



House of Commons
Communities and Local
Government Committee

Local government Chief Officers' remuneration

Second Report of Session 2014–15

*Report, together with formal minutes relating
to the report*

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The Communities and Local Government Committee

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Contents

Report	<i>Page</i>
Summary	3
1 Inquiry background	5
2 Remuneration: the data	6
What are senior council staff paid?	6
Has senior council officers' pay been rising?	8
3 Is Chief Officer remuneration delivering good value for money?	12
Determining a Chief Officer's worth	12
Setting locally appropriate remuneration	13
Fair pay ratios	15
4 Can remuneration reflect performance?	17
Rewarding good performance	17
Under-performance	18
5 Are Chief Executives essential?	20
6 Are local checks and balances robust?	22
Conclusions and recommendations	24
Formal Minutes	28
Published written evidence	30
List of Reports from the Committee during the current Parliament	31

Summary

During the first decade of this century salaries for senior council staff increased by some 75%, far greater than salaries increased for most people. There was justifiable public concern over this steep rise but in the past four years, as with the rest of the population, pay for local authority Chief Executives and senior directors has not risen. Indeed some senior staff have taken pay cuts. It is encouraging that, in isolated cases where significant increases have been proposed, action by local communities has been effective in questioning and reversing them. With the exception of some specific service areas, this welcome pay restraint has to date not apparently affected councils' ability to secure good staff to lead service delivery for their communities.

There is no 'one size fits all' formula applicable to all councils' decisions on senior pay since levels are set within the context of local needs and priorities. Setting a pay rate entails, first, establishing the responsibilities of a job and next identifying the appropriate local pay rate for such a job. Councils have access to local market data but the Local Government Association and regional employers' bodies should address a lack information on the broader pay and recruitment trends over time and across regions. Councils must critically assess the remuneration levels suggested by consultants and job evaluation schemes to ensure a good officer cannot be secured under local market conditions at a lower pay rate.

We had some concerns. Bonuses, although not the norm in the sector, should not be paid to someone simply doing their job, rather only when there is clear evidence of personal additional contribution, with sensitivity to local circumstances. But, of more significance, councils are in many cases failing to establish robust appraisal systems, making it difficult to link performance to pay effectively. The Local Government Association should publish updated guidance and councils should be required to get full council agreement to, and publish, details of the processes used to appraise staff so that the public can understand the basis on which reward decisions are made.

There has been much public concern at a lack of clarity when payments have been made to underperforming staff to incentivise them to leave a council. Councils should publish information on the rationale for, and amount of, such a payment within a month of the decision being made to award it. We welcome Government proposals to stop the 'revolving door' of senior staff leaving one high paid job with a pay-off only to take on another, or to act as a consultant, provided this is implemented so that staff leaving a post through no fault of their own are not penalised.

Innovative approaches such as removing or sharing the post of Chief Executive can reduce overall salary bills and it is right that each council considers whether such approaches will deliver best value for their communities. But we do not support merging the posts of Leader of the Council and Chief Executive since both are needed—the former to determine political direction and the latter to manage policy implementation—and there are benefits from the robust challenge between the two posts.

Government regulations introduced over the course of this Parliament appear to have established a largely effective set of controls but, whilst there has been pay restraint during

the period of austerity, the challenge for councils in future will be to maintain this against improving economic conditions. Well-informed local action is more effective in moderating pay levels than centrally imposed approaches, but, it is essential to have full and transparent data and robust powers for democratic scrutiny of decisions. The changes set out in this report, including provision by the local government sector of more easily comparable data, will help to strengthen local control.

1 Inquiry background

1. This inquiry was prompted by concerns that senior staff in local councils have received excessive pay rises at a time of financial austerity and constrained council budgets. Headlines such as that relating to Rochdale residents' "*Fury over £40,000 rise for boss of hard-up council*" have reflected public concern in some communities about the rising cost of senior salary budgets.¹ In December 2013 we invited evidence on the facts behind the headlines on the key issues of what most councils are now paying their most senior staff and what practices they are using to determine these Chief Officers' remuneration, and associated benefits such as redundancy payments. A Chief Officer is defined here as a local authority Chief Executive or a corporate director or a service head.² Full terms of reference are set out online, together with a list of witnesses and oral evidence session dates.³ Thanks are due to those who gave written or oral evidence and to our Specialist Adviser, Professor Ian Kessler.

2. This report examines first the data on Chief Officers' current remuneration levels and changes in recent years, and then examines four key questions:

- Do current remuneration arrangements deliver good value for money?
- Does remuneration reflect a Chief Officer's performance?
- Is the role of Chief Executive essential? and
- Are local checks and balances robust?

1 [Mail Online](#), 13 October 2013

2 Chief Officers' are defined here as those employed in Chief Executive, tier 1 and 2 roles. A tier 1 role is broadly one with strategic management responsibilities, often with statutory or constitutional duties, such as Director of Children's Services, monitoring officer or deputy head of paid service. In most cases tier 1 officers report directly to the Chief Executive. Tier 2 officers are usually operational managers such as heads of major functions, such as head of human resources or planning, as well as assistant or deputy directors.

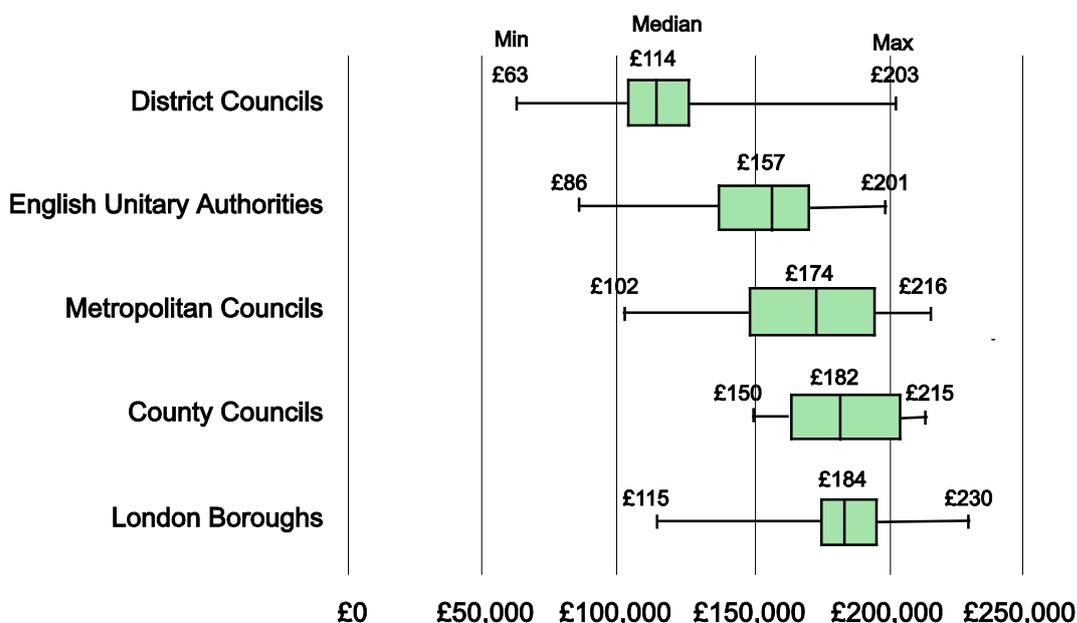
3 Communities and Local Government Committee [website](http://www.parliament.uk/clg) (www.parliament.uk/clg)

2 Remuneration: the data

What are senior council staff paid?

3. The median annual salary for a County Council, Metropolitan or London Borough Chief Executive ranges from £174-£184,000, with a Unitary Council Chief Executive receiving around £157,000 and a District Council Chief Executive some £114,000.⁴ (See figure 1 below). Salaries vary for different individuals however, with some close to the quarter of a million pound mark. Median salaries for the next two tiers of staff below Chief Executive are £112,000 and £77,000.⁵ In addition, benefits such as pension contributions have traditionally boosted the total value of packages significantly.⁶ For example the Chief Executive of the London Borough of Wandsworth receives a total package of around £274,000, including pension contributions of some £43,000.⁷

Figure 1 Local government Chief Executive remuneration 2012-13 (local authorities' figures in £000s)⁸



Source: IDS Thomson Reuters

4 Source data: Income Data Services Thomson Reuters

5 "[Town Halls continue to squeeze top pay](#)", IDS Thomson Reuters, 23 April 2014

