



Consultation on amending the Accounts and Audit Regulations 2003 (S.I. 2003 No. 533) to improve transparency of reporting of remuneration of senior officers in public bodies



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Communities and Local Government  
Eland House  
Bressenden Place  
London  
SW1E 5DU  
Telephone: 020 7944 4400  
Website: [www.communities.gov.uk](http://www.communities.gov.uk)

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## Scope of the consultation

<b>Topic of this consultation:</b>	Consultation on amending the Accounts and Audit Regulations 2003 (S.I. 2003 No. 533) to improve transparency of reporting of remuneration of senior officers in public bodies
<b>Scope of this consultation:</b>	<ol style="list-style-type: none"> <li>1. Extend reporting requirements on public bodies, when producing their annual statement of accounts, to include additional information about the remuneration of senior officers.</li> <li>2. We propose to include within remuneration disclosure details about senior officers (a) salary; (b) bonuses; (c) additional payments; (d) compensation or ex gratia payments; (e) benefits in kind and (f) pensions.</li> <li>3. We propose to define 'senior' as the head of the authority's paid service and 1st tier officers (ie those who report to the head of paid service for example a Director, Chief Officer or Strategic Director).</li> <li>4. A change to the way staff earning over £50,000 is reported, breaking this down into £5,000 bandings in place of the existing £10,000 bandings.</li> <li>5. These proposals will affect local authority bodies covered by the Accounts and Audit Regulations 2003, and will include councils; joint authorities; the Greater London Authority (and its bodies including TFL), transports authorities, National Park authorities, Waste authorities, and Police and Fire Authorities.</li> </ol>
<b>Geographical scope:</b>	The consultation refers to legislation that applies to bodies within England (only).
<b>Impact Assessment:</b>	An impact assessment has not been prepared for this instrument. No impact on business, charities or voluntary bodies is foreseen however respondents are asked their views on any potential barriers or costs arising from this requirement.

## Basic Information

<b>To:</b>	<p>The Chief Executive of:</p> <ul style="list-style-type: none"> <li>County Councils (England)</li> <li>District Councils (England)</li> <li>Metropolitan Borough Councils (England)</li> <li>Unitary Councils (England)</li> <li>County and County Borough Councils in Wales</li> <li>London Borough Councils</li> <li>South Yorkshire Pension Authority</li> <li>London Pension Fund Authority</li> <li>Environment Agency</li> <li>Town Clerk, City of London Corporation</li> <li>Clerk, South Yorkshire ITA</li> <li>Clerk, West Midlands ITA</li> <li>Fire and Rescue Authorities in England and Wales</li> <li>Police Authorities in England and Wales</li> <li>Audit Commission</li> <li>National Probation Service for England and Wales</li> <li>Local Government Association (LGA)</li> <li>Employers' Organisation</li> <li>LGPC</li> <li>ALACE</li> <li>PPMA</li> <li>SOLACE</li> <li>CIPFA</li> <li>Association of Colleges</li> <li>Association of Consulting Actuaries</li> <li>Association of District Treasurers</li> <li>Society of County Treasurers</li> <li>Society of Welsh Treasurers</li> <li>Society of Metropolitan Treasurers</li> <li>Society of London Treasurers</li> <li>London Councils</li> <li>NALC</li> <li>Society of Local Council Clerks</li> <li>Trades Union Congress</li> <li>UNISON</li> <li>GMB</li> <li>NAEIAC</li> <li>NAPO</li> <li>T&amp;G/UNITE</li> </ul>
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<b>Body/bodies responsible for the consultation:</b>	Communities and Local Government, Local Government Finance Directorate, Local Government Workforce, Pay and Pensions unit.
<b>Duration:</b>	30 March to 22 June 2009
<b>Enquiries:</b>	Kirsty Austin – Kirsty.Austin@communities.gsi.gov.uk, Tel 020 7944 2866  Eleri Jones – Eleri.Jones@communities.gsi.gov.uk, Tel 020 7944 6607
<b>How to respond:</b>	Please send responses electronically to: Remuneration_consultation@communities.gsi.gov.uk
<b>Additional ways to become involved:</b>	As this is a largely technical issue with specialist interests following discussions with those affected, this will be a written exercise.
<b>After the consultation:</b>	Following the consultation we will review the responses received. We will publish a responses document within the three month period as required by the code of practice for consultation. Our intention is that the responses received will inform the drafting of the Statutory Instrument (SI) that will amend the existing requirement.  We will once the SI is drafted lay this before parliament in good time to allow the inclusion of remuneration information in 2009/10 annual accounts.
<b>Compliance with the Code of Practice on Consultation:</b>	This consultation document and consultation process have been planned to adhere to the Code of Practice on Consultation issued by the Department for Business Enterprise and Regulatory Reform and is in line with the seven consultation criteria – please see <b>Annex A</b> of the consultation.

