Chancellor of the Exchequer announced that the government will fund public sector workforces for a pay award of one per cent for four years from 2016-17 onwards.

NI Executive Pay Policy

11. The Executive's control of public sector pay will be based on the principle that the public sector should offer a pay and reward package that allows it to recruit, retain and motivate suitable staff. Public sector pay should also reflect the circumstances specific to the local labour market.

12. Since the 2004 pay round, HM Treasury has imposed an *Increase for Staff in Post* (formerly known as 'earnings growth') limit that public bodies must not breach, unless there are very sound reasons to do so. The Executive has agreed to adhere to these limits and all pay remits must be submitted to DoF for approval at DoF Ministerial level to ensure compliance.

Approval Process

13. All public bodies are required to submit a business case to their parent departments showing clearly the pay proposals for each pay round. This applies even if the public body follows the NICS pay award or a nationally determined pay settlement[7]. In the vast majority of cases completion of the pay remit pro forma and the business case template is sufficient.[8] However, where the proposed pay remit exceeds the current pay limit and the proposals are potentially repercussive or otherwise controversial, a full business case may be required. Detailed guidance on how to complete the pay remit pro forma and the business case template is set out in Annex A and Annex B respectively.

14. Departments must ensure that pay commitments are not entered into prior to the appropriate approvals having been secured. Once departments have assessed

[7] For example, National Joint Council or a Pay Review Body as currently applied to health sector staff.
[8] Broadly speaking, the pay remit pro forma and business case template are required to justify annual pay awards. However, in certain instances a proportionate business case alone will suffice. Such examples include: a one off payment to buy staff out of contractual entitlements; proposed pay increases to tribunal members who earn a daily fee; or proposed pay increases for staff groups on contracts for a defined period of time (i.e. less than 52 weeks) who are not eligible for progression. Further advice should be sought from DoF Supply if there is any uncertainty as to whether or not a pay remit pro forma is required.

the business case, and ensured that the pay increase is justified and affordable, it must be submitted to DoF Supply for approval. DoF Supply will, if content to proceed, seek the approval of the DoF Minister. If the case raises significant or contentious issues the DoF Minister may decide to refer the matter to the Executive for discussion. As is the case for all expenditure, the commitment to, or execution of, a pay award without the appropriate approvals will be deemed to be irregular expenditure and will be treated as such.

15. Public bodies should normally only submit one pay remit per year. For example a public body must not split its submission of pay remits with one pay remit for incremental progression and another for revalorisation[9].

16. However, DoF recognises the need to have an approval process that is responsive and enables public bodies to award pay increases in a timely fashion. In instances where a public body has a contractual and/or statutory right to incremental progression on a specific date, and where this date falls prior to the settlement of any relevant pay negotiations, the guidance allows for a submission to be made to DoF Supply requesting temporary approval for incremental progression. This submission should be made in time to allow for DoF Supply approval before the progression falls due and must include: clear legal advice categorically stating a contractual and/or statutory obligation to pay progression on a specific date; the quantum of the progression increments and how many staff this will apply to; a brief update on the current position of pay settlement negotiations; and an indication of when a full pay remit is likely to be submitted for DoF Ministerial approval. DoF Supply will then consider providing temporary approval (note that there is no requirement for DoF Ministerial approval at this stage). This approach enables departments to meet contractual and/or statutory obligations whilst regularising expenditure. A full remit, including progression and revalorisation[10], should be submitted as soon as possible, at which point normal approval processes apply. Note that any temporary cover provided could be withdrawn at this point if there are found to be significant differences between the information provided for temporary cover and the full remit documentation.

