



Communities and Local Government Committee

Oral evidence: Local government Chief Officers' remuneration, HC 191

Wednesday 11 June 2014

Ordered by the House of Commons to be published on 11 June 2014.

Written evidence from witnesses:

Panel 1 (Questions 271-404)

Surrey County Council

Panel 2 (Questions 405-443)

ALACE

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Watch the session

Members present: Mr Clive Betts (Chair); Simon Danczuk; Mark Pawsey; John Pugh; John Stevenson and Chris Williamson.

Panel 1 Questions [271-404]

Witnesses: **Councillor Colin Lambert**, Former Leader, Rochdale Borough Council, **Jim Taylor**, Former Chief Executive, Rochdale Borough Council, **Councillor David Hodge**, Leader, Surrey County Council, and **David McNulty**, Chief Executive, Surrey County Council, gave evidence.

Chair: Thank you all very much for coming to this, our third public evidence session in our inquiry into local government chief officers' remuneration. At the beginning, I ask members of the Committee to state their interests to put them on the record. I am a vice-president of the Local Government Association.

Simon Danczuk: My wife is a councillor, and a couple of members of my staff are councillors.

John Pugh: I have recently become a vice-president of the LGA as well, and I have two employees now who are councillors.

Mark Pawsey: A member of my staff is a councillor.

Chair: Okay, we will get that on the record.

Thank you very much for coming. For the sake of our record, could you go along the line and say who you are and which organisation you are from?

Cllr Hodge: My name is David Hodge. I am the leader of Surrey County Council.

David McNulty: Hello, I'm David McNulty. I am the Chief Executive at Surrey County Council.

Jim Taylor: My name is Jim Taylor, the former chief executive of Rochdale Council. I am now city director for Salford City Council

Cllr Lambert: Colin Lambert, former leader of Rochdale Council.

Q271 Chair: Thank you all very much for coming this afternoon to give evidence to us. Let me say right at the beginning it is probably understood, by you not least, that one of the reasons you are here as witnesses is there has been an element of controversy around certain issues in your domain, but this is not an opportunity for us simply to have a go at you. It is an opportunity for us to explore the situation, find what happened, and for you to put across your point of view as well, to give evidence to us in that way. That is how we intend to proceed with this afternoon's business. Could I begin therefore by asking the leader of Surrey and the former leader of Rochdale, Councillor Lambert, what role you had as leaders in determining the remuneration of chief executives and other chief officers in your authority?

Cllr Hodge: Good afternoon. We have a set agenda on how we actually determine the rate of pay for all officers. When we recruited the chief executive in 2009, we decided we would use the benchmarks and start a chief exec almost on the lowest rung of that ladder.

Q272 Chair: Benchmark?

Cllr Hodge: We have a grading system from a lower starting point of 209—

Q273 Chair: Where does the benchmark come from?

Cllr Hodge: What I mean is that there is a scale from A to B, and from that we then determined where we would start a chief exec when he arrived in 2009.

Q274 Chair: Maybe it is me misunderstanding you, but I am still not quite clear. Is this a benchmark that you determine as leader?

Cllr Hodge: Yes.

Q275 Chair: So you simply decide: this is the range, and this is where we will pay.

Cllr Hodge: It is decided by the remuneration committee, which I chair.

Q276 Chair: Right, okay. And that is councillors, is it?

Cllr Hodge: County, yes.

Chair: Okay, thank you.

Cllr Lambert: We do it differently, in that at Rochdale, like many authorities, the role of leader is to ensure the correct information and all available information is before full council. The decision is taken before full council. Therefore, we would look independent of the council. When we recruited Mr Taylor, initially we used North West Employers, and they did the benchmarking and the measures across certainly the 10 Greater Manchester authorities. When we restructured in February 2013, that reduced senior management from the 24 I inherited down to 10, which was six executive leaders and four assistants. For that, the Hay Group were used to do the benchmarking.

Q277 Chair: Okay. In terms of Hay and their use, did you simply follow what they said, or is there an element of discretion that you chose to use as part of that process?

Cllr Lambert: When you come to appointing, whether it was North West Employers—who I believe will still do it next time; I hope so, anyway—or whether it was the Hay Group in the review of remuneration of the senior managers, you talk to them prior to that contract being set.

Q278 Mark Pawsey: Chairman, may I just ask who North West Employers are? They are not a body we are familiar with.

Cllr Lambert: North West Employers are a group that local authorities also pay into. They are a consultancy group.

Q279 Mark Pawsey: They are a consultancy company?

Cllr Lambert: But they are within the council “family”.

Q280 Mark Pawsey: But they are independent of the council—

Cllr Lambert: They are independent of the council

Mark Pawsey: —appointed by the council as a consultancy.

Cllr Lambert: As a consultant towards recruitment.

Q281 Chair: To both leaders, once you have appointed a chief executive at a given salary, do you have a role then in assessing how well they perform, and doing something about it if they do not perform to the standards that you expect?

Cllr Lambert: Certainly within Rochdale, the chief executive is assessed at the end of each year by the three party leaders. That was a system I inherited at the end of 2010, when I was appointed leader, and that continued. This year it has not occurred, because Mr Taylor has left, but prior to that, the three party leaders would meet with the chief exec and measure against any outcomes. That happened certainly with the previous chief exec as well.

Cllr Hodge: In 2008 and early 2009, Surrey County Council was not in a good place. In effect, we had a failed Ofsted report on children’s services, we did not do very well at all on adult social services, and we went from a four star authority to a one. So when we decided to recruit a new chief executive, we were absolutely adamant that we wanted to go for the best that we could find on the market. We set out quite a clear programme of getting the right chief executive. We then instigate performance assessment, on an annual basis. I use people from outside the market—in other words, people from the private sector who are with BP, Canon and places like that—who help me, with my deputy leader, when we do the performance assessment of the chief executive. I have to say—and I hope I will not make him blush—I think we made absolutely the right decision. We have a chief executive of high quality, who has changed the organisation: he has changed the culture; he has changed the performance of the organisation, and we are definitely in a better place than we were four years ago.

Q282 Chair: Okay. Not every appointment is as successful as the one you have just described. If under the arrangements that you have you find that the performance is not up to scratch, have you got experience of encouraging someone to go through the door, to use a phrase? If you have had that experience, has that normally been

associated with a little helping cash hand along the way, to ease the way out? That is something the public often gets very upset about. Have you got examples of someone simply being fired through non-performance and not given a cash hand-out along the way?

Cllr Lambert: I am happy to go first, yes. I would say I have probably experience of both. I became leader on 15 December 2010, which is an unusual time to change political control of a council. In January, we had a conversation with the entire senior management team. We were about to offer a package to all the workforce who were suitably qualified for leaving, and the conversation was had with the then chief exec and a number of assistants. No packages were done for the current ones who have left since then, because there was not a package open to the rest of the workforce. but we offered to management the same package that was available to every single member of the workforce: that is, did they wish to volunteer for early retirement or, if there were going to be reductions in staff, did they want to volunteer for redundancy?

Q283 Chair: Okay, but these are about redundancy and trying to reduce numbers, rather than saying to someone, "You're not performing. We don't require your services any longer." Have you had any experience of that?

Cllr Lambert: No. The system I inherited made it that the only person the council employs is the chief exec. All council employees are then employed by the head of paid service, which is the chief exec.

Q284 Chair: So councillors did not have a role at all.

Cllr Lambert: Only when it got to appeals committee.

Chair: Right.

Cllr Hodge: I am grateful at this moment in time we do not have that situation, but I agree with the sentiment of what you were saying. If you had that situation, then I am a great believer that you should have sorted it out much earlier. You should never have allowed an officer to get to that state at senior level where you end up having to do that. You should always make sure that you conducted the relevant interviews, the relevant assessments, so that if somebody is failing in their job and it cannot be put right, then I think it is time to part company.

Q285 Chair: You have not had to reach that stage yet, as leader?

Cllr Hodge: No.

Q286 Chair: Would it be your decision or someone else's?

Cllr Hodge: Certainly, if it was at senior level, I would be taking the advice of the chief executive, and certainly the remuneration committee. We would then look at that and make a decision on what we would do, and then we would eventually report it to council.

Q287 Chair: So it would be reported to council—including any financial agreement that had been reached?

Cllr Hodge: Yes.

Cllr Lambert: In terms of the two separations, if you have got a situation where there was gross misconduct, then you would immediately step in and be straight on the door of the chief exec, and you would be looking for disciplinary and dismissal. What you often get in employment situations is what has been previously described as a drip feed of under-performance, and that is where you look for the full process within the council—whether it is a letter of warning, or whether you say to somebody they are going to be monitored or supervised—but in terms of paying anybody off because they are incompetent, I would oppose that.

Q288 Chair: Right. Can I move on to your situation, Mr Taylor, which obviously was pretty much discussed in the public domain? You have left Rochdale now and gone to Salford. Was the refusal in the end to approve your £40,000 salary increase the basic reason why you left?

Jim Taylor: Well, remuneration is a factor with anybody when they move jobs, and I am no exception to that, but it is not the only factor. There are many other factors: for example, the challenge of the role, the size, the complexity of the job, the demographics, the location, the skill match, and whether or not the individual—in this case, me—feels as though they have something to offer. The job I currently do is a bigger job; it is a promotion. It is in a city. It has a mayoral system—a different system of governance—and it is still within Greater Manchester. I do quite a lot of work across Greater Manchester, so for me it was the right move to make.

Q289 Chair: Okay, but the issue of your salary increase that did not happen was a factor.

Jim Taylor: Well, it was a number of factors, to be honest, Mr Chairman. Actually, I am currently still probably the lowest paid chief executive or chief officer in Greater Manchester. Certainly remuneration was not the prime motive for me to actually leave Rochdale Council.

Q290 Chair: I do not think you have quite answered the question, have you? It was a factor.

Jim Taylor: Amongst other factors, yes, of course—amongst other factors, which hopefully I have listed.

Q291 Chair: Do you think the whole issue around your proposed salary increase was well handled in Rochdale?

