Public Sector Pay Strategy 2023-24

Technical Guide

June 2023

Scottish Government
Riaghaltas na h-Alba

Contents

1. New for 2023-24

Purpose

1.1 This Technical Guide, alongside the Pay Strategy for 2023-24, sets out the parameters for staff pay remits for public bodies. It also includes guidance in relation to pay for senior appointments, including Chief Executives, and for Chairs, Board Members, and Public Appointees remuneration.

1.2 The exceptional economic turmoil over the past year and the associated fiscal pressures sets an important context for pay decisions for 2023-24. The Pay Strategy reflects the Scottish Government's limited funding position as set out in the 2023-24 Scottish Budget. It also takes account of the impact that high inflation has had on households and governments whilst balancing the need for sustainable public services.

1.3 Pay and workforce are linked to fiscal sustainability and reform to secure the delivery of effective public services over the medium term. The public sector needs to look creatively at ways to sustainably maintain services and deliver fair rates of pay in the public sector.

1.4 It is recognised that public bodies are best placed to ensure workforce plans are financially sustainable in both the short and medium term.

1.5 Individual bodies should balance their overall paybill, so they deliver public services efficiently and effectively within the context of their overall budget allocation. This recognises that the 2023-24 Budget reflects the over-arching priorities of the Scottish Government.

1.6 Public sector employers are expected to explore fair and feasible 2023-24 pay levels in dialogue with respective employee representatives / trade unions considering associated funding options and living within their budget.

Key principles

1.7 The Scottish Government Pay Strategy for 2023-24 is available on the Scottish Government website at:

Public sector pay web pages

1.8 The Scottish Government's Public Sector Pay Strategy is based on the following principles.

- 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 progressive pay awards that are fair, affordable, deliver value for money and consider workforce and service reform.

- To protect those on lower incomes, being cognisant of the journey towards pay restoration for the lowest paid and recognise recruitment and retention concerns.

1.9 The 2023-24 Pay Strategy also includes the following.

- Strongly encourages employers to work towards standardising to a 35-hour working week.
- Introduces the requirement for employers to implement a Right to Disconnect.
- Commits to delivering a 4 Day Working Week public sector pilot.
- Retains discretion for individual employers to reach their own decisions about pay progression.
- Encourages the promotion of wellbeing in the workplace and a healthy work-life balance.
- Maintains the suspension of non-consolidated performance related pay (bonuses).
- Continues our commitment to No Compulsory Redundancy.

Pay parameters and limits for 2023-24

1.10 The pay parameters and limits for 2023-24 are set out below and apply to all employees, and senior appointments. Those who are paid a Daily Fee are covered separately.

Progressive Pay Awards

Pay awards are expected 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. See paragraph 3.1.

Real Living Wage

All staff including interns and modern apprentices to be paid at least the real Living Wage of £10.90 per hour. See paragraphs 4.7 and 4.8.

Cash Underpin

A suggested cash underpin of £1,500 for public sector workers who earn £25,000 or less. See paragraphs 4.6 and 4.9.

Floor metric of 2%

Based on the assumed 2% overall increase in paybill included in the Resource Spending Review for 2023-24 to 2026-27.

Central Metric of 3.5%

The Pay Strategy recommends that the average paybill increase will be 3.5%.

Ceiling metric of 5%

Where business efficiencies and/or savings have been identified, paybill increases are restricted to an overall maximum of 5%.

Chief Executive Pay Cap

For all Chief Executives the basic award is capped at the same cash amount as the lowest paid employees. See paragraph 6.3.

No Compulsory Redundancy

Public bodies should work with their staff representatives to negotiate extensions to their no compulsory redundancy agreements. Proposals to change (extend or reverse) the NCR will be considered on a case-by-case basis through the application of the Severance Policy for Scotland. We would expect any proposals to amend NCR to be discussed with a public bodies trade union and included in a business case. See paragraphs 3.4 to 3.10.

Affordability

Public bodies must demonstrate affordability in 2023-24 and future years by providing the evidence, assumptions and agreement to do so based on future budget assumptions.

Workforce

Pay metrics must balance flexibility with fairness and affordability, which may mean taking decisions on the size and shape of the workforce. Past and planned workforce growth (particularly since pre-covid) should be reviewed to ensure affordability, financial sustainability and that it aligns with Scottish Government priorities.

2. Introduction

Public Sector Pay Strategy coverage

2.1 The information in this Technical Guide is for employers in the relevant public bodies listed on the public sector pay web pages although their trade unions and employees may also find it of interest. A list of all public bodies is available at: National public bodies: directory - gov.scot (www.gov.scot). The detail in sections 4 to 8 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 4	not applicable	section 8
Agencies	section 4	not applicable	section 8
Non-Departmental Public Bodies (NDPBs)	section 4	section 6	section 8
Public Corporations	section 4	section 6	section 88
NHS Scotland Executive and Senior Management posts	not applicable	sections 6 and 7	section 8
Ministerial Appointments not covered by any of the organisations above.	not applicable	not applicable	section 8

2.2 The Pay Strategy also applies to <u>all</u> public appointments under the auspices of the Scottish Ministers. This includes, but is not limited to the following.

- 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 Pay Strategy acts as a reference point for all major public sector workforce groups across Scotland including NHS Scotland[1], fire-fighters, police officers, teachers and further education workers. For local government employees, pay and other employment matters are delegated to local authorities.

Senior Civil Servants and other senior staff

2.4 The Pay Strategy 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 Strategy applies to all other senior staff below Chief Executive in the relevant public bodies. Separate arrangements for Chief Executives are set out at Section 6.

Role and Responsibilities

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 Strategy and processes. Where applicable, the public body's Remuneration Committee must be aware of all pay proposals for: 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 as close to the date on which it is due (which for the majority of public bodies is 1 April). While it is recognised that the Pay Strategy has been published later than usual, public bodies are expected to submit pay proposals as soon as possible.

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

2.8 Public bodies are encouraged to discuss their draft proposals with the Sponsor Team before they formally submit their proposals. Where appropriate the Public Sector Pay 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

[1] With the exception of NHS Scotland Executive and Senior Management posts in grades A-I which are directly subject to the Public Sector Pay Strategy.

2.9 The Chief Executive, as Accountable Officer[2], has the responsibility to provide assurance that staff pay proposals are in line with the Pay Strategy. They must ensure there are robust performance management systems in place to support any progression payments. They must also ensure that assumptions and/or commitments on affordability and sustainability in 2023-24 and future years are realistic and will be delivered during the 12 months of the pay remit year.

2.10 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 the 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.

2.11 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

2.12 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

2.13 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.

Role and responsibilities of the Public Sector Pay team

2.14 The role of the Public Sector Pay team is to ensure all pay proposals are in line with the Scottish Government's Public Sector Pay Strategy. The team can provide advice before a public body formally submits its pay remit or makes an appointment. This may be on any technical 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 can provide advice to make sure the proforma and the business case include all of the necessary information.

2.15 The Public Sector Pay team provides the main interface between sponsor teams and public bodies with the Remuneration Group. It is their role to advise Senior Officials, the Remuneration Group and Ministers on the wider impact of all pay and remuneration proposals.

[2] 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 Remuneration Group

2.16 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.

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

2.18 Details of the 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

2.19 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 them.

2.20 The Sponsor teams are responsible for making sure their public bodies are aware of the Scottish Government's Public Sector Pay Strategy and the processes. It is their role to advise the Public Sector Pay team on affordability and the feasibility of any proposals in relation to business efficiencies or workforce changes. They should also provide advice on any issues that Public Sector Pay team 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 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 Strategy and this Technical Guide.

2.22 Further detail on the role and responsibilities of the Sponsor team is set out in section 9 of this guide.

Role and responsibilities of Scottish Government Senior Officials

2.23 Senior Officials include Directors, Director Generals and the Permanent Secretary. For NDPBs and Public Corporations, the Director of the relevant sponsoring directorate is responsible for ensuring good governance within their public bodies in respect of the Public Sector Pay Strategy, the processes and where appropriate approving proposals. The Director for Budget and Public Spending is responsible for approving for Public Sector Pay Strategy interests. These Senior Officials have the option to refer proposals to Remuneration Group when they consider they are of sufficient interest.

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 (offshore) bargaining unit.

Role and responsibilities of the Scottish Government Finance Business Partner

2.25 In conjunction with the relevant Sponsor team, the Finance Business Partner is responsible for considering and confirming the affordability and sustainability of remuneration proposals and seeking formal approval for them.

2.26 The Finance Business Partner is responsible for providing comment on the affordability of the proposals within agreed budget allocations (taking into account delivery of efficiency savings and any workforce reforms) and on whether the proposals offer value for money.

Role and responsibilities of Scottish Ministers

2.27 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. Referrals to Ministers must include Remuneration Group advice.

3. Scottish Government Pay Strategy Position

Progressive pay awards

3.1 One of the strategic aims of the Pay Strategy is to provide progressive pay awards. Pay negotiations should include consideration of targeted measures for the low paid including cash underpins, alongside pay caps for high earners if appropriate, as part of delivering a progressive, affordable, and sustainable solution.

Affordability considerations

3.2 Public bodies when considering pay awards must demonstrate the affordability and sustainability of the pay award (including progression costs). The 2023-24 Scottish Budget defines the budgetary envelope and affordability for public sector pay deals.

Workforce and Fiscal Sustainability considerations

3.3 Pay metrics must balance flexibility with fairness and affordability, which may mean taking decisions on the size and shape of the workforce, alongside opportunities around, for example, digital reform, revenue generation, estates rationalisation and improved procurement. In the 2023-24 Budget, we set out that it is for individual public bodies to locally determine the target operating model for their workforces and to ensure workforce plans and projections are affordable in 2023-24 and in the medium term. Where a reduction in workforce is required, we would expect this to be through natural turnover wherever possible.

