



Localism Bill: local government senior officer pay
accountability
Impact assessment



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pay accountability
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Title: Localism Bill: local government senior officer pay accountability Lead department or agency: Department for Communities and Local Government Other departments or agencies:	Impact Assessment (IA)
	IA No: DCLG 0051
	Date: January 2011
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Primary legislation
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Summary: Intervention and Options

What is the problem under consideration? Why is government intervention necessary?

There is increasing evidence that senior pay in local government and Fire and Rescue Authorities ('relevant authorities') has escalated in recent years and that the process for determining senior pay lacks transparency and local democratic accountability to taxpayers.

Without Government intervention, local taxpayers will not have the necessary information to hold relevant authorities or democratically elected members to account for decisions affecting senior pay.

What are the policy objectives and the intended effects?

The policy objective is to increase the transparency and local democratic accountability over how senior pay is determined by Members to ensure that relevant authorities are achieving value for money from their senior workforce.

The policy will seek to ensure that relevant authorities have in place mechanisms which ensure that Members are able to be held to account by their electorate for their decisions. This impact assessment covers local authorities and Fire and Rescue Authorities in England.

What policy options have been considered? Please justify preferred option (further details in Evidence Base)

Do nothing

Option 1 - Introduce a central cap on senior pay

Option 2 - Require each senior officers' salary to be signed off by full council

Option 3 - Require relevant authorities to approve and publish an annual senior pay policy statement

The preferred option is Option 3, for relevant authorities to approve and publish an annual senior pay policy statement. The Government's view is that this option would most effectively increase local accountability and transparency over senior pay by making councillors and members more accountable for approving a senior pay framework for the relevant authority. This option also retains full local determination in setting senior pay.

When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?

It will be reviewed 2013-14

Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?

Yes

SELECT SIGNATORY Sign-off For final proposal stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.

Signed by the responsible Minister: Bob Neill Date: January 2011

Summary: Analysis and Evidence

Policy Option 1

Description:

Introduce a central cap on senior pay

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low				
High				
Best Estimate				

Description and scale of key monetised costs by 'main affected groups'

No direct increased monetised costs involved in a centrally set cap on senior appointments.

Other key non-monetised costs by 'main affected groups'

Introducing a central cap might create an environment in which relevant authorities would need to re-negotiate senior employee contracts that were signed before the cap was introduced to ensure consistency and equal pay with their equally valued colleagues. A centrally set cap would mean that decisions on top level remuneration are set centrally and relevant authorities would not have the necessary local flexibility to recruit and retain top talent.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low				
High				
Best Estimate				

Description and scale of key monetised benefits by 'main affected groups'

A centrally imposed cap might see a reduction to some salaries in local government and prevent regional and local competition between authorities which can escalate market costs of senior appointments.

Other key non-monetised benefits by 'main affected groups'

A national cap would show a strong steer from central Government in addressing senior pay in the local government sector.

Key assumptions/sensitivities/risks

Discount rate (%)

A centrally determined cap on local government salaries would mean that Central Government would be taking greater control over senior pay in the relevant authorities. The monetary costs of more control are unknown but could lead to claims that Central Government is the 'single source employer' for equal pay purposes.

A centrally imposed cap could potentially create an incentive for top performing senior staff to seek employment outside the local government sector. The risk of Chief Fire Officers moving to the private sector may be slightly less as their specialism may be less marketable.

Impact on admin burden (AB) (£m):			Impact on policy cost savings (£m):		In scope Yes/No
New AB:	AB savings:	Net:	Policy cost savings:		

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?		England			
From what date will the policy be implemented?					
Which organisation(s) will enforce the policy?		If authorities are found to be in breach of their statutory duties, the Courts.			
What is the annual change in enforcement cost (£m)?		N/A			
Does enforcement comply with Hampton principles?		No			
Does implementation go beyond minimum EU requirements?		N/A			
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)		Traded:		Non-traded:	
Does the proposal have an impact on competition?		No			
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?		Costs:		Benefits:	
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro	< 20	Small	Medium	Large
Are any of these organisations exempt?	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties¹ Statutory Equality Duties Impact Test guidance	No	p14
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	p14
Small firms Small Firms Impact Test guidance	No	p14
Environmental impacts		
Greenhouse gas assessment	No	p14
Wider environmental issues	No	p14
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	p14
Human rights Human Rights Impact Test guidance	No	p14
Justice system Justice Impact Test guidance	No	p14
Rural proofing Rural Proofing Impact Test guidance	No	p14
Sustainable development Sustainable Development Impact Test guidance	No	p14