17. The approach set out in paragraph 16 has been extended to cover all elements of the pay award. Therefore, in instances where there is a clear contractual entitlement to implementation of a cost of living pay award at a certain point in the year and where the completion of a composite pay remit significantly delays payment beyond this particular date then a submission for temporary cover should be made to DoF Supply in advance of a full remit being submitted. The submission for temporary cover for revalorisation should be made in time to allow for DoF Supply approval before the pay award falls due. As with the temporary approval process for progression, this should include legal advice which clearly states an entitlement to the pay award on a specific date; the quantum of the pay award and how many staff this will apply to; and an indication of when the full remit will be submitted. In addition, evidence that completion of the remit will substantially delay

[9] This means that if public bodies follow a nationally determined pay settlement, they must wait until that determination is made before submitting complete pay remit documentation.

[10] As noted in Annex A, when applying the increase for staff in post, revalorisation should be applied first followed by progression. This will marginally increase the progression rise between the temporary cover and full remit. Note the quantum of progression should not be significantly different.

implementation of the pay award beyond the legal/contractual implementation date must be included in the submission.

18. If there is a legal entitlement to both revalorisation and progression on the same date and where the completion of a full remit significantly delays payment beyond this particular date then one submission should be made for temporary cover for both elements. In the event that legal entitlement to each element falls on separate dates, every effort should be made to co-ordinate any request for temporary cover in order to simplify the process.

19. It should be noted that, in all cases, if there are any significant deviations from the approved proposals, the pay remit documentation (including a robust justification for the revisions) must be resubmitted through the normal channels before any commitments on the revised proposals are given. If there is any uncertainty as to what constitutes a significant difference, advice should be sought from SPD (points of contact are provided at the end of this letter).

Breach of Approved Pay Remit

20. A pay remit is sanctioned in the expectation that the organisation will not exceed the approved Increase for Staff in Post. However, since the calculations are based on estimates, there may be occasions where the actual Increase for Staff in Post exceeds (or falls below) that approved.

21. The pro forma is designed to allow the organisation to explain why the previous year's pay remit has been exceeded. Explanations could be due to significant changes in the number of staff employed by the organisation or changes to the grade structure. In cases where the remit has been exceeded significantly and there is no adequate explanation, DoF may require additional detailed evidence to assess whether the current year's pay remit is accurate and also request more information regarding the previous year's remit to investigate the circumstances.

Implications for Wider DoF Approvals

22. It is important that all departments take proper account of the Executive's approach to public sector pay when considering the establishment of new public bodies, when negotiating salaries or contracts of employment for new staff in existing public bodies or when re-negotiating salaries or contracts of employment for existing staff in public bodies. Departments should only put forward terms and conditions of employment that are appropriate in light of the labour market circumstances and the nature of post and organisation in question. For example, in a case where a public body intends to mirror SCS pay agreements, it should take into account that this may not be appropriate if numbers in the staff group within the organisation are not adequate to carry out a meaningful annual performance assessment against peers.

23. In particular, public bodies must not enter into agreements that may result in future pay pressures that could lead to a breach of the current Increase for Staff in Post pay limit unless there is a legal requirement to do so. Departments must ensure that the terms and conditions offered to staff in public bodies are not so rigid that

they are incapable of adapting to existing and future pay controls set by the Executive.

24. When reviewing and agreeing Management Statements and Financial Memoranda with sponsored public bodies, departments should draw particular attention in the documents to the Body's responsibilities in regard to Public Sector Pay and especially to the content of this note.

25. In advance of approving posts DoF Supply will expect to be provided with benchmarking evidence that the level of remuneration being proposed is reasonable within the context of public and private sector comparators in Northern Ireland and, where necessary and appropriate, in comparison with similar posts in GB/RoI. A critical factor here is that evidence is provided that benchmarks are truly comparable in terms of roles and responsibilities as well as scale of the organisation. In addition, when comparing with posts outside Northern Ireland, the appropriate adjustments need to be made when benchmarking in terms of local labour market conditions or differences in the cost of living in the cases where it can be proven that a UK wide labour market applies.

26. Departments are reminded that any cases that potentially set a precedent, are repercussive or contentious must always come to DoF Supply for approval under Managing Public Money Northern Ireland (MPMNI) 2.1.7.