Jim Taylor: It is not my decision, and it was not within my gift to make those decisions about the process or how everything worked out. I cannot deny that it was a difficult situation. My only disappointment about that stage was that it did deflect from the important job that I was doing, and it was a distraction to the council and indeed the workforce when it was made so public. We wanted to get on with the job, and I certainly wanted to get on with the job that I was contracted to do.

Q292 Chair: Okay. Councillor Lambert, do you think, from your perspective as the leader of the council at the time, that the matter was well handled? Could it have been better handled, or are these issues always ones that are likely to exercise public opinion in a certain way?

Cllr Lambert: The decision was taken when we took control of the council that we would publish everything and be open and transparent. The whole process, including the Hay recommendations, was published in full on the council intranet. It was available to the media. At that point, it did blow—some people used it to blow it—but at the end of the day it meant the public got fully involved in that debate. So, could it have been handled better in that could it have been kept quiet? I would never have been part of keeping it quiet. I refuse in any way to see that be kept quiet. There are arguments that this would not get public unless it was leaked. It was not leaked; it was published by the council right from the start. At that point you will get a reaction.

I think the way it was reported in some of the local media was unfair, certainly in terms of officers of the council, because they had no right of response. We could perhaps with hindsight have been better prepared, but if you were to ask me would I do it any differently other than publish it in full, no, I would always publish it in full.

Q293 Chair Finally from me, when Hay came to see us last week they indicated that they had given you a range of options, and you had gone to the upper end of those options.

Cllr Lambert: We went to the medium.

Q294 Chair: Went to the medium, okay. So that view they gave us, or the impression they gave us then, was not correct? You are saying you published the full Hay recommendations, and that you went to the medium ones of those?

Cllr Lambert: Yes.

Q295 Chair: Right. Do you think you learnt any lessons about how things might be handled in the future?

Cllr Lambert: We had involved the three party leaders, the cabinet; it was going through the employment committee and full council. It may have been we should have got the media involved earlier because, having got the report, they were reacting to comment rather than the report. It may be at that stage you get in the local editors, or the media representatives. But in terms of taking it through the council, the decision we took when we took over in December 2010 was to open the council up, and that is what we did.

Q296 Mark Pawsey: Can I ask how long you were in post, Mr Taylor? When did you start and when did you leave?

Jim Taylor: I started in May 2012, and I left in May 2014.

Q297 Mark Pawsey: So you were there for two years.

Jim Taylor: Two years.

Q298 Mark Pawsey: After you had been there a year or so, the council proposed a £40,000 increase in your salary. Is that the case?

Jim Taylor: After about 19 months, a year and a half, there was a senior review, a benchmarking exercise. So it was about that time, yes.

Q299 Mark Pawsey: That is a heck of a percentage increase, Councillor Lambert. Was that done on a performance basis? Had Mr Taylor had an appraisal that justified that size of increase?

Cllr Lambert: Could I refer to some notes? I am happy, Mr Chairman, if you would like to take the entire file as evidence at the end; it is fully available to you. On 20 February 2013, the decision was taken over senior management structure, and that was so we could reduce the senior management cost. The full report, if it had gone through, would have produced a saving of £1.5 million in senior management cost. That would reduce, or continue to reduce, from the 24 when I took over down to the 10.

Q300 Mark Pawsey: So it was part of restructuring.
Cllr Lambert: It was part of the restructuring.

Q301 Mark Pawsey: But was the post reviewed? Was it concluded as part of that review that Mr Taylor was going to be worth an extra £40,000 a year?

Cllr Lambert: That is shown in the Hay report. They assessed the post.

Q302 Mark Pawsey: Okay. Is there any element of you offering Mr Taylor that sum as an attempt to keep him and stop him leaving? You had a successful chief executive; he had not been there very long. Was it that you were concerned he might leave, so you needed to up his salary to try to stop him leaving? Was there a bit of that involved?

Cllr Lambert: Certainly Mr Taylor had not indicated to me at any point that he wished to leave.

Q303 Mark Pawsey: You were not looking for a job at that time, Mr Taylor.

Jim Taylor: At which time?

Q304 Mark Pawsey: At any time during your service—at a time your increase was being discussed. Because you got the increase, and then you went after the increase was given, I understand.

Jim Taylor: No, the increase did not take place.

Q305 Mark Pawsey: It never happened.

Cllr Lambert: No.

Jim Taylor: It did not happen.

Q306 Mark Pawsey: But had you made it known to Councillor Lambert that there were better paid jobs elsewhere, and that if a decent increase was not forthcoming you might consider leaving?

Jim Taylor: No. I did not ask for it, and I did not get it.

Q307 Mark Pawsey: It was never part of the discussion?

Jim Taylor: No.

Q308 Mark Pawsey: It was very convenient for you then that this restructuring occurred at about that time.

Jim Taylor: There were a couple of restructures that took place. In terms of chronology, in February 2013 I restructured the senior team and went from 14 to nine members of the senior team, which reduced the senior staffing costs by a further £800,000, which was further to the decrease that had taken place since 2010 from 24 senior staff down to the 14 that I inherited. That was the employment committee, which is a cross-party committee. They made a recommendation at that time to do a benchmarking exercise around salaries, which did not include the salary of the chief executive. Then, at October time, the committee decided that they wanted to do that and include the salary of the chief executive in that review.

Q309 Mark Pawsey: In that process, Councillor Lambert, you got the worst of both worlds. You wanted to pay the increase, which you did not get, and you lost your chief executive. How would you do things differently next time?

Cllr Lambert: You have to understand the political climate in Rochdale, and the games that were played. But, apart from that, it was an exercise in which we put it out in public and I would never do that any differently.

Q310 Mark Pawsey: Well, presumably you were not happy with the outcome, because you lost your chief executive.

Cllr Lambert: At the end of the day, the public have a right to give their view, and their view was quite rightly listened to. Rochdale was in a bad position when we took over. In December 2010 they knew they had £50 million of cuts. A few weeks later, the case broke on child exploitation. Within a matter of 10 days, we were then told the budget cut reduction had gone from £50 million to £64 million. The whole thing was developing. I had had the discussion with the previous chief executive and some of the senior management, who were then agreeing to leave. We then had to go through a process of 12 months of recruiting, where we recruited Mr Taylor. We did it on a salary level that the council agreed would be a reduction. In February 2013, we did the review, which was to reduce senior management again, but also to review the existing positions, which would be chief exec and five members of the executive leadership team. That would give us six of the most senior management from where we were. That would produce a saving.

We brought the Hay Group in, in March 2013, commissioned to undertake the review in terms of their levels, what their jobs were, what their jobs should be and responsibilities and how they would be assessed. At that point, they also gave us a band of three areas for recommendations.

Q311 Mark Pawsey: Councillor Lambert, you have already had a recent further change, because I understand you are no longer leader of the council.

Cllr Lambert: That is correct.

Q312 Mark Pawsey: Is that change associated with this issue that has happened previously, or is that independent of that?

Cllr Lambert: You are probably asking me to give a view that I could be accused of being biased if I said one way or the other.

Mark Pawsey: I am a long way from Rochdale and have no particular interest in the matter.

Cllr Lambert: I would find it difficult to prove it was not related.

Chair: Simon Danczuk has a couple of supplementaries. Councillor Lambert, thank you for offering the complete file. I do not think we will need to take your offer up in full, but there may be one or two specific questions we need to come back to, which would be helped by particular information from the file. We will contact you about that if we need to. Thank you for the offer.

Q313 Simon Danczuk: Just a couple of quick supplementary questions: Councillor Lambert, do you have any regrets in putting so much faith in the Hay Group proposals?

Cllr Lambert: Do I have regrets in putting faith in the Hay Group proposals? No.

Q314 Simon Danczuk: You are happy with what they were suggesting.

Cllr Lambert: I am happy that they did a thorough job on the levels of each of those remaining and the total saving then, in the reduction of staff, Mr Chairman, was £1.5 million. At the same time, we had agreed with the trade unions in terms of introducing the living wage mid-year. We had also agreed that Rochdale is a low employer. The payments in Rochdale for street cleaners or gravediggers are, in many cases, less than other Greater Manchester authorities. I hope that process with the trade unions continues, so that in Rochdale you get a fair day's pay for a fair day's work. I hope that continues.

Q315 Simon Danczuk: Jim, Rochdale Council has just advertised today, I believe, your previous job at Rochdale, at a salary of between

£126,000 and £131,000. What do you think the consequences of that will be for Rochdale Council?

Jim Taylor: I could not really comment on that, Mr Danczuk.

Simon Danczuk: You have done the job; you have been paid the money. You must have a feeling for it.

Jim Taylor: The job as chief officer in any local government role is very demanding, whether it is in Rochdale or elsewhere. It is obviously advertised on the same salary range that I have, so there is no change there. I hope that Rochdale Borough Council get a really good chief executive.

Q316 Simon Danczuk: They got you on that rate, did they not?

Jim Taylor: Yes, that is right.

Q317 Simon Danczuk: They will get somebody as good as you, presumably.

Jim Taylor: I hope so.

Q318 Simon Danczuk: Just moving on to you, David, if I am not mistaken, I think I am right in saying I played a part in giving you your first job in local government, in Blackburn, about 15 years ago.

David McNulty: You were the first Cabinet member I worked with when I came to local government.

Chair: And you survived.

David McNulty: I learned a lot and I am very grateful to Councillor Danczuk's expertise in managing me at the time.

Q319 Simon Danczuk: Let me say you have done well for yourself.

David McNulty: Thank you.

Simon Danczuk: In terms of salary levels from what you were on then to what you are on now: well over £200,000. What evidence can you provide Surrey residents that you are worth over £200,000 then?

David McNulty: The first thing to say is I play no part in setting the salary level for the role of chief executive of Surrey County Council. The council decides on what the appropriate salary level is, dependent on their view of the scale and complexity of the role. We are one of the five largest councils in the country.

Simon Danczuk: That is the evidence, is it?

