

REPORT REFERENCE NO.	DSFRA/15/14
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY
DATE OF MEETING	28 May 2015
SUBJECT OF REPORT	PRINCIPAL OFFICER PAY REVIEW 2015
LEAD OFFICER	Clerk to the Authority
RECOMMENDATIONS	<p><i>The Members Working Group recommends that the Authority:</i></p> <ul style="list-style-type: none"> <i>(a). Sets the salary of the Chief Fire Officer at £146,031 with effect from 1 April 2015;</i> <i>(b). Subject to a) above, restores the percentages of the Chief Fire Officer's salary to set the salaries of the other Principal Officers to the [lower] levels previously determined by the Authority, as follows:</i> <ul style="list-style-type: none"> <i>(i) Director of Operations at 75% - £109,523;</i> <i>(ii) Director of Corporate Services at 68.75% of 5/6th – £83,664;</i> <i>(iii) Director of People & Commercial Services at 68.75% of 5/6th – £83,664</i> <i>(c). Gives permission for the Chief Fire Officer, and other Principal Officers, to undertake roles outside of the Service, subject to:</i> <ul style="list-style-type: none"> <i>(i). any such work being undertaken whilst on annual leave;</i> <i>(ii). there being no conflict of interest with the business of the Authority, Red One Ltd. or any company or other body that the Authority might establish from time to time;</i> <i>(iii). compliance with the requirements of the Local Government Act 1972 in relation to the recording of interests in contracts; and</i> <i>(iv). in addition to (iii), all roles outside the Service being recorded in a register of interests kept for that purpose.</i>
EXECUTIVE SUMMARY	<p>The salary structure for Principal Officers (the Chief Fire Officer and other Executive Board members) is determined by the Authority and, in accordance with the National Conditions of Service (the Gold Book), the Authority is required to conduct an annual review of the remuneration of the Chief Fire Officer. Any locally determined changes in the Chief Fire Officer's remuneration are subject to full Authority approval.</p>

	<p>Under section 38(1) of the Localism Act 2011, the Authority is required to prepare a Pay Policy Statement. The Authority’s Pay Policy Statement states that the annual review will: “be conducted by way of a report to a full Authority meeting which will contain such relevant data as to enable the Authority to reach a determination on levels of appropriate remuneration” and also “consider the level of pay awards made for other groups of employees and the relationship between the remuneration of the Chief Fire Officer and the remuneration of other employees”.</p> <p>In consultation with the Authority Chairman, it was agreed that a Members Working Group should be established to consider initial benchmark data and determine whether additional data was required with a view to agreeing a final report to the full Authority. It was also agreed that the Hay Group would be commissioned to evaluate the Chief Fire Officer’s role and undertake independent benchmarking with a view to providing a summary report that compares the Service’s current remuneration level with the market and provide advice on options for consideration.</p> <p>This report sets out the findings of this benchmarking work and the conclusions of the Members Working Group that formed the basis for the recommendations above.</p>
<p>RESOURCE IMPLICATIONS</p>	<p>£32,441 per annum which can be met from within existing budgets.</p>
<p>EQUALITY RISKS AND BENEFITS ANALYSIS</p>	<p>The contents of this report are considered compatible with existing equalities and human rights legislation.</p>
<p>APPENDICES</p>	<p>A. Additional Benchmarking Data</p> <p>B. Chief Fire Officer Bench Marking Review – Report by Hay Group (page numbered separately).</p>
<p>LIST OF BACKGROUND PAPERS</p>	<p>Devon and Somerset Fire & Rescue Authority Pay Policy Statement 2014-15</p> <p>National Joint Council for Brigade Managers of Fire and Rescue Services (the Gold Book)</p>

