

13.1

Resource Account Disclosure 2006-07

What is disclosure?

13.1.1 It is the publication of details of the salary and pension details of your senior management.

13.1.2 When you prepare resource accounts, you should apply the principles of transparency and openness. To achieve transparency and openness our accounting practices should reflect those used in the private sector. The Directors of the UK's largest companies must disclose the salary, pension and other benefits they receive. These requirements are the basis of what we require Civil Service Departments and Agencies to disclose.

Who is subject to disclosure?

13.1.3 You must disclose salary and pension information on all departmental ministers and members of the senior management team.

13.1.4 The senior management team will probably be your Management Board or a similar group of senior officials. You should find out who is included because each department or agency is responsible for deciding which posts are covered by the disclosure requirements.

13.1.5 You do not need the consent of the individual concerned in order to publish their personal details.

Important Reminder

Even though an individual's consent is not required you must provide them with the information that you intend to disclose so that they can understand it and, if necessary, query any inaccuracies. The member can also claim that publication would prejudice his/her rights, freedoms or legitimate interests. If you accept this claim then you should not publish the relevant information about that individual. Please note that you can be challenged under the Freedom of Information Act if you decide not to publish information about an individual.

What disclosure is required?

13.1.6 You should disclose the following information in a Remuneration Report:

- **Salary for 2006-07 & 2005-06**

You should include as salary: gross salary; performance pay or bonuses; overtime; London weighting or allowances; recruitment and retention allowances; private office allowances; ex-gratia payments; and any other taxable allowances or payments.

The payment of legitimate expenses is not part of salary.

Figures regarding Ministers' salaries are already available to the public and you should disclose them to the nearest £1.

For senior management these figures are not generally available to the public and you should disclose them in bands of £5,000.

- **Benefits in kind for 2006-07 & 2005-06**

You should include as “benefits in kind” any taxable benefits that are not given to the individual as cash. The most common taxable benefit is the provision of an allocated car. Most civil servants do not receive benefits in kind.

The payment of legitimate expenses is not a benefit in kind.

You should disclose these figures to the nearest £100.

- **Accrued pension and lump sum as at 31/3/07**

You should disclose the pension that the individual would receive if 31/3/07 were their last day in service. If the member is in **premium** then they will not receive an automatic lump sum and therefore there is no lump sum to disclose.

The accrued pension and lump sum includes any benefits that have accrued from the individual buying added years or transferring in benefits from another scheme.

If a member has a preserved award from previous civil service employment, you should only include this in the various pension calculations, when the member has opted to aggregate this preserved award with their current award. Where this results in a significant increase in the pension information you disclose in the accounts (for example, when the member finally retires), you should include a suitable explanation for the increase in the notes to the accounts.

You should disclose the accrued pension and lump sum in bands of £5,000.

- **Real increase in pension and lump sum**

This is the increase in the value of the pension over the year after considering the effect of inflation.

Ministers and members of **premium** do not automatically receive a lump sum and so you do not disclose one.

Members of **classic** and **classic plus** receive an automatic lump sum, which you should disclose.

You should disclose the real increase in pension and lump sum in bands of £2,500.

- **Cash Equivalent Transfer Value (CETV) as at 31/3/06 and 31/3/07.**

This is the capital value of the pension and is calculated using guidance provided by the scheme actuary. It is an assessment of what it costs the scheme to provide these pension benefits.

You should disclose these figures to the nearest £1,000.

- **Real increase in CETV**

This is the increase in the CETV over the year after the effects of inflation, investment returns and contributions by the member have been taken into account.

You should disclose these figures to the nearest £1,000.

Form of disclosure

13.1.7 We have included an example of a Remuneration Report at Annex 13C. Where an individual has a non-standard pension arrangement (e.g. accelerated accrual), you should disclose this in the report.

Obtaining the information

13.1.8 You should obtain information on salary and benefits in kind from your records.

13.1.9 You should approach:

- the House of Commons (HoC) Pensions Unit for pension information relating to Ministers; and
- your APAC for the pension information relating to senior civil servants.

We have provided the HoC Pensions Unit and each **APAC** with guidance on how to calculate the figures you will need.

13.1.10 You should send the Request for Information form (DRADISC –CS) to your APAC for disclosure information for civil servants. You will find this form at Annex 13A.