David McNulty: I am continuing. We are one of the five largest councils in the country. There were a particular set of challenges on scale and complexity for Surrey as a place, and they have been compounded by the situation that Surrey had got itself into in 2008-09, which the leader described earlier, and the fact that we had a challenge in terms of making, to date, £260 million worth of savings for residents, which we have managed to achieve, while also dealing with a 25% to 30% increase across the majority of our services, and with clear evidence that we have reduced unit cost and raised quality of performance for Surrey residents during that time. I would draw attention to those details, in terms of what the roles required and where the Council chose to set the remuneration level.

Q320 Simon Danczuk: That is the evidence. The situation has improved; that is the evidence.

David McNulty: The evidence is that the role has very serious responsibilities. There are significant demands on the county council, and the council demanded a whole set of improvements. The evidence was that they needed a chief executive who could deliver them.

Q321 Simon Danczuk: How much of the £100,000 bonus to be paid over five years from 2013 has been paid out to you to date?

David McNulty: There is no bonus.

Simon Danczuk: Is there not?

David McNulty: There is no bonus. There has never been a bonus offered to me. There was a discussion of a bonus two or three years ago, which I rejected. There has never been a bonus offered to me since, and I think that story is a misunderstanding.

Q322 Simon Danczuk: Thanks for clearing it up. Councillor Hodge, could you just tell the Committee why you have 15 members of staff on wages well over £100,000 a year?

Cllr Hodge: It is to do with the size of the organisation. We do actually have a budget of £1.7 billion. As the chief exec said, we are the fifth-largest council in the country. We have unique issues at this moment in time in Surrey. I have brought them along with me today for each member a unit cost analysis, which is something that the chief executive and I have done, which sets out exactly what the costs were going back as far as 2010-11. We will update it again. This demonstrates that we are reducing the cost of the services. Nearly every single service has been reduced by cost, despite the demand for

places going up. We do actually have a huge school building programme. We are struggling to meet the costs of that, because obviously we do not get the capital allowance to meet that, but last year, we had to provide 2,862 school places.

Q323 Simon Danczuk: What you are saying, Councillor Hodge, is it is getting you quality staff. By paying that much, it is getting you the quality staff.

Cllr Hodge: Yes. That is not just my opinion.

Q324 Simon Danczuk: That is not just your opinion. Fair enough. Am I right in saying that you have had a pay rise, as leader, of 60%? Is that right?

Cllr Hodge: About that.

Q325 Simon Danczuk: I am right in saying that the independent remuneration committee has resigned because of the council's decision to give you a 60% pay rise. You have also, as we have just heard, been generous to the chief executive and senior officers, but am I also right in saying, Councillor Hodge, that you opposed the recent resolution to the council that would have given the most poorly paid workers in your authority the living wage? Why would you oppose giving the poorest paid workers a living wage and yet increase your own salary by 60% and give a load of cash to the chief officers? Why would you treat your poorest paid workers like that?

Cllr Hodge: We do not give a load of cash to chief officers. They are on specific rates of pay.

Simon Danczuk: Why would you not give a living wage to poor workers?

Cllr Hodge: What we actually have done, and the negotiations have taken place, is brought the lowest-paid staff up. We have given them the largest increase this year.

Q326 Simon Danczuk: It does not bring them up to the living wage, which I think they have done in Rochdale. Why would you increase your salary by 60%, to put it simply, and not increase the poorest workers to a decent level—a living wage level? I would rather Councillor Hodge answered. You were leading this authority. Why would you not do that?

Cllr Hodge: We have a structure of pay that we pay people. In many cases, most of our staff are on well above the living wage.

Q327 Simon Danczuk: A good proportion were well above £100,000 a year, but the poorest paid you will not give the living wage to. Do you link in any of the work that you do the top pay to the bottom pay? Do you do a link and keep it limited?

Cllr Hodge: The chief executive is on a ratio of 14.6 to 1.

Q328 Simon Danczuk: That is not a particularly good ratio, is it, compared with some authorities?

Cllr Hodge: I think Hutton came up with those things himself.

David McNulty: There is a distinction between the resolution that you are discussing and the situation the leader is in. One of issues with the resolution was it demanded that we ensure that all our partners' organisations and suppliers paid the living wage.

Q329 Simon Danczuk: The resolution is not really relevant. It is whether you are paying a proportion of staff a lot of money.

David McNulty: Sorry, Councillor Danczuk; I am trying to clarify. For our directly employed staff, I do not believe any of them are below the living wage. The issue with the resolution was it was asking us to do something that was not within our gift, because of the contractual arrangements. However, it is also true to say that, over the past three to four years, we have had a freeze on senior salaries, so the total cost of the top 15 in the organisation has gone down, because people who have left have been replaced by people on slightly lower salaries and there has been a freeze for those posts. Meanwhile, for our lowest-paid staff, we have managed to do small increases each year. For instance, in the year that has just ended, there was just over a 4% to 4.5% increase for our lowest-paid staff. It is fair to say that we have focused our attention on those members of our directly employed staff that faced the most difficulties in cost of living.

Q330 John Stevenson: Just carrying on from where Simon was going there, Councillor Hodge, you mentioned that your council had difficulties in 2008-09. What happened to Mr McNulty's predecessor?

Cllr Hodge: I was not in the leadership team at that time, but he left.

Q331 John Stevenson: He left. Was he paid off?

Cllr Hodge: Personally, I do not know the details. I have never been privy to them.

Q332 John Stevenson: I do not want the details, but was he paid off?

Cllr Hodge: I do not know. I was a backbencher at the time.

Q333 John Stevenson: As a backbencher, you were unaware of what happened to your chief executive.

Cllr Hodge: Yes. I knew he parted company with the council. That is all I know.

Q334 John Stevenson: Mr McNulty, do you know what happened?

David McNulty: It happened six months before I was approached to take the role in Surrey, so I do not think I can be any help on this question.

Q335 John Stevenson: Nobody knows what happened to your predecessor in Surrey.

David McNulty: I was working in Manchester at the time and, six months later, I was approached to take the role on.

Q336 John Stevenson: Most people would enquire what happened to their predecessor in their role.

David McNulty: I had a huge set of work to do. As the councillor has said, we were in intervention on children's services. We had significant problems around our adult services.

John Stevenson: I am not interested in that.

David McNulty: I think the residents of Surrey were interested in it, to be perfectly honest. We had a huge agenda.

John Stevenson: We are interested in remuneration.

David McNulty: I am trying to explain.

Q337 John Stevenson: Councillor Hodge, you were a backbencher; you did not know what happened. Could you find out for us and inform this committee?

Cllr Hodge: I can certainly find out, but I did explain to you I was not privy to the details at the time, but I am happy to find out for you.

Q338 John Stevenson: You are quite happy to find out what happened. Was there a pay-off or was he found to not be performing and

removed from his post, because that is the purpose of risk and reward? Moving on to risk and reward, which is the area I am interested in, Mr Taylor, you indicated that you are one of the lowest-paid chief executives in the Greater Manchester area. Do you think you are overpaid?

Jim Taylor: That is for others to judge. I have certainly applied for jobs where the salary level is already set for that particular role and, if I personally have the skill set and meet the personal specification that the particular council needs, then it is a match, in my view.

Q339 John Stevenson: At present, you think the salary you receive is correct for the risks that you take and your responsibilities.

Jim Taylor: Yes, I think it is.

Q340 John Stevenson: Mr McNulty, do you think you are properly paid at the rate you are at, underpaid or overpaid?

David McNulty: I think the county council set the level of pay it required for the responsibilities it had, and I signed the contract to deliver the outcomes the council wanted for that salary.

Q341 John Stevenson: You are really saying that you think the salary you receive is correct for the responsibilities that you have.

David McNulty: Clearly I thought it was correct when I signed the contract, yes.

Q342 John Stevenson: Fine. Out of interest, Mr Taylor, do you think you could get a job in the private sector at the same salary?

Jim Taylor: Probably. I have had an opportunity or opportunities to work in the private sector in the past, which I have rejected. Certainly over the last 10 years working in local government, I have had a number of approaches on higher salaries, but I have not chosen to explore those opportunities.

Q343 John Stevenson: Do you think the skill set of a chief executive in the public sector is transferrable to the private sector?

Jim Taylor: I think it is. It depends what sector of the private sector you are looking at. There will be certain areas of probably technical expertise, because of my background and qualifications, that I would not be able to meet in terms of a personal specification, but there would be some jobs in the private sector that I would do. I think there are transferable skills, yes.

David McNulty: I agree with Mr Taylor: it would depend on the role. I do have a master's degree from Warwick Business School. I believe I

have a set of skills. I do on occasion get approached by companies searching for placements in the private sector. To date, I have not chosen to follow those up.

Q344 John Stevenson: Just out of interest, on the risks and the challenges that there are in the public sector—I am not just talking about your own jobs here; I am just talking about other chief executives. Do you think, broadly speaking, the salaries that they receive reflect the risks that they take and the responsibilities that they have?

Jim Taylor: I think they do. The responsibilities of local government chief officers are changing. The public health function is now the responsibility of councils and, in particular, chief executives—things like infection control and sexual health services, for example, are now within the realm of public sector councils. Integrated health and social care is another area that again is emerging, in terms of trying to deflect hospital admissions and work more closely in partnership with the health sector. Councils are responsible for health visiting from 2015, which again is an additional responsibility. Certainly in my own situation in Greater Manchester, many of the chief officers have responsibility for the combined authority areas, overseeing a population of 2.5 million, as opposed to just the 220,000 or so residents in each particular district in the conurbation of GM.

David McNulty: I agree with those points but also, widening it and giving an example, we have one of the finest procurement teams certainly in public services. In the last month, we have lost three senior category specialists—two to the private sector, one to central government—all at considerably higher salaries than we are able to pay in Surrey. I do think there are specific skills, certainly within some of the officers in Surrey, that are both highly desirable and sought after by companies in the private sector.

Q345 John Stevenson: Councillor Lambert, just out of interest, do you think that chief officers are properly rewarded for the responsibilities that they have, given the fact they are not in competition, generally speaking they have job security, and they do not have to worry about the income side of the equation?

