



Society of Local Authority Chief Executives and Senior Managers submission:

**Communities and Local Government Select Committee
Inquiry into Local Government Chief Officer Remuneration**

January 2014

The Society of Local Authority Chief Executives and Senior Managers (Solace) welcomes the opportunity to submit evidence to the CLG Committees inquiry into Local Government Chief Officer remuneration. We would also seek the opportunity to provide oral evidence to the committee at the appropriate time.

Solace represents Chief Executives and senior managers at over 90% of local authorities across the UK. We have over 1250 members from all tiers and type of local government organisation. We are committed to promoting public sector excellence. We provide our members with opportunities for personal and professional development, and seek to influence debate around the future of public services to ensure that policy and legislation are informed by the experience and expertise of our members. Whilst the vast majority of Solace members work in local government, we also have members in senior positions in health authorities, police and fire authorities and central government.

The Solace evidence to the inquiry focuses around three important themes:

- That the role of the chief executive and other senior staff in local government presents a unique mixture of risk, complexity and accountability
- That the market for senior posts within local government is an exceptionally open, transparent and flexible one, which ensures market forces are able to play their proper role in moderating pay
- That the average remuneration of Chief Executives and senior managers within local government is currently at an appropriate level given the incomparable capabilities required

The evidence presented in this submission will largely focus upon the role of the Chief Executive within local authorities because this is the area of most public scrutiny, transparency and comparability across this and other sectors. However, we strongly believe that the conclusions are applicable to all senior officer roles in the local government sector.

Senior roles in local government

Chief Officers in local government have always had complex roles managing significant levels of risk. The level of this complexity and risk has increased significantly. They have overall responsibility for budgets of around £461.3 million¹ on average, similar in size to the turnover of listed companies such as Bovis Homes Group, Ocado, Restaurant Group, and

¹ DCLG (2013) Local Government Financial Statistics England



Stobart. In some larger authorities' budgets are well over £1 billion, equivalent to the turnover of companies such as Intercontinental Hotels, William Hill, Britvic, Green King and Halfords.

Chief Executives' are responsible for an average of 4,752² staff, a similar number to those employed by United Utilities, ITV, Tate and Lyle and Admiral Group. In the largest authority over 48,000 are employed, which makes it a larger employer than Centrica, Rolls-Royce, Aviva and Pearson, all FTSE 100 companies. They oversee a multitude of statutory and non-statutory services, for example, it has been estimated that a single tier authority contains well over 700 separate occupations. These are as wide ranging as educational psychologists, emergency planning teams, dog wardens and archaeologists. A complete, exhaustive list of all responsibilities is not possible in here but the point is well made that the top leadership team overseeing this range of responsibilities requires exceptional capabilities.

The role of the Chief Executive in local government was originally defined in the 1972 Bains' report and while it remains similarly defined, the job itself has changed dramatically since.

At its most simple, the role has four principle aspects:

- Managerial leadership of the organisation;
- Providing and securing advice to the Council on strategy and policy;
- Acting in an executive capacity by making decisions or ensuring a system is in place for other officers to make decisions, as authorised by the Council; and
- Delivering probity, value for money and continuous improvement.

The exact breadth of these responsibilities varies across different local authorities, most obviously between each tier. However, the range of services delivered by all councils is extreme when judged against any other sector or industry. They include a wide range of front-line services which are both highly visible, and critically important for service users. Many of these responsibilities involve managing conflicting demands from stakeholders, for example with regulatory services. In areas, such as older people's care, housing and child protection, the management of significant, incomparable risks for individuals and the wider community are balanced.

In addition to demonstrating the commercial skills to manage their own large organisations, in recent years, senior officers in local authorities have led the development of new responsibilities. For example, close working with the National Health Service, Police, Job Centre Plus and other local partners is now the norm. Working across geographical boundaries is also a normal part of local government management with shared Chief Executives, shared commissioning and shared services now a regular part of the sector.

Of course, all these activities take place within the context of democratic politics. Local government employees and the Chief Executive in particular, play a unique role in upholding the local democratic process and ensuring open, transparent local accountability. Chief Officers all perform this important role, on behalf of the whole council and the local

² DCLG (2013) Local Government Financial Statistics England



community, which includes speaking truth to power, protecting good governance and providing clear advice across the political spectrum.

Therefore when recruiting to Chief Executive or other senior role within local government, a number of competencies are sought that extend beyond the traditional 'management' competencies that you would expect in other sectors. In particular, the ability to work in a political environment across political and constitutional boundaries is unique to senior roles in local government. In addition, the growing degree of strategic partnership and influencing undertaken across a wide range of professional areas and with a multitude of external organisations and group ensures the competencies required to undertake the role are rare. This explains why such a small number of private sector managers have felt able to make the successful transition into local government given the skills required and relative rewards available.

The impact that a strong Chief Executive and management team can have in practice is considerable. A well managed council, both politically and managerially, can have a considerable impact on the local communities and the individual lives of those who live there.

Chief Officer Employment Market

The individual salary level for senior council employees is set entirely at a local level, by individual councils as employers. This is very important in ensuring that local politicians can be held to account, and are able to hold those they employee to account. It also enables councils to operate in an open and flexible manner within the markets in which they need to recruit.

These salary levels are then published in a transparent manner which has enabled councils and individuals to be subjected to rigorous accountability standards. This is unprecedented in other sectors or roles. The process of recruitment to these senior roles is also transparent, open and flexible.