¹ Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Summary: Analysis and Evidence

Policy Option 2

Description:

Require each senior officer's salary to be signed off by full council

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low			
High			
Best Estimate			

Description and scale of key monetised costs by 'main affected groups'

This option would extend the commitments placed on full council and therefore incur some administrative costs.

Other key non-monetised costs by 'main affected groups'

This approach could be cumbersome for councils due to the infrequency of meetings of full council.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low			
High			
Best Estimate			

Description and scale of key monetised benefits by 'main affected groups'

Requiring full council sign off for all senior salaries would ensure that all councillors are aware of senior officer collective remuneration costs and therefore all councillors would be accountable to the local residents for their collective decisions on senior pay.

Other key non-monetised benefits by 'main affected groups'

This approach would support the Government's localism agenda by keeping power with the relevant authorities and, in particular, increasing the power and accountability of locally elected councillors in determining senior pay. It would also allow local flexibility in determining senior rewards.

Key assumptions/sensitivities/risks	Discount rate (%)

Impact on admin burden (AB) (£m):	Impact on policy cost savings (£m):	In scope
New AB:	Policy cost savings:	Yes/No
AB savings:	Net:	

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?		England			
From what date will the policy be implemented?					
Which organisation(s) will enforce the policy?		If authorities are found to be in breach of their statutory duties, the Courts.			
What is the annual change in enforcement cost (£m)?					
Does enforcement comply with Hampton principles?		Yes			
Does implementation go beyond minimum EU requirements?		N/A			
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)		Traded:		Non-traded:	
Does the proposal have an impact on competition?		No			
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?		Costs:		Benefits:	
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro	< 20	Small	Medium	Large
Are any of these organisations exempt?	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

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Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties² Statutory Equality Duties Impact Test guidance	No	p14
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	p14
Small firms Small Firms Impact Test guidance	No	p14
Environmental impacts		
Greenhouse gas assessment	No	p14
Wider environmental issues	No	p14
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	p14
Human rights Human Rights Impact Test guidance	No	p14
Justice system Justice Impact Test guidance	No	p14
Rural proofing Rural Proofing Impact Test guidance	No	p14
Sustainable development Sustainable Development Impact Test guidance	No	p14

² Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Summary: Analysis and Evidence

Policy Option 3

Description:

Require relevant authorities to approve and publish an annual senior pay policy statement

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low			
High			
Best Estimate			

Description and scale of key monetised costs by 'main affected groups'

Councils already consider, on a case-by-case basis, their policy on pay when making determinations about senior pay and a statement should be considered at a normal meeting of full council. It is expected that councils will use existing arrangements for undertaking senior pay research. The impact of the policy has been assessed and any burden will be funded in accordance with the Government's new burdens doctrine.

Other key non-monetised costs by 'main affected groups'

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low			
High			
Best Estimate			

Description and scale of key monetised benefits by 'main affected groups'

Increased transparency and accountability of senior pay decisions will ensure that members make value for money decisions on senior pay, which should have a deflationary effect on senior pay. For illustrative purposes, a 1 per cent saving on the chief executive, chief and deputy chief officer, and chief and deputy chief fire officer pay bills (England and Wales) would save councils and Fire and Rescue Authorities over £6.5m per annum.

Other key non-monetised benefits by 'main affected groups'

The policy ensures that locally elected councillors and Fire and Rescue Authority's Members are accountable to their electorate in determining senior pay. It also retains significant local flexibility in senior pay determinations.

