

Public Accounts Committee

Meeting Venue:

Committee Room 4 – Ty Hywel

Meeting date:

Thursday, 13 February 2014

Meeting time:

09:00

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

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Committee Clerk

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Agenda

1 Introductions, apologies and substitutions (09:00)

2 Papers to note (09:00) (Pages 1 – 3)

Health Finances 2012–13 and Beyond: Letter from the Auditor General for Wales (27 January 2014) (Pages 4 – 5)

Unscheduled Care: Letter from Wales Ambulance Service Trust Staff Side (31 January 2014) (Pages 6 – 7)

Unscheduled Care: Letter from Andrew Goodall (31 January 2014) (Pages 8 – 21)

Senior Management Pay: Evidence from Association of Local Authority Chief Executives (Pages 22 – 27)

Senior Management Pay: Evidence from Rhodri Glyn Thomas AM (Pages 28 – 29)

3 Senior Management Pay: Briefing Papers (09:00) (Pages 30 – 136)

Wales Audit Office Memorandum for the Public Accounts Committee:
Senior management pay across the Welsh public sector

Welsh Government Written Statement: Governance and Scrutiny of Senior Officers' Remuneration (4 February 2014)

Research Briefing

4 Senior Management Pay: Evidence Session 1 (09:05–10:00) (Pages 137 – 139)

PAC(4)-05-14(paper 1)

Peter Smith – Hay Group

5 Senior Management Pay: Evidence Session 2 (10:00–11:15) (Pages 140 – 157)

PAC(4)-05-14(paper 2)

PAC(4)-05-14(paper 3)

Anna Freeman – Director of Employment, Welsh Local Government Association

Jon Rae - Director of Resources, Welsh Local Government Association

Richard Tompkins – Director of NHS Wales Employers, Welsh NHS Confederation

(Break 11:15–11:30)

6 Senior Management Pay: Evidence Session 3 (11:30–12:30) (Pages 158 – 163)

PAC(4)-05-14(paper 4)

Robert Oxley - Campaign Director, TaxPayers' Alliance

(Break 12:30–13:15)

7 Senior Management Pay: Evidence Session 4 (13:15–14:30) (Pages 164 – 169)

PAC(4)-05-14(paper 5)

Sir Derek Jones – Permanent Secretary, Welsh Government

David Sissling – Chief Executive, NHS Wales, Welsh Government

Peter Kennedy – Director of Human Resources, Welsh Government

8 Motion under Standing Order 17.42 to resolve to exclude the public

from the meeting for the following business: (14:30)

Item 9

9 Senior Management Pay: Consideration of evidence (14:30–15:00)

Agenda Item 2

Public Accounts Committee

Meeting Venue: Committee Room 4 – Ty Hywel

Meeting date: Tuesday, 4 February 2014

Meeting time: 09:00 – 10:55

This meeting can be viewed on Senedd TV at:

http://www.senedd.tv/archiveplayer.jsf?v=en_500000_04_02_2014&t=0&l=en

Cynulliad
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Wales



Concise Minutes:

Assembly Members:

Darren Millar (Chair)
Mohammad Asghar (Oscar)
Mike Hedges
Alun Ffred Jones
Julie Morgan
Jenny Rathbone
Aled Roberts
Sandy Mewies

Witnesses:

Peter Jones (Welsh Govt), Welsh Government
Professor Jean White, Chief Nursing Officers
Peter Wiles, NHS Wales
Anthony Barrett, Wales Audit Office
Dave Thomas, Wales Audit Office
Mike Usher, Wales Audit Office

Committee Staff:

Fay Buckle (Clerk)
Claire Griffiths (Deputy Clerk)
Joanest Jackson (Legal Advisor)

1 Introductions, apologies and substitutions

1.1 The Chair welcomed the Members to Committee.

2 Hospital Catering and Patient Nutrition: Evidence from the Welsh Government

2.1 The Committee questioned Professor Jean White, Chief Nursing Officer, Peter Jones, Deputy Director Digital Health and Care and Peter Wiles, Deputy Director Policy and Performance Division on hospital catering and nutrition.

2.2 Professor White agreed to send further information on how the e-learning nutrition training programme is funded and the timeline for including all training on all electronic staff records.

2.3 Professor White agreed to write to the Committee in April with an evaluation of the pilot project being undertaken on food waste at Llandough Hospital in March and provide an update on discussions health boards are having with local authorities on the collection of food waste. She also agreed to provide an update on how pre-registration training is captured.

3 Caldicot and Wentlooge Levels Internal Drainage Board: Wales Audit Office response to report recommendations

3.1 Committee was briefed by officials from the Wales Audit Office on their responses to the recommendations contained in the Committee's report on the Caldicot and Wentlooge Levels Internal Drainage Board which were directly relevant to the WAO.

4 Papers to note

4.1 The papers were noted.

4.1 Health Finances 2012–13 and Beyond: Letter from the Auditor General for Wales (27 January 2014)

5 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

5.1 The motion was agreed.

6 Hospital Catering and Patient Nutrition: Consideration of evidence

6.1 Members discussed the evidence received earlier and agreed to consider the additional information early in the summer term with a view to holding a further evidence session with Professor White.

7 Child and Adolescent Mental Health Services: Briefing from the Wales Audit Office

7.1 Members received a briefing from the Wales Audit Office on Child and Adolescent Mental Health Services.

7.2 The Committee agreed to write to the Welsh Government requesting a response to the WAO report which would be shared with the Children, Young People and Education (CYPE) Committee. Committee also agreed to follow up any issues not covered in the CYPE Committee inquiry.

8 Consultation on a new code of audit practice and statement of practice

8.1 The Wales Audit Office gave a briefing on the Consultation on a new code of audit practice and statement of practice and agreed to send a legal note on the specific obligation relating to auditing of registered social landlords and whether the recommendation in the Essex Review on changing this function as been accepted.



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Mr Darren Millar AM
Chair of the Public Accounts Committee
National Assembly for Wales
Cardiff Bay
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Date: 27 January 2014
Our ref: HVT/2061/fgb
Page: 1 of 2

Dear Darren

At the meeting of the Public Accounts Committee on 16 January you considered the exchange of correspondence I had with the Permanent Secretary on the presentation of the Welsh Government's spending plans for health. The Committee requested a note setting out how the other parts of the UK present changes to budgets from one year to the next. We have examined practice in the other parts of the UK and offer the following observations. I should add that, in order to respond quickly to the Committee's request, we have not sought to confirm these observations with the relevant governments.

Firstly, the Northern Ireland Executive does not produce an annual draft budget comparable to that of the Welsh Government. It has set a budget for 2011 to 2015. Changes to spending plans are managed through quarterly monitoring and in-year estimates to manage over and underspends. A more detail explanation can be found at <http://www.dfpni.gov.uk/main-estimates>. We have therefore focused in more detail on the UK Government and Scottish Government.

We looked at the UK Government presentation in the Budget 2013 (March 2013). The UK Government uses the estimated outturn for 2012-13 as a baseline. The use of estimated outturn is likely to produce a more accurate picture of year-on-year changes. However, the UK Budget is set in March – close to the end of the financial year – when Departments will have a good idea of their likely outturn. The draft budget in Wales is published in October, when the final outturn would be considerably less certain.

The Scottish Government's draft budget for 2014-15 compares year-on-year changes using the draft budget figures from the previous year, updated to reflect changes agreed in the 2013 Budget Act (the Act setting out the spending plans for 2013-14). This baseline is equivalent to the Final Budget in Wales. The Scottish Government also provides a longer term comparison by including outturn data going back to 2008-09.

In summary, the UK Government's approach of using estimated outturn as a baseline could produce the most accurate picture of year-on-year changes. However, the use of outturn estimates would be more difficult in Wales, due to timing. The Scottish approach is to use the equivalent of the Final Budget in Wales as a baseline. By using the Supplementary Budget, the draft budget in Wales provides a more up-to-date baseline for year-on-year comparison than is the case in Scotland.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'H. Vaughan Thomas', is positioned above the printed name.

HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES



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Darren Millar AM
Chair, Public Accounts Committee
Chamber and Committee Service
National Assembly for Wales

31st January 2014

Unscheduled Care

Dear Darren

I have canvassed the experiences and views from the senior trade union representatives across WAST. Responses were received from a collection of sources, and included from Unite, GMB and UNISON. There are some key themes from the responses:

- On arrival, WAST crews report to the emergency department (ED), giving brief details of their patient and condition, and 'notify' on the Hospital Arrival Screen (HAS).
- There does not seem to be a consistent method for the triage of patients arriving at EDs, making it difficult for crews to know what system may be in place at a less familiar hospital.
- WAST staff have been asked by the ED staff to:
 - take blood samples
 - take a patient through to X-ray
 - take observations
 - (this would be done routinely by WAST staff anyway)
 - record patient observations on hospital clinical record
 - (WAST has recently formally confirmed to our staff that WAST staff should only be completing WAST clinical records, and hospital records should be completed by hospital staff),
- There were reports from one ED only of patients receiving active hospital treatment in the ambulance over and above what WAST crews are providing.
 - In this instance patients are booked in to the hospital system on arrival and treatment recorded on the hospital 'cas card' by hospital staff
 - These patients then go into ED, and not direct to a ward.
- There are some instances of crews being asked to take the patient off the ambulance into a specialist room in the ED ('React' / 'Bratz'), and some crews have experienced these patients being then placed back in the ambulance.

- Some crews have experienced senior nurses / doctors assessing the patient in the ambulance, to then discharge the patient prior to admission to the department (into the care of relatives, or for the crew to then return the patient to a care home)

We hope that this is helpful for you in providing some further information around the ambulance / ED interface.

Yours sincerely

A handwritten signature in black ink that reads "Kath Charters". The signature is written in a cursive, slightly slanted style.

Kath Charters

Branch Secretary

WAST Staff side Secretary



GIG
CYMRU
NHS
WALES

Bwrdd Iechyd Prifysgol
Aneurin Bevan
University Health Board

Our Ref: AG/CG/vep Direct Line: 01633 435958

31 January 2014

Claire Griffiths
Deputy Clerk
Chamber and Committee Service
National Assembly for Wales
Cardiff Bay
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Dear Claire

Public Accounts Committee: Attendance in respect of Unscheduled Care

I am writing further to my recent attendance at the Public Accounts Committee. I hope my response helps the Committee with its discussions. I am of course very happy to provide any further information requested or to clarify if this is needed.

- **Figure of inappropriate admissions to A&E by ambulance across ABUHB**

I highlighted this issue in my both my submission and discussion with Assembly Members. It is important to note that there are two 'streams' of patients attending emergency departments. 'Majors' patients (who mostly attend via 999 ambulance) and 'minors' patients who are most often self-presenting. In terms of 'inappropriate' attendances, there is no specific data collection that classes patients as being inappropriate. It is often the case

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Bwrdd Iechyd Prifysgol Aneurin Bevan yw enw gweithredol Bwrdd Iechyd Lleol Prifysgol Aneurin Bevan
Aneurin Bevan University Health Board is the operational name of Aneurin Bevan University Local Health Board

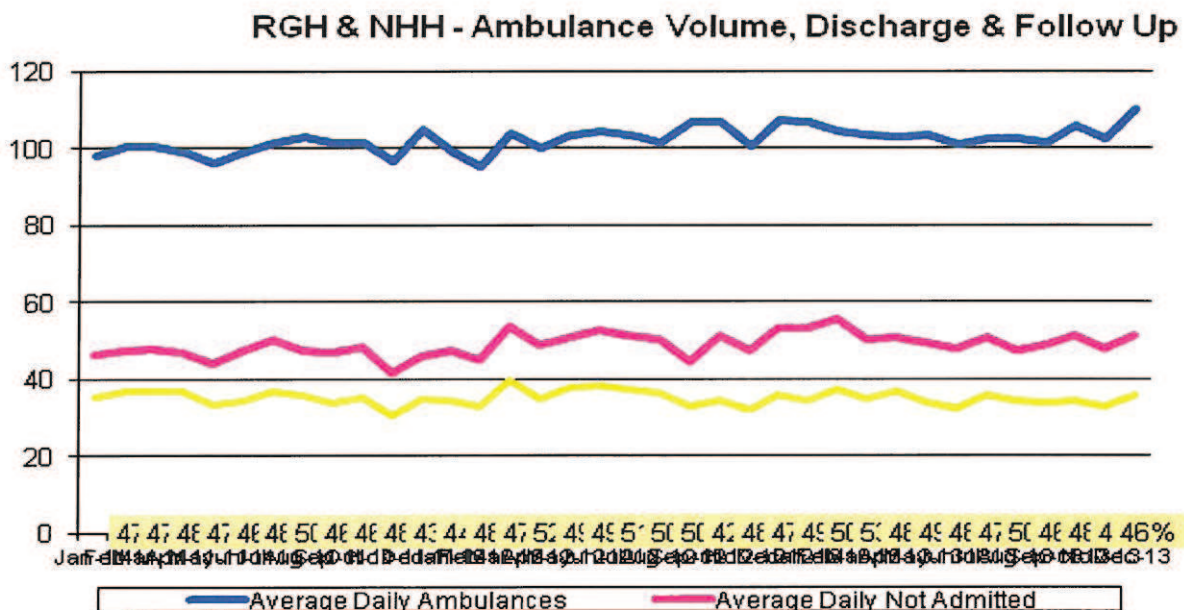
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that most patients have some health need, but that health need could be met somewhere other than an ED department. However, we have developed some local measures that act as a proxy for where patients could have been referred or where they may not have needed to have requested an emergency ambulance. Reference to the opportunities for meeting the health needs of some of these patients in other settings stems from ABUHB continuous analysis of the volume of patients being conveyed to ED by 999 ambulance which are subsequently discharged without being admitted.

In addition to this, we monitor the volume of those patients not admitted who do not require any primary or secondary care follow-up. The percentage of patients conveyed via 999 ambulance and not admitted, is reasonably consistent. The graph below shows the non-admitted and non-followed-up conveyance rates over time. You will see that the non-admitted rates are reasonably constant at about 50% of all conveyance rates (pink line). You will also note that the majority of these patients do not require any primary or secondary care follow-up once discharged (yellow line).



Noting the discussion we had, locally this is seen to be a significant opportunity to work closely with the ambulance service to manage ambulance and therefore A&E demand differently, but still to ensure that the right patients end up receiving specialist care in our A&E departments.

From a national perspective, A&E departments currently operate under some pressure, and the transfer of a patient to A&E may not always be the most appropriate response to the request for an emergency ambulance. The scope to reduce conveyance rates in Wales is indicated by similar audits of the proportion of patients transferred to hospital by 999 ambulance who are subsequently discharged from A&E without the need for hospital treatment

or follow-up.

There are, broadly, three approaches to improving the effectiveness of emergency ambulance transport to A&E departments, and all of these will be facilitated by robust informatics support, both within and between organisations, to make care pathways and key patient information visible to care givers when needed:

Handling more calls by phone – ‘Hear and Treat’

The Welsh Ambulance Service has piloted the use of clinical call handling to divert low-acuity 999 calls to appropriate destinations, and has conducted field work in ambulance Trusts that have successfully implemented a telephone triage service. This approach, which has proved safe and acceptable to service users, will be a key part of the clinical model implemented by the ambulance service in Wales as part of its programme of clinical transformation. This will involve the use of clinical staff in call centre roles, and a validated pathways-of-care tool.

Handling more calls at the scene – ‘See and Treat’

Improvements in the ability and confidence of paramedics to treat patients at the scene are another important part of the new ambulance clinical model. There is scope to increase the proportion of patients dealt with at scene in Wales. Currently in Wales around two thirds of patients are conveyed from the scene. In some areas of the UK fewer than half of patients are conveyed, and in a pilot of an enhanced paramedic role of only a third of patients were conveyed. There are currently 22 advanced paramedic practitioners (including one consultant paramedic) operating in the Welsh Ambulance Service, with training places identified for a further 12.

Development of alternatives to A&E

The development of access to non-emergency facilities as alternative destinations to A&E requires collaboration between the ambulance service and other care providers. Appropriate hospital or community-based services need to be available and visible to ambulance staff as a local Directory of Services. Agreed pathways for the care of appropriate patients should be in place (the ambulance service has already piloted the use of such pathways for falls, hypoglycaemia in diabetes, and epilepsy) and ambulance staff need to be trained in their use.

In addition to these three approaches, designed to reduce conveyance rates to hospital once a 999 call has been made, there is potential to forestall these calls through optimised access to in-hours and out-of-hours primary care services, and through the ready provision of information to service

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users on the best way to access healthcare.

- **Overview of the spread of (unscheduled care) services across ABHB**

I have set out below an overview of local services, but am happy to give any further information if it would help individual Assembly Members.

Primary & Community Care Services

ABUHB provides access to unscheduled care across all parts of the health continuum. Patients can access primary care through in hours GP services, being visited at home or through a booked appointment at a GP surgery.

The Health Board also provides a comprehensive GP Out-of-Hours service (GPOOHs). Using clinical triage and call handling, patients are offered telephone advice or streamed to be seen by a GP in one of 3 Primary Care Centres. Sicker more vulnerable patients are offered GP home visits or referred to secondary care for further medical assessment or admission to hospital. As alternatives to hospital admission GPs also refer into a range of community based services such as multi-agency frailty services, but also of course our core community services such as district nursing, offering nursing and therapies support to safely maintain patients in their own homes where clinically appropriate.

Secondary Care Hospital based Services

ABUHB delivers acute services from 3 local general hospital sites namely, Royal Gwent Hospital (RGH), Newport, Nevill Hall Hospital (NHH), Abergavenny & Ysbyty Ystrad Fawr (YYF) at Caerphilly. NHH & RGH have major A&E units accepting 999 Ambulance conveyances with YYF having a Nurse-led Minor Injuries Unit and Medical Assessment Unit only.

Both RGH & NHH receive an 'unselected' intake providing clinical support for medical, surgical and trauma emergencies via A&E. Due to the absence of surgical, anaesthetic and critical care provision at YYF, the hospital receives a 'selected' intake of lower acuity patients matched to specific clinical criteria agreed with WAST. This ensures sicker more acute patients are diverted to RGH or NHH if needed. All 3 hospitals have Minor Injuries Units (MIUs) where walk-in patients are treated for a range of minor ailments and illnesses. Following initial triage, patients are seen, treated and discharged or when necessary re-directed to in-hours GP's or GPOOH's for further follow-up or primary care assessment.

GPs also refer acutely unwell surgical and medical patients into Medical or Surgical Assessment Units (MAU/SAUs) for further assessment by Acute

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Care Physicians and surgeons based at RGH & NHH. YYF provides MAU only. Having been assessed by consultants, patients either go on to be admitted to a specialty medical or surgical bed for further treatment (assessed-in) or are discharged (assessed-out) back into the care of their GP. Approximately 40% of GP referrals to MAU/SAU's are assessed-out within 24-48 hours.

The table below sets out the annual activity for each of these 3 units. As I said at the PAC session, we have been pleased to see the level of activity at YYF increase from around 20,000 per annum to approximately 28,000 per year through the change of the model and also the extension of the hours covered to a 24/7 basis.

	RGH	NHH	YYF
2012-13 attendances	82,845	45,790	27,655

We now only have two defined minor injury units in place locally. The largest is as outlined above in YYF, although the size and nature of the service means that we would see this as complementing significantly local A&E services.

The other Unit is located in Ysbyty Aneurin Bevan Hospital in Ebbw Vale, which opened 3 years ago. This unit currently sees around 2,825 patients per year. It has excellent facilities and is co-located with radiology facilities, but is open on a more limited basis in line with demand rather than on a 24.7 basis. It has had some difficulties in maintaining its daily level of activity that would allow it to ensure that staff were able to fully meet College of Emergency medicine standards. However, attendances have recently increased over the last 6 months with a concerted local campaign jointly taking place with the Health Board with the support of the community, local politicians and the Community Health Council. We have been very open about the ongoing need to balance access with levels of activity that keeps the services safe. We will be further reviewing this and continuing to work locally.

The Board had already made decisions locally to close 3 minor injury units back in 2011, following extensive public consultation and agreement with the Community Health Council. The level of activity had been insufficient to maintain local staffing, activity and standards and we had to reconfigure the local services as a result and where necessary ensure that alternative options were in place, including primary care options.

The scope and configuration of services provided by the Emergency Department is summarised in the table overleaf:

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Location	Services provided
RGH	Resus, majors, minors and paediatrics
NHH	Resus, majors, minors and paediatrics
YYF	ENP delivered minor injury service
YAB	ENP delivered minor injury service

Overview of GP OOHs Service

Our GP OOHs operates between the hours of 6.30pm and 8am Mon-Fri and all day Saturdays, Sundays and Bank Holidays and is coordinated for the whole of the Gwent area. The service has the following responsibilities:

- To identify immediate life threatening conditions.
- Identify patients who need in-patient care.
- To identify those whose treatment cannot wait.
- Defer those who can wait to see their own GP.
- Communicate effectively with patients and other healthcare professionals.

GP OOHs is divided into three discrete service domains:

- Call handling & triage.
- GP consultations in Primary Care Centres (PCCs).
- Home visiting.

Call Handling & Triage

Call handling and triage facilities are provided in 'Vantage Point House' (VPH) based in Cwmbran which is co-located with the Welsh Ambulance Service control centre. Call handling is undertaken by non-clinical staff using clinically based algorithms. Clinical triage is undertaken by a combination of nurses using a Telephone Assessment System (TAS) and GPs either in VPH or a Primary Care Centre (PCC) or via a remotely networked PC.

Primary Care Centres

Each PCC is staffed by GPs and where possible by supported Advanced Nurse Practitioner. Here, patients are seen and assessed face to face on an appointments only basis although a small number of patients self present.

There are three Primary Care Centres in ABHB situated in:

- St Woolos Hospital (*Outpatients Dept*)
- Ysbyty Ystrad Fawr (*YYF*)
- Nevill Hall Hospital (*Outpatient 2 Dept*)

Home Visiting

The GPOOHs service also provides mobile GP home visiting for vulnerable patients and urgent cases that are unable to present to a PCC. Transport is provided by a fleet of 5 medic cars and a team of drivers.

