DRAFT PAY REMIT GUIDANCE 2024/25

1. Scope and Purpose of the Pay Remit Guidance

This guidance covers pay setting arrangements for civil servants throughout the Civil Service, including departments, non-ministerial departments and agencies, as well as for public sector workers in non-departmental public bodies[footnote 1] and other arm's length bodies.[footnote 2]

- Where reference is made to departments it also includes those organisations which are not government departments but are in scope of the Pay Remit Guidance.
- Where reference is made to civil servants, it also includes references to other workers employed in organisations covered by this guidance.

The guidance provides a framework within which all departments will set pay for 2024/25 and for departmental pay strategies and pay reporting. This guidance does not apply to departments which are already in approved arrangements outside of the Pay Remit Guidance, including those for which multi-year deals extending into the 2024/25 pay year have been agreed. A glossary of terms used in the guidance can be found in Section 7.

2. Key factors determining the 2024/2025 pay remit

2.1 Introduction

Context and 2024/2025 headline figure

This year, departments are able to make average pay awards up to 5%.

This 2024/25 pay remit year is the last of a three year spending settlement for departments. It is critical that departments consider which priorities are best addressed in the final year of the current Spending Review, and how these relate to and facilitate longer-term objectives and wider workforce priorities without limiting options under the next Spending Review. This year, departments have flexibility to target their pay awards in a way which best suits their needs. This will enable departments (and other organisations covered by its scope) to provide their workforces with a significant consolidated increase, whilst also providing flexibility to address pay anomalies or wider workforce issues, such as recruitment and retention challenges. Departments should have particular regard to such issues as addressing pay compression due to National Living Wage (NLW) increases.

Departments must ensure that pay awards are affordable within their current spending settlements. Departments should be aware of the need to balance other budgetary pressures with consideration of the wider economy and the Government's macroeconomic framework.

The percentage increase will refer to overall average pay awards within the department. Individuals may receive a higher or lower award, as it is for departments to decide how to target their pay award based on their own workforce and business needs, and the criteria as set out above.

Increase in Remuneration Costs (IRC)

Organisations are reminded that all elements which increase paybill cost must be included in the calculation of a pay award, except employer National Insurance contributions and employer pension contributions. The following must be included:

- Re-valorisation of paybands
- any remaining historic progression increments
- introduction of new allowances
- increases to existing allowances
- cost of increases in the non-consolidated performance pot above its existing proportion of total paybill
- non-consolidated payments (except for payments related to performance from the non-consolidated performance pot)
- buy-out of allowances or non-pay entitlements
- incentive payments relating to the implementation of pay reforms
- cost associated with changes in non-pay benefits/rewards (e.g. increasing annual/sick/maternity/paternity/parental leave entitlements, introducing long service or non pay recognition awards)
- increases arising from pay restructuring (e.g. associated with Machinery of Government changes or repositioning staff within the pay range)
- salary sacrifice schemes[footnote 3]

Exceptions to Increase in Remuneration Costs

- **Buying and selling annual leave schemes** - where increased costs associated with the scheme will be offset against additional productivity.
- **Costs associated with employee benefits from cross-government benefits framework** - costs associated with employee benefits from the cross-government benefits framework or a departmental benefits framework
- **Carers leave** - From 1 April 2024, the cost of introducing the legislative requirement of one week unpaid leave for care provision

As set out above, if a department makes any changes to elements of their paybill this forms part of their total paybill. If that presents an increase in remuneration costs (IRC) for the remit year above the controls set out in this guidance, i.e. 5%, then further approval is required from Cabinet Office and HM Treasury Ministers.

Departments should contact the Cabinet Office for advice if they are unsure whether any changes they are considering would present an IRC.

Cabinet Office and HM Treasury will consider requests from departments for pay flexibility proposals in very exceptional circumstances, and where they meet the requirements set out in Section 3. Departments are encouraged to discuss any potential business case with the Cabinet Office at the earliest opportunity and before starting detailed work on any pay flexibility business case, in the first instance at hrpolicy.gpg@cabinetoffice.gov.uk. The deadline to submit a case for the 2024/25 remit year is no later than 31 October 2024.

Pay remits can only be reopened in exceptional cases once the relevant Secretary of State has approved them. For example, organisations may be able to make an award within remit whilst awaiting the outcome of a pay flexibility case. Organisations must seek approval from the Cabinet Office and HM Treasury prior to implementing an interim award.

2.2 National Minimum Wage & National Living Wage

From 1 April 2024, departments must ensure that they apply the legislative increase to the National Living Wage (NLW) and National Minimum Wage (NMW). The cost of raising individuals to the new rates can be met outside departments' pay remit.