## Background

<p><b>Getting to this stage:</b></p>	<p>We have undertaken a series of meetings with key interest groups to determine the differences between public bodies, central Government and the private sector in terms of the requirements for remuneration reporting.</p> <p>These meetings revealed the following:</p> <ul style="list-style-type: none"> <li>• at present the only requirement on the public bodies recognised under the Accounts and Audit Regulations (2003) is the disclosure of the numbers of staff earning £50,000 and more, in £10,000 bandings</li> <li>• in the financial statements of listed companies in the private sector, the requirement is to disclose information about basic pay, pensions and bonuses of directors, by name</li> <li>• similarly, in central government, the Financial Reporting Manual issued by HM Treasury requires Departments to disclose the names and detailed remuneration information for the permanent secretary and senior officials/members of the Board within £5000 bands</li> </ul> <p>The proposed amendments to the Accounts and Audit Regulations will expand the reporting requirements on public bodies and make them comparable with central Government and listed private sector companies.</p>
<p><b>Previous engagement:</b></p>	<p>On 5 December 2008 John Healey wrote to Chief Executives and Finance Directors to set out proposals for amendments to the Accounts and Audit Regulations. Within this letter he included reference to the current consultation on improving the reporting requirements on public bodies. Views from public bodies were sought on how best to proceed with bringing their reporting requirements in line with those of central Government and the private sector. The responses received were reviewed and taken into consideration when formulating the proposals outlined in this consultation.</p>

## Consultation on amending the Accounts and Audit Regulations 2003 (S.I. 2003 No. 533) to improve transparency of reporting of remuneration of senior officers in public bodies

This consultation is issued to consult under section 27(3) of the Audit Commission Act 1998 as regards a proposal to amend Regulation 7 of the Accounts and Audit Regulations 2003 (S.I.2003 No. 533) to extend the requirement on public bodies when producing their annual statement of accounts to include additional information about the remuneration of senior officers.

This consultation seeks views on:

- a proposed level of disclosure for senior officers in terms of salary, bonuses, additional payments, benefits in kind, compensation/ex-gratia payments, and pension entitlements
- a definition of 'senior'
- a proposed change to the way staff earning over £50,000 is reported, breaking this down into £5,000 bandings in place of the existing £10,000 bandings

Your comments are invited by 22 June 2009.

### **What will be amended?**

Regulation 7, which requires relevant bodies (that have expenditure or income in excess of £1m per year) to include within their statement of accounts, a report of the number of employees whose remuneration falls into particular brackets, will be extended to require more detailed remuneration reporting for senior officers.

The amendment will bring the remuneration reporting requirements for public bodies into line with those for central government and listed companies.

### **What is being proposed?**

#### ***Disclosure of remuneration***

At present, public bodies are not required to set out the remuneration packages for individual senior employees in their annual accounts. In the financial statements of listed companies in the private sector, the requirement is to disclose information about basic pay, pensions and bonuses of directors, by name. Similarly in central government, the Financial Reporting Manual issued by HM Treasury requires Departments to disclose the names and detailed remuneration information for the permanent secretary and senior officials/ members of the Board within £5000 bands.



The current remuneration requirement on public bodies only requires a count of the number of staff earning over £50,000 a year in £10,000 bandings.

We propose, through amendments to the existing secondary legislation, to make it a requirement to include in the financial statement a report of the salary, bonuses, additional payments, compensation/ex gratia payments, benefits in kind, and pension information for each 'senior' employee from 2009-10. The extent and focus of disclosure would be comparable to central government for the most senior and highly paid individuals.

We propose that accounts report the following for each 'senior' employee:

#### Salary

- salary for current year (ie 2009-10)
- salary for previous year (ie 2008-09)
- salary, for the purposes of the remuneration report, means all amounts paid to or receivable by an employee, and includes sums due by way of expenses and allowances (so far as those sums are chargeable to United Kingdom income tax)

#### Bonuses

- bonuses for the current year (ie 2009-10)
- bonuses for the previous year (ie 2008-09)
- bonuses, for the purposes of the remuneration report, refers to payments made to an individual that relate to performance

#### Additional payments

- additional payments include the total amount of sums paid by way of expenses or allowances that are chargeable to United Kingdom income tax (or would be if the person were an individual) and paid to or receivable by the person in respect of qualifying services (eg regional allowances)

#### Compensation/ex gratia payments

- compensation/ex gratia payments, for the purposes of the remuneration report, refers to compensation for loss of office and any other payments receivable on the termination of employment, even where these are not taxable

#### Benefits-in-kind:

- benefits-in-kind, for the purposes of the remuneration report, means the estimated money value of any other benefits received by an employee otherwise than in cash