Key assumptions/sensitivities/risks

Discount rate (%)

Impact on admin burden (AB) (£m):

Impact on policy cost savings (£m):

In scope

New AB:	AB savings:	Net:	Policy cost savings:	Yes/No
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Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?		England			
From what date will the policy be implemented?		2011			
Which organisation(s) will enforce the policy?		If authorities are found to be in breach of their statutory duties, the Courts.			
What is the annual change in enforcement cost (£m)?					
Does enforcement comply with Hampton principles?		Yes/No			
Does implementation go beyond minimum EU requirements?		N/A			
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)		Traded:		Non-traded:	
Does the proposal have an impact on competition?		No			
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?		Costs:		Benefits:	
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro	< 20	Small	Medium	Large
Are any of these organisations exempt?	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

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Small firms Small Firms Impact Test guidance	No	p14
Environmental impacts		
Greenhouse gas assessment	No	p14
Wider environmental issues	No	p14
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	p14
Human rights Human Rights Impact Test guidance	No	p14
Justice system Justice Impact Test guidance	No	p14

³ Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Rural proofing <u>Rural Proofing Impact Test guidance</u>	No	p14
Sustainable development <u>Sustainable Development Impact Test guidance</u>	No	p14

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Enactment).

No.	Legislation or publication
1	Local Government Association, <i>Local Government Workforce Survey 2009 – England</i> http://www.lga.gov.uk/lga/aio/5706661
2	Audit Commission, <i>Tougher at the Top</i> http://www.audit-commission.gov.uk/nationalstudies/localgov/Pages/tougheratthetop.aspx#downloads
3	The Coalition: Our Programme for Government http://webarchive.nationalarchives.gov.uk/20100526084809/http://programmeforgovernment.hmg.gov.uk/files/2010/05/coalition-programme.pdf
4	Local Government Employers, <i>Setting rewards for top managers in local government</i> http://www.lge.gov.uk/lge/core/page.do?pagelId=3565942

Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y ₀	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅	Y ₆	Y ₇	Y ₈	Y ₉
Transition costs										
Annual recurring cost										
Total annual costs										
Transition benefits										
Annual recurring benefits										
Total annual benefits										

* For non-monetised benefits please see summary pages and main evidence base section

Evidence Base (for summary sheets)

Problem under consideration

Pay comprises a significant proportion of relevant authorities' direct spend. Senior pay may only form a proportion of the pay bill but it is important, particularly at a time of fiscal consolidation and when pay freezes are in place for much of the public sector, that restraint is shown in senior pay awards.

There is a level of public perception that top pay in relevant authorities has got out of hand. An Audit Commission report (*Tougher at the Top? 2008*) found that basic salary levels for single tier and county council chief executives had increased by 34 per cent between 2003/04 and 2007/08. The report found that this was above the level of their counterparts in organisations such as universities, hospital trusts and registered social landlords and was also a significantly higher increase than in the basic pay of private sector chief executives. However, the report also noted that direct comparisons can be misleading because the role and remuneration packages vary greatly between organisations and cited as an example, the additional (performance related) pay of private sector chief executives almost doubling so that their total pay increased by 78 per cent from 2002/03 to 2006/07.

Under the current arrangements, decisions over senior pay may be taken in ways which are not fully transparent or accountable to the wider council or local taxpayers. Anecdotal information suggests that some councillors may be unaware of the levels of top remuneration in relevant authorities, and when decisions affecting remuneration are taken.

Whilst the Department does not centrally collect information on relevant authorities' pay, the Audit Commission report suggested that higher turnover rates of chief executives in local government had led to councils out-bidding each other and this has in turn increased salary costs across the sector as councils seek to appoint an existing and proven chief executive. It is also claimed, anecdotally, that recruitment consultants (headhunters), when engaged in the process, tend to drive up salaries.

Rationale for intervention

Remuneration for relevant authorities' senior workforce needs to be sufficient to attract and retain high calibre candidates but should be no more than is necessary for this purpose. The level of remuneration should reflect the likely workload, the scale and complexity of the work, and the responsibility involved.

Without Government intervention, local taxpayers will not have the necessary information to hold relevant authorities or democratically elected members to account for decisions affecting senior pay.

Policy objective

The objective is to increase public transparency and local democratic accountability in how senior pay is set in relevant authorities. The policy will need to ensure that the relevant authorities have in place appropriate mechanisms to ensure transparency and local accountability. The intention is for relevant authorities to be able to demonstrate value for money when paying their senior workforce.