2.3 Holiday Pay

Employees (including specific arrangements for irregular hours and part-year workers) are entitled to holiday, paid at a rate which reflects their normal earnings, so that they do not see a reduction in earnings when on annual leave. This calculation may include regular overtime, including using the statutory 52 week reference point for the calculation, and organisations should ensure that they are fully compliant with their legal obligations.

Increases in remuneration made specifically to fulfil the legal obligation to include payments such as regularly worked overtime in statutory holiday calculations should be considered outside of the headline pay awards, providing that the increases are made only to the extent that they fulfil the legal requirements.

If a department wishes to clarify the position on Holiday Pay, and further advice is required, they should contact the Cabinet Office using the contact details in Section 6. Any element of such payments from departments that exceeds the required legal obligation should expect to seek explicit HM Treasury consent, before the payment is made, as per the processes detailed in Managing Public Money.

2.4 Carer's Leave

The Carer's Leave Act 2023, which came into effect on 6 April 2024 and entitles employees to take 1 week unpaid leave every 12 months as a non-pay benefit to help a dependent who needs long-term care. The cost of implementing unpaid carers leave can be met outside departments' pay remit.

2.5 Performance-Related Pay Awards

Non-consolidated performance pay will continue to be managed, as in previous years, within each department's non-consolidated performance pay 'pot' calculated as a fixed percentage of paybill. Public sector organisations are encouraged to target their funds to ensure there are enough staff to deliver vital public services. In exceptional circumstances and with the agreement of HM Treasury and the Cabinet Office, departments have the option of transferring money between their consolidated and non-consolidated pots as set out below in section 3.2.

Requests to increase the size of the non-consolidated performance pay 'pot, permanently or temporarily, will only be considered in exceptional circumstances. Consideration of this change will be dependent on factors including the current size of a department's non-consolidated performance pay 'pot' and the proposed increase, as well as the justification for change. If an organisation's non-consolidated 'pot' has been previously reduced to fund higher consolidated pay, further requests will not be considered.

2.6 Recyclable Savings

Employer National Insurance and pension contributions saved as a result of salary sacrifice schemes, where such schemes are permitted by HMT, are recyclable savings and can offset against the IRC of a 2024/25 pay award.

3. Pay Flexibility

The Government wants to ensure that it is attracting the best and brightest to work for the Civil Service, and rewarding hard working staff fairly. It is important that pay awards ensure sustainability of public finances, deliver value for money for the taxpayer and consider economic conditions. Departments should also consider how their long-term pay strategy delivers on workforce priorities and efficiencies. Since 2017/18, the Pay Remit Guidance has permitted departments to submit a pay flexibility business case to HM Treasury and Cabinet Office ministers to make awards for delegated grades above the headline figure in the Pay Remit Guidance, only where departments can demonstrate productivity gains and efficiencies in return for a high pay award.

This year, departments are able to make average pay awards of up to 5%. Departments have flexibility within this figure to provide their workforces with a substantive consolidated pay increase to address any recruitment and retention issues or pay anomalies.

As a result of this, the normal Pay Flexibility Process will be paused for 2024/25.

Requests for pay flexibility will only be considered in very exceptional circumstances, for example, where a department is experiencing acute recruitment and retention issues that create a risk to service delivery. These cases should be limited to one year as it is the last year of the 2021 Spending Review.

Departments considering a request for pay flexibility should contact the Pay and Reward team in Government People Group, hrpolicy.gpg@cabinetoffice.gov.uk.

Where there are very exceptional circumstances and departments request pay flexibility, cases should be cost neutral in the medium-term, with details to be set out in a business case. This means that any additional costs should be offset by delivering savings, which may include tangible productivity and efficiency gains. Proposals will be considered where savings and efficiencies to the paybill which cover the IRC can be met within the business case lifecycle or in the medium-term.

Below is a summary of the types of business case that can be submitted:

- transformational pay and workforce reform, including pay restructuring as a result of Machinery of Government changes
- to address recruitment and retention issues (including adopting the Digital, Data, Technology and Cyber pay framework)
- transfer of funds from the non-consolidated pay pot to consolidated pay, or increasing the size of the non-consolidated pay pot in exceptional cases

3.1 Pay Flexibility Process

As outlined above, cases for pay flexibility will only be considered in very exceptional circumstances.

Where departments feel that they meet this threshold, business cases for pay flexibility are subject to approval by Cabinet Office ministers, with subsequent sign-off by the Chief Secretary to the Treasury. Departments are required to seek their own relevant minister's approval before submitting their proposals using the pay flexibility pro forma.

Departments must also receive approval from their Permanent Secretary and Human Resources and Finance Directors.

The deadline for submitting pay flexibility proposals for 2024/25 is **31 October 2024**.