1. **INTRODUCTION**

- 1.1 The salary structure for Principal Officers (the Chief Fire Officer and other Executive Board members) is determined by the Authority and is subject to annual reviews in accordance with the Constitution and Scheme of Conditions of Service of the National Joint Council for Brigade Managers of Fire and Rescue Services (the Gold Book). At a national level, the employers' side considers annual cost of living increase claims for all those covered by the national agreement and determines any pay settlement. All other decisions about pay levels and remuneration are taken locally by the full Authority.
- 1.2 Under section 38(1) of the Localism Act 2011, the Authority is required to prepare a Pay Policy Statement. The Authority is responsible for ensuring that the pay policy sets out the issues relating to the pay of the workforce and in particular the senior officers and the lowest paid employees. This ensures that there is appropriate accountability and transparency regarding the salaries of the Authority's senior staff. In accordance with the statutory obligations, the Authority approved its current Pay Policy Statement in February 2015 and published it on the Authority's website.
- 1.3 Any locally determined changes in the Chief Fire Officer's remuneration are subject to full Authority approval. In accordance with the conditions within the Gold Book, the Authority is required to conduct an annual review of the remuneration afforded to members of the Executive Board.
- 1.4 The Authority's Pay Policy Statement states that the annual review will: "be conducted by way of a report to a full Authority meeting which will contain such relevant data as to enable the Authority to reach a determination on levels of appropriate remuneration" and also "consider the level of pay awards made for other groups of employees and the relationship between the remuneration of the Chief Fire Officer and the remuneration of other employees".
- 1.5 To ensure that the process of producing such a report remained Member led, in consultation with the Authority Chairman, it was agreed that a Members Working Group should be established to consider initial benchmark data and determine whether additional data was required with a view to agreeing a final report to the full Authority. Accordingly, a Working Group of six Authority Members was established that comprised the Chairman and Vice Chairman of the Authority together with the Chairmen of the Authority's Committees.
- 1.6 The Members Working Group met on 16 December 2014 and considered a broad range of data analysis for Chief Fire Officer pay levels in England. It was decided at that meeting that the Group would meet again in May 2015 with a view to reporting to the full Authority at the end of May 2015. In consultation with the Chairman, it was subsequently agreed that the Hay Group – which has extensive experience in advising on senior executive remuneration including experience with a number of fire and rescue services – would be commissioned to:
- Evaluate the Chief Fire Officer's role using the Hay Group Method of Evaluation.
 - Undertake remuneration market benchmarking using Hay Group's Public and Not for Profit data base and analyse and include where appropriate the data about Chief Fire Officer pay that had been obtained by the Service from internet research using published Pay Policy Statements and Annual Statements of Accounts.
 - Provide a summary report that compares the Service's current remuneration level with the market and provide advice on options for consideration.

METHODOLOGY

- 2.1 The Hay Group report, attached as Appendix B, was completed during April 2015 and discussed with the Chairman before being presented to the Members Working Group.
- 2.2 Hay reviewed and analysed the base salary data for other fire and rescue services in England, as provided by Devon and Somerset Fire and Rescue Service. To supplement this information, they used the Hay Group Pay Net database to provide market data for a base salary comparison. The Hay database includes data based on the size of a role, with the size determined by the Hay Group job evaluation method, and uses this basis to link to pay. It is the largest of its kind in the UK and holds data from over 200 Public & Not for Profit Organisations and over 800 organisations in total. As a result it provides robust remuneration data for use in benchmarking and setting policy.
- 2.3 In order to enable remuneration benchmarking using the Hay Group Pay Net database, Hay evaluated the Chief Fire Officer's role using the Hay Group Method of Job Evaluation. This method is widely used throughout the public sector, including with other fire and rescue services.
- 2.4 In addition, the Members Working Group also used the base salary data for other fire and rescue services, which had been obtained by the Service from internet research using published Pay Policy Statements and Annual Statements of Accounts, to establish appropriate benchmarking comparators.