The senior workforce, for this policy, is defined as:

- (a) the head of its paid service designated under section 4(1) of the Local Government and Housing Act 1989
- (b) its monitoring officer designated under section 5(1) of that Act
- (c) a statutory chief officer mentioned in section 2(6) of that Act, or
- (d) a non-statutory chief officer mentioned in section 2(7) of that Act, or

(e) a deputy chief officer mentioned in section 2(8) of that Act

Background

The Coalition: Our Programme for Government set out a number of commitments in relation to increasing transparency and accountability on senior pay setting in the public sector.

Accountability

To increase greater democratic accountability, and to ensure that Ministers would be held to account for senior pay setting in central Government, the Coalition Programme stated that:

“We will require anyone paid more than the Prime Minister in the centrally funded public sector to have their salary signed off by the Treasury.”

Senior salaries at relevant authorities are not agreed by Ministers and do not fall under the Treasury’s remit for signing off salaries. But in the same way that Ministers need to be accountable for centrally funded public sector salaries, Councillors and Members need to be accountable for locally determined senior salaries at relevant authorities. To increase local democratic accountability in senior pay in local government, the Coalition Programme committed to:

“...give councillors the power to vote on large salary packages for unelected council officials.”

Ministers also determined that the provisions should cover all Fire and Rescue Authorities in England. This includes: combined and metropolitan authorities, the London Fire and Emergency Planning Authority, and county authorities.

Transparency

As part of the wider transparency agenda, Ministers are committed to increasing the transparency over the salaries of the highest earning public sector employees. The Coalition Programme committed to:

“require public bodies to publish online the job titles of every member of staff and the salaries and expenses of senior officials paid more than the lowest salary permissible in Pay Band 1 of the Senior Civil Service pay scale, and organograms that include all positions in those bodies.”

The specific commitment on transparency is being taken forward through a Draft Code of Recommended Practice for Local Authorities on Data Transparency, which the Department intends to consult on shortly.

The Government has also asked Will Hutton to lead a Fair Pay Review to make recommendations on how to ensure that no public sector manager is paid more than 20 times that of the lowest paid person in their organisation. The review has provided an interim report and the final report is due in March 2011.

Current position on senior pay setting

In local authorities

Currently, senior appointments are a matter for the full council of the local authority. However, under current legislation, it is permitted for this power of appointment to be delegated to a committee, sub-committee or joint committee.

Councils are required to advertise senior officer posts with a statement of what the duties of the post are, and the qualifications and the qualities sought. The current legal position does not make any express provision for determining, or publishing, decisions about the pay or terms and conditions upon which appointments are made.

In Fire and Rescue Authorities

The national minimum pay rates (by authority population size) for senior fire officers is negotiated by the National Joint Council for Brigade Managers of Local Authority Fire and Rescue Services. The actual salary is determined locally by the Fire and Rescue Authority.

Currently, the legal powers for Fire and Rescue Authorities under which senior appointments are made is set out in the Local Government Act 1972 and follow similar arrangements as for local authorities.

Description of options considered (including do nothing)

Do nothing

Doing nothing would not ensure that all councillors are able to held accountable locally for decisions on senior remuneration packages.

Option 1 - Introduce a central cap on senior pay

Under this option, the Government would impose a centrally determined cap on senior officer's pay in the relevant authorities. The level of the cap imposed would be open to consultation.

Option 2 - Require each senior officer's salary to be signed off by full council

Under this option, each time that a relevant authority wished to appoint a senior officer or other matter relating to senior remuneration, the remuneration package would need to be signed off by full council.

Option 3 - Require relevant authorities to approve and publish an annual senior pay policy statement

Under this option, relevant authorities would need to approve, annually at full council or a meeting of Fire and Rescue Authority members, a senior pay policy statement setting out the relevant authority's approach to senior remuneration for the relevant year. The senior pay policy statement would set the remuneration framework within which senior appointments can be made.