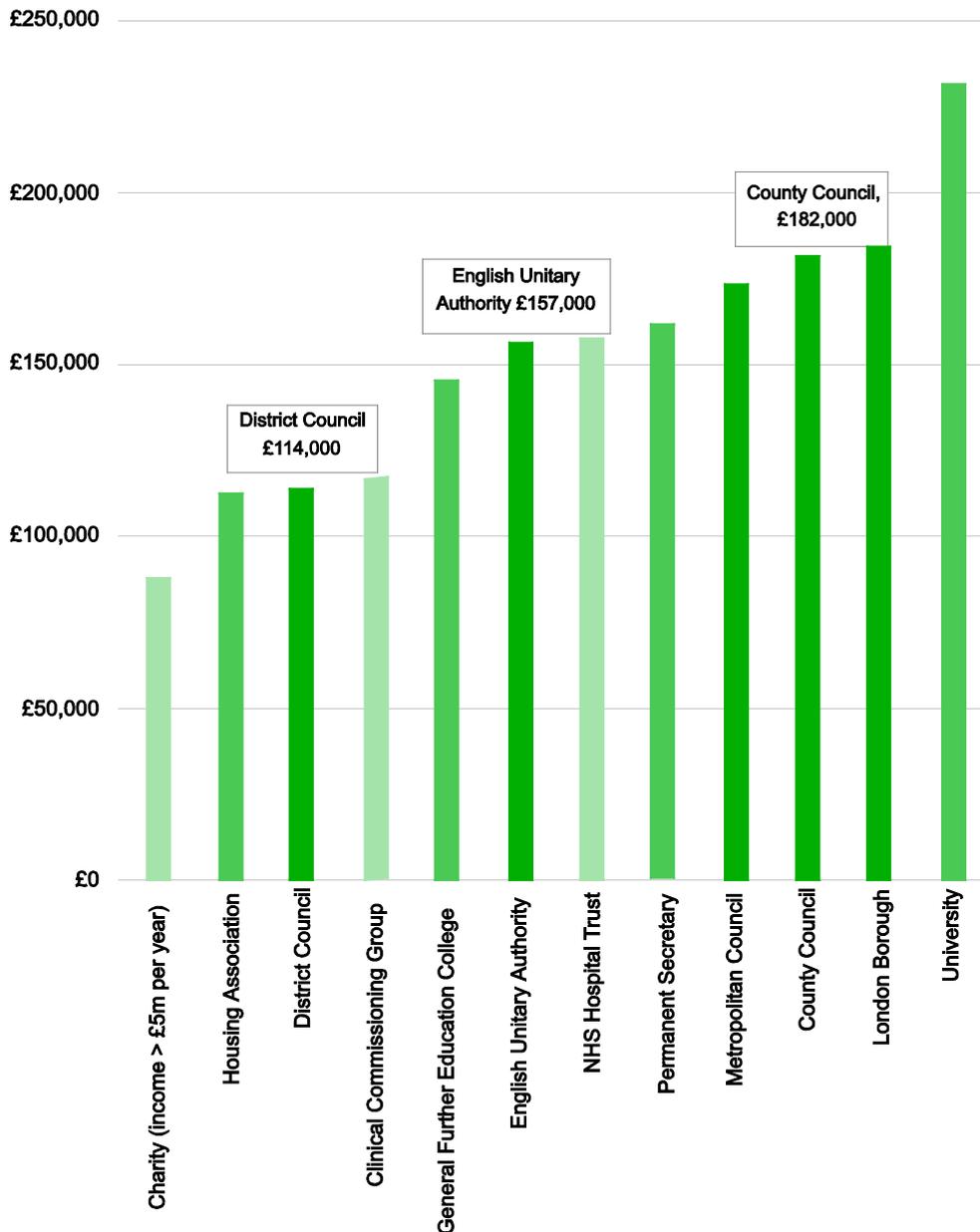
6 Although, as noted by the Association of Local Authority Chief Executives, the value of pension benefits has decreased and the cost of pension contributions has recently increased "thus there are a significant range of pressures on the top earners in local government, above and beyond the erosion of basic pay levels". Alace ([COR 11](#)) paras 6.2-6.5

7 London Borough of Wandsworth, [Statement of Accounts 2012-13](#); see also oral evidence from Wandsworth Chief Executive, Paul Martin and Leader of the Council, Councillor Govindia, Qq189-239. This session also took oral evidence from Camden Chief Executive, Mike Cooke, who is in receipt of a lower remuneration package.

8 Remuneration includes salary, fees and allowances, benefits-in-kind and bonus. Fees include fees payable to a Chief Officer acting as a Returning Officer, for example, which are in part set nationally and part locally.

4. It is important however to put these pay rates in context. Comparisons are often drawn with remuneration for senior jobs in other sectors and in other parts of the public sector. Salary levels for local government sector senior posts are significantly lower than those in the private sector,⁹ and indeed lower than those in some other parts of the public sector, such as academia. Even taking account of enhanced pension provision, packages remain much lower for a top council post when compared to the packages on offer for top private sector staff.

Figure 2 Annual remuneration of Chief Executives in the public sector



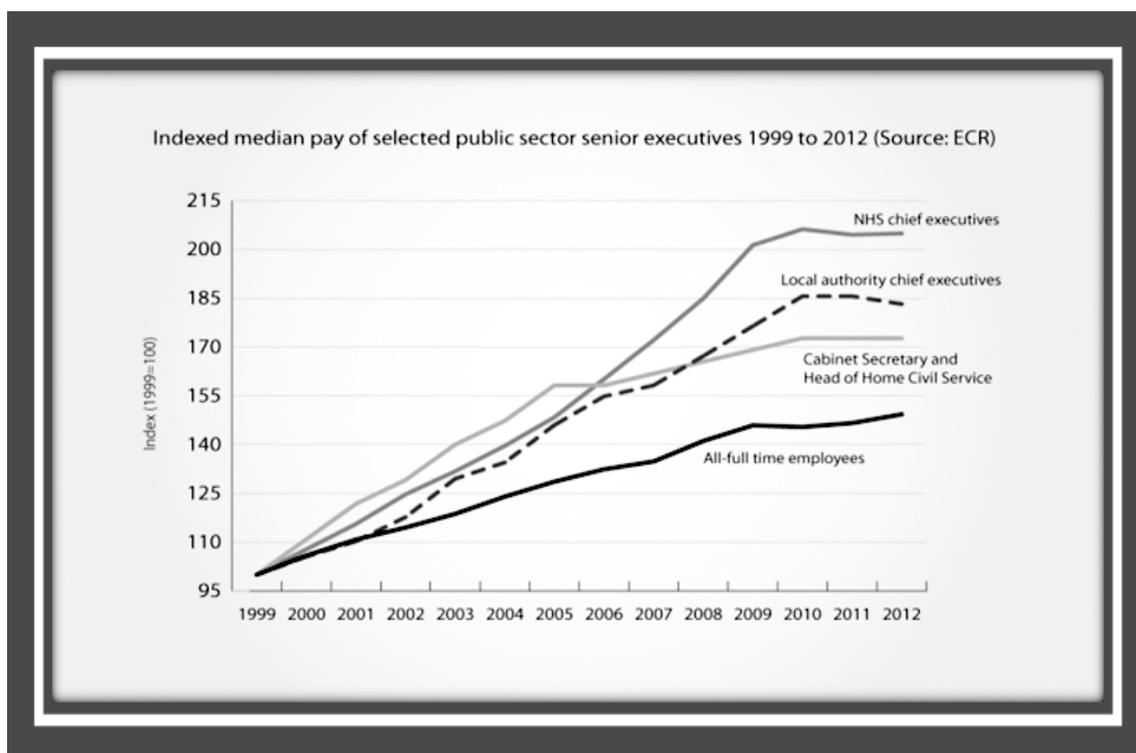
Source: IDS Thomson Reuters, Third Sector, Review Body on Senior Salaries (based on 2012-13 figures and where not available on 2011-12 or 2013-14)

9 Median salary for a County Council Chief Executive is £182,000 compared to total earnings of £1.3 million for a FTSE 250 company Chief Executive. KPMG, [Guide to Directors' Remuneration](#), p 21

Has senior council officers' pay been rising?

5. Local government Chief Officers' remuneration rose significantly in the decade up to 2009, with Chief Executives' median annual earnings going up by some 75%. This increase was almost twice as high as that for other full time employees across all pay grades and sectors.¹⁰ Other parts of the public sector also saw significant salary increases, some at a much faster rate than their local authority counterparts. For example NHS senior manager salaries doubled in a decade. However, as figure 3 shows, these steep increases have now ended and overall senior public sector salaries have plateaued.

Figure 3 Indexed median pay of selected public sector senior executives 1999-2012



Source: IDS Executive Compensation Review

6. Some 75% of council Chief Officers have their pay rises determined at national level,¹¹ by one of two Joint Negotiating Committees (JNC) within which staff representatives and employer representatives negotiate an annual pay settlement.¹² Neither JNC has awarded a pay rise in the past four annual settlements.¹³ Council involvement in the JNCs is voluntary and 53 English councils choose not to participate and instead determine pay rises locally. These councils have also on the whole awarded no pay increases in the past few years. The

¹⁰ Income Data Services Executive Compensation Review data

¹¹ Q412

¹² There are two separate national Joint Negotiating Committees (JNCs) for the grades of staff pertinent to this inquiry– the JNC for Chief Executives of Local Authorities and the JNC for Chief Officers of Local Authorities. Staff side for the Chief Executives' JNC is represented by Alace whilst on the Chief Officers' JNC this role is undertaken by the GMB and Unison. The employer side of both committees comprises councillor representatives from the LGA.

