



Cabinet Office

Guidance for approval of senior pay

Version 3 – applicable from April 2013

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1. INTRODUCTION

1.1 Background

The Chief Secretary to the Treasury (CST) will continue to approve pay and remuneration levels at and above a defined threshold for all Civil Service appointments and appointments to public sector bodies which are subject to Ministerial approval¹. **The threshold remains at £142,500.** From 1 April 2013, CST approval will be required for **all new performance pay (“bonus”) arrangements above £17,500** that are subject to Ministerial sign-off. The CST will **continue to be notified (before payment) of any contractual performance payments already in place worth £50,000 and above** that are subject to Ministerial sign-off.

The purpose of this guidance is to clarify which appointments are covered by the arrangements and to explain the process for securing approval.

This guidance does not deal with appointments for which CST approval is not required. Nevertheless, Departments must continue to scrutinise carefully the remuneration levels for appointments even if they do not require CST approval. In organisations where ministerial sign off is not required there must always be someone who takes responsibility for paying people £142,500 or more, and for that decision to be publicly justified to the relevant Secretary of State.

1.2 Types of appointment where pay level requires CST approval

The approval arrangements apply to:

- all Civil Service appointments which exceed the pay and remuneration threshold; and
- all appointments made by Ministers to public bodies which exceed the remuneration threshold. This includes appointments made or approved by Ministers, made by The Queen on the advice of Ministers or made or approved by officials on behalf of Ministers. Accordingly, these arrangements cover the vast majority of public appointments, many appointments of chief executives and other senior executives of public bodies and any appointments formally delegated by Ministers to the Appointments Commission.

¹ This process applies only to appointments requiring the approval of UK Ministers. It does not apply to appointments made by Ministers in Devolved Administrations.

CST approval is not required where the appointing Minister has no discretion over pay (eg where someone is appointed to a fixed salary or minimum point determined by an agreed recommendation of the Senior Salaries Review Body)².

This guidance does not cover appointments to those public corporations within the Shareholder Executive portfolio. Separate guidance along similar lines is being issued for such corporations by the Corporate finance, Business, Innovation and Skills team in the Treasury.

² However, CST approval will be required where someone in addition to being appointed to a minimum or fixed point receives discretionary payments (e.g. a NHS recruitment and retention premium) which take their total remuneration to or above £142,500.

2. SENIOR CIVIL SERVICE AND OTHER SENIOR EXECUTIVE POSTS

2.1 Application to Existing Staff

The approval process applies to appointments and any reappointment or adjustment of salary that takes someone to or above the threshold. CST approval will not always be required where someone's pay moves to or above £142,500 following an annual pay award. In cases where awards of 0-9% (i.e. the range of standard base pay awards agreed by the Cabinet Office for the SCS) take someone over the threshold, CST approval is not required. However, where an award of more than 9% takes someone over the £142,500 threshold, CST approval is required.

CST approval is required if someone passes or reaches £142,500 on promotion, through accelerated payments or from new allowances.

CST approval is required if someone is to be paid at or over £142,500 on contract renewal or on moving to a new post, even if previously paid at or over £142,500.

2.2 What counts towards the £142,500 threshold?

For the purposes of deciding whether the pay level for a particular appointment meets the threshold, pay should include all elements of salary, fees and allowances, plus the cost to the employer of any fringe benefits and pensions in excess of normal levels (ie those not generally available to other members of the SCS). In the case of pensions, the cost should be calculated as the additional employer contribution required in respect of special terms not offered under the Principal Civil Service Pension Scheme. If the maximum payable under a performance payment arrangement exceeds £17,500, the excess should be added to the other elements of pay in order to assess whether the pay level for the appointment is £142,500 or over.

2.3 Performance Pay (“Bonuses”)

Approval of the Chief Secretary is also required before any new performance pay arrangement worth over £17,500 is agreed. The CST will continue to be notified (before payment) of any contractual performance payments worth £50,000 and above. Note that all non-consolidated performance payments paid in respect of a performance year must be aggregated for the purposes of assessing whether a performance payment exceeds £17,500. The approval of the CST is required before entering into a commitment which might create a legal entitlement to a performance payment of more than £17,500 in a financial year.

2.4 Application to part-time staff

In general the approval arrangements apply to those working part-time. But in such cases the threshold should be applied as follows.

If someone is to be paid for less than a day a week and is to receive less than £28,500, the requirement for CST approval does not apply.

In the case of other part-time appointments, approval is required if the appointee is to be paid £142,500 or more pro rata (i.e. £28,500 per day a week). For the purposes of referring performance payments for CST approval, similar provisions apply - so, for instance, if someone works one day per week, CST approval would be required if it were proposed to make a performance payment of £3,500 or above.

2.5 Fringe benefits

Taxable benefits, e.g. housing and travel allowances, should not be offered as part of the remuneration package. This does not include the normal reimbursement of expenses incurred in the course of official duties available to all staff. Any exceptional proposals to pay taxable benefits must be identified in the pro forma with a supporting business case.

