

Remuneration Report – Separate disclosure of Management Board bonuses

Public Sector pay is subject to considerable political and public interest. HM Treasury, as agreed by the Financial Reporting Advisory Board has amended the Government Financial Reporting Manual (FReM, Paragraph 5.2.15-5.2.20) from 2010-11 to take account of the general call for increased transparency by requiring the separate disclosure of salary and bonuses, payable in £5,000 bands within the director's remuneration report in the Annual Report and Accounts of relevant central government bodies.

The FReM requires that a remuneration report included within an annual report disclose salaries (and allowances) in bands of £5,000 for all members of the Management Board. Salaries and allowances cover both pensionable and non-pensionable amounts and include, but are not necessarily confined to, gross salaries, overtime, reserved rights to allowances etc. The FReM now requires the separate reporting of bonuses from salaries unless the non-disclosure criteria in paragraph 5.2.18 are met.

An example format for the remuneration report for members of a Management Board, with the separate disclosure of salary and bonuses in £5k bands is attached in Annex A.

Disclosure of bonuses:

HM Treasury is aware that different accounting practices may currently be in place across Central Government for bonuses, where by some organisations provide for bonuses in the year to which the employees performance relates and others include expenditure relating to employee performance in the previous year.

IAS 19, *Employee benefits* as interpreted and adapted by the FReM should be applied when accounting for bonuses, and so the expected cost should be recognised when there is a legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. If the criteria of IAS 19 are not met, IAS 18, *Revenue* and IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* should also be considered, as applied by the FReM.

The civil service appraisal process and equivalent in ALB's may not be completed until the summer following the year to which performance relates, in which case the recognition criteria for current year bonuses under IAS 19 may not met. This may not preclude an organisation from including a provision or general accrual for a bonus pot where there is uncertainty over an individual's bonus at the point that the financial statements are authorised for issue. In such situations, the remuneration report should disclose an individuals' bonus relating to the prior year's performance.

Practitioners applying the FReM should ensure that the disclosures in the remuneration report are materially consistent with bonus expenditure relating to individuals included in the financial statements and should disclose which performance year they relate to.

HM Treasury

19 January 2011

Example - Salaries of Senior Management**ANNEX A**

Officials	200X-0Y			200W-0X		
	Salary £'000	Bonus Payments £000s	Benefits in kind (to nearest £100)	Salary £'000	Bonus Payments £000s	Benefits in kind (to nearest £100)
Member 1 Permanent Secretary	125-130	0-5	3,900	115-120	5-10	3,800
Member 2 Director General	100-105	5-10	500	95-100	0-5	500
Member 3 Director	95-100	-	-	90-95	0-5	-
Member 4 Director	75-80	0-5	-	(75-80 full year equivalent)	-	-
Member 5 Director	75-80	0-5	-	75-80	0-5	-
Member 6 Director(until 28 February 2009)	65-70 (75-80 full year equivalent)	0-5	-	75-80	-	-
Member 7 Director*(From 1 March 2009)	5-10 (75-80 full year equivalent)	-	-	N/A	N/A	N/A

* Member 7 was appointed on a three-year contract commencing on 1 March 200X.

Salary

'Salary' includes gross salary; 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 report is based on accrued payments made by the Department and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the department and treated by HM Revenue and Customs as a taxable emolument. Member 1 and Member 2 had the private use of an allocated car in the circumstances permitted by the Civil Service Management Code.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 200X-0Y relate to performance in [200X-XX] and the comparative bonuses reported for 200W-0X relate to the performance in [200X-XX].

[Note - If the appraisal process does not allow enough time to accrue for individual bonuses relating to 200X-0Y performance in the 200X-0Y financial statements, then the remuneration report should disclose bonuses based on 200W-0X performance and comparative bonuses for 200W-0X should be based on 200V-0W performance.]