¹³ Alace (COR 11) para 6.1: "Nationally, local authority chief executives and chief officers have not had an annual cost-of-living pay increase [over the past five years], and many of the additional remuneration components [...] have been cut to reduce costs".

latest data published by Income Data Services for the year to the end of March 2013 shows that for all jobs at Chief Executive and senior director level,¹⁴ in all types of local authority, median salary increases were zero. More than half of all senior officers received no increase that year and many councils, such as Doncaster Metropolitan Council and the London Borough of Harrow, cut salaries.¹⁵ Some individuals have received a salary increase but in most cases these have reflected an increase in responsibilities following a re-organisation or an incremental increase on an established pay scale.

7. Although across the country there is now a clear pattern of pay restraint, some isolated cases have attracted negative publicity. One example is Rochdale Borough Council. Councillors last year proposed raising the Rochdale Chief Executive's £130,000 annual salary by £40,000, on advice from the Hay Group during a re-evaluation exercise which suggested that £170,000 represented a mid-market rate for the job.¹⁶ The exercise took account of a reduction in the number of senior posts following a re-structuring which would save several hundred thousand pounds in overall salary costs.¹⁷ Subsequent public concern at the proposed level of salary increase for the Chief Executive led to a meeting of the full Council rejecting the proposal in favour of an increase of just 1%.¹⁸ Following May's local elections, Rochdale has a new Council Leader. The then Chief Executive, Jim Taylor, has also moved posts, to become Salford City Council's most senior officer at a reported £150,000 per annum.¹⁹ He told us that his move was in part driven by salary considerations, although there were many other factors such as the challenge of the role.²⁰ Rochdale councillors agreed in July to advertise the Chief Executive post at a salary of around £130,000.²¹

8. There has been pressure from some commentators for the historic pay rises awarded over the first decade of the century to be reversed. Witnesses such as the TaxPayers' Alliance, whilst recognising that senior pay had not increased "since the economic crisis hit",²² told us that there remained "huge public concern" at the number of staff paid "very high salaries that put them in the top 1% in the country" and that "escalating costs of Chief Executive positions over the past decade, without parallel improvements in services of efficiency, have done much to undermine the public's faith in local government".²³ In 2010 and again in 2012 the Secretary of State for Communities and Local Government, Rt Hon Eric Pickles MP, was reportedly "furious" at senior pay rises, called on senior council

14 Chief Executive, tier 1 and tier 2 level—see footnote 2 above for tier definitions.

15 "[Town Halls continue to squeeze top pay](#)", IDS Thomson Reuters, 23 April 2014

16 Q245

17 Qq308, 310

18 "[Rochdale Council chief executive in 1% pay increase](#)", BBC News Online, 12 December 2013

19 Q245

20 Q288

21 Q315

22 Q5

23 TaxPayers' Alliance ([COR 17](#)) Summary

figures to volunteer for pay cuts.²⁴ The Department for Communities and Local Government's 2012 *50 Ways to Save* publication suggested that:

Councils can lead from the top by having their Chief Executives take a pay cut. Ministers have taken a 5% pay cut and frozen their pay for five years. Chief Executives can do the same.²⁵

We asked Paul Martin, Chief Executive of Wandsworth Council, if he would take a pay cut—he declined to answer directly but his Council Leader, Councillor Govindia, did not support the idea since the public would not accept that a cut of, say, £20,000 would be enough and there would be a “race to the bottom”.²⁶ Graham Farrant, the Chief Executive for both the London Borough of Barking and Dagenham and Thurrock Councils argued that taking a pay cut might not represent the “right leadership” since good people could be lost.²⁷ However, some senior officers are indeed taking pay cuts.²⁸ Furthermore, research published by the *Local Government Chronicle* shows that many newly appointed Chief Executives are taking salaries starting on a lower rate than their predecessor. There were dramatic decreases in pay levels for the most senior staff appointed between 2011 (when new staff received 19% lower salaries than their predecessors), up until 2014 when decreases stabilised.²⁹ Nonetheless, there continues to be negative press coverage of senior council salaries with even 1% rises depicted as unjustified during an era of constrained budgets.³⁰

9. Although not based on systematic data, the evidence we received indicated that, whilst there are exceptions in some areas for senior roles in services such as Children's Services,³¹ councils are not having significant difficulties in recruiting and retaining good senior staff at the remuneration levels currently being offered.³² However witnesses cautioned that pay freezes could reduce councils' ability to recruit and retain good managers.³³ The Local Government Chronicle's findings that salary decreases have now plateaued may also suggest that a floor could now have been reached below which it may be difficult to recruit good people.³⁴ There has been criticism in the press of interim managers, such as Somerset County Council's Director of Children's Services, being paid at significantly higher rates

24 Department of Communities and Local Government ([COR 12](#)) para 6; see also "[Cut your pay or go, furious Pickles tells town hall chiefs as it's revealed some take pay rises of 13 per cent](#)", Mail Online, 2 March 2012.

25 Department for Communities and Local Government, [50 Ways to Save: Examples of sensible savings in local government](#), December 2012, p 9

26 Q238; Qq234–38 also refer.

27 Q172

28 For example, Doncaster Metropolitan Council approved a 4.7% pay cut following a review of Chief Officer pay and the London Borough of Harrow cut top executive and corporate director pay by 2.5% from January 2013. "[Town Halls continue to squeeze top pay](#)", IDS Thomson Reuters, 23 April 2014

29 "[Downward trend in new chief executives' pay eases off](#)", Local Government Chronicle, 26 June 2014

30 "[Anger at pay rise for council chiefs](#)", Lancashire Telegraph, 20 January 2014, refers to a 1% proposed increase for senior council executives at a time of staff cuts.

31 For example Maggie Rae, Wiltshire Council, Q171

32 See for example evidence from North Yorkshire County Council ([COR 09](#)) para 5.

33 North Yorkshire County Council ([COR 09](#)) para 2; see also Unison ([COR 04](#)) para 19.

34 "[Downward trend in new chief executives' pay eases off](#)", Local Government Chronicle, 26 June 2014

than those paid to permanent employees in posts of the same or higher seniority and through arrangements which minimise the tax payable by the officer.³⁵

10. It is unacceptable for senior figures to be handed significant increases simply for doing their jobs, particularly when council budgets are squeezed and other employees are subject to pay freezes. However, whilst data bears out the headlines highlighting steep rises in senior council remuneration in the first decade of this century, for the past four years there has been pay restraint by councils of all types and in most places. Those few councils bucking this trend stand out all the more. We welcome the restraint now being exhibited by the vast majority of councils and by the national negotiators.

11. This restraint indicates that locally democratically elected representatives are being sensitive to the public mood. Where this has not happened, there has been swift, strong and effective challenge from local taxpayers. It is encouraging that, in isolated cases where excessive rises have been proposed, local communities such as Rochdale have acted through the arrangements in place to stop them. However, councils and decision-takers at local and national level, including the Joint Negotiating Committees, must be vigilant that changing economic conditions do not stoke pressure for increases in future whilst ensuring that remuneration remains sufficiently competitive to attract and retain high quality senior managers. Furthermore, councils must ensure that they obtain good value when recruiting interim managers or consultants to cover hard-to-fill posts temporarily, and that the public purse is not adversely affected by the use of payment methods designed to reduce the tax paid by the officer. We make recommendations below on the framework of checks and balances to give local communities the necessary assurances on this.

