

report

Paper CL 10 06-18

Board	CIPFA/LASAAC
Venue	CIPFA Scotland, Edinburgh
Date	5 June 2018
Author	Easton Bilsborough, Technical Manager
Subject	Disclosure requirements for remuneration reporting

Purpose

To consider the inclusion of remuneration reporting in the consultation on the Code. The appendices provide additional information which members may wish to refer to.

1 Background

1.1 At its March 2018 meeting CIPFA/LASAAC agreed that a comprehensive review of remuneration reporting should be brought to the June 2018 meeting. CIPFA/LASAAC wished to understand the extent of the current disclosure requirements across the UK Public Sector, in light of the recent gender pay gap reporting regulations introduced in England, Wales and Scotland.

2 Current requirements within the Code

2.1 Section 3.4 of the Code includes the requirements for remuneration reporting. [Appendix A](#) provides a summary of these requirements across the UK. The summary notes where disclosures are required under statute, and how these are currently reflected within the Code.

2.2 CIPFA/LASAAC will be aware that the vast majority of these reporting requirements are supported by statutory requirements with the exception of the disclosure for exit packages. CIPFA/LASAAC have previously avoided including detailed remuneration reporting requirements within the Code. This has led to the Code simply making referencing these statutory requirements, with detailed guidance included within the Code Guidance Notes.

Discussion/analysis

2.3 As statutory requirements and other forms of guidance cover this area of reporting, the form and content of local authorities' remuneration reporting differs between jurisdictions. It is observed that these different approaches have led to information on staff and remuneration being published outside of the annual report and accounts through other forms of reporting. For example, English authorities must publish annual information on senior salaries and pay multiples on their websites under the [Local Government Transparency Code 2015](#), DCLG 2015. In addition, information on pay is included in the authority's pay policy statement, as required

by Section 38 (1) of the Localism Act 2011¹. Similarly, the [Transparency of Senior Remuneration in the Devolved Welsh Public Sector](#) (Welsh Government, 2015) recommends that Welsh local government bodies must publish information on the remuneration of senior posts within an Annual Pay Policy Statement².

- 2.4 Considering the requirements in the Code in isolation may give the impression that remuneration reporting by English and Welsh local authorities is limited. However, reporting in this area takes place through other mediums which are accessible to the public.
- 2.5 In addition, as these reporting requirements are not detailed within the Code and included within other forms of guidance, a more principle-based and less prescriptive approach is taken. Legislation generally encourages authorities to embrace accountability and transparency in reporting their remuneration policies and practices.
- 2.6 However, CIPFA/LASAAC will be aware that the audit requirements for remuneration information disclosed outside the annual report and accounts differs, with no external assurance provided. It is noted that in Scotland, certain information included in authority's Remuneration Report is subject to audit, with all other sections of the report reviewed for consistency. A similar approach is taken in Northern Ireland

CIPFA/LASAAC is invited to provide its views on whether a gap exists in relation to this area of reporting which requires to be addressed through the Code. In doing so, CIPFA/LASAAC is asked to consider the other initiatives and reporting activities that authorities are required to comply with that sit outside the scope of the annual report and accounts.

3 Current requirements across the UK Public Sector

- 3.1 [Appendix B](#) provides an overview of the disclosure requirements for remuneration reporting by UK central government. The summary includes a discussion of the source of these disclosures and where the guidance on the requirements is contained.
- 3.2 As with local government, it is observed that the majority of remuneration disclosures are required under statute. Those reporting requirements which are not supported by statutory requirements are limited. However, it is observed the FReM takes a different approach to the inclusion of these requirements within the reporting framework compared to the Code. The FReM provides details of the information required to be included within the Remuneration and Staff Report, referring preparers to other sources of guidance where applicable. This approach means more comprehensive guidance is provided for all disclosures required.

Discussion/analysis

¹ Guidance on the contents of the statement can be found within [Pay policy and practice in local authorities A guide for councillors](#), LGA 2013

Illustrative example: [Birmingham City Council, Pay Policy Statement 2017/18](#)

² Guidance on the contents of the statement can be found within [Transparency of Senior Pay in the Devolved Welsh Public Sector Observations and proposed way forward](#), Public Services Staff Commission 2016

Illustrative example: [City of Cardiff Council, Pay Policy Statement 2017/18](#)

- 3.3 CIPFA/LASAAC will be aware that the differences between the requirements for each jurisdiction would result in similar guidance for local government being voluminous. Such guidance exists for Scottish and Northern Irish local authorities; however, it sits outside the Code.
- 3.4 As the majority of the information on remuneration by authorities in England and Wales is disclosed outside the annual report and accounts, any such guidance would not be relevant for inclusion in the Code.

