

Sir Derek Jones KCB
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

Nick Ramsay AM
Chair, Public Accounts Committee
National Assembly for Wales
Cardiff Bay
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11th November 2016

Dear Nick,

The Public Accounts Committee has requested an update on the implementation of the recommendations made in the previous Committee's Report on Senior Management Pay, issued in November 2014.

The report made 23 recommendations, all of which were welcomed by the Welsh Government in its response to the report in January 2015. To date, 17 of the 23 recommendations have been completed: two recommendations are partially complete (5 and 23); three which relate to the development of guidance and training material are yet to be completed but are in hand (10, 11, 15); and one which refers to the higher education sector requires further advice to be put to Welsh Government Ministers (13). A table is attached at Annex 1 which provides a more detailed update on each recommendation.

For the purposes of this update, the recommendations split broadly into three categories: those which were specific to Local Authorities and therefore required particular action; those which are addressed through the publication of a set of transparency principles for public sector bodies in Wales and the development guidance and training; and those which refer to other sectors in receipt of public funds, such as higher education.



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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding

Please refer to the table attached for the specific actions taken in relation to Local Authorities since the publication of the report. In recommendation 2, the Committee pointed to opportunities in relation to senior pay consistency and transparency presented by local government reorganisation. During the last Assembly term, the non-statutory Public Services Staff Commission was established, with its remit covering the provision of advice on factors affecting local government's ability to secure the right capability in the future, including pay and remuneration (in conjunction with the Independent Remuneration Panel as necessary.) I'm sure the Committee has noted the Cabinet Secretary for Finance and Local Government's recent statement on local government reform on 04 October. In light of this, the role and remit of the Public Services Staff Commission is being considered.

Turning to the transparency principles, on 07 December 2015 the then Minister for Public Services Leighton Andrews announced the publication of a set of principles and recommended reporting arrangements which the Welsh Government expects devolved public bodies in Wales to uphold. The principles are published on the Welsh Government website: <http://gov.wales/topics/people-and-communities/publications/transparency-of-senior-remuneration/?lang=en>

In line with the principles, the Welsh Government published its own pay policy statement on 25 October 2016, following-up the publication of the Welsh Government's Annual Accounts. The pay policy statement is available on our website: <http://gov.wales/about/civilservice/how-we-work/facts-figures/ourfinance/PayPolicyStatement/?lang=en>

Before the end of the year, the Staff Commission is due to report on the adoption of the transparency principles across the Welsh public sector in their first year. The Commission will present interim findings to the Workforce Partnership Council in November, with a view to completing their report for Ministers in December 2016. I understand the Commission plans to report that the principles themselves are complementary to existing reporting arrangements, are clear, and do not represent an onerous burden on public bodies. Early indications of the Commission's interim findings suggest an improved, but still inconsistent picture of senior pay disclosure across the public sector in Wales. Indeed, in working towards the completion of Recommendation 23 - which asks the Welsh Government to collate information on senior pay across the public sector and publish on its website - my colleagues have also encountered some continued difficulties in finding the information they seek to collate. Given the principles are in their first year this is perhaps to be expected. The first of the reports in response to recommendation 23 will be published by the end of the financial year, and we will be seeking comments on how this work can be taken further.

I understand the Commission's report will propose further action for Welsh Government Ministers to consider and will offer the Commission's continued involvement in supporting and advising public bodies on the transparency agenda. Furthermore, the outstanding recommendations from the PAC's report (10, 11 and 15) relate to the Welsh Government's delivery of guidance and training for remuneration committees; guidance on engagement with external consultants; and a study into pay mechanisms. Procurement options are now being considered for these products. When complete, I hope this work will also serve to embed the principles further.

Lastly, with reference to recommendation 13, and discussions about the higher education sector in subsequent scrutiny sessions, HEFCW issues accounts directions to the organisations within its remit which inform institutions of HEFCW's reporting requirements relating to their annual financial statements, in particular the disclosure requirements for higher paid staff. In December 2015 the transparency principles were issued to HEFCW, along with other WGSBs, by the Welsh Government. In August 2016, HEFCW produced a report on senior pay in the sector in response to a request from the previous Minister for Education and Skills, which has been published on its website. Following-up the publication of HEFCW's report, colleagues are considering together with HEFCW whether there is scope for transparency to be driven further. Advice will then be submitted to the Cabinet Secretary for Education. When the Cabinet Secretary's view is known, I will be happy to brief the Committee. I also understand that senior pay transparency in the HE and FE sectors is due to be discussed at forthcoming Workforce Partnership Council meetings.

I hope that the Committee has found this update useful.