Non-ministerial departments and agencies, as well as for public sector workers in non-departmental public bodies (NDPBs), and other arm's length bodies can also request pay flexibility in very exceptional circumstances. Proposals should be submitted to the Cabinet Office through their relevant sponsor department's Secretary of State.

Where departments consider that their circumstances are very exceptional and have submitted a case for pay flexibility, they should await the outcome of Cabinet Office and HM Treasury decisions before paying any award for their workforce. In exceptional cases, subject to approval from Cabinet Office and HM Treasury officials, departments may be able to make an interim award. Accounting Officers should ensure that any interim award made does not affect the affordability of the pay case or exceed the headline award permitted by this guidance and would not result in overpayments to individuals in the event that Cabinet Office and HM Treasury ministers reject the pay flexibility proposals.

Departments should have removed automatic progression pay based on time-served from their workforces and it should not be reintroduced. Any progression pay still in place in core departments or their ALBs not agreed through business case approvals will be in breach of government policy and Cabinet Office and HM Treasury must be notified immediately.

Going forward, departments should ensure that pay arrangements they put in place do not involve automatic time-served progression pay, or create an entitlement for employees to receive automatic incremental pay increases. .

3.2 Types of Business Case

Recruitment and retention

Where there are exceptional circumstances, departments may seek targeted pay flexibility to address specific problems associated with recruitment and retention in specific grades and/or professions within their department. These cases must include associated efficiencies and reforms to deliver sustainable savings going forward. Organisations must include robust evidence in support of pay proposals and consider the wider current economic and labour market context. Proposals must also be strictly targeted and involve prioritisation.

The degree of labour turnover and recruitment deemed to be problematic will vary by department and by grade and profession of staff. Departments will need to demonstrate (with robust relevant data) that recruitment and retention problems are exceptional and severely risk service delivery, and the degree to which any turnover problems are associated with pay rather than other wider organisational factors.

Where departments are citing staff motivation as a contributor to turnover, they must demonstrate whether these problems are associated with pay, for example, through evidence from surveys of staff and exit interviews. Departments should expect to be challenged on whether alternative measures are more appropriate to address the issues they have identified. Departments can also consider a business case to adopt the Digital & Data pay framework to address specific recruitment and retention challenges (see below).

Transfer of funds from the non-consolidated pot to consolidated pay

Departments and NDPBs are permitted, in exceptional circumstances, to reduce their non-consolidated performance related pay (PRP) pot permanently as a percentage of consolidated paybill to offset agreed increases in paybill costs applied to meet targeted recruitment or retention pressures, and to address pay anomalies.

The permitted reduction in the PRP pot is capped at an amount equivalent to 50% of the pot, or 0.5% of the baseline paybill if smaller, in order to ensure that departments maintain sufficient resources to continue to fund non-consolidated performance arrangements. PRP pots may not be reduced to provide additional funding for the consolidated paybill generally (for example to fund an across-the-board increase to staff), but must be targeted to address recruitment and retention pressures or pay anomalies.

Funding remaining within the ring-fenced PRP pot following an agreed reduction is expected to be applied to performance-related payments. To avoid this flexibility resulting in subsequent paybill increase, the reduction in the PRP pot will be permanent once the pot as a percentage of paybill has been reduced. Departments must be satisfied that their proposed reduction will not jeopardise the operation, development or effectiveness of their performance-related pay arrangements.

Requests to increase the size of the non-consolidated performance pay ‘pot’, permanently or temporarily, will be considered in exceptional circumstances. If an organisation’s non-consolidated PRP pot has been previously reduced to fund higher consolidated pay, further cases will not be considered.

Transformational

In previous years, departments have been able to submit proposals for transformational pay reform. Departments may seek to take forward transformational pay reform to address structural issues or support delivery of workforce reform. This may include pay restructuring which is necessary as a result of Machinery of Government changes.

In 2024/25, such proposals will only be considered in cases where there is evidence that such reforms are necessary to address acute recruitment and retention issues and to ensure the continued delivery of vital public services.

In these cases, proposals are expected to be offset by delivering sustainable savings, which may include tangible productivity and efficiency gains. Such proposals will only be considered where there is a clear case that reforms will generate transformation in departmental and public service delivery, and are expected to be offset by delivering sustainable savings, which may include tangible productivity and efficiency gains. This may include, for example, reduction in contingent labour, savings from reduced turnover, recyclables, changes to terms and conditions of employment, or other productivity and efficiency savings.

Departments should also consider delivery of Spending Review priorities when formulating a business case.

Departments must discuss options with the Cabinet Office before formally submitting a business case. The assessment of a business case will take into account the individual circumstances of the department.

Capability-based pay frameworks

Departments have previously been permitted to seek approval from Cabinet Office and HM Treasury to introduce arrangements that enable movement through pay bands based on achievement of higher workforce productivity e.g. growth of capability.