Pay Parameters

27. In 2016-17, pay awards are subject to the following parameters:

- Progression within pay-bands where this is contractual; and
- Discretion to pay up to a **maximum of one per cent revalorisation** where this is affordable within current budgets (unless there is contractual provision to pay above this rate).

28. Increases arising from contractual progression pay increments will only continue to be paid where such increments remain a legal entitlement. DSO advice should be provided to confirm that this is the case.

29. All public bodies with automatic time served progression pay should have now submitted proposals to DoF to ensure that public sector workers do not receive an automatic pay increase purely as a result of time in post. Any time served progression pay still in place in public bodies not supported by a proportionate business case is in breach of Executive pay policy. Where any legacy issues in this area remain, departments must work proactively to resolve these.

30. DoF will, by exception, consider proposals which include reforms to improve business performance and the efficiency of the workforce (evidenced, for example, through changes in terms and conditions of contract). There will be some flexibility in relation to the one per cent limit in 2016-17 for these proposals. Public bodies will need to submit a robust and fully costed business case for their proposals that offers clear value for money. Any public bodies considering this approach should contact DoF Supply in the first instance.

National Living Wage and Low Pay

31. From 1 April 2016, the UK Government introduced a new mandatory National Living Wage for workers aged 25 and above, initially set at £7.20 per hour (rising to £7.50 on 1 April 2017). The adult National Minimum Wage rate is currently £6.70 per hour (rising to £7.05 on 1 April 2017). This will continue to apply for those aged 21 to 24. For 2016-17, departments should include any increases in pay as a consequence of the introduction of the National Living Wage as part of the Increase for Staff in Post amount.

32. The pay remit process provides scope for public bodies to reward staff differently, subject to the requirements of equal pay legislation and legal/contractual entitlements to, for example, national pay awards. Where there is scope to vary pay awards within public bodies, <u>active consideration must be given to targeting awards to address low pay and to pay restraint at the higher grades</u> within the overall pay parameters. To assist with DoF's understanding of low pay, public bodies should provide information as requested in Section H of the Business Case template (Annex B of this guidance).

Performance Bonuses

33. No staff in public bodies should be awarded performance bonuses (unless they have a clear contractual entitlement). Any proposal to award a performance related bonus must be supported by Departmental Solicitor's Office (DSO) advice. In particular, clear advice must be provided to support the quantum of bonus being proposed.

Equal Pay/Age Discrimination

34. The NI Executive is committed to ensuring that pay systems in the public sector are fair and non-discriminatory, reflecting the contribution of the individual, and complying with all relevant legislation.

35. It is important that organisations review their pay systems on an annual basis following implementation of pay awards as this helps inform departmental/public body reward proposals and ensures appropriate targeting of resources. Departments/public bodies are reminded that conducting equal pay reviews of their reward policies and practices regularly is a requirement. The frequency and thoroughness of such reviews should be commensurate with the size and complexity of the staff group. When equality proofing reward policies, <u>departments/public bodies should be wary of arguments that five years must be the appropriate length for any pay range - for some jobs this may be too short, for others it may be too long. There is no substitute for a proper assessment of the pay arrangements for different groups/roles within each responsibility level.</u>

36. Where departments/public bodies have identified a potential pay inequality to address they will need to provide evidence of the extent of this inequality and propose ways of tackling this in a cost-effective manner, subject to affordability constraints. Departments/public bodies may need to prioritise within the

constraints of the remit and strike an appropriate balance between general pay increases for staff and addressing issues arising from equal pay/age discrimination legislation.

37. A full risk assessment, including an assessment of the likelihood of claims and the extent of potential liability as well as the costs of dealing with the issue, should accompany any business case based at least partly on addressing equal pay risks. Departments/public bodies should also specify what proportion of their pay remit, if any, they plan to devote to addressing issues associated with equality issues.