Yours,
David

**Public Accounts Committee Recommendations on Senior Management Pay
Update (November 2016)**

No.	Recommendation	Response	Status / Target Date
1	<p>The Committee recommends that a clear definition of what is meant by a senior post in the public sector is produced and disseminated by the Welsh Government. This should have consideration to the level of remuneration, scale of the organisation and the level of responsibility of the post holder.</p>	<p>In December 2015 the Welsh Government published a set of high level principles and recommendations which outline expectations around the reporting of senior remuneration (entitled 'Transparency of Senior Remuneration in the Devolved Welsh Public Sector').</p> <p>The initial response to the PAC welcomed the recognition that a 'one size fits all' definition is not necessary. The document reflects this point by seeking to implement an objective definition without over-prescribing what may constitute a 'senior post.'</p> <p>Reference to remuneration thresholds has not been included due to complexities across sectors. For example, some workers in the Health sector might have found themselves in scope despite not holding a post which could be classified as 'senior.'</p>	Complete
2	<p>The Committee recommends that the Welsh Government use the local government reorganisation work to consider options for introducing consistency around senior management pay in Local Government. We would like to see a clear rationale published setting out how pay should be set in any new structure that is introduced. Given the recent decisions by some councils to consider voluntary mergers, this should be done with a matter of urgency. Furthermore, the</p>	<p>The Government response indicated work on this recommendation would be considered in taking forward the work on reforming local government. The non-statutory Public Services Staff Commission was established with effect from September 2015. Its remit includes provision of advice on factors affecting local government ability to secure the right senior capability for the future. This includes consideration (in conjunction with the Independent Remuneration Panel as necessary) of issues of pay and remuneration.</p> <p>The role of the Independent Remuneration Panel was extended to include Chief Executives of Local Authorities in the Local Government (Democracy) (Wales) Act 2013. The Local Government (Wales) Act 2015 included provisions which would have extended this role further to include senior managers and consideration is being given to whether this is</p>	Complete

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	<p>process of voluntary mergers should be included in any consideration of pay structures.</p>	<p>included in any future legislation linked to local government reform.</p> <p>The Cabinet Secretary for Finance and Local Government made his statement on 04 October 2016 which proposed the retention of the existing democratic tier of local authorities (less any voluntary mergers) but a systematic and mandatory approach to regional working. Legislation is likely to be brought forward in the second year of the legislative programme. The role and remit of the Public Services Staff Commission is being considered in the light of this and a decision is likely to be made before Christmas.</p> <p>Unless amended, the draft Wales Bill which is progressing before the UK Parliament will impact upon Welsh Government ability to legislate “employment rights and duties”. Setting pay and conditions is not necessarily an “employment right or duty” although requiring a local authority to do something is likely to amount to the imposition of a duty upon it. Similarly, setting specified pay scales may give rise to “employment rights”.</p>	
3	<p>The Committee recommends that a glossary of terms relating to senior pay is produced and published by the Welsh Government, which sets out the most appropriate terms to be used in pay disclosures, as well as explanations for less frequently used terms. The Committee further recommends that narratives to accounts, particularly for unusual situations, contain adequate notes which are easy to interpret.</p>	<p>In December 2015 the Welsh Government published a set of high level principles and recommendations which outline expectations around the reporting of senior remuneration (entitled ‘Transparency of Senior Remuneration in the Devolved Welsh Public Sector’).</p> <p>The practical implementation and benefits of this recommendation were considered during the development of the transparency document. While the decision has been taken not to compile a glossary of terms at this time, we do believe we have addressed the underlying aim of the PAC recommendation. The document places a requirement upon devolved Welsh public sector bodies to produce Pay Policy Statements in a transparent and clear fashion.</p>	Complete

No.	Recommendation	Response	Status / Target Date
4	<p>The Committee recommends that the Welsh Government work with local authorities to ensure that items pertaining to pay matters are listed clearly and separately on all agendas (Executive Board and Council Level). This may require an amendment to the LA (Executive Arrangements) (Decisions, Documents and Meetings) (Wales) (Amendment) Regulations.</p>	<p>The Welsh Government has legislated to give effect to this through the Local Government (Democracy) (Wales) Act 2013, our guidance on pay policy statements and the Local Authorities (Standing Orders) (Wales) (Amendment) Regulations 2014.</p> <p>The Welsh Government wrote to Local Authorities in July 2015 following a review of Local Authority pay policy statements reminding them of the need for transparency and accessibility. Given the significant attention which the Committee's report had drawn, we did not need to specifically draw Local Authorities' attention to the report. If further legislative amendments are required, we will undertake these in line with the timetables for our wider programme of local government reform.</p> <p>The Public Services Staff Commission is due to report on Transparency of Senior Pay in December 2016.</p>	<p>Complete</p>
5	<p>The Committee recommends that clear guidance is issued by the Welsh Government to local authorities requiring any Returning Officers fees to be published in an easily accessible place alongside remuneration information. This should include clear explanations behind this entitlement.</p>	<p>Work on this recommendation is being led by Local Government and Public Service Department. In respect of local government elections, the local authority includes the returning officer fees in their financial statements. These accounts include a remuneration disclosure. Neither Welsh Government nor CIPFA accounting guidance specifies whether this remuneration disclosure should or should not include any fees for acting as returning officer or whether, if it does, the fees should be separately identified.</p> <p>The Welsh Government will be updating the Account and Audit Regulations and associated guidance in 2017 and we are exploring whether this clarity can be provided through these.</p> <p>The returning officer fees for other elections are not part of the Local Authority accounts. Transparency over the other fees is provided, to a degree, by the publication of legislation setting maximum fees for each</p>	<p>2017</p>