Important Reminder

Your APAC will not be able to calculate all the disclosure figures until after 2 March 2007. The figures for anyone who started working for you late in the reporting year may be delayed while your APAC obtains the relevant data.

13.1.11 If you have any civil servants who are members of the Supplementary Scheme then your APAC will provide information about the main scheme benefits, but you must also contact **CSPD**. **CSPD** will then liaise with your **APAC** to provide you with the information appropriate to Supplementary Scheme membership; you should add this to information provided by the **APAC** and then disclose the total amount.

13.1.12 You should send the Request for Information form (DRADISC – MIN) to:

millerir@parliament.uk

You can find this form at Annex 13B.

You can also download a copy of the forms at Annexes 13A and 13B from the Employers' section of our website –www.civilservice-pensions.gov.uk

Ministers and senior managers who are not in post for the whole reporting year

13.1.13 When you are preparing your Remuneration Report, you may find that you have individuals covered by the report who were appointed during the reporting year. You may also have individuals who left during the reporting year. You should disclose the date of appointment, or last day of service as appropriate.

13.1.14 You should only disclose the pay, benefits in kind and pension information that relate to the period during which they were in a post subject to disclosure. However, you should also disclose the full year equivalent of the salary. The following example illustrates this point:

A civil servant joins the senior management team (SMT) from within the department on 1 July 2006. Between 1 July 2006 and 31 March 2007, they received a salary of £90,000. You should disclose the salary of £90,000 in the Remuneration Report, that this was only for 9 months, and that the full year equivalent is £120,000. You should not disclose the salary they received before 1 July 2006.

You should still disclose the CETV for 31 March 2007, which is the end of the reporting period. However, you should disclose the CETV at 30 June 2006 (which is the value immediately before the individual joins the SMT) rather than 31 March 2006.

If the individual was subject to disclosure in their previous post then the opening figure in your accounts should match the closing figure in their previous employer's accounts.

13.1.15 The example Remuneration Report at Annex 13C, includes Ministers and senior managers who do not serve throughout the accounting period. In these examples, we use two different ways in which you can disclose the full year equivalent of the salary. Both the methods illustrated are acceptable but you should be consistent throughout your report.

Compensation payments

13.1.16 You do not need to disclose compensation paid to a member if this is paid through the Civil Service Compensation Scheme. You should disclose that they have received compensation through the scheme. The example Remuneration Report, at Annex 13C, includes an individual who leaves with an early retirement package.

Important Note:

A member who leaves on early retirement terms may be able to choose how their benefits are structured. Their decision can materially affect the value of the benefits disclosed in the remuneration report.

13.1.17 If you make other payments to the individual, such as an ex-gratia payment, then this should be included in the total disclosed for salary.

partnership pension accounts

13.1.18 If a member of the senior management team has opted to have a **partnership** pension account rather than joining the pension scheme then you should disclose this in the Remuneration Report.

13.1.19 You should ask your payroll provider to calculate the total contributions paid to the **partnership** pension provider. You should disclose this figure in the Remuneration Report to the nearest £100. The example Remuneration Report at Annex 13C, includes an individual who has opted for a **partnership** pension.

Departmental staff

13.1.20 You should include a note in your departmental resource accounts that contains:

- the contributions you have paid to the PCSPS;
- the contributions you have paid to **partnership** pension providers during the reporting year;
- the contributions you are due to pay to **partnership** pension providers at the end of the reporting year;
- the contributions you paid to **partnership** pension providers during the reporting year that you did not need to pay until after the end of the reporting year.

13.1.21 We suggest that you base this note on the following example:

'The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but (insert employer's name) is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2003. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2006-07, employers' contributions of £XXXX were payable to the PCSPS (2005-06 £XXXX) at one of four rates in the range 17.1% to 25.5 % of pensionable pay, based on salary bands (the rates in 2005-06 were between 16.2% and 24.6%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2007-08, the salary bands will be revised but the rates will remain the same.

The contribution rates are set to meet the cost of the benefits accruing during 2006-07 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £XXXX were paid to one or more of a panel of three appointed **stakeholder** pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £XXXX, 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the **partnership** pension providers at the balance sheet date were [insert figure]. Contributions prepaid at that date were [insert figure].'