CIPFA/LASAAC are invited to consider whether the approach taken to referencing the relevant statutory reporting requirements within Section 3.4 remains appropriate. In doing so, CIPFA/LASAAC are asked to consider what changes could be made to the existing guidance within the Code.

4 Gender Pay Gap Reporting Obligations

- 4.1 [Appendix C](#) provides an introduction to the requirements related to Gender Pay Gap Reporting. It provides an overview of the new obligations brought in by the Equality Act 2010 and explains how these interact with the existing reporting requirements for local government across the UK.
- 4.2 Currently the requirements for local government vary across the UK. This is a result of jurisdictions taking different approaches to enacting the relevant provision within the Equality Act 2010. Notwithstanding, the majority of authorities who currently apply the code have a statutory requirement to publish information on their gender pay gap. In all cases, this information is not required to be reported in the authority's annual report or accounts.

Discussion/analysis

- 4.3 The discussion around whether this requirement should be considered for inclusion in the Code is akin to previous CIPFA/LASAAC deliberations regarding the Hutton Fair Pay disclosures in 2012. [Appendix D](#) provides a summary of these considerations and an overview of the rationale and factors considered by CIPFA/LASAAC in their decision to not include the 'fair pay' disclosures within the Code. The subsequent adoption of the disclosure across the Public Sector illustrates the variety of methods and mechanisms by which remuneration reporting are promulgated.
- 4.4 Within local government, the adoption of the 'fair pay' disclosure differed across all jurisdictions. Currently the disclosure ranges from being not required (Scotland), optional (Wales) and mandatory (England and Northern Ireland). In addition, the location and calculation of the ratio differs. This mirrors the local government's current compliance with the gender pay gap reporting requirement.
- 4.5 In both cases, local government has implemented both disclosure initiatives, albeit through different methods. Displaying the information online and in reports which sit outside the annual report or accounts may be argued to be a better medium for this type of disclosure. However, doing so has resulted in a lack of consistency within the sector which could be considered as a barrier against greater comparability of this information across the public and private sector

CIPFA/LASAAC is invited to provide its views on whether proposals for Gender Pay Gap reporting should be included in the consultation on the Code.

Appendix A: Summary of disclosure requirements for remuneration reporting – UK Local Government. (All references are taken from the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19* – ‘the Code’)

Local Government: England & Wales

Paragraph 3.4.5.1 of the Code requires authorities in England and Wales to provide statutory remuneration disclosures in their financial statements in accordance with:

- the Accounts and Audit Regulations 2015 (SI 2015 No. 234) (*applicable to authorities in England*); and
- the Accounts and Audit (Wales) Regulations 2014 (SWI 2014 No. 3362 (W. 337)) (*applicable to authorities in Wales*).

These disclosures are included as a note to the Comprehensive Income and Expenditure Statement.

The contents of these disclosures are detailed within the Code and summarised below:

Pay band

- *England* – the number of employees or senior police officers in the year to which the accounts relate whose remuneration fell in each bracket of a scale in multiples of £5,000 starting with £50,000
- *Wales* – the number of employees or police officers in the year to which the accounts relate whose remuneration fell in each bracket of a scale in multiples of £5,000 starting with £60,000.

Senior employee remuneration

- An analysis by job title of the remuneration and employer’s pension in respect of senior employees and relevant police officers whose salary is £50,000 [£60,000 – *Wales*] or more per year (or by name and job title where the salary is £150,000 or more per year)

Remuneration Ratio – Wales only

- Ratio between the median remuneration of all the authority’s employees during the year and that of the authority’s chief executive

Paragraph 3.4.4.1 of the Code requires all authorities to provide information on the number and total cost of exit packages for the year³.

This information is disclosed as a note to the Comprehensive Income and Expenditure Statement.