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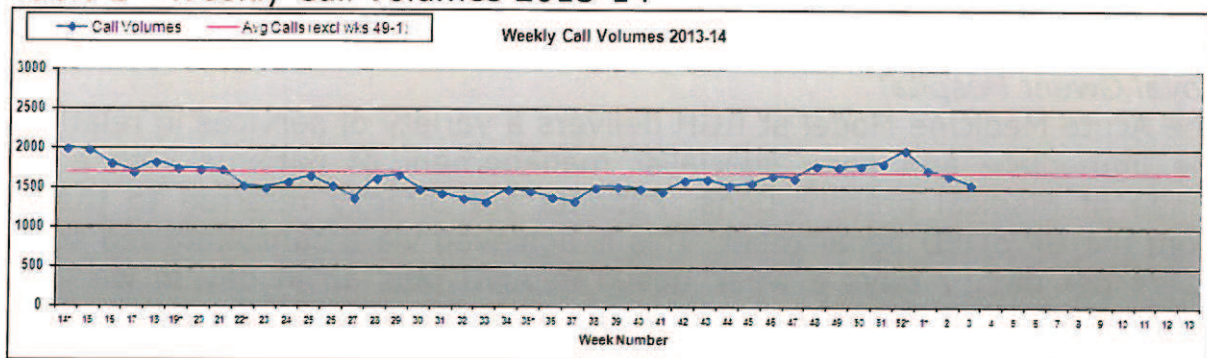
Activity

Activity is derived from incoming calls that are clinically triaged resulting in patients being given telephone advice, offered a face to face assessment at a PCC or a home visit by a GP.

Call Volumes

Table 2 illustrates weekly call volumes for 2013-14 averaging approximately 1700 calls per week.

Table 2 - Weekly Call Volumes 2013-14



Call Disposal

Based on approximately 90,000 calls per year, around 33% receive advice; 43% attend the PCC and 15% receive a home visit, in the most serious of cases.

PCC Assessments & Home Visits

Calls from patients given telephone advice (approximately 33%) generally result in self-care or a deferral to be seen by the in-hours GP service. The remainder are triaged to receive a face to face assessment in a PCC or require a home visit by a GP. PCC appointments represent 43% of the total call disposal volume. Table 4 shows the distribution of appointments across the 3 PCC's, St Woolos being the busiest centre.

Table 3 – PCC Activity

Primary Care Centre Visits	Total	%
Nevill Hall	11065	23.49%
St Woolos	19655	41.73%
Ysbyty Ystrad Fawr	16382	34.78%
Grand Total	47102	

Home visits are provided by a team mobile GP deployed from the PCCs and Vantage Point House. Table 4 shows the distribution of home visits across the localities. Calls are mostly allocated on a geographical basis; however, some overlap exists dependent upon clinical priority, proximity and workload.

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Table 4 – Locality Mobile Medic Activity

Mobile Medics	Total	%
Blaenau Gwent Medic	2093	17.37%
Monmouthshire Medic	1483	12.31%
Newport Medic	3337	27.69%
Torfaen Medic	2063	17.12%
Caerphilly Medic	3074	25.51%
Grand Total	12050	

Acute Medicine Service Configuration

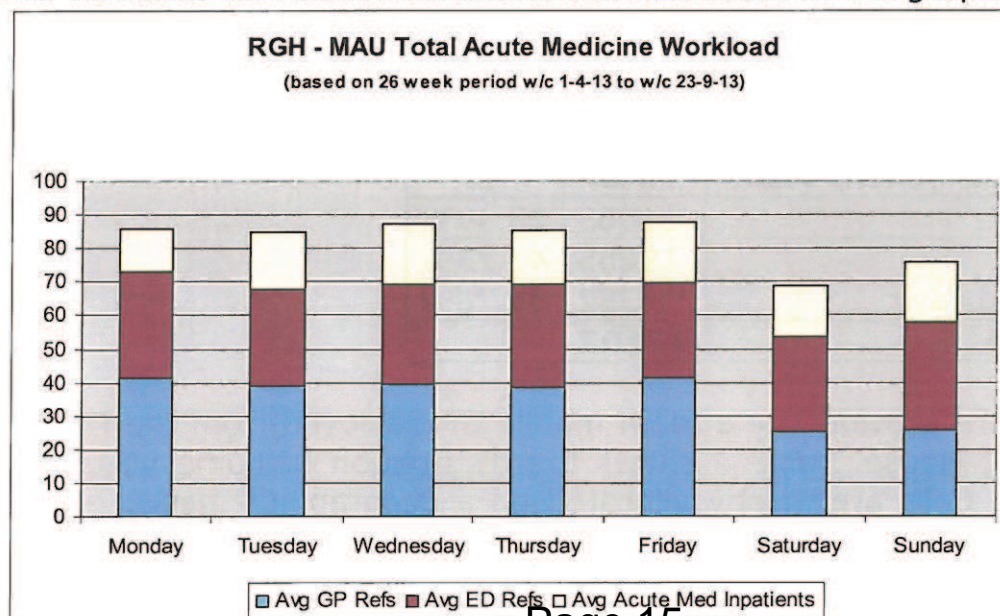
Royal Gwent Hospital

The Acute Medicine Model at RGH delivers a variety of services in relation to the immediate and early specialist management of patients with a wide range of medical presentations. Patients are directly referred to the unit from the GP or ED department. This is achieved via a consultant led service 12hrs per day, 7 days a week based in AMU plus an in day in week ACP based in the ED. The ACP's have their own beds and are able to define patients to acute medicine under their name. In addition the unit also supports YYF and consultants rotate there on a rolling rota to provide in day cover. This medical model requires 39 sessions of Acute Medicine DCC's provided by 7 consultants.

Composition of the Unit:

- Assessment Trolleys: 15
- Pre-hospital Streaming Capacity: 12 trolleys
- Acute Medicine Beds: 12
- Ambulatory Area

The workload for Acute Medicine is demonstrated in the graph below:



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Nevill Hall Hospital

The EAU at NHH comprises of 11 trolleys, 1 treatment area and 23 beds. Patients attend the MAU via GP referral, self presentation, Ambulance or transfer from the Emergency Department. There is a dedicated team comprising of 2 x ACPs and 1 Speciality Registrar who are supported by the on-call medical and ANP team. The assessed out rate runs at 43%. The service is currently looking to expand the level of ACP cover which will support further expansion of the working day and the ambulatory service.

The EAU is staffed by a dedicated nursing team. The Nursing resource has recently been reviewed and plans are in place to increase the establishment in line with the All Wales Principles to improve the level of nurse to patient ration whilst ensuring that appropriate resources are available to meet demand.

Ysbyty Ystrad Fawr

The MAU at YYF comprises of 10 trolleys and a 28 bedded assessment ward. Patients attend the MAU via GP referral, self presentation, Ambulance or transfer from the MIU.

There is a dedicated MAU team comprising of an ACP, ANP and dedicated Junior Doctor. Members of the Community Response Team attend the morning PTWR and more recently some dedicated Occupational Therapy resource has been identified.

The assessed out rate for MAU currently runs at 53% and work is progressing regarding the establishment of an Ambulatory Service.

The 10 trolleys are staffed by a dedicated nursing team, overseen by the Lead Advanced Nurse Practitioner. The Nursing resource is currently under review to ensure appropriate resource is available to meet demand. Since opening in November 2011 activity in MAU has increased by 74% compared to Caerphilly & District Miners Hospital.

Summary of overview

In summary, the information provided above reflects our current provision of front line unscheduled services across ABUHB. High level data has been included to provide context to activity, demand and patient flows. Whilst patient access is delivered within the constraints of the existing service configuration, the Health Board is actively engaged in significant strategic re-design of all services consistent with the Clinical Futures Programme and the South Wales Plan. This means that we will continue to look at the best practice models for these services – but driven by our local strategy publically approved and with CHC agreement to centralise our specialist A&E services at the Specialist Critical Care Centre site in 2018. This has been a feature of the South Wales programme also. This model will still ensure that

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local A&E services remain available in other sites, where we can continue to provide good local access and expertise through nurse-delivered services.

• Clarification of handover times for ambulances arriving at hospital

It is important to note that there are two essential categories when looking at ambulance time at hospital. The first is the ambulance '*arrival to departure time*'. This is the time measured by the ambulance service and includes arrival at the A&E forecourt, time in the ambulance pre-decanting, unloading the patient and transporting them into ED, electronically notifying that the patient has arrived in ED, the handover process with the ED – including electronic notification of completed handover, equipment (trolley) cleaning, travel back to the ambulance and preparation before departure. This is known as the turnaround measure and is one of the suite of ambulance measures we monitor locally and will provide an understanding of delay across the system. The target time allowed for this process overall is 20 minutes. However within that 20 minutes, 15 minutes is the target for '*electronic notification to electronic handover*' complete element. This constitutes the '*15 minute handover*' ambulance internal target for hospitals which is more formally measured and reported. This means we are able to monitor both the arrival of vehicles and the internal transfer of patients and ensure that both act in the best interest of the patient. If ambulances have arrived on site but patients are delayed in their initial handover this will remain very visible not least the WAST and health live reporting systems.

• Details of the financial programme for 'invest to save' within the Gwent locality

The Gwent Frailty Programme was established in 2010-11 with the following partners:

- Aneurin Bevan University Health Board
- Blaenau Gwent Local Authority
- Caerphilly Local Authority
- Monmouthshire Local Authority
- Newport Local Authority
- Torfaen Local Authority

A joint invest to save proposal was developed to support the existing resources within Gwent to implement an innovative intermediate care model of 'community resource teams' and to equalise the resources available to each locality's population, to ensure the programme accelerated equal care for all patients across Gwent. However, the programme also allowed us as an organisation to align and bring together our existing services already focused on this group of patients/ users, for example, include response teams and reablement teams. The availability of invest to save funds was critical to consolidate the 6 organisations.

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Financial Overview

A sum of £8.8m represents the original core contribution from all organisations, with an invest to save fund of £7.3m also agreed from Welsh Government, giving a pooled fund for the programme of £16.1m over a 3 year period.

The repayment profile for the £7.3m is spread over the period 2012/13 to 2017/18. During this period the Gwent organisations will have applied funding from historical service delivery models and applied them to recurrently resource the community resource teams.

The funding contributions made by each organisation as at 2013/14, reflecting the core nature of these services, are identified below:

Organisation Original Contributions	
	£000
ABHB	4,122
Blaenau Gwent	427
Caerphilly	1,693
Monmouthshire	960
Newport	1,162
Torfaen	440
Total	8,804

The Value of the invest to save spend incurred to date is outlined below and presents a programme forecast spend of £ 5.7m to year ending March 2014, further spend is anticipated into 2014/15 as we target the final pump-priming resources:

Invest to Save fund application	2010/11	2011/12	2012/13	2013/14 F'cast
	£000	£000	£000	£000
ABHB	11	1,538	1,324	782
Blaenau Gwent	-	-	-	-
Caerphilly	4	61	169	188
Monmouthshire	-	23	67	41
Newport	-	26	72	88
Torfaen	-	-	93	63
Central costs	203	671	139	169
Total Programme	219	2,320	1,864	1,330

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The Invest to Save Payback profile is presented below. £1.375m has already been repaid:

Invest to Save Repayment Profile						
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000	£000
ABHB	285	759	1,138	1,138	1,138	1,092
Blaenau Gwent	2	7	10	10	10	9
Caerphilly	22	58	87	87	87	83
Monmouthshire	14	38	57	57	57	55
Newport	34	90	136	136	136	130
Torfaen	18	49	73	73	73	70
Total Programme	375	1,000	1,500	1,500	1,500	1,439
Total Repayment						7,314

For 2013/14 a £3.8m budget will have been identified as Gwent organisations now re-applying funding from historical service delivery models and applying them to recurrently resource the community resource teams to maintain these services locally.

The latest forecast for 2013/14 presents that a Gwent wide programme budget of £14.8m has been identified, with a forecast spend of £13.4m anticipated, this is separate to the repayment of invest to save funding of £1m.

Future Financial Plans

An independent programme evaluation study is being procured and will influence the future model of the programme and ensure that we build on progress to date, but extend the impact and benefit of the frailty programme to more users. Extending joint partnership working and integration is being discussed, as these frameworks support a number of local ambitions about even closer working between health and social care, and is likely to be key to future service models. Frailty has been an enabler of these opportunities for better integration, even now extending to services such as mental health.

Local Commissioning Plans and Financial Plans for 2014/15 are being drafted and will be considered alongside the findings of the evaluation study and wider integration plans. I also indicated to the Assembly Members present that the use of the Intermediate Care Fund would also give a focus for the further development of such joint community-based services.

I have responded to the specific finance issue raised in respect of frailty not least on the profile of pay back to the invest to save fund, which is part of

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the local contribution to services. There is a whole range of further information on experience, benefits, outcomes and impact which we continue to work through. I suggest that I will approach Jocelyn Davies personally alongside this to allow her to have some further understanding of the broader development of frailty and how it has contributed to local services.

I hope that I have been able to appropriately respond to the issues.

Yours sincerely



Dr Andrew Goodall
Prif Weithredwr / Chief Executive

National Assembly for Wales
Public Accounts Committee
PAC(4)-SMP05
Inquiry into Senior Management Pay
Evidence from the Association of Local Authority Chief Executives



ALACE - Association of Local Authority Chief Executives

Submission to the Public Accounts Committee
Inquiry into Senior Management Pay in the Welsh Public Sector

January 2014

ALACE, the Association of Local Authority Chief Executives, is the trade union that represents the interests of the chief executives and senior managers of the local authorities in England, Wales, Scotland and Northern Ireland. The Council of ALACE forms the "staff side" of the Joint Negotiating Committee for Chief Executives, the body responsible for the salary and terms/conditions of employment for chief executives.

The Association also represents the interests of its members in responding to draft legislation and regulations which affect the role of the 'head of the paid service', together with issues such as the reorganisation of local government. Membership has also recent years been extended to local authority chief officers and to other agency chief executives connected with local government – e.g. regional assemblies, regional development agencies, Police Authorities and other similar bodies.

ALACE is pleased to submit the following evidence to the Committee, and we trust this will assist in the Committee's deliberations on the subject of senior management pay in the public sector.

Mary Pett

Honorary Secretary

on behalf of the Association of Local Authority Chief Executives

mary-alace@pettzome.com

31 January 2014

Evidence to the Welsh Public Accounts Committee Inquiry into Senior Management Pay in the Public Sector

1 Complex and Demanding Roles

1.1 It is widely accepted that chief executives and chief officers in local government have very complex, demanding and publicly accountable jobs. The Audit Commission's 2008 document 'Tougher at the Top' recognised this in describing the changing context for top appointments:

'There have been a series of changes in local government in recent years which have affected the job of a local authority chief executive. These include:

- an emerging consensus that effective political and managerial leadership are fundamental in creating high-performing local authorities;
- the need for a new facilitative style of leadership to reflect local government's role in delivering better outcomes for their areas in partnership with others;
- greater public accountability for performance
- specific changes in the scope and complexity of the role of chief executives.'

1.2 Since that report was published, the demands on the top post-holders have only become more complex and more challenging, with increased public expectations on service delivery, significant economic and financial pressures caused by the recession and the pressures on public finances, and extremely challenging workloads in the areas of child protection and adult social care.

1.3 The top managers in local government manage very complex organisations and are responsible for life-and-death decision making on a daily basis. These are not jobs for the faint-hearted.

1.4 If local government is to attract and retain chief executives and senior managers of a high calibre, adequate remuneration needs to be paid in the context of alternative public sector jobs. The public's democratically elected representatives - the local councillors - decide the level of remuneration on the basis of the size of the job (the range of services to be provided, the numbers of employees and the size of the local population), together with other factors like the scarcity and market cost of the skills and experience they need as well as the perceived difficulty in attracting the right kind of person to their area.

1.5 It is ALACE's view that senior management in local government is lean compared to other parts of the public sector (such as the NHS). There has been significant downward pressure on salaries over the past five years - as can be evidenced by the lack of cost-of-living pay awards, and the salary levels of vacant senior posts, which are being advertised at levels substantially lower than in the past (e.g. Cardiff chief executive post). There is also evidence that senior salaries in Wales are being pitched lower than comparable jobs in England.

2 Objective job evaluation

2.1 For at least the past two decades, 'job evaluation' has been commonplace within local government, measuring not just top pay but all pay. Job evaluation frameworks provide a scientific and objective basis for measuring the 'value' of a role in terms of its content and complexity, and the level of skills required to undertake the role. There are a range of specific job evaluation methodologies in use, but they share the characteristics of objective assessment. The driver behind this was not top pay, but legislation on equal pay. Thus, objective measurement of 'value' in local government work is a long established and operationally effective principle, and is widely perceived as fair. Pay grades are published within the organisation and on advertisements for vacant posts, and there is no scope for individual employees to negotiate their own preferential rates outside of the formula mechanism (unlike in the private sector).

2.2 Senior salaries are set with reference to the pay grades of the workforce that these managers lead, and with reference to the conditions in the local employment market.

2.3 Two points are key here:

- 1) that there must be pay differentials between the tiers in the hierarchy of the organisation. The norm that the person doing the managing is paid more than those they manage is a central component of the evaluation system;
- 2) that Councils must have the flexibility to supplement the objective job value in order to respond to scarcity and market dynamics, or in order to obtain a particularly desirable skill-set or particularly experienced post-holder.

In our experience, Councillors are very aware of the balance they need to strike between competitive pay grades and prudent custodianship of public money.

2.4 ALACE believes that it is necessary for senior local government staff's pay to be assessed objectively, with regard to the demands of the role and the prevailing conditions in the marketplace. Too often in the recent past, Council chief executives have been faced with arbitrary calls for their pay to be pegged to that of the UK prime minister - which is a spurious comparison of two very different roles. Chief Executives are skilled professionals for which there is a very competitive marketplace.

2.5 Moreover, there is little genuine understanding of the real total remuneration of the Prime Minister. The Hutton Report on Fair Pay in the Public Sector (published in 2011) concluded that the Prime Minister's total remuneration could be valued at around £580,000, and recommended that *"the Government should refrain from using the pay of the Prime Minister or other politicians as a benchmark for the remuneration of senior public servants, whose pay should reflect their due desert, and be proportional to the weight of their roles and their performance."*

3 Openness and Accountability

3.1 Openness and transparency are hallmarks of local government, and our sector leads the way in this, when compared to other services, such as the NHS, Higher Education or Housing Associations. Councils exist to serve the local community, and to be accountable to local residents, and this ethos is deeply engrained into the sector's top managers. It is very easy for local taxpayers to obtain information on the levels of remuneration of the top managers in their Council. Much more information is available to the public about local authority pay than about any other local public services - for example the local hospital or university, or larger public institutions such as the BBC.

3.2 ALACE would argue that this is a good thing. Indeed, if the same high standards of openness were applied across the public sector, local taxpayers would be far better able to make meaningful comparisons about the value of public sector job roles. ALACE would like to see other parts of the public sector being bound by the same requirements for openness and transparency as local government.

3.3 Crucial to that open accountability is local decision-making by locally elected representatives, informed by expert advice on job evaluation and market conditions. Local Councils are best placed to know and understand their communities, and the needs of their authorities, and the discretion of individual Councils to take their own decisions on senior pay should not be fettered or undermined.

3.4 However, ALACE has no difficulty with the proposal for the Independent Remuneration Panel to be a statutory consultee on any proposal to increase or decrease chief executive pay (except in line with universal pay rises or cuts). Our view is that this process will act as a safeguard against the risk that a maverick Councillor might seek to force through a disproportionate cut to an individual's pay.

4 Performance Evaluation

4.1 The evaluation of the value of a job role is very different from the evaluation of an individual's performance within that role. The measured value of a primary school teacher's job, for example, says nothing about whether any individual teacher is good, bad or indifferent in the performance of that job.

4.2 Pay with a significant element that is performance-related has always been a relatively rare phenomenon in local government – largely as a consequence of the relative complexity involved in seeking to measure the productivity of the job roles involved. Performance bonuses for chief executives and senior managers in local government have been offered by some Councils – generally linked to the desire for rapid and significant turnaround in the results achieved by the Council, but generally modest in scale (typically only between 5 - 10% of salary). However, there has been a definite trend for Councils to abandon or refuse to pay these performance bonuses since the start of the recession.

4.3 This means that the basic rate of pay is even more important, therefore, in ensuring that the senior roles remain sufficiently attractive to encourage skilled people to apply for them.

5 The Squeeze on Senior Local Government Staff

5.1 Basic pay across the local government sector has been either static or reducing over the past five years. Nationally, local authority chief executives and chief officers have not had an annual cost-of-living pay award during this period, and many of the additional incentives that used to be common across the sector - such as lease cars and private health insurance - have been cut out.

5.2 The local government pay package has traditionally been significantly lower than that for comparable job roles within the private sector. The public sector 'deal' was traditionally been that individuals worked for less money, but received a more reliable pension at the end of their working lives. This norm is in the process of changing fundamentally:

- Disproportionate employee contribution rates have been introduced for senior staff - up from 6% of salary in 2007 to 12.5% in 2014.

This is an entirely political increase, designed to demonstrate that senior staff are being made to pay more, ignoring the fundamental point that they have always paid more because their pay is higher. These rates compare particularly unfavourably with civil servants contributions of only 3.5%.

- Punitive reductions in the annual and lifetime pension tax allowances (annual down to £50,000 in 2012 and then reduced again to £40,000 in 2014, and lifetime down from £1.8m to £1.5m in 2012 and £1.25m in 2014).

These tax changes are already having the effect of driving senior staff out of the pension scheme altogether, which deprives them of the benefits of the scheme, and the benefit of the employer's pension contribution of 14.5%.