In 2024/25, work will be undertaken to analyse the impact of these arrangements where they have been implemented. Following this, further guidance will be given in future versions of the Pay Remit Guidance in relation to the implementation of capability-based pay frameworks as part of multi-year pay flexibility cases.

As such, departments that submit requests for pay flexibility in 2024/25 as a result of very exceptional circumstances should not submit requests for the introduction of capability-based pay frameworks in the 2024/25 remit year.

The pay framework for Digital & Data, and for Cyber staff

Departments will continue to be able to submit a business case to the Cabinet Office for approval to adopt the Digital & Data Pay Framework, without the need to demonstrate very exceptional circumstances. The Pay Framework enables departments to pay capability-based allowances to recruit and retain staff in hard to fill digital and data, and cyber roles.

Business cases to adopt the pay framework are funded outside the headline pay remit by recycling savings from reducing contingent labour use. Departments should discuss options with the pay team in the Central Digital & Data Office before submitting a business case. The cost of paying allowances under the framework does not count towards the calculation of Increase in Remuneration Cost.

Digital & Data Pay Framework business cases do not require HM Treasury ministerial approval where they align with the pre-agreed Digital and Data Pay Framework. Any case which seeks to adopt this Pay Framework requires departmental ministerial approval.

Departments looking to adopt the Digital & Data pay framework should first discuss their business case with the pay team in the Central Digital & Data Office - digital.pay@digital.cabinet-office.gov.uk.

3.3 Business Case Assessment

As set out above, requests for pay flexibility will only be considered in this remit year where departments can demonstrate that there are exceptional circumstances which make flexibility necessary to ensure the continued effective delivery of public services.

If departments believe that this threshold is met, the business case produced must demonstrate that they have considered the following headline principles throughout their proposals:

- **Transformational and targeted**
- **Delivers efficiencies and productivity**
- **Evidence-based**
- **Measurable**
- **Coherence**
- **Equality**

These principles should be met and are applicable specifically to the following business cases:

Transformational workforce reform

- **Transformational and targeted**: proposals should deliver long-term focused transformational changes to departmental delivery and, therefore, significant improvements in productivity and/or resolve specific problems encountered by departments. Proposals must consider how a pay strategy may support delivery of

Spending Review workforce priorities, deliver productivity and efficiency gains, savings including through changes to terms and conditions of employment, and other recyclables.

- **Delivers efficiencies and productivity**: Proposals are expected to be cost neutral in the medium-term and, as set out in the business case, should not place a cost pressure on the department's budgets, and should deliver on Spending Review priorities. This means that any additional costs should be offset by delivering savings, which may include tangible productivity and efficiency gains. Proposals should be accompanied by a holistic workforce strategy including detail on how proposed reforms will enable workforce targets to be met, and are also expected to provide sustainable and measurable workforce productivity gains.
- **Evidence-based**: proposals should demonstrate robust evidence in the form of data to back up the proposals. For example, showing low levels of pay that are below relevant comparators, and how this has translated into significant recruitment and retention problems (including relevant statistics). Proposals should demonstrate robust evidence that the pay proposals will have a front line impact on business delivery, outcomes, and productivity. Proposals should also provide evidence that demonstrates expected efficiencies and savings resulting from the duration of the pay deal.
- **Measurable**: timelines and milestones must be provided to enable the tracking of the pay reform to ensure savings and impacts are being achieved.
- **Coherence**: proposals must take into account wider Civil Service context and departments may decide it is appropriate for them to look towards more consistent approaches and policies. In particular, business cases are encouraged to look at where historic divergence between departments has made reward systems more complex, less agile, less fair to employees and less efficient overall to the taxpayer.
- **Equality**: Compliance with age discrimination and equal pay legislation, and ensuring an equality impact assessment has been undertaken when developing proposals.

Addressing recruitment and retention issues

- **Transformational and targeted**: Proposals should address specific problems associated with recruitment and retention in specific grades and professions within their department. Proposals should also deliver sustainable savings going forward and clearly demonstrate associated efficiencies and reforms.
- **Delivers efficiencies and productivity**: proposals are expected to deliver savings and efficiencies to the paybill which cover the Increase in Remuneration Cost (IRC), and do not place a cost pressure on the department's budgets. Proposals are also expected to provide sustainable workforce productivity gains.

