

Remuneration Report

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body²⁸ on Senior Salaries. In reaching its recommendations, the Review Body has 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'²⁹ 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 Directors covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Steve Dean was appointed on a fixed term contract which expires on 31 March 2007.

Salaries and pension benefits (Audited)

'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.

Staff are appraised annually against a set of competencies and individually targeted objectives. Bonuses, which form only a small percentage of total salaries, are the only form of remuneration subject to performance conditions.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument. None of the Directors received any benefits in kind during the year. The salary and pension entitlements of the senior managers of the Agency were as follows:

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

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| 2005/06 | S Dean – Director and Chief Executive | J FitzGerald – Director of Policy | J O'Brien – Director of Licensing | C J Bean – Director of Corporate Business |
|---|--|---|---|--|
| | £000 | £000 | £000 | £000 |
| Salary (as defined above) | 85-90 including 5-10 bonus | 75-80 including 0-5 bonus | 70-75 | 60-65 |
| Real increase in pension and related lump sum at age 60 | 0-5 plus 0-5 lump sum | 0-5 plus 5-10 lump sum | 0-5 plus 0-5 lump sum | 0-5 plus 0-5 lump sum |
| Total accrued pension at age 60 and related lump sum | 5-10 plus 25-30 lump sum | 30-35 plus 90-95 lump sum | 30-35 plus 95-100 lump sum | 30-35 plus 95-100 lump sum |
| CETV at 31 March 2005* | 138 | 445 | 490 | 583 |
| CETV at 31 March 2006 | 200 | 597 | 715 | 809 |
| Real increase in CETV after adjustment for inflation and changes in market investment factors | 26 | 36 | 24 | -6 |
| | £ | £ | £ | £ |
| Employer contribution to partnership pension account including risk benefit cover – to nearest £100 | – | – | – | – |

| 2004/05 | S Dean – Director and Chief Executive | J FitzGerald – Director of Policy | J O'Brien – Director of Licensing | C J Bean – Director of Corporate Business |
|---|--|---|---|--|
| | £000 | £000 | £000 | £000 |
| Salary (as defined above) | 85-90 including 5-10 bonus | 65-70 | 65-70 | 65-70 |
| Real increase in pension and related lump sum at age 60 | 0-5 plus 0-5 lump sum | 0-5 plus 0-5 lump sum | 0-5 plus 5-10 lump sum | 0-5 plus 5-10 lump sum |
| Total accrued pension at age 60 and related lump sum | 5-10 plus 20-25 lump sum | 25-30 plus 80-85 lump sum | 30-35 plus 90-95 lump sum | 30-35 plus 90-95 lump sum |
| CETV at 31 March 2004 | 114 | 391 | 429 | 480 |
| CETV at 31 March 2005* | 138 | 445 | 490 | 583 |
| Real increase in CETV after adjustment for inflation and changes in market investment factors | 17 | 21 | 32 | 51 |
| | £ | £ | £ | £ |
| Employer contribution to partnership pension account including risk benefit cover – to nearest £100 | – | – | – | – |

* The factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

No amounts have been paid during the year in respect of compensation to former senior managers or to third parties for services of a senior manager.

None of the VMD Directors has held any company directorships or other significant interests during the year that, in the opinion of the Directors, may conflict with their management responsibilities.

Regulatory Agencies Strategy Board

Membership details of the RASB are shown on page 8. With the exception of the VMD and PSD Chief Executives and the external members, the RASB members served only in their capacity as senior managers of the parent or other government department. Defra bears the cost of their representatives and the external members and details of these members' salaries, pensions, company directorships or other significant interests are included in their departments' resource accounts. This cost is included in the notional Defra service recharge.

None of the external members of the RASB has held any company directorships or other significant interests during the year that, in the opinion of the members, may conflict with their management responsibilities.

Civil Service Pensions³⁰

Pension benefits are provided through the Civil Service pension arrangements. From

30. Further details about the Civil Service pension arrangements can be found at www.civilservice-pensions.gov.uk

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 in the same way as in 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 from a selection of approved products. 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).

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

Cash Equivalent Transfer Values (CETV)

A 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 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 Civil Service scheme and for which the Scheme has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional 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.

The factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.



Steve Dean
Chief Executive