Ill-health retirement

13.1.22 You should disclose details of the number and total additional accrued pension liabilities, payable by the **CSP arrangements** for individuals who retired early on health grounds during the year, in the notes to the departmental resource accounts.

13.1.23 You do not need to calculate a precise figure for the additional accrued pension liabilities. You should calculate the difference between the pension the member received after retiring on ill-health grounds and the pension they would have received had

they resigned on that date. The following is an example.

Mr A, a **classic member**, retired early, with a service enhancement of 5.6 years, and was earning £30,000 a year when he left.

Mrs B, a **classic member**, retired early, with a service enhancement of 6.3 years, and was earning £40,000 a year when she left.

Mrs C, a **premium member**, retired early, with a service enhancement of 8.7 years, and was working part time, her full time equivalent salary was £20,000 a year when she left.

To calculate the additional pension liabilities:

A $5.6/80 \times £30,000 = £2,100$

B $6.3/80 \times £40,000 = £3,150$

C $8.7/60 \times £20,000 = £2,900$

Your note would then read:

'Three individuals retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £8,150.'

DRADISC - MIN

Departmental Resource Accounts: Disclosure of Salary and Pension Information (Ministers) – Request for Pension Information

Department:			Address:	
Contact	Name:			
	Phone:			
	e-mail:			

To be completed by employer				To be completed by House of Commons Pensions Unit					
				To be completed to the nearest £					
Name	NI Number	Start Date	End Date	Real increase in pension	Pension at End Date	CETV at Start Date	CETV at End Date	Minister's contributions and transfers in	Real increase in CETV funded by employer

Notes on completion overleaf

DRADISC-MIN notes on completion

Start date is 31 March 2006 unless the Minister was appointed to the Department during the year.

End date is 31 March 2007 the Minister left the Department during the year.

The figures given in the response will be based solely on the individual's benefits as a Minister and will not allow for any GMP element.

HoCPU notes

Only include transfers in where the Minister does not have membership of the Parliamentary Contributory Pension Fund by virtue of being an MP.

Where a Minister joins or leaves during the year, use the market yield factor for their start or end date.

Return this form to the employer after completion.

DRADISC - CS

Departmental Resource Accounts: Disclosure of Salary and Pension Information (Civil Service) – Request for Pension Information

Department:		Address:	
Contact	Name:		
	Phone:		
	e-mail:		

To be completed by employer				To be completed by APAC							
Name	NI Number	Start Date	End Date	Real increase in pension	Real increase in lump sum	Pension at End Date	Lump sum at End Date	CETV at Start Date	CETV at End Date	Employee contributions and transfers in	Real increase in CETV funded by employer
				To nearest £				To nearest £'000		To nearest £	To nearest £'000

Notes on completion overleaf

DRADISC-CS notes on completion

Notes: Start date is 31 March 2006 unless the individual was appointed during the year to a post to which disclosure requirements apply.

End date is 31 March 2007 the individual left a post to which disclosure requirements apply during the year.

APAC notes: For **premium** members show the pension before commutation. No figure should be shown for lump sum.

Where someone joins or leaves during the year, use the market yield factor for their start or end date.

Return this form to the employer after completion.

Please note: all the names and figures in this report are fictitious and are included only to illustrate how the data could be laid out in your report.

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Emily Evans was appointed on a three year contract commencing on 1 March 2004.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Ministers and most senior officials of the department.

Remuneration

Ministers	Salary £	2006-07		2005-06	
		Benefits in kind (to nearest £100)	Salary	Benefits in kind (to nearest £100)	Salary
Rt Hon Alan Brown MP <i>Secretary of State</i>	75,651	7,600	74,902	7,500	
Caroline Dennis MP <i>Minister of State</i>	39,243	-	38,854	-	
Baroness Fletcher <i>Minister of State</i>	80,176	-	59,373 ¹	-	
Elena Fowler MP <i>Minister of State (to 7 June 2003)</i>	7,419 ²	-	38,854	-	
George Hooper MP <i>Minister of State (from 8 June 2003)</i>	31,824 ³	-	N/A	N/A	

¹ Figure quoted is for the period 1 July 2006 to 31 March 2007. The full year equivalent is £79,382.

² Figure quoted is for the period 1 April 2006 to 7 June 2006. The full year equivalent is £39,243.