FINDINGS

- 3.1 The Chief Fire Officer's pay on 1 April 2007 (the date of combination) was £132,394, which at that time equated to 4.98 times that of a firefighter. The same ratio at today's values would equate to £144,689. The current pay level of the Chief Fire Officer is £137,392.
- 3.2 Hay's evaluation of the Chief Fire Officer's role, using their method of job evaluation, is 1486 points, which is in line with the evaluations Hay has done for Chief Fire Officers of services of a similar size.
- 3.3 Hay used the Hay Group Pay Net database to provide market data for a base salary comparison. However, they note that in the case of Chief Fire Officers the market place, both from a retention and recruitment perspective, is a closed and small market predominantly comprising officers from other fire and rescue services because of the very specific skills and experience required. Consequently, whilst general market pay data is useful to inform decisions, especially in relation to public perceptions, it is the fire and rescue service specific data that is the most relevant.
- 3.4 Having analysed the data, Hay found that other services with responsibility for a similar population receive higher salaries; the median of the other population Band 4 services is £146,763 (note: having updated data since the Hay report was produced this median figure is now £150,886 – see Appendix A). Whilst caution does have to be exercised when using just one broad metric, such as population, for analysis (because it may not take into account other factors such as complexities caused by the particular demographics of an area), Hay's view, having evaluated the Devon and Somerset Chief Fire Officer's job and based on working with a range of other services, is that the Devon and Somerset role would be equivalent in job size terms to majority of other Chief Fire Officers in population Band 4.

- 3.5 Hay also undertook a comparison of the Chief Fire Officer's base salary against their Industrial & Service market dataset (which is a broad general market that consists of both public sector and private sector organisations but excludes the financial services industry). Hay found that the Chief Fire Officer's role is currently receiving a base salary below the market median rate for base salaries, which is £144,994. However, Hay also found that in practice the difference will be significantly greater, because the use of bonuses in the private sector means that the median figure when including such payments is 17% higher than the figure for base salaries.
- 3.6 The Members Working Group also found that, in comparison to a group of fire and rescue services with a narrower population variation to Devon and Somerset (+/- 0.5m) than the population Band 4 group, that the other services all receive higher salaries; the median being £147,337 - see Appendix A.
- 3.7 A further tightening of the population variation to Devon and Somerset (+/- 0.1m) also found that the other services all receive higher salaries; the average being £146,031 (note, the median is not used here because the small number of other services, just 3, makes it inappropriate for analysis purposes) - see Appendix A.
- 3.8 In line with most other fire authorities, the pay of the three other Principal Officers is set as a percentage of the Chief Fire Officer's salary as part of their contracts of employment. Current percentages are as follows:
- Director of Operations (Assistant Chief Fire Officer) – 75.2%;
 - Director of Corporate Services and the Director of People & Commercial Services both at 68.93%.

The latter two roles are non-uniformed and the salary is calculated by taking five sixths of the Chief Fire Officer's pay (effectively removing the 20% availability pay that is built into operational roles) and then applying the percentage. The current percentages for all three roles were distorted by the last national cost of living increase, which provided for a 1% increase to salaries of less than £100,000 and a flat £1,000 increase to those above £1,000. The percentages for these three roles were previously 75% and 68.75% respectively. Consequently, any increase in the Chief Fire Officer's salary will result in an equivalent percentage increase in the salaries of each of those officers. The effect of this must be factored into the cost of any decision regarding the Chief Fire Officer's salary.

- 3.9 In considering the cost impact of any increase in salary for the Chief Fire Officer, the Members Working Group noted that two restructures of the top management team, in 2010 and 2013, resulted in four positions being deleted saving some £329,000 per annum. In addition, the Members Working Group also identified that the Chief Fire Officer had personally generated circa. £79,200 of income for the Authority, for no personal gain, by virtue of his services as Chief Fire and Rescue Adviser to the Welsh Government.
- 3.10 In addition to salary comparison, the Members Working Group also considered whether the Chief Fire Officer, and other Principal Officers, should be allowed to undertake roles outside the Service. It was noted that the Service policy that relates to securing permission to undertake roles or activity outside the Service is open to all members of staff, including the Chief Fire Officer and other Principal Officers.

- 3.11 Additionally, the Local Government Act 1972 imposes the following two significant restrictions on local authority employees (officers):
- (a). an officer may not receive, by virtue of his employment, any fee or reward other than his proper remuneration; and
 - (b). all officers are required to declare in writing any interests they may have in any contract, or proposed contract, with the Service for the provision of goods or services. Such interests might be direct (i.e. the individual is a party to the contract itself and will receive a monetary payment) or indirect (for example, while the individual may not be a part to or receive any financial benefit from the contract, they are nonetheless an employee, director or partner of the company with which the Service has entered into, or may enter into, a contract). Failure to declare such an interest may result in disciplinary action and/or a fine, on summary conviction, of up to Level 4 on the Standard Scale (currently £2,500).