No Compulsory Redundancy commitment

3.4 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.

- Business closure - ceasing or intending to cease to carry on the business for the purposes of which the employee was employed by it (*section 139(1)(a)(i), ERA 1996*).
- Workplace closure - ceasing or intending to cease to carry on that business in the place where the employee was so employed (*section 139(1)(a)(ii), ERA 1996*).
- Reduction of workforce - 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 (*section 139(1)(b), ERA 1996*).

3.5 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.

3.6 This Pay Strategy 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, full consideration must be given to redeployment and retraining.

3.7 Public sector leaders and trade unions may need to engage on matters relating to the reduction or reprofiling of the workforce as part of pay negotiations. The strategic position remains that public bodies should work with their staff representatives to negotiate extensions to their no compulsory redundancy agreements for 2023-24 or beyond. Proposals to change the No Compulsory Redundancy commitment through the application of the Severance Policy for Scotland (extend, pause or reverse), will be considered on a case-by-case basis.

3.8 The key aim remains for public bodies to deliver quality service within constrained budgets. We look to public bodies to implement the Pay Strategy in a way that supports this alongside wellbeing and our Fair Work principles.

3.9 Where negotiated, a No Compulsory Redundancy agreement extends to all directly employed staff for the period agreed. Public bodies would be expected to look at all appropriate measures to avoid compulsory redundancy. This can include: 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.

3.10 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.

Fair pay and pay inequalities

3.11 The Scottish Government recognises the importance of treating people fairly in the workplace and encourages best practice among its public bodies as set out in the Fair Work Framework[3]. This recognition is embedded in Scotland's Labour Market Strategy[4].

3.12 The Scottish Government's Fair Work First position includes the following requirements.

- Payment of at least the real Living Wage.

[3]More information in the fair work framework
[4]More information in Scotland's Labour Market Strategy

- To provide appropriate channels for effective workers' voice, such as trade union recognition.
- Investment in workforce development.
- No inappropriate use of zero hours contracts.
- Action to tackle the gender pay gap and create a more diverse and inclusive workplace.
- To offer flexible and family friendly working practices for all workers from day one of employment.
- To oppose the use of fire and rehire practice.

3.13 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.

3.14 It is important public bodies meet the legal duty placed upon them in the 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.

3.15 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. This includes 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.

3.16 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. They will also need to propose ways of tackling this in a cost effective way, subject to affordability constraints and where appropriate the Pay Strategy limits. If it is not possible to make the necessary changes within the Pay Strategy limits, the relevant Sponsor team will liaise with the Public Sector Pay team and to determine whether the proposals should be put to the Remuneration Group and potentially Ministers for their consideration.

Anti-racism

3.17 The Scottish Government's new anti-racist employment strategy – a fairer Scotland for all, published December 2022, seeks to respond to the scale and prevalence of institutional racism. It supports and encourages employers across the economy to take an anti-racist approach to practices across recruitment, retention and progression. This includes the pay and employment practices of agencies and public sector organisations required to follow Scottish Government's Public Sector Pay Strategy.

3.18 Employers are encouraged to go beyond pay reporting and identify factors driving the ethnicity pay gap and take appropriate action to address these. The anti-racist employment strategy provides practical guidance, case studies and suggested actions to support employers to do so.

3.19 The Scottish Government is committed to "*increase the number and impact of actions that employers are taking to address racial inequality in their workplace*". Public sector employers complying with the Public Sector Pay Strategy have a key role in ensuring delivery of that ambition.

Equality Impact Assessments

3.20 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.

3.21 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 2023-24 Public Sector Pay Strategy, which is available at: Scottish Public Sector Pay Policy - Equality Impact Assessment.

3.22 Public bodies are expected to carry out their own Equality Impact Assessment of their pay proposals as they develop them 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.

3.23 Undertaking an Equality Impact Assessments should already be an embedded practice for Scotland's public sector employers. The range and quality of impact assessments should be reviewed to ensure compliance with the revised National anti-racist strategy. Employers following the Pay Strategy should, therefore, already gather and hold comprehensive pay and employment data disaggregated by protected characteristics including race. Where necessary, data gathering and policy monitoring should be strengthened to enable a rigorous analysis of the baseline against which revised anti-racist measures can be assessed.

Wellbeing

3.24 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 2023-24.

3.25 The Pay Strategy builds on changes to working practices over the past three years because of the COVID-19 pandemic. 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 employees/Trade Unions/staff representatives and employers), 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.

3.26 The 2023-24 Pay Strategy strongly encourages employers to standardise to a 35 hour working week. 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 the Scottish Government. For further detail see paragraphs 4.45 to 4.50. 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 service delivery.

3.27 The 2023-24 Pay Strategy also maintains our commitment to beginning a four-day working week public sector pilot. Work has already begun to identify public sector bodies who are interested in participating in the pilot, and how to best design the pilot. The outcome of the pilot will inform the future policy direction in this area.

Right to Disconnect

3.28 This Pay Strategy expects all employers to have implemented or agreed a Right to Disconnect policy for all staff, discouraging an “always on” culture. 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. It is expected that employer and trade union discussions will include consideration of best practice around wellbeing, working hours and the use of technology.

3.29 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.

3.30 Right to Disconnect is fundamentally a matter for discussion between employers and their trade unions/staff representatives although the Pay Strategy would advocate it as good practice for employers to develop their own policies on this.

Pay coherence

3.31 In the context of the Pay Strategy, 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 Strategy. Pay coherence can also refer to greater standardisation of allowances and terms and conditions. The expectation for public bodies intending to address pay coherence issues is that Scottish Government (as the largest employer) will be the main benchmark both for salary levels and for terms and conditions. A working group will explore the potential options and issues associated with pay coherence.

Pay increases for part-time employees

3.32 The Pay Strategy intention is for all increases to be based on an individual's full-time equivalent salary so that part-time employees will receive all increases on a pro-rata basis. The reason for this is that it is the most equitable approach and maintains the integrity of existing pay and grading structures. This approach provides all staff in the same grade and job weight the same proportionate increase ensuring equal pay for like work or work of equal value (see paragraphs 4.30 to 4.32 for more detail).

Suspension of non-consolidated performance payments

3.33 The Pay Strategy 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 awards. The suspension applies to all non-consolidated performance payments (normally based on performance in the preceding year).

Pay proposals that cover more than one year

3.34 The 2023-24 Pay Strategy continues the option for employers, in discussion with their staff representatives, to either apply the single year 2023-24 Pay Strategy or take a multi-year approach to pay enabling a more strategic approach to support achieving public service reform.

3.35 It is unlikely that pay proposals above the central metric 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 their Sponsor team (where applicable) and the Public Sector Pay team at the earliest opportunity.

Deviation from the Public Sector Pay Strategy

3.36 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 and the Accountable Officer will be required to explain the matter to the Remuneration Group who may refer to Ministers. 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

3.37 All personal data collected as part of the Pay Strategy 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 Strategy, modelling the impact of future Pay Strategy and helping shape the Scottish Government's strategic views about the public sector workforce. Any information published by the Public Sector Pay team will ensure individuals cannot be identified.

3.38 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 Strategy process. Public bodies are not asked to provide names of individual staff members.

3.39 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

3.40 In the context of lawful basis for processing in Data Sharing Agreements, the Pay Strategy 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 strategy 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.

Timeliness of remit proposals

3.41 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 their Sponsor Team up to date on progress with pay negotiations.

Sponsor Teams are required to update the Public Sector Pay team regularly, and provide the information required for status reports.

Required information

3.42 Public bodies will be issued with the relevant proformas, business case template 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 details of their non-salary benefits.

3.43 The business case template requires information on the actions taken to ensure the pay award is financially sustainable within the resources available to a public body (recognising that these resources reflect the Government's priorities). This should also provide details where possible on how savings will be delivered.

3.44 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 team for advice on what information is required.

4. Staff Pay Remits

Please note this section should be read in conjunction with sections 1, 2, 3 and 5

Key Pay Strategy priorities and key metrics for staff pay in 2023-24

Key metrics used to assess pay remits

4.1 The key features of the 2023-24 Pay Strategy are set out in paragraph 1.10. Public bodies are expected to implement their 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 proposals which will be assessed on the following.

- Affordability and sustainability - the financial impact of the pay remit proposals – which includes the following.
    - The cost of the basic pay increases.
    - The cost of paying progression.
    - Any known changes to staffing over the year.
    - 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 and wider budget savings to fund pay uplifts above the 2% pay award floor metric.

Limit on the overall increase for pay

4.2 The aim of the Pay Strategy 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.

4.3 The Pay Strategy sets a pay award floor of 2 per cent, a central metric of 3.5 per cent and a ceiling of 5 per cent contingent on business efficiencies and/or paybill savings. Each public body covered by the Pay Strategy must ensure that their pay proposals are affordable within their financial settlement for 2023-24. It is the responsibility of each organisation to ensure their full paybill costs can be met from within their agreed[5] budget provision and to adhere to the Pay Strategy metrics.

4.4 Public bodies will need to include the cost of all elements of their proposals to determine the total value of the proposed increase in pay and benefits for staff in the organisation. The public body must confirm the total value of their pay proposals are affordable within their agreed financial settlement. They must also demonstrate, particularly where there are proposed changes to existing pay and grading structures, that

[5] 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.

their pay proposals are sustainable, and that all savings identified to part-fund the proposed award are deliverable.