5.3 Moreover, any senior employee who receives a pay increase or wins a promotion is now likely to face a punitive in-year tax bill, sometimes for tens of thousands of pounds, based on the increase in book value of their pension. As time goes on, and the tax allowances are squeezed still further, this could act as a significant deterrent to individuals seeking promotion up the career ladder, because of the financial penalties.

5.4 Thus, there are a significant range of pressures on the top earners in local government, above and beyond the issue of the erosion of basic pay levels.

6 Risks for the future.

6.1 There is plenty of evidence that the most important determining factors in the success of a local authority are:

- the calibre of the chief executive
- the calibre of the elected Leader
- the strength of the relationship between the two.

Therefore, the sector's ability to recruit high calibre chief executives and senior managers is crucial – and it is undoubtedly the case that adequate remuneration is very important in the sector's ability to recruit to top jobs.

6.2 The more senior local government pay is used as a political football, the less attractive the profession appears to potential recruits. ALACE believes that it is essential to the future of local government that it continues to attract the best talent into the sector. To do that, reward levels must be seen in the market place as attractive, and the roles themselves must be seen as well-regarded and valued.

Inquiry into Senior Management Pay

Response from Rhodri Glyn Thomas AM

National Assembly for Wales

Public Accounts Committee

PAC(4)-SMP06

Inquiry into Senior Management Pay

Evidence from the Rhodri Glynn Thomas AM

What are your views on how senior management pay is set in the public sector?

The recent revelatory publication by the Wales Audit Office regarding the indemnity and pension arrangements of two Council Chief Executives in Carmarthenshire and Pembrokeshire is a prime, damaging and frankly embarrassing example of how senior management pay is set in the public sector.

As the reports clearly state, the payments that the council executives received were unlawful. These already highly paid individuals were allowed - by their council's executives - to opt out of the Local Government Pension Scheme therefore avoiding tax.

In Carmarthenshire, over £55,000 of public money has been spent for the benefit of the Chief Executive. This is unacceptable. It has been branded as a price rise through the 'back-door'. These events have striking similarities with the concerning events at Caerphilly CB Council where we learnt that the Chief Executive recommended a pay rise for himself and other senior managers.

There needs to be guidelines throughout the public sector set by an Independent Remuneration Panel. The Welsh Government has recently accepted Plaid Cymru's calls to amend the Local Democracy (Wales) Bill and I was grateful that the Minister recognised the importance of our efforts and eventually supported our position to introduce an independent assessment of senior officer remuneration. This is a significant achievement which will bring greater accountability and transparency to senior officer remuneration packages. If the previously mentioned increases - now branded "unlawful" - had been subject to the remuneration panel, it is questionable whether they would have gone ahead.

How do you think public sector pay for senior management should be determined?

There needs to be set guidelines throughout the public sector as mentioned above. There should be a set pay scheme with regards to local authority executive officers - their remuneration package should reflect the size of the population that they serve. A similar model should apply also to Fire, Ambulance and Police executive officers.

Only recently have we seen proposals to downgrade and close fire stations whilst the remuneration of senior officers remains untouched. It's only correct and proper that pay packages and senior officers are scrutinised. Presently in the public sector it's a 'free for all', and this needs to be rectified.

Do you think senior management pay needs to be set competitively to attract the best candidates?

Many local authorities argue that 'competitive' pay is needed to improve the recruitment and/or retention of senior staff. However, no evidence appears to be provided to justify such comments. Local authorities have been known to argue that a failure to provide highly paid positions would have adverse consequences for the

Council in terms of the recruitment and/or retention of senior staff. Again, such comments are never qualified.

Senior Management pay could be set nationally and be realistic in terms of the individual's responsibilities and, in the case of local authority executives, the size of the authority.

Every penny of public money needs to be justified. There needs to be a fairer, stricter and a far more transparent system. There are numerous chief executives and senior management officers earning far more than the First Minister of Wales. Some earn more than the UK Prime Minister

Offering exorbitant wages is a frankly lazy way of employing people instead of developing their managers from within their own workforce.

Do you think senior management pay adequately reflects the levels of responsibility associated with senior management roles?

No, I believe senior management pay is out of control. The pay that some executives are receiving is far too high and doesn't reflect their situation or responsibilities. We must acknowledge that the size of the Welsh economy and our public sector is very different to that of the UK's.

Is there adequate accountability for senior management pay?

Not at all. All pay discussions should be fully discussed in an executive board in full view of the public. Consideration should also be given to extending the remit of the Independent Remuneration Panel to cover all public sector organisations.

We have seen examples of some of senior management - as the case was in Caerphilly Council - recommending themselves for the pay rises. This is certainly not acceptable.

Should there be more consistency in the pay awards of senior management within the public sector? e.g is there a formula which could be utilised depending on size/budget/level of responsibility, should a panel be established to set pay levels?

Yes. An independent body such as the Independent Remuneration Panel should be responsible for implementing the set pay levels whilst acting within set guidelines. An individual's remuneration should reflect the stature and authority of their job whilst adhering to the pay scheme imposed. It is astonishing that a Chief Executive of a medium-sized local authority (in terms of population) has a far higher remuneration package than a large local authority. This surely must be stopped.



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Agenda Item 3
6 February 2014
www.wao.gov.uk

Senior management pay across the Welsh public sector

Memorandum for the Public Accounts Committee

The Wales Audit Office staff that assisted me in preparing this memorandum comprised Derwyn Owen, John Dwight and Simon Monkhouse under the direction of Anthony Barrett.

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Introduction

- 1** This memorandum has been prepared following the Public Accounts Committee request for the Wales Audit Office to undertake an analysis of senior management pay across the Welsh public sector.
- 2** In bringing together the analysis, we have, in the main, used information contained within the relevant audited financial statements or remuneration reports.
- 3** The intention of the work is to support a short focussed inquiry by the Public Accounts Committee, therefore, this memorandum does not set out conclusions and recommendations.
- 4** The memorandum is structured to show:
 - a** senior management remuneration disclosure requirements relevant to the sector as set out in the Government Financial Reporting Manual (FReM) and the CIPFA Code of Practice;
 - b** comparative data in respect of the pay of chief executives across the Welsh public sector;
 - c** comparative data in respect of the pay of senior managers across the Welsh public sector;
 - d** how senior management pay is set across the Welsh public sector; and
 - e** current issues relating to public sector senior management pay.
- 5** Appendices have been prepared to show the detailed information.

Part 1 – Senior management remuneration disclosure requirements

- 1.1** All public bodies are required to report within their annual financial statements or remuneration report the pay of their senior staff. The exact nature of the information required to be reported varies between different sectors according to the relevant statutory requirements and the associated accounting guidance. This part seeks to set out what information is publically available and how this differs between sectors.
- 1.5** The NHS Wales Manual for Accounts (applicable to NHS bodies, but based on the FReM) expands on this to say that it is 'usually considered that the regular attendees of the body's board meetings are its senior managers – usually between nine and twelve individuals in total'.

Financial Reporting Manual

- 1.2** The Government Financial Reporting Manual (FReM) is the technical accounting guide to the preparation of accounting statements for NHS bodies and for all bodies within the central government sector (for example, Welsh Government, Welsh Government Sponsored Bodies, and the Auditor General for Wales).
- 1.3** The FReM requires the production of a directors' remuneration report alongside the annual financial statements.
- 1.4** The FReM defines 'directors' for reporting entities as:
- a** 'The chairman and chief executive.
 - b** The composition of the management board (including advisory and non-executive members) having authority or responsibility for directing or controlling the major activities of the entity during the year. This means those who influence the decisions of the entity as a whole rather than the decision of individual directorates or sections within the reporting entity.'
- 1.6** For each director, the FReM and NHS Manual for Accounts state that disclosure is required of:
- a** name and title;
 - b** salary (in bands of £5,000);
 - c** any other remuneration (where a senior manager holds two contracts of employment, or some other distinction between duties as a director and other duties that can be soundly established);
 - d** performance related bonuses (in bands of £5,000);
 - e** benefits in kind; and
 - f** information on pension benefits.
- 1.7** The pension benefit disclosures consist of:
- a** the real increase during the year in pension and related lump sums, and the value of accrued pension and lump sum at the end of the year;
 - b** movements in the cash equivalent transfer value (CETV) between the beginning and end of the year (this is the actuarially assessed capitalised value of the pension scheme benefits); and

- c** in the case of a partnership pension account, the employer's contribution.

1.8 In addition, the FReM requires the disclosure of a remuneration ratio. The remuneration ratio is the ratio between the median remuneration of the body's staff (the person paid in the middle of a list of all employees' pay) and the highest paid director (based on the mid-point of the banded remuneration of that director).

1.9 The Remuneration Report should also disclose a statement of the policy on remuneration of senior managers for current and future financial years.

CIPFA Code of Practice on Local Authority Accounting

1.10 The requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code) apply to all local government bodies (local authorities, police and crime commissioners (PCCs), police chief constables, national parks and fire and rescue authorities).

1.11 These bodies are required to produce annual financial statements that contain certain information about the remuneration of senior managers. They are not required to produce a remuneration report.

1.12 The Code refers to the Accounts and Audit Regulations, which in Wales defines senior managers as:

- a** A person whose salary is more than £150,000 per year.

- b** A person whose salary is at least £60,000 per year and who is the designated head of paid service (or the head of staff if the body does not have a designated head of paid service), a statutory or non-statutory chief officer, or any person having responsibility for the management of the local government body to the extent that the person has the power to direct or control the major activities of the body. (In England, the salary level above which disclosure is required is £50,000.)

1.13 For each senior manager disclosure is required of:

- a** job title (and name if salary is £150,000 or more);
- b** total amounts of salary, fees or allowances;
- c** total amount of bonus payments;
- d** total amount of sums paid by way of expenses allowance (that are chargeable to income tax);
- e** total amount of any compensation for loss of employment;
- f** the body's contribution to the person's pension; and
- g** the total estimated value of any benefits received other than in cash that are emoluments received in respect of their employment by the local government body.

1.14 In addition to information in respect of senior managers, the Code requires disclosure of the number of officers whose remuneration was £60,000 or more, grouped in £5,000 bands. (In England, the remuneration level is £50,000.)

- 1.15** The Code guidance notes also acknowledge that senior officers may receive payments in relation to responsibilities as acting returning officers, and expects authorities to determine whether any payments made need to be disclosed. We have considered this in more detail in [paragraph 2.14](#).
- 1.16** Since 2012-13, parts of the Localism Act 2011 apply to Welsh local authorities. One element of the Act that does apply is to require county (and county borough) councils and fire and rescue authorities to prepare and publish a Pay Policy Statement, although this is not required to be reported as part of the financial statements nor to be audited.
- 1.17** The Pay Policy Statement is required to include:
- a** the authority's policies for the financial year relating to the remuneration of its chief officers, the remuneration of its lowest-paid employees, and the relationship between them;
 - b** the level and elements of remuneration for each chief officer, including remuneration on recruitment, increases and additions to remuneration for each chief officer, the use of performance-related pay and bonuses and the approach to the payment of chief officers on their ceasing to hold office or to be employed by the authority;
 - c** the authority's policies for the financial year relating to the other terms and conditions applying to the authority's chief officers; and
 - d** arrangements for the publication of and access to information relating to remuneration of chief officers.
- 1.18** In preparing this memorandum, we have looked at a sample of pay policy statements and identified inconsistencies in the information they provide. In addition, officials at the Welsh Government have recently written to local authorities and fire and rescue authorities setting out their concerns with regard to considerable variability in coverage, detail and accessibility of the statements. As a result, the Minister for Local Government and Government Business agreed that the guidance should be revised. Revised draft guidance was issued for consultation on 11 November 2013.
- 1.19** The proposed revised guidance also reflects the provision in the Local Government (Democracy) (Wales) Act 2013 that the Independent Remuneration Panel has an opportunity to consider chief officers' pay, with powers to make recommendations about any policy relating to the authority's head of paid service (the Chief Executive).

Summary

1.20 Both the FReM and the CIPFA Code require disclosure of the remuneration of senior managers although their exact requirements differ.

Figure 1 - Comparison of senior manager remuneration disclosures

Disclosure requirements	FReM	CIPFA Code
Remuneration Report	✓	
Disclosure in Financial Statements	✓	✓
Pay Policy Statement		✓
Policy on senior pay	✓ (Remuneration Report)	✓ (Pay Policy Statement)
Salaries and allowances	✓	✓
Performance pay or bonuses	✓	✓
Compensation on loss of office	✓	✓
Benefits in kind	✓	✓
Remuneration ratio	✓	
Pensions – annual increase in accrued pension	✓	
Pensions – Cash Equivalent Transfer Value (CETV)	✓	
Employer's contribution to pension		✓
Number of employees (in bands)		✓ Those earning over £60,000

Part 2 – Comparisons – Chief Executives

- 2.1** This part provides a high level analysis of the salaries of chief executives (or their effective equivalent) across the Welsh public sector.
- 2.2** As noted in **Part 1** the disclosure of chief executive salaries differs between the FReM and the CIPFA Code; the FReM requires disclosure in the financial statements in bands of £5,000 whilst the CIPFA Code requires disclosure of the actual amount.
- 2.3** We have provided a detailed analysis of the disclosures made in the appendices to this memorandum.
- 2.4** In order to provide a more meaningful comparison we have made some general assumptions as follows:
- a** remuneration has been based on gross salary (excluding employers' pension contributions, benefits in kind and expenses – details of which are included in the appendices);
 - b** where a post is filled for part of a year, we have sought to show the 'annualised' figure;
 - c** where two (or more) officers have held the post for different periods of the year, the remuneration has been added together (if the service appears to be continuous and not overlapping).
- 2.5** The analysis below shows for different sectors:
- a** chief executive salary compared to gross revenue expenditure for 2012-13 and to staff numbers;
 - b** chief executive salary over the past few years;
 - c** the pay ratio; and
 - d** gender split.
- 2.6** **Appendix 3** shows a comparison of chief executive salary with a sample of other public sector bodies in the United Kingdom.

NHS bodies

2.7 The analysis below shows chief executive salary compared to 2012-13 gross revenue healthcare expenditure and to staff numbers:

Figure 2 – NHS chief executive salary compared to healthcare expenditure 2012-13

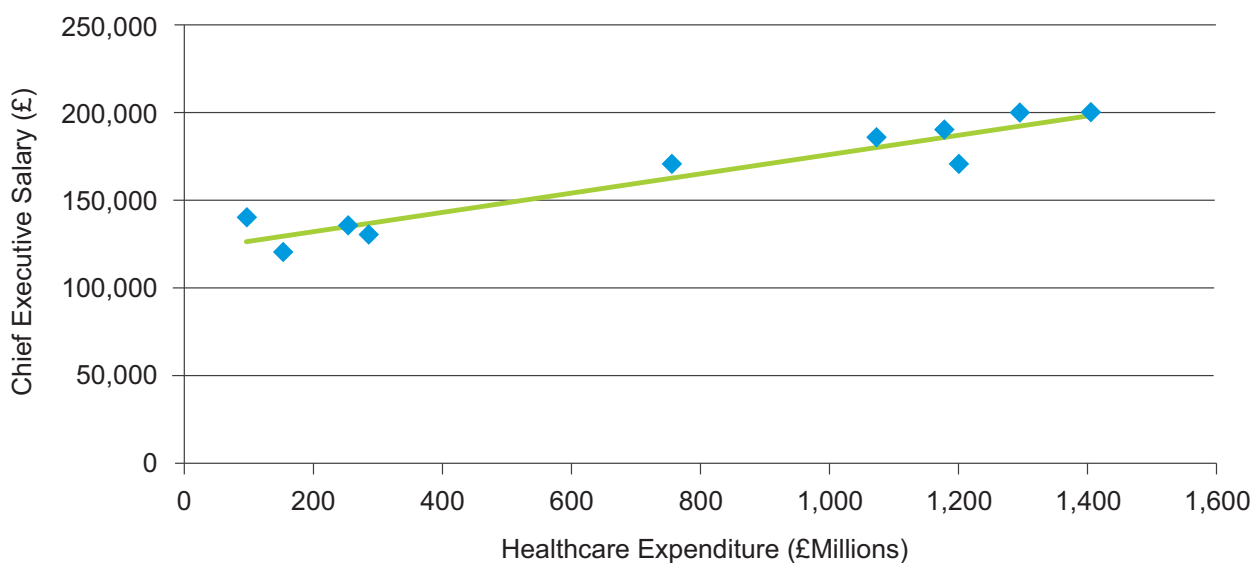
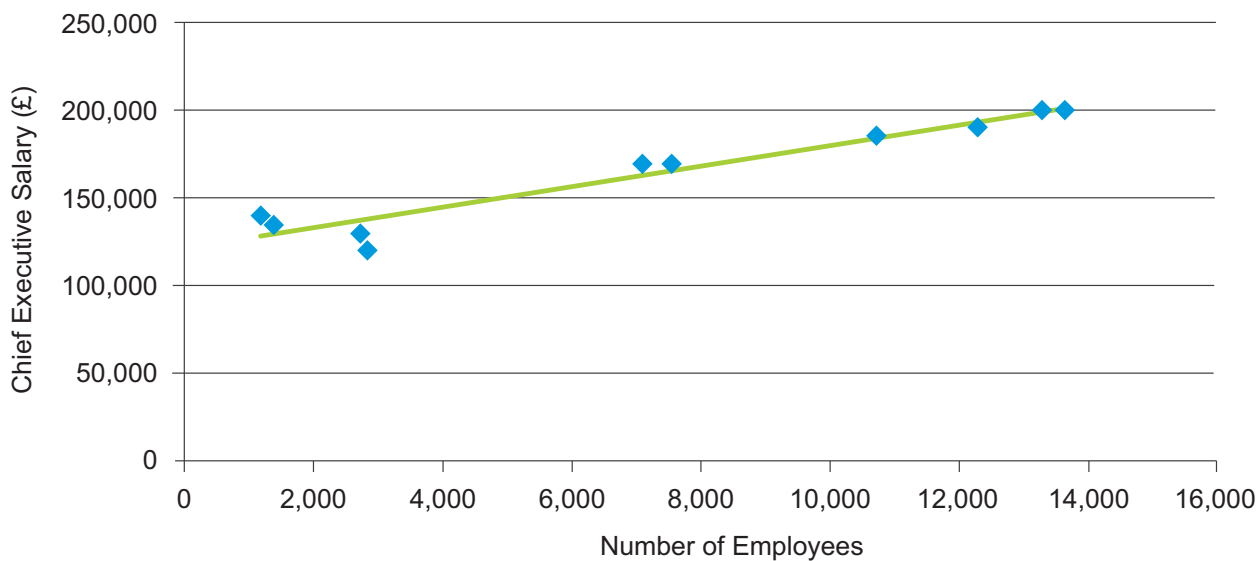


Figure 3 – NHS chief executive salary compared to employee numbers 2012-13



2.8 The majority of NHS bodies were re-organised during 2009-10, when NHS trusts were merged with local health boards to create larger local health boards. The trend analysis below therefore shows the chief executive salary at each NHS body since 2010-11. As salary for these bodies is disclosed in bands of £5,000, we have used the lowest point in the relevant band. For example, if the band is £190,000 to £195,000, we have shown the salary to be £190,000.

Figure 4 – NHS chief executive salary trend

NHS Bodies	2010-11	2011-12	2012-13
Abertawe Bro Morgannwg University Health Board	£190,000	£190,000	£200,000
Aneurin Bevan University Health Board	£185,000	£185,000	£185,000
Betsi Cadwaladr University Health Board	£200,000	£200,000	£200,000
Cardiff and Vale University Health Board	£185,000	£185,000	£190,000
Cwm Taf University Health Board	£160,000	£170,000	£170,000
Hwyel Dda University Health Board	£170,000	£170,000	£170,000
Public Health Wales NHS Trust	£140,000	£140,000	£140,000
Powys Teaching Health Board	£125,000	£130,000	£135,000
Velindre NHS Trust	£100,000	£130,000	£130,000
Welsh Ambulance Services NHS Trust	£120,000	£120,000	£120,000

Note
In 2010-11 the Velindre NHS Trust Director of Finance was Acting Chief Executive for part of the year. The salary has been annualised for the full year.

Local government

Unitary authorities

2.9 The analysis below shows chief executive salaries compared to the gross cost of services and staff numbers for 2012-13.