The Democratic Services Section keeps a register of all interests so declared, which is available for inspection upon request.

4 CONCLUSIONS

- 4.1 The Chief Fire Officer's role in Devon and Somerset has been evaluated, using an appropriate job evaluation methodology, as being equivalent in job size terms to the majority of other chief fire officers in population Band 4 but the present salary is well below the median salary for fire and rescue services in population Band 4 - £150,886.
- 4.2 The Chief Fire Officer's salary has eroded since 2007 in comparison to that of a firefighter and were the same differential applied today the salary level would be £144,689.
- 4.3 In comparison to a group of fire and rescue services with a narrower population variation to Devon and Somerset (+/- 0.5m) than population Band 4, the Chief Fire Officer's salary is well below that median of £147,337; and even when population variation is reduced further (to +/- 0.1m), the Chief Fire Officer's salary is below the average of that small group, being £146,031. Given:
- the closeness in population size of this latter group;
 - the other similarities of those services to Devon and Somerset;
 - the view of the Hay Group that it is the fire and rescue service specific data that is the most relevant; and
 - the close proximity to the original ratio set in 2007 in relation to the pay of a firefighter,
- the Members Working Group is of the opinion that this latter benchmark is the most relevant in terms of considering the appropriate salary level for the Chief Fire Officer.
- 4.4 Following two restructures of the top management team, in 2010 and 2013, savings of circa £329,000 per annum were achieved and the Chief Fire Officer has personally generated income of approximately £79,200 for the Authority, for no personal gain, by virtue of his services as Chief Fire and Rescue Adviser to the Welsh Government over the last two years.

4.5

The Service policy that relates to securing permission to undertake roles or activity outside the Service is open to all members of staff, including the Chief Fire Officer and other Principal Officers. However, because of the roles and responsibilities of Principal Officers, it would seem appropriate to impose additional conditions, over and above those which would apply to other members of staff, to any such permission for Principal Officers in order to safeguard the interests of the Authority. The suggested conditions are:

- (a). any such work being undertaken whilst on annual leave;
- (b). there not being a conflict of interest with the business of the Authority, Red One Ltd. or any company or other body that the Authority might establish from time to time; and
- (c). compliance with the requirements of the Local Government Act 1972 in relation to the recording of interests in contracts; and
- (d). in addition to c) above, all roles outside the Service being recorded in a register of interests kept for that purpose.

MIKE PEARSON
Clerk to the Authority

APPENDIX B TO REPORT DSFRA/15/14

Population BAND 4					
Brigade	CFO Pay	Type	Population	Pop Band	
Devon and Somerset	£137,392	CFA	1,678,000	4	-
Service A	£143,420	CFA	1,748,000	4	70,000
Service B	£144,474	CFA	1,776,000	4	98,000
Service C	£150,199	CFA	1,741,000	4	63,000
Service D	£151,572	Met	2,241,000	4	563,000
Service E	£161,600	Met	2,763,000	4	1,085,000
Service F	£165,000	Met	2,702,000	4	1,024,000
Average	£152,711				
Median	£150,886				
Population +/- 0.5m of D&S					
Brigade	CFO Pay	Type	Population	Pop Band	Pop Variation
Devon and Somerset	£137,392	CFA	1,678,000	4	-
Service A	£143,420	CFA	1,748,000	4	70,000
Service G	£143,671	Met	1,352,000	3	(326,000)
Service B	£144,474	CFA	1,776,000	4	98,000
Service C	£150,199	CFA	1,741,000	4	63,000
Service H	£153,015	CFA	1,466,000	3	(212,000)
Service I	£170,000	Met	1,386,000	3	(292,000)
Average	£150,797				
Median	£147,337				
Population +/- 0.1m of D&S					
Brigade	CFO Pay	Type	Population	Pop Band	Pop Variation
Devon and Somerset	£137,392	CFA	1,678,000	4	-
Service A	£143,420	CFA	1,748,000	4	70,000
Service B	£144,474	CFA	1,776,000	4	98,000
Service C	£150,199	CFA	1,741,000	4	63,000
Average	£146,031				
Note: all tables sorted on CFO pay					