³⁵ For example, "[Top council earner avoids income tax](#)", Sunday Times, 24 August 2014

3 Is Chief Officer remuneration delivering good value for money?

Determining a Chief Officer's worth

12. Before considering how councils in practice make remuneration decisions, it is important to note that these decisions are not made in a local silo but in the context of general media and public perceptions as to the 'worth' of a Chief Officer's job to a local community and the level of remuneration that reasonably reflects the risks and challenges they face. Not unsurprisingly organisations representing senior officers, such as the Association of Local Authority Chief Executives and Senior Managers (Alace), as well as the Local Government Association (LGA) considered that senior council staff were paid fairly for their responsibilities in the context of public sector circumstances.³⁶ Many commentators draw attention to the fact that some senior council staff's remuneration is in the top 1% of national pay and several hundred earn more than the Prime Minister.³⁷ However, as discussed in the previous chapter, local authority senior figures on the whole earn less than leaders of similar size organisations in other sectors or some other parts of the public sector.³⁸

13. It has been argued that the lower personal risk of public sector posts justifies lower salaries. Although few witnesses made this point directly, some noted that as council managers had a guaranteed council tax income stream they did not face the private sector challenges of generating revenue and dealing with the bottom line.³⁹ On the other hand, many witnesses, including Unison and Alace, argued that senior council jobs pose significant challenges and risk due to the high public profile of running vital services in a political environment.⁴⁰ Others, such as the LGA and Solace, highlighted the billion pound budgets under some Chief Officers' control and the need to run commercial as well as regulatory services.⁴¹ Even the TaxPayers' Alliance, which argued strongly for pay restraint, recognised the challenges of many senior council roles and the necessity of paying remuneration accordingly, including sometimes at private sector levels.⁴² But, as some witnesses highlighted the non-remuneration benefits of public sector packages, such as higher job security,⁴³ and enhanced pension benefits make straight salary comparisons

36 Q114

37 "[The 636 council officials who now earn more than the Prime Minister](#)", Mail Online, 10 May 2013

38 Q34. AON Hewitt witness, Duncan Brown, noted that for roughly similar sized jobs base pay levels for medium-sized councils were broadly equivalent to private sector organisations but for larger authorities pay was around a third higher for their equivalent private sector counterparts. The gap doubled when bonus payments were taken into account.

39 Q23

40 Unison ([COR 04](#)), Alace ([COR 11](#))

41 LGA ([COR 06](#)) para 14, Society of Local Authority Chief Executives and Senior Managers ([COR 05](#)); see also Q94.

42 TaxPayers' Alliance ([COR 17](#)) para 1

43 Q88; the average tenure of a FTSE 100 Chief Executive is 3 years and 7 months, compared to eight years for a local authority.

with the private sector difficult.⁴⁴ On the other hand, some witnesses noted that benefits such as pensions had been eroded in recent years.⁴⁵

14. There is no evidence of significant movement of senior staff from the public to the private sector. The skills developed working in a senior public sector role may not be the right ones for many private sector roles. Although Chief Officer witnesses with private as well as public sector experience argued that at least some of their skills were transferable,⁴⁶ others such as Peter Smith from Hay Group noted that, despite those managing commercial parts of councils having some transferable skills,⁴⁷ some private sector roles were “off limits”.⁴⁸ This lack of transferability reduces the marketability of senior local government managers and ensures that councils can recruit and retain them at relatively low pay rates. As we noted above, the evidence we received indicates that, with the exception of some areas such as Children’s Services, councils are not having difficulties in recruiting and retaining good senior staff, at the remuneration levels currently being offered.⁴⁹

15. There are also barriers to the movement of senior staff from the private to the public sector, including wide gaps in pay in some instances. Witnesses cautioned that low salaries could be a barrier to high quality candidates from higher paying sectors and that remuneration needed to be sufficient to attract and keep the best staff who could deliver the best value for communities.⁵⁰ Nonetheless witnesses noted that many high quality individuals sufficiently value factors other than remuneration (such as the public service ethos and career security),⁵¹ such that suitable staff could be recruited from the private sector and retained even at the lower local authority salaries. However, as the Chartered Institute of Personnel and Development (CIPD) alluded to, recruitment of private sector candidates might be hampered for some roles which require specific skills developed in the public sector.⁵²

Setting locally appropriate remuneration

16. In a perfect situation, remuneration for senior council staff would be set at the exact level to attract and keep the best candidate, paying neither too little to deter a good candidate from applying nor more than necessary to secure their services, thus ensuring the best value for the local taxpayer. To establish the market rate requires firstly that the relative challenge of a Chief Officer’s job is established and next that the salary payable locally for such a job is ascertained. Typically councils use job evaluation schemes, such as the Hay scheme, to quantify a job’s relative size (challenge) and provide a benchmark

44 Pensions benefits have included final salary, index-linked pensions based on employee contributions lower than the payments required to generate equivalent benefits in a money-purchase scheme.

45 Unison ([COR 04](#)), Alace ([COR 11](#)) para 6

46 For example Maggie Rae, Q170, and Graham Farrant, Q167

47 Q259

48 Q261

49 For example, Mike Cooke, Chief Executive of Camden ([COR 16](#)) para 11, and Maggie Rae, Q171

50 See for example TaxPayers’ Alliance ([COR 17](#)) Summary.

51 Q171

52 Q67

allowing councils to compare what other authorities are paying for a job of similar challenge across the public sector.⁵³ There will be a range of pay rates for jobs of similar size allowing some discretion in setting pay rates. The exercise of this discretion does not always lead to the most appropriate pay rates. For example, Rochdale council used the Hay job evaluation scheme and Hay experts' advice on median local salary levels for equivalent jobs to propose a £40,000 salary increase for the Chief Executive post. But, following public concern and councillors blocking this rise, the post is being filled at the original rate and the previous incumbent has been re-employed elsewhere in an arguably at least as challenging a job for only a modest salary increase.⁵⁴ Some witnesses noted that the use of recruitment consultants could lead to inappropriate remuneration since, as the Department for Communities and Local Government (DCLG) Parliamentary Under-Secretary of State, Brandon Lewis MP, told us, they tended to drive salaries upwards. He was "cautious" about using them to find suitable candidates, preferring to use in-house staff in the main.⁵⁵

17. We are concerned that in some cases job evaluation schemes have produced remuneration decisions which are not sensitive enough to local circumstances and need. We therefore conclude that, whilst consistent use of such schemes by a sufficiently large number of councils is valuable in providing an objective measurement of job size which enables councils to benchmark against each other, councils must ensure that they use this information with greater regard to local circumstances, needs and priorities. Councils must ensure that they critically assess advice from job evaluation schemes and recruitment consultants within the context of such local considerations, including an analysis of whether local market conditions might secure as good an officer at a lower rate.

18. It is important that proposed remuneration is not out of kilter with local market conditions. Once a job level is decided, establishing the local market rate for such a job requires accurate data on local pay rates. Such information is available to councils through the e paycheck system which provides up-to-date data on market rates.⁵⁶ Sharing of information at supra-local level, such as through regional employers' bodies, also helps to establish accurate market data to enable councils to compare levels with other local councils. This data should provide information on whether councils are finding it difficult to recruit and retain senior staff at the remuneration levels on offer locally. At national level, the LGA also provides a forum for exchange of such information although it does not conduct regular audits.

19. However, even with perfect information, decisions on the most appropriate level of remuneration will vary, depending on local priorities and political views. For example, we heard from two London Boroughs with broadly similar demographic characteristics and challenges and recruiting in the same broad geographical area, but with very different approaches to setting remuneration. The Chief Executive of Camden earns some

53 See Aon Hewitt's view ([COR 19](#)) that job evaluation techniques assists with the objectivity and consistency of pay setting.

54 See for example Q288, Q301.

55 Q481

56 [Epaycheck](http://www.epaycheck.org.uk/) (<http://www.epaycheck.org.uk/>) is a public sector real-time data system for public sector organisations to share data on salaries. It provides a national benchmarking service for its members.

£155,000,⁵⁷ whilst nearby Wandsworth's earns £230,000, despite the slightly lower spending power and deprivation levels in the latter's Borough.⁵⁸ Wandsworth's Chief Executive told us that his salary represented the "demands that the council makes on its senior officials" and that the council's view was that stability of good managerial leadership was the "secret to running good services at low cost".⁵⁹ In contrast, Camden told us that it responded to changed economic conditions after 2009 by reducing pay, despite increasing challenges for senior staff. The current Chief Executive, Mike Cooke, earns some £40,000 less than his predecessor.⁶⁰ Mr Cooke told us that he was proud of the signal this sent to the local community as it was related to "moral authority",⁶¹ but he was reluctant to make comparisons with Wandsworth since its different "policy and strategy, both politically and managerially" meant it would be like "comparing chalk and cheese".⁶²

20. If councils are to make locally appropriate decisions they need accurate data about what they need to pay in their local area so that they neither over-pay their senior officers nor fail to attract the best candidates by offering lower rewards that are out of kilter with the market. We recommend that the Local Government Association works with regional employer organisations to provide a regular analysis of regional pay trends and help to inform the national and local debate on appropriate remuneration levels and changes. The LGA should seek feedback from its council members as to whether there is a gap in the data about councils' ability to recruit and retain suitable candidates and, if necessary, commission regular surveys. However, we recognise that there is no 'one size fits all' formula to determine the right remuneration levels for every circumstance, since different councils have different local contexts and priorities.