4.5 It is a matter for individual public bodies and their trade unions/staff representatives to make decisions on their proposed pay remit and how they will meet the cost within the agreed[6] financial settlement. Employers and their staff representatives should give consideration to securing productivity improvements and savings 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 Pay Strategy 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.

Support for Lower paid staff

4.6 Employers covered by the Pay Strategy are:

- required to pay the real Living Wage of £10.90 per hour; and
- expected to consider the suggested cash underpin of £1,500 for staff earning £25,000 or less.

Further details are set out in paragraphs 4.7 to 4.9 below.

The real Living Wage

4.7 Scottish Ministers support the payment of the real Living Wage across all sectors. Public bodies must pay at least the real Living Wage (which is set at £10.90 per hour for 2023-24). The position for Interns and Modern Apprentices is set out in paragraphs 4.28 and 4.29.

4.8 While not a Pay Strategy 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.

Basic pay increases

4.9 While the Pay Strategy is not prescriptive on the level of pay increases, the cost of the paybill uplift may be no more than 5 per cent. The Pay Strategy suggests a cash underpin of £1,500 for public sector workers who earn £25,000 or less. The suggested underpin is at least 6 per cent and public bodies can choose how to distribute the uplift as long as lower paid staff are protected and the overall cost is no more than 5 per cent.

Smoothing

4.10 If a public body proposes a cash underpin, then they may seek to provide tapered increases for staff who are on pay points that are just above the £25,000 threshold.

Pay protection and/or linking pay to performance

4.11 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.

Using paybill savings to part-fund the pay award

4.12 Public bodies can use savings (paybill or wider budget 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 Strategy 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 or budget. 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.

4.13 Public bodies may use 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.

4.14 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.

Costs to be included in the pay remit

4.15 The pay remit costings must include the cost of all[6] 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 and reflects the aggregate value of the increases in pay and benefits existing staff will receive.

4.16 The pay remit costings should also include the costs of any changes to existing allowance rates[7], the buying-out of existing allowances or the introduction of new allowances [8] that will form part of the negotiations. Changes in overtime rates or proposals for new allowances will only be considered where the cost of these can be demonstrated to be within the Pay Strategy metrics and also affordable under the agreed financial settlements. If proposals include any changes to existing terms and conditions, public bodies will be expected to consider the impact on the overall remuneration package and affordability, particularly in regard to delivering the strategy expectations for the lower paid.

4.17 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.) should also be included in the remit proforma. Public bodies will be required to provide 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 pay remit proforma, with confirmation the costs can be met within the agreed budget for the period (paragraph 4.23).

4.18 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 Strategy limits (paragraph 4.23) although the public body is required to provide confirmation the costs can be accommodated within the agreed budget for the period.

4.19 Proposals to introduce non-pay rewards such as salary sacrifice schemes also fall under this category. As above, the business case 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.

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

[7] 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 wants to make an existing or new allowance pensionable this will require separate approval.

4.20 Salary sacrifice on pensions (sometimes called salary exchange) proposals are not considered acceptable. This applies to all types of pension schemes (defined contribution/money purchase and defined benefit, whether public service pension schemes or other arrangements) and all employees, including the Chief Executive. Under salary sacrifice on pensions arrangements, the employee gives up a portion of their salary in return for the employer making an additional employer pension contribution (of the identical value) to the employee's pension pot. Both the employee and the employer pay less NICs. Public sector organisations should, as a general rule, avoid tax management arrangements that have the primary objective of reducing tax liabilities, or could be perceived, reasonably, as seeking to minimise tax liability.

4.21 There is a presumption against making payments (including as a pay enhancement or lump sum) 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 Allowance[8] 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. This paragraph applies to all employees, including the Chief Executive.

4.22 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 4.5).

- Progression (if proposed).
- Applying the real Living Wage of £10.90 per hour.
- The suggested cash underpin of £1,500 for staff earning £25,000 or less (if proposed).
- Any basic pay increase for staff.
- Any other changes to existing pay and grading structure.
- The costs of changing or introducing allowances or non-pay benefits.
- 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.

Included in Pay Strategy limits

4.23 Increases within the paybill limit set by the Pay Strategy will include the following.

- The basic award including the specified low pay measures (see paragraph 4.6).
- The cost of any payment to staff on pay protection.
- Pay inequalities.
- Any changes to existing pay and grading structures.
- Any changes or the introduction of allowances or non-pay benefits.

[8] The Lifetime Allowance will be fully abolished from the 2024 to 2025 tax year.

Excluded from Pay Strategy limits

4.24 The following costs are all outwith the respective Pay Strategy paybill limit.

- Progression.
- 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.

4.25 Please refer to paragraphs 4.26 and 4.27 for costs that are outwith the pay remit.

Costs to be excluded from the pay remit

4.26 Any changes to the baseline paybill such as mandatory increases to the employer's pension and/or National Insurance contributions; increases related to ensuring the financial health of the pension fund; 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.

4.27 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.

Modern Apprentices and Interns

4.28 The Pay Strategy 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 either of the following roles.

- 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. The public body would be required to pay the Modern Apprentice the established rate for the job on completion of the agreed training period.

4.29 The Pay Strategy 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 4.28 for Modern Apprentices. The expectation is that employers should pay at least the real Living Wage rate, or where the intern is undertaking a job equivalent to other staff within the organisation, the minimum equivalent salary point.

Part-time employees

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

4.31 However, the Pay Strategy 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.

4.32 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 with other employees with the same length of time in post but who worked full-time. There is also a risk that to pay all staff the same increase regardless of hours worked could undermine working relations between employees.

Progression

4.33 Nothing in the Pay Strategy 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.

4.34 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 4.11). Decisions taken to pay progression should be based on business needs, maintaining headcount and affordability.

4.35 It remains a matter for individual public bodies and their trade unions and 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 Pay Strategy 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 Strategy encourages public bodies to continue working towards ensuring maximum journey times are no more than 5 years. Where there are affordability pressures, the public body must contact their sponsor division and Finance Business Partner at the earliest opportunity and where appropriate include the Public Sector Pay team.

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

4.37 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.

4.38 The cost of paying progression under existing arrangements continues to be costed outwith the Pay Strategy limits (see paragraph 4.24) 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 overall paybill metrics.

4.39 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 into account the residual progression costs from the previous year. The savings may be noted for affordability of the pay remit but may not be used to off-set the costs of any proposals which seek to address pay inequalities, as detailed in paragraphs 4.40 to 4.44.

Addressing inequalities

4.40 Public bodies will still be able to use paybill savings to help fund their pay proposals to address evidenced inequalities (see paragraphs 3.11 to 3.25). This is 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.
- Additional non-consolidated increases to help reduce the impact of inflation on take-home pay.

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

4.42 Examples of the types of proposals that public bodies might submit to address inequalities include the following.

- Reducing any gender pay gap and/or the overall pay gap between the highest and lowest earners.

- Applying “smoothing” increases to reduce the impact of the stepped increases on existing pay and grading structures.
- Making minor changes to existing pay and grading structures, including the following.
    - Reducing progression journey times (removing minima and/or recalibrating pay steps).
    - Recalibrating existing pay steps.
    - Reducing and/or removing overlaps between grades.

  See paragraphs 4.51 and 4.52 for further detail.
- Applying higher increases to work towards standardising rates of pay (pay coherence see paragraph 3.31),
- Standardising to a 35 hour working week (see paragraphs 4.45 to 4.50 for further detail).
- Equalising contractual and working hours.
- Removing / changing out-dated allowances.
- Changes to wider HR policies, including the following.
    - 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.

4.43 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 should be within the limits set out in the 2023-24 Pay Strategy and 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.

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

- The cost is included within the paybill limit.
- The proposals can be evidenced to show a tangible improvement (such as reducing the overall income gap and/or 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 their Sponsor team and the Public Sector Pay team (where applicable) to discuss options and set out the risks of not addressing the identified equality issues.
- 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.

Reducing the working week

4.45 The 2023-24 Public Sector Pay Strategy strongly encourages 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 as part of the 4 Day Working Week public sector pilot. 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.

4.46 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.

4.47 It is the Sponsor team and Finance Business Partner’s role to consider the affordability and impact of any proposals to standardise to 35 hours. It is the Public Sector Pay team’s role to ensure that all pay proposals, including standardising to 35 hours, are in line with the Pay Strategy. The Public Sector Pay team will provide advice to support the Sponsor team in helping their public body to draft 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.

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

Framework for the business case to reduce working hours

4.49 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 the public body will 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 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 a shorter working week will look like and how it will 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, impacts on overtime rates and arrangements etc.).

- Financial Impact.
  - The policy assumption is that there is no additional funding.
  - Impact on existing staffing numbers. The Pay Strategy 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 changes 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 a 35 hour week will look like. For example, 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 etc.?
  - Impact on the Right to Disconnect.

- Systems impact.
  - For example, any changes required to existing IT systems.

- Contractual implications.

- 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.

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

Amending or restructuring a pay and reward system

4.51 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 expectation 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 Strategy. Public bodies should ensure any job evaluation scheme they use enables them to fully utilise this data.
- 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.

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

Aligning or submitting joint pay proposals

4.53 The 2023-24 Pay Strategy continues to encourage smaller[9] 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.

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[9] 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 strategy.

4.54 Thereafter, a brief review of the alignment arrangements should be carried out regularly to ensure it remains fit for purpose and continues to allow the body to recruit, retain and motivate its staff.

4.55 Public bodies considering putting forward a case to align to another public body's pay system should speak to their Sponsor team and the Public Sector Pay team in the first instance.