Job Evaluations

38. When public bodies intend to carry out job-evaluation exercises, it is crucial that they consider the full pay policy implications at an early stage. It is not acceptable to initiate job evaluations unless they are properly justified and have the appropriate approvals. It should also be noted that it is not acceptable to justify a breach of the approved pay remit in terms of the outcome of a job evaluation exercise. This is because the full pay policy implications of any job evaluation exercise must be considered prior to the remit being submitted.

New Appointments/Legal Commitments

39. All new legally binding commitments (for example, honoraria payments) should take into consideration affordability and financial constraints in current and future years. Departments and public bodies are advised to take legal advice on the drafting of any pay commitments to ensure that these are affordable and consistent with the pay remit process.

40. Approval of pay remits is on the basis that an organisation does not enter into any legally binding contractual agreements that effectively commits it to automatic costs in the future.

Pension Reform

41. From 1 April 2012 the contributions paid by most members of the PCSPS(NI) now varies depending on the amount of the employee's annual pensionable earnings. This means that the employee contributions of members of the PCSPS(NI) and the NILGOSC pension schemes will now vary depending on their salary band.

42. DoF is aware that a number of public bodies have arrangements in place to ensure that their staff are not disadvantaged as a result of paying what were historically higher employee contributions to the NILGOSC pension scheme than other public sector employees who are members of the PCSPS(NI).

43. This adjustment can no longer be assumed to be a fixed amount. Departments must ensure that any of their public bodies that are in this situation review the position for each individual member of staff on an annual basis to ensure that any adjustment to their salary maintains the principle that staff who are on terms

analogous to those of the NICS are no better off, and no worse off, as a result of the pension scheme to which they contribute.

44. Any resulting adjustment to salaries must be included as appropriate when submitting pay remits to DoF for approval.

45. This principle of “no better off, and no worse off”, overrides the detail which may historically have been contained in a Management Statement and Financial Memorandum (MSFM) which predates the changes to public sector pension schemes. Departments should therefore also review the MSFMs in place with their public bodies to bring them up to date in this regard.

46. Further advice should be sought from DoF Supply on matters related to pension reform.

Summary of Key Points

47. The key points for departments are summarised below:

- The Executive meeting of 24 May 2007 endorsed the principle of adherence to public sector pay policy. These will apply to virtually all public bodies and staff groups whose expenditure scores against the Northern Ireland DEL.

- The DoF Minister is responsible for monitoring, controlling and approving pay remits for staff groupings subject to the Executive’s Pay Policy. He may refer any potentially difficult or controversial remits to the Executive for discussion.

- All public bodies are required to submit a pay remit pro forma and business case template (via their parent department) to DoF Supply for Ministerial approval.

- The Departmental Finance Directorates must approve all pay remits. It is expected that pay remits that breach pay parameters as outlined in paragraphs 28 to 31 of this FD letter have been approved by the departmental Minister before it is formally submitted to DoF.

- In 2016-17, staff groups within public bodies have discretion to pay up to a **maximum of one per cent revalorisation** where this is affordable within current budgets. Contractual pay increases, such as progression pay increments, should continue to be proposed where such payments are a legal entitlement. DSO advice should be provided to confirm that the increases are a legal entitlement.

- All public bodies with automatic time served progression pay should have now submitted a proportionate business case to DoF assessing cases where public sector workers receive an automatic pay increase purely as a result of time in post.

- Where there is scope to vary pay awards within public bodies, active consideration must be given to targeting awards to address low pay and to pay restraint at the higher grades within the overall pay parameters.

- No public bodies covered by the Executive's authority must enter into pay commitments prior to the appropriate approvals having been secured. The commitment to, or execution of, a pay award without the appropriate approvals will be deemed to be irregular expenditure.

- Public bodies with a contractual and/or statutory right to incremental progression and/or revalorisation on a specific date should seek temporary DoF approval before the progression and/or revalorisation falls due.

- Pay remits which are approved and subsequently revised should be resubmitted (with robust justification) to the Departmental Finance Directorate and DoF for approval before any commitments are entered into on the revised basis.