2.6 Tax and NICs assurance

In accordance with the recommendation in the CST review of the tax arrangements of senior public appointments published in May 2012, departments must ensure the tax and NICs will be deducted at source and confirm this in the pro forma.

2.7 Sanctions for not following the control process

Any breach of the control process will result in a deduction from the departmental budget or an increase in spending controls.

3. PUBLIC APPOINTMENTS AND OTHER NON-EXECUTIVE POSTS

3.1 Application to existing office-holders

The approval process applies to any appointment or reappointment, or any adjustment of a serving office-holder's terms and conditions, that takes an individual's total remuneration to £142,500 per annum or above – or to a pro-rata equivalent (see below). This includes any temporary or permanent promotion (for example, from Deputy Chair to Chair) where it is proposed to pay the office holder, in their new role, £142,500 per annum or above. CST approval is not required where someone's remuneration moves to £142,500 or above following a standard pay award agreed by the Government. However, if someone reaches the £142,500 threshold through the exercise of departmental discretion (other than through the implementation of such a pay award), CST approval is required.

3.2 What counts towards the £142,500 threshold?

For the purposes of deciding whether the remuneration package for a particular appointment meets the £142,500 threshold, the total level remuneration should be calculated. This should include all elements of salary, fees and allowances, plus the cost to the employer of any additional benefits and pensions not generally available to the staff of the organisation. If the maximum payable under a performance payment arrangement exceeds £17,500, the excess should be added to the other elements of pay in order to assess whether the pay level for the appointment is £142,500 or over.

3.3 Performance pay (“Bonuses”)

Approval of the Chief Secretary is also required before any new performance pay arrangement worth over £17,500 is agreed. The CST will continue to be notified (before payment) of any contractual performance payments worth £50,000 and above. All non consolidated performance payments paid in respect of a financial year must be aggregated for the purposes of assessing whether a performance payment exceeds £17,500. The approval of the Chief Secretary is required before entering into a commitment which might create a legal entitlement to a performance payment of more than £17,500 in a financial year.

3.4 Pro-rata equivalent

Most public appointments and other non-executives work part-time. In such cases, the £142,500 threshold must be applied on a pro-rata basis. This means, for example, that any remuneration package offering £28,500 or above for working one day a week would need to be approved by CST.

However, any package for working less than one day a week is excluded so long as it is less than £28,500. For the purposes of referring bonuses and performance pay for CST approval, similar provisions apply – so, for instance, if someone works one day per week, CST approval would be required if it were proposed to make a bonus payment of £3,500 or above.

3.5 Multiple Appointments

Where an individual holds multiple public appointments, it is not necessary to aggregate remuneration across all those appointments – unless the total time commitment involved reaches or exceeds 5 days a week. It should be exceptional that any one individual holds such multiple appointments. However, where a Department is proposing to consent to an arrangement which involves an individual holding multiple public appointments with a total time commitment of 5 days a week or more, they should calculate the remuneration involved across all those public appointments and seek approval from CST if the total remuneration reaches or exceeds £142,500 per annum.

3.6 Fringe benefits

Taxable benefits, e.g. housing and travel allowances, should not be offered as part of the remuneration package. This does not include the normal reimbursement of expenses incurred in the course of official duties available to all staff. Any exceptional proposals to pay taxable benefits must be identified in the pro forma with a supporting business case.

3.7 Tax and NICs assurance

In accordance with the recommendation in the CST review of the tax arrangements of senior public appointments published in May 2012, departments must ensure the tax and NICs will be deducted at source and confirm this in the pro forma.

3.8 Sanctions for not following the control process

Any breach of the control process will result in a deduction from the departmental budget or an increase in spending controls.

4. THE PROCESS FOR APPROVAL (ALL POSTS AND APPOINTMENTS)

Requests for approval must be submitted to the Cabinet Office (Civil Service Workforce Reform, for Civil Service and other executive posts, and Centre for Public Appointments for public appointments³) in the first instance. Cabinet Office should be contacted as soon as there appears to be a possibility that the reward package might reach or exceed the threshold. Early engagement (before going out to advertise) offers the greatest opportunity to gain agreement in good time and hence avoid delays and potential embarrassment when dealing with potential candidates.

Departments should allow for a two-week approval turnaround following submission of the pro forma to Cabinet Office.

It is important that submissions are constructed on a realistic basis, recognising any need for scope in negotiation with potential appointees. Where subsequent negotiations with the preferred candidate exceed the remit already agreed by the CST, a further application will need to be submitted before an appointment can be made.

The approval process operates as follows:

- Organisation/Department recognises the need to recruit/fill post (or to renew contract)
- Organisation/Department gains approval of the appointing Minister for the proposed package where the package is £142,500 or more.
- Department formally submits their case to Cabinet Office using the attached pro forma.
- Cabinet Office may liaise with the Department to obtain further information on the justification for the proposed package and seek the view of the Treasury Spending Team.
- Cabinet Office submits the case to the Treasury Permanent Secretary for approval.
- Cabinet Office submits the case, taking account of the Treasury Permanent Secretary's view, with a recommendation to the Chief Secretary.
- The CST approves/rejects the proposed package. Cabinet Office informs the Organisation/Department and provides appropriate feedback.
- Completion of recruitment process.