4.56 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 their Sponsor teams and the Public Sector Pay team. Public bodies seeking to align in this way should consider the pay coherence guidance at paragraph 3.31.

Legally committed pay award elements

4.57 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 Strategy, 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.
- The timeframe for its resolution.

4.58 Public bodies should note the basis of approval of pay remits in paragraphs 4.105 to 4.107 and ensure they do not create any new contractual obligations.

Staff pay remit approvals process

Pay remit process for 2023-24

4.59 All public bodies are required to complete an assessment pro forma in which they provide the following.

- 2022-23 outturn information.
- 2023-24 baseline position.
- Indicative costs for applying the basic pay increases, progression and where relevant, proposals to address inequalities – see paragraphs 3.11 to 3.16.
- Forecast paybill savings and the likelihood of being able to deliver these savings.

4.60 Public bodies should also provide a supporting business case which has a brief outline of their pay proposals and details of any changes proposed to existing pay and grading structures or terms and conditions to address pay inequalities.

4.61 Pay proposals are assessed by using a risk-based approach. Assessments are carried out on 2022-23 outturn and the 2023-24 pay remit proposals, which will determine whether proposals are signed off by Senior Officials or Remuneration Group.

4.62 The Sponsor team, Finance Business Partner and the Public Sector Pay 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 team will provide guidance on the proposals, ensure the proposals remain in line with the Pay Strategy and advise on the approvals process which will enable public bodies to engage in formal pay negotiations with their staff representatives/trade unions.

4.63 The public body is required to submit settlement information to their Sponsor team and the Public Sector Pay team within one month of the implementation of a pay award.

4.64 The Scottish Government's pay proposals require to be approved by Scottish Ministers. Analogue bodies' will be required to discuss affordability of applying the Scottish Government's pay offer with their Sponsor team and Finance Business partner before implementing. It is the responsibility of the Sponsor team to ensure the Public Sector Pay team is included in all relevant correspondence.

4.65 The following table summarises how the outturn and pay proposals inform the pay remit approvals process.

2022-23 outturn and 2023-24 remit proposals	Decision maker
The outturn is in line with the approved remit (see paragraph 4.69) and the cost of the current pay proposals are assessed as low risk (see paragraph 4.72).	Senior Officials within the sponsor area[10]
The outturn breached approved remit (see paragraph 4.69) and/or the current pay proposals are assessed as medium risk (see paragraph 4.72).	Remuneration Group (if there are established precedents, Remuneration Group may agree that Senior Officials can decide)
The 2022-23 outturn breached approved remit (see paragraph 4.69) and/or the pay proposals are assessed as high risk (see paragraph 4.72).	Ministers

[10] See table at paragraph 4.75 for relevant Senior Official.

4.66 Any proposals which are assessed as unaffordable or exceed the ceiling metric of 5 per cent paybill increase are unable to be put forward for approval.

4.67 The process underpins the Pay Strategy 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. Public bodies and their trade unions are expected to have constructive and collaborative pay scoping discussions prior to the public body submitting their outline proposals.

Outturn rating

4.68 The previous year's outturn information is required to be provided as part of the current year's pay proposals. As noted in paragraphs 2.9 to 2.11, it is the responsibility of the Chief Executive or Accountable 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.

4.69 The Public Sector Pay team will rate the outturn for the previous year as follows.

Outturn Rating	Criteria
In line with the approved remit	The outturn will be rated as **in line with the approved remit** if all of the following apply. • The settlement information for previous year 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.
Breached the approved remit	The outturn will be rated as **breaching the approved remit** if any of the following apply.

Outturn Rating	Criteria
	• The implemented pay award differed from the basis of the approved remit. • 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. • 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. • The public body did not comply with any conditions placed on approval. • The public body did not follow the approvals process for the previous year.

4.70 If the outturn **breached the approved remit**, the public body must provide an explanation as to why and the current remit and outturn must be considered by the Remuneration Group.

4.71 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 4.108 to 4.113.

Pay remit rating

4.72 The current year's remit is assessed by the Public Sector Pay team, in conjunction with Sponsor team colleagues. The Public Sector Pay team assign the final pay remit rating. The table below summarises what criteria underpin each rating.

Risk rating	Criteria
Low Risk	The pay remit **will be assessed as low risk and can be approved by Senior Officials** if all of the following apply. • The previous year's outturn is in line with the approved remit. • The current proposals are within the metrics of the Pay Strategy framework and are not considered contentious or to be setting a precedent. • Projected paybill costs and staffing numbers are consistent with the budget allocations. • Proposals are demonstrably affordable and sustainable.
Medium Risk	The pay remit **will be assessed as medium risk and will likely require to be considered by the Remuneration Group** if any of the following apply.

Risk rating	Criteria
	• The previous year's outturn breached the approved remit. • The current proposals do not align with the objectives of the Pay Strategy. • Proposals might be considered as contentious or could set a precedent across the wider public bodies covered by Public Sector Pay Strategy. Additionally, the following must **all apply**: • Projected paybill costs and staffing numbers are consistent with the budget allocations and are within the overall ceiling paybill metric of 5%. • Proposals are demonstrably affordable and sustainable including any proposed savings and commitment to public service reform, particularly those including changes in staffing or terms and conditions.
High Risk	• Proposals are outwith Pay Strategy limits and cannot be approved by officials or the Remuneration Group.

Approval of pay remit proposals

4.73 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.

Low risk process

4.74 Where a public body has been assessed as low risk then their proposals are able to be approved by Senior Officials within the relevant sponsor area.

4.75 Depending on whether the public body is a NDPB, Public Corporation, Agency or associated department, the following Senior Officials can approve:

Public body	Portfolio approval
NDPB or Public Corporation	Director of the relevant Sponsor Directorate[11]
Agency	Director General[12] of the relevant Sponsor Directorate

[11] 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.

[12] 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.

Associated department	Permanent Secretary

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

4.77 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 the Remuneration Group.

4.78 Once the pay remit has been approved, the public body can then engage in formal pay negotiations. They are able 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 their Sponsor team and the Public Sector Pay team before concluding pay negotiations (see paragraphs 4.107 to 4.108).

4.79 The public body is required to submit a settlement proforma within one month of the pay award being implemented (see paragraphs 4.109 to 4.110).

Medium risk process

4.80 Where a public body has been assessed as medium risk then their pay proposals will likely require to be approved by the Scottish Government's Remuneration Group.
Remuneration Group

4.81 All proposals that require Remuneration Group consideration need to have the support of the relevant portfolio Senior Official as detailed at paragraph 4.75.

4.82 It is the responsibility of the relevant Senior Official in the sponsor directorate to put the submission to the Remuneration Group to consider the proposals. The submission should include the advice from the Public Sector Pay team and the Finance Business Partner. On the basis of this information, the Remuneration Group will decide whether to approve the proposals, to seek further information or, where they consider the proposals as novel or having the potential of a wider read-across to other public bodies, to refer them to Ministers.

4.83 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. Examples of proposals that may be referred to Ministers include the following.

- Those where the outturn breached the approved remit and the Remuneration Group consider the supporting explanation to be inadequate.
- Where the current remit is novel or contentious
- Where the remit is of particular interest to Ministers.

- The pay remit proposals for the Scottish Government Main bargaining unit require to be approved by Ministers regardless of its assessment risk rating.

4.84 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 their Sponsor team and the Public Sector Pay team before concluding pay negotiations (see paragraphs 4.107 to 4.108).

4.85 All public bodies are required to submit a settlement proforma within one month of the pay award being implemented (see paragraphs 4.109 to 4.110).

High Risk process

4.86 If the current remit proposals are not considered to be within the Pay Strategy limits and rated as High Risk, the public body will be asked to revise its proposals to bring them in line with Public Sector Pay Strategy. If proposals remain outwith Pay Strategy limits, they will be required to be submitted to Ministers for their consideration, including the views of the Remuneration Group.

Approval times

4.87 The aim will be to approve proposals which are assessed as low risk **within four weeks**.

- This provides for up to two weeks for assessing the outturn and remit proposals and resolving queries with the Sponsor team, Public Sector Pay team and Finance Business Partner as appropriate. 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 you will be advised 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.

4.88 Please note that if the proposals are rated as medium or high risk and are referred to the Remuneration Group, this may take longer than four weeks. It could take up to a further three weeks for the formal approval of proposals. This allows time for the Sponsor team to prepare the formal submission and submit it to the Remuneration Group for approval. See paragraphs 2.16 to 2.18 and 4.91.

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

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

4.91 All final, cleared 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 team. Failure to meet this deadline will result in delays to the proposals being considered. Further information is provided in paragraphs 9.8 to 9.9 on what is expected to be considered and timescales for preparing a submission. If the deadlines set out at paragraph 9.9 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.

Notification of approval outcome

4.92 Once the pay proposals have been approved the Sponsor team will notify 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.

Analogue or aligned to another public body

4.93 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 their Sponsor team (where relevant) will also discuss with the Public Sector Pay team.

4.94 Public bodies which align or analogue to another public body are expected to submit a completed settlement proforma within one month of implementing 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.

Approvals process for reduced working hours

4.95 Public bodies should submit their business case to their Sponsor team and the Public Sector Pay team at the same time as their pay remit proposals. The business case should include details of engagement with trade unions or staff representatives.

4.96 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.

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

4.98 Where it is agreed that the proposals are within the Pay Strategy parameters and both the Sponsor team and the Finance Business Partner are content for their interests, any proposals can be approved in line with the standard pay remit process. Where proposals are considered to be novel or not within Pay Strategy, Senior Officials will refer them to the Scottish Government's Remuneration Group for approval.

