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Research Note 55

## **Towards Transparent Rewards**

The 2010 annual accounts of local authorities and police forces will offer readers something new. After years of campaigning by various groups, and months of political posturing by all parties, these public bodies will be brought into line with equivalent organisations in the public and private sectors.

The Local Government *Accounts and Audit (Amendment No.2) (England) Regulations 2009* (the 'amendment') requires all relevant public bodies to state in their annual accounts, for both the relevant and prior year, the remuneration of their senior officials.<sup>1</sup> Now councils will have to report on who their most senior staff are, their final remuneration (in a band of £5,000) and how that final sum breaks down (salary, bonus, termination payments, etc). In an important step towards a genuinely transparent rewards system in the public sector, the people who pay for officials' remuneration will be able to see just how much they've been paying.

While it may seem incredible that taxpayers did not already have this right, the amendment was only put in place in the teeth of continued resistance from some councils, police authorities and associated groups. The GMB Union, in its response to the Government's consultation on the statute, spoke for many organisations that responded to the consultation when it wrote that it "*reluctantly accepts the premise that the broad terms of the remuneration of the most senior officials in public authorities should be included in annual reports.*"<sup>2</sup>

Following a freedom of information request to the Department of Communities and Local Government, the TaxPayers' Alliance has obtained all the consultation responses written by public organisations and associated groups. Below we provide a sample of the most interesting responses in a number of key areas:

### **Just how much information should be revealed?**

The draft version of the amendment correctly demanded that all officials deemed senior enough to be included in the remuneration report should be named, and clear indication

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<sup>1</sup> [http://www.opsi.gov.uk/si/si2009/pdf/uksi\\_20093322\\_en.pdf](http://www.opsi.gov.uk/si/si2009/pdf/uksi_20093322_en.pdf)

<sup>2</sup> GMB Union, *Response to DCLG Consultation*, 22 June 2009

given of their salary, bonus, allowances, compensation for loss of office, employer contribution to a pension scheme and any benefits not included in 'allowances.'

Unfortunately, in the final version of the amendment, only officials or officers who earn over £150,000 must be named. This omission will make identifying rewards for failure more difficult, particularly in light of its implications for freedom of information requests.

However DCLG did not accept the claims of some respondents that providing any specific details of remuneration would endanger the physical or mental wellbeing of their staff:

*"It remains our concern that detailed information can provide an easy means of officers in top posts being **personally targeted by less stable persons in the community.**"* Association of Council Secretaries and Solicitors, 22 June 2009

*"Senior District Officers are not faceless and located remotely from the people they service. The concern here is the potential misuse of this information for **personalised attacks and mischief making.**"* Forest Heath District Council

*"We have a responsibility for the health, safety and welfare of our staff and are concerned that publication of personal information could lead to personal attack. **Who will be responsible for the consequences** of that pressure and stress on them?"* Avon Fire and Rescue, 26 June 2009

*"The **proposals do represent a gross invasion of privacy.** Where officers live within the communities they serve, the neighbours, acquaintances, etc, will enjoy an unreciprocated knowledge of that officer's income."* West Devon Borough Council, 14 May 2009

*"The publication of bonuses relating to performance is again something that, particularly when linked to naming, is again a cause for concern in that **families could be at risk of abuse and children of bullying** due to press misrepresentation of data. Since bonuses are often indicators of performance [...] there is often a high degree of confidentiality in that they reveal differential assessments of an officer's competence."* Wandsworth Borough Council, 22 June 2009

DCLG's decision to ignore most of these claims – even if unfortunately not on naming staff earning less than £150,000 – may have something to do with the fact that most respondents – notably the Audit Commission and the Information Commissioner – foresaw no problems with full disclosure:

*"[...] we feel it is particularly important that pension arrangements, compensation for loss of office and any other payments received are transparently disclosed. [...] **we cannot see any barriers or significant costs to collecting and reporting the proposed remuneration information.**"* Audit Commission, 22 June 2009

*"The Commissioner supports the suggestion that total remuneration should be published, broken down into salary, bonuses, additional payments, compensation and benefits in kind. [...] **The Information Commissioner does not foresee that these proposals would be incompatible with the [Data Protection Act].**"* Information Commissioner, 22 June 2009

*"Disclosure of remuneration should [...] include details of name, designation, grade band, bonuses, additional payments, compensation/ex gratia payments and benefits in kind."* Derbyshire County Council, Chief Executive, 20 June 2009

The Information Commissioner added that *"the proposed requirements for financial reporting in relation to [non-£150,000 plus] staff fall short of what is already required under the FoI model publication scheme. [...] The proposed requirements of the reporting regulations [...] should not be interpreted to mean that further information will not be released."*

### **Bringing disclosure into line with other sectors**

Up until now, financial reporting standards have required private companies and most of the public sector to provide the remuneration details of their directors. Although not a perfect system (in that it potentially misses some aspects of remuneration and does not necessarily apply to the top earners) it is an important standard. As the public sector has moved towards this standard, the refusal of local government to do so has become particularly stark.