The disclosure of this information is not required under statute and is prescribed by the Code itself. The contents of the disclosure is summarised below:

- the numbers of exit packages agreed (grouped in rising bands of £20,000 up to £100,000, and bands of £50,000 thereafter);
- analysed between compulsory redundancies and other departures; and
- the cost of those packages agreed in each band to the authority in the financial year.

³ Whilst applicable to all authorities across the UK, this requirement is provided accordance with statutory prescription for the Remuneration Report for Northern Irish and Scottish Authorities. Therefore, these authorities should include this information within the Remuneration Report.

Appendix A: Summary of disclosure requirements for remuneration reporting – UK Local Government

Local Government: Scotland

Paragraph 3.4.5.3 of the Code requires local authorities in Scotland to produce a statutory remuneration report as required and in accordance with:

- the Local Authority Accounts (Scotland) Regulations 2014 (SSI 2014 No. 200); and
- guidance issued by the Scottish Government (Scottish Government Finance Circulars [8/2011](#) and [7/2014](#)).

The report accompanies the financial statements.

The contents of the report are not detailed within the Code and are summarised below:

Remuneration arrangements

Exit packages

Pay band

Local authority subsidiary bodies

Remuneration of relevant persons (senior councillor and senior employees)

Pension rights and information for relevant persons (senior councillors and senior employees)

Illustrative Example

The Remuneration Report from the Annual Report and Accounts 2016/17 of Falkirk Council (pages 23 to 31) can be found by using the following link:

www.falkirk.gov.uk/services/council-democracy/budgets-spending-performance/docs/annual-accounts/audited/2016%20-%202017%20Audited%20Annual%20Accounts.pdf?v=201710120922

Appendix A: Summary of disclosure requirements for remuneration reporting – UK Local Government

Local Government: Northern Ireland

Paragraph 3.4.5.2 of the Code requires local authorities in Northern Ireland to produce a statutory remuneration report as required and in accordance with:

- the Government (Accounts and Audit) Regulations (Northern Ireland) 2015 (NISR 2015 No. 106); and
- the Accounts Direction (issued annually by the Department for Communities, Northern Ireland) [[Accounts Direction for District Councils 2017/2018](#), Appendix E – Remuneration Report notes]

The report accompanies the financial statements.

The contents of the report are not detailed within the Code and are summarised below:

Remuneration arrangements

Allowance and remuneration arrangements

Allowances paid to councillors

Remuneration paid to senior employees

- Including:
 - **Report on the ratio of the highest paid member of the management team and the median remuneration of the workforce**

Exit packages

Pension benefits

Illustrative Example

The Remuneration Report from the Annual Report and Accounts 2016/17 of Derry City & Strabane District Council (pages 17 to 21) can be found by using the following link: <http://www.derrystrabane.com/getmedia/da8b7031-02a9-44bc-a87d-ed8ed8cbca7/Final-signed-DC-SDC-Accounts.pdf?ext=.pdf>

Appendix B: Summary of disclosure requirements for remuneration reporting – UK Central Government

Central Government

(All references are taken from the [Government Financial Reporting Manual 2018/19](#) – ‘the FReM’)

Overview

UK Central Government bodies are required to disclose details of remuneration and other staff information in their Annual Report and Accounts.

This information is contained within the ‘Remuneration and Staff Report’, which forms part of the body’s ‘Accountability Report’.

The ‘Remuneration and Staff Report’ sets out:

- the organisation’s remuneration policy for directors (e.g. ministers and directors) and reports on how the policy was implemented;
- the amounts awarded to directors and where relevant the link between performance and remuneration
- details on remuneration and staff that Parliament and other users see as key to accountability.

(FReM, Paragraphs 5.3.15 – 5.3.16)

Source of disclosures

The contents of the Remuneration Report are based on the requirements of the *Companies Act 2006* and the *Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013*.

The FReM signposts users to the guidance contained in the annual [Employer Pension Notice](#) (EPN) issued by the Cabinet Office. The EPN sets out the methodology and format which must be used by bodies for the Remuneration Report. There is also [implementation guidance](#) on calculating the ‘fair pay ratio’ issued by HM Treasury.

