

Sir Derek Jones KCB
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

Darren Millar
Public Accounts Committee Chair
National Assembly for Wales
Cardiff Bay
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Dear Darren,

30th November 2015

Public Accounts Committee Report: Senior Management Pay

Thank you for your letter of 30 September in which you asked for an update on the implementation of the recommendations made in the Public Accounts Committee's Report on Senior Management Pay. The Welsh Government made a commitment to work towards full implementation of the recommendations and I am pleased to report that good progress has been made.

As outlined in the initial response to the Report, the Welsh Government has sought to implement the recommendations in two areas – through Local Government reform and by increasing the consistency and transparency of reporting of senior pay in the public sector. The progress made in respect of these areas is covered below.

Local Government Reform and Public Services Staff Commission

Work to implement the recommendations concerning the consistency with which senior management pay in Local Government is set, managed and communicated has been taken forward as part of ongoing work in local government reform and the establishment of a non statutory Public Services Staff Commission. The non statutory Public Services Staff Commission is now in existence and the Minister for Public Services made statements to the Assembly confirming appointments (of the Chair on 24 July and of members on 9 September plus a more general update as part of his oral statement on Public Workforce matters on 15 September). The Commission held its first meeting on 16 September.

As your letter indicated, it is important that stakeholders are engaged in the development of the proposed work programme. The Workforce Partnership Council met the Commission on 8 October as part of that process and the Chair and Commission members have been meeting stakeholders and stakeholder groups in the first few weeks of their existence.

The Minister for Public Services will issue a formal remit letter to the Commission shortly taking account of the views expressed through engagement with stakeholders, in particular through the Workforce Partnership Council as the Government's formal social partnership forum. As part of the development of its Operational Plan, the Commission has been considering how it can engage most effectively with the breadth of its stakeholders. The Workforce Partnership Council will consider the Commission's draft Operational Plan in December.

In addition to the establishment of the non statutory Public Services Staff Commission, 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 includes provisions which extend this role further to include senior managers in existing Local Authorities. This will help ensure consistency amongst Local Authorities pending structural changes arising from and, subject to the passage of, the Local Government (Mergers and Reform) Bill. Providing advice on how fairness and consistency in pay in Local Government can be achieved through Local Government reform will be part of the role of the Public services Staff Commission, in conjunction with the Independent Remuneration Panel as necessary.

The Government has legislated to ensure that items pertaining to pay matters are listed clearly and separately on all agendas through the Local Democracy (Wales) Act 2013, the guidance on pay policy statements and the Local Authorities (Standing Orders) (Wales) (Amendment) Regulations 2014. If further legislative amendments are required, we will undertake these in line with the timetables for the wider programme of local government reform.

The Local Government (Wales) Act 2015 was passed by the Assembly on 20 October 2015 and further strengthens openness and transparency on the role of senior officers in Local Authorities in providing advice on pay matters. As the Reforming Local Government Programme progresses we will continue to keep in view any need for extra guidance to be issued to Local Authorities. Information pertaining to Returning Officers' fees is routinely published in Local Authorities' accounts. The guidance on the Audit and Accounts regulations which we anticipate issuing next year will be reviewed and any necessary amendments will be made. Similarly, the Order governing Returning Officers' fees for the Assembly elections next year will be tabled early in the New Year. As you will be aware, we expect legislative competence over Assembly and Local elections to be devolved to the Assembly through the forthcoming Wales Bill.

With regard to ensuring that Local Authorities are aware of the importance and independence of the role of monitoring officers, the National Assembly approved the Local Authorities (Standing Orders) (Wales) (Amendment) Regulations 2014 in June of last year. 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.

We have considered the statutory Guidance published on the Welsh Government website regarding managing pay arrangements for joint appointments. We have reviewed the Accounting disclosure requirements set out in the Accounts and Audit (Wales) Regulation Regulations and concluded there is no amendment 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 later this year by the Welsh Government, which will ensure Local Authorities are reminded of the requirements.

Since the Welsh Government's initial response to the PAC and in line with the commitment to increasing diversity in local government and across the public sector, a recruitment exercise for new members for the Independent Remuneration Panel for Wales has been conducted. As a result, I am pleased to report that the Panel membership will become 50% female from next January.

The Welsh Government published the Local Government Bill (mergers and Reform Bill) in draft on 24 November and I hope that the Committee has therefore had sight of this and the accompanying consultation paper.

Transparency of Senior Pay

The Welsh Government response to the Report's recommendations noted the call for the Welsh Government to play a wider role in establishing and monitoring policies relating to senior management pay. In response to these recommendations, the Minister for Public Services will shortly publish a set of high level principles and recommended reporting arrangements around the '*Transparency of Senior Remuneration in the Devolved Welsh Public Sector*'.

The transparency document is framed as "best practice" and outlines clear reporting standards. The principles address a number of the recommendations contained within the PAC report. They include provisions relating to the disclosure of remuneration committee information, talent management, salary levels and the production of annual pay policy statements and full annual remuneration reports all of which were recommended by the PAC.

The principles were discussed and agreed in full at the meeting of the Workforce Partnership Council on 8 October 2015. The Minister for Public Services wrote to Ministerial colleagues on 18 November requesting that the principles and requirements are cascaded to devolved public sector organisations within their portfolio, to bring this consistent standard to the attention of all sectors. Welsh Government officials are now arranging distribution of the document to the relevant parties in devolved public bodies, with an official written statement from the Minister for Public Services issuing the document to the devolved public sector scheduled for publication on 7 December. The document states that the Welsh Government will publish not only our own annual pay policy statement and full remuneration report, containing the information recommended by the PAC report and in the clear and accessible way it recommends, but will also include links to the statements and reports of the main register of devolved public bodies on our website.

In the initial response to the PAC, the Report's recognition that a "one size fits all" definition of a senior post is not necessary, was welcomed. This is reflected in the principles by seeking to implement an objective definition without over-prescribing what may constitute a "senior post". Examples are also provided of what could reasonably be considered a senior post. Devolved Welsh public sector bodies are required to interpret these examples and provide a definition of what constitutes a senior post in their organisation in their annual Pay Policy Statement.

References to a remuneration threshold are not 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". Additionally, while the decision has been taken not to compile a glossary of terms at this time, the underlying aim of this PAC recommendation has we believe been addressed by requiring devolved Welsh public sector bodies to produce Pay Policy Statements in a transparent and clear fashion.

The initial response to the report explained, with reference to Recommendations 6 and 22, that we would like to explore further and return to the committee. During this work, 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 would be too far removed from the purpose and effect of the funding itself and could not reasonably be imposed as conditions attached to annual funding without the prospect of legal challenge.

The remaining recommendations relating to studies into best practice and pay mechanisms, providing training seminars, and collating information on senior pay across the Welsh public sector as part of embedding and evaluating the new arrangements, will be considered next.



I hope that the Committee will find this update useful. If you have any questions on any of the points raised, please do not hesitate to contact me again.

Y
Yus,
Derek



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