- It is imperative that all departments take proper account of the Executive's pay policy when considering the establishment of new public bodies, when negotiating salaries or contracts of employment for new staff in existing public bodies or when initiating job evaluation exercises.

Action

48. To note the contents of this letter, the requirements to obtain prior Ministerial approval and to take whatever action is necessary to ensure compliance with the Executive's agreed position on public sector pay control. Furthermore, to circulate to all finance officers and other relevant staff, including those in NDPBs and other relevant public bodies.

Point of Contact

49. Enquiries about this FD letter should be addressed to Christine Finlay (Christine.Finlay@finance-ni.gov.uk).

Date from which FD Letter is Effective

50. This letter is effective from 1 April 2016.

Colin Sullivan

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ANNEX A – PRO FORMA GUIDANCE NOTES

This annex sets out in detail the requirements for completing the Excel pay remit pro forma. ANNEX B deals with the pay remit business case template.

BASIC TERMS

Paybill: This is the salary and associated costs of the staff employed by the organisation. The paybill costs should include:

- Staff salaries;
- Allowances;
- Overtime payments;
- Non-consolidated pot;
- ERNIC; and
- Employers' pension contributions.

Non-consolidated Performance Payments (including Bonuses): Non-consolidated payments refer to payments to individuals that are not consolidated into their basic pay. A number of points should be noted.

- As a result of the simplification of the approach to the treatment of non-consolidated bonus payments, existing categories are amalgamated under one heading entitled 'Non-consolidated pot' in the pro forma.
- Non-consolidated payments are not pensionable and do not accrue additional expenditure.
- Non-consolidated payments may be used to reward those staff that are at the maximum of their pay range and are unable to receive any consolidated increases to their base pay.
- Bonuses are non-consolidated payments that are awarded to staff based on performance either at an individual, team or organisational level. Bonuses are re-earnable and do not have associated future costs.

Staff in Post - Full-time Equivalents (FTE): This is the staff in post for the organisation counting part-time staff numbers as if they were full-time staff by adding up the part-time hours of staff within each grade. For example:

- There are 3 part-time staff within a pay band working 31 hours, 20.5 hours and 10 hours respectively. Their total staff hours are 61.5 hours. When this is divided by the conditioned hours for full time staff (41 hours) the 3 Part-time staff equal 1.5 Full-time equivalents.

Non-Pay Rewards: Non-pay rewards may include increases to annual leave entitlements, reductions in working hours, and maternity/paternity leave. The costs of non-pay rewards should be monetised and included in the pro forma calculations.

Baseline Savings: These are cost-neutral savings generated within the paybill that can be used elsewhere within the paybill without affecting the *Increase for Staff in Post*. For example, an organisation may wish to remove or partially buy-out a specific allowance and use the resulting savings for non-consolidated payments.

STEP-BY-STEP GUIDE

Bargaining Unit "Outturn" Details:

A. Actual Paybill for the Remit year: This is the total paybill (actual salary and associated costs) of all the staff employed by the organisation during last year's remit period only (i.e. not the paybill for multiple years which could be actually paid out due to time lags in obtaining pay remit approval)[11].

B. Baseline Paybill: This is the actual baseline paybill for the remit period based on the actual number of staff employed by the organisation during last year's remit period (i.e. before the pay award is applied). This may differ from the baseline paybill estimated last year (in the organisation's remit details) due to unexpected staff changes.

E. Actual Increase for Staff in Post: This section should include details of consolidated and non-consolidated payments. A detailed breakdown, i.e., revalorisation, progression, bonus payments, etc. is no longer required. Note that consolidated payments refer to: revalorisation; progression; increases to the minima, maxima and target rates; and "other". Non-consolidated payments refer to increases in the non-consolidated bonus pot and other non-consolidated payments. Also note that this section can only display positive figures since it is a breakdown of the increase in pay costs.