Content / over page

Appendix B: Summary of disclosure requirements for remuneration reporting – UK Central Government

Content

The contents of the disclosures are included within paragraphs 5.3.15 -5.3.28 of the FReM and summarised below:

- remuneration policy for directors
- single total figure for remuneration for each minister and director including salary and allowances, performance pay or bonuses, noncash benefits, accrued pension benefits
- pension entitlements for each minister and director
- compensation for early retirement or loss of office
- payments to past directors
- **fair pay disclosure including:**
 - **the median remuneration of the reporting organisation’s staff**
 - **the range of staff remuneration**
 - **the ratio between the median staff remuneration and the mid-point of the banded remuneration of the highest paid director**
 - **an explanation for any significant changes in the ratio between the current and prior year**
- **staff report including:**
 - number of senior civil service staff
 - analysis of staff numbers and costs
 - **staff composition**
 - **sickness absence data**
 - staff policies
 - **expenditure on consultancy**
 - **off-payroll engagements**
 - exit packages.

Audit requirements

The auditors provide an opinion to confirm whether:

- the Remuneration and Staff Report and accountability disclosures have been prepared in accordance with the relevant statutory requirements; and
- the information given in the Accountability Report is consistent with the financial statements.

Illustrative Example

The Remuneration and Staff Report from the Ministry of Justice Annual Report and Accounts 2016-17 (pages 54 to 70) can be found by using the following link:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/630239/moj-annual-report-2016-17.pdf

Appendix C: Gender Pay Gap Reporting- Application by Local Government

Background

New gender pay gap reporting requirements were recently introduced by the [Equality Act 2010 \(Specific Duties and Public Authorities\) Regulations 2017 \(SI 2017 No. 353\)](#) ('the regulations'). The regulations apply to 'specified public authorities' which have 250 or more employees on 31 March of a given year. Included in the list of 'specified public authorities' given in Schedule 2 of the regulation is all those English, Scottish and Welsh bodies/authorities which are currently required to apply the Code.

However, Scottish local authorities and other Welsh public bodies specified listed in Schedule 19 of the Equality Act 2010 are not subject to the regulations. These bodies/authorities are subject to their own devolved regulations, which already include gender pay gap reporting (see below).

It is observed that Northern Ireland is yet to pass similar legislation to the Equality Act 2010. Therefore Northern Irish District Councils are not subject to the regulation.

Requirements under the regulations

What is required to be reported?

The regulations require employers to publish:

- **the difference between the mean hourly rate of pay (male / female full-pay employees)**
- **difference between the median hourly rate of pay (male / female full-pay employees)**
- **difference between the mean bonus pay (male / female)**
- **difference between the median bonus pay paid (male / female)**
- **proportions of male and female relevant employees who were paid bonus pay**
- **proportions of male and female full-pay relevant employees in quartiles**

The rules that cover the calculations are contained in the regulations. Where applicable, the calculations must be accompanied by a written statement, authorised by an appropriate senior person, such as a Chief Executive, which confirms the accuracy of their calculations. The information is not externally audited.

When and where is the information published?

The results must be published on the employer's website and a government website (www.gov.uk/genderpaygap) within 12 months.

Appendix C: Gender Pay Gap Reporting- Application by Local Government

How many authorities are not required to apply the regulations?

Authorities which have less than 250 employees on 31 March of a given year.

An analysis of the gender pay gap information was submitted by authorities in 2017/2018 shows that only a small proportion of English district, fire and police authorities did not submit gender pay gap information⁴.

Table 1- UK Gender Pay Gap Analysis

Authority type	No. of Authorities		As a %
	Reported on GP Gap	Total	
English District	170	201	85%
Fire Authorities	34	45	76%
Metropolitan Districts	36	36	100%
English Unitaries	55	55	100%
Police Authorities	37	43	86%
English Counties	27	27	100%
Greater London Authority	1	1	100%
London Boroughs	33	33	100%
Total	29	29	100%

Interaction with the devolved regulation covering gender pay gap reporting

Scotland

As previously noted, Scottish local authorities have a duty to publish gender pay gap information under the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 (SSI 2012 No. 162) and Amendment Regulations 2016 (SSI 2016 No. 159). Authorities with 20 or more staff must publish pay gap information once every two years. This is reported outside of the Remuneration Report.

Wales

As previously noted, Welsh public bodies have a specific duty to publish gender pay gap information under the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 (SWI 2011 No. 1064 (W. 155)). Public bodies must publish pay gap information on an annual basis. It is noted that public bodies in Wales must consider pay gaps across all of the protected groups and not just between employees of different gender. This duty applies to public bodies authorities and is irrespective of the size of their workforce. This is reported outside of the Remuneration Report.