Figure 5 – Unitary authority chief executive salary compared to the gross cost of services 2012-13

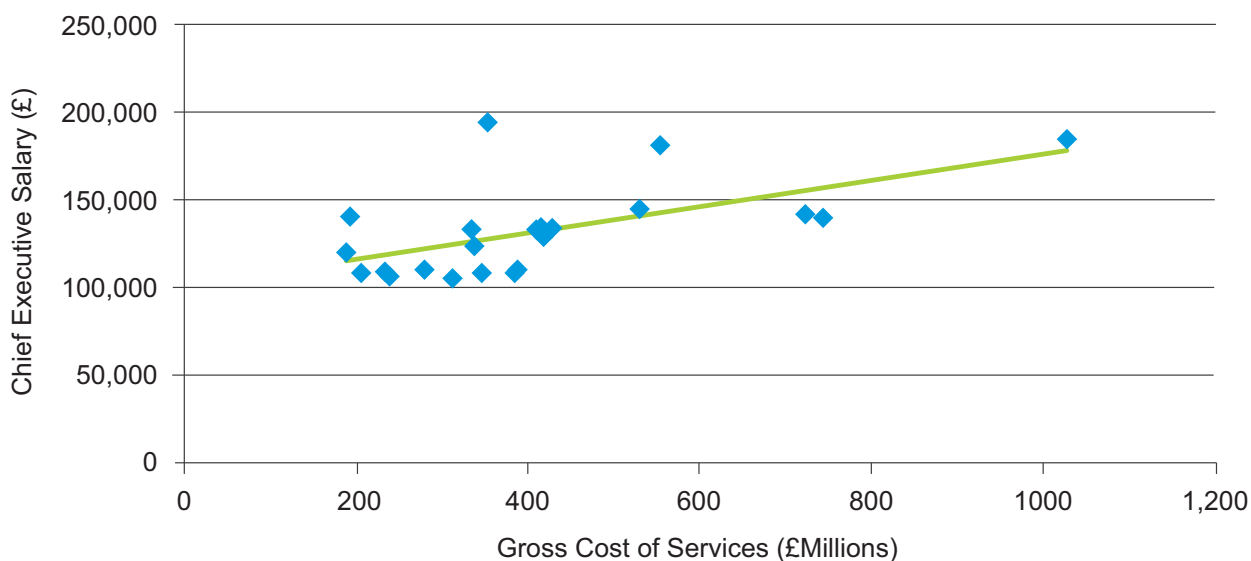
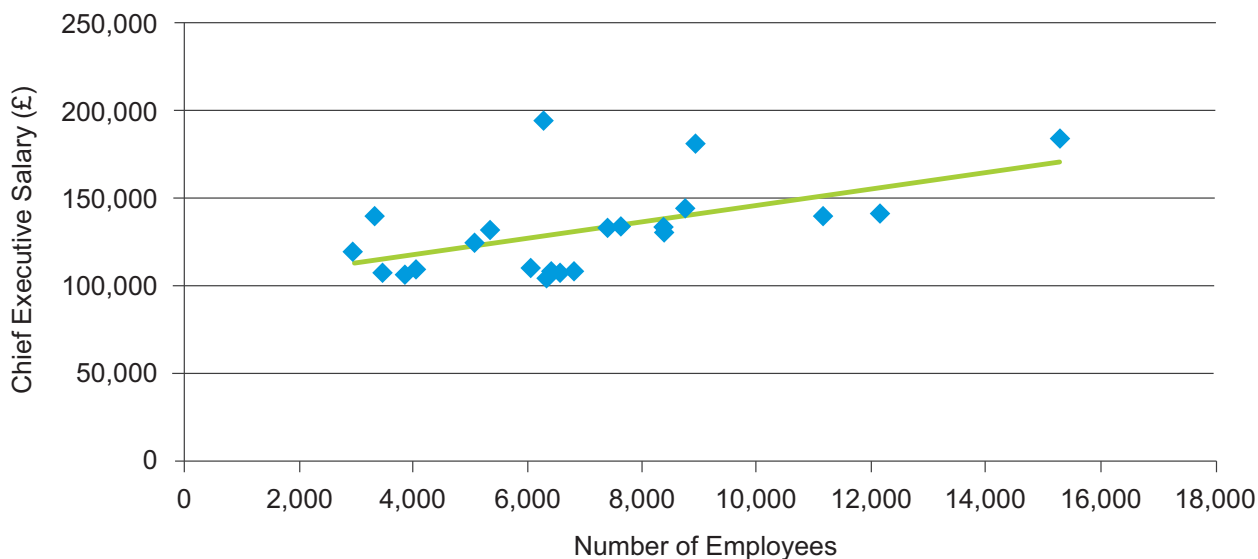


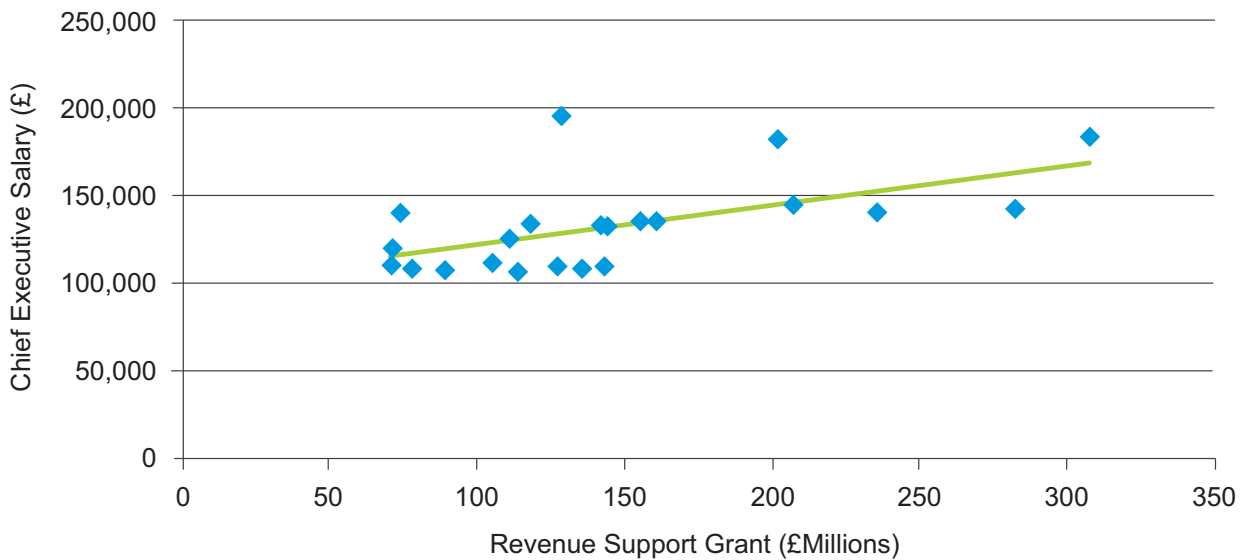
Figure 6 – Unitary authority chief executive salary compared to the number of employees 2012-13



2.10 In considering the gross cost of services, the financial statements may include a number of significant accounting adjustments, such as the revaluation or impairment of fixed assets. Such adjustments might suggest inconsistencies in using the gross cost of services as the comparator. We have therefore also shown a comparison against the annual Revenue Support Grant (RSG) in **Figure 7**.

2.11 This shows a similar position to using the gross cost of services, confirming that, for 2012-13, the accounting adjustments do not make a significant difference for these comparison purposes.

Figure 7 – Unitary authority chief executive salary compared to Revenue Support Grant 2012-13



2.12 A trend analysis of chief executive salaries over the last four years is shown in [Figure 8](#). As explained in [paragraph 2.4](#), we have made the following assumptions:

- a** Salary excludes fees or allowances paid. In particular we have excluded any payment for returning officer duties, where this information is disclosed in the financial statements. Where the disclosure does not state whether or not the salary includes payment for returning officer duties or the amounts paid, the salary is shown in italics in [Figure 8](#). A further comment on returning officer fees is included in [paragraph 2.14](#).
- b** Where a post was filled for part of a year, the 'annualised' figure has been used. This applies to Anglesey 2011-12, Newport in 2009-10 and 2012-13, and Wrexham in 2011-12.
- c** Where two officers have held the post, but the periods are consecutive and cover the whole year, the two salaries have been added together. This applies to the Vale of Glamorgan in 2012-13 (where the Chief Executive retired and a Managing Director was appointed) and Bridgend (where the disclosure is unclear whether the post was covered consecutively).

2.13 Additional explanatory notes are included at the end of the table.

Figure 8 – Unitary Authorities – chief executive salary trend

Local government	2009-10	2010-11	2011-12	2012-13
Anglesey County Council (Isle of)	£124,700	£227,900	£110,986	£141,000
Blaenau Gwent County Borough Council	£114,146	£111,866	£103,050	£107,347
Bridgend County Borough Council	£131,251	£131,178	£131,091	£109,263
Caerphilly County Borough Council	£131,645	£123,665	£123,665	£144,598
Cardiff County Council	£176,376	£176,376	£179,663	£183,726
Carmarthenshire County Council	£164,847	£165,349	£185,365	£181,645
Ceredigion County Council	£102,821	£105,523	£108,226	£108,226
Conwy County Borough Council	£111,863	£114,435	£100,140	£105,851
Denbighshire County Council	£108,722	£131,667	£124,859	£125,000
Flintshire County Council	£131,233	£131,233	£131,233	£131,233
Gwynedd Council	£108,264	£108,264	£108,264	£108,264
Merthyr Tydfil County Borough Council	£137,195	£137,195	£120,213	£120,495
Monmouthshire County Council	£110,000	£110,000	£110,000	£110,000
Neath Port Talbot County Borough Council	£134,253	£134,253	£129,725	£134,253
Newport City Council	£116,836	£116,836	£122,770	£134,636
Pembrokeshire County Council	£156,745	£159,462	£208,170	£194,661
Powys County Council	£124,000	£127,000	£130,000	£133,000
Rhondda Cynon Taf County Borough Council	£142,000	£142,000	£142,000	£142,000
Swansea (City and County of)	£155,901	£163,077	£140,000	£140,000
Torfaen County Borough Council	£111,278	£111,278	£110,850	£111,279
Vale of Glamorgan Council	£143,026	£141,469	£146,412	£133,565
Wrexham County Borough Council	£107,472	£109,040	£105,000	£109,000

Explanatory notes to Figure 8:

Anglesey	Ministerial appointment of an interim Chief Executive in 2009-10 and 2010-11.
Blaenau Gwent	Salary includes remuneration relating to directorship of Silent Valley Waste Services Ltd for each year.
Caerphilly	Chief Executive salary in 2012-13 subject to the Appointed Auditor's <i>Report in the Public Interest</i> .
Carmarthen	2011-12 includes returning officer fees, but the amount is not disclosed. 2012-13 includes an additional payment representing the employer's pension contribution following the Chief Executive's opt-out of the local government pension scheme (see comments in Part 5)
Conwy	2010-11 and 2011-12 salary reflects change in the Chief Executive.
Pembrokeshire	2011-12 includes returning officer fees, but the amount is not disclosed. 2012-13 includes an additional payment representing the employer's pension contribution following the Chief Executive's opt-out of the local government pension scheme (see comments in Part 5).
Swansea	The Council's Pay Policy Statement states that the Chief Executive's salary and job description include his role as returning officer for local government elections.

Returning officer fees

2.14 Senior officers of unitary authorities, in most cases the chief executive, also receive payment for their roles as returning officers. CIPFA has not issued a definitive statement regarding the inclusion or otherwise of returning officer fees in the remuneration of senior officers. Consequently, there is some inconsistency in the interpretation and disclosure of returning officer fees within Welsh councils' remuneration disclosures.

2.15 The CIPFA Code guidance notes state that: 'With regard to payments in relation to responsibilities for acting returning officers, paragraph 4.5 of the Acting Returning Officers Manual makes it clear that the ARO role is separate from an officer's employment

with the local authority, even though they take on the role directly as a result of that employment: Practitioners will need to determine whether any payments then made in relation to the ARO role meet the authority's interpretation of "remuneration...in respect of their employment by the relevant body" per the Accounts and Audit Regulations.'

2.16 Chief executives (or other senior officers) may receive returning officer fees for:

- a** Local elections, where each council is required to appoint an officer of the council to be the returning officer for the election of councillors to the local authority area and for the election of councillors for any communities in the principal area. The appropriate local authority or community

council pays the fee for this role. In practice, most unitary authorities in Wales pay a fee for this role, in addition to the officer's salary.

- b** National Assembly elections, the Welsh Government (Social Justice and Local Government Minister) appoints a regional returning officer. For the 2011 National Assembly election, constituency elections were based on parliamentary boundaries, with returning officers receiving a fee and for the five regional elections, returning officers were appointed, all of them being returning officers for specific Welsh unitary authorities.
- c** Parliamentary elections, the post of returning officer is treated as an honorary one, held generally by a Sheriff, but, in practice, the task of conducting the election is delegated to an acting returning officer, again who is usually the chief executive or another senior officer in the local authority.
- d** Police and Crime Commissioner elections, where the Secretary of State designated a Police Area Returning Officer, who must be an acting returning officer for a Parliamentary constituency within the

police area. A local returning officer is then appointed for each voting area (the local authority area) and this appointment flows automatically from the appointment as returning officer for local government elections in that area.

- e** European Parliamentary elections are also run by local returning officers, for which a fee is paid.

2.17 Therefore, whilst the returning officers (and payment) for local government elections are part of the unitary authority's requirements, other returning officer roles are not and it remains debatable whether fees for those roles should be disclosed within an authority's financial statements. However, the other returning officer roles tend to be as a result of the appointment as returning officers for local government elections.

National Park Authorities

2.18 For national parks the comparisons of chief executive salary to gross expenditure for 2012-13, and a four-year trend are shown in [Figure 9](#).

Figure 9 – National parks – chief executive salary comparison and trend

National Park Authorities	Gross expenditure (£000)	2009-10	2010-11	2011-12	2012-13
Brecon Beacons	6,608	£70,000	£71,000	£72,000	£74,000
Pembrokeshire	6,817	£92,000	£79,000	£74,000	£76,000
Snowdonia	8,464	£75,000	£75,000	£75,000	£75,000

Fire and Rescue Authorities

2.19 For Fire and Rescue Authorities the comparisons of the chief fire officer (the chief executive) salary to gross expenditure for 2012-13, and a four-year trend are shown in **Figure 10**. Where appropriate, salary has been annualised to show comparable figures.

Police

2.20 November 2012 saw the election of Police and Crime Commissioners (PCCs), and the introduction of separate financial reporting requirements for the PCC and the Chief Constable. We have therefore only shown in **Figure 11** the gross costs of services for the PCC and Chief Constable Group Accounts for 2012-13 the salaries payable for:

- a** PCCs and Chief Executives (or equivalent officer) of the Office of the PCC; and
- b** Chief Constables.

Figure 10 – Fire authority chief fire officer salary comparison and trend

Fire Authorities	Gross expenditure (£000)	2009-10	2010-11	2011-12	2012-13
Mid and West Wales	45,243	£126,648	£128,090	£129,837	£131,187
North Wales	31,678	£115,556	£114,410	£116,387	£116,387
South Wales	73,400	£124,000	£124,000	£105,000	£126,000

Figure 11 – Police and crime commissioners and chief constable salary

Police and Crime Commissioners	Group Gross Cost of Services Expenditure 2012-13 (£000)	Commissioner Salary 2012-13	Commissioner Chief Executive Salary 2012-13	Chief Constable Salary 2012-13
Dyfed Powys	121,522	£65,000	£95,891	£139,536
Gwent	142,830	£70,000	£90,756	£133,068
North Wales	164,055	£70,000	£73,660	£136,751
South Wales	304,487	£85,000	£67,337	£154,370

Note
Some of these posts were filled by different individuals during the year and salaries have been annualised to show comparable figures.

Probation Trust

2.21 The Wales Probation Trust was created in 2010-11 following the amalgamation of the four Welsh probation boards. **Figure 12** shows gross expenditure for 2012-13 and the chief executive salary since 2010-11, although there were three individuals covering the role in 2010-11.

Figure 12 – Probation Trust chief executive salary and trend

	Gross Expenditure (£000)	2010-11	2011-12	2012-13
Wales Probation Trust	54,834	£70,000	£95,000	£100,000

Welsh Government and other bodies

2.22 In seeking to provide meaningful comparison for central government bodies, we have considered two different types of 'organisation':

- a** bodies funded directly from the Welsh Consolidated Fund, which includes the Welsh Government, the National Assembly for Wales Commission, the Public Services Ombudsman for Wales and the Auditor General for Wales; and
- b** Welsh Government Sponsored Bodies, and other bodies (the Children's, Older People's and Welsh Language Commissioners and Estyn) funded by the Welsh Government.

2.23 For the purposes of our paper we have taken the most senior role in the organisation (eg, Permanent Secretary, Commissioner, Chief Executive or Auditor General for Wales) as being the best proxy for that of a chief executive.

Bodies funded directly from the Welsh Consolidated Fund

2.24 **Figure 13** shows 2012-13 gross expenditure and chief executive, or relevant officer, salary for the past four years. As for NHS bodies, the FReM requires disclosures in bands of £5,000, so we have used the lowest point on the relevant band. Where appropriate, salary has been annualised to show comparable figures.

Figure 13 – Bodies funded from the Welsh Consolidated Fund chief executive salary and trend

	Gross Expenditure (£000)	2009-10	2010-11	2011-12	2012-13
Auditor General for Wales	19,261	£164,706	£142,850	£150,000	£150,000
National Assembly for Wales Commission	47,145	£135,000	£135,000	£135,000	£140,000
Public Services Ombudsman for Wales	3,961	£135,000	£135,000	£135,000	£135,000
Welsh Government	14,557,162	£160,000	£160,000	£160,000	£160,000

Note
For 2009-10 and part of 2010-11, the Auditor General for Wales' salary includes an interim Auditor General for Wales.

Welsh Government Sponsored Bodies and others funded directly by the Welsh Government

2.25 A comparison of the chief executive, or equivalent officer, for these bodies, based on 2012-13 gross expenditure and the number of employees is shown in Figures 14 and 15. For the comparison, the Higher Education Funding Council for Wales (HEFCW) has been excluded from Figure 14, given the significant revenue turnover of the organisation and the impact it has on the scale of the graph.

Figure 14 – WGSB and other bodies: chief executive salary compared to gross expenditure 2012-13

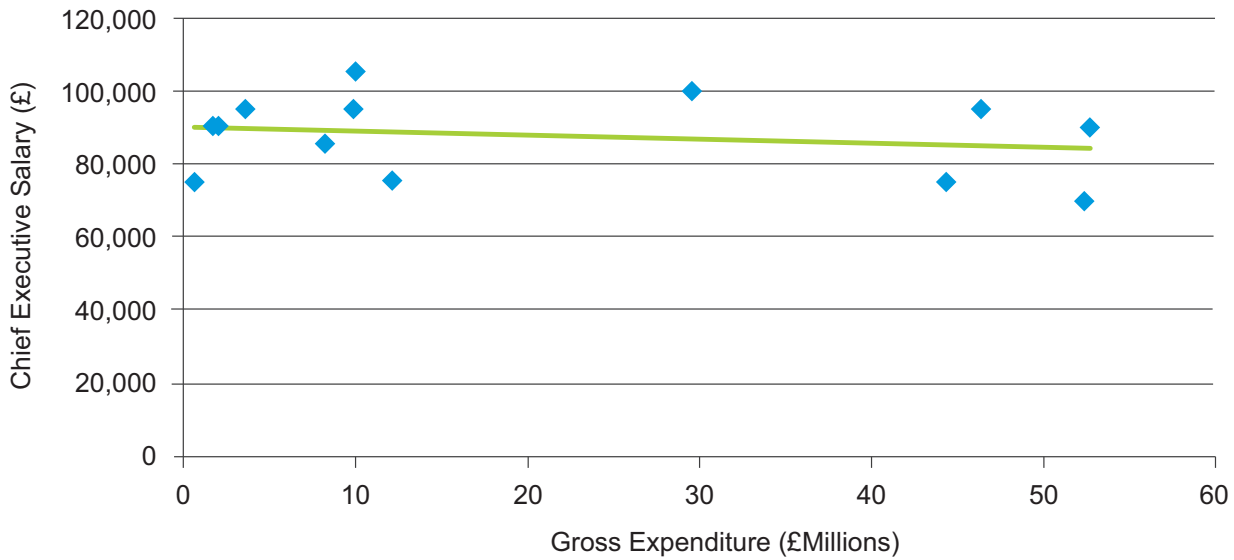
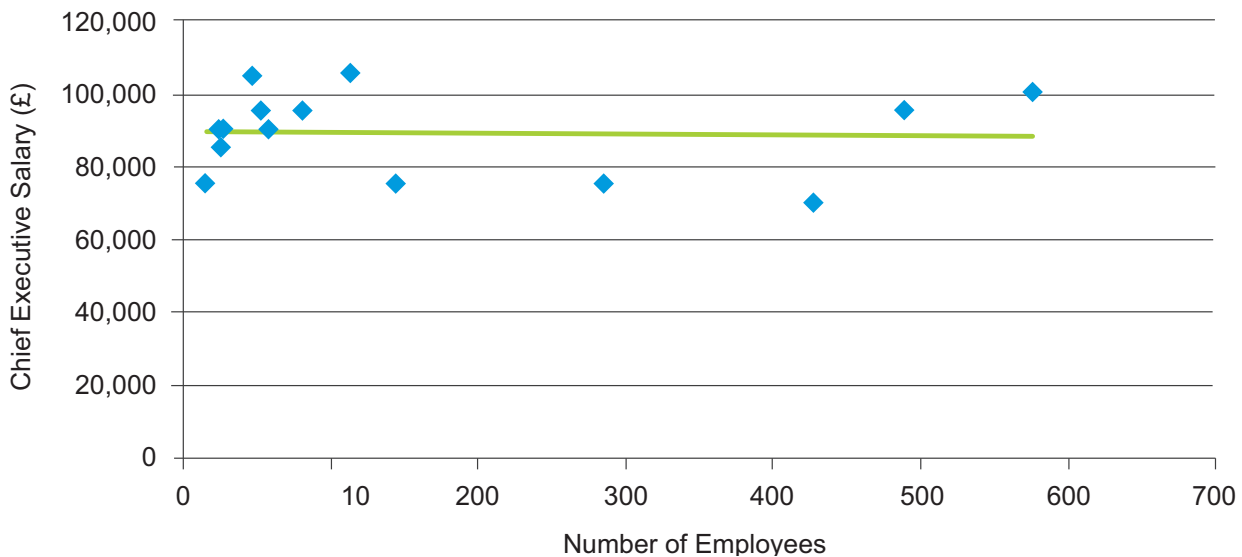


Figure 15 – WGSB and other bodies: chief executive salary compared to employee numbers 2012-13



2.26 Analysis of the chief executive (or equivalent officer) salary over the past four years is shown in **Figure 16**. The FReM requires disclosures in bands of £5,000, so we have used the lowest point on the relevant band. As explained earlier, some of the salaries have been annualised to show comparable figures.