³ Figure quoted is for the period 8 June 2006 to 31 March 2007. The full year equivalent is £39,243.

Officials	Salary £'000	2006-07	2005-06	Benefits in kind (to nearest £100)
		Benefits in kind (to nearest £100)	Salary £'000	
Sir Humphrey Appleby <i>Permanent Secretary</i>	130-135	3,900	125-130	3,800
Mr Bernard Bear <i>Director</i>	105-110	500	100-105	500
Miss Caroline Cook <i>Director</i>	95-100	-	90-95	-
Miss Kala Krishnan <i>Director</i>	75-80	-	5-10 <i>(75-80 full year equivalent)</i>	-
Mrs Fiona Fanshaw <i>Director</i>	75-80	-	75-80	-
Mr Harold Smith-Bean <i>Director</i> (until 29 February 2005)	65-70 <i>(75-80 full year equivalent)</i>	-	75-80	-
Mrs Emily Evans <i>Director</i> (from 1 March 2005)	5-10 <i>(75-80 full year equivalent)</i>	-	N/A	N/A

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

This presentation is based on payments made by the Department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£60,277 from 1 November 2006, £59,686 from 1 April 2006, 2005-06 £59.095) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the department and is therefore shown in full in the figures above.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. The Rt Hon Alan Brown MP received living accommodation provided at public expense and chargeable to tax under s163 of the Income and Corporation Taxes Act 1988. Sir Humphrey Appleby and Mr Bernard Bear had the private use of an allocated car in the circumstances permitted by the Civil Service Management Code.

Pension Benefits

Ministers	Accrued pension at age 65 as at 31/3/07	Real increase in pension at age 65	CETV at 31/3/07	CETV at 31/3/06	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Rt Hon Alan Brown MP <i>Secretary of State</i>	5-10	0-2.5	112	91	12
Caroline Dennis MP <i>Minister of State</i>	0-5	0-2.5	18	13	3
Baroness Fletcher <i>Minister of State</i>	0-5	0-2.5	23	9	8
Elena Fowler MP <i>Minister of State</i> <i>(to 7 June 2006)</i>	0-5	0-2.5	18	17	1
George Hooper MP <i>Minister of State</i> <i>(from 8 June 2006)</i>	0-5	0-2.5	4	0	4

Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is statutory based (made under Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution.

Benefits for Ministers are payable at the same time as MP's benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate. Those members who have opted for the 1/40th accrual rate are required to pay an increased contribution. The rate was increased from 9% to 10% from 1 April 2004. There is also an employer contribution paid by the Exchequer representing the balance of cost. This is currently 26.8% of the ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The real increase in the value of the CETV

This is the increase in accrued pension due to the Departments contributions to the PCPF, and excludes increases due to inflation and contributions paid by the Minister and is calculated using common market valuation factors for the start and end of the period.

Officials	Accrued pension at age 60 as at 31/3/07 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/07	CETV at 31/3/06	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Sir Humphrey Appleby <i>Permanent Secretary</i>	55-60 plus lump sum of 165-170	2.5-5 plus lump sum of 7.5-10	983	887	51	-
Mr Bernard Bear <i>Director</i>	50-55	2.5-5	680	605	37	-
Miss Caroline Cook <i>Director</i>	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 5-7.5	332	289	30	-
Miss Kala Krishnan <i>Director</i>	0-5	0-2.5	16	1	12	-
Mrs Fiona Fanshaw <i>Director</i>	-	-	-	-	-	11,600

Mr Harold Smith-Bean <i>Director</i> (until 29 February 2006)	35-40 plus lump sum of 115-120	7.5-10 plus lump sum of 22.5-25	614 ⁴	467	121	-
Mrs Emily Evans <i>Director</i> (from 1 March 2006)	25-30 plus lump sum of 80-85	0-2.5 plus lump sum of 2.5-5	410	397 ⁵	1	-

Civil Service Pensions

Pension benefits are provided through the CSP arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach 60, or immediately on ceasing to be an active member of the scheme if they are already 60.

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and

⁴ CETV at 29/2/07, Mr Smith-Bean received an early retirement package under the terms of the Civil Service Compensation Scheme which enhanced the value of his pension.

⁵ CETV at 1/3/07

chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the Cabinet Office's Civil Superannuation Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.