F. Staff in Post (FTE) for the year: This is the total FTE staff in post for last year's remit period calculated as an average of the total monthly actual FTE staff in post.

How Outturn differs from 2015-16 Pay Remit approved: This box offers an opportunity to explain why the actual outturn (Actual Paybill or Baseline Paybill) differs from that estimated last year. Reasons could include the recruitment of additional staff or changes to the composition of the staff complement during last year's remit period.

Note that the remaining entries (i.e. C, D, E and G) on the 'Bargaining Unit "Outturn" Details' page are locked and therefore completed automatically by Excel.

[11] For example, during the 2016-17 pay remit period, staff in a public body may have received both their 2015-16 and their 2016-17 pay awards due to the time taken to receive 2015-16 pay approval. For the purposes of completion of the outturn details, the 2015-16 actual paybill should include the 2015-16 increases only, while the 2016-17 outturn will include the 2016-17 pay awards.

Bargaining Unit Remit Details

B. Baseline Paybill: This is the total paybill costs associated with the known number of FTE staff in post[12] during the remit year assuming that the basic salary for staff will remain unchanged in the remit year. Note that any mandatory changes in the remit year to employer Pension or National Insurance contributions should be included when calculating the baseline paybill. The baseline paybill should be broken down into the constituent parts in accordance with the pro forma (i.e. staff salaries, bonuses, ERNIC etc).

C. Projected Paybill: This is the total paybill cost associated with the known number of FTE staff when applying the proposed pay remit. The projected paybill should be calculated by adding revalorisation (cost of living), progression costs, increases in non-consolidated payments and any changes in leave and working hours (monetised) to the baseline paybill and then subtracting the forecast recyclables.

Recyclables: These are forecasted by estimating the cost savings associated with staff leaving and being replaced by entrants lower on the pay scale. The difference between the salary costs of these leavers and entrants amounts to the recyclables saving to the paybill.

Importantly, vacant posts or staff cuts throughout the remit year do not generate recyclables. The recyclables should be forecast in terms of the known staff in post at the settlement date. Note that recyclables do not impact on the *Increase for Staff in Post*. Instead, recyclables is a way of financing the pay remit, which is why the forecasted paybill reduces as recyclables increase. Note that the recyclables figure can never be a negative amount. Negative figures should not appear on the pay remit pro forma.

F. Intended Increase for Staff in Post: This should show the *Increase for Staff in Post* of the proposed pay remit broken down into its different components. These include:

- Revalorisation: A percentage increase in all spine points.
- Progression: The cost to the organisation of staff moving one point up the pay scale (note the correct way to measure this cost is to apply the revalorisation increase first and then measure the progression cost on the new pay scales).
- Increases to minima, maxima and target rates: Progression costs and revalorisation costs aside, any additional increases to minima and maxima (where staff remain on the minima or maxima) should be costed here.
- Non-consolidated Performance Payments: This is the cost associated with increases in non-consolidated performance payments (note this should not include payments from an existing pot (which should be included in the baseline paybill) – only increases in the non-consolidated performance pot compared to the previous year should be included in the intended ISP).
- Other: Any other cost that effectively increases staff pay. This section could also include reduced working hours, changes in annual leave, pay on

[12] Taking the staff in post at the settlement date and then adjusting it for known staff changes throughout the remit year calculate the known number of staff. This results in a more accurate baseline pay than using staff in post at the settlement date.

promotion and deputising allowance or other benefits such as a company car. Any increases in these should be monetised and included here.

Note that all consolidated elements (i.e. revalorisation, progression etc) should include the associated impacts on the employers' pension and National Insurance contributions.

G. Staff in Post for the remit year: This is the total FTE staff in post on which remit is based and should be forecast as an average over the remit year. This can be worked out by taking the staff in post (FTE) at the settlement date and then adjusting this for any known increases/decreases in the staff complement. It is imperative that the baseline paybill and forecasted paybill is worked up using the same number of staff.