4.99 The Public Sector Pay team will provide regular updates to Remuneration Group on all aspects of implementing Pay Strategy, including changes to reduce the working week.

4.100 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.

Staff pay discussions and negotiations

Public body engagement with trade unions

4.101 The Pay Strategy encourages all public bodies to have constructive and collaborative pay discussions with their relevant trade unions on the development of their overall pay and reward strategies, prior to submitting their assessment proforma and/or their remit for formal approval.

4.102 However, while informal discussions can take place, public bodies must not enter into formal negotiations with their trade unions 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.

4.103 The approved pay remit sets out the public body's maximum negotiating position within the Pay Strategy limits, taking account of affordability, and this will set the parameters for detailed negotiations with their recognised trade unions.

4.104 If during pay discussions or negotiations any points arise regarding the application of the Pay Strategy, public bodies and/or their trade unions are encouraged to speak with their Sponsor team and then the Public Sector Pay team to seek clarification.

Legal commitments

4.105 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).

4.106 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.

Changes to approved remits during negotiations

4.107 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 their Sponsor team and the Public Sector Pay team. Advice will be provided to determine 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 their Sponsor team and/or the Public Sector Pay team consider them novel or contentious.

4.108 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 their Sponsor team and the Public Sector Pay team to discuss. The teams will be able to advise if the changes require formal approval from the Scottish Government. Failure to notify the Scottish Government will result in the public body's outturn breaching the approved remit and may result in further action as set out in paragraphs 4.111 to 4.113.

Staff pay settlements

Information required once pay award implemented

4.109 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 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 Medium risk.

4.110 Public bodies should contact their Sponsor team if they require assistance in providing any of the required information. Public Sector Pay team will provide advice to Sponsor teams as required.

Exceeding a pay remit

4.111 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.

4.112 There may be unforeseen circumstances that occur after 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 their Sponsor team and the Public Sector Pay team at the earliest opportunity. The Public Sector Pay team will advise if the changes require to be considered by the Remuneration Group.

4.113 If the 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 capping future pay remits or a governance review of the body.

5. Public Service Reform Approach to Public Sector Pay

Pay and public service reform

5.1 The Pay Strategy 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 Strategy and wider Government priorities, the Pay Strategy includes the option for employers, in discussion with their trade unions, to either:

- apply the single year 2023-24 Pay Strategy as set out in detail below;

or

- take a multi-year approach to pay enabling a more strategic approach to support achieving public service reform. This allows employers to apply increases outwith the set metrics but within an overarching framework subject to affordability and sustainability.

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

Key features of the reform option for 2023-24

5.3 The 2023-24 Public Sector Pay Strategy includes the option for employers to take a multi-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.

5.4 This approach allows employers to apply pay uplifts outwith the 2023-24 Pay Strategy metrics. Taking a strategic, multi-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.
- Will help facilitate longer-term affordability options that enables the organisation to realise efficiency savings.

5.5 Employers seeking a multi-year approach to pay will be required to submit a business case in line with these overarching principles which should include an implementation approach. Business case guidance is included in this Technical Guide, see paragraphs 5.9 to 5.16.

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

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

5.7 The reform option allows for organisations, in conjunction with engagement from trade unions, to agree pay parameters outwith the single year 2023-24 Pay Strategy option.

5.8 The table below provides a non-exhaustive list of the 2023-24 single year Pay Strategy features that could be considered as part of a multi-year year pay reform option.

Feature	2023-24 Pay Strategy Parameter
Real Living Wage of £10.90	A guaranteed real Living Wage of £10.90 per hour.
Pay award	A suggested cash underpin of £1,500 for those who earn £25,000 or less, providing a floor metric of 2%, a central metric of 3.5% and a ceiling metric of 5%, all subject to fiscal sustainability and affordability. Potential flexibility within multi-year reform option for 2023-24 and future years subject to progressivity of proposal and protecting lowest earners.
35 hour working week	Strongly encourages employers to standardise to a 35 hour working week.
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.
Non-consolidated performance related pay	Maintains the suspension of non-consolidated performance related pay (bonuses).
Feature	**2023-24 Pay Strategy Parameter**
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.
No compulsory redundancy	Continues a commitment to No Compulsory Redundancy.

Overview of business case guidance

5.9 A business case is required for employers (in partnership with trade unions) who seek to approach their Pay Strategy 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.

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

- **Investment in workforce:** set out long-term, person-centred changes to delivery and demonstrate improvements in productivity.
- **Sustainable public finances:** deliver cost-neutral savings and efficiencies to the paybill from early in the lifecycle of the multi-year pay proposals.
- **Progressive Pay Strategy:** demonstrate progressivity and protect those on lower incomes throughout the lifecycle of the proposals.
- **Wellbeing:** demonstrate how wellbeing has been considered. Proposals must assess the impact 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 how the Severance Policy for Scotland will be used for any proposed voluntary exits.

5.11 Before completing and submitting a business case we recommend that employers arrange an initial exploratory conversation with the Public Sector Pay Team (email: FinancePayPolicy@gov.scot).

Approvals and submission process

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

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

5.14 The business case will be reviewed by the Public Sector Pay 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.

5.15 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 team will provide an update to

Remuneration Group as part of the pipeline report. However, any proposals which could be considered as contentious or have a risk of wider read-across would require to be referred to Remuneration Group.

Guidance on completing business case form

5.16 Further details of the type of information needed for the business case categories in paragraphs 5.10 above are given below.

Investment in workforce

- Proposals must set out long-term, person-centred changes to delivery and demonstrate improvements in productivity.
- The business case is expected to show how the workforce within the organisation can become more productive as a result of the reform changes.
- It would help if this section contained details of both the short-term and long-term effects of the reform option. For example, it might be the case that there will be shorter term disruptions to productivity before long-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 multi-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 Strategy

- Demonstrate how proposals are progressive and protect those on lower incomes throughout the lifecycle of the proposals.
- The overall strategy should remain progressive, protecting the lowest paid.
- The commitment to the real Living Wage must be maintained.

Wellbeing

- Demonstrate how wellbeing has been considered. Proposals must assess the impact 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 4.45 to 4.50 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 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?

5.17 As this is a choice, employers and trade unions can agree to take this approach instead of applying a single year Pay Strategy. Multi-year spending plans will be produced to facilitate this, but conversations can start in advance of these being made available.

5.18 Pay increases outwith the 2023-24 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.

5.19 Business cases will be considered by the Sponsor team, the Public Sector Pay Team and Finance Business Partners and the Remuneration Group (as required). Public bodies will still be required to complete a pay remit proforma supporting the reform approach business case.

5.20 Decisions will be taken on a case-by-case basis, without prejudice to the overarching Pay Strategy principles or to the single year Pay Strategy.

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

5.21 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.

5.22 Those employers participating in the Local Government Pension Scheme will be aware that their employer pension contribution rates are set every three years by their pension fund via local actuarial valuations. The current rates will remain in effect until 31 March 2024.

5.23 Employers offering non-public service pension schemes should consult with their scheme provider on upcoming changes to employer pension contribution rates.

Can a multi-year deal start from 1 April 2024 rather than 1 April 2023?

5.24 Yes, employers can choose to submit proposals for a multi-year deal starting from 1 April 2024 but must apply the 2023-24 metrics from 1 April 2023. The option to consider reform will be a feature of future pay policies.

6. 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.

It should be noted that, while the 2023-24 Pay Strategy commits to a review of the Chief Executive framework, it is expected that any changes recommended as a result of the review will be implemented in 2024-25. Any queries in relation to the review of the Chief Executive framework should be directed to the Finance Pay Policy mailbox.

Key Pay Strategy priorities and metrics for Chief Executives in 2023-24

Key metrics

6.1 The key features of the 2023-24 Pay Strategy are set out in paragraph 1.10. Each proposal will be assessed on the following criteria.

- Affordability and sustainability of the pay proposals.
- Application of the increases within strategy limits and the Scottish Chief Executive Pay Framework.
- Comparability with the increases for other staff in the public body.

Costs included in the pay proposal

6.2 The pay proposal must include the cost of all proposed increases in pay (basic award and progression, where eligible) 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 proposals.

Basic pay increase for Chief Executives

6.3 For all Chief Executives the basic award is capped at the same cash amount as that proposed for the lowest paid employees. The Pay Strategy position is that this payment will be in addition to any progression increase (where eligible).

Progression for Chief Executives

6.4 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.

6.5 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

Scottish Chief Executives Framework

6.6 The salary and pay range of a Chief Executive must fall within the pay bands in the Scottish Chief Executive Framework. This is to ensure consistency and fairness between the remuneration of Chief Executives in public bodies covered by the Pay Strategy, and senior staff employed in Scottish Government Agencies and associated departments, who are civil servants (and members of the Senior Civil Service).

6.7 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.

6.8 The Scottish Chief Executive pay bands are uplifted annually in line with the Pay Strategy and the Framework for 2023-24 is as follows:

Scottish Chief Executives Framework 2023-24 (base pay)

Pay Band	Minimum	Maximum	Ceiling
3	£113,621	**£153,684**	£224,550
2	£94,266	**£132,872**	£177,098
1A	£78,137	**£112,152**	£142,134
1	£67,550	**£101,654**	£130,531

6.9 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.

6.10 In exceptional circumstances the Chief Executive's pay range may extend beyond the maximum but this can only be where there is robust market evidence in support of this.

6.11 In all cases, the proposed pay range maximum must be within the ceiling of the relevant Pay Band within the 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.**

Operation of the Scottish Chief Executives Framework

6.12 The Framework operates on the basis of base pay only and excludes 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

Payment methods

6.13 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.