Fair pay ratios

21. Given a constrained pay budget in local government, senior manager remuneration levels have implications for the pay of other workers in a council, particularly for lower paid staff, raising the broader issue of 'fairness'. Will Hutton's review commissioned by the Government, *Fair pay in the public sector*, considered in depth the issue of the ratio between the salaries at the top of an organisation and those at the bottom, so we have not examined this in detail in this inquiry.⁶³ We note however, as figure 4 below shows, that overall there is a relatively low ratio in the local government sector between the highest paid and the lowest paid – and that this is an order of magnitude lower than in the private sector.

57 See London Borough of Camden, [Statement of Accounts 2012-13](#). Chief Executive, Mike Cooke's remuneration was £155,000 excluding pension contributions or £179,890 including pension contributions for the year to end March 2013.

58 See London Borough of Wandsworth, [Statement of Accounts 2012-13](#). Chief Executive, Paul Martin's remuneration was £230,440 excluding pension contributions or £274,222 including pension contributions for the year to end March 2013.

59 Q206

60 Mike Cooke, Chief Executive of Camden ([COR 16](#)) Executive Summary and paras 11-12

61 Q201

62 Q219

63 Will Hutton concluded that any single limit on pay dispersion would unfairly hit some organisations and create perverse incentives. Hence rather than complying with a cap, organisations should publish and explain their pay multiples to ensure that public bodies are accountable for their pay dispersion. Will Hutton, [Hutton Review of Fair Pay in the Public Sector: Final Report](#), March 2011, chapter 2 summary

Figure 4. Chief Executive to median pay ratios

County Councils	9:1
District Councils	5.1:1
All local Authorities	6.3:1
Private sector	228:1

Source: *IDS, Thomson Reuters*⁶⁴

The data indicates a narrower spread of salary in the smaller (district) councils compared to the larger (county) councils. The figure above shows average ratios—some councils having higher ratios than for the averagely performing council. For example, Surrey County Council has a ratio of 10:1.⁶⁵ Its Chief Executive told us that it was focussing on raising salaries of the lowest paid staff, whilst freezing or slightly reducing pay of the most senior staff. No directly employed staff were paid below the living wage,⁶⁶ although paying this level to contracted staff was not within the council's gift.⁶⁷ Other councils also pay a living wage.⁶⁸ In our *Local government procurement* report, published in March, we acknowledged that councils must be free to develop locally appropriate employment approaches but commended those councils which adopt fair working conditions including pay.⁶⁹

22. We welcome the fact that most councils have a relatively low ratio between the pay of the highest paid officers and staff on lower pay grades since this indicates a broad fairness within council pay approaches, in contrast to the significant gap between those in high paid and low paid jobs in parts of the private sector. However more can be done to raise the floor for pay and we commend those councils which have introduced a living wage policy for all their staff.

64 "[County councils have widest pay differentials](#)", IDS Thomson Reuters, 31 January 2013; see also International Labour Organisation, [World of Work Report 2013](#), p 82.

65 Surrey County Council ([COR 10](#))

66 The 'living wage' is £8.80 per hour in London and £7.65 per hour elsewhere in England, reviewed each November.

67 Q329

68 Q73 [Councillor McMahon]

69 Communities and Local Government Committee, Sixth Report of Session 2013-14, [Local government procurement](#), HC 712

4 Can remuneration reflect performance?

Rewarding good performance

23. There are different ways in which good performance can be rewarded, for example through award of bonus payments, accelerated movement through pay scales, or earn-back mechanisms.⁷⁰ In contrast to other sectors, most councils do not offer their senior managers bonuses or other forms of performance pay for meeting or their exceeding targets.⁷¹ Witnesses cautioned that there was little public acceptance of bonus payments for senior council staff since bonuses carried a “certain tarnish”.⁷² The Minister considered that a bonus could be seen as a reward for somebody “doing the job they were hired to do in the first place”.⁷³

24. There are practical requirements to be met if councils are to adopt remuneration policies that link pay to performance effectively:

- First; there needs to be a robust and clear method of appraising staff.⁷⁴ Witnesses suggested different approaches to performance appraisal in terms of how it was undertaken and who was involved in the process. It was apparent that in some councils the performance assessment of senior officers was poorly developed and lacked transparency and clarity. For example Rochdale Council admitted that it had no formal appraisal process,⁷⁵ and Graham Farrant, Chief Executive of Barking and Dagenham/Thurrock Councils told us his appraisal process left much to be desired.⁷⁶ Effective performance assessment systems are crucial not only to support the development of individual senior staff, but also to ensure that councils receive performance from the post holder commensurate with the salary paid (including any discretionary payments and bonuses offered by some local authorities).
- Second; appraisal processes need to be able to isolate an individual officer's contribution. This can be difficult when the achievement of overarching objectives depend on the contributions of many internal and external stakeholders who are not under the post-holder's control. Furthermore, witnesses considered it difficult to measure a Chief Officer's impact since, unlike parts of the private sector where additional profit could be measured, many council objectives were hard to quantify.⁷⁷

70 Earn-back is a performance pay system where an element of pay is 'at risk' such that an employee loses this element if objectives are not met. Bonuses for performance beyond expectations are not excluded in such a system. See Will Hutton, *Hutton Review of Fair Pay in the Public Sector: Final Report*, March 2011, para 3.16. Witnesses had mixed views of earn-back with some arguing that it could be inflationary if councils added the portion of salary to be earned back to base salaries. (Q265 [Peter Smith])

71 For example, evidence from the Regional Employers' Director for local authorities in the Yorkshire and Humber Region states that performance related pay is not common in the region ([COR 01](#)) para 2

72 Q226 Paul Martin; see also LGA's reservations on bonuses at Q70.

73 Q450; this point was also made by Redcar and Cleveland Council ([COR 03](#)).

74 A point made by Solace witness, Mark Rogers, see Qq428-430.

75 Q350

76 Q180

77 For example, Alace witness Mary Pett noted these difficulties, see Q439.

- Third; appraisal processes linking performance and reward must be clearly set out and published, in particular where any additional payments or bonuses are to be paid. However, arrangements in most councils are opaque. Even where there are explicit assessment processes, as in the case of Surrey County Council where the Chief Executive's objectives are reviewed regularly with a panel of councillors and external stakeholders,⁷⁸ detailed information on the appraisal is not made available to councillors or the public. A summary of the appraisal is provided to the Cabinet but the full council receives only a report on council performance not on the Chief Executive's contribution.⁷⁹

25. If councils are to award their senior staff additional rewards such as bonuses these must be sensitive to local circumstances and be based on clear evidence of personal, additional contribution. However, many councils have only weakly developed and articulated mechanisms for assessing their Chief Officers' performance and bonuses may appear to be paid to those simply undertaking their normal responsibilities. It is essential that there are robust appraisal systems for Chief Officers. We recommend that the Local Government Association updates and publicises guidance on how to appraise senior officers. In addition, whilst the individual appraisals of an officer are not normally published, nor should they be, the Department for Communities and Local Government should require councils to publish the method so that local residents can see how robustly senior staff performance is assessed, and if linked to remuneration, how the performance-reward link is determined.

Under-performance

26. Legislation and regulation already requires councils to publish information on policies regarding severance of Chief Officers,⁸⁰ and for details of severance payments to be published in annual accounts.⁸¹ Despite this, there has been much public concern over senior staff, including Chief Executives, being awarded redundancy payments inappropriately, in particular to incentivise them to leave rather than having their poor performance tackled.⁸² Witnesses such as the Chief Executive of Camden Council told us that sometimes swifter action than performance management could achieve was needed to prevent deterioration in key services.⁸³ The LGA witness also told us that undertaking a performance competency process can be "very damaging and time-consuming".⁸⁴ There are also circumstances where staff leave on a change of political control.

27. Information on what payments have been made, and to whom, can be difficult to find and there can be a significant time delay between a decision to make a payment and its

78 Q281

79 Qq 375-378

80 Localism Act 2011, [section 38\(4\)\(f\)](#)

81 Accounts and Audit (England) Regulations 2011 ([SI 2011/187](#))

82 Department for Communities and Local Government ([COR 12](#)) para 21; see example of alleged pay offs for failing Kingston Council staff – "[Kingston Council reveals financial payout information](#)", Surrey Comet, 10 March 2009

83 Q224; see also Aon Hewitt's similar point at Q42.

84 Q135

disclosure in annual accounts. There has been criticism of councils which do not publish information quickly about payments made to senior staff leaving their employment.⁸⁵

28. Many councils do not have robust approaches to identify and tackle under-performance by senior staff which means some find it easier to pay them off inappropriately rather than address the underlying failure. The blurring of processes and the opaque manner in which some of these payments have been made has meant that local taxpayers may often not be aware when redundancy or discretionary payments have been mis-used. This does not deliver best value for local taxpayers. Councils must publish the rationale for, and amount of, any financial payment to a departing Chief Officer within a month of the decision to make the award so that the public can understand why such a payment has been made. Furthermore the public must be assured that effective appraisal processes are being followed and, as we recommend above, the Department for Communities and Local Government should require councils to publish information on the method used to appraise senior staff so that local residents can clearly see how any problems with performance will be addressed.