Cllr Lambert: It is a strange situation. The private sector often goes recruiting former chief executives and assistant chief executive officers, usually in a consultancy role. They are often snapped up as simply as that, so I think the skill set is there. In terms of overall—the level of pay at senior management right across council—it is a strange area, because we needed somebody and we recruited on the level of £130,000 an excellent candidate, who has delivered in terms of where we have moved on children's services, has delivered in terms of

regeneration of Town Centre East in Rochdale, and has delivered on the investment of £10 million in highways. In terms of his assessment, he has done exactly what we were asking him to do. My view, which was held within the council for some time, is that senior management should be on fixed-term contracts. To do that, you have to have a system within the elected membership as well, where that control is also fixed.

Q346 John Stevenson: Councillor Hodge, I am just interested in your views on the level of pay. Do you think it is set at the right level at present? It does not just need to be with Surrey—across the board.

Cllr Hodge: I can only speak for Surrey, because that is the county council I am responsible for, and I do believe we have set it at the right level. It is a really big important job. The chief executive has delivered £260 million worth of savings in the first four years and he has a further £250 million to deliver over the next five years. Over a decade, we will see £0.5 billion taken out of our costs. This is really important, because many companies out there would like to see these costs taken out of their companies, and I sometimes think that we do not give the chief executives the credit that is due to them.

You talked earlier on about income. The chief executive is responsible for making sure that the £110 million that we, as a cabinet, set down for income is actually delivered. If we did not get that income, we would be in trouble. For me, the chief executive has a really important role in making sure he delivers on that. We also have a £760 million capital programme and we are currently trying to build schools over the five years. We have £325 million capital. Last year we delivered the equivalent of 26 primary schools. These are major jobs, major contracts and major things.

Q347 John Stevenson: Going on that basis then, do you think he should actually be paid more?

Cllr Hodge: I think the salary we have for the chief executive is the right salary for the right job.

Q348 Mark Pawsey: I would like to follow on that line of questioning by asking about systems of appraisal. We all recognise that, if people are performing well, they deserve to be paid more and, if they are performing badly, there needs to be some route to remedy that and, in extreme cases, for them to exit the organisation. If I might start, I have a little bit of information from Rochdale on this. I think Councillor Lambert said that an appraisal takes place at the end of each year by the three party leaders. That is presumably in April of each year; there is a diary

date set for the political parties—the three leaders of different parties—to come together and do an appraisal on the chief executive. Is that how it works?

Cllr Lambert: Certainly what has happened is a date is chosen when the three party leaders get the chief exec in and nobody else is in the room. It is measured by: what were your targets; have you met your targets?

Q349 Mark Pawsey: It is what people in business would know as a staff appraisal. My first question is: what experience do those council leaders have in carrying out an appraisal on a very senior executive? What training have you had or have those councillors had to enable them to do that job well?

Cllr Lambert: I would say your biggest training is public opinion and whether or not they have delivered.

Q350 Mark Pawsey: Deferring to public opinion is not an appraisal method. We are talking about a technical appraisal of a member of staff's abilities. Is the biggest issue looking back at public opinion, rather than seeing how they have performed in their job?

Cllr Lambert: There has never at Rochdale Council been a formal process for the politicians to be—

Mark Pawsey: So there is no formal process of appraisal.

Cllr Lambert: No, not within Rochdale Council.

Q351 Mark Pawsey: How did you come to be offering £40,000 as a salary if there is no formal appraisal?

Cllr Lambert: That was done via the independent review of the Hay Group.

Q352 Mark Pawsey: You abdicated the appraisal to somebody else.

Cllr Lambert: It was taken independently outside of the council. I do not take that as abdication.

Q353 Mark Pawsey: Councillor Hodge, what happens in Surrey, because presumably you have this appraisal of all three party leaders, where you sit down with the chief executive and analyse his performance against his job description.

Cllr Hodge: No I don't, actually. In Surrey, I have set down clear criteria for myself and my deputy leader, who has come from I beg to move, a very senior—

Q354 Mark Pawsey: Do you not trust the other parties then?

Cllr Hodge: Just bear with me, if I may. We also have somebody from the Local Government Association or a senior chief executive who has been around, and then we actually ask two or three very senior local businesspeople, who are from BP, from Canon and places like that, who are involved with management at a very senior level in the private sector. I think it is really important that we have, I do believe, a really robust process. A number of 360 degrees are agreed between me and the head of HR.

Q355 Mark Pawsey: How long does this appraisal last? How long does this process take?

Cllr Hodge: It will take probably, over a period of time, something like six to eight weeks.

Q356 Mark Pawsey: How many meetings are in these six to eight weeks?

Cllr Hodge: Individually, the head of HR will conduct 360 degrees—

Q357 Mark Pawsey: No, I am really just interested in the chief executive's appraisal.

Cllr Hodge: The chief exec's appraisal will probably take the best part of a day.

Q358 Mark Pawsey: You and colleagues will sit down over a day and evaluate the chief executive's performance.

Cllr Hodge: We will go through on whether he has delivered on each specific issue.

Q359 Mark Pawsey: You are very happy with him, because you have spoken with very congratulatory terms about your chief executive. In all of these things, he is scoring pretty high marks. Is there a number ranking out of 10 for each component of the job?

Cllr Hodge: We have "satisfactory", "outstanding", et cetera.

Q360 Mark Pawsey: So Mr McNulty is ticking the "outstanding" box on a regular basis?

Cllr Hodge: No. I am not an easy man to please, to put it bluntly, and neither is my deputy, nor are the people who sit on the panel. We demand high standards, and the chief executive has now received an “outstanding” report in February.

Q361 Mark Pawsey: Were Mr McNulty to have a bonus, then you would look favourably upon that because of the relative high scoring he has achieved on his appraisals.

Cllr Hodge: We do not discuss bonuses.

Q362 Mark Pawsey: At same time, the downside if people are not performing well is that they should be encouraged to exit an organisation. I have to say I do share Mr Stevenson’s incredulity that, as a backbencher in the organisation, presumably at that time with aspirations of leadership—and you have moved on to leader—you did not understand the process at the time the last chief executive went and you do not know the terms of his departure.

Cllr Hodge: What I said is I am not actually able to give you an honest answer. If I cannot give you an honest answer, I am not going to pretend I know the answer, but I will do what Mr Stevenson asked and I will get the information and pass it to the Chairman.

Q363 Mark Pawsey: Let us say, then, if you were in a much less strong position than you are with a great chief executive, you were to have a chief executive who was not performing: what steps would you take? First of all, how would you identify that in your appraisal system and how would you then rectify it?

Cllr Hodge: At the moment the chief executive delivers a six-monthly operational report to the council. Every one of our 81 members is invited to a review of that performance on how the county council is doing. I also take comfort from my discussions with my partners, the district leaders and the borough leaders. I talk to the voluntary and faith sector, which pays a really important part, and I also talk to the education and the business leaders.

Q364 Mark Pawsey: Let us assume you have done that and the man in post has been found failing. How do you remedy his performance, if that is what you want to do, and how do you effect his exit from the organisation if you do not?

Cllr Hodge: My own personal view is that, if somebody is not effective in their job, they will not be—

Q365 Mark Pawsey: I am not asking you your view. I am asking you what your council's policy is.

Cllr Hodge: The council's policy is, if a senior officer is not up to standard and is not performing—is not fulfilling his duties properly—we would then go through the process of removing the person.

Q366 Mark Pawsey: That is within contracts of employment?

Cllr Hodge: Yes.

Q367 Mark Pawsey: Does that policy exist in Rochdale as well?

Cllr Lambert: In terms of—

Mark Pawsey: Poor performance of a chief executive or senior officer.

Cllr Lambert: There are two issues: one, if it was gross misconduct, then you would immediately go to—

Q368 Mark Pawsey: We are not talking about gross misconduct. We are talking about poor performance following the appraisal process.

Cllr Lambert: The only process I inherited at Rochdale is one where you then challenge the actual performance, and you go through a long process.

Q369 Mark Pawsey: So there is no appraisal process in Rochdale.

Cllr Lambert: Formally no, not for the senior officers.

Q370 Mark Pawsey: It would be very difficult to remove somebody who is poorly performing if they have not been assessed against an objective system of appraisal. Would that be fair to say?

Cllr Lambert: Certainly that is fair to say in terms of where you would be at, but you would still have a process open to you within employment law.

Q371 Chair: Just one quick follow-up, Councillor Hodge: given the problems you obviously had as a backbencher, not knowing what was happening to the previous chief executive, do you now publish your current chief executive's appraisal, so all backbenchers can have that information?

Cllr Hodge: We do not actually publish the appraisal, but there is a review of it done and the cabinet is advised of the result of that, and so is the council.

Q372 Chair: Sorry, what does a “review” of it mean? What does it look like?

Cllr Hodge: There is a huge amount of detail. By the time we have done the whole process, the paperwork is probably about that high, with information, feedback, from different organisations.

Q373 Chair: In terms of what the chief executive has done well and what you are thinking he might do a bit better, in those sorts of terms, that is published, is it?

Cllr Hodge: Not directly published, no.

Q374 Chair: Something, you just said, was given to the cabinet and to council. What does that look like?

Cllr Hodge: A review takes place and a summary of that is then taken to the council.

Q375 Chair: What would the summary say?

Cllr Hodge: The summary actually looks at what we, as an organisation, have achieved with the chief executive. Has he met the targets? Has he helped play a major part? He has played a major part in turning Surrey County Council around. The evidence is quite clearly there, and we have brought along some evidence that was produced, which I thought you would like. There are 50 ways of how we have actually changed the county council over the last years.

Q376 Chair: Just coming back to the chief executive’s appraisal, you are saying a short version of it is done, which looks at his contribution, not what the organisation as a whole has achieved. Is this right?

Cllr Hodge: I then present my report to the cabinet.

Q377 Chair: And that goes to full council?

Cllr Hodge: No.

Q378 Chair: So a backbencher would not really know what the chief executive personally is achieving.

Cllr Hodge: We do have the chief executive’s six-monthly report that goes to council every six months.