Chief Executive also considering a Public Appointment or Non-Executive Directorship

6.14 We aim to encourage senior officers and appointees to make appropriate contributions to the work of other bodies. This can provide the following benefits.

- They broaden their experience.
- Other bodies may benefit from their expertise.
- Their contribution to their own employer is enhanced.

6.15 If a Chief Executive (or other employee) of a body covered by the Public Sector Pay Strategy is considering accepting a public appointment or Non-Executive Directorship in addition to their existing role, this requires to be considered by the Chair / Board and Sponsor team of the employing body.

6.16 It is important to ensure that the following factors have been taken into account.

- There is no conflict of interest.
- The time commitment is appropriate.
- Arrangements for remuneration are seen to be appropriate.

6.17 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.

Development of a new remuneration package for a Chief Executive

6.18 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 appointment of a temporary or interim Chief Executive.

6.19 A review of an existing Chief Executive's remuneration package can include, for example, the introduction of, or changes to, non-pay rewards, or revisions to pension arrangements, see paragraph 6.47.

Reviewing a Chief Executive's remuneration package

6.20 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.

6.21 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.

Business case contents

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

Element	Points to cover in business case	Paragraphs
Job evaluation score	Job evaluation system used, date and results; date of increase in role / responsibility. While the evaluation report need not be part of the business case, the Public Sector Pay team will still require sight of it.	6.24 and 6.25
Determination of Pay Band in Chief Executive Pay Framework	Advice from the Public Sector Pay team if new appointment or changes to the public body itself.	6.24 to 6.26
Comparator labour market	Relevancy and justification of labour market selected; comparator organisations used; median of salaries in that labour market; date of sample.	6.29 and 6.30
Internal referencing with the senior management team	Set out the pay differential over senior management team, if differences are proposed set out justification / rationale	6.31

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.	6.32 to 6.36
Proposed starting salary	Must be within lowest quartile, or clear justification for higher starting point.	6.37 and 6.38
Progression methodology	Set out proposals, taking into account equalities obligations, anticipated journey time, etc. Journey times cannot be guaranteed, and spine points should not be explicit in any pay range.	6.39 to 6.41
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.	6.42 to 6.45
Bonus arrangement	Presumption against.	6.46
Pension	Details and confirmation in line with other staff.	6.47 to 6.50
Car (or related allowance)	Presumption against. If proposing, provide details and justification.	6.52 to 6.54
Life insurance or other health benefits	Presumption against. If proposing, provide details, justification or confirmation in line with other staff.	6.55 to 6.56
Relocation expenses	Details and confirmation in line with other staff.	6.57
Value for money	Comment required.	6.58
Affordability and sustainability	Confirmation required.	6.59

Elements considered when developing a remuneration package for a Chief Executive

6.23 There are a number of elements to consider as part of a remuneration package for a Chief Executive, the first steps are as follows.

- 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).

Determination of a Scottish Chief Executive's Pay Band

6.24 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 post should be undertaken. The outcome of the job evaluation should provide an evaluation score which will inform which Pay Band within the Framework the post might sit.

6.25 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 Sponsor 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 team of your intention beforehand.

6.26 The Public Sector Pay team must be consulted in determining the identification of the appropriate Pay Band. 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 Framework, but the job weight evaluation score of the role and responsibility of the Chief Executive post.

Pay Strategy position on pay ranges and spot rates

6.27 The Pay Strategy 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).

6.28 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 6.29 and 6.30).

Relevant labour markets for determining the pay range

6.29 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 team can provide a list of pay ranges for comparable Chief Executives within Scottish public bodies.

6.30 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 Sponsor team and Public Sector Pay team. Normally, market data would exclude London-based posts.

Remuneration of other senior roles within the public body

6.31 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).

Determination of a proposed pay range for a Chief Executive

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

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

6.34 Where the proposed pay range maximum is above the maximum of the relevant Pay Band in the Framework, there will need to be a robust business case. This must include market evidence as well as any recruitment and retention issues. In all cases, the proposed pay range must not exceed the ceiling of the relevant Pay Band in the Framework.

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

6.36 **The Pay Strategy 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.**

Factors considered when setting a salary

6.37 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.

6.38 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).

Pay Strategy position on progression when setting a proposed pay range

6.39 Under the Pay Strategy, 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 Strategy 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.

6.40 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 team must be consulted on the remuneration clauses in draft contracts or letters of appointment (see paragraph 6.64).

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

10 per cent reduction in the remuneration package for new Chief Executive appointments

6.42 Since 2010, Ministers' approach to pay has included the expectation that the remuneration of a new 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.

6.43 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 the reduction may be achieved simply by appointing a new Chief Executive on a salary less than that of the outgoing.

6.44 There may be a case to apply a lesser reduction where there is evidence the role of the Chief Executive post has increased significantly; or 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 Sponsor team and Public Sector Pay team in the first instance.

6.45 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.

Non-consolidated performance payments (bonuses)

6.46 All non-consolidated performance payments continue to be suspended in 2023-24. There is a presumption against provision for non-consolidated performance payments in all new Chief Executive contracts or following a review.

Pension arrangements for Chief Executives

6.47 The Pay Strategy expectation is that the pension arrangements for the Chief Executive should be in line with those for other staff of the public body.

6.48 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.

6.49 Salary sacrifice on pensions (sometimes called salary exchange) proposals are not considered acceptable. This applies to all types of pension schemes (defined contribution/money purchase and defined benefit, whether public service pension schemes or other arrangements) and all employees, including the Chief Executive. Under salary sacrifice on pensions arrangements, the employee gives up a portion of their salary in return for the employer making an additional employer pension contribution (of the identical value) to the employee's pension pot. Both the employee and the employer pay less NICs. Public sector organisations should, as a general rule, avoid tax management arrangements that have the primary objective of reducing tax liabilities, or could be perceived, reasonably, as seeking to minimise tax liability.

6.50 There is a presumption against making payments (including as a pay enhancement or lump sum) 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 Allowance[13] 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. This paragraph applies to all employees, including the Chief Executive.

Non-salary rewards

6.51 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.

Position on cars

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

6.53 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.

6.54 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

[13] The Lifetime Allowance will be fully abolished from the 2024 to 2025 tax year.

implications of personal tax and insurance costs, which supports the proposed arrangement. This should also include other options considered, for example, a pool car and the arrangements in place for other staff.

Life insurance and other health benefits

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

6.56 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 Sponsor team and Public Sector Pay team.

Relocation expenses

6.57 Eligibility for, and the level 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 Sponsor Team and Public Sector Pay team before reaching agreement with the incoming Chief Executive.

Affordability and sustainability

6.58 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.

6.59 Long-term affordability of the proposals is important, and the public body must confirm they are affordable and sustainable 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.

Equalities legislation

6.60 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.

Temporary Chief Executives

6.61 Any proposals to appoint a temporary, interim or acting Chief Executive must first be discussed with the Sponsor team and Public Sector Pay team prior to implementing such an arrangement. The Public Sector Pay team can advise on remuneration arrangements for such appointments and whether approval might be required.

6.62 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 such allowance or 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.

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

Adjustments to remuneration packages after approval

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 Sponsor team and Public Sector Pay team before any agreement is reached. The Public Sector Pay 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 into the recruitment process to accommodate such an eventuality.

Approval for the terms in a new contract

6.64 It is a requirement of approval that a public body must consult the Public Sector Pay 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 the contract or the remuneration package as agreed by the Remuneration Group.

Chief Executives approvals process

Seeking approval of proposals

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

6.66 Where no increase is proposed, the public body should confirm details of the current remuneration package on the Chief Executive proforma and submit that jointly to the Sponsor team and the Public Sector Pay team.

6.67 If proposals are simply to apply the annual uplift in line with the Pay Strategy, then a completed Chief Executive proforma, signed-off by the Chair of the public body, should be sent jointly to the Sponsor team and the Public Sector Pay team. Any proposals that go beyond that, will need to provide further information in line with the approval route set out in the chart at paragraph 6.86.

6.68 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.

Approval of remuneration proposals

6.69 The Sponsor team and Public Sector Pay 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 in the chart at paragraph 6.86.

6.70 Scottish Government approval of the proposed remuneration package is required before the post is advertised; contracts agreed; or the appointment is made. Whether a new appointment requires Ministerial approval is dependent on the legislative arrangements of the public body. Potential remuneration packages should not be discussed with prospective candidates until Scottish Government approval has been given.

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

Process for approval

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

6.73 Where the proposed annual award is just for a basic pay increase in line with the Pay Strategy 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 team.

6.74 Where a **progression** increase is proposed in addition to the basic pay increase, the Sponsor Director (or Deputy Director, if they have a closer working knowledge of the Chief Executive) requires to confirm they are content with performance and the progression increase is therefore justified. If the proposals are affordable then they are deemed to be approved and the Sponsor team should notify the public body. This notification should be copied to the Public Sector Pay team.

6.75 Proposals for a 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 the Pay Strategy 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.

6.76 The same approval process applies for a fixed-term appointment 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.

6.77 Proposals for an interim or temporary appointment which are based on existing arrangements may be approved by the Sponsor team otherwise they should be referred to Senior Officials[14].

6.78 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~~.~~

6.79 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 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 9.9.

6.80 If proposals are outwith the Pay Strategy, they cannot be approved, even by the Remuneration Group. The public body must review any such proposals, following advice from the Public Sector Pay team.

6.81 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. For further detail refer to paragraph 6.85.

[14] The approving Senior Officials are 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 team should be copied into all proposals that are submitted for portfolio approval.