Costs, benefits, risks and assumptions

Option: Do nothing

Costs:

- Doing nothing would fail to tackle the deficiencies in the current approach under which senior pay in local government has increased.
- Continuing with this approach would not increase transparency in senior pay decision making.
- Individual members could continue to be excluded from decisions about senior pay, meaning that not all members will be democratically accountable for senior pay decisions.

Benefits:

- This approach would continue to allow local flexibility in determining senior rewards.

Option 1: Introduce a central cap on senior pay

Costs:

- This approach would go against the Government's localism agenda which aims to devolve power away from Government to local authorities, individual communities and citizens. It also removes local democratic accountability as locally elected councillors or members would not have a role in setting senior pay.
- A cap would prevent local flexibility in determining senior pay meaning that the relevant authorities may not be able to compete for key skills through paying appropriate reward levels.
- It would also only cap the pay at the top of the structure and would not directly improve accountability over other senior salaries.

Benefits:

- A centrally imposed cap would prevent top salaries in relevant authorities from rising above the nationally determined level.
- A centrally set cap would prevent regional and local competition between relevant authorities which might escalate market costs of senior appointments.

Risks

- A centrally determined cap might mean that central Government would be taking greater control over senior pay in the relevant authorities. Any monetary costs of increased control are not known but could lead to claims that central Government is the 'single source employer' for equal pay purposes.
- A centrally determined cap would not reflect local consideration of recruitment, retention and market forces.
- If a centrally determined cap is set too low, the relevant authorities may incur retention and recruitment difficulties for senior positions, as top performing senior staff to seek employment in other sectors offering more competitive remuneration packages.
- This approach does not seek to override existing employment contracts or contractual obligations and so would not impact on existing salaries.

Option 2: Require each senior officer's salary to be signed off by full council

Costs:

- This approach could be cumbersome for councils due to the infrequency of meetings of full council and the need to have each salary, and associated remuneration arrangements, signed off by full council.
- Extending the commitments placed on full council would incur some minor administrative costs.

Benefits:

- This approach would support the Government's localism agenda by keeping power with the relevant authorities and, in particular, increasing the power and accountability of locally elected councillors in determining senior pay.
- This approach would allow local flexibility in determining senior rewards.

Option 3: preferred option - Require relevant authorities to approve and publish an annual senior pay policy statement

Costs

- It is anticipated that any annual administration costs to relevant authorities of the policy statement would be minimal and would be significantly outweighed by the potential savings resulting from the policy. The impact of the policy has been assessed and any burden will be funded in accordance with the Government's new burdens doctrine.

Benefits:

- It would ensure that local democratically elected members are accountable to their electorate in determining the senior pay policy which would set the framework under which decisions on senior remuneration are made.
- It is not anticipated that the relevant authorities will need to specifically undertake any additional labour market analysis or research as a result of these measures. The council will continue to be able to make best use of the existing research and analysis that relevant authorities undertake when arriving at decisions affecting senior pay.
- In addition, the move towards greater transparency in public sector pay will provide a rich source of local public sector market information that relevant authorities will be able to make use of, reducing the need to engage external labour market consultants.
- Increased transparency and accountability of senior pay decisions should have a deflationary effect on senior pay awards. Whilst it is not possible to directly establish how much will be saved through implementation of the policy, the following ranges are indicative:

Officer group	Pay bill	1% saving	5% saving	10% saving
Chief Officers	£576.5m ¹	£5.8m	£28.8m	£57.7m
Chief Executives	£50.4m ¹	£0.5m	£2.5m	£5.0m
Chief Fire Officers	£6.4m ²	£0.1m	£0.3m	£0.6m
Deputy Chief Fire Officers	£5.3m ²	£0.1m	£0.3m	£0.5m
Total	£638.6m	£6.5m	£31.9m	£63.8m

¹ According to information provided by the Local Government Employers underpinned by data from the *Joint Negotiating Committees' Salaries and Numbers Survey 2008* and referenced in the *Setting Rewards for Top Mangers in Local Government* Local Government Employers policy document. Based on 2008 figures for local authorities in England and Wales.

² According to the National Joint Council *Brigade Managers Survey 2010*, covering England and Wales.