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		<p>election by the relevant government department (e.g. Welsh Government for the National Assembly elections, Home Office for Police and Crime Commissioner elections). It is unlikely that Local Authority accounts could be required to show this information (as it is not part of Local Authority expenditure).</p> <p>Discussions are underway with the Electoral Commission concerning the publication of detailed information on returning officers' costs.</p>	
6	<p>The Committee recommends that the Welsh Government (and other bodies issuing account directions) reviews their mechanisms, including grant conditions, for monitoring compliance with remuneration disclosures, and reports back to the Committee how it intends to ensure that full compliance is achieved.</p>	<p>This recommendation is linked to recommendation 22 regarding ensuring grants are made on condition of compliance. During the development of the Transparency document, it was noted that the conditions that may be attached to the funding for different devolved public bodies are not set out exhaustively in statute, but the general principles of public law provide that they may not stray too far from the purpose of the funding. It was therefore concluded that placing a condition of compliance with these additional requirements are too far removed from the purpose and effect of the funding itself and could not be reasonably imposed as conditions attached to the annual funding without the prospect of legal challenge. As such the document is "best practice", without any attempt to impose this as a condition of funding.</p> <p>In terms of compliance, the Public Services Staff Commission is due to report on the Transparency principles in December 2016.</p>	Complete
7	<p>The Committee recommends that the Welsh Government produce and disseminate guidance on how to manage pay arrangements for joint appointments between local authorities, given the increasing move towards these types of appointment.</p>	<p>The regulations have been reviewed and it has been concluded that no amendment are required. The existing guidance makes it clear that authorities should include in Accounts the estimated annual salary of any joint appointments. The Guidance will be re-issued which will ensure Local Authorities are reminded of the requirements.</p>	Complete

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	This should include the need for these salaries to be disclosed in all contributing local authorities' accounts.		
8	The Committee recommends that the Welsh Government consider the make-up and recruitment of the Independent Remuneration Panel for Wales, as positions become available, to ensure it is representative of wider civil society.	Since the Government response, a recruitment exercise for new Panel members has been conducted. The process specifically looked at the male/ female make up of the panel.	Complete
9	The Committee recommends that information on remuneration committees across the public sector and their decisions are published in an easily accessible and prominent place on the organisation's website.	The 'Transparency of Senior Remuneration in the Devolved Welsh Public Sector' principles seeks to address this recommendation.	Complete
10	The Committee recommend that the Welsh Government produce good practice guidance for remuneration committees setting out the key principles of openness and transparency. Alongside this guidance, we recommend that a number of seminars/training sessions are held which set out these principles and develop the important skills needed to be an effective remuneration panel member.	The Welsh Government is in the process of engaging an external expert provider to develop this guidance and to consider how best to deliver the seminars and / or training sessions. An initial meeting with the provider was held in September. Procurement options are now being considered.	2017

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11	The Committee recommends that best practice guidance is produced by the Welsh Government which sets out best methods for engaging with external consultants on senior management pay. This should include the need to have interaction with the relevant decision making group throughout the process.	The Welsh Government is in the process of engaging an external expert provider to develop this best practice guidance. An initial meeting with the provider was held in September. Procurement options are now being considered.	2017
12	The Committee recommends that the Welsh Government works with the WLGA and the WAO to produce guidance on the role of senior officers in local authorities in providing advice in relation to pay matters.	The Local Government (Wales) Act 2015 further strengthens openness and transparency in this area by requiring more visibility in Council agendas etc. We will continue to keep in view any need for guidance to Local Authorities as future arrangements for local government are determined.	Complete
13	The Committee recommends that the Welsh Government work with local government, higher education, health and registered social landlord sectors to ensure that training and guidance on senior pay is consistently delivered to all sectors.	Further work on this recommendation is underway. In developing the 'Transparency of Senior Remuneration in the Devolved Welsh Public Sector' principles, we have outlined requirements to introduce and maintain a high standard of transparency in a consistent manner. With specific regard to the higher education sector, while we would anticipate they be included in the guidance and training it may not be appropriate as universities and colleges are autonomous bodies. Further consideration is underway with HEFCW and the development of advice to the Cabinet Secretary for Education is ongoing.	2017
14	The Committee recommends that the Welsh Government reminds Local Authorities of the importance and independence of the role of the	Local authorities have a duty to appoint one of their officers as the Council's Monitoring Officer. They have an important role to ensure that the authority follows legal requirements. Authorities should therefore ensure that they appoint persons of sufficient knowledge and seniority to	Complete