Note that the remaining entries (i.e. D, E, H and I) on the 'Bargaining Unit Remit Details' page are locked and therefore completed automatically by Excel.

ANNEX B - BUSINESS CASE TEMPLATE (INCLUDING GUIDANCE NOTES)

The business case template must be completed by all Bargaining Units in support of the Pay Remit Pro Forma. Please note that incomplete or insufficient information may delay the approval process.

The purpose of this business case template is to summarise the main elements of information required to support the pay remit. All Bargaining Units are required to complete all the Sections below - any issues not covered by the headings in **Sections A to E** should be included under **Section F**. However, <u>proportionate effort should be applied in the completion of the template</u>.

Bargaining Units are permitted to expand the text boxes below but only supply information relevant to the remit being sought.

Name of Bargaining Unit:

Section A: Explanation of Bargaining Unit Core Business

As a summary of the organisation's core business this section should explain the main role of the organisation and its business objectives in the short to medium term.

Section B: Current & Future Business Pressures

Provide an outline of any forthcoming pressures that may be facing the organisation and how these will impact on the pay bill. **Note**: Organisations should explain what areas of staffing these pressures will affect and how you intend to use the paybill to address these pressures.

Section C: Affordability and Departmental Ministerial Approval

Provide brief confirmation that the proposals are affordable within expenditure limits or existing provision – please explain briefly. Confirmation that these costs will not generate future paybill pressures and, where applicable, have been cleared by Sponsor Departments.

Provide confirm when applicable that the departmental Minister has approved these pay proposals.

Section D: Summary of Pay Remit Proposals

Provide a summary explanation of what the Pay Remit will be spent on, and provide a breakdown of the remit, in terms of *Increase for Staff in Post*; e.g. increases to minima, maxima, and target rates; basic awards to staff including underpins; proposed increases to allowances; other proposed increases to non-pay awards (annual leave); etc

Note: the *Increase for Staff in Post* levels indicated here should be presented in cash terms in the financial pro-forma.

Illustrative example:
1.25% for pay progression;
0.4% for revalorisation;
0.1% for increases to account for National Living Wage
0.1% for targeted equal pay action
0.1% for increases to annual leave entitlement (monetised); and
0.2% for increases to pay band minima/maxima & target rates.

Section E: Detail of Remit Proposals

Please provide an outline of your current pay system and any proposed changes. When describing your pay system please provide information under the following headings set out below and when giving reasons for any changes please provide robust data:

Revalorisation

- The proposed level of revalorisation under the remit – please provide evidence of legal / contractual entitlement to revalorisation.

Progression

- The basic structure of your current/proposed pay system (e.g. step-based progression) and its objectives. ***Should include explanation on method of progression pay being proposed (e.g. time-served or performance-based increments). If the former, should provide a brief summary of the business case assessing options regarding automatic time-served progression.***

- Any proposals for differentiated progression across groups of staff.

- Please provide evidence of legal / contractual entitlement to progression.

National Living Wage

- Please outline any increase to staff pay as a result of the introduction of the National Living Wage.

Low Pay

- Any introduction/expansion of measures to address low pay over and above NLW – if there is scope to vary pay awards within public bodies, please provide evidence of active consideration given to targeting awards to address low pay and to pay restraint at the higher grades.

Local Pay

- Any introduction/expansion of local pay.

Equal Pay

- Equal pay risks and measures to reduce them – Please provide evidence of the likelihood of claims and the extent of potential liability, including legal advice as well as details of any cases pending.

Total Reward Package

- This includes a description of the wider benefits package applicable to staff within the organisation. For example, the pensions scheme, working hours,

flexible working, maternity, paternity and special leave arrangements.

Section F: Other exceptional factors not detailed above

Please indicate if there are additional factors not covered above that should be considered against your pay remit proposals.

Section G: Pay Data

Bargaining Units are required to complete the following data fields to the best of their ability. It is important that each bargaining unit provides accurate pay data to support the proposed pay remit. Section G contains three tables, which should be completed.