Figure 16 – WGSB and other bodies: chief executive basic salary trend

	2012-13 Gross Expenditure (£000)	2009-10	2010-11	2011-12	2012-13
Arts Council for Wales	£52,873	£90,000	£90,000	£90,000	£90,000
Care Council for Wales	£9,887	£95,000	£95,000	£95,000	£95,000
Children’s Commissioner for Wales	£1,755	£90,000	£95,000	£90,000	£90,000
Countryside Council for Wales	£46,523	£95,000	£90,000	£90,000	£95,000
Estyn	£9,979	£95,000	£100,000	£105,000	£105,000
Forestry Commission Wales	£52,511	£65,000	£70,000	£70,000	£70,000
General Teaching Council for Wales	£8,243	£75,000	£75,000	£80,000	£85,000
Higher Education Funding Council for Wales	£391,914	£105,000	£105,000	£105,000	£105,000
Boundary Commission for Wales	£648	£50,000	£50,000	£50,000	£75,000
National Library of Wales	£12,294	£75,000	£75,000	£75,000	£75,000
National Museum Wales	£29,657	£100,000	£100,000	£100,000	£100,000
Older People’s Commissioner for Wales	£2,047	£90,000	£90,000	£90,000	£90,000
Sport Wales	£44,512	£75,000	£75,000	£75,000	£75,000
Welsh Language Commissioner	£3,570				£95,000

Note
The Forestry Commission and Countryside Council became part of Natural Resources Wales in 2013-14. The Chief Executive for the Countryside Council also received payments under a voluntary exit scheme, not included in this comparison.

Gender

2.27 Figure 17 shows an analysis of gender of the chief executives (or equivalent officers) across the Welsh public sector. It also includes a comparison with the position in 2008, where the bodies are comparable.

Figure 17 – Gender split chief executives

	2012-13		2008	
	Male	Female	Male	Female
NHS Bodies	8	2	Not comparable bodies	
Unitary Authorities	18	4	18	4
National Parks	3	0	3	0
Fire Authorities	3	0	3	0
Police and Crime Commissioners	4	0	Not comparable bodies	
Police Forces (Chief Constables)	4	0	3	1
Wales Probation Trust	0	1	Not comparable bodies	
Welsh Consolidated Fund Bodies	3	1	3	1
Welsh Government Sponsored Bodies and other Welsh Government funded	10	4	12	2
Total	53	12	42	8
Percentage	81.5%	18.5%	84%	16%

Pay ratios

2.28 Bodies reporting under the FReM include the ratio between the median staff pay (the salary of the person in the middle of a list of all employees' pay) and the highest paid director (based on the mid-point of the banded remuneration for that director). These are shown with the 'staff pay multiplier' being the ratio for 2012-13. The highest paid director column shows the lowest point in the relevant band.

2.29 Although local government bodies are not required to publish pay ratios, the Pay Policy Statements should include a number of different ratios. Of the sample we reviewed, the information provided is inconsistent and, in some cases the median staff to chief executive ratio is not reported.

Figure 18 – Pay ratio – NHS bodies 2012-13

Health bodies	Highest paid director band	Median staff pay	Staff pay multiplier
Abertawe Bro Morgannwg University Health Board	£200,000	£27,625	7.00
Aneurin Bevan University Health Board	£200,000	£26,456	7.70
Betsi Cadwaladr University Health Board	£200,000	£26,557	7.63
Cardiff and Vale University Health Board	£200,000	£27,625	7.33
Cwm Taf University Health Board	£170,000	£26,385	6.50
Hwyel Dda University Health Board	£180,000	£27,625	7.00
Public Health Wales NHS Trust	£140,000	£29,464	5.17
Powys Teaching Health Board	£135,000	£25,609	5.40
Velindre NHS Trust	£130,000	£23,000	5.80
Welsh Ambulance Services NHS Trust	£135,000	£28,174	4.88

Figure 19 – Pay ratio – central government bodies 2012-13

Central government	Highest paid director band	Median staff pay	Staff pay multiplier
Bodies funded directly from the Welsh Consolidated Fund			
National Assembly for Wales Commission	£140,000	£27,897	4.80
Public Services Ombudsman for Wales	£135,000	£38,961	3.60
Wales Audit Office	£150,000	£45,964	3.24
Welsh Government	£200,000	£31,800	6.30
Welsh Government Sponsored Bodies and others funded directly from the Welsh Government			
Arts Council for Wales	£90,000	£30,000	3.12
Care Council for Wales	£95,000	£28,965	3.37
Children's Commissioner for Wales	£90,000	£33,200	2.86
Countryside Council for Wales	£150,000	£31,098	4.90
Estyn	£105,000	£54,500	2.16
Forestry Commission Wales	£70,000	£24,692	2.93
General Teaching Council for Wales	£85,000	£25,200	3.50
Higher Education Funding Council for Wales	£105,000	£41,517	2.70
Boundary Commission for Wales	£75,000	£24,658	3.10
National Library of Wales	£95,000	£20,132	4.82
National Museum Wales	£105,000	£21,510	5.00
Older People's Commissioner for Wales	£90,000	£31,184	2.92
Sports Wales	£75,000	£17,122	4.50
Welsh Language Commissioner	£95,000	£33,200	2.94

Note
The highest paid director band for the Countryside Council for Wales includes termination payments made to the Chief Executive.

Part 3 – Comparisons - directors and senior managers

- 3.1** This part provides a high level analysis of the salaries of directors and senior managers across the Welsh public sector (excluding chief executives).
- 3.2** As noted in **Part 1** the disclosure of directors' and senior managers' salaries differs between the FReM and the CIPFA Code; the FReM requires disclosure in the financial statements in bands of £5,000 whilst the CIPFA Code requires disclosure of the actual amount.
- 3.3** We have provided a detailed analysis of the disclosures made in the appendices to this memorandum.
- 3.4** The comparisons below show:
- a** the number of directors or senior managers, within £25,000 pay bands and for unitary authorities, the numbers of head teachers;
 - b** a comparison of total costs for directors/ senior managers compared to relevant gross expenditure; and
 - c** gender.

NHS bodies

- 3.5** Directors' pay is shown in **Figure 20** by using the numbers in £25,000 pay bands – excluding the chief executive. The 2012-13 gross expenditure on healthcare (GHE) has also been included (as an indicator of the size of the NHS body).
- 3.6** The disclosure required and reported below is of the number of directors (as defined by the *NHS Manual for Accounts*), not all staff paid within the relevant pay bands.

Figure 20 – NHS director numbers 2012-13

NHS Bodies	GHE (£000)	Pay Bands (£000)							
		50-74	75-99	100-124	125-149	150-174	175-199	200-224	
Abertawe Bro Morgannwg University Health Board	1,296,186		1	1	5	1			8
Aneurin Bevan University Health Board	1,071,838		4	2	4			1	11
Betsi Cadwaladr University Health Board	1,404,656	1	1	3	4	1			10
Cardiff and Vale University Health Board	1,178,996			2	3	2	1		8
Cwm Taf University Health Board	1,199,874			7		1			8
Hwyel Dda University Health Board	757,150		4	6	1				11
Public Health Wales NHS Trust	98,314	1	5	1	1				8
Powys Teaching Health Board	257,090	1	4	1	1				7
Velindre NHS Trust	288,168		2	1	1				4
Welsh Ambulance Services NHS Trust	156,101		5	1	1				7

Note
The highest paid director is generally the medical director. The disclosures do not specify whether any of the medical director's salary relates to clinical commitments.

Local government

3.7 For local government bodies, **Figure 21** shows the numbers of senior officers (as defined by the Code) disclosed, within £25,000 pay bands (although the disclosure requirement is for senior officers earning over £60,000), together with gross expenditure (GE), as an indicator of the size of the organisation.

The disclosure does not include all staff paid within the relevant band, just those that each authority has considered meets the Code definition of a senior manager. As identified earlier, salary has been annualised for staff in post for part of the year, or combined where two staff held the post consecutively.

Figure 21 – Unitary authorities – senior manager numbers 2012-13

Unitary authorities	GE (£000)	Pay bands (£000)				
		60-74	75-99	100-124	125-149	
Anglesey County Council (Isle of)	193,217	1	2			3
Blaenau Gwent County Borough Council	235,836	4	4			8
Bridgend County Borough Council	388,238	1	1	3		5
Caerphilly County Borough Council	530,272		1	2	1	4
Cardiff County Council	1,026,237	6	8	1	1	16
Carmarthenshire County Council	554,100			4	1	5
Ceredigion County Council	206,147		5			5
Conwy County Borough Council	312,379	10	2			12
Denbighshire County Council	335,461	12	4			16
Flintshire County Council	418,113	1	6			7
Gwynedd Council	346,740	12	3			15
Merthyr Tydfil County Borough Council	187,833	9	2			11
Monmouthshire County Council	234,269	5	2			7
Neath Port Talbot County Borough Council	429,204		1	3		4
Newport City Council	416,072	1	4	1		6
Pembrokeshire County Council	352,721			4		4
Powys County Council	409,708	5	9	2		16
Rhondda Cynon Taf County Borough Council	722,565		2	4		6
Swansea (City and County of)	741,988	9	8	4		21
Torfaen County Borough Council	279,983	3	7			10
Vale of Glamorgan Council	333,318		2	3		5
Wrexham County Borough Council	385,977		12			12

Note
Carmarthenshire County Council – the highest pay band is a combination of salary paid to two individuals undertaking one Director role during the year.

Figure 22 – Fire authority senior manager numbers 2012-13

Fire authorities	GE (£000)	Pay bands (£000)			
		60-74	75-99	100-124	
Mid and West Wales Fire Authority	45,243		3	1	4
North Wales Fire Authority	31,678	1	2		3
South Wales Fire Authority	73,400		4		4

Figure 23 – National park authority senior manager numbers 2012-13

National parks	GE (£000)	Pay bands (£000)		
		60-74	75-99	
Brecon Beacons	6,608	2		2
Pembrokeshire	6,817			0
Snowdonia	8,464	1		1

Note

Snowdonia National Park's Chief Finance Officer is a part-time post: the annualised salary would be in the £60-74 pay band.

Figure 24 – Offices of police and crime commissioners and chief constables – senior manager numbers 2012-13

PCCs and Chief Constables	Group expenditure (£000)	Pay bands (£000)					
		60-74	75-99	100-124	125-149	150-179	
Dyfed Powys PCC							0
Dyfed Powys Police	121,522			2	1	1	4
Gwent PCC		1	1				2
Gwent Police	142,830		2	1			3
North Wales PCC		1					1
North Wales Police	164,055			3			3
South Wales PCC		2					2
South Wales Police	304,487			6	1		7

Note
Dyfed Powys PCC and Police – the Director of Finance and Resources provides services to both the PCC and Chief Constable.

Welsh Government and other bodies

3.8 For the Welsh central government bodies, the analysis in [Figure 25](#) shows the number of directors, disclosed in pay bands of £25,000, together with 2012-13 gross expenditure. These disclosures do not include all staff paid within the relevant pay bands, just those officers that meet the FReM disclosure requirements, based on the definition of a 'director'.

Figure 25 – Central government bodies – senior manager numbers 2012-13

	GE (£000)	Pay bands (£000)							
		50-74	75-99	100-124	125-149	150-174	175-199	200-224	
Bodies funded directly from the Welsh Consolidated Fund									
National Assembly for Wales Commission	47,145	2	1	1					4
Public Services Ombudsman for Wales	3,961		1						1
Wales Audit Office	19,261			3					3
Welsh Government	14,557,162			1	5			1	7
Welsh Government Sponsored Bodies and others funded directly from Welsh Government									
Arts Council for Wales	52,873	5							5
Care Council for Wales	9,887	3							3
Children's Commissioner for Wales	1,755	3							3
Countryside Council for Wales	46,523	2	2						4
Estyn	9,979	2							2
Forestry Commission Wales	52,511	5							5
General Teaching Council for Wales	8,243	6							6
Higher Education Funding Council for Wales	391,914		1						1
Boundary Commission for Wales	648								0
National Library of Wales	12,294	3							3
National Museum Wales	28,545	4	1						5
Older People's Commissioner for Wales	2,047	4	1						5
Sports Wales	44,512	6							6
Welsh Language Commissioner	3,570	2							2

Note
The highest paid director in the Welsh Government was the Director General (Health and Social Services) on secondment from Abertawe Bro Morgannwg University Health Board.

Gender

3.9 Figure 26 shows the gender split for directors and senior managers.

Figure 26 – Gender split senior managers

		M	F
NHS Bodies	2012-13	39	42
	%	48%	52%
Unitary Authorities	2012-13	142	54
	%	72%	28%
National Parks	2012-13	3	0
	%	100%	0%
Fire Authorities	2012-13	7	4
	%	64%	36%
Police and Crime Commissioners	2012-13	5	3
	%	63%	37%
Police Force	2012-13	13	3
	%	81%	19%
Wales Probation Trust	2012-13	2	1
	%	67%	33%
Welsh Consolidated Fund Bodies	2012-13	11	4
	%	73%	27%
Welsh Government Sponsored Bodies and other Welsh Government funded bodies	2012-13	30	16
	%	65%	35%
	2012-13	252	127
	%	66%	34%

Head teachers

3.10 Members of the Public Accounts Committee also asked for head teachers to be included in the analysis. Whilst unitary authorities are not required to include head teachers in their senior management disclosure note, all staff paid over £60,000 are disclosed, showing the numbers paid in pay bands of £5,000.

3.11 Figure 27 shows the number of head teachers per authority included in the disclosure of staff earning more than £60,000, using the £25,000

pay bands that we have used for director and senior manager numbers above. This may not include all head teachers in an authority.

3.12 The figures should be considered as indicative because disclosures may be inconsistent in the way employers' pension contributions are treated and in some cases, particularly, Blaenau Gwent County Borough Council, include payments made under termination agreements.

Figure 27 – Head teacher numbers 2012-13

	Pay bands (£000)				
	60-74	75-99	100-124	125-149	
Anglesey County Council (Isle of)		5			5
Blaenau Gwent County Borough Council	6	6	2	1	15
Bridgend County Borough Council	17	8			25
Caerphilly County Borough Council	18	11			29
Cardiff County Council	35	15	3		53
Carmarthenshire County Council	17	7	3		27
Ceredigion County Council	6	5	1		12
Conwy County Borough Council	6	4	1		11
Denbighshire County Council	7	6			13
Flintshire County Council	17	7			24
Gwynedd Council	10	3			13
Merthyr Tydfil County Borough Council	9	3			12
Monmouthshire County Council	5	6			11
Neath Port Talbot County Borough Council	13	6			19

Figure 27 – Head teacher numbers 2012-13 (continued)

	Pay bands (£000)				
	60-74	75-99	100-124	125-149	
Newport City Council	19	9			28
Pembrokeshire County Council	8	5			13
Powys County Council	12	3			15
Rhondda Cynon Taf County Borough Council	28	17			45
Swansea (City and County of)	30	10	1		41
Torfaen County Borough Council	13	4	1		18
Vale of Glamorgan Council	14	6	1		21
Wrexham County Borough Council	15	2			17

Part 4 – How senior management pay is set

4.1 This part of the memorandum provides an outline of how senior management pay is set within the public sector in Wales, together with indications of any flexibility available to organisations when setting pay structures.

NHS bodies

4.2 Further to the Welsh NHS reorganisation, in 2011 Executive Director posts were evaluated by the Welsh Government based on the Civil Service Job Evaluation for Senior Posts (JESP), and are subject to the following high level principles:

- a** All health board chief executives, executive directors and other directors will be placed on a spot salary. Executive directors/directors are appointed to the minimum of the salary band range (as defined by the points level from job evaluation), although where there are significant additional responsibilities, remuneration at a level above the minimum point can be determined locally by the body's Remuneration and Terms of Service Committee.
- b** There will be no incremental movement.
- c** Performance pay will not apply.
- d** Any inflationary annual uplift in salary will be determined by the Welsh Government.
- e** Welsh Government approval will be required in the exceptional event that remuneration needs to be above the maximum of the salary band range.

4.3 Consequently, for NHS bodies, remuneration of senior managers has to comply with directives issued by the Welsh Government through the JESP Job Evaluation system, but with some scope for local determination.

Local government

Unitary authorities

- 4.4** The Local Government Act 1972 (Section 112) sets out that local authorities have the 'power to appoint officers on such reasonable terms and conditions as the Authority thinks fit'.
- 4.5** Authorities also have a statutory obligation under the Localism Act 2011 to prepare an annual Pay Policy Statement. The purpose of the Statement is to articulate an authority's own policies towards a range of issues relating to the pay of its workforce, particularly senior officers and the lowest paid employees.
- 4.6** Authorities in Wales appear to be consistent in their approach to setting senior pay through the application of a job evaluation scheme, of some sort.
- 4.7** A review of a sample of pay policy statements shows a range of methods in evaluating senior officer pay including:
 - a** the HAY group job evaluation scheme, where HAY are asked to provide information about salary levels based on their assessment of relative job sizes and benchmarking against market comparisons for posts of similar size and complexity;

- b** re-evaluation locally on re-organisation or appointment of a new Chief Executive; or
- c** use of a national job evaluation scheme, in particular the National Joint Council scheme or, more widely used, the Greater London Provincial Council (GLPC) scheme, which was developed to support local authorities in carrying out their obligations under the national agreement on single status.

4.8 On 18 June 2013 the National Assembly for Wales approved the Local Government (Democracy) (Wales) Bill. One remit of the Bill is to amend the responsibilities of the Independent Remuneration Panel for Wales.

4.9 The current remit of the Panel is to set out the type and levels of payments that councils may or must make available to their members and co-opted members. The Bill will extend the Panel's remit to include making recommendations to 'relevant authorities' on any proposed changes to the salary of the authority's head of paid services and any policies relating to that salary. A 'relevant authority' is any authority that is required to prepare a Pay Policy Statement.

Fire and rescue authorities

4.10 Welsh fire and rescue authorities have adopted a method of determining chief officer pay at a local level by way of independent periodic review. The review considers both the National Joint Council (for brigade managers of fire and rescue authorities), which reviews pay annually at a national level and sets a minimum rate of pay per population banding but also allows for local consideration and benchmarks, if considered appropriate. Fire and rescue authorities tend to use this to set the Chief Fire Officer's pay, with other senior officers based on a proportion of that.

4.11 Whilst there is an element of use of a national scale, authorities have local discretion over the pay rates set.

Police authorities

4.12 Chief constable pay is set centrally by the Home Office, with a 'spot rate' set, using a formula that considers the size of the population in the force area and the type of policing challenges faced by the force. Police and crime commissioners have discretion to offer a salary range of 10 per cent (up or down) from the relevant chief constable spot rate when advertising for a new chief constable.

4.13 Police and crime commissioners' salaries are set by the Secretary of State.

National parks

4.14 The Welsh national parks set senior pay by applying the HAY Job Evaluation Scheme, in line with some unitary authorities.

Welsh Government and other bodies

4.15 Senior Civil Service pay scales are set by the UK Cabinet Office. All Senior Civil Service posts are also subject to JESP job evaluation. If requested by the Presiding Officer of the National Assembly for Wales, the Senior Salaries Review Body can offer advice on the pay, pensions and allowances of senior office holders.

4.16 The Welsh Government is responsible for determining the level of annual salary increase for WGSB chief executives along with the annual Pay Remits under the terms and conditions of their Grant in Aid.

4.17 There are a range of specific Acts dictating the terms and conditions for other senior officials. For instance:

- a** The Older People's Commissioner for Wales's annual salary is set by Welsh Ministers in line with the Schedule 1(3) of the Commissioner for Older People (Wales) Act 2006. Annual increases to this salary follow the percentage award made by the Senior Salaries Review Body.
- b** The remuneration of Her Majesty's Chief Inspector of Education and Training in Wales is determined by the National Assembly for Wales under Paragraph 3 of Schedule 2 to the Education Act.
- c** The remuneration of the chief officer (and other officers) for the Arts Council for Wales has to be approved by the National Assembly of Wales, in accordance with the Arts Council of Wales Royal Charter. An annual pay remit is prepared and submitted to the Welsh Government for approval.

4.18 In effect, although bodies may prepare and submit annual pay proposals or remits, approval must be given by the Welsh Government or Ministers.

Auditor General and Wales Audit Office

4.19 The Auditor General's remuneration is determined by the National Assembly for Wales, and in accordance with the Government of Wales Act 2006 is met from the Welsh Consolidated Fund.

4.20 The remuneration of members of the Wales Audit Office's Executive Committee is determined by the Auditor General with advice from a Remuneration Committee of non-executives, established as part of the Wales Audit Office's governance arrangements, and taking into account the results of a JESP job evaluation process.

Part 5 – Current issues relating to public sector senior management pay in Wales

5.1 This part of the memorandum highlights some specific issues relating to public sector senior manager pay in Wales.

Examples of recent Wales Audit Office findings in respect of senior pay across Welsh public services

5.2 The Appointed Auditor for the Caldicot and Wentlooge Levels Internal Drainage Board and Caerphilly County Borough Council has published Reports in the Public Interest which involved issues surrounding senior officer pay.

5.3 In October 2012, the Appointed Auditor issued a Public Interest Report into the Caldicot and Wentlooge Levels Internal Drainage Board. The report included concerns that between 2001 and early 2002, the former Clerk and Engineer was involved in submitting proposals relating to his own pay to committees of the Board which, if accepted, would have resulted in a variation to his contract of employment. Board members failed to recognise that a conflict of interest existed and allowed the former Clerk and Engineer to participate in the decision-making process when disqualified from doing so.

5.4 In March and December 2013, the Appointed Auditor issued reports in the public interest on governance arrangements and decision making processes within Caerphilly County Borough Council. The reports detailed weaknesses in the arrangements in deciding the pay and buy-out allowances for the senior officers including:

- a** the time and place of the meeting and the agenda for the meeting were not made public as required;
- b** the decision was not published, contrary to the Council's constitution; and
- c** a number of independence issues, particularly where chief officers (including the Chief Executive) had conflicts of interest and such interests were not declared.

5.5 The issues arising from the Appointed Auditor's reports are now under investigation by the Avon and Somerset Constabulary after the matter was referred to them by Gwent Police following publication of the *Public Interest Reports*.

5.6 In January 2014, the Appointed Auditor for Carmarthenshire County Council and Pembrokeshire County Council issued reports in the public interest relating to the lawfulness of decisions taken by both councils in relation to senior manager pay and pensions. In both cases, the Councils took decisions which allowed senior managers to opt out of the Local Government Pension Scheme and receive additional remuneration, equivalent to the employers' pension contribution. The chief executives at both these councils exercised that option during 2012-13.