Q379 Chair: That is his report about the organisation, rather than your review of his contribution towards the organisation's performance, so really nothing is produced as a result of the appraisal that all backbenchers are aware of.

Cllr Hodge: There are lessons to be learned every day, sir.

Chair: We have had more than one witness say they would go away and consider how they might do things in the future. Fine.

Q380 John Pugh: The relationship between a chief officer and a leader of a council is normally quite a close one. You may see more of your chief officer than your wife, at times. Now, given that, it is really very hard for a leader of a council, confronted with a paper, of whatever provenance, that suggests the chief executive is not getting paid enough or is not getting paid comparable to what other chief executives are being paid, to turn that down. Now fortunately, the Secretary of State has actually got some quite strong views about that. He has not actually given any guidance on it. Would it be helpful if he did? He basically complained a lot about the current rates of remuneration, but he has not actually given any specific benchmarking, advice or anything like that. Do you think he should?

Cllr Lambert: Yes, there should be clear advice on it. The relationship between a chief exec, senior officers and the lead member is by necessity close, but I think Mr Taylor was telling you it is also very challenging. Certainly when issues came up, we had regular meetings that were challenging and, because you respected each other's views, you were able to have that challenge and move on. If anybody does not accept they are going to be challenged by a chief exec, or the chief exec or senior management do not think a leader is going to walk into their office and say, "What the heck are you up to?" then that relationship is wrong. Throughout our process, in our recovery on children's services certainly, in removing some senior officers and bringing new ones in, some difficult conversations were had. In the 12 months prior to Mr Taylor being appointed, those conversations fell on my shoulders and we took them.

Q381 John Pugh: I am just suggesting this is sometimes a delicate and quite a personal conversation to have. You are talking to somebody you are working with on a day-by-day basis. You are not sitting above the situation. You are actually working with that person. Just on the question of whether the right level is being paid, you would look for some sort of evidence right across the piece, would you not? Have you had experience of actually advertising a chief officer's position recently, finding that remuneration was not sufficiently attractive and having to re-advertise to get the right sort of candidate?

Cllr Hodge: No.

Q382 John Pugh: Is that not surprising in a way? Clearly it means these posts have a generous rate of remuneration. Do you never reach a point where you find, "Heck, we have not put enough money on the table to get the right person"? It could be the case that you are putting more money on the table than you ought to.

Cllr Hodge: It is like all these things at the end of the day. We are a very large authority with very large responsibilities, with two very clear statutory responsibilities for both children's services and adult services. On top of that, we have a statutory responsibility both for section 151 officer and a monitoring officer. You do need to make sure that you get the best-quality people, because the people of Surrey will want the best quality. We believe, and certainly I do believe now, that we have a really good top management team in the organisation.

Q383 John Pugh: But nobody has had to re-advertise so there is no shortage of applicants. The other test you would use to find out whether remuneration is right would be to find out whether people were habitually leaving because they could get better remuneration elsewhere. I think Mr McNulty suggested that people in the procurement field have moved out of this authority for better remuneration elsewhere, and that is not so surprising, because you are in an area of high employment and procurement is a transferrable skill; but in Rochdale, how many senior executives have you lost to the private sector in the last five or six years?

Cllr Lambert: In terms of the number of senior management who have gone, we took it down from 24 to 10.

Q384 John Pugh: I mean people who have voluntarily moved from being a chief executive of a local authority to being something important in the private sector.

Cllr Lambert: It is fair to say that, of the 14 we removed, it was not their choice, because we structured out their jobs. We have recruited a new director of children's services, who is very good, from the North East, and a new head of children's services, both of which were needed, where we had put temporary appointments in, again head-hunting people to come in to turn that service around, which we desperately needed in the borough.

Q385 John Pugh: Generally speaking, though, there is no drift of chief executives into the private sector, except in very specialised environments like procurement.

Cllr Hodge: There have been difficulties recruiting what I call the senior officers who have a statutory responsibility in terms of children's services. When we went out for a new children's services director, we did not get what I would consider to be the quality of applicants from outside who were anywhere near the quality of what we were looking for. In the end, we made an internal appointment. There is a danger about the market. You have to be very careful about these really senior posts that are under public scrutiny and under the public eye all the time to make sure you get the right people in.

Q386 Simon Danczuk: Councillor Hodge, what role do you think a local resident in Surrey should play in determining a chief officer's pay and performance? What role should they have in it?

Cllr Hodge: The role they have is that, through the ballot box, they decide who are the elected representatives. I am, and so are the 81 councillors; we are all local residents. From that point of view, we are doing this on behalf of the electorate, who have elected us to do it.

Q387 Simon Danczuk: What you are saying, Councillor Hodge, is that if Surrey residents are not happy with David's salary, they should vote you out at the next elections.

Cllr Hodge: What I am saying is, at this moment in time, I have not yet had a single letter with any sort of criticism of the chief executive or the salary he is on.

Simon Danczuk: The ultimate way of involving the public is to vote you and your colleagues out at the next election.

Cllr Hodge: I think we are all the same here. All politicians are at the mercy of the ballot box. I do not think you are any different from me.

Q388 Simon Danczuk: You are saying that is the way to do it. Okay.

Councillor Lambert, you said earlier about the media's interest in the situation in Rochdale and the uproar that came with the proposal to increase the chief exec's salary by £40,000. There were petitions signed by many local residents and things. Do you think the public had been fed a lie by the media or did not understand what was on offer? What made the councillors then not decide to give this salary increase? Surely it was public pressure; it was an act of democracy.

Cllr Lambert: It was certainly an act of democracy and it was not good that individuals described it as a "climb down". If listening to the public and reacting to their wording is described as a "humiliating climb down", Mr Danczuk, then you are killing off democracy, because

democracy is about supplying people with the information openly. The information on Mr Taylor's salary and on the five members of the executive leadership team was published on the internet, and was there for everybody to read. Any individual who contacted me directly with a return address got a response.

In fact, the TaxPayers' Alliance praised us for what we had done. It was the first time I had ever had praise from the TaxPayers' Alliance. Only a couple of months ago, the Minister inquired on your behalf about the process; he wrote, and a copy of the letter is in the information here, if you want it. He praised the fact of the new openness and hoped this would continue across councils. Yes, we listened to the public. We listened to the public and we reacted.

Q389 Simon Danczuk: And they thought that £40,000 was too much.

Cllr Lambert: They thought it was too much.

Q390 Simon Danczuk: And that is why you stopped it.

Cllr Lambert: Yes, the reaction from the public. It was taken from me to the employment committee. The employment committee then made recommendations of Mr Taylor's salary being £130,000, £145,000 or above the £170,000 to £175,000. They also made recommendations on the executive leadership. They also, when it went to full council, offered an alternative of no difference. Full council, all 60 members, voted in that and they voted for what we got, which was a 1% rise, like the rest of the workforce, plus the three new jobs being remunerated at the EOT level. That is democracy and it was right that we listened.

Q391 Simon Danczuk: The legislation that this Government put through says that remuneration decisions for chief officers and chief executive's pay have to go to full council meetings. There is no choice but to do that; that is the law. Are there any other laws that you think would make it more transparent and easier for the public to engage in this process—just a brief answer from each member, just very brief—which could make it even better? Last week, we had somebody saying that they published the name of the senior officer and the precise amount of salary that they get, so that could be a change that could be made law to make every authority do that. What are your views? Is there anything else that needs doing?

Cllr Hodge: We already do that.

Q392 Simon Danczuk: Yes, but it is a range, is it not? You publish a range.

Cllr Hodge: Every post above £52,800 is published. It was published in May, less than three or four weeks ago, in the county council annual meeting. Officers above £100,000 are named by appointment.

Simon Danczuk: Yes, but it is in a range, because I have the range in here. I am saying not a range but the specific amount. That is just one example.

David McNulty: Just to clarify, the specific amount is published because it is published annually in the accounts.

Q393 Simon Danczuk: Do you think that would be a good thing to make into law so every authority has to do it?

David McNulty: I think every authority probably already does it.

Simon Danczuk: Do they?

David McNulty: Just look through the accounts.

Q394 Simon Danczuk: Any other suggestions?

David McNulty: Around transparency? I think local government is one of the more transparent of the public services. If people look at some of the things that have already been done, particularly around salaries, and then there is a wider transparency, there is a huge amount of information available on our internet. I will just put a plug in for it: independent experts quoted it as being one of the five best in the country.

Simon Danczuk: I am conscious of time, so you are saying no. Jim, Colin, anything?

Jim Taylor: I just think that consistency across local government might be something, because there are different practices for different councils, so some element of consistency might help people to compare and have that. How it is actually presented on the internet or otherwise makes no difference to me, as long as it is transparent and consistent.

Cllr Lambert: In my three and a half years, any policy that impacts on the salary of £100,000 plus has been reported in full in council, and was reported on the council internet. All salaries at that point are reported in the full accounts, which was explained in detail to Brandon Lewis, the Minister, as well.

In addition to that, is there anything else that we should be doing? Yes. I have attempted over the last six months to bring about all council

meetings being webcast. Some councillors objected saying, "You need our permission first," so we did agree that a report would go to a council meeting this year. I hope the new leader takes one in July, because I think it is not only important that the public see how the chief officers behave; it is also important they see how the elected members behave. That and their involvement, whether they get involved, how they get involved and their behaviour, should be fully transparent to the public.

Q395 Mark Pawsey: We have moved on now to the merger of posts. Both of you have told us that you did an appraisal on posts and merged jobs. Councillor Lambert, you said you had gone down from something like 20 to 10. Were those posts in any way merged? Were the duties of different officers merged together?

Cllr Lambert: Yes, right through. I suppose that the previous administration had it during the good time, when they had money, which they could create posts and play with. My next stage will be phase two, which I hope will continue, where we have 88 managers. I publicly stated last December we would review that under phase two, and I am hoping we will save not £1.5 million—I am talking out of senior management—but anything around £4 million plus at the next stage.