Pension entitlement:

- pension entitlement, for these purposes, means the total value of an individual's pension benefits based on their accrued length of service and pensionable pay, at the beginning and end of the year, and projected to the individual's normal retirement age

**We invite views on whether the proposed extent and focus of remuneration reporting, when presented together, will fulfill the objective of providing a true and fair view of each senior officer's package of benefits. We also invite comments on whether consultees foresee any barriers or costs to collecting and reporting this information in published annual accounts.**

These new disclosure standards are intended to bring councils up to the same high standards that are already required of civil servants and listed companies in the private sector. The Information Commissioner's Office (ICO) has published advice on when remuneration information should be disclosed. In this the ICO also explores how disclosure does not impinge on data protection issues. Consultees' may wish to refer to; [http://www.ico.gov.uk/upload/documents/library/freedom\\_of\\_information/practical\\_application/salaries\\_v1.pdf](http://www.ico.gov.uk/upload/documents/library/freedom_of_information/practical_application/salaries_v1.pdf)

### ***Senior employees/officials***

The intention is that the new requirement will require remuneration reporting on:

- head of paid service, as described in section 4 of the Local Government and Housing Act 1989 or the equivalent in those bodies which do not fall within the definition of relevant authority for the purposes of that section. This person may be known as the Chief Executive or some similar title
- the people in the organisation who are required to report to the Head of paid service, which consultees may recognise to be 1st tier manager (eg Director, Chief Officer or Strategic Director)

**We invite consultees' views on how best to define 'senior' in Regulation. We recognise that as the term can mean different things in different organisations, it is important to obtain the widest possible response to this particular aspect of the current proposals.**

**We also invite views on whether and how to include individuals acting at a senior level whose position may not be permanent but who make recommendations or take decisions about public money.** These individuals may not hold a permanent post but they may for a time, on a temporary basis, be employed at what is considered a senior level to provide strategic input into the expenditure of public money or management advice – for example, such persons might be called 'interim managers' or 'consultants'.

We would be grateful if you could ensure that a copy of this letter of consultation is shared with those officers/employees within your organisation who may have an interest in the proposals (eg have details about their remuneration package published). Individuals' views will also be considered in response to the consultation, as well those received from individual local authorities.

### ***Reporting level***

Whilst the intention is to introduce remuneration disclosure at senior levels, we do not propose to remove the current requirement on public bodies to disclose the number officers employed who earn in excess of £50,000 per year, that are graded in £10,000 bands.

In order to improve transparency within organisations' workforce it is proposed to adjust this reporting requirement by narrowing the £10,000 bandings to £5,000.

### **We invite consultees' views on this proposal.**

#### ***Summary of the points on which views are being sought***

- we invite views on whether the proposed areas of remuneration reporting, when presented together, will provide a true and fair view of each senior officer's package of benefits
- we invite comments on whether consultees foresee any barriers or costs to collecting and reporting the proposed areas of remunerations information in published annual accounts
- we invite consultees' views on how best to define 'senior' in Regulation. We recognise that as the term can mean different things in different organisations it is important to obtain the widest possible response to this particular aspect of the current proposals
- we invite views about the inclusion of individuals acting at a senior level whose position may not be permanent but who make recommendations or take decisions about public money, for example interim managers and consultants
- we invite views on the proposal to adjust the reporting requirement to count the number of employees earning £50,000 or more a year in narrower bandings of £5,000

### **Handling of responses to this consultation**

This consultation will be available for viewing at:

<http://www.communities.gov.uk/corporate/publications/consultations/>

Your comments should be sent by 22 June 2009 in the first instance by e-mail to [remuneration\\_consultation@communities.gsi.gov.uk](mailto:remuneration_consultation@communities.gsi.gov.uk) (with attachments in MS word only).

Comments received to the consultation will be collated and a formal response document published within three months of the closing date of this consultation. This consultation follows the Government code of practice on consultations, which is attached at **Annex A**.

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

# The consultation criteria

## Annex A

### About this consultation

This consultation document and consultation process have been planned to adhere to the Code of Practice on Consultation issued by the Department for Business Enterprise and Regulatory Reform and is in line with the seven consultation criteria, which are:

1. formal consultation should take place at a stage when there is scope to influence the policy outcome
2. consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible
3. consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals
4. consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach
5. keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained
6. consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation
7. officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.

The Department for Communities and Local Government will process your personal data in accordance with DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed these criteria? If not or you have any other observations about how we can improve the process please contact:

Communities and Local Government Consultation Co-ordinator  
Zone 6/H10  
Eland House  
London SW1E 5DU

or by e-mail to: [consultationcoordinator@communities.gsi.gov.uk](mailto:consultationcoordinator@communities.gsi.gov.uk)

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