



Date: 30 July 2021

To: Accounting Officers in each Department

Circular Number: Circular 16/2021

Code of Practice for the Governance of State Bodies
Amendments to the Annex on Remuneration and Superannuation

A Dhuine Uasail,

1. I am directed by the Minister for Public Expenditure and Reform to refer to the Code of Practice for the Governance of State Bodies (the “Code”) and to an existing Annex to the Code entitled “Remuneration and Superannuation” (the “Annex”).
2. On 29 June 2021, the Government agreed to re-affirm and revise the existing framework of governance procedures applying to Commercial Semi State Bodies (CSSBs) in relation to specific superannuation and remuneration proposals.
3. As outlined in the Government decision, prior approval of the Minister for Public Expenditure and Reform is required for:
 - (a) severance scheme proposals;
 - (b) amendments to pension schemes required under legislation or scheme rules; and
 - (c) any changes to pension scheme benefits, such as pension increases, where Ministerial or Departmental consent is required.

This circular applies with effect from 30 July 2021.



Overview

4. Reflecting the approval requirements set out in paragraph 2, amendments have been made in the Annex to the Code (see paragraphs 7 and 8 for more detail).
5. These changes to the Code have also been reflected in a revised illustrative Model Shareholder Expectation Letter (see attached). Adherence to the new requirements should now form an integral part of a Government Department's oversight agreements with the CSSBs under its aegis.

You are therefore requested to ensure that the various letters of shareholder expectation are amended to reflect the revised text as these letters fall due for renewal.

6. You are also requested to bring this Circular and the associated attachments to the attention of all bodies under the aegis of your Department/Office focusing in particular on the CSSBs.

Specific Changes to the Code of Practice for the Governance of State Bodies (Annex)

7. A new paragraph in relation to severance schemes (Voluntary Redundancy and Voluntary Early Retirement Schemes) has been included at paragraph 1.7 as follows:

All severance scheme proposals are required to be submitted to both the relevant parent Department and subsequently to the Department of Public Expenditure and Reform for Ministerial approval prior to the circulation of terms to staff or representatives. The parent Department is responsible for sending the proposals to the Department of Public Expenditure and Reform together with their own views and, where appropriate¹ the advice received from NewERA for Ministerial shareholders. These proposals should also be accompanied by detailed business cases including strategic rationale, scheme terms, financial analysis and estimated take up. Post-project reviews of severance schemes should be carried out within three years of their introduction focusing on the implementation outcomes and financial effectiveness of such schemes.

¹ This applies in the case of entities designated under Part 3 of the NTMA (Amendment) Act 2014 and other commercial bodies in respect of which NewEra provides advice to relevant Ministers on an ongoing basis by agreement.



8. A new paragraph in relation to pension schemes has been included at paragraph 2.13 as follows:

Any proposed changes to statutory pension schemes or requests for Ministerial consent to discretionary benefits required under scheme rules and/or relevant legislation should be submitted for approval to the relevant parent Department and subsequently to the Department of Public Expenditure and Reform well in advance of any decisions to implement changes. The submission by the parent Department to the Department of Public Expenditure and Reform should include, where appropriate², the advice received from NewERA for Ministerial shareholders.

9. As referenced in paragraphs 6 and 7 above and given the importance of the NewEra advices to inform decisions, NewERA will provide a recommendation on proposals to both individual Ministers and to the Department of Public Expenditure and Reform. These will be provided from both a financial and commercial perspective, including an evidence informed assessment of the extent to which proposals adhere to current policy, and a consequent recommendation arising from this review.

Responsibilities of Departments

10. It is a matter for each parent Department with responsibility for individual CSSBs to review relevant proposals from these bodies. In particular, the relevant Accounting Officer must satisfy him/herself that the new requirements are being implemented. The other key responsibilities for Departments in adhering to the new Code requirements include:

- Ensuring CSSBs are aware of their new obligations under the Code;
- Satisfying themselves that the business case for proposals (severance scheme proposals and pension scheme changes or changes to discretionary benefits) are justified in strategic, policy and financial terms before the relevant approvals

² This applies in the case of entities designated under Part 3 of the NTMA (Amendment) Act 2014 and other commercial bodies in respect of which NewEra provides advice to relevant Ministers on an ongoing basis by agreement.



(including Ministerial approvals) are sought from the Department of Public Expenditure and Reform;

- Ensuring that requests for approval submitted to the Department of Public Expenditure and Reform are accompanied by the appropriate NewERA advices;
- Providing early warnings of the substance of pending approval requests if deemed necessary e.g.
 - Cases involving particular time pressures, complexities or financial implications on obtaining decisions (e.g. timelines prescribed by the Pensions Authority)
 - Pension scheme matters³ which require scheme rules to be changed/amended via statutory instrument
- Ensuring that there are no breaches of the requirements and that any instances of non-compliance with the new requirements are followed up swiftly and are actively managed i.e. seeking and overseeing the implementation of remedial actions to deal with the legal, financial and governance consequences arising;
- Ensuring that there is a renewed emphasis on adherence to all existing requirements in relation to remuneration and superannuation (e.g. funding proposals, contingent assets, and adherence to pensions legislation and Pensions Authority guidance) under the Code.

11. Reminders of the new and existing requirements in relation to remuneration and superannuation matters should be communicated to CSSBs and measures taken to ensure compliance on a regular basis. As outlined above, it is particularly important that Departments ensure that any significant breaches of the existing and new requirements lead to the necessary follow up actions/consequences. They must be dealt with comprehensively as part of the overall governance relationship between Departments and CSSBs.

Responsibilities of Commercial Semi State Bodies

12. The Chairs and the Boards of CSSBs are ultimately responsible for ensuring that all necessary approvals are obtained at an early stage from Ministers (i.e. well in advance

³ Under paragraphs 2.11 to 2.13 of the Revised Annex



of the anticipated timelines required for implementation) and for ensuring that Government policy on remuneration and superannuation matters are upheld.

13. In addition, CSSBs have the following responsibilities;

- Ensuring that there are documented and formalised governance processes and procedures, including sign off by the appropriate officers, governing the internal and external approval processes for severance schemes and pension scheme changes – this should include the necessary Board approvals prior to seeking Ministerial approvals as well as changes to the foundation documents for CSSBs (e.g. memorandum and articles of association) should this be deemed necessary;
- Providing all the necessary information in a timely manner required for Ministerial review of proposals – this includes all the details and any/all follow up technical clarifications which NewEra require to draft their advices;
- Engaging in a timely manner to provide any additional information requested and to make the necessary changes to proposals as requested by Ministers.

Enquiries

14. Enquiries in relation to this Circular should be addressed to Government Accounting Unit, Department of Public Expenditure and Reform, telephone: +353 1 6767571, LoCall: 1890 661010 or email: govacc@per.gov.ie.

Mise le meas,

Ronnie Downes

Assistant Secretary