29. The Government has expressed concern about senior officers taking redundancy payments from one council only to move straight into another public sector role, including in consultancy roles.⁸⁶ Witnesses such as the TaxPayers' Alliance echoed this concern, noting public "frustration" at those earning six-figure salaries being handed six-figure pay-offs merely for leaving a council's employment early and then taking another high paid council job.⁸⁷ This year's Queen's Speech set out proposals to address this 'revolving door' problem but, at the time of our oral evidence session in June, the DCLG Minister did not have further details on how this would affect staff required to leave one employment through no fault of their own who wish to take up employment in the same sector.⁸⁸

30. We welcome government moves to prevent the 'revolving door' where senior staff in receipt of large redundancy payments immediately take on another highly-paid job in the same sector, or even undertake the same work for the same council as a consultant. This does not deliver best value for the taxpayer and in cases where an individual's performance has been inadequate represents a mis-use of public money. But we caution that the proposals must not penalise those made redundant through no fault of their own and who may naturally look to secure quickly another similar level job in the same sector. Close attention must be paid in developing the detailed proposals to protect such staff whilst ensuring abuses of redundancy arrangements (such as re-hiring staff immediately as consultants) are prevented. We await the details of the Government's proposals and subject to time constraints, we will wish to return to this issue later in this year.

85 See for example in the case of Derbyshire County Council "[Derbyshire chief executive Nick Hodgson's payout was £220,000](#)", BBC News Online, 13 June 2014

86 For example "[Fat cat furore: Council chief wins £142,000 post to 'reform' civil service after £420,000 pay-off](#)", Mail Online, 13 September 2012

87 Q21; see also Q38 for TaxPayers' Alliance examples. [COR 17](#) also refers.

88 "[Queens speech clampdown on public sector excessive redundancy payments](#)", Local Government Chronicle, 4 June 2014

5 Are Chief Executives essential?

31. DCLG Ministers have expressed a desire for councils to adopt new approaches to the configuration of senior managers' posts.⁸⁹ We looked at the options the Department has raised of abolishing the post of Chief Executive, or of sharing senior officers including Chief Executives across councils, and at the implications of any such changes for remuneration. Some councils, such as Wiltshire Council, have shared Chief Executive responsibilities amongst three senior managers who each take on some statutory roles. A growing number of councils including the London Borough of Barking and Dagenham and Thurrock Council are sharing their Chief Executive and the remuneration costs. Graham Farrant's £185,000 salary is shared equally between the two councils.⁹⁰ Data indicate that councils which share senior staff achieve small overall savings in senior salary budgets, but that there is some increase in the remuneration of individuals with enhanced roles.⁹¹ Public perceptions can therefore be negative where the increase in job responsibility is not understood. Although witnesses accepted that where responsibilities increased Chief Executive pay would need to be higher,⁹² some press coverage remains critical.⁹³ Additionally some commentators, such as the Chief Executive of the Chartered Institute of Public Finance and Accountancy (Cipfa), note that abolishing or sharing the Chief Executive's post may not lead to best value for local communities since savings on an individual's salary of tens of thousands of pounds can be dwarfed by the savings of hundreds of thousands of pounds which their focussed leadership might deliver through service transformation.⁹⁴

32. Although council organisation was not within the remit of this inquiry, we note that there will be impacts on remuneration costs if the number of councils is reduced, for example through the creation of unitary councils.⁹⁵ The Minister told us that, while attracted to the local democratic representation offered by district councillors, he considered it "ludicrous" that there were multiple support service teams within counties, and that there could be effectiveness and efficiency from sharing management teams and Chief Executives.⁹⁶

33. We recognise that innovative approaches such as removing or sharing the post of Chief Executive can reduce overall salary bills and it is right that each council considers whether such approaches will deliver best value for their communities. However, councils can be deterred by adverse local public comment where, despite net savings on salaries, this approach leads to higher salaries for some individuals whose jobs expand.

89 ["Ministers urge councils to scrap Chief Executive post"](#), LocalGov.co.uk, 12 February 2014; see also DCLG ([COR 12](#)) paras 7-9.

90 London Borough of Barking and Dagenham and Thurrock Council ([COR 08](#)) para 1

91 For example, Tier 1 Directors taking on Chief Executive roles

92 Q10

93 For example in 2014 increases for senior Peterborough Council staff linked to increases in job responsibilities received press criticism - ["Anger at huge pay rise for Peterborough City Council chiefs"](#), Peterborough Telegraph, 10 April 2014

94 ["Merging council roles: not so super?"](#), Public Finance Opinion, 16 December 2013

95 See for example TaxPayers' Alliance views on potential savings at Q58.

96 Q475

We therefore recommend that the Local Government Association researches the impact on overall salary budgets of those councils which have taken such approaches so as to provide an objective evidence base. We also recommend that the LGA undertakes an assessment as to the wider impact of sharing or abolishing senior posts on the efficiency and effectiveness of the council's leadership and management and strategic development, in order to help inform other councils' decisions. This analysis could usefully assess the cost savings delivered in reduced senior management remuneration costs where communities have decided to create unitary councils.

34. We also considered the advantages and disadvantages of merging the roles of Chief Executive and Leader, as also proposed by DCLG.⁹⁷ The Minister told us that there was an argument that doing so could save money, but that he did not have a view on it, rather it was for councils to make the case for merger if they wished.⁹⁸ However, witnesses such as the Leaders of Surrey County Council and Rochdale Borough Council did not support this approach because of the potential for blurring of operational and political leadership roles.⁹⁹ Witnesses also queried whether a Leader taking on a senior officer role would have the right skills.¹⁰⁰

35. We do not support the merging of the role of Leader and Chief Executive since this has the potential to blur the distinction between two quite separate functions. The posts are distinct: the Leader sets the political direction of the council; and the Chief Officer implements these policy decisions operationally. This provides a robust framework for, on the one hand, professional advice and challenge over how political objectives are implemented, and, on the other, oversight and scrutiny of the effectiveness of the council service. While there is clearly an overlap in many aspects of the two roles, such as articulating corporate strategy, the different focus of each provides clarity which would be lost by merger.

97 Q473

98 Q473

99 Qq402-03

100 Qq61, 122

6 Are local checks and balances robust?

36. Witnesses, including the DCLG Minister,¹⁰¹ overwhelmingly backed local control over local pay decisions and none argued for centrally set caps on levels.¹⁰² Alace, representing senior officers, considered it wrong for the freedom and flexibility of councils to set senior pay to be curtailed.¹⁰³ The TaxPayers' Alliance told us that it opposed a "central diktat" since councils could work out what was best for them and was acceptable to their local electorate.¹⁰⁴ However, for widespread and consistently effective local control, local communities must have the right tools and information and be able to use them easily. The Government has introduced regulations over the course of this Parliament which require information to be published on senior salaries and that full council meetings approve larger remuneration packages.¹⁰⁵ There is evidence that these requirements have established a largely effective set of controls. The LGA told us that the current pay frameworks provide a high degree of transparency and fairness "through consistent processes and regular publication of reward packages".¹⁰⁶ Indeed the TaxPayers' Alliance considered publication represented a "huge step forward in transparency and accountability",¹⁰⁷ enabling communities such as Rochdale to use local scrutiny to impact positively on decisions.¹⁰⁸

37. However, improvements could be made to make it easier for local communities to influence pay decisions. Although it appears that councils are publishing information on their websites as required, DCLG told us that it does not monitor compliance as it has scaled back performance monitoring.¹⁰⁹ Furthermore, DCLG noted in 2012 that data are not always presented so as to allow the public easy access.¹¹⁰ Commentators have also noted that the information is presented differently by different councils, making comparison difficult,¹¹¹ and that councillors should make more effort in communicating what is being done and why to local voters.¹¹² Furthermore, there is concern about a lack of

101 See for example Q445.

102 Indeed the Association of Local Authority Chief Executives opposed arbitrary caps on senior council managers since they do "nothing to enhance the attractiveness of the role or the public's understanding of it", Alace ([COR 11](#)) para 5.1.

103 Alace ([COR 11](#)) para 3.2

104 Q10

105 Department for Communities and Local Government, *Openness and accountability in local pay: guidance under section 40 of the Localism Act*, February 2012. *Supplementary Guidance* was issued in February 2013. This requires councils to publish an annual pay policy statement and that full council votes on any salary package above £100,000 (which includes salary, expenses, bonuses, performance related pay as well as contractual arrangements involving possible future severance payments). In addition, the Department's *Code of recommended practice for local authorities on data transparency*, September 2011, requires councils to publish data on senior salaries and workforce structure including names of those earning over £58,200 and pay multiples.