Appendix 1 – Senior manager pay disclosures 2011-12 and 2012-13

The following tables show the senior manager pay disclosures from the 2011-12 and 2012-13 financial statements.

For bodies reporting under the FReM (NHS and central government bodies), the disclosure shows salary in bands of £5,000, where we have used the lowest point in the relevant salary band and shown the salary of the chief executive (or equivalent) officer, and the highest, lowest and median of the directors' or senior managers' pay bands. Expenditure and employee numbers have been shown for comparison purposes.

For bodies reporting under the CIPFA Code (unitary authorities and other bodies), the exact salary of the chief executive and senior managers is reported, where we have also shown the chief executive salary and the highest, lowest and median of the senior managers' salaries. For these bodies, employee numbers are not disclosed in the financial statements; we have therefore used data from either the Office for National Statistics, Statistics Wales reports, or the body's own websites.

As highlighted earlier in the memorandum, we have also made the following assumptions, in order to try to show a full year's comparison:

- a** where a post is filled for part of a year, we have sought to show the 'annualised' figure; and
- b** where two (or more) officers have held the post for different periods of the year, the remuneration has been added together (if the service appears to be continuous and not overlapping).

NHS bodies	2012-13					
	Chief Executive Pay Band	Senior Officer Pay Bands			Healthcare Expenditure £000	Number of Employees
		Highest	Median	Lowest		
Abertawe Bro Morgannwg University Health Board	£200,000	£170,000	£125,000	£95,000	1,296,186	13,310
Aneurin Bevan University Health Board	£185,000	£200,000	£125,000	£90,000	1,071,838	10,715
Betsi Cadwaladr University Health Board	£200,000	£160,000	£122,500	£70,000	1,404,656	13,625
Cardiff and Vale University Health Board	£190,000	£160,000	£125,000	£95,000	1,178,996	12,294
Cwm Taf University Health Board	£170,000	£155,000	£110,000	£100,000	1,199,874	7,092
Hwyl Dda University Health Board	£170,000	£130,000	£110,000	£85,000	757,150	7,547
Public Health Wales NHS Trust	£140,000	£140,000	£87,500	£70,000	98,314	1,181
Powys Teaching Health Board	£135,000	£135,000	£95,000	£65,000	257,090	1,381
Velindre NHS Trust	£130,000	£145,000	£100,000	£80,000	288,168	2,720
Welsh Ambulance Service Trust	£120,000	£135,000	£95,000	£80,000	156,101	2,831

Note
Velindre NHS Trust took over responsibility for the NHS Wales Shared Services Partnership (including the Welsh Risk Pool) in 2012-13.

NHS bodies	2011-12				
	Chief Executive Pay Band	Senior Officer Pay Bands			Healthcare Expenditure £000
		Highest	Median	Lowest	
Abertawe Bro Morgannwg University Health Board	£190,000	£170,000	£125,000	£95,000	1,291,744
Aneurin Bevan University Health Board	£185,000	£200,000	£120,000	£95,000	1,117,162
Betsi Cadwaladr University Health Board	£200,000	£165,000	£125,000	£95,000	1,415,807
Cardiff and Vale University Health Board	£185,000	£210,000	£125,000	£95,000	1,146,928
Cwm Taf University Health Board	£170,000	£155,000	£110,000	£85,000	1,206,531
Hwyel Dda University Health Board	£170,000	£150,000	£110,000	£90,000	759,312
Public Health Wales NHS Trust	£140,000	£140,000	£97,500	£85,000	85,491
Powys Teaching Health Board	£130,000	£135,000	£90,000	£70,000	265,387
Velindre NHS Trust	£130,000	£185,000	£90,000	£80,000	134,360
Welsh Ambulance Service Trust	£120,000	£110,000	£95,000	£75,000	148,890

Unitary authorities	2012-13					
	Chief Executive Pay	Senior Officer Pay			Gross Cost of Services £000	Number of Employees
		Highest	Median	Lowest		
Anglesey County Council (Isle of)	£141,000	£114,000	£98,500	£72,000	193,217	3,322
Blaenau Gwent County Borough Council	£107,347	£85,000	£70,434	£60,635	235,836	3,819
Bridgend County Borough Council	£109,263	£104,068	£103,229	£70,168	388,238	6,774
Caerphilly County Borough Council	£144,598	£125,501	£116,221	£83,362	530,272	8,742
Cardiff County Council	£183,726	£131,235	£83,991	£60,549	1,026,237	15,246
Carmarthenshire County Council	£181,645	£130,251	£118,410	£114,396	554,100	8,918
Ceredigion County Council	£108,226	£96,357	£89,648	£87,695	206,147	3,448
Conwy County Borough Council	£105,851	£94,298	£65,965	£61,452	312,379	6,318
Denbighshire County Council	£125,000	£94,931	£66,020	£58,076	335,461	5,053
Flintshire County Council	£131,233	£97,328	£81,960	£74,063	418,113	8,353
Gwynedd Council	£108,264	£86,040	£67,716	£54,173	346,740	6,561
Merthyr Tydfil County Borough Council	£120,495	£87,600	£65,600	£62,517	188,436	2,942
Monmouthshire County Council	£110,000	£84,068	£69,267	£41,687	234,269	4,043
Neath Port Talbot County Borough Council	£134,253	£113,618	£109,158	£98,790	429,204	7,384

Unitary authorities	2012-13				
	Chief Executive Pay	Senior Officer Pay			Gross Cost of Services £000
		Highest	Median	Lowest	
Anglesey County Council (Isle of)	£110,986	£82,721	£76,842	£63,727	172,222
Blaenau Gwent County Borough Council	£103,050	£85,000	£81,021	£62,793	242,351
Bridgend County Borough Council	£131,091	£104,068	£101,857	£88,458	382,198
Caerphilly County Borough Council	£123,665	£118,480	£105,367	£100,682	589,505
Cardiff County Council	£179,663	£112,168	£83,830	£66,741	1,023,437
Carmarthenshire County Council	£185,365	£130,251	£118,410	£94,938	544,185
Ceredigion County Council	£108,226	£95,339	£87,613	£79,473	203,405
Conwy County Borough Council	£100,140	£93,692	£62,884	£60,021	312,111
Denbighshire County Council	£124,859	£95,845	£64,771	£60,248	331,742
Flintshire County Council	£131,233	£97,328	£78,759	£62,776	436,209
Gwynedd Council	£108,264	£83,121	£65,169	£60,111	331,880
Merthyr Tydfil County Borough Council	£120,213	£86,667	£63,600	£60,514	178,720
Monmouthshire County Council	£110,000	£86,580	£77,000	£68,150	225,395
Neath Port Talbot County Borough Council	£129,725	£115,038	£104,079	£101,216	447,145

Unitary authorities	2012-13					
	Chief Executive Pay	Senior Officer Pay			Gross Cost of Services £000	Number of Employees
		Highest	Median	Lowest		
Newport City Council	£134,636	£103,316	£81,900	£65,536	416,072	7,613
Pembrokeshire County Council	£194,661	£114,135	£114,135	£105,387	352,721	6,273
Powys County Council	£133,000	£103,000	£78,000	£66,000	409,708	8,362
Rhondda Cynon Taf County Borough Council	£142,000	£122,000	£110,000	£92,000	722,565	12,129
Swansea (City and County of)	£140,000	£110,000	£79,256	£57,634	741,988	11,154
Torfaen County Borough Council	£111,279	£93,633	£79,090	£68,357	279,983	6,069
Vale of Glamorgan Council	£133,565	£107,855	£107,855	£85,500	333,318	5,323
Wrexham County Borough Council	£109,000	£96,000	£83,000	£75,000	385,977	6,420

Unitary authorities	2011-12				
	Chief Executive Pay	Senior Officer Pay			Gross Cost of Services £000
		Highest	Median	Lowest	
Newport City Council	£122,770	£109,148	£92,231	£74,557	365,587
Pembrokeshire County Council	£208,170	£114,135	£114,135	£103,757	351,373
Powys County Council	£130,000	£101,000	£78,000	£66,000	397,064
Rhondda Cynon Taf County Borough Council	£142,000	£122,000	£110,000	£92,000	684,771
Swansea (City and County of)	£140,000	£115,528	£77,228	£60,000	736,571
Torfaen County Borough Council	£110,850	£93,633	£83,459	£70,920	293,051
Vale of Glamorgan Council	£146,412	£108,067	£107,855	£107,855	346,346
Wrexham County Borough Council	£105,000	£96,000	£80,845	£72,720	373,962

National park authorities	2012-13					
	Chief Executive Pay	Senior Officer Pay			Gross Expenditure £000	Number of Employees
		Highest	Median	Lowest		
Brecon Beacons	£74,000	£55,000	£54,500	£54,000	6,608	136
Pembrokeshire	£76,000	£0	£0	£0	6,817	170
Snowdonia	£75,000	£60,000	£60,000	£60,000	8,464	161

Fire authorities	2012-13					
	Chief Fire Officer Pay	Senior Officer Pay			Gross Expenditure £000	Number of Employees
		Highest	Median	Lowest		
Mid and West Wales Fire Authority	£131,187	£105,220	£98,728	£86,590	45,243	1,216
North Wales Fire Authority	£116,387	£90,280	£83,990	£73,407	31,678	827
South Wales Fire Authority	£126,000	£95,000	£93,500	£88,000	73,400	1,558

National park authorities	2011-12				
	Chief Executive Pay	Senior Officer Pay			Gross Expenditure £000
		Highest	Median	Lowest	
Brecon Beacons	£72,000	£54,000	£53,500	£53,000	6,469
Pembrokeshire	£74,000	£0	£0	£0	6,769
Snowdonia	£75,000	£60,000	£60,000	£60,000	9,386

Fire authorities	2011-12				
	Chief Executive Pay	Senior Officer Pay			Gross Expenditure £000
		Highest	Median	Lowest	
Mid and West Wales Fire Authority	£129,837	£103,870	£97,378	£85,155	46,251
North Wales Fire Authority	£116,387	£90,280	£83,990	£73,407	31,657
South Wales Fire Authority	£105,000	£90,000	£88,505	£79,000	68,966

Police	2012-13					
	Police and Crime Commissioner	Police and Crime Commissioner - Chief Executive	Chief Constable	Senior Officer Pay		
				Highest	Median	Lowest
Dyfed Powys PCC	£65,000	£95,891		None disclosed		
Dyfed Powys Police			£139,536	£160,122	£140,411	£104,455
Gwent PCC	£70,000	£90,756		£81,293	N/A (only two officers)	£52,500
Gwent Police			£133,068	£109,782	£99,976	£97,686
North Wales PCC	£70,000	£76,660		One senior officer – £55,120		
North Wales Police			£136,751	£112,969	£106,324	£105,849
South Wales PCC	£85,000	£67,337		One senior officer – £65,886		
South Wales Police			£154,370	£128,202	£104,106	£97,887

Note
Salaries relating to police and crime commissioners and their staff have been annualised to show comparable figures.

Police	2012-13	
	Group Gross Expenditure £000	Number of Employees
Dyfed Powys PCC		
Dyfed Powys Police	121,522	1,860
Gwent PCC		
Gwent Police	142,830	2,326
North Wales PCC		
North Wales Police	164,055	2,617
South Wales PCC		
South Wales Police	304,487	4,912

Probation	2012-13					
	Chief Executive Pay Band	Senior Officer Pay Bands			Gross Expenditure £000	Number of Employees
		Highest	Median	Lowest		
Wales Probation Trust	£100,000	£85,000	£80,000	£55,000	54,834	1,004

Central Government	2012-13					
	Chief Executive Pay Band	Senior Officer Pay Bands			Gross Expenditure £000	Number of Employees
		Highest	Median	Lowest		
Bodies funded directly from the Welsh Consolidated Fund						
Auditor General for Wales/ Wales Audit Office	£150,000	£115,000	£110,000	£105,000	19,261	238
National Assembly for Wales Commission	£140,000	£110,000	£85,000	£65,000	47,145	358
Public Services Ombudsman for Wales	£135,000	£95,000	£95,000	£95,000	3,961	53
Welsh Government	£160,000	£200,000	£130,000	£120,000	14,557,162	5,422
Welsh Government Sponsored Bodies and others funded directly from Welsh Government						
Arts Council for Wales	£90,000	£65,000	£50,000	£50,000	52,873	58
Care Council for Wales	£95,000	£70,000	£60,000	£55,000	9,887	81
Children's Commissioner for Wales	£90,000	£60,000	£50,000	£50,000	1,755	25
Countryside Council for Wales	£95,000	£75,000	£67,500	£60,000	46,523	489

Probation	2011-12				
	Chief Executive Pay Band	Senior Officer Pay Bands			Gross Expenditure £000
		Highest	Median	Lowest	
Wales Probation Trust	£95,000	£75,000	£65,000	£60,000	53,167

Central Government	2011-12				
	Chief Executive Pay Band	Senior Officer Pay Bands			Gross Expenditure £000
		Highest	Median	Lowest	
Auditor General for Wales/ Wales Audit Office	£150,000	£115,000	£110,000	£100,000	23,716
National Assembly for Wales Commission	£135,000	£115,000	£105,000	£95,000	46,222
Public Services Ombudsman for Wales	£135,000	£95,000	£95,000	£95,000	3,640
Welsh Government	£160,000	£195,000	£130,000	£110,000	14,337,397
Arts Council for Wales	£90,000	£65,000	£50,000	£50,000	50,073
Care Council for Wales	£95,000	£70,000	£55,000	£50,000	10,118
Children's Commissioner for Wales	£90,000	£55,000	£50,000	£50,000	1,637
Countryside Council for Wales	£90,000	£65,000	£60,000	£50,000	47,006

Central Government	2012-13					
	Chief Executive Pay Band	Senior Officer Pay Bands			Gross Expenditure £000	Number of Employees
		Highest	Median	Lowest		
Welsh Government Sponsored Bodies and others funded directly from the Welsh Government (continued)						
Estyn	£105,000	£75,000	£75,000	£75,000	9,979	113
Forestry Commission Wales	£70,000	£60,000	£55,000	£50,000	52,511	427
General Teaching Council for Wales	£85,000	£65,000	£65,000	£65,000	8,243	26
Higher Education Funding Council for Wales	£105,000	£95,000	£95,000	£95,000	391,914	47
Boundary Commission for Wales	£75,000	£45,000	£45,000	£45,000	648	15
National Library of Wales	£75,000	£60,000	£60,000	£60,000	12,294	285
National Museum Wales	£95,000	£80,000	£70,000	£65,000	29,657	576
Older People's Commissioner	£90,000	£70,000	£50,000	£50,000	2,047	27
Sports Wales	£75,000	£55,000	£55,000	£50,000	44,512	144
Welsh Language Commissioner	£95,000	£55,000	£55,000	£45,000	3,570	53

Central Government	2011-12				
	Chief Executive Pay Band	Senior Officer Pay Bands			Gross Expenditure £000
		Highest	Median	Lowest	
Estyn	£105,000	£75,000	£75,000	£75,000	9,662
Forestry Commission Wales	£70,000	£60,000	£55,000	£50,000	51,781
General Teaching Council for Wales	£80,000	£65,000	£62,500	£60,000	7,986
Higher Education Funding Council for Wales	£110,000	£100,000	£97,500	£95,000	405,067
Boundary Commission for Wales	£50,000	£45,000	£45,000	£45,000	695
National Library of Wales	£75,000	£60,000	£55,000	£55,000	12,149
National Museum Wales	£95,000	£70,000	£70,000	£70,000	28,510
Older People's Commissioner	£90,000	£65,000	£50,000	£50,000	1,896
Sports Wales	£75,000	£65,000	£55,000	£55,000	42,214
Welsh Language Commissioner	£100,000	£50,000	£50,000	£45,000	14,472

Appendix 2 – Chief Executive (or equivalent officer) salary disclosure 2012-13

The following tables show an analysis of the chief executive (or equivalent officer) remuneration disclosed in the 2012-13 financial statements.

For bodies reporting under the FReM (NHS and central government bodies), the disclosure shows salary in bands of £5,000, where we have used the lowest point in the relevant salary band. Any other amounts disclosed by way of other remuneration, expenses of benefits in kind (BIK) that are disclosed in the financial statements are also included. The employers' pension contribution is not disclosed in the financial statements.

For bodies reporting under the CIPFA Code (unitary authorities and other bodies), the exact salary and other elements of remuneration are disclosed, together with the employers' pension contribution, showing the total remuneration paid. As highlighted earlier in the memorandum, chief executives may also be paid a fee for any returning officer duties performed and, where this information has been clearly disclosed, this has also been included.

As highlighted earlier in the memorandum, we have also made the following assumptions, in order to try to show a full year's comparison:

- a** where a post is filled for part of a year, we have sought to show the 'annualised' figure; and
- b** where two (or more) officers have held the post for different periods of the year, the remuneration has been added together (if the service appears to be continuous and not overlapping).

NHS bodies	Gross healthcare expenditure (£000)	Salary band	Other remuneration	Expenses	Benefits in kind
Abertawe Bro Morgannwg University Health Board	1,296,186	£200,000	£0	£0	£13,000
Aneurin Bevan University Health Board	1,071,838	£185,000	£0	£0	£0
Betsi Cadwaladr University Health Board	1,404,656	£200,000	£0	£0	£4,000
Cardiff and Vale University Health Board	1,178,996	£190,000	£0	£0	£3,000
Cwm Taf University Health Board	1,199,874	£170,000	£0	£0	£200
Hwyl Dda University Health Board	757,150	£170,000	£0	£0	£7,800
PHW NHS Trust	98,314	£140,000	£0	£0	£0
Powys Teaching Health Board	257,090	£135,000	£0	£0	£0
Velindre NHS Trust	288,168	£130,000	£0	£0	£200
Welsh Ambulance Service Trust	156,101	£120,000	£0	£0	£0

Unitary authorities	Gross expenditure (£000)	Salary	Other remuneration	Returning officer fees	Expenses	Benefits in kind	Employer's pension contribution
Anglesey County Council (Isle of)	193,217	£141,000	£0	£2,895	£2,000	£0	£31,000
Blaenau Gwent County Borough Council	235,836	£107,347	£0	£0	£164	£884	£23,080
Bridgend County Borough Council	388,238	£109,263	£0	£5,960	£8,869	£4,890	£22,727
Caerphilly County Borough Council	530,272	£144,598	£2,340	£6,089	£854	£0	£30,076
Cardiff County Council	1,026,237	£183,726	£7,938	£24,239	£0	£0	£42,073
Carmarthenshire County Council	554,100	£181,645	£0	£0	£1,271	£0	£0
Ceredigion County Council	206,147	£108,226	£0	£4,050	£0	£0	£16,429
Conwy County Borough Council	312,379	£105,851	£0	Unclear	£2,131	£0	£22,334
Denbighshire County Council	335,461	£125,000	£0	£14,845	£394	£0	£30,798
Flintshire County Council	418,113	£131,233	£0	£23,364	£0	£0	£35,909
Gwynedd County Council	346,740	£108,264	£0	£0	£0	£0	£23,710

Unitary authorities	Gross expenditure (£000)	Salary	Other remuneration	Returning officer fees	Expenses	Benefits in kind	Employer's pension contribution
Merthyr Tydfil County Borough Council	188,436	£120,495	£0	£10,012	£298	£627	£16,097
Monmouthshire County Council	234,269	£110,000	£0	£3,722	£0	£0	£23,210
Neath Port Talbot County Borough Council	429,204	£134,253	£0	£7,073	£90	£0	£19,467
Newport City Council	416,072	£134,636	£0	Unclear	£225	£0	£25,848
Pembrokeshire County Council	352,721	£194,661	£0	£0	£0	£11,685	£0
Powys County Council	409,708	£133,000	£0	Unclear	£0	£0	£31,000
Rhondda Cynon Taf County Borough Council	722,565	£142,000	£0	£20,000	£0	£0	Not reported
Swansea (City and County of)	741,988	£140,000	£0	Unclear	£0	£0	£30,940
Torfaen County Borough Council	279,983	£111,279	-£7,000	£8,123	£0	£0	£25,149
Vale of Glamorgan Council	333,318	£133,565	£0	£5,611	£0	£0	£18,222
Wrexham County Borough Council	385,977	£109,000	£0	£13,148	£68	£0	£26,443

National park authorities	Gross expenditure (£000)	Salary	Other remuneration	Expenses	Benefits in kind	Employer's pension contributions
Brecon Beacons	6,608	£74,000	£0	£0	£0	£14,000
Pembrokeshire	6,817	£76,000	£0	£0	£1,000	£10,000
Snowdonia	8,464	£75,000	£0	£0	£4,000	£16,000

Fire authorities	Gross expenditure (£000)	Salary	Other remuneration	Expenses	Benefits in kind	Employer's pension contributions
Mid and West Wales Fire Authority	45,243	£131,187	£3,895	£177	£1,873	£0
North Wales Fire Authority	31,678	£116,387	£0	£106	£4,378	£0
South Wales Fire Authority	73,400	£126,000	£0	£2,000	£6,000	£21,000

Police	Group gross expenditure (£000)	Salary	Other remuneration	Expenses	Benefits in kind	Employer's pension contributions
Dyfed Powys PCC		£65,000	£0	£0	£0	£8,514
Dyfed Powys PCC Chief Executive		£95,891	£0	£0	£815	£11,885
Dyfed Police Chief Constable	121,522	£139,536	£0	£0	£529	£30,474
Gwent PCC		£70,000	£0	£702	£0	£11,059
Gwent PCC Chief Executive		£90,756	£0	£1,626	£0	£14,339
Gwent Chief Constable	142,830	£133,068	£6,653	£0	£5,376	£32,202
North Wales PCC		£70,000	£0	£0	£0	£13,230
North Wales PCC Chief Executive		£73,660	£0	£0	£0	£13,045
North Wales Chief Constable	164,055	£136,751	£0	£0	£4,670	£32,202
South Wales PCC		£85,000	£0	£0	£0	£5,760
South Wales PCC Chief of Staff		£67,337	£0	£0	£0	£7,400
South Wales Chief Constable	304,487	£154,370	£4,082	£0	£1,457	£35,883

Note

Salaries, particularly relating to police and crime commissioners and their staff, have been annualised to show comparable figures.