However, the nature of the role does mean that supply to the market is relatively limited. The competencies required to operate at this level are extremely rare. When considered alongside the public exposure and degree of personal accountability, when compared to other roles, this means that relatively few individuals consider it an acceptable career path.

However, in recent years the market has responded to changing conditions. The Local Government Chronicle's regular salary tracker has demonstrated that starting salaries for Chief Executives have fallen, and we have seen wage restraint across the country with four years of 0% increases.

Since 2010 a number of local authorities have started to share Chief Executives and, in some cases, senior management teams. We have also seen reductions in the size of local council management teams as authorities have responded to falls in their revenue. This will have had a small impact of limiting the demand for these positions relative to the supply.

However, supply will vary across local authorities. For example, where councils have had problems, whether they are due to service performance, political mismanagement or other factors, recruitment can prove challenging. Therefore it is important that local authorities have the freedom to respond to market pressures with a flexible and transparent approach to senior pay.

We are also increasingly seeing international competition for local government senior staff. In recent months local council's from Canada, New Zealand and Australia have advertised for

Chief Executives or similar roles in the UK local government press with staff from the UK now working abroad for high salaries. This is a clear indication of the international reputation of UK local government and their senior staff. But if continued, it may also negatively impact on the supply of high quality, prospective Chief Executives within the UK.

Overall, the market for senior local government staff is a transparent one. Market forces are able to play an active role in moderating pay, although limited supply does mean that those with those rare competencies are able to command appropriate salaries. It does suggest however, that any artificial intervention in the market is likely to negatively impact on the quantity of qualified senior staff available to manage local services.

Current Remuneration Levels

Given the unique role of the local government Chief Executive and their senior management colleagues, and the exceptionally open and transparent nature of the recruitment market, we would argue that the current levels of remunerations are appropriate.

Cost of Chief Executives per authority

	District	Unitary	Metropolitan Borough	London Borough	County
Top Quartile	£115,912	£168,483	£189,300	£189,440	£194,603
Average (Mean)	£102,035	£147,150	£165,473	£166,428	£181,650
Bottom Quartile	£91,908	£131,278	£147,693	£155,000	£167,500

Solace research: based on Council 2013 Statement of Accounts

The evidence demonstrates that the cost of a Chief Executive to a local council clusters relatively tightly around the average within each category. The two middle quartiles are relatively narrow suggesting a fluid, open market. Where there are significant differences in salary costs between local authorities within the same category these reflect one or more of the following factors:

- the size/population of the local authority;
- extreme local challenges;
- local cost of living;
- length of time, and therefore experience, of the individual in post.

In addition, the Hutton Review of Fair Pay (2011) concluded that the ratio of CEO pay to average pay in local government was below 6:1 and compared favourably with other parts of the public sector. The ratio between top salaries and the bottom of the workforce pay spine was also analysed during the Hutton Review (2011) and demonstrated local government's low ratio in comparison to the rest of the public sector. Indeed when compared to other sector ratios, the public sector as a whole is also particularly low.

We would contend that comparison with other roles in the public and private sector is very difficult given the unique factors within local government that this submission has described. However, these comparisons have been raised in the past and therefore warrant some examination.



A comparison frequently made is to public servants being paid "more than the Prime Minister". This clearly it fails to account for total cost of the role or the value of potential earnings after leaving post, for example, from writing and speaking engagements.

The Hutton Report (2011)³ concluded that the Prime Minister's total remuneration could be valued at around £580,000, and was clear in the implications of this, recommending that "*the Government should refrain from using the pay of the Prime Minister or other politicians as a benchmark for the remuneration of senior public servants, whose pay should reflect their due desert and be proportional to the weight of their roles and their performance*".

Comparisons are also made to roles in other sectors with similar profiles, revenue or employee numbers.

Chief Executive role	Average annual earnings
FTSE 100	£3,092,000 ⁴
FTSE 250	£1,051,000 ⁵
Russell Group University	£333,000 ⁶
County Council	£181,650
NHS Hospital Trust	£163,500 ⁷
Metropolitan Borough Council	£156,473
District Council	£102,035

Clearly these comparisons are difficult partly because other roles are not subjected to the same transparency as those in local government, but also due because of the different breadth of responsibilities. However, it is clear that Council Chief Executives' are not paid excessively when compared to senior leadership roles within large organisations in other sectors.

Conclusion

This submission has clearly demonstrated that the role of the senior manager in local government is unique in its complexity, accountability and management of risk. It has also explained how the market for these roles operate, and that this is the most open, transparent and flexible labour markets in the UK, enabling the market mechanism to respond to demand and supply, and play an appropriate role in setting salaries.

³ http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/hutton_fairpay_review.pdf

⁴ KPMG (2013) KPMG's Guide to Directors' Remuneration 2012

⁵ Ibid

⁶ The Guardian (2012) University vice-chancellors take average £9,700 pay rise

⁷ IDS research (2013)



This picture has resulted in salaries clustering closely around the average levels for each category of Chief Executive, and we believe, were comparative data available, other senior roles in local government. They have also responded promptly to changes in market conditions and reflect the demand and supply of those roles.

We therefore conclude that the salaries for senior staff are currently at a reasonable level given the calibre of candidate required to undertake the roles, and that intervention in this market is unnecessary and likely to be counter-productive.

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