106 LGA ([COR 06](#)) para 8

107 The TaxPayers' Alliance ([COR 17](#)) Summary

108 Q50

109 Department for Communities and Local Government ([COR 22](#)) para 6

110 Department for Communities and Local Government, *Openness and accountability in local pay: guidance under section 40 of the Localism Act*, February 2012. *Supplementary Guidance*, February 2013, para 6

111 One Society, *Leading the Way on Fair Pay*, Autumn 2012

112 Q104

clarity where officers are paid by non-standard means such as through a company rather than by a salary liable to income tax.¹¹³

38. We recommend above that DCLG require councils to publish information on appraisal processes for senior managers. There is merit in councillors having a role in approving these processes so as to improve democratic scrutiny, in alignment with the arrangements for approving certain remuneration decisions at a meeting of the full council, and to give further validity to moves to link remuneration and performance more effectively.

39. We consider well-informed local action to be a more effective means of moderating pay levels than centrally imposed approaches. The regulatory regime introduced since 2010 requiring publication and scrutiny by councillors of pay decisions has made it easier for communities to influence pay decisions but more can be done to ensure that full and transparent data are available. Whilst it is clear that data are being published as required by regulations, councils do so in different ways, making it difficult for local taxpayers to make comparisons with other local authorities or over time. We recommend that the Local Government Association collates and presents data in a format which allows local people to compare approaches in their areas within a framework of easy to understand benchmarks. Individual councils should also assess with their local residents whether the way in which they present data is easily understandable. Councils must also set out, and fully report the matter to council, when an officer is paid other than by means of a salary subject to income tax, such as via a limited company, to provide clarity on the level of tax payable under any non-standard arrangements.

40. To enable effective scrutiny, frontline as well as Executive councillors must be involved. Current guidance requires decisions on remuneration packages worth over £100,000 and decisions on severance payments to be approved by the full council. The Department for Communities and Local Government (DCLG) should monitor how far councils are abiding by this. In addition, we recommend that DCLG strengthens guidance to require a council's policy on appraising and monitoring senior officer performance, together with procedures for addressing poor performance, to be approved by a full council meeting and published.

41. Whilst there has been pay restraint during the period of austerity, the challenge for councils in future will be to maintain this against changing economic conditions. The changes set out in this report will help to strengthen local control, helping to ensure there will not be a return to excessive salary inflation, while at the same time ensuring that pay is adequate to recruit and retain high quality managers in local government.

¹¹³ For example, "[Top council earner avoids income tax](#)", Sunday Times, 24 August 2014

Conclusions and recommendations

Has senior council officers' pay been rising?

1. It is unacceptable for senior figures to be handed significant increases simply for doing their jobs, particularly when council budgets are squeezed and other employees are subject to pay freezes. However, whilst data bears out the headlines highlighting steep rises in senior council remuneration in the first decade of this century, for the past four years there has been pay restraint by councils of all types and in most places. Those few councils bucking this trend stand out all the more. We welcome the restraint now being exhibited by the vast majority of councils and by the national negotiators. (Paragraph 10)
2. This restraint indicates that locally democratically elected representatives are being sensitive to the public mood. Where this has not happened, there has been swift, strong and effective challenge from local taxpayers. It is encouraging that, in isolated cases where excessive rises have been proposed, local communities such as Rochdale have acted through the arrangements in place to stop them. However, councils and decision-takers at local and national level, including the Joint Negotiating Committees, must be vigilant that changing economic conditions do not stoke pressure for increases in future whilst ensuring that remuneration remains sufficiently competitive to attract and retain high quality senior managers. Furthermore, councils must ensure that they obtain good value when recruiting interim managers or consultants to cover hard-to-fill posts temporarily, and that the public purse is not adversely affected by the use of payment methods designed to reduce the tax paid by the officer. We make recommendations below on the framework of checks and balances to give local communities the necessary assurances on this. (Paragraph 11)

Setting locally appropriate remuneration

3. We are concerned that in some cases job evaluation schemes have produced remuneration decisions which are not sensitive enough to local circumstances and need. We therefore conclude that, whilst consistent use of such schemes by a sufficiently large number of councils is valuable in providing an objective measurement of job size which enables councils to benchmark against each other, councils must ensure that they use this information with greater regard to local circumstances, needs and priorities. Councils must ensure that they critically assess advice from job evaluation schemes and recruitment consultants within the context of such local considerations, including an analysis of whether local market conditions might secure as good an officer at a lower rate. (Paragraph 17)
4. If councils are to make locally appropriate decisions they need accurate data about what they need to pay in their local area so that they neither over-pay their senior officers nor fail to attract the best candidates by offering lower rewards that are out of kilter with the market. We recommend that the Local Government Association works with regional employer organisations to provide a regular analysis of regional

pay trends and help to inform the national and local debate on appropriate remuneration levels and changes. The LGA should seek feedback from its council members as to whether there is a gap in the data about councils' ability to recruit and retain suitable candidates and, if necessary, commission regular surveys. However, we recognise that there is no 'one size fits all' formula to determine the right remuneration levels for every circumstance, since different councils have different local contexts and priorities. (Paragraph 20)

5. We welcome the fact that most councils have a relatively low ratio between the pay of the highest paid officers and staff on lower pay grades since this indicates a broad fairness within council pay approaches, in contrast to the significant gap between those in high paid and low paid jobs in parts of the private sector. However more can be done to raise the floor for pay and we commend those councils which have introduced a living wage policy for all their staff. (Paragraph 22)

Assessment of performance

6. If councils are to award their senior staff additional rewards such as bonuses these must be sensitive to local circumstances and be based on clear evidence of personal, additional contribution. However, many councils have only weakly developed and articulated mechanisms for assessing their Chief Officers' performance and bonuses may appear to be paid to those simply undertaking their normal responsibilities. It is essential that there are robust appraisal systems for Chief Officers. We recommend that the Local Government Association updates and publicises guidance on how to appraise senior officers. In addition, whilst the individual appraisals of an officer are not normally published, nor should they be, the Department for Communities and Local Government should require councils to publish the method so that local residents can see how robustly senior staff performance is assessed, and if linked to remuneration, how the performance-reward link is determined. (Paragraph 25)

Under-performance

7. Many councils do not have robust approaches to identify and tackle under-performance by senior staff which means some find it easier to pay them off inappropriately rather than address the underlying failure. The blurring of processes and the opaque manner in which some of these payments have been made has meant that local taxpayers may often not be aware when redundancy or discretionary payments have been mis-used. This does not deliver best value for local taxpayers. Councils must publish the rationale for, and amount of, any financial payment to a departing Chief Officer within a month of the decision to make the award so that the public can understand why such a payment has been made. Furthermore the public must be assured that effective appraisal processes are being followed and, as we recommend above, the Department for Communities and Local Government should require councils to publish information on the method used to appraise senior staff so that local residents can clearly see how any problems with performance will be addressed. (Paragraph 28)
8. We welcome government moves to prevent the 'revolving door' where senior staff in receipt of large redundancy payments immediately take on another highly-paid job

in the same sector, or even undertake the same work for the same council as a consultant. This does not deliver best value for the taxpayer and in cases where an individual's performance has been inadequate represents a mis-use of public money. But we caution that the proposals must not penalise those made redundant through no fault of their own and who may naturally look to secure quickly another similar level job in the same sector. Close attention must be paid in developing the detailed proposals to protect such staff whilst ensuring abuses of redundancy arrangements (such as re-hiring staff immediately as consultants) are prevented. We await the details of the Government's proposals and subject to time constraints, we will wish to return to this issue later in this year. (Paragraph 30)

Are Chief Executives essential?