Q396 Mark Pawsey: Can I ask you, when Mr Taylor left, did you give any consideration to abolishing the role of chief executive altogether? I represent Rugby, where the chief executive left and his post was abolished. His duties were passed down to managers who had previously sat beneath him, and the authority seems to be doing pretty well despite that. Is that something you might have considered?

Cllr Lambert: You have had a previous evidence giver here, Jim McMahon, the leader of Oldham. Rochdale, Oldham, Jim McMahon and I went through a very tortuous exercise three years ago, where we looked at merging the role of chief exec and senior management across the authorities. That also included a small element of whether or not you would need a chief exec. Now, we went through a tortuous exercise: Rochdale and Oldham join each other. We looked through all the benefits. Again, consultants were appointed to potentially save nominal figures. It ended up with Jim Taylor, me and senior councillors across the parties meeting three nights a week just to agree a salary level, a structure of management across the two, that would not lead to a democratic deficit or too many residents saying, "Well, you have power here and there."

If you look at Greater Manchester police at the moment, the chief constable has just gone through a difficult time with politicians. Sir Peter Fahy has merged divisions, so Rochdale and Bury have merged.

Q397 Mark Pawsey: We did take evidence at our session last week of where two authorities—I think in Essex, if I recall—share a chief executive. They concluded that it works perfectly okay and, in fact, the chief officer told us that one of his authorities has just had a change of leadership, so he was expected to spend a bit more time with that particular authority, but would be balancing out his time. You are not convinced by the merits of that model at all then.

Cllr Lambert: We went through that exercise to see if it could work. Two things or three points probably turned us against it. One, again we listened to public opinion. The public opinion is, if you have one chief exec and you have to make a decision—a business wants to develop and it is looking at Rochdale and it is looking at Oldham—where is the chief exec going to side?

Q398 Mark Pawsey: We were told in our evidence session that such a conflict could never arise.

Cllr Lambert: I could not possibly suggest that the person mis-fed you information or gave an opinion that was not one I could support, but that would occur. At Greater Manchester, you have 10 leaders and 10 chief execs, and you have to operate as a Greater Manchester family. That family has to take a decision that sometimes impacts on another authority. There is conflict.

Q399 Mark Pawsey: Councillor Hodge, when Mr McNulty's predecessor went, under whatever circumstances that was, did Surrey at that time consider not having a chief executive and splitting the chief executive's responsibilities amongst other senior officers?

Cllr Hodge: No, we did not.

Q400 Mark Pawsey: Would you at any stage be attracted to that model?

Cllr Hodge: Not on a large county council. It is a huge job for one person to run and I do think that, when you are providing services to over 1 million people with a budget of £1.7 billion, you do need somebody at the helm to hold it. You talked earlier about sharing chief executives. In Surrey, which I think is unique, one of our strategic directors now undertakes the role of chief exec at one of our district councils. That has saved £100,000 between the two organisations.

Q401 Mark Pawsey: With no conflict of interests?

Cllr Hodge: No. We are also working with East Sussex County Council, where the head of procurement now looks after both Surrey and East Sussex. That was done as a joint appointment between the two councils. We had cabinet members from East Sussex who came up. We are also looking at the public sector transformation network and how we can actually share senior officers around.

Q402 Mark Pawsey: We have listened to one or two views about public opinion. Often the public in an authority is unaware who the political leader is and unaware who the chief executive is, because both of them will often make statements in the media. There are some authorities that have toyed with the idea of merging that post, so that the political leader, who spends an awful lot of his time in his council—perhaps in your case all of your time in the council—would take on the role and duties of the chief executive. What do you think about that as an idea?

Cllr Hodge: For me, there are two distinct roles in large authorities. I can only speak for Surrey, as you can appreciate. There is what I call the political policy making role of the county council, and that requires a great deal of time and effort, because there is a lot of stuff to get through; and then there is what I call the operational side. I think it is really important that the chief executive and the leader operate as one team for the benefit of the Surrey residents. There is always a fine line between the chief exec and me, but it is also important that the chief executive is able to offer constructive advice and challenge. We do have robust discussions, surprisingly. We have some very robust discussions about policy and direction, and I think that is really healthy. It is really good because, when we have the management team together with the cabinet, there can be real interplay about what the right policy is, how we should define it and how we will make sure it works.

Q403 Mark Pawsey: Is it the size of your authority that puts you off that model or do you just think, as a matter of principle, there should in any organisation be a political leader and an executive leader with responsibility for the day-to-day management of the functions of the council?

Cllr Hodge: I think that a council would have to make those decisions when it is in those situations. You will be able to understand it better.

Cllr Lambert: I have a large amount of sympathy with the point that you are putting forward. As the political leader, you are the one held to account. You are held to account if something goes wrong and officers do not perform. I do believe you need to separate the delivery from the policy. We stand on a political ticket for whichever party on a policy

that we go out to the public and sell. We say we will protect services; we say we will get the roads repaired. We then hold to account those officers who are paid to deliver it. I would like to see the two separated. I know Joe in Liverpool has taken part of the line that you have suggested.

Mark Pawsey: That I have inquired.

Cllr Lambert: Where it merges. It would almost deliver for me the fixed-term contract issue, because the electorate are the ones who decide how long that contract is for.

Q404 Mark Pawsey: Would the electorate not just see such a proposition as a way of increasing massively the allowance paid to the council leader? Would you not end up with the same problems that you had with the chief executive's salary?

Cllr Lambert: You may well do. Mr Taylor told you about his being the lowest-paid chief exec. I have never complained about or commented on the allowances I got as a leader. You can check it out for yourself compared with others, and I not here to comment on that. But at no point have I accepted any recommendation as a leader—even throughout the three and a half years of all the children's services, adult care and all the difficulties Rochdale had—at no point would I have accepted an increase in the allowances, because to me that is the contract I got.

Chair: Thank you all very much for coming in this afternoon. Mr Taylor, could I just say could you pass on my best wishes to Mayor Stewart, your new employer, who of course was a colleague of mine in this place before the last election?

Joe Taylor: I will do, Chair. Thank you.

Chair: Thank you all very much for coming to give evidence.

Panel 2 Questions [189-239]

Witnesses: **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, and **Mike Short**, Senior National Officer for Local Government, Unison, gave evidence.

Chair: Good afternoon. Thank you very much for coming. Could you just indicate for us who you are and the organisation you represent?

Mark Rogers: I am Mark Rogers. I am the President of Solace, but I am also the Chief Executive and Director of Economy for Birmingham City Council.

Mary Pett: Good afternoon. My name is Mary Pett and I am the Honorary Secretary of the Association of Local Authority Chief Executives.

Mike Short: I am Mike Short. I am Deputy Head of Local Government at Unison, the public services union.

Q405 Chair: Thank you very much for coming this afternoon. In terms of the general issues, are the public right to be concerned about increases in councils' senior salaries? Are they right to be concerned? Is that concern justified?

Mark Rogers: They would be right to be concerned if the rise was improper. There is also a previous question, which is I am not entirely convinced, from the information that I have seen, that senior executives' salaries are actually rising. Now, it is not that the data on that is complete, but actually I think the question perhaps has a presumption in it that needs testing out. Some of the most recent information I have seen, which I have to say does go back to 2011, actually suggests in that year there was a very modest, less than 1%, rise in senior salaries, so I am not entirely sure that the presumption that senior salaries are rising is right. That is still separate from whether they should be concerned. They should only be concerned if they are improper.

Mary Pett: I have nothing to add to that, Chairman. We would agree with Solace's challenge to the presumption behind the question. Certainly we have seen posts that fall vacant and are advertised in local government, over the past three, four or five years, have generally been pitched at a lower level than the previous incumbent was getting. There has been a pay freeze in local government at the top level over the past five years, and there have been increases in National Insurance contributions and employee pension contributions by those individuals. The individuals are not being paid any more than they were. They are taking home less hard cash in their pockets.

The public would be concerned if their public services were not up to the job. To deliver high-quality public services needs high-calibre senior managers willing to do those jobs. In order to get that, the remuneration has to be appropriate to the skill level that is needed.

Mike Short: I would echo much of what has been said: the public would be right to be concerned if there were disproportionate salary increases among senior executives, especially given the pay freezes that have taken place in local government over the last few years, for all levels. I think the public is probably much more concerned about low pay at the bottom end.

Although we do have a few chief executives in membership, Unison is more a union for around 2,000 chief officers—the directors and deputy directors of services. We surveyed those members and we surveyed non-members of Unison in those roles as well. We found that, in the last year, in the 12 months leading up to when we did survey, only 8% had had any sort of a cost-of-living increase in that period, so demonstrably those salaries have not gone up in the last year.

Q406 Chair: Is the problem then that it is just a few authorities that are not exercising pay restraint and that you have to ask questions sometimes when salaries are advertised that seem substantially higher than are being offered in other authorities? Why on earth do you need to pay those salaries for a post when the authority down the road can apparently recruit someone perfectly adequately at considerably less money?

Mary Pett: Their circumstances might be completely different. I was listening to the previous evidence session, and the leader of Surrey County Council gave a very good illustration of why, when they last recruited, they had particular aims in mind, a particular skill set in mind, and particular challenges they wanted to recruit somebody in to overcome. They used that information when they pitched the salary level they were offering.

Our view is that it is of paramount importance that each council is able to make that decision, because each council is accountable locally for that decision and each council knows their own circumstances, their own challenges and the particular problems their area is facing. We, as the trade union here giving evidence, think it is absolutely right and proper that councillors are empowered to take those decisions and that they do it with an eye to the market and with an eye to the value and the content of the job. You have heard a lot about job evaluation; standard practice these days in local government is that jobs are measured and valued according to the weight, responsibility and the demands of that particular job. The market is assessed and people choose to offer particular salaries relative to the local market in that area and how that market is operating.

Q407 Chair: Can I just ask a follow-up then? You might have just answered it. There is sometimes suspicion that, when councils get consultants in, that is the thing that suddenly starts to shift salaries upwards. Consultants have to justify their existence. They are all paid very high salaries, so they come in and think, "The recommendations ought to be a bit higher as well, from our point of view."

