

# Remuneration 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. 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; and
- 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](http://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 Directors 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.

Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk).

Steve Dean was appointed on a fixed term contract which has been extended to expire on 31 August 2011.

## Salaries and Pension Benefits (Audited)

The following sections provide details of the remuneration and pension interests of the VMD's Directors.

## Salary

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

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.

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.

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. None of the Directors received any benefits in kind during the year.

## Pension Benefits

### Cash Equivalent Transfer Values (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. 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 pension 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. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Real Increase in CETV

This is effectively the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the employee and is worked out using common market valuation factors for the start and end of the period.

<b>2008/09</b>	S Dean – Director and Chief Executive	J FitzGerald – Director of Operations	J Atkinson – Director of Authorisations
	£000	£000	£000
Salary (as defined above)	95-100 including 5-10 bonus	85-90 including 5-10 bonus	75-80 including 10-15 bonus
Real increase in pension and related lump sum at age 60	0-2.5 plus 0-2.5 lump sum	0-2.5 plus 0-2.5 lump sum	0-2.5 plus 0-2.5 lump sum
Total accrued pension at age 60 and related lump sum	10-15 plus 40-45 lump sum	35-40 plus 105-110 lump sum	15-20 plus 25-30 lump sum
CETV at 31 March 2008*	269	699	194
CETV at 31 March 2009	309	756	228
Real increase in CETV after adjustment for inflation and changes in market investment factors	17	–	12

\* The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

<b>2007/08</b>	S Dean – Director and Chief Executive	J FitzGerald – Director of Operations	J Atkinson – Director of Authorisations
	£000	£000	£000
Salary (as defined above)	95-100 including 5-10 bonus	85-90 including 10-15 bonus	60-65 including 0-5 bonus
Real increase in pension and related lump sum at age 60	0-2.5 plus 2.5-5 lump sum	0-2.5 plus 2.5-5 lump sum	0-2.5 plus 0-2.5 lump sum
Total accrued pension at age 60 and related lump sum	10-15 plus 35-40 lump sum	30-35 plus 100-105 lump sum	10-15 plus 25-30 lump sum
CETV at 31 March 2007	229	637	176
CETV at 31 March 2008	284	746	223
Real increase in CETV after adjustment for inflation and changes in market investment factors	21	18	13

No employer contributions were made to partnership pension accounts (2007/08: £nil).

## Regulatory Agencies Strategy Board/ VMD Owner Advisory Board

Membership details of the RASB/OAB are shown on page 10. With the exception of the VMD and

PSD Chief Executives and the external members, the RASB/OAB 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.

None of the external members of the RASB/OAB 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.

## External board members

Membership details of the Audit & Risk Committee are shown on page 62. The three external members also sit on the Management Board. The following salaries and benefits-in-kind were paid to the external members:

<b>2008/09</b>	J Preston £000	B Morris £000	D Skilton £000
Salary (as defined above)	0-5	0-5	0-5
Benefits-in-kind	0-5	0-5	0-5
Total	0-5	0-5	5-10

<b>2007/08</b>	J Preston £000	B Morris £000	D Skilton £000
Salary (as defined above)	0-5	0-5	5-10
Benefits-in-kind	0-5	0-5	5-10
Total	0-5	5-10	10-15

'Salaries' relate to attendance fees, from which payroll taxes are deducted at source. Benefits-in-kind relate to the reimbursement of travel expenses to the VMD's offices. The VMD settles the members' income tax liability on the benefits-in-kind through a 'PAYE Settlement Agreement'. The external members did not receive any pension benefits as part of their remuneration.

None of the external members 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 Pensions<sup>22</sup>

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (Classic, Premium or Classic Plus); or a 'whole career' scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with changes in the

22. Further details about the Civil Service pension arrangements can be found at [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

Retail Prices Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or 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, Classic Plus and Nuvos. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings 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. Classic Plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium. In Nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is updated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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 panel of three providers. 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 pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).



**Steve Dean**  
Chief Executive  
22 May 2009

## Environmental Matters and Social and Community Issues

The highlights of the VMD's progress against its Sustainable Development Action Plan<sup>23</sup> over the past year have been:

- a significant number of environmental impact assessments have been carried out on applications for veterinary medicines;
- the VMD is working with Defra's sustainable procurement experts to ensure tendering of the next contract for analytical services under the residues surveillance scheme meets the government's sustainability requirements;
- some 90% of staff have had an awareness presentation on Sustainable Development (SD) and the VMD, which they found informative; and
- 12 members of staff volunteered to clear the big cat pens and enclosures at the Wildlife Heritage Foundation in Kent as part of Defra's SD volunteering initiative. More staff are expected to follow in 2009/10.

The key challenges for the future are to:

- make more realistic Defra and the Sustainable Development Commission's (SDC) expectations of what improvements a small agency with limited resources like the VMD can achieve year on year (over and above the on-going contribution made by its core business); and
- to work with them in 2009/10 to maximise and realise our delivery potential.

23. You can find out more about the VMD's Sustainable Development Plan via [www.vmd.gov.uk](http://www.vmd.gov.uk) under About