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	monitoring officer, and the need to ensure that this role operates effectively across the organisation at a senior level. This should also remind monitoring officers of methods for reporting any concerns either internally or if necessary externally.	sometimes deliver unwelcome advice. The National Assembly approved the Local Authorities (Standing Orders) (Wales) (Amendment) Regulations 2014 in June 2014. They provide a level of protection to the Monitoring Officer (and certain other senior posts) from unfair disciplinary processes. The Welsh Government has ensured that local authorities, including monitoring officers, were made aware of these regulations.	
15	The Committee recommends that the Welsh Government undertake a study into different pay mechanisms and produce a report setting out what is considered good practice. This should consider how best to deal with senior management in failing organisations.	This recommendation will be taken forward by an external expert provider. An initial meeting with the provider was held in September. Procurement options are now being considered.	2017
16	The Committee recommends that public sector organisations are required by the Welsh Government to set out their approach to performance related pay and internal talent management in their pay policies.	The 'Transparency of Senior Remuneration in the Devolved Welsh Public Sector' principles document addresses this recommendation.	Complete
17	The Committee recommends that the Welsh Government issues advice and guidance to the Welsh Public Sector, including those sectors receiving significant funds from the WG (e.g. registered social landlords, further education and higher education) on the requirements for publication of	The 'Transparency of Senior Remuneration in the Devolved Welsh Public Sector' principles document addresses this recommendation.	Complete

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	remuneration information and pay policies, taking into account the recommendations of this report.		
18	We recommend that public sector organisations are required to publish information on the number of employees with a remuneration package of more than £100,000 in bands of £5,000.	The 'Transparency of Senior Remuneration in the Devolved Welsh Public Sector' principles document addresses this recommendation.	Complete
19	<p>We recommend that a full remuneration report is produced by all organisations within the Welsh public sector annually, and published in a prominent place on the organisation's website. This should set out in full the following information about all senior staff, with due regard to the Committee's previous recommendation about ensuring published information is easily interpreted:</p> <p>-Salary; Pension; Benefits in kind; Non-taxable benefits; Severance packages; Returning Officer fees/additional fees; Pay ratio between highest and lowest paid officer; Gender make up of the senior team.</p>	The 'Transparency of Senior Remuneration in the Devolved Welsh Public Sector' principles document addresses this recommendation.	Complete

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20	We recommend that all organisations in the Welsh public sector are required to publish a pay policy statement, in line with the requirement on LAs and Fire and Rescue Authorities in the 2011 Localism Act.	<p>The 'Transparency of Senior Remuneration in the Devolved Welsh Public Sector' principles document addresses this recommendation.</p> <p>The Welsh Government's own pay policy statement was published on 25 October 2016.</p>	Complete
21	The Committee recommends that all information on an organisation's pay is published in a single, easily accessible place on their website and sets out the information in a clear and transparent fashion. To achieve this, we recommend the Welsh Government produce guidance on the format for this disclosure. We believe this will achieve maximum transparency and ultimately accountability.	The 'Transparency of Senior Remuneration in the Devolved Welsh Public Sector' principles document addresses this recommendation.	Complete
22	We recommend the Welsh Government make these requirements a condition on any grants or funding which are provided to those organisations which do not explicitly fall within the public sector (e.g. higher education/FE/RSL).	The initial response explained that Welsh Government would like to explore this further and return to the committee. As outlined at recommendation 6, the conditions that we may attach to our annual funding for different devolved public bodies are not set out exhaustively in statute, but the general principles of public law provide that they may not stray too far from the purpose of the funding. It was therefore held that placing a condition of compliance with these additional requirements are too far removed from the purpose and effect of the funding itself and could not be reasonably imposed as conditions attached to the annual funding without the prospect of legal challenge.	Completed

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23	<p>The committee recommends the Welsh Government collate the information on senior pay across the Welsh public sector in line with that produced by the WAO for the PAC to include those sectors receiving significant funds from the WG (e.g. RSLs, FE and HE) on an annual basis and publish on their website.</p>	<p>The 'Transparency of Senior Remuneration in the Devolved Welsh Public Sector' principles document partially addresses this recommendation. This recommends all devolved public bodies publish an annual Pay Policy Statements in an easily accessible and prominent place on its website.</p> <p>Links to the annual accounts of devolved public bodies (which includes senior salary disclosures) have now been published alongside the Welsh Government's own consolidated Accounts for 2015/16.</p> <p>The first of these collation reports will be published by the end of the financial year 2016/17.</p>	End March 2017