³ Please send to the appropriate contacts given at the end of this guidance

- Organisation/Department informs Cabinet Office of the package paid to the successful candidate (within the remit agreed).

For Senior Civil Service (SCS) appointments, Departments should notify the Cabinet Office of any proposal to offer non standard terms. SCS posts with salaries of £142,500 or more will need to be cleared by Cabinet Office before they go to the CST. Appointing bodies should bear in mind throughout the recruitment process that authority to recruit to a certain salary level does not mean that the appointee must be paid that salary. The approved figure is simply just that; it is the maximum that is available.

4.1 Performance payments (“Bonuses”) in excess of £17,500

Requests for approval will again be submitted via Cabinet Office. The process will be similar to that for approval for high packages. The process is:

- Remuneration Committee proposes a performance related payment (bonus) of £17,500 or more based on evaluation of performance against objectives and contractual terms.
- Remuneration Committee submits proposed level of payment to the Department for approval.
- Case submitted to Cabinet Office using the attached pro forma. Note that the case must include a solid justification for the proposed level of bonus and must be supported by the relevant Minister.
- Cabinet Office may liaise with the Department to obtain further information on the justification for the proposed package and seek the view of the Treasury Spending Team.
- Cabinet Office submits the case to the Treasury Permanent Secretary for approval.
- Cabinet Office put the case, together with their recommendation, direct to the Chief Secretary.
- The Chief Secretary approves/rejects the proposed payment. Cabinet Office informs the Organisation/Department and provides appropriate feedback.
- Prior approval is required before entering into a contract which would (under some circumstances) confer a legal entitlement to a bonus above £17,500.
Performance payments of £50,000 or more must be submitted to the CST before payment even where there is a legal entitlement.

5. CONTACT DETAILS

5.1 Senior Civil Service and other Senior Executives

David Livingstone

David.livingstone@cabinet-office.gsi.gov.uk

Civil Service Workforce Reform

Cabinet Office

020 7271 6359

Duncan Everest

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Civil Service Workforce Reform

Cabinet Office

020 7271 6347

5.2 Public Appointments and other Non-Executives

Lucy Phipps

publicappointments@cabinet-office.gsi.gov.uk

Centre for Public Appointments

Cabinet Office

020 7276 3405

Nicki Daniels

publicappointments@cabinet-office.gsi.gov.uk

Centre for Public Appointments

Cabinet Office

020 7276 3541

6. ANNEXES

6.1 Pro forma for application for CST approval of salaries/remuneration at or above £142,500 per annum

Post	
Employer or Appointing Authority	
Is this application being made before or after advertising? If the post has already been advertised, please provide details of where you currently are in the process of sourcing a suitable candidate. If the post has not yet been advertised, please provide details of your proposed timetable	
Brief Description of the role. Please provide any job brief as supplied to (or intended for supply to) candidates	
Is this a new role? If not what is the value of the package of the former postholder?	
Please provide details of proposed base salary or	

salary range. For public appointments this should include all proposed remuneration.	
Taxable benefits proposed	
Proposed performance related pay arrangements	
Please confirm that tax and NICS will be deducted at source	
Proposed pension Arrangements	
Proposed negotiating flexibility on any of the above package elements	
Type of Appointment (Fixed Term or Permanent). If a public appointment, specify the time-commitment and period of appointment.	
Justification for proposed package	
Any other evidence / argument deemed relevant	
Name of official (for civil servants and public appointments) or	

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Head of Remuneration Committee (for other public servants) supporting this application	
View of Departmental Minister	
Name and post of person submitting this application	
Contact telephone and email	
Date of application	

6.2 Pro forma for application for CST approval of performance payments above £17,500 per annum

Post	
Employer or Appointing Authority	
Brief Description of the role.	
Relevant performance year (i.e. the year for which the performance payment was earned)	
Postholder's base salary for the relevant performance year	
Allowances and special pension contributions paid to or in respect of the postholder in the relevant performance year	
Proposed level of performance payment and proposed date of payment	
Please confirm that tax and NICS will be deducted at source	
Justification for proposed performance	

payment	
Details of any other performance payments made in respect of the relevant performance year, with dates of payment	
Contractual terms (if any) of performance pay	
Postholder's total package (base pay, allowances, special pension contributions, performance pay) in the relevant performance year	
Current level of total package (base pay, allowances, special pension contributions, performance pay)	
Name of Permanent Secretary (for civil servants or Chair of Remuneration Committee (for other public servants) supporting this application	
View of Departmental Minister on the proposed level of performance payment	
Name and role of	

UNCLASSIFIED

person submitting this application	
Contact telephone and email	
Date of application	