⁴ Based on [analysis](#) carried out by CIPFA using the gender pay gap data downloaded from the government's website. Whilst not verified with the authorities, this is assumed to relate to their application of the regulation rather than due to their failure to comply.

Appendix D: Implementation of the Hutton Review Fair Pay Recommendations

Background

The [Hutton Review of Fair Pay in the public sector](#) included the following recommendation:

The Government should require that public bodies annual publish the chief executive's (or equivalent) earnings, median earnings of the organisation's workforce, and the ratio between these two figures in their annual remuneration reports. All taxable earnings should be included within this multiple. Year-on-year movements in the chief executive's earnings and median earnings should be disclosed and explained. Disclosures should begin in remuneration reports covering the financial year 2011-12, including prior year comparators.

(Page 79, Hutton Review of Fair Pay in the Public Sector, March 2011)

The disclosure was intended to hold organisations to account for remuneration policy and allow some comparability over time and across the public sector and private sector, where similar disclosures of Chief Executive remuneration and pay multiples are made.

The recommendation went on to call for the FReM to be amended to include this disclosure. It also recommended that similar amendments were made to the guidance covering the reporting requirements for NHS bodies and local government, specifically identifying the Code of Practice on Local Authority Accounting in the United Kingdom.

The Hutton Review recommendation was implemented in the 2011-12 FReM. The manual required the disclosure of top to median staff pay multiples (as a ratio) as part of the Remuneration Report.

Previously consideration by CIPFA/LAASAC

CIPFA/LAASAC discussed the Hutton Review recommendation in 2012 as part the developments considered for inclusion in the 2013/14 Code.

The inclusion of the Hutton median pay disclosure was considered from the following perspectives:

- To ensure consistency between the Code and the FReM; and
- The relevance and the availability of the information elsewhere, in reference to the DCLG *Data Transparency Code* and length of local authority financial statements.

It was concluded that consistency between the Code and the FReM requires to be in accordance with the financial reporting needs of local authorities. It was also considered that the information included in Hutton median pay disclosure could be more effectively reported on by local authorities as part of the transparency data required by the DCLG *Data Transparency Code*.

CIPFA/LAASAC decided not to consult on the disclosure as part of the ITC for the 2013/14 Code.

Outcome and adoption of the 'fair pay' disclosures within the UK Public Sector

The disclosure recommended by the Hutton Review has been adopted across the public sector. However the methods by which the disclosures has been enacted (e.g. through legislation/regulation/guidance) and the form and content of the information differs.

Appendix D: Implementation of the Hutton Review Fair Pay Recommendations

The following table provides a summary of the current requirements.

Table 1 – Summary of ‘fair pay’ disclosures requirements

Subsector of UK Public Sector	Requirement and reference within current guidance
Local Government: <i>Scotland</i>	Not required
Local Government: <i>Northern Ireland</i>	Contained within the Remuneration Report <ul style="list-style-type: none"> • The Accounts Direction for District Councils 2017/2018 (issued by the Department for Communities, Northern Ireland), Appendix E – Table 3
Local Government: <i>Wales</i>	Contained in the Pay Policy Statement (<i>Recommended</i>) <ul style="list-style-type: none"> • Transparency of Senior Remuneration in the Devolved Welsh Public Sector (issued by the Welsh Government, 2015), Recommended Reporting Arrangements - No. 1
Local Government: <i>England</i>	Contained in the Pay Policy Statement (<i>Optional</i>) Published on the website of the local authority (<i>Mandatory</i>) <ul style="list-style-type: none"> • Local Government Transparency Code 2015, Paragraphs 51 – 52 • Underpinned by the Localism Act 2011
UK Central Government	Contained within the Remuneration and Staff Report <ul style="list-style-type: none"> • The FReM 2018-19, paragraphs 5.3.25 (Supported by implementation guidance as issued by HM Treasury)
NHS Bodies <i>Department of Health group bodies</i> <i>NHS Foundation Trusts</i>	Contained within the Remuneration and Staff Report <ul style="list-style-type: none"> • Department of Health Group Accounting Manual 2018-19, Paragraphs 3.51 –3.56 Contained within the Remuneration Report <ul style="list-style-type: none"> • NHS foundation trust annual reporting manual 2017/18, Paragraph 2.48