Mary Pett: I do not think the evidence would bear that out. In the early years of the century, when particularly top-tier authorities were facing quite acute pressures from the Comprehensive Performance Assessment, certainly there was a little bit of evidence in the South East of England that the big county councils were trying to poach each other's chief executives so that they could outperform each other, but that was many years ago. The market has changed dramatically since, and so the evidence of recently advertised posts is that they are being pitched at a lower level than the predecessor or the person four or five years ago was getting.

Q408 Chair: Even where consultants are involved in making recommendations?

Mary Pett: We would not necessarily know whether consultants were involved or not. All we see is the evidence, as demonstrated by the job adverts that are in the public domain.

Q409 Chris Williamson: What role can each of you say your respective organisations play in influencing and determining the remuneration packages for senior staff?

Mike Rogers: Mine is probably the easiest. I do not think the Society plays any role in determining—

Chris Williamson: Determining or influencing.

Mike Rogers: It certainly does not play any role in determining. I think it plays a very small role in influencing, because the purpose of Solace is it is a leadership organisation, so it is all about developing skills, knowledge, understanding and experience of senior leaders in public service in predominantly local government. The other aspect of our work is about influencing debate on policy.

Q410 Chris Williamson: Do you never comment on remuneration packages for chief execs?

Mark Rogers: We will not comment on individual remuneration packages. What we comment on is the kind of point I have been making to the Chair—that what we want is a debate that is an informed debate, rather than a debate based on assumption or worse.

Mary Pett: We are the staff-side negotiating body for cost-of-living increases and for employment terms and conditions, for those local authorities that operate the joint national committee conditions of service, so we have a say over cost-of-living awards. As I previously said to the Chairman, there have been none over the last five years. We do not have any influence or role whatsoever in—

Q411 Chris Williamson: Do you think you are failing as a trade union, in that case?

Mary Pett: I think it is a reflection of the times that we have been in over the past several years. We have this year, however, put in an official claim for a 1% increase in line with the public sector as a whole, because it is our view that our members should not be treated less favourably than the local government body as a whole. We have actually submitted a formal pay claim this year for the first time in several years, and we are awaiting the employers' response to that.

Q412 Chris Williamson: That is where you benchmark. You do not benchmark this over to the private sector then, where certain remuneration packages may be somewhat higher.

Mary Pett: No, we do not.

Chris Williamson: What about you, Mike?

Mike Short: To an extent, it is a similar answer to Mary's, but on behalf of the chief officers. Unison sits on the staff side for chief officers, the JNC. We are surprised by this number—pleasantly surprised. About three-quarters are still paid in line with negotiations that take place in the JNC. For those whose councils do not use the chief officers' JNC, so their pay is determined locally, often the council will involve the local trade unions for local negotiations. Our primary role as the trade union is to negotiate pay. Chief officers, as for many chief executives, have not had a pay increase for a number of years, and that is a real problem.

We have also been involved in negotiations with the employers around the LGE's job evaluation scheme, which an increasing number of councils are beginning to use. We still have some issues with that job evaluation scheme, but we are involved in those negotiations around it and influencing that, because some councils are using that. It does not set the pay level, but it sets out a framework for devising in a fair way the grades and salaries of those chief officers in the authority, and provides a means for comparing them.

Q413 Chris Williamson: Where do you think the inflationary pressures, such as they exist, have come from then? From what the three of you have said, none of you are contributing to the perceived inflationary pressures on the senior staff salaries. Where is it coming from then, or does it exist?

Mike Short: I am not sure that it does exist. In our evidence to the Committee, we pointed out a report by Incomes Data Services on senior executive pay in local government, the 2012 report. I think the 2013 one might be out now; I am not sure. The 2012 report said that there were some small pay increases here and there, between 0.3% and 1.1%, and most of them were due not to reflecting the cost of living but to many councils cutting the number of chief officers and reassigning roles, and using those job evaluation schemes such that roles would enlarge. For example, Gosport District Council cut I think 50% of its chief officers. It may be that some of those chief officers have had small increases. I am not sure in Gosport's particular case.

Q414 Chris Williamson: Is it media and political hyperbole then that we are actually responding to in having this inquiry now? This has obviously been brought about as a result of a perceived inflationary scenario.

Mark Rogers: It has certainly contributed to it.

Chris Williamson: Which: the media hyperbole, the political hyperbole, or both?

Mark Rogers: Both have contributed to it, but along with a lack of understanding about how pay is determined for chief execs and other senior officers.

Q415 Chris Williamson: A lack of understanding amongst whom?

Mark Rogers: A wide number of people, including politicians, including those in the fourth estate and widely in the general public. The misunderstanding is fundamentally about two things: first of all, it is a locally determined set of arrangements. You have heard how, council by council, they take the context of their authority and make decisions about pay, albeit with some parameters that they can reference to. Somebody somewhere seems to assume, and the message has got out, that actually there is some national system that we are abusing. Actually the system that we have is sovereign local authorities whose remuneration or other committees make decisions about pay, sometimes based on benchmarking information and/or sometimes based on just the context of the role at that time.

Q416 Chris Williamson: What is to be done then? Okay, so there is a lack of understanding. What is to be done in terms of informing the fourth estate, informing national politicians and informing, more importantly, the wider, general public? How can we make people understand it?

Mark Rogers: The things that we normally try to do in these circumstances, because senior officer pay is not the only example of where things are misinterpreted and misrepresented. It is about providing accurate information, and responsible people in positions of influence and authority having at their fingertips that information and using it fairly and even-handedly, frankly.

Q417 Chris Williamson: Have the Secretary of State's interventions been helpful or unhelpful?

Mark Rogers: They cannot possibly have been helpful if the consequence of them is that we have an uninformed debate about why chief execs and senior officers get paid what they do.

Q418 Chris Williamson: Do you think that uninformed debate has got worse over the last few years, about the same or better?

Mark Rogers: I think it is going through a cycle. It seems to be coming back up the register. They did not intend this, I am sure, but there is a particular process that we are part of here today putting it back under the microscope. It comes and it goes, but we have not yet reached the peak.

Chris Williamson: You think it will get worse, in terms of the criticism.

Mark Rogers: It could, but actually there is a real opportunity for it not to. People like us and others, I hope, that you are hearing will be trying to give a factually based, even-handed explanation of why pay gets set in the way that it gets set.

I wanted just to make one other point about it being locally determined: there is only one local government public sector in England, in the UK. You have not got similar sectors against which to benchmark and, therefore, we then start to think that it is appropriate to therefore do some kind of benchmarking against completely different sectors, like the private sector or the third sector. One of the facts of the matter that needs to be recognised is we are effectively internally referencing our pay decisions, because there is only one local government market in England. It has 300-and-however-many-plus councils in it, but again there is some kind of misunderstanding that there is some notional comparator out there that we are just not using,

or we are using but in a suboptimal kind of way. We have a system where individual councils take decisions within, effectively, a single local government economy.

Mary Pett: One thing that might assist with the wider understanding of the value of specific job roles in whatever sector is if the rest of the public sector and private companies had the same level of accessible transparent information as local government standards now are. I do not think any of us would disagree that it is a good thing to have transparency. It is a good thing to have access to information about salary levels, names, all the rest of it, only if the local housing association, the local further education college, the local hospital, the local GP's surgery had the same information requirement.

Q419 Chris Williamson: The message you would like us to take on board for our report perhaps is that the level of scrutiny and transparency should be applied right across the public sector.

Mary Pett: Absolutely, because that would help put things in context. If all you know is what your local authority chief executive is being paid and you know nothing about anything else, you have no way of assessing relative to a hospital, a school, a college, a housing association. Housing associations, which only provide one of the several thousand services that local government provides, tend to pay much higher rates of pay than local government pays, but people do not necessarily know that.

Q420 Chris Williamson: You all seem to be implying that you think the transparency is a good thing. In a sentence because we are short of time—perhaps I can start with you, Mike—what is the benefit to the public? What is the material benefit to the general public that there is this level of scrutiny?

Mike Short: The debate about scrutiny of high pay in local government is part of the broader debate about scrutiny of local government, actually. In Unison, our low-paid members would say similar to our higher-paid members, which is that there is a lack of understanding among, dare I say, the Government, the public—not the public's fault—the press and media about what local government does. It is often seen as something done to people, not done for them. Maybe that is local government's fault in part, and all services can be improved, but there is a broader question here, and I do not have all the answers, about promoting what local government does and the value it has for people's lives in communities. Anything that contributes towards that, and transparency is part of that, has to be a good thing, given the money that is in there.

Q421 Chris Williamson: Finally, if I may, Mary, in your written submission you talked about the “constant carping” with regard to senior staff and that that is not particularly helpful. I just wondered what your view would be, specifically in relation to the level of public comment that would be appropriate.

Mary Pett: I think it should be about the performance of the public services that people receive and not about particular individuals within them. A lot of our members are genuinely concerned that there is too much personal picking on individuals, if you like. The age that we live in and the social-media-friendly culture that we all embrace does lend itself to that. It seems perfectly acceptable to make derogatory comments about people one does not know in the public domain. That can never be a good thing. It is the political leaders of the authorities who are the ones who should be held to account. If they have clear objectives and they manage the performance of their staff against those objectives, then that really should be what the focus of comment is, not what shoes a senior officer was wearing on a particular day when they went to a particular meeting, or what sort of car they drive, or any of the triviality that sometimes one enjoys.

Q422 John Pugh: You made a point of saying at the start that the median salary has not gone up hugely over the last five years and neither has anybody else’s, really. By how much did the median salary for chief officers go up in the first 10 years of this century, compared with the rate of inflation?

Mary Pett: Our organisation does not hold that information. I cannot help you with that, I am afraid.

Q423 John Pugh: I think you should. If you come here to give evidence about how wages have changed and how remuneration has changed, that is a very basic fact I would want to know. I would expect, quite frankly, that it would not have gone up much recently, but certainly when I left Sefton local authority the chief executive was paid about £80,000. There is not a chief exec in the country, I think, who is paid anything as low as that at the moment, so I suspect that, in the first 10 years of this century, it went up quite appreciably—more than the rate of inflation—and I would really like to know how much. Can you provide that information?

