

## 3. 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. 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 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](http://www.ome.uk.com)

### Service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioner's Recruitment Principles, which requires appointments to be based on 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 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.

The standard period of notice to be given by Directors is three months.

### Salary and pension entitlements

The remuneration and pension interests of the Chief Executive and Directors are set out on [pages 40 to 43](#).

The Senior Civil Servant annual pay award is determined by performance, with no award made to unsatisfactory performers. Bonuses are awarded to no more than 75 per cent of staff. They are made to reward in-year performance in relation to agreed objectives, or short-term personal contribution to wider organisational objectives.

### Salary

Salary includes gross salary; 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. This report is based on payments made by the Agency and recorded in these accounts.

### Performance bonus

Performance is assessed annually for Directors through the appraisal processes managed by DfT and entitlement to performance enhancements or bonuses established in comparison across the DfT family through the Departmental evaluation committee, chaired by the Permanent Secretary. The Directors did not receive any non-cash benefits during the current or prior year.

### Civil Service pensions

Pension benefits are provided through the Civil Service pension 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 pension increase legislation. 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 per cent of pensionable earnings for classic and 3.5 per cent 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 per cent and 12.5 per cent (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 contribute, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

## Cash Equivalent Transfer Values (CETV)

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 pension arrangements and for which the CS Vote has received a transfer payment commensurate with 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 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.

## Remuneration of the Executive Board Members – audited

	2010-11		2009-10	
	Salary (£000)	Performance Bonus (£000)	Salary (£000)	Performance Bonus (£000)
<b>Chief Executive</b>				
Noel Shanahan (to May 2010)	10-15 (105-110 full year equivalent)	5-10	105-110	10-15
Simon Tse (from May 2010); (Chief Operating Officer to May 2010)	90-95	5-10	85-90	5-10
<b>Executive Board Members</b>				
David L Evans – Corporate Affairs (from August 2009)	80-85	5-10	50-55 (75-80 full year equivalent)	0-5
Paul Evans – Chief Information Officer	90-95	15-20	95-100	–
Ieuan Griffiths – Finance & Strategy	90-95	5-10	90-95	5-10
Richard Kitchen – Policy & External Communications (to August 2009)	–	–	25-30 (85-90 full year equivalent)	5-10
Judith Whitaker – Chief Operating Officer (from May 2010); HR & Estates (to May 2010)	80-85	0-5	75-80	5-10
Eddie March – HR & Estates (from May 2010)	60-65	0-5	55-60	0-5

Bonuses relate to those paid in 2010-11. The bonus to be paid in 2011-12 is yet to be determined. There were no benefits in kind.

None of the exit package costs disclosed in Note 3 relate to Executive Board members.

## Remuneration of the Chief Executive – audited

	2010-11		2009-10	
	Salary (£000)	Performance Bonus (£000)	Salary (£000)	Performance Bonus (£000)
<b>Noel Shanahan (to May 2010)</b>				
Salary	11	10	106	12
Pension Contributions	3	–	39	–
	<u>14</u>	<u>10</u>	<u>145</u>	<u>12</u>
<b>Simon Tse (to May 2010)</b>				
Salary	94	7	–	–
Pension Contributions	34	–	–	–
	<u>128</u>	<u>7</u>	<u>–</u>	<u>–</u>

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### Remuneration of the Non-Executive Board Members – audited

	2010-11	2009-10
	(£000)	(£000)
Michael Brooks	20-25	5-10
Jim Knox	20-25	10-15
John Burdett (to 31 December 2010)	–	20-25
Baljit Dhillon (to 31 December 2010)	–	5-10

## Pension Benefits of the Executive Board Members – audited

	Real increase in pension and related lump sum at age 60 during year	Total accrued pension at age 60 and lump sum (LS)	Cash Equivalent Transfer Values (CETV)		Employee contributions and transfers in during year	Real increase in CETV as funded by employer in year
	2010-11	2010-11	2010-11	2009-10	2010-11	2010-11
	£000	£000	£000	£000 (re-stated)	£000	£000
Noel Shanahan	0-2.5	5-10	129	126	0	2
Simon Tse	2.5-5.0	20-25	206	172	3	22
David L Evans	0-2.5 plus 1.0-1.5 lump sum	20-25 plus 65-70 lump sum	328	296	1	4
Paul Evans	0-2.5	2.5-5.0	52	26	3	22
Ieuan Griffiths	0-2.5 plus 1.5-2.0 decrease in lump sum	35-40 plus 55-60 lump sum	756	682	14	4
Judith Whitaker	0-2.5	35-40	311	269	3	16
Eddie March	0-2.5	2.5-5.0	49	34	2	10

The actuarial factors used to calculate CETV were changed in 2010-11. The CETV figures at 31 March 2010 and 31 March 2011 have both been calculated using the new factors, for consistency. The CETV at 31 March 2010 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.



**Simon Tse**

Accounting Officer and Chief Executive DVLA  
22 June 2011