Probation	Gross expenditure (£000)	Salary band	Other remuneration	Expenses	Benefits in kind
Wales Probation Trust	54,834	£100,000	£0	£0	£0

Central government	Gross expenditure (£000)	Salary band	Other remuneration	Expenses	Benefits in kind
Bodies funded directly from the Welsh Consolidated Fund					
Auditor General for Wales	19,261	£150,000	£0	£0	£0
National Assembly for Wales Commission	47,145	£140,000	£0	£0	£0
Public Services Ombudsman for Wales	3,961	£135,000	£0	£0	£0
Welsh Government	14,557,162	£160,000	£0	£0	£0
Welsh Government Sponsored Bodies and others funded directly from Welsh Government					
Arts Council for Wales	52,873	£90,000	£0	£0	£0
Care Council for Wales	9,887	£95,000	£0	£0	£0
Children's Commissioner for Wales	1,755	£90,000	£0	£0	£4,700
Countryside Council for Wales	46,523	£95,000	£50,000	£0	£2,500
Estyn	9,979	£105,000	£5,000	£0	£0

Central government	Gross expenditure (£000)	Salary band	Other remuneration	Expenses	Benefits in kind
Welsh Government Sponsored Bodies and others funded directly from Welsh Government (continued)					
Forestry Commission Wales	52,511	£70,000	£10,000	£0	£0
General Teaching Council for Wales	8,243	£85,000	£0	£0	£0
Higher Education Funding Council for Wales	391,914	£105,000	£0	£0	£0
Boundary Commission for Wales	648	£75,000	£0	£0	£0
National Library of Wales	12,294	£75,000	£20,000	£0	£0
National Museum Wales	29,657	£95,000	£0	£0	£0
Older People's Commissioner for Wales	2,047	£90,000	£0	£0	£0
Sports Wales	44,512	£75,000	£0	£0	£0
Welsh Language Commissioner	3,570	£95,000	£0	£0	£0

Note
As referred to earlier, some salaries have been annualised to show comparable figures.

Appendix 3 – Chief executive salary in other United Kingdom public sector bodies

The figure below shows gross expenditure and chief executive salary for a sample of public sector bodies in the United Kingdom.

Other public sector bodies	Gross expenditure 2012-13 £000s	Chief executive salary or pay band
NHS bodies		
NHS Greater Glasgow and Clyde	2,373,453	£185,000
NHS Lothian	1,384,458	£185,000
NHS Tayside	740,733	£155,000
NHS Dumfries and Galloway	299,895	£95,000
London Ambulance Service	299,021	£180,000
Scottish Ambulance Service	207,945	£140,000
Unitary authorities		
Durham County Council	1,313,639	£200,000
Cornwall Council	1,285,683	£200,342
Plymouth City Council	605,572	£179,816
Bedford Borough Council	408,557	£169,450
Herefordshire Council	362,961	£144,996
Central government		
Arts Council England	792,827	£187,000
Ofsted	171,089	£195,000
Sport England	98,749	£145,000



Llywodraeth Cymru
Welsh Government

**WRITTEN STATEMENT
BY
THE WELSH GOVERNMENT**

TITLE Governance and Scrutiny of Senior Officers' Remuneration
DATE 4 February 2014
BY Lesley Griffiths AM
Minister for Local Government and Government Business

The Local Government Democracy (Wales) Act 2013 ("the Democracy Act") contains provisions relating to the remuneration of senior officers in Local Government. During its progress through the Assembly, I committed to implementing these for the financial year 2014-15 and to update Members on progress on these and a related set of measures. This package represents strong and decisive action to improve openness and transparency on this matter.

The governance and scrutiny of senior officers' remuneration is central to guaranteeing the effective delivery of our public services in Wales and to the public having trust in their public servants acting in the best interests of their communities.

Local Elected Members must take firm responsibility and ownership for decisions concerning the remuneration of their senior officers. It is their responsibility to ensure proper governance is practised and to be mindful of ensuring the best use of public funds. With this in mind, I will be proceeding with three initiatives to assist the development of transparency and accountability in this area.

Pay policy statements

Whilst I remain firmly of the view senior officer pay within Local Authorities remains the responsibility of each Authority and the scrutiny of related decisions rests with the Local Councillors, it is vital the Local Authorities making these decisions recognise such decisions must be transparent and open to public scrutiny. As a result of the provisions in the Localism Act which we have introduced in Wales, Authorities have been required to produce statements on their approach to setting pay for the last two years. I felt it was an appropriate time to review how these arrangements were operating.

It is clear from this review, whilst all Authorities have been meeting the requirement to prepare and publish these statements, there remains considerable variation in their format, content and presentation. I have, therefore, consulted on changes to the Statutory Guidance and will be publishing later this month updated Guidance which Authorities must have regard to in preparing their statements for 2014-15. I am confident the changes will result in greater consistency of reports and make statements easier to find on websites and read. Scrutiny Committees and auditors must review these reports and ensure the spirit, as well as the letter of the law, has been followed.

The role of the Independent Remuneration Panel on senior officers' salaries in Local Government

With effect from April 2014, it is my intention to commence the provisions of the Local Government (Democracy) (Wales) Act 2013 which enable the Remuneration Panel to have oversight of pay rises for Local Authority Chief Executives. I am currently consulting on statutory guidance to the Panel on this matter:

<http://wales.gov.uk/consultations/localgovernment/irp-guidance-salaries-la-chief-executives/?lang=en>

It will mean any future plans by a Local Authority to vary the salary of its Chief Executive, except when it reflects a pay increase or decrease being introduced for officers more generally, will have to be brought to the attention of the Panel, who will issue their view, to which the Authority in question will be obliged to have regard.

Local Authority Standing Order Regulations

Finally, I will be amending the regulations governing what Local Authorities must include in their standing orders regarding their staff. I will do this in good time for Local Authorities to be able to amend their standing orders at their annual meetings in May.

The amendments I intend to make will require all decisions on the remuneration of chief officers to be taken by resolution of the Authority itself.

They should also provide, where the relevant Authority proposes to appoint a chief officer and the remuneration it proposes to pay to the chief officer is £100,000 per year or more, the vacancy must be advertised externally, except where only a temporary appointment is being made.

I am satisfied the changes outlined above and put in place by the Welsh Government will provide for more robust arrangements in relation to issues which have clearly been handled poorly in some cases and have attracted negative publicity which is damaging for Local Government and Welsh public services more generally. These changes will also provide an important opportunity for Local Elected Members and senior officers to demonstrate the leadership and values which the public and their own workforces have a right to expect.

By virtue of paragraph(s) ix of Standing Order 17.42

Document is Restricted

National Assembly for Wales
Public Accounts Committee
PAC(4)-SMP01
Inquiry into Senior Management Pay
Evidence from the Hay Group

Public Accounts Committee Inquiry into Senior Management Pay

This is an initial response to the Committee's questions about senior management pay in the Welsh public sector. It draws on our work particularly with local government in Wales and on our extensive experience of the public sector across the UK, including central and local government, the NHS, police and fire services, universities and public bodies.

Current public sector practice

The public sector is not a single entity: there are several major subsectors and some unique organisations, each with their own structures, traditions and practices. Two examples might illustrate this:

- **Governance** NHS trusts and some agencies have unitary boards, with executives and non-executives alongside each other. Universities and some non-departmental public bodies have a separation between the governing authority and the executive team. Local authorities and police forces also have a separation, but the governing authority is elected. It is possible for all these organisations to have a remuneration committee – and possible to use other structures too for making decisions about pay – but how these are constituted in detail will vary, and their perspectives and priorities will differ too.
- **Recruitment markets** All public sector organisations share a requirement for corporate services professionals (finance, HR, communications, facilities etc), and in these areas they are also competing for talent with the private sector. However, a significant proportion of their recruitment, including at senior level, calls for skills and experience specific to their subsector, where there are often shortages and market supplements for particular roles and occupations. Consequently there is not a single public sector rate for senior jobs but a multiplicity of rates. Employers, in particular local councils, NHS trusts and universities, are more interested in comparisons with other organisations like them and with the wider economy than they are in benchmarking with the rest of the public sector.

In spite of these differences, there are some general points which can be made about senior management pay in the public sector.

First, it is set according to local processes. There may be comment or criticism from others, but typically pay is set taking account of local needs and circumstances, by people who are also responsible for ensuring that the organisation has appropriate plans and services and delivers them.

Second, public sector organisations often lack clear and properly articulated policies for senior pay. A rounded policy will define what the organisation wants to pay for and what forms reward will take, as well as how much should be paid. Many public sector organisations concentrate on the last of these things, and some even make assumptions about market position rather than developing a rationale for what they do.

Third, faced by public, staff and political concern about senior salaries, remuneration committees in many (though not all) parts of the public sector have been cautious in recent years. Average pay at the top of local authorities across the UK has actually fallen. If these developments reflect careful thought about what is needed and are part of a considered strategy, that can only be good. However,

they are often simply a reaction to pressure, which leaves organisations offering poor rewards for taking on additional responsibility and unable to recruit and retain the leadership talent they need to be successful.

Finally, although there is some use of bonuses in the public sector – and a fair amount of criticism where they occur – most or all of the package is a fixed cost and the relationship between pay and performance (at individual, team or whole organisation level) is limited or non-existent.

What should happen?

We believe improvements are needed in four main areas, which reflect some of the main themes in Will Hutton’s review of fair pay. First, public service organisations should have – though many do not – reward policies which will provide them with the workforce needed to deliver their strategy. Remuneration should not be treated in isolation but linked to other aspects of people management – for example, how talent is identified and developed in house, so the organisation can balance open market recruitment with promotion of home-grown capability.

Second, more work needs to be done to ensure that remuneration committees are effective in all parts of the public sector. Areas for attention include the definition of the committee’s remit, the composition of the group, the training of new members, the programme of meetings and the agenda.

Third, there should be a much closer relationship between senior pay and performance. Current systems commonly pay the same for failure as they do for success. It is vital to define what is required from people in senior roles and is it only good use of public money to align pay to individual and organisational performance.

Finally, the public is also ill-served by the present approach to disclosure: information on senior management remuneration remains difficult to find and it is not always presented in a helpful way, with a clear link between what is paid and why. If all bodies in receipt of public money had to provide a remuneration report (of a kind offered by some of the best private sector companies and certain agencies and NHS trusts, and covering at least the chief executive and all members of the top executive team) it would be a lot clearer. There could be a requirement to explain how changes to remuneration related to strategy, organisation need and organisation performance.

In response to specific questions:

- We do believe that pay has to be sufficient to attract high quality candidates. If individual organisations become uncompetitive, they will suffer in terms of leadership and service quality. If there is an overall clampdown on public sector pay in Wales, it will become difficult to recruit good leaders from across the UK and internationally, and many talented individuals might move to jobs in England.
- We are concerned that the complexity of senior jobs is often poorly understood and that pressure is applied and decisions are taken without a full appreciation of the consequences. For example, the current rate for chief executive in some local authorities has been reduced to be no higher than the cost of a major director. That is not likely to encourage anyone to take on the top job.
- We do not believe that greater consistency in pay arrangements is required across the public sector – this is not a single market. Nor do we believe that an overarching body should impose levels on individual public service organisations. On the contrary, in our view it is vital to maintain continuity of accountability: those who are responsible for the performance of an

organisation (and for the influences on performance such as shaping strategy, developing talent and managing succession) should also be accountable for setting senior management pay. They then have to explain their decisions and stand by them. A separation of accountability – where an outside body sets pay and those responsible for performance have no influence on remuneration – will always be suboptimal.

Nonetheless, this is an important debate, not just because of public and political concern, but also because of the Williams Review. At the level of structure, if the Review is implemented it will lead to a smaller number of larger local authorities, and the people providing them with executive leadership will need to be appropriately remunerated. The Williams Review also highlights the need for stronger governance and scrutiny and better performance management, and it suggests a role for a public service leadership and development centre. This is an opportunity to improve the way remuneration is handled, through better governance, more complete policies and better links between pay and talent development.

However, we are convinced that any reforms should concentrate on improving practices for which each individual employer remains responsible, not imposing pay levels and restraints from the outside. The public sector is too diverse, and the issue of local accountability too important, for such intervention to be helpful or appropriate.

Our role

We are commissioned by the remuneration committee or equivalent body, and in the case of Councils often the Leader (mainly for top team roles) or by the chief executive and the head of human resources (for senior jobs further down the structure). The exact split will depend on the scope of the review and the remit of the committee.

Our role can be to assist with policy development or review; it might simply concentrate on market comparisons (from our own and/or published sources); or we might do both. We will often evaluate the size of senior roles, so we can move beyond job title matching to a systematic comparison with jobs of similar weight and complexity. Typically, we will report findings, raise questions and make comments. In relation to how much senior managers should be paid, we might put forward options but we do not normally recommend a decision (that is a matter for the client).

We are not always invited to attend the relevant decision-making group, such as a remuneration committee – sometimes the written report is the end of our involvement. However, if we do attend, our job is to give independent advice.

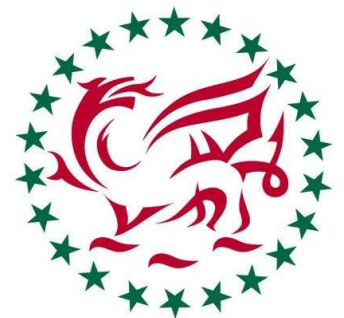
The problems we encounter are illustrated by the comments above, for example committees which are not in a position to decide, because they do not have a common understanding of policy or are not fully prepared; and reluctance to link remuneration to organisation need and performance. Disclosure is increasingly a topic of discussion, which has to be seen as progress.

Peter Smith
Hay Group
January 2014

National Assembly for Wales
Public Accounts Committee
PAC(4)-SMP02
Inquiry into Senior Management Pay
Evidence from the Welsh Local
Government Association

Welsh Government Public Accounts Committee Inquiry into Senior Management Pay

WLGA Evidence Paper
13th February 2014



WLGA • CLILC

Introduction

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales. The three fire and rescue authorities and the three national park authorities are associate members.
2. The WLGA seeks to provide representation to local authorities within an emerging policy framework that satisfies the key priorities of our members and delivers a broad range of services that add value to Welsh Local Government and the communities they serve.

The Public Account's Committee's Questions

The decision making process for setting pay, particularly whether this is appropriate for achieving value for money across the public sector?

3. Senior pay in local government is set by democratically elected and accountable members. The exact method and governance structures may however vary from council to council. Examples of governance structures include Pay and Grading Committees, Referral to Executive and / or full Council, specific politically balanced committees to deal with Chief Officer appointments and remuneration and personnel committees. An enquiry last year also established that a few councils were intending to set up Remuneration Committees, but it is not known if these are now in place or not.
4. In terms of the methodology for setting pay, there were some national historic guidelines available through the Joint National Negotiating Committees for Chief Executives and Chief Officers. These provided benchmarks based on actual median population bands and actual median salaries for different types of authorities (district/ county/ unitary etc.). However, although these were never actually

withdrawn, they have not been updated since around 2007 as their usefulness has declined as the variance between councils as to the structure, size and remit of their senior jobs has increased considerably. It had also become increasingly impossible for councils to attract candidates using pay bands that were uncompetitive against any meaningful market comparisons. The Chief Executive's and Chief Officer's Handbooks provide detailed guidance on setting pay.

5. The rationale for remuneration at senior levels in local government is generally that used for staff at other levels. Once a job profile and description for a new role are developed the size and complexity of the job is determined. This may be via a recognised job evaluation scheme or as an assessment of the percentage of CEO duties. Available market data for similar jobs is checked to provide a benchmark remuneration level and consideration given to where the council wishes to pitch pay in terms of the market ranges, taking into account their own pay structure and affordability. Recommendations are then made to elected members through the appropriate governance structure.
6. Salary structures for Chief Executives and Chief Officers vary between councils. Some use incremental scales or pay ranges and others apply spot salaries. These are entirely local decisions.
7. Local authorities are large complex organisations with multi-million pound budgets. They have a very wide range functions and provide and /or commission a wide range of essential services. The primary aim of a reward strategy is to attract, retain and motivate suitably skilled staff so that the organisation can perform at its best. The biggest challenge for the council in the current circumstances is to maximise productivity and efficiency within current resources. Pay policy then is a matter of striking a sometimes difficult balance between setting remuneration levels at appropriate levels to facilitate a sufficient supply of appropriately skilled individuals to fill the authority's very wide range of posts, and ensuring that the burden on the taxpayer does not become greater than can be fully and objectively justified.

8. In this context it does therefore need to be recognised that at the more senior grades in particular remuneration levels must enable the attraction of a suitably wide pool of talent (which will ideally include people from the private as well as public sector and from outside as well as within Wales), and the retention of suitably skilled and qualified individuals once in post. In this respect the council will often be seeking to recruit in competition with other good public and private sector employers, who often pay more at senior levels.

The Method for Agreeing Pay Increases?

9. At a national level basic pay increases in local government are negotiated through the Joint National Committee on a collective bargaining basis and senior officers are never offered more than other staff. This arrangement allowed local government to introduce a basic pay freeze for senior staff during the downturn sooner and for longer than in the rest of the public sector. Chief Executives and Chief Officers in local government have not received a cost of living award since 2008.
10. All other responsibilities around setting remuneration packages as described earlier are exercised at the local level, including personal salary adjustments (e.g. due to increased responsibilities due to a restructuring). All decisions taken locally are made in various ways by elected members either directly through full council or through committees with powers delegated by full council.
11. Once an officer is in post decisions on pay progression through available incremental scales may depend on satisfactory performance in the role. However, most councils do not use fully-fledged performance related pay mechanisms as these have generally been found not to be effective in terms of efficiency issues. The complexity of collaborative roles has also made identification of individual performance more difficult in some cases.

The Transparency of Pay and Rewards / Benefits e.g. Pensions or Returning Officers Fees?

12. The Accounts and Audit Regulations (Wales) 2010 require that all 'local government bodies' publish information on senior salaries with their annual accounts. The regulations require publication of:

- i) the numbers of senior employees receiving salaries above £60,000 per annum in £5,000 bands, and
- ii) the individual remuneration details of senior employees earning between £60,000 and £150,000 per annum by post, showing i) salary (including fees and allowances), ii) bonuses, iii) expenses, iv) compensation for loss of employment, (v) pensions contribution and vi) any other emoluments

13. Detailed information is therefore available for all relevant senior local government officers on each authority's website on annual basis. Current pay frameworks thereby ensure that senior pay in local government is very transparent and decisions accountable.

14. In addition Councils are required to publish their Pay Policy Statements on an annual basis and these are required to contain information on a range of factors related to senior manager pay policy.

15. While there local government pay and rewards are extremely transparent, similar information does not appear to be so easily available for other parts of the public sector, and we believe there would be value in this being available.

The Quality and Level of Comparative Data that Exists for Senior Management Pay Across the Public Sector?

16. See our response to the previous question. We do not believe that comparable comparative data is available so readily in all other parts of the public sector as it is

in local government. In addition the WLGA participates in the National Regional Employer EPay-check online Market Pay Database. This is a low cost shared system for the local government sector which pools local data about the pay rates offered for jobs identified as being comparable (as far as possible). Current 10 Welsh authorities are participating members and 6 have uploaded senior pay data.

Whether there should be a Body that has a Remit for Taking an Overview of Pay / Remuneration Across the Public Sector?

17. The view of the WLGA is that decisions on reward packages must be made by the local employer because they are most familiar with their operational needs and the labour markets that they recruit in. However we are aware that there will be views in support of, for example, a set of nationally prescribed pay bands for organisations serving similar population sizes or of a similar size. The difficulty with implementing such an arrangement would lie in determining the correct benchmarks due to the discrepancy between current rates of pay for senior managers in different parts of the public sector.

18. For example the spot salary for a Primary Care Trust Chief Executive in an area with over 500K and under 1 million population is £139,957. Current salaries for local government CEOs in areas with less than 1 million population vary between roughly £107,000 and £141,000 with the average being relatively low at £118,000 as only one of these authorities has a CEO salary equal to or above that of the NHS CEO. Similarly the salary scale for the Permanent Secretary in the Welsh Government, an organisation of some 5,000 staff is £180 – 225,000. Local Government salaries for CEOs in Welsh councils with around 5,000 staff vary between £108,000 and £127,000.

19. In the university arena salaries of university Vice Chancellors are often twice that of local authority Chief Executives. For example in 2011 the Vice Chancellor of Cardiff University earned £246,000, of Bangor University £214,000 and Aberystwyth

University's £196,000 (Source Times Higher Education Supplement). The highest paid public servants work in the BBC with the Director General receiving a salary of £450,000 per year and this impacting on other salary grades. One benchmark used by the media is that of the Prime Ministers earnings of £142,000. This is generally a misleading comparison and the Hutton Report has warned against its use. However it does show an historic fact that professions tend to be much higher paid than those who are located in the political arena. In the Cabinet Office there are 21 officials earning more than Rt. Hon David Cameron MP and the Head of the UK Civil Service earns in excess of £200k. When you widen this it applies to nearly every Permanent Secretary of Government Departments including in Wales where the post holder is remunerated to a higher level than the First Minister. If you take the NHS as a whole at a UK level it contains the highest number of staff earning over £100,000 in any part of the public sector, over 26,000. Nearly 6,500 NHS employees are paid more than the Prime Minister - 1,465 of them are GPs (Figures from the BBC Survey in 2011)

20. It can be seen therefore that the impact for local government of benchmarking salaries against the rest of the Welsh public sector (including for example BBC and further and higher education as well as NHS and Welsh Government) would actually demonstrate that local government is on the lower end of the high earners. Furthermore when you take into account the breadth of responsibility, the public and political interface, service and financial risks and the nature of the job role then it could be argued that legitimate scrutiny of the wage levels of local authority chief executives should also apply across the totality of the Welsh public sector. Why for example is the University Vice Chancellor of Cardiff with total estimated income for 2013/14 of £460m paid nearly £250,000 whilst the Chief Executive of Cardiff City Council was recently advertised at £170k? The Council is the largest employer in the city and has a combined revenue and capital budget of nearly £1billion and a much greater breadth of direct public service responsibilities ne.