- The data used to illustrate the ranges of potential savings in the senior pay bill is presented by the Local Government Employers to include English and Welsh authorities and Fire and Rescue Authorities. It is therefore not possible to disaggregate the figures to provide precise estimates for local authorities and Fire and Rescue Authorities in England alone. As such these figures are included for *illustrative purposes only*.
- As the policy framework for senior pay (within which future decisions about pay would be made) is decided by full council or, in the case of the Fire and Rescue Authority a meeting of members, management decisions about appointments or contracts may be delegated to the appropriate set of councillors/Fire and Rescue Authority members, committee, or officer. This will ensure that full council is not over-burdened and decisions can be made promptly.
- This approach permits significant local flexibility in determining senior pay, ensuring that councillors and Fire and Rescue Authority members are accountable for decisions about senior pay where there is a need to compete for key skills through paying appropriate reward levels.
- Publishing a senior pay policy statement will increase local transparency and enable taxpayers to compare levels of salary agreed in the policy statement against the levels paid as reported at the end of the financial year in the relevant authority's annual statement of accounts.

- Based on the ranges set out in the table above, a conservative estimate is that a 1 per cent saving on the chief executive, chief officer, chief fire officer, and deputy chief fire officer pay bills could save councils and Fire and Rescue Authorities over £6.5m per annum in England and Wales.
- Increased transparency and accountability of senior pay decisions will ensure that Members make value for money decisions on senior pay which should have a deflationary effect on senior pay, saving relevant authorities expenditure.

Risks

- Ensuring that salaries are sufficient to be able to recruit, retain and motivate senior officers.
- This approach does not seek to override existing employment contracts or contractual obligations.

Wider Impacts

The Department has considered the wider impacts as set out in the BIS Impact Assessment Toolkit, and we do not consider there to be any wider impacts under the headings provided.

Statutory equality duty

Economic impacts

Environmental impacts

Social impacts

Sustainable development

Summary and preferred option

The preferred option is option 3 - requiring relevant authorities to approve and publish an annual senior pay policy statement.

The objective is to increase transparency and local democratic accountability in how senior pay is set in the relevant authorities. Increasing accountability and transparency over senior pay will seek to ensure that the relevant authorities are achieving value for money from their senior workforce.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review: [The basis of the review could be statutory (forming part of the legislation), it could be to review existing policy or there could be a political commitment to review];

The review will be carried out by the relevant policy team within the Department, working with the local government sector.

Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?]

The review's objective will be to ascertain if the policy has been implemented by the relevant authorities and what impact it has had on senior pay levels within the sector. The review will ascertain if the relevant authorities' senior pay decisions are more transparent, and also if the policy has had any impact on the recruitment and retention of senior staff.

Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]

The review will take the form of a spot check survey of relevant authorities' websites for data on senior remuneration as well as on going discussions with interested parties. The websites will host the senior pay policies as well as the authority's Statement of Accounts and transparency information which will allow the Department to assess trends in senior pay.

Over the coming months, further details of any proposed research and analysis will be considered by a Localism Bill review steering group, to ensure that the methods are appropriate, proportionate, and cross-cutting where possible, so that we collect only essential information/data at both the baseline and follow-up review stages.

Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured]

The relevant authorities are required to publish, within their statement of accounts, senior pay information which could form the baseline for assessing trends in pay. Publishing the relevant authorities' senior pay policy is a new requirement and therefore the baseline from which this policy will be assessed is that no authorities currently publish a senior pay policy.

Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]

The policy would be deemed a success if relevant authorities are publishing pay policies which improves transparency and local democratic accountability. In addition, average wage moderation over the year following the introduction of the pay policy, in comparison with previous years, would constitute a success for the policy. In measuring this, wider considerations would need to be taken into account, for instance benchmarks in pay growth in the wider public sector and other relevant sectors.

Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection systematic collection of monitoring information for future policy review]

The Department does not monitor pay data in the local government sector. It is, however, possible that the Local Government Employers, or other third parties, may collect and publish information of this nature. We would anticipate that salaries will have reduced.

Reasons for not planning a PIR: [If there is no plan to do a PIR please provide reasons here]

Add annexes here.