- **Evidence-based**: proposals should demonstrate low levels of pay that are below relevant comparators and how this has translated into significant recruitment and retention problems (including relevant statistics) that severely risk service delivery, and the degree to which any turnover problems are associated with pay rather than other wider organisational factors. Proposals must also demonstrate clear evidence that the pay discrepancy will have a front line impact on business delivery, outcomes, and productivity.
- **Measurable**: timelines and milestones must be provided to enable the tracking of the pay reform to ensure savings and impacts are being achieved.
- **Coherence**: proposals may take into account wider Civil Service context and departments may decide it is appropriate for them to look towards more consistent approaches and policies. In particular, business cases are encouraged to look at where historic divergence between departments has made reward systems more complex, less agile, less fair to employees and less efficient overall to the taxpayer.
- **Equality**: Compliance with age discrimination and equal pay legislation, and ensuring an equality impact assessment has been undertaken when developing proposals.

Transfer of funds from the non-consolidated pay pot to consolidated pay

- **Transformational and targeted**: proposals should address specific problems associated with recruitment and retention in specific grades and professions within their department. Proposals should demonstrate that funds are being targeted to ensure there are enough staff to deliver vital public services.
- **Delivers efficiencies and productivity**: proposals are expected to deliver productivity and efficiency savings which cover the Increase in Remuneration Cost. Proposals are also expected to provide sustainable workforce productivity gains. Proposals should demonstrate that the proposed reduction of the non-consolidated pay pot will not jeopardise the operation, development or effectiveness of their performance-related pay arrangements.
- **Evidence-based**: proposals should demonstrate low levels of pay that are below relevant comparators and how this has translated into significant recruitment and retention problems (including relevant statistics) and robust evidence that the pay discrepancy will have a front line impact on business delivery, outcomes, and productivity. Proposals should provide evidence that demonstrates expected efficiencies and savings resulting from the duration of the pay discrepancy.
- **Measurable**: timelines and milestones must be provided to enable the tracking of the pay reform to ensure savings and impacts are being achieved.
- **Coherence**: proposals may take into account wider Civil Service context and departments may decide it is appropriate for them to look towards more consistent

approaches and policies. In particular, business cases are encouraged to look at where historic divergence between departments has made reward systems more complex, less agile, less fair to employees and less efficient overall to the taxpayer.

- **Equality**: Compliance with age discrimination and equal pay legislation, and ensuring an equality impact assessment has been undertaken when developing proposals.

All business cases must also include a detailed plan for implementation, including departmental Trade Union engagement.

4. Pay Remit Process and Approval

4.1 Responsibilities

Cabinet Office and HM Treasury

Cabinet Office has responsibility for the overall management of the Civil Service. It is responsible for the publication of the Civil Service Pay Remit Guidance and ensuring that it is sufficiently affordable and flexible for all relevant departments to apply within their budgets. It works with departments and agencies on their workforce and reward strategies to encourage them in implementing tailored reward strategies that are consistent with their workforce and business needs, ensuring that they are able to attract and retain talent to deliver the Government's priorities and world class public services.

HM Treasury has overall responsibility for the Government's public sector pay and pensions policy, and maintaining control over public spending including with regards to departmental spending. Departments who have previously been granted clearance can continue the paybill control system going forward. HM Treasury will continue to keep the use of paybill control under review and will not consider new proposals this remit year.

Departments

Departments have responsibility for implementing Civil Service pay policy for their workforce in a way that is consistent with the Civil Service pay guidance but also reflects the needs of their business and their labour market position. All pay remits must be approved by a Secretary of State or responsible minister, and each department, through its accounting officer, is responsible for the propriety of the pay award to staff, including their obligations as set out in Section 4.3.

Trade Unions

Departments are responsible for negotiating the annual pay remit with their recognised Trade Unions in line with the delegated pay framework. As a matter of course, departments are encouraged to work constructively with recognised Trade Unions on the development of their overall pay, reward and workforce strategies, including annual pay remits and the development of pay flexibility business cases. Once the annual pay remit has been agreed by the relevant Secretary of State, departments can enter formal negotiations with the Trade Unions. If departments require guidance or advice about what constitutes ‘formal negotiation’, they should contact the Cabinet Office.

4.2 The Remit Process

Approval

Departments, NDPBs and Agencies are required to submit a short business case to their relevant Secretary of State or appropriate Minister for approval. The only exceptions to this are Government Communications Headquarters, the Secret Intelligence Service and the Security Service where there is no Secretary of State with authority to determine pay. Their annual pay remits will continue to require HM Treasury ministerial approval.

No further approval from Cabinet Office or HM Treasury is necessary unless specific arrangements or requirements are already in place, or a department is looking to implement a pay award outside of the remit set by this guidance (such as a pay flexibility business case) at which point they should contact Cabinet Office and refer to the guidance in Section 3.

Pay flexibility business case to the Secretary of State

In very exceptional circumstances where departments have decided to submit proposals for pay flexibility, departments should ensure that clearance is sought from the relevant HR and Finance Directors, and Permanent Secretary prior to submission to the Secretary of State.