Approval timescales

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

6.83 If the proposals are referred to the Remuneration Group, then these are normally considered at their next available 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. Under exceptional circumstances, some items may be able to be considered in correspondence, outwith the set meeting dates, please discuss with the Public Sector Pay team if this is required.

6.84 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.

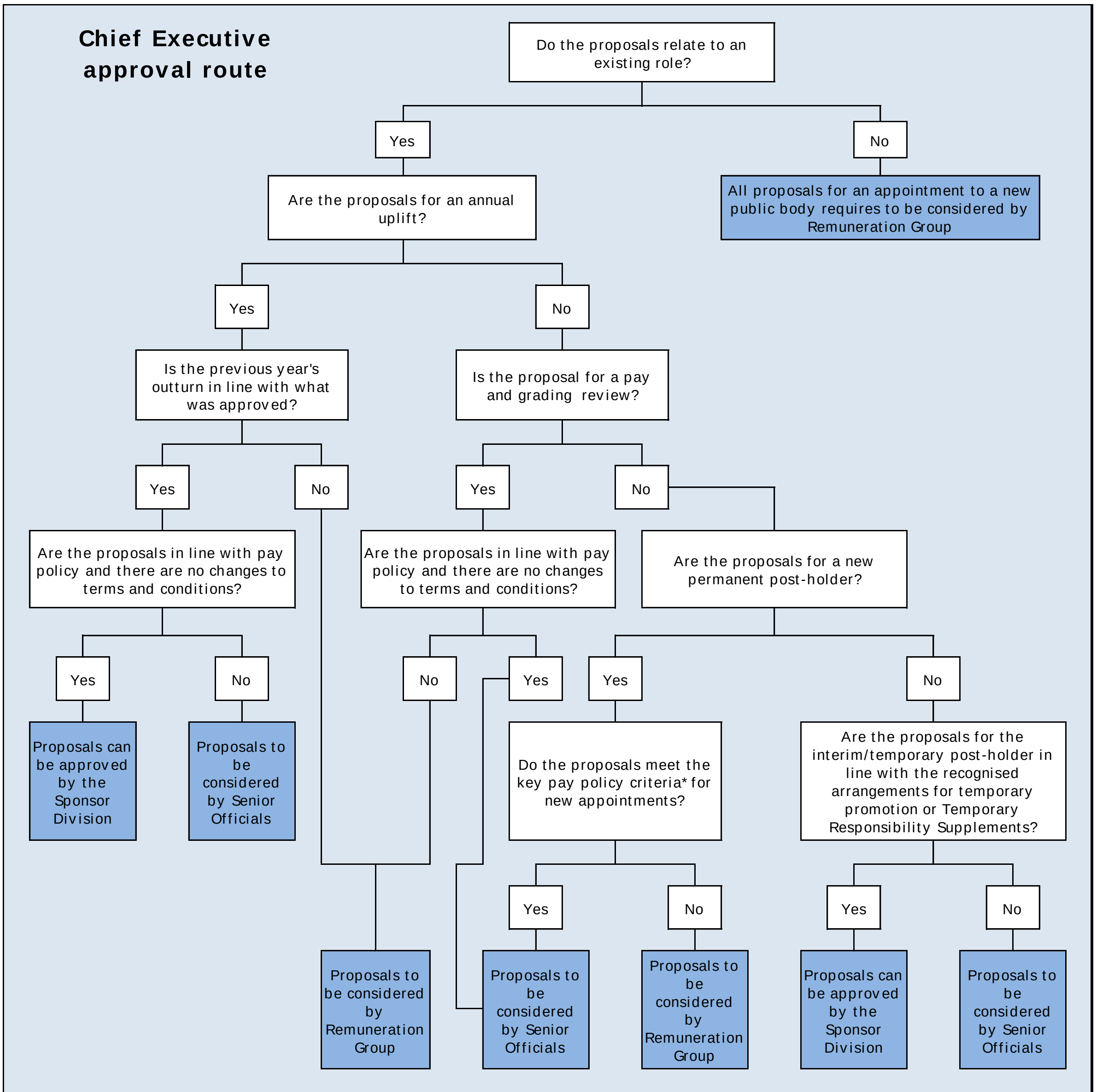
Deviation from Pay Strategy

6.85 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.

Flowchart for the approval route for Chief Executives

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

Chief Executive approval route



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

7. NHS Scotland Executive and Senior Management posts

Please note this section should be read in conjunction with sections 1, 2 and 6.

Key Pay Strategy parameters for 2023-24

Coverage

7.1 This section covers NHS Scotland Executives and Senior Management posts in all Grades A to I (referred to 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.

7.2 The details in section 6 for Chief Executives also apply to NHS Executives with the exception of pay progression which is set out below.

Position on progression

7.3 The Pay Strategy 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.

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

8. Chairs, Board Members and Public Appointments

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

Key Pay Strategy parameters for Chairs, Board Members and Public Appointments for 2023-24

Pay Strategy position on the remuneration of Public Appointments

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

8.2 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.

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

Daily Fees and their purpose

8.4 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.

8.5 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, travelling to and from meetings, etc.

8.6 The Daily Fee and the related activities covered by it should be agreed between the public body, the Public Sector Pay 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 detailed in this chapter 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.

Appointments that are not linked to a public body

8.7 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.

Pay Strategy parameters

8.8 The maximum uplift that can be applied from April 2023 to Daily Fees is **£4 per day.**

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

Position on progression

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

Chairs and Members: Framework

Daily Fee Framework

8.11 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.

8.12 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.

8.13 The Daily Fee Framework Tiers are uplifted annually in line with the Pay Strategy and the Framework for 2023-24 is as follows:

Chairs and Members Daily Fee Framework 2023-24 (gross Daily Fees)

Chairs Tier	Minimum	Maximum	Ceiling
Tribunal	£346	**£567**	£717
Tier 1	£344	**£504**	£561
Tier 2	£225	**£378**	£447
Tier 3	£159	**£242**	£329

Members Tier	Minimum	Maximum	Ceiling
Tribunal *(specialist skills only)*	£271	**£396**	£516
Tier 1	£248	**£366**	£459
Tier 2	£190	**£278**	£348
Tier 3	£107	**£198**	£281

Tier parameters

8.14 Each Tier consists of a minimum, maximum and a ceiling fee. There are different rates for Chairs and Members reflecting the different levels of responsibility. The 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.

8.15 The 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.

8.16 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.

Tribunal Tier

8.17 The Tribunal Tier within the Chairs 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.

8.18 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.

8.19 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 Strategy specifically for those Tribunals may be subject to change.

Allocation to a Tier

8.20 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.

8.21 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.

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

8.23 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, perhaps with as few as one member. 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.

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

Determination of a Daily Fee of a Chair or Member of a public body

8.25 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.

8.26 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 team, who will conduct an assessment based on set criteria and determine a relevant Tier.

8.27 If it is considered a Daily Fee is required, Sponsor teams need to consider the appropriate level of fee, taking into account 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 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.

8.28 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

Appointees' classification as employees

8.29 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.

Daily Fee payments

8.30 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.

8.31 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.

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

8.33 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 the Sponsor team should review the arrangement and may need to recover any overpayments.

8.34 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 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.

8.35 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

8.36 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.

Pensions

8.37 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.

8.38 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.

8.39 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.

8.40 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.

Expenses

8.41 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.

8.42 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 shall be paid at standard Scottish Government travel rates and have regard to the Scottish Government's Travel Management policy on air and rail travel.

Other tax matters

8.43 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.

8.44 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).

Public Appointees where the individual is already a senior employee of another public body

8.45 We aim to encourage senior officers and appointees to make appropriate contributions to the work of other bodies. This can provide the following benefits.

- They broaden their experience.
- Other bodies may benefit from their expertise.
- Their contribution to their own employer is enhanced.

8.46 Sponsor teams must consider certain issues 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 Strategy.

8.47 It is important to ensure that the following factors have been taken into account.

- There is no conflict of interest.
- The time commitment is appropriate.
- Arrangements for remuneration are appropriate.

8.48 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/.](www.gov.scot/publications/public-bodies-information-update-109-public-sector-pay-policy/)

Chairs and Members: approval

Seeking approval of proposals

8.49 The relevant Scottish Government approval must be sought prior to implementing any of the following.

- Making any annual uplift.
- Changing the Tier of a body or appointment.
- Introducing, reviewing or changing the remuneration package, for either the Daily Fee or other matters, such as pension arrangements.

8.50 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 team.

8.51 If proposals are simply the annual uplift detailed in this chapter, then a Chairs and Members proforma should be either completed by the Sponsor team and sent to the Public Sector Pay team; or, where a public body has no sponsor team, completed by the public body and sent to the Public Sector Pay team. The Staff Pay Remits approval approach 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.

8.52 For proposals that go beyond the annual uplift, further information will be required. For example, if proposals entail a change in remuneration or Tier (i.e., following a review) or the introduction of a benefit (i.e., pension or car) then a supporting business case will need to be prepared. Details of the proposals and supporting business case should be prepared by the Sponsor team or “owning” Directorate.

Business case

8.53 Proposals for setting or reviewing a Daily Fee must be supported by a business case which should include the following.

- 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 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.

8.54 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 deviate from the annual uplifts.

Approval of remuneration proposals

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

8.56 Proposals for the introduction of, or changes to Tiers and Daily Fees for existing or new bodies, where these are wholly in line with this chapter, 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.

8.57 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 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 9.9.