9. We recognise that innovative approaches such as removing or sharing the post of Chief Executive can reduce overall salary bills and it is right that each council considers whether such approaches will deliver best value for their communities. However, councils can be deterred by adverse local public comment where, despite net savings on salaries, this approach leads to higher salaries for some individuals whose jobs expand. We therefore recommend that the Local Government Association researches the impact on overall salary budgets of those councils which have taken such approaches so as to provide an objective evidence base. We also recommend that the LGA undertakes an assessment as to the wider impact of sharing or abolishing senior posts on the efficiency and effectiveness of the council's leadership and management and strategic development, in order to help inform other councils' decisions. This analysis could usefully assess the cost savings delivered in reduced senior management remuneration costs where communities have decided to create unitary councils. (Paragraph 33)
10. We do not support the merging of the role of Leader and Chief Executive since this has the potential to blur the distinction between two quite separate functions. The posts are distinct: the Leader sets the political direction of the council; and the Chief Officer implements these policy decisions operationally. This provides a robust framework for, on the one hand, professional advice and challenge over how political objectives are implemented, and, on the other, oversight and scrutiny of the effectiveness of the council service. While there is clearly an overlap in many aspects of the two roles, such as articulating corporate strategy, the different focus of each provides clarity which would be lost by merger. (Paragraph 35)

Transparency and scrutiny

11. We consider well-informed local action to be a more effective means of moderating pay levels than centrally imposed approaches. The regulatory regime introduced since 2010 requiring publication and scrutiny by councillors of pay decisions has made it easier for communities to influence pay decisions but more can be done to ensure that full and transparent data are available. Whilst it is clear that data are being published as required by regulations, councils do so in different ways, making it difficult for local taxpayers to make comparisons with other local authorities or over time. We recommend that the Local Government Association collates and

presents data in a format which allows local people to compare approaches in their areas within a framework of easy to understand benchmarks. Individual councils should also assess with their local residents whether the way in which they present data is easily understandable. Councils must also set out, and fully report the matter to council, when an officer is paid other than by means of a salary subject to income tax, such as via a limited company, to provide clarity on the level of tax payable under any non-standard arrangements. (Paragraph 39)

12. To enable effective scrutiny, frontline as well as Executive councillors must be involved. Current guidance requires decisions on remuneration packages worth over £100,000 and decisions on severance payments to be approved by the full council. The Department for Communities and Local Government (DCLG) should monitor how far councils are abiding by this. In addition, we recommend that DCLG strengthens guidance to require a council's policy on appraising and monitoring senior officer performance, together with procedures for addressing poor performance, to be approved by a full council meeting and published. (Paragraph 40)
13. Whilst there has been pay restraint during the period of austerity, the challenge for councils in future will be to maintain this against changing economic conditions. The changes set out in this report will help to strengthen local control, helping to ensure there will not be a return to excessive salary inflation, while at the same time ensuring that pay is adequate to recruit and retain high quality managers in local government. (Paragraph 41)

Formal Minutes

Monday 8 September 2014

Members present:

Mr Clive Betts, in the Chair

Bob Blackman
Simon Danczuk
David Heyes
Mark Pawsey

John Pugh
John Stevenson
Chris Williamson

Draft Report (*Local government Chief Officers' remuneration*) proposed by the Chair, brought up and read.

Ordered, That the Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 41 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

The following written evidence was ordered to be reported to the House for publication on the internet:

Solace.

[Adjourned until 3.00pm on Wednesday 10 September

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [Committee's inquiry page](#)

Monday 17 March 2014

Question number

Duncan Brown, Principal, Performance, Reward and Talent, AON Hewitt,
Jonathan Isaby, Chief Executive, TaxPayers' Alliance

[Q1-62](#)

Charles Cotton, Performance Reward Manager, Chartered Institute of Professional Development, **Will Hutton**, author of *Fair Pay in the Public Sector* report, **Cllr Jim McMahon**, Chair of Workforce Board, Local Government Association

[Q63-135](#)

Wednesday 4 June 2014

Graham Farrant, Chief Executive of Thurrock Council and the London Borough of Barking and Dagenham, **Maggie Rae**, Corporate Director, Wiltshire Council

[Q136-188](#)

Mike Cooke, Chief Executive, London Borough of Camden,
Cllr Sarah Hayward, Leader, London Borough of Camden, **Cllr Ravi Govindia**, Leader, London Borough of Wandsworth, **Paul Martin**, Chief Executive, London Borough of Wandsworth

[Q189-239](#)

Peter Smith, Director, Hay Group, **Martin Tucker**, Joint Managing Partner, Gatenby Sanderson

[Q240-270](#)

Wednesday 11 June 2014

Cllr Colin Lambert, Former Leader, Rochdale Borough Council,
Jim Taylor, Former Chief Executive, Rochdale Borough Council,
Cllr David Hodge, Leader, Surrey County Council, **David McNulty**, Chief Executive, Surrey County Council

[Q271-404](#)

Mary Pett, Honorary Secretary, Association of Local Authority Chief Executives, **Mark Rogers**, President, Society of Local Authority Chief Executives and Senior Managers and Chief Executive, Birmingham City Council, **Mike Short**, Senior National Officer for Local Government, Unison

[Q405-443](#)

Monday 23 June 2014

Brandon Lewis MP, Parliamentary Under-Secretary of State, Department for Communities and Local Government

[Q444-482](#)

Published written evidence

The following written evidence was received and can be viewed on the Committee's inquiry web page at www.parliament.uk/clg. COR numbers are generated by the evidence processing system and so may not be complete.

- 1 Aon Hewitt ([COR0019](#))
- 2 Association of County Chief Executives ([COR0002](#))
- 3 Association of Local Authority Chief Executives [Alace] ([COR0011](#))
- 4 Cooke, Mike ([COR0016](#))
- 5 Department for Communities and Local Government ([COR0012](#))
- 6 Department for Communities and Local Government ([COR0022](#))
- 7 Hay Group ([COR0020](#))
- 8 Lambert, Councillor Colin ([COR0024](#))
- 9 Les, Councillor Carl ([COR0009](#))
- 10 Local Government Association ([COR0006](#))
- 11 Local Government Yorkshire and Humber ([COR0001](#))
- 12 London Borough of Barking and Dagenham and Thurrock Council ([COR0008](#))
- 13 Redcar and Cleveland Borough Council ([COR0003](#))
- 14 Society of Local Authority Chief Executives and Senior Managers [Solace] ([COR0005](#))
([COR0025](#))
- 15 Surrey County Council ([COR0010](#))
- 16 Surrey County Council ([COR0023](#))
- 17 TaxPayers' Alliance ([COR0017](#))
- 18 Unison ([COR0004](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the Committee's website at www.parliament.uk/clg.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2014–15

First Report	Devolution in England: the case for local government	HC 503
First Special Report	Further review of the work of the Local Government Ombudsman: Responses to the Committee's Fifth Report of Session 2013–14	HC 192
Second Special Report	Local Government Procurement: Response of the Local Government Association to the Committee's Sixth Report of Session 2013–14	HC 193

Session 2013–14

First Report	The Private Rented Sector	HC 50 (CM 8730)
First Special Report	Committee's response to the Government's consultation on permitted development rights for homeowners: Government response to the Committee's Seventh Report of Session 2012–13	HC 173
Second Report	The work of the Regulation Committee of the Homes and Communities Agency	HC 310 (HC 836)
Third Report	Community Budgets	HC 163 (CM 8794)
Fourth Report	Post-legislative scrutiny of the Greater London Authority Act 2007 and the London Assembly	HC 213 (CM 8761)
Fifth Report	Further review of the work of the Local Government Ombudsman	HC 866
Sixth Report	Local Government Procurement	HC712 (CM 8888)
Seventh Report	Building Regulations certification of domestic electrical work	HC 906 (CM 8853)

HC Session 2012–13

First Report	Park Homes	HC 177-I (CM 8424)
Second Report	European Regional Development Fund	HC 81 (CM 8389)
Third Report	The work of the Local Government Ombudsman	HC 431 (HC 615 & HC 650)
Fourth Report	Pre-appointment hearing for the Chair of the Audit Commission	HC 553
Fifth Report	Mutual and co-operative approaches to delivering local services	HC 112 (CM 8547 & HC 1091)
Sixth Report	Councillors on the frontline	HC 432 (CM 8582)

Seventh Report	The Committee's response to the Government's consultation on permitted development rights for homeowners	HC 830 (HC 173, 2013–14)
Eighth Report	The role of local authorities in health issues	HC 694 (CM 8638)
Ninth Report	Implementation of welfare reform by local authorities	HC 833 (CM 8635)

Session 2010–12

First Special Report	Beyond Decent Homes: Government response to the Committee's Fourth Report of Session 2009–10	HC 746
First Report	Local Authority Publications	HC 666 (HC 834)
Second Special Report	Local Authority Publications: Government response to the Committee's Sixth Report of Session 2010–11	HC 834
Second Report	Abolition of Regional Spatial Strategies: a planning vacuum?	HC 517 (CM 8103)
Third Special Report	FiReControl: Government response to the Committee's Fifth Report of Session 2009–10	HC 835
Third Report	Localism	HC 547 (CM 8183)
Fourth Report	Audit and inspection of local authorities	HC 763 (CM 8209)
Fifth Report	Localisation issues in welfare reform	HC 1406 (CM 8272)
Sixth Report	Regeneration	HC 1014 (CM 8264)
Seventh Report	Pre-appointment hearing for the Government's preferred nominee for Chair of the Homes and Communities Agency Regulation Committee	HC 1612
Eighth Report	The National Planning Policy Framework	HC 1526 (CM 8322)
Ninth Report	Taking forward Community Budgets	HC 1750
Tenth Report	Building regulations applying to electrical and gas installation and repairs in dwellings	HC 1851 (CM 8369)
Fourth Special Report	Preventing violent extremism: Government response to the Committee's Sixth Report of Session 2009–10	HC 1951
Eleventh Report	Financing of new housing supply	HC 1652 (CM 8401)