Secretaries of State should consider the proposals against the following criteria:

1. Whether the circumstances within which the department finds itself are exceptional enough as to make flexibility necessary to ensure the continued effective delivery of public services.
2. Departments need to demonstrate that their proposed pay remit is affordable within departmental budgets and through savings generated as a result of further flexibility in line with the guidance at Section 3.
3. The requirements in Section 3 of this guidance must be met.
4. The business case should cover, where relevant:

- information on how the business case is consistent with the department's overall workforce, pay and reward strategy, and Spending Review priorities.
- information on the makeup of the department's workforce, and the internal and external labour market in which they operate
- the relevant local labour market in which staff operate
- the recruitment and retention situation within the workforce
- Equality Act requirements to avoid discrimination, including the need for departments to meet their obligations under the Public Sector Equality Duty, and to record their findings on this
- the total reward of staff, including pensions and conditions of service
- any structural changes or reforms to pay arrangements
- information on how the department is meeting key long-term priorities

Departments should also work constructively with Trade Unions on the development of their overall pay and reward strategies, and may find it helpful to discuss proposals with Trade Unions as they are developed. Following approval from the relevant Secretary of State, departments should enter formal negotiations with their departmental Trade Unions. However, if during subsequent negotiations with Trade Unions there are any significant deviations from those proposals, then these must be reported to the Secretary of State and, as appropriate, Cabinet Office or HM Treasury before any final agreement is reached. Any department that is uncertain as to whether what they propose to agree constitutes a significant difference from that specified under the remit should contact the Cabinet Office for advice.

Pay settlement changes are expected to apply from the settlement date upon which the department's pay remit year commences, and should not be deferred.

4.3 Legal Considerations for Departments

Departments are reminded of their obligation to comply with their Public Sector Equality Duty when considering pay awards for their staff and the requirements of the HR Functional Standard (including adherence to all legal and regulatory requirements).

Departments are also expected to apply this guidance alongside the HM Treasury guidance on public sector pay and terms.

Departments are encouraged to take legal advice on the drafting of any pay commitments to ensure that these are affordable and consistent with this guidance.

Ministerial approval of pay remits is given on the basis that a department does not enter into any legally binding agreements in Trade Union negotiations that effectively commit it to automatic costs in the future.

4.4 Senior Staff

Senior Civil Servants (SCS) and NDPB equivalents are not included within the scope of this Civil Service pay guidance. The pay of the SCS is covered by the Senior Salaries Review Body’s (SSRB) remit and is set centrally by the Cabinet Office. Pay for senior staff in NDPBs is not covered by the SSRB’s remit, nevertheless NDPBs have an important leadership role in following public sector pay policy, therefore, any annual pay increase or decision to award performance-related pay to such staff must be considered alongside and according to the same principles that apply to the SCS. Sponsor departments are responsible for enforcing this. The latest SCS Pay Practitioners Guide can be found on Gov.uk.

5. Pay Reporting to HMT

In return for the continued delegation of pay to Secretaries of State, departments are expected to provide data to HM Treasury on their forecast and outturn data for the pay round.

Departments are asked to submit this data using the Workforce and Pay Remit (WPR) application in OSCAR for each remit. Further guidance will be issued to departments on the WPR including the deadline for submission of data.

Failure by a department to provide appropriate data, or provide it in good time, may result in re-imposing the requirement for approval of remits for that department in future years or other action to encourage better compliance.

The information below summarises the data that departments are expected to report to HM Treasury for the 2024/25 remit year:

Each department should submit data covering the department itself, each non-ministerial department falling within the area of responsibility of their Secretary of State, each agency that they sponsor and each NDPB. Departments should not in general combine data relating to separate remits. Exceptionally, aggregate data may be entered for NDPBs with prior HM Treasury agreement.

The data required is outturn for 2022/23 and 2023/24, as well as a forecast for 2024/25. Data should be provided for the financial year, not the remit year. Outturn data should be consistent with published resource accounts (allowing for differences arising from the financial year basis of the latter) and forecasts, including any forecast changes to staff in post, should be consistent with the in-year expenditure forecasts that all central departments routinely provide to HM Treasury via the OSCAR system. Data must be provided for the delegated Civil Service grades and equivalents, and the Senior Civil Service and equivalent grades.

If there are significant anomalies in the data, for example because it represents less than a full year of activity, or there are large differences between successive forecast and outturn figures for a particular year, departments should provide a brief explanation, either in the space provided on OSCAR or in an email to the Workforce Pay and Pensions team at HM Treasury (see Section 6 for contact details).

HM Treasury will issue a commission directly to departments to formally begin the WPR process. This will include all relevant guidance and information.