The general intention is not to create an additional burden for Bargaining Units as it is anticipated that much of this information will be required for modelling the settlement. Please clearly identify workforce groups (e.g. accountants, call centre operatives, etc) within the General Information table.

Please note: Incomplete data may delay the processing of the pay remit.

General Information

Grade (CS equivalent[1])	Minima	Maxima	Median[3]	SIP [4]	Leavers [4]	Turnover (%age)
AA (current[2])						
(proposed[2])						
AO (current)						
(proposed)						
EO (current)						
(proposed)						
HEO (current)						
(proposed)						
SEO (current)						
(proposed)						
Grade 7(current)						
(proposed)						
Grade 6(current)						
(proposed)						

Increase for Staff in Post Information

Grade (CS equivalent[1])	Cost (£,000)	Increase for Staff in Post (%)
AA		
AO		
EO		
HEO		
SEO		
Grade 7		
Grade 6		
Total Cost / Average ISP[5]	**0**	**0.0%**

Staff Distribution

Grade (CS equivalent[1])	SIP on Maxima (current, proposed)	SIP on Minima (current, proposed)
AA		
AO		
EO		
HEO		
SEO		
Grade 7		
Grade 6		

* If applicable.

Notes:

1. Please use Civil Service equivalent grades wherever possible, or replace with organisation-specific grades if not relevant.
2. Current minima, maxima, median figures in the general information table are for 2015-16. Proposed figures are for 2016-17.
3. The median salary is the salary at which 50% of staff are above/below. It is not the mid-point of the range.
4. SIP and leavers should be expressed on a FTE basis
5. The overall cost is a total figure while the ISP % is the weighted average of the Grade figures above it. These figures should match those in the pay remit.

Section H: Low Pay Data

The Living Wage Foundation sets an annual voluntary Living Wage (vLW) rate calculated on the basis of the cost of living which is payable to workers aged 18 and over. The 2016 rate (announced in October 2016) was £8.45 per hour outside of London.

To assist with DoF's understanding of low pay, public bodies should provide information as requested in the table below. This will facilitate an assessment of how many staff are earning below the vLW and to what extent their salary falls below the vLW rate.

Please note: Incomplete data may delay the processing of the pay remit.

Grade (CS equivalent[1])	Annual Salary[3,4]	Hourly Salary[5]	No of FTE staff earning below vLW[6]
AA (proposed[2])			

Notes:

1. Please use Civil Service equivalent grades wherever possible, or replace with organisation-specific grades if not relevant.
2. Proposed figures are for 2016-17.
3. Please list the annual salary pay points within pay scales (and include any other items that increase pay such as bonuses or allowances) that fall below the voluntary Living Wage level.
4. If each member of staff within the organisation receives individual pay within a pay range (as opposed to pay points within a pay scale), please provide average figures by grade.
5. Calculate hourly salary using the calculations provided in Annex C as an example.
6. Please provide the number of FTE staff at each relevant pay point.

ANNEX C – EXAMPLE TO ASSIST WITH COMPLETION OF SECTION H OF BUSINESS CASE TEMPLATE

An example of how to calculate hourly earnings from annual salary using the NICS AA salary scale has been provided below

The NICS AA annual pay scales effective from 1 August 2016 to 31 July 2017 are set out below. Hourly rates are calculated to show those that are below the voluntary living wage.

AA Salary Scale	Hourly Salary*	Number of FTE Staff
£17,796	£8.15	1,000
£17,352	£7.95	100

*** Hourly salary calculated by dividing annual salary by number of weeks in the year (set at 52) and then by number of gross hours worked per week (42 in NICS case).**

Note: In the NICS, staff work 42 gross hours per week as their contractual hours include a meal break. This may not be the case for all public sector staff. Each organisation should confirm contractual gross hours for its staff in order to calculate the correct hourly salary as above.