8.58 The Public Sector Pay 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 current year amounts).	Sponsor team once the Public Sector Pay team have 'signed-off' the proposals.
	Current and previous annual increases (in line relevant years amounts).	Sponsor team once the Public Sector Pay 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 expectations.	Senior Officials (who may refer to the Remuneration Group).
	Setting Tier and Daily Fees – goes beyond 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 expectations.	Senior Officials (who may refer to the Remuneration Group).
	Setting Tier and Daily Fees – goes beyond expectations (i.e., above maximum in Framework/profile used to justify a higher Tier).	Remuneration Group.

8.59 If proposals are outwith the limits detailed in this chapter, 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 team.

Approval timescales

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

8.61 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

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

Deviation from the Technical Guide expectations

8.63 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.

9. Sponsor Team Role and Responsibilities

Sponsor team role

9.1 Sponsor teams have a key role to play in promoting the Scottish Government's Pay Strategy 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 Pay Strategy.

9.2 Sponsor teams provide a crucial link between public bodies and the Scottish Government. Their role includes the following.

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

9.3 In relation to the Public Sector Pay Strategy, this means the Sponsor team has the responsibility to raise the circumstances and concerns of their public body with the Public Sector Pay team, the Remuneration Group and Ministers.

Before a public body submits any pay proposals

9.4 Before a public body submits any pay proposals, the Sponsor team has the following responsibilities:

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

After a public body submits pay proposals

9.5 Once the public body submits its proposals, this stage is usually referred to as the assessment period. At this point the Sponsor team has the following responsibilities.

- To take the lead in any correspondence with their public body and ensure that the Public Sector Pay team is copied in.
- To arrange any meetings required between sponsor teams, public bodies and the Public Sector Pay team.
- To 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 team.
- To 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.
- To seek the views of their Finance Business Partner. The Sponsor team should send a copy of the initial assessment of the pay proposals to their Finance Business Partner so they are aware of any Pay Strategy issues.
- To maintain awareness of the progress of the remit, the queries that have been raised and any significant issues with the proposals.
- To engage Senior Officials as early as possible in the process particularly if there are issues.

9.6 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.

9.7 Once the Public Sector Pay team sign-off the proposals they will give them a final rating. They will forward the rating to the Sponsor team for their consideration alongside 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 their remit progress, and formal notification of the outcome of the assessment.

Preparing a submission seeking approval

9.8 In preparing the submission, the Sponsor team should ensure they include the following.

- Set out the rationale for the recommendation.
- Where relevant, the detail of any sponsorship issues that the approvers require to be aware of as part of their consideration.

- The views of their Finance Business Partner and the Public Sector Pay team and provide sufficient time for their contributions.

9.9 If the proposals require to be approved by Remuneration Group or Ministers.

- The Public Sector Pay team will provide a template for the submission. The Public Sector Pay 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 team should make sure they meet the Remuneration Group deadlines including providing sufficient time to consult the Public Sector Pay team on the draft. Draft papers must be submitted to Public Sector Pay team no later than 10 days before the relevant Remuneration Group meeting.
- Proposals should normally be submitted from the Portfolio Director. Where, this is not the case the views of the Portfolio Director should be included.

9.10 Sponsor teams must ensure the final version of the submission is with the Remuneration Group Secretariat three clear working days before the Remuneration Group meeting. Failure to meet these deadlines will result in delays to the proposals being considered.

Notifying Ministers of the approval

9.11 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 Deputy First Minister and Cabinet Secretary for Finance. It is a matter for the Sponsor team to decide whether they require to notify their own Cabinet Secretary and/or Portfolio Minister.

Action if there are unresolved queries at the end of the assessment period

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

9.13 If the public body's pay proposals have been rated High risk, the pay remit cannot be approved under any circumstances and the public body will be required to bring their proposals in line with the Pay Strategy before they can be put forward for approval.

After pay proposals have been approved

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

9.15 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 3.37 to 3.40).

9.16 All public bodies are expected to provide settlement information within one month of implementing the staff pay award. It is the Sponsor team's responsibility to make sure their public body is aware of the requirement to submit settlement information to the Public Sector Pay team in line with the Pay Strategy requirements. The Public Sector Pay team will engage with Sponsor teams where there are any delays in submitting settlement information.

9.17 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 team, the Remuneration Group and Ministers informed as appropriate.

Role of the Sponsor team with regards to Chairs, Board Members, and other Ministerial Appointments

9.18 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 undertake the following.

- Engage with the Public Sector Pay 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 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.

9.19 When an annual uplift for Chairs, Board Members or Ministerial Appointees is proposed the Sponsor team must undertake the following.

- Engage with the Public Sector Pay team to ensure that proposals are within the Pay Strategy.
- Assess uplift proposals for any affordability issues.
- Include the Public Sector Pay team in any confirmation of proposed uplifts.

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

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

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

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

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

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

Bonus: See non-consolidated performance payment.

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

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

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

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

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

Current salary: This is an individual's salary prior to any uplift including progression (where eligible).

Daily Fee: The amount a Chair, Member, or Public Appointee is remunerated per day. This can also be expressed as an annual sum. 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, Member or Public Appointee is expected to sit. It contains minima, maxima and ceilings for the four Tiers.

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, Member or Public Appointee 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: This is the cost of the proposed increase in pay and benefits to an average member of staff as a percentage of the baseline paybill.

Increase in paybill per head: The result of comparing the paybill per head for the current remit with the paybill per head for the last remit. It is expressed as a percentage of the paybill per head for the last remit.

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

Lowest quartile: This is the lowest quarter of the pay range, and it is also known as the 25th percentile.

Market median or Market rate: The value of the midpoint of comparator salaries 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 the midpoint in a series.

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

Net Paybill Increase: This is the percentage increase to the baseline paybill as a result of the overall pay proposals.

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 Strategy 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 allowance, 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 total 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 Strategy. The Pay Strategy expectation is for the Scottish Government to be the main benchmark for salary levels and for terms and conditions.

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 usual that staff will be paid at a level either below the pay range minimum or above the 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 all staff, 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. This can include;

- Permanent savings such as the removal of outdated allowances; reductions in overtime costs and reductions in staffing. These will all have an impact on future baseline paybills.

- In-year non-recurring savings such as recyclable savings or deferring filling vacant posts which occur 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 Pay Strategy 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 team. This covers the public bodies in Scotland subject to Scottish Government Pay Strategy.

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 £10.90 per hour for 2023-24.

Recyclable savings: Savings which are a consequence of a higher 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 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 Executive 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 Daily Fee Framework Tier of the same public body.

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

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

Settlement information: This is based on the staff in post and paybill immediately following implementation of the pay award.

Smoothing increase: These are higher increases applied to pay points that are just above any threshold for applying a cash underpin, as set by 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. Staff who are on spot rates of pay, which is set at the rate for job, 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) within the Daily Fee Framework to which a public body or appointee 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 Daily Fee Framework Tier of the same public body.

Total increase for staff in post: 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. This is expressed as a percentage of the Baseline Paybill.

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

11. Pay Strategy Quick Reference

Pay Metrics and Limits
• Full cost of pay award must be shown to be affordable with budget settlements.
• Floor metric of 2%. Based on the assumed 2% overall increase in paybill included in the Resource Spending Review for 2023-24 to 2026-27.
• Central metric of 3.5%. The Pay Strategy recommends that the average paybill increase will be 3.5%.
• Ceiling metric of 5%. Where business efficiencies and/or savings have been identified, paybill increases can exceed the central metric of 3.5% but are restricted to an overall maximum of 5%.
• Chief Executives basic pay uplift is capped at the same cash amount as the lowest paid employees.

Low pay measures
• Sets guaranteed wage floor of the real Living Wage of £10.90 per hour.
• Pay awards must be progressive, protecting the lowest paid and continuing to reduce income inequality.
• Suggested cash underpin of £1,500 for those earning a full-time equivalent salary of £25,000 or less.

Addressing inequalities
• Provides the flexibility for employers to use paybill savings to address evidenced equality or pay coherence issues.

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% for Chief Executives).
• Strongly encourages employers to standardise to a 35-hour working week.
• Requirement for employers to have Right to Disconnect policies agreed with staff representatives.

- Continues the commitment to No Compulsory Redundancy. Proposals to change the NCR through the application of the Severance Policy for Scotland (extend, pause or reverse), will be considered on a case-by-case basis.
- Maintains the suspension of non-consolidated payments (bonuses).
- Continues the expectation to deliver a 10% reduction in the remuneration package for all new Chief Executive appointments.

Scottish Chief Executives Pay Framework 2023-24 (base pay)

Pay Band	Minimum	Maximum	Ceiling
3	£113,621	**£153,684**	£224,550
2	£94,266	**£132,872**	£177,098
1A	£78,137	**£112,152**	£142,134
1	£67,550	**£101,654**	£130,531

Chairs & Members Daily Fee Framework 2023-24 (gross Daily Fees)

Chairs Tier	Minimum	Maximum	Ceiling
Tribunal	£346	**£567**	£717
Tier 1	£344	**£504**	£561
Tier 2	£225	**£378**	£447
Tier 3	£159	**£242**	£329

Members Tier	Minimum	Maximum	Ceiling
Tribunal *(specialist skills only)*	£271	**£396**	£516
Tier 1	£248	**£366**	£459
Tier 2	£190	**£278**	£348
Tier 3	£107	**£198**	£281

12. Contacts

Who should you contact for help?

12.1 If you need help at any stage in the process or require information on any aspects of the Pay Strategy and its application, please contact your Sponsor Team in the first instance to discuss, then your designated contact in the Public Sector Pay team.

12.2 All emails to the Public Sector Pay team should be sent direct to the Public Sector Pay mailbox:

FinancePayPolicy@gov.scot

12.3 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 mailbox.

Where can you find further information?

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

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