6. Contacts

Any queries in relation to this guidance, or the remit process in general, should be emailed to the Cabinet Office in the first instance:

Email: hrpolicy.gpg@cabinetoffice.gov.uk

Civil Service Reward and Employment Team
Government People Group
Cabinet Office, Zone 10/11 4th Floor
1 Horse Guards Road
London
SW1A 2HQ

For queries on WPR reporting: WPR@hmtreasury.gov.uk

For other queries: HMT Contact to be added here

Workforce, Pay and Pensions Team
HM Treasury, Zone 2 Red

1 Horse Guards Road
London
SW1A 2HQ

7. Glossary of Terms

7.1 Total paybill (£ million)

Total paybill: Total paybill is the sum of direct wages and salaries, pension contributions and National Insurance Contributions. Includes all staff- related costs excluding the cost of staff not on the formal Civil Service payroll. This should include staff paid from programme budgets.

Direct wages and salaries: Direct wages and salaries are calculated from the sum of pay, allowances, non-consolidated performance (e.g. bonuses) and overtime entered in the OSCAR template. Direct wages and salaries include all the elements that go to employees on a current basis (as opposed to pension payments, for example, which are deferred).

Pension contributions: The total cost to the department of pension contributions.

Employer National Insurance Contributions: The total cost to the department of employer National Insurance Contributions.

Exit costs: These include any benefits to an individual, in the form of pay, pension or other remuneration, when leaving service (through either compulsory redundancy or other agreed departures) other than entitlements accrued in the normal course of employment up to and including the exit date.

7.2 Non-paybill staff costs (£ million)

Consultants/interim/agency staff costs not included in the paybill: Total cost of all staff who are not on the formal Civil Service payroll, including for example, consultants, interim and agency staff.

7.3 Non-consolidated performance pay pot (% of paybill)

Non-consolidated performance pay pot (% of paybill): The size of the non-consolidated performance pay pot expressed as a percentage of total pay bill. Note that this may differ from outturn or forecast expenditure on non-consolidated pay recorded as a component of salaries and wages.

7.4 Paybill per head (£)

Paybill per head: There are two measures to show the total paybill divided by the workforce size. Paybill per head (headcount) is total paybill divided by headcount. Paybill per head (FTE) is total paybill divided by full-time equivalent (FTE) workforce.

Average earnings per head: There are two measures to show direct wages and salaries i.e. excluding employer pensions and NICs) divided by the workforce size. Average earnings per head (headcount) is direct wages and salaries divided by headcount. Average earnings per head (FTE) is direct wages and salaries divided by FTE workforce.

7.5 Workforce size

Headcount and FTE must be calculated on the required basis for all years.

Headcount: The total Civil Service workforce on a headcount basis, calculated as the average for the remit year based on the size of the workforce at the end of each month.

Full time equivalent: The total Civil Service workforce on a full-time equivalent basis, calculated as the average for the remit year based on the size of the workforce at the end of each month.

Number of exit packages: The number of exit packages made within the year. This should relate to the ‘exit costs’ figure reported under paybill.

7.6 Wastage and vacancies (%)

Vacancy Rates: The number of unfilled posts (or forecast vacancies) in the final month of the remit year in question, expressed as a percentage of (headcount at the end of the month plus vacancies). This figure should reflect the number of posts that are either unfilled or filled by contract staff, which will be advertised under Civil Service fair and open competition rules. This figure should not include vacant posts that will be removed as part of organisational restructuring or planned workforce reductions.

Staff wastage: The proportion of employees leaving the department over the year (excluding redundancies but including exits due to all other factors including performance related exits and ill-health retirements) as a % of total workforce. Excludes those employees moving between jobs within the department.

7.7 Change in pay from previous year (%)

Basic award (%): The average % increase to the steps (for a step based pay system) or maxima/minima (for a non-step based pay system) of the pay ranges within an organisation.

Pay drift (%): The difference between average earnings growth % and basic award %.

Average earnings growth (%): The change in average earnings per head (FTE) from the previous year, as a % of average earnings per head in the previous year. It includes all changes in direct wages and salaries.

Percentage increase in remuneration cost (IRC) (%): The percentage change in the IRC. This is the difference between the projected remuneration cost and the baseline remuneration cost expressed as a percentage of the baseline remuneration cost. All departments should enter data for all three calculations of the IRC:

1. Increase in remuneration cost
2. Increase in remuneration cost excluding legally binding progression increments or progression buy out costs
3. Increase in remuneration cost excluding progression increments or progression buy out costs, and PRP pot switches

For those departments to whom the below do not apply, the figures will be identical:

- departments that pay contractual progression increments or
- departments who have agreed a switch in funding from the non-consolidated performance pay pot to fund recruitment and retention pressures

Those departments that fall under either or both of the above are expected to report the effects of these factors on their IRC by entering outturn and forecast data for all three versions of the IRC.