Mary Pett: Our organisation cannot, sorry.

Q424 John Pugh: Can you tell me what percentage of chief officers give up their pension arrangements and other advantages of the public sector and go to the private sector; what is the churn?

Mary Pett: We do not hold that information. I do not know if my colleagues do.

Q425 John Pugh: It would be very useful to know, because that would then show whether you had pitched it in a way that was obviously too low and they were going off for better remuneration. You do not know that either.

Mary Pett: No, sorry.

Q426 John Pugh: Do you know what percentage of chief executive posts advertised in local authority papers have to be re-advertised because the salary is too low to attract the appropriate type of candidate?

Mary Pett: I could not give you numbers on that. It does happen from time to time that the interviewing panel feel that the candidate they are looking for is not in front of them.

Q427 John Pugh: That would be an indication. You use the expression "market". If you had got the market right, that would happen occasionally. If it happened very frequently, then clearly the remuneration is far too low. If it does not happen at all, or very rarely happens, the suspicion is the remuneration is too high.

Mary Pett: It may be that the Local Government Association nationally is able to collate that sort of information from its member authorities. I am afraid our organisation is not in that position.

John Pugh: Sorry. If you are expressing opinions, I would have thought this was data that we should really have to hand, because it adds credibility to the case you are making. That is it, Chair.

Q428 Mark Pawsey: You probably heard the discussion earlier about the link between pay and performance. We have explored the way in which chief officers' pay was increased over time. Should, as a matter of principle, a chief officer receive an annual appraisal in the same way that other members of staff do; or is there a better way of benchmarking their performance and then rewarding good performance, but at the same time providing some kind of penalty for poor performance?

Mark Rogers: My view would be, broadly speaking, there should be a consistent approach to appraisal across the organisation.

Q429 Mark Pawsey: But you also told us that pay was locally determined. It follows on from that that each authority would do things in

a different way. Do you think there should be a standard procedure of assessment and appraisal?

Mark Rogers: I not going to advocate that there should be some form of guidance issued that all 360-odd of us should sign up to, but I agree that there should be some basic principles that you should expect to see in any appraisal system.

Q430 Mark Pawsey: Should public opinion be part of that?

Mark Rogers: It could be an aspect of it, yes.

Q431 Mark Pawsey: Mary, have you got a view? Before you answer, may I ask you a question? You represent chief executives and you are the honorary secretary, so do you have a day job as well?

Mary Pett: Up until the end of October last year, I was the chief executive of a district council in Surrey.

Q432 Mark Pawsey: Thank you; that is fine. What is your view about the relationship between pay and good performance? How can we make certain that those who are doing well get the rewards they are entitled to?

Mary Pett: The norm in local government is that those two are actually quite separate. Performance-related pay is relatively rare, and I think it would be a mistake to assume that an appraisal is always linked to a performance reward, because at least nine times out of ten it is not.

Q433 Mark Pawsey: Should it be?

Mary Pett: It is very difficult in local government to give performance-related pay. If I may step back from that and come back to that in a moment, our view on appraisals is very clear. Yes, there should be a sound and robust appraisal process for the chief executive. How else are they to know whether they are performing at a sufficiently good level unless they are given feedback? Everybody wants feedback on their performance in their job role.

Q434 Mark Pawsey: In your experience, are the appraisals that take place for chief executives as you have described them, or are they erratic and very variable?

Mary Pett: Yes, they are very variable, because people are very variable. There are standards of good practice, and I think it would be no bad thing for the Local Government Association to reissue its good practice guidance on how to do appraisals, because councillors are not necessarily trained or expert in that sort of work, because they do not

necessarily come from a background of being an employer in a big organisation. If you have never done that before, how are you going to know, without some guidance and some best practice, how to do a good job of it? We had an example earlier of a council getting in other businesses from the local area to assist in that appraisal process. We as an organisation are very much in favour of that, because a robust appraisal process can only help people perform well in their jobs.

Q435 Mark Pawsey: Mike, if the councillors have not had training or experience in robust appraisal processes, should they put that work out to somebody else and take their guidance? Is this where the consultants come in? What is your view?

Mike Short: No, I would not be in favour of consultants coming in. I would agree with much of what has been said. I would certainly agree that every member of staff in an authority should be appraised. There should be a proper procedure and a system in place. You can argue about whether there should be one system covering all the 300-odd authorities, but it is much more important that the system is the same vertically for all levels of employment in the authority, so everyone knows who is going to be appraising them and they are being appraised by the same set of standards. It should not be personalised, especially in the case of the chief exec. It should be about services, and yet, if the people doing the appraisal are not experienced in doing it—they are councillors; they come from whatever other field they have come from, in terms of their day job—training should be provided, absolutely.

Q436 Mark Pawsey: If somebody receives an appraisal and they are found to be well below the mark, should those people exit the organisation, as would happen in others?

Mike Short: It is difficult to say, because it is difficult to define what “well below the mark” means. Any organisation, certainly for example the organisation I work for, has a whole system of appraisals, capability procedures and that sort of thing. It is not quite as simple as saying either, “You’re doing great,” or, “You’re well below the mark; you’re gone.” I understand chief executives and chief officers, in many cases, are a particularly visible kind of role but, nonetheless, you need to have certain standards, procedures and stages you might go through and opportunities for people to improve, for example.

Q437 Mark Pawsey: What do you think about the proposal that one of our witnesses gave earlier? I think it was the former council leader of Rochdale, who spoke about the benefit of fixed-term contracts, because that meant that, if somebody at the end of the fixed term had been deemed to be not performing, there would not be the difficulties of

disengagement that occur when somebody is employed on a more regular contract.

Mike Short: There are pros and cons.

Q438 Mark Pawsey: Would you favour a local authority taking on somebody on a fixed-term contract?

Mike Short: The devil is in the detail. One of the potential drawbacks of fixed-term contracts is around recruitment and retention. Do you get the best people in if they know they are only in the job for a certain period of time and then they have to go for their job again? You can do a similar thing by properly drawing up the employment contract and the job description, and building in those safeguards and appraisal procedures.

Q439 Mark Pawsey: Mr Rogers, Hutton looked at this issue and he came up with the earn-back idea—that a proportion of their salary would be retained, and they would get that topped up on the basis of performance. Very few councils, I understand, have done that. I do not know whether any have, or if you know of any that have. If so, why not?

Mark Rogers: That is a very good question. I do not really know why not. In principle it is a good idea but, again, this is about local determination, is it not? If in the recruitment process the discussion goes on about exactly the terms and conditions you are going to sign up to and it is made explicit that that will be brought up, I think it is a reasonable conversation to have, as long as you know.

Mark Pawsey: Does anybody else have any views on earn-back?

Mary Pett: As with any kind of performance-related-pay system, I think it is peculiarly difficult in local government to actually bring it in. One reason is that the role is actually a very complex one, and the success or otherwise of particular service areas might be nothing to do with the performance of the particular person you are appraising. It is not as if you have got a sales target and you exceed it; that is very clear, measurable and easy to assess.

The more important issue is that a political environment can be very excitable and, if there is a once-a-year decision on whether or not to award the bonus, whatever the performance facts are, political mischief might be made in that particular environment at that particular time. It might be that it is a hung council and the opposition wants to have a bit of fun with the issue. Any opportunity like that is avoided by most councillors, because it can be a distraction from the main process.

Q440 Mark Pawsey: Finally, and I think you touched on this a bit, we are interested in what data your organisations might provide, which would take some of that hysteria out of it, so that people making decisions and the general public would have a more accurate picture of what is going on. I think you mentioned you do not retain that data, but each of you could survey your own members, for example, to provide that information. Do you think that is a role that you could productively play to take some of the hysteria, for want of a better expression, out of the public's concerns on chief executive pay?

Mary Pett: Really we think that is the role of the Local Government Association. Our organisation is a very small one; we do not have the resources to be doing surveys of every authority in the country and compiling the results of them. The Local Government Association certainly used to do that sort of thing, and it represents every authority in the country, so they were ideally placed to be that conduit.

Mark Rogers: Probably the other thing to say is, certainly of late, we have been encouraged quite appropriately to be publishing pay and other benefit data. Then the so-called armchair auditors are equally being encouraged to assemble it in whatever ways they wish to for the understanding that they seek. There is a balance to be struck between somebody co-ordinating that and the individual who is interested in it.

Q441 Mark Pawsey: Would your organisation be in a position to do that co-ordination role?

Mark Rogers: That is not the purpose of our organisation. I would probably concur with Mary actually that it is a conversation to be had with the Local Government Association principally.

Q442 Mark Pawsey: Mike, are you going to give the job to the LGA as well?

Mike Short: Yes and no: a politician's answer for you. We have surveyed our members and we included non-members in that too. You have got some of the results there, and we are happy to share that as widely as possible, for anyone who is listening. The problem with a survey by a trade union is not everyone responds to it, so it is not full comprehensive data. I agree that the Local Government Association should play a role. I differ slightly in that I would like us to be involved, in partnership with the Local Government Association, in doing something like that, but I agree with my colleagues it is a big job.

Q443 John Pugh: Just a very straightforward question: the danger with all this is that, when local authorities decide how to reward their individual chief executive, they use some comparability framework,

and that normally means looking at similar local authorities down the road to see what they are paying and deciding whether that is more or less the right figure to choose. Clearly that process could be assisted, hampered or facilitated in some way by central government giving a more direct tilt to the procedure, by actually saying, "This is the range that you should be looking at." The Secretary of State is not short of opinions on this subject. Do you think that is helpful to a local authority or unhelpful?

Mark Rogers: I am not a democratically elected representative, but I still have an unequivocal view on that, and it is that I work for locally democratically elected representatives and it is their decision and nobody else's.

John Pugh: You would prefer not.

Mark Rogers: I am really clear that that is who I work for. I do not work for DCLG; I work for Birmingham City Council.

Chair: Thank you all for coming in and giving evidence to us this afternoon. It is appreciated.