However some respondents in the consultation believed that local government deserved to be treated differently to the private and remaining public sector:

***"Salaries are determined by elected councillors, which by definition provides transparency."*** Association of Local Authority Chief Executives, 19 June 2009

*"It should be noted that the claim the proposals brings local government up to the same high standards as the civil service is not entirely justified for two main reasons. First, the **remuneration of senior employees in district councils will impact at a much lower level of pay than that disclosed by***

**Government departments** [...]. *Second, local government employees are visible within the local community.*" Dover District Council, 19 June 2009

*"A senior official within a local authority may earn the same salary as a lower ranking employee within the private sector company but the details of a private sector employee would not be published within their financial statements as it does not meet the criteria of senior officer. This **provides an unfair disadvantage to the local authority employee** [...]."* Gravesham Borough Council,

*"In responding to the previous consultation paper **we disagreed in principle with the proposal to bring the remuneration disclosure note for local authorities in line with that of the private sector and central government.**"* Tonbridge and Malling Borough Council, 2 June 2009

Other respondents observed a difference between local government and the rest of the public sector too, but their conclusion was that greater transparency was needed across the public sector.

### Embracing transparency

The vast majority of respondents in the consultation welcomed the amendment on the grounds that it increased transparency:

*"It can only be in the public interest to ensure that earnings of public servants are transparent. It is also **healthy to provide such information as means to improve accountability and invite challenge of decisions about the worth of senior staff.** If there is sound justification for a particular level of income, it should be open to public scrutiny and challenge. There should be nothing to fear where there is a robust supporting case."* Fire Officers Association, 11 June 2009

*"This will improve the transparency of pay and remuneration for senior public service officers, and hence assist in local authority accounts providing a more true and fair view."* Surrey County Council, 22 June 2009

But many respondents did not acknowledge a need for this greater level of transparency:

*"[...] **it may be in the public interest for details of an authority's policy on salaries, special recognition payments, reimbursements of expenses and the relevant governance arrangements to be in the public domain.** It is open to question whether knowing the exact amounts*

*paid will provide any increased levels of accountability.” Hampshire County Council, 18 June 2009*

*“Present reporting arrangements are adequate and satisfy the necessary requirements for local authorities to be open and transparent in the way they conduct their business. [...] **The proposals will do nothing to add transparency or improve governance.**”* Runnymede Borough Council, 22 June 2009

*“[...] **we feel there is no need to change the existing publication requirements** substantially for senior officers and staff as there is no identifiable benefit, but a number of disadvantages.”* Northamptonshire Police Authority, June 2009

*“**Aside from wondering how this proposal increases transparency, which it clearly does not,** what it does do is give consistency and on this basis it would be supported.”* Nottinghamshire and City of Nottingham Fire and Rescue Authority, 28 May 2009

*“**I disagree with this but I suspect disagreement will be futile.** [...] What would you [DCLG] feel about this?”* Torbay Council, 31 March 2009

*“Waverly Borough Council reluctantly accepts the disclosures proposed.”* Waverly Borough Council, 11 June 2009

*“[...] the level of **detail needs to be kept to the minimum if it is to be transparent and relevant** for them.”* Rushmoor Borough Council, 2 July 2009

*“[...] the **statement of accounts** and accompanying disclosure notes **are already too detailed and not easy to understand.**”* Crawley Borough Council, 4 June 2009

## **The costs of disclosure**

Finally, many of the consultation responses contradicted each other. This was most obvious in relation to the potential costs of remuneration disclosure:

*“**[this] requirement [will] significantly add to local authorities’ administrative burden.**”* GMB Union, 22 June 2009

***"We do not envisage any significant barriers or costs in providing this information, as it is relatively easily available within the financial accounts."*** Surrey County Council, 22 June 2009

***"It is likely that there will be a cost associated with collection of the required information, which will result in an additional financial burden to the authority."*** Maldon District Council, 9 April 2009

***"[We] do not anticipate any barriers or costs to collecting and reporting this information".*** Rushmoor Borough Council, 7 May 2009

In a similar vein, while the Association of Police Authority Chief Executives (representing, please note, those who will be directly affected by this amendment) claimed that detailed disclosure was a bad idea because ***"unlike large central government departments, police authorities are unable to rely on large media and communication teams to respond [to media enquires]"***, the Northamptonshire Police Authority proudly stated that it ***"already employs an extensive media and communication team to deal with 24 hour press demands."***

In relation to the burden of Freedom of Information requests:

***"Consideration needs to be given to the potential to generate a considerable number of Freedom of Information requests from this proposal [...]"*** Cheshire Police Authority, May 2009

***"[...] this could reduce the additional work driven by Freedom of Information requests."*** Buckinghamshire & Milton Keynes Fire Authority, 21 May 2009



In considering the consultation responses, Ben Farrugia, Deputy Research Director at the TaxPayers' Alliance, said:

*"Many councils and employee associations have not woken up to the fact that pay transparency is not only right, it's also good news for them. No longer will they look like they have something to hide. So in the face of their continued resistance, the Government deserves credit for pushing forward the transparency agenda. We would have liked it to go further, for the lack of names in many future remuneration reports will hamper efforts to identify rewards for failure, and help authorities hide the facts from taxpayers. But overall the amendment is a step in the right direction, with taxpayers getting a better idea of what they're paying for."*

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