7.8 National Living Wage (NLW)

Number of employees on the NLW: The number of eligible employees that are on (or are within 5 pence of) the NLW from April in the pay remit year. For example, as of April 2024, the rate of the National Living Wage is £11.44.

Paybill costs of those on the NLW: The total paybill costs incurred by all employees on the NLW within the pay remit year and the cost of increasing the wages of eligible employees to meet the legal entitlement of paying the NLW.

7.9 Baseline remuneration cost

The baseline remuneration cost is the cost to the department, for the remit year, of the expected staff complement, excluding the costs of progression or revalorisation or any other increases. Baseline remuneration cost does not include employer National Insurance and pension contributions.

7.10 Projected remuneration cost

The projected remuneration cost is calculated by adding the IRC arising from the remit proposals to the baseline remuneration cost.

Example: if the total costs of the remit proposals were £100,000 and the baseline costs were £2,000,000 the projected costs would be £2,100,000.

7.11 Increase in remuneration cost (IRC)

As stated in Section 2, the IRC includes all increases arising from the remit proposals, apart from employer National Insurance Contributions and pension contributions, and is net of any offsetting reductions in the costs.

The IRC calculation should assume that all increases are implemented from the settlement date. Departments cannot reduce the IRC by deferring the date of implementation of component increases.

7.12 Non-consolidated performance payments

Non-consolidated performance payments are awarded to staff based on performance either at an individual, team or organisational level. They are re-earnable and do not have associated future costs. Types of payment include:

- Performance related payments based on individual contributions to the department and assessed by the department's performance management system
- Special bonus schemes for individual payments for special projects or outstanding pieces of work that are not covered by the normal performance management system
- Non-consolidated performance payments met from the performance pot should be excluded from the IRC calculation. However, non-consolidated payments not related to performance, as well as increases in the non-consolidated performance pot, must be included in the IRC calculation.

7.13 Calculating the performance pot

The organisation's existing non-consolidated performance pot is a cash value derived from a percentage of the consolidated baseline paybill, and not a fixed cash amount.

Example: In 2023-24, an organisation has a consolidated paybill of £20 million and has built up a non-consolidated performance pot of 3%. The cash value of the non-consolidated pot is therefore 3% of £20 million, and so equals £600,000. In 2024/25, because of staff reductions, the consolidated baseline paybill is reduced to £19 million. While the non-consolidated pot as a proportion of consolidated paybill remains unchanged at 3%, the cash value is reduced to £570,000 (3% of £19 million).

7.14 Other non-consolidated payments

Non-consolidated payments other than those related to performance must be included in the IRC calculation.

7.15 Progression Pay

Progression pay systems are those under which pay to individuals in a specific grade or post increases periodically. Progression pay cost is the cost of moving someone through the pay range; for spine point or step-based systems, it relates to the costs of incremental steps. In some cases this is subject to demonstration of increased capability (to a particular standard), a satisfactory performance assessment and/or may be a legal entitlement. Progression may also be as a result of targeting a pay award. In milestone and reference-point based systems, progression means the cost of moving staff within the pay range.

7.16 Revalorisation

Revalorisation relates to the uprating of pay ranges, spine points or step-based systems and is the value by which set points are increased. The cost of any revalorisation must be included in the pay award, i.e. the IRC calculation.

7.17 Non-pay rewards and benefits

These include increases in annual leave entitlements, reduction in working hours, etc. The cost of such changes should be calculated and included in the IRC calculation.

7.18 Remit year

The period for which the approved pay remit applies. Remits apply for one year but the settlement dates, i.e. the date upon which the pay remit year commences, vary from one body to another.

7.19 Recyclable Savings

Recyclable savings are generated when staff leave the department and are replaced by entrants with a lower salary cost. The difference between the leaver's salary costs and the entrant's salary costs is the saving to the paybill.

Employer National Insurance and pension contributions saved as a result of salary sacrifice schemes are also recyclable savings and can be added back into the paybill.

Vacant posts do not generate recyclable savings, because until the post is filled the salary cost to the paybill cannot be determined.

1. Throughout the guidance the term "department(s)" includes all organisations (ministerial and non-ministerial departments, agencies and NDPBs) that come within its scope, unless the context implies otherwise, and departments should seek clarity as necessary.
2. Organisations should contact their parent or sponsor department to seek guidance from the Cabinet Office (contact details found in Section 6) if unsure whether they are in scope of the guidance.
3. A letter from the Financial Secretary to Secretaries of State on 3 November 2009 clarified the rules on salary sacrifice schemes in the public sector. Departments should refer to this if needed.