21. In addition there are a great many variant factors that need to be taken into account in determining pay other than just size of the organisation or population served.

These will include relevant labour market relativities, size of the job and level and extent of the responsibilities. In particular there is now very wide variance between senior jobs in local authorities even between those of similar sizes due to successive re-structures that have seen senior teams cut from around 10 to 3 or 4 in the last 10-15 years. It would be difficult for any central body to be able to balance these factors effectively for all organisations across the whole public sector.

22. Finally on this point, senior managers within the public sector are employed on rates of pay to which they are contractually entitled, and their contractual relationship is with their employer. Any attempt to intervene in current individual contractual pay arrangements or impact on these could create breach of contract cases under employment law. Additionally the application of public sector wide pay rates that were not sensitive to the specific details of any particular job could risk equal pay claims.

WLGA Views on how Senior Management Pay is Set in the Public Sector?

23. The WLGA has no information on how senior management pay is set in the rest of the public sector, as there does not seem to be the same openness as there generally is in local government. However it appears that there are significant disparities in pay rates for doing similar roles in different parts of the public sector, with local government generally being at the lower end. In view of this we would wish to see greater public acknowledgement of the true position to counter the false public impression fostered by the continual media focus on local government's senior pay rates.

How Do You Think Public Sector Pay for Senior Management Should be Determined?

24. We are aware of views that pay bands could be set for small, medium and large organisations across the public sector in Wales or that a whole public sector job

evaluation exercise should be carried out. While we are not totally against such approaches in principle the practicalities and cost of implementation (as explained in paragraph 17) would make these kinds of approach difficult to put into practice. We would therefore reiterate that decisions on local rewards packages best made by the local employer because they are most familiar with their operational needs and the labour markets they recruit in.

25. With regard to local government internally, there may be scope for agreement on suitable pay ranges for Chief Executives of newly merged authorities post Williams. This would need to take into account the considerable increase in the size and responsibility of these roles as a result of the mergers.

Do you think Senior Management Pay Needs to be Set Competitively to Attract the Best Candidates?

26. With the current budget cuts some senior local government roles are being filled by internal candidates as re-deployment opportunities. While this is entirely appropriate in the circumstances, it does mean that there has been only a limited internal competitive exercise to fill some posts, many of which have greater responsibilities than previously. With the major challenges facing local government currently and in the near future it will be important to be able to attract the best talent to work in Welsh Local Government, and while pay is not the only factor that will attract people it is an important one. Examining what the market pays for similar jobs should form part of the overall strategy for setting rates. However, there are other important considerations including the relationship between the pay of senior management and the rest of the organisation.

27. For Welsh local authorities there is also potentially an issue of the divergence of the Welsh and English local government agendas that may be a barrier to applying for local government jobs in Wales for some candidates. If the salary is not competitive and the opportunity for further career development is seen as uncertain, local government in Wales may well struggle to recruit from the wider pool of good

candidates including those from the private sector. Indeed where senior management pay has been set below market rates the councils concerned have struggled both to recruit and retain.

Do you think senior management pay adequately reflects the levels of responsibility associated with senior management roles?

28. We cannot comment on this question from other than a local government perspective, apart from the seeming discrepancy between pay rates in local government and other parts of the public sector including health and higher and further education (with local government at the bottom end). However with regard to local government, pay rates have certainly become less competitive over the last 5 years due to the pay freeze which has seen no cost of living increases for Chief Executive's and Chief Officer's during this time. Some council's do report that they have experienced increasing difficulty in attracting and retaining the best people as a consequence. It is also empirically the case that salaries in English local government are higher than those in Wales. Lancashire County Council, which has more limited functions than a Unitary Council, are out to advert at the moment on a Chief Executive at £180,000. In the London borough the Chief Executives of Wandsworth earns £254,880, the CEx of Barnet collects £250,818 and at Bexley the post holder receives £244,897. WLGA is not for a moment advocating that such levels should apply in Wales but this does show the scale of regional difference.

29. In addition to their being no cost of living increase councils have also undergone successive restructures over the last decade to save money. These restructures have seen many senior jobs taken out of the structure with the consequence that the remaining jobs are much bigger with far greater responsibility. While this situation has been addressed in some councils through job evaluation of the remaining senior jobs resulting in increased pay rates, this is far from being the situation in all cases. Indeed in the current financial climate it would be very difficult for any council to undertake an exercise of this kind, regardless of the extent of any underpayment of

the senior managers in terms of the increased size of the jobs being undertaken, and the amount of money that had been saved by the restructure. It will certainly be the case therefore that many senior local government officers will not be receiving rates of pay that adequately reflect the levels of responsibility associated with their roles as would be assessed by any job evaluation exercise. This is not to say that they are not 'well paid' in comparison to many working people in the Welsh economy. However, the fact that they are comparatively well paid in this respect appears to completely mitigate against senior local government officers receiving any recompense for taking on considerably increased duties and responsibilities in a way that is not so apparent in relation to other parts of the public sector.

30. It is the view of the WLGA that the current arrangements for senior management pay in local government have functioned to keep pay lower than would have been the case had an all-Wales approach been adopted to setting senior public sector pay. Clearly the publication of the Williams report and a possible local government reorganisation will require these issues to be revisited in the round.

Is there Adequate Accountability for Senior Management Pay?

31. It is the WLGA's view that there is generally very effective accountability for senior management pay in local government (we cannot comment on the position in other parts of the public sector save that they do not seem to come under the intense scrutiny on pay that local government does).

32. We accept entirely that there have been a few high profile cases where there has been poor practice and this has inevitably been the focus of much press and public interest and has unfortunately cast some doubt on the whole sector's willingness and ability to regulate itself. However, such cases are actually very much in the minority and we believe the lessons have been learned.

Should there be more consistency in the pay awards of senior management within the public sector? Is there a formula which could be utilised depending on

size/budget/level of responsibility? Should a panel be established to set pay levels?

33. As we have stated in previous answers we believe there should be a more consistent focus on senior management pay and far greater transparency across the whole public sector. This would put local government pay into a more realistic context and allow accurate comparisons to be made. However, had there been more consistent pay awards for senior management within the public sector local government senior pay could well have been higher than it is today.

34. With regard to a 'formula' that could be utilised to determine appropriate pay levels or ranges - there already exist job evaluations schemes that could be adopted and used on a whole public sector wide basis and these would provide the nearest to 'scientific' and equal pay-proofed outcomes that could be achieved in assessing appropriate pay rates. However, as previously explained, the difficulty would then be in implementation of any new pay structure, which could call into question the setting of a benchmark pay line, existing contractual pay arrangements, the impact on pay relativities between senior management and other staff within organisations and the increased costs in areas such as local government where rates might well rise. Establishing a panel to set pay rates would be a relatively simple matter. Resolving the issues this would raise would not be.

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**National Assembly for Wales Public Accounts Committee
Inquiry into Senior Management Pay
Submission from NHS Wales Employers / Welsh NHS Confederation
January 2014**

1. Background

By representing the seven Health Boards and three NHS Trusts in Wales, the Welsh NHS Confederation brings together the full range of organisations that make up the modern NHS in Wales. Our aim is to reflect the different perspectives as well as the common views of the organisations we represent.

The Welsh NHS Confederation acts as an independent voice in the drive for better health and healthcare through our policy and influencing work and by supporting members with events, information and training. Member involvement underpins all our various activities and we are pleased to have all Local Health Boards and NHS Trusts in Wales as our members.

NHS Wales Employers is hosted by and operates as a part of the Welsh NHS Confederation. The unit works with Health Boards and Trusts and acts on their behalf specifically in respect of employee relations matters such as pay, negotiations, employment policy and practice.

The response provided for NHS Wales addresses the area of senior management pay for those staff who are outside of the national contractual frameworks i.e. Agenda for Change and the amended Consultant Contract.

2. Introduction

2.1 At the time of the NHS reforms in 2009 Health Boards/Trusts were given a clear instruction that all posts had to be paid according to the national contractual frameworks and there was to be no local determination of pay. Accordingly, to address the requirement to set appropriate levels of Senior Management Pay, Welsh Government developed a framework setting out the salaries for each Health Board/Trust Executive team.

2.2 The process utilised core job descriptions for each post and these were evaluated using the civil service Job Evaluation for Senior Posts (JESP) scheme. JESP is an analytical job evaluation methodology that has been designed specifically for evaluating roles in the Senior Civil Service with the JESP evaluation factors being:

- Managing people
- Accountability
- Judgement
- Influencing
- Professional competence

2.3 The scheme was considered to be the most sensitive to the range of responsibilities and accountabilities of NHS Directors and was also able to differentiate between the differing sizes of health organisations.

2.4 A 14 point Executive Salary Scale was determined ranging from £85,000 to £200,000 and mapped against the JESP outcomes.

Executive Salary Scale 2009/2010 (still applies in 2013/14)

Pay Point	Salary Band
20	£185K - £200K
19	£170K- £184K
18	£160K- £169K
17	£150K - £159K
16	£145K-£149K
15	£135K-£144K
14	£125K - £134K
13	£115K - £124K
12	£110K - £114K
11	£105K - £109K
10	£100K-£104K
9	£95K- £99K
8	£90K-£94K
7	£85K - £89K

2.5 Following the evaluation of all Executive posts a schedule “Remuneration of LHB/Trust Executive Directors” was issued to Health Boards/Trusts by Welsh Government, noting the specific salary band for each Executive Director Post.

2.6 All appointments made at the time of the NHS reforms, October 2009, followed the salary range specified in the schedule with Directors being placed on a spot salary with no incremental or performance related progression.

2.7 Given the generic nature of the job descriptions provision was made for significant additional responsibilities to be added to the core role of appointed candidates. To recognise this, the salaries were set in a band with a range of £4,000 to £15,000 depending on the particular pay point. The decision making process to increase a salary above the minimum point, but still within the salary band range was remitted to LHB/Trust Remuneration and Terms of Service Committees.

2.8 It was acknowledged that there would be occasions where the remuneration for a specific post needed to be above the maximum of the salary band range and WG have stated that in such circumstances their specific approval is required to depart from the specified salary range. Accordingly, where this has happened Health Boards and Trusts have submitted a business case to WG outlining the reasons for the request and rationale for a variation.

2.9 There are also occasions where Health Boards/Trusts have appointed a senior management post operating at an associate Director level or equivalent for which the responsibilities of the post are beyond the Agenda for Change pay/job evaluation

criteria. In such circumstances WG have established a process where they will evaluate the new job description against the JESP scheme criteria so as to determine an appropriate pay point on the Executive Salary Scale.

3. Areas for Consideration

In respect of the Public Accounts Committee's letter setting out the areas for consideration, I have addressed each of the bullet points in turn to aid the Committee's consideration of the matter.

3.1 The decision making process for setting pay, particularly whether this is appropriate for achieving value for money across the public sector;

3.1.1 In considering senior management pay this needs to be set in the context of whether the comparison is with the public sector in Wales, the public sector across the UK or for a particular sector (e.g. the NHS) across the UK. Recruitment of senior officers often involves competing in the same pool as the NHS in England and there is an issue of competitiveness of pay rates with that system. Whilst the JESP process sought to establish an evidence based system which addressed equal pay issues and comparability across NHS Wales, there is evidence that where there has been turnover in Director posts over the past 4 years that the published pay levels have been uncompetitive and have required WG approval to increase the salary.

3.1.2 Whilst the job evaluation process is appropriate, the salary bands attributed to the job evaluation score outcome are extremely constrained when compared to the Civil service ones which leave little scope for negotiation where there is a difficulty in attracting a suitable candidate. Having wider and possibly overlapping bands, where there is a level of scope to negotiate depending on the labour market, individual circumstances and quality of applicants would support Health Boards/Trusts.

3.2 The method for agreeing pay increases;

3.2.1 The current process is by Ministerial decision. There was a 2 year pay freeze during 2011/12 and 2012/13 for all NHS staff. Whilst there was an increase in pay for all NHS staff on national contracts for the 2013/14 financial year, no increase has been promulgated by Welsh Government for those staff paid according to the Executive salary scale. The consequence of this has been to remove very senior managers from parity with any national uplift agreed for Agenda for Change staff, to which pay increases have traditionally been pegged. Furthermore, Senior Managers have no negotiating rights in respect of pay awards and they do not fall within the remit any of the Pay Review Bodies.

3.3 The transparency of pay and rewards/benefits e.g. pensions;

3.3.1 Within the NHS the transparency of pay and rewards/benefits is very high, given the requirement to publish these as part of annual reports which are public documents. There is a broader question on "openness" more widely across the public sector which gives rise to assumptions about the levels of pay.

3.4 The quality and level of comparative data that exists for senior management pay across the public sector;

3.4.1 This exists for Health and whilst there is no comparative data across the whole of the public sector in Wales, there are organisations such as IDS which undertake annual salary analysis across sectors. I am not aware of any pan public sector data analysis which has taken place to consider the continued relevance of the range and spread of salaries associated with the NHS Wales Executive portfolios and organisation size although the difference in operating requirements and accountabilities would make direct comparison difficult.

3.5 Whether there should be a body that has a remit for taking an overview of pay / remuneration across the public sector in Wales;

3.5.1 If this is about “overview” then such an approach could be useful, however there would need to be an exploration of the value of such a body as opposed to using existing organisations/parties to address any issues within a committee arrangement e.g. NHS Wales Employers, WLGA, Education, WG etc.

3.5.2 If there was a body to set pay then this could be unwieldy particularly if it encompasses all of public sector. To do so would require an awareness of different recruitment pools – with some public bodies being more likely to recruit from within Wales, whilst others are more likely to recruit or compare with a UK wide pool or internationally. Health Boards/Trusts need flexibility to recruit the best people.

4. Further information

The Committee also requested to hear about the following areas and to receive specific comments about these further bullet points - particularly 4.2 & 4.3 and the proposal to establish a panel to set pay levels.

4.1 What are your views on how senior management pay is set in the public sector?

4.1.1 Within the NHS pay as noted above has been set using a nationally established and respected job evaluation system JESP. It is considered to be a satisfactory system, although as noted above there could be further flexibility with the application of the salary bands e.g. wider and possibly overlapping bands, with the scope to negotiate depending on the labour market, individual circumstances and quality of applicants.

4.1.2 The system however does need to be sensitive to the consideration of and comparison with other markets, particularly if recruitment is to offer the prospect of bringing appointees in from other parts of the UK. Similarly the market for executive staff should not be restricted to the public sector and we need to ensure that the public sector in Wales can recruit from the private sector and attract different skill sets, the pay structure therefore needs to facilitate such appointments.



4.2 How do you think public sector pay for senior management should be determined?

4.2.1 Any determination needs to be underpinned by an open and transparent job evaluation system to avoid equal pay issues. Common consideration could be given to the specific job evaluation system used and/or the weighting of factors (e.g. numbers of staff in the organisation, budget etc.) as well as to the prevailing labour market (UK) conditions within each geographical area, sector and function.

4.3 Do you think senior management pay needs to be set competitively to attract the best candidates?

4.3.1 Yes. Some posts in NHS Wales have proved hard to fill and it is essential that organisations retain the flexibility to recruit senior leaders of a high calibre.

4.4 Do you think senior management pay adequately reflects the levels of responsibility associated with senior management roles?

4.4.1 As noted above the salary bands require review to assess the continued appropriateness of the distribution of pay and salary ranges which was determined in 2009.

4.5 Is there adequate accountability for senior management pay?

4.5.1 I have taken this question as referring to the accountability for setting senior management pay rather than an individual's accountability.

4.5.2 Yes, all Health Boards/Trusts use their Remuneration and Terms of Service Committee to take any decisions regarding pay within the organisation's remit and refer matters to Welsh Government as required. The membership of Remuneration and Terms of Service Committees is restricted to Independent/Non-Executive Directors with Chief Executives and other Directors being present in an "in attendance" capacity and if matters concerning their pay is discussed then the particular officer will withdraw from that part of the meeting.

4.5.3 In addition all Chief Executive and Executive Director salaries are published in each health body's annual accounts.

4.6 Should there be more consistency in the pay awards of senior management within the public sector? E.g. is there a formula which could be utilised depending on size/budget/level of responsibility, should a panel be established to set pay levels?

4.6.1 As noted above the system operating with the NHS for senior managers is system wide and follows a set range of outcomes which have been arrived at following due process with a JESP evaluation. There could be scope to utilise one job evaluation system across the public sector for senior managers with a common weighting of dimensions for respective factors providing that the process also takes due account of the complexity of roles.



NHS Wales Employers
Cyflogwyr GIG Cymru

THE **WELSH NHS CONFEDERATION**
CONFFEDERASIWN GIG CYMRU



4.6.2 Rather than a panel to set salaries or a formula, one way forward would be to ensure clarity around the operation of a job evaluation scheme and the salary parameters which would be applied to evaluation outcomes. We should however, not lose sight of very complex nature of these jobs need to attract the highest calibre people.



National Assembly for Wales
Public Accounts Committee
PAC(4)-SMP04
Inquiry into Senior Management Pay
Evidence from the Taxpayers' Alliance

Response from the TaxPayers' Alliance to the Communities and Local Government Committee consultation of January 2014 on chief officers' pay

Submitted on behalf of the TaxPayers' Alliance by

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1. Summary

- The current levels of executive pay in local government continue to be a matter of serious concern. The escalating costs of chief executive positions over the past decade, without parallel improvements in services or efficiency, have done much to undermine the public's faith in local government.
- Before 2010, local government executive pay was not at all transparent. That is why the TaxPayers' Alliance (TPA) began our Town Hall Rich List series in 2007. We initially used Freedom of Information requests to obtain the information but reforms to accounting procedures mean that most of the information salient to taxpayers is now included in council accounts. While not perfect, this is a huge step forward in transparency and accountability.
- More transparency and scrutiny does not mean that senior staff should not be paid appropriately. Many senior public sector jobs are not only difficult but critically important, requiring a level of professional skill or a past career of service that needs to be remunerated accordingly. This will sometimes necessitate pay and conditions sufficient to compete with private sector employers.
- The Town Hall Rich List shows that while councils bemoan reduced budgets too many are still willing to pay their own senior staff very high sums of money. These council executives must ensure they have the moral authority to lead a programme of necessary spending cuts; in many cases that will mean taking a pay cut themselves. Households have seen their Council Tax bills nearly double over the last decade and it is questionable whether many would say that the standard or quantity of public services they access has risen concomitantly.
- To give you some examples from our Town Hall Rich List over the years, the largest remuneration package in Wales in 2010-11 was received by Bryn Parry-Jones, Chief Executive of Pembrokeshire County Council, who received £195,164. The largest remuneration package in Scotland in 2010-11, excluding any redundancy payments, was received by George Black, Chief Executive of Glasgow City Council who received £217,419. Contrast this with the combined ministerial and parliamentary salary of the Prime Minister, who receives £142,500 at April 2013, who is well paid compared to senior managers in all but the largest private sector companies.
- It is important to accept that hard rules and simplistic benchmarks are no substitute for transparency and controlling pay on the basis of a democratic judgement about the level of pay that is acceptable. More can be done on transparency, which will mean far greater scrutiny.

Responses to the questions raised in the Consultation

The rationale for remuneration paid to chief officers in local government

- Many chief officers in local government jobs are not only difficult but critically important, requiring a level of professional skill or a past career of service that needs to be remunerated accordingly. This will sometimes necessitate pay and conditions sufficient to compete with private sector employers.
- However, while many taxpayers have had to take pay freezes or cuts – including those in the public sector – many councils have continued to increase salaries of senior staff. This shows that some are still completely out of touch.
- In order to keep Council Tax as low as possible salary bills have to be cut. What's more, when those at the top freeze or trim their own salaries, they demonstrate to their staff and residents that they do live in the real world, and set an example that they take spending restraint seriously.
- Most top posts are not filled by individuals with a history of well remunerated private sector work, and there is little chance that senior managers will leave for better paid work elsewhere. The chief executives of many public sector bodies and quangos are often career public servants, whose prospects in the private sector are weaker than they would suggest. The majority of highly paid senior public sector jobs are not affected by a particular scarcity of suitable candidates and the key consideration in the setting and monitoring of executive pay must be value for money; "what is the lowest amount we can pay while securing a suitable candidate".
- Public sector workers often stress that they do their jobs, in part, out of sense of duty; this attitude must be reintroduced into the top levels of the public sector. If local government chief executives now chose to pay themselves private sector wages, the idea that public servants take up their profession from a sense of duty no longer holds.

Arrangements for determining remuneration and increases in salaries

- At best public sector bodies and authorities are covered by central government guidance on pay, but most are free to set pay and conditions entirely independently. The system of 'remuneration panels' and 'remuneration boards', in which most public sector executive pay is set are inadequate; ordinary taxpayers are rarely represented. As currently set up, those responsible for setting and monitoring pay and benefits are likely to gain directly from salary increases and improved benefits, eliciting a clear conflict of interest.
- Current arrangements may seem fair to public sector executives, but they are unfair to taxpayers. For instance the generous rewarding of public sector executives after serious management failures is unacceptable. Public sector executive employment contracts must contain clauses that exclude the possibility of pay-outs or compensation for loss of office should the individual be made to resign for reasons of proven poor performance. It is not always payments for failure that irk taxpayers. The notion that local government chief executives leave their well-paid job and get a big pay-out, only then to land another senior role at another council, is a source of much anger for many of our supporters. John Foster, who was the head of Wakefield Council, landed a job as the head of Islington Council, after a big pay-out. Katherine Kerswell received a big pay-out after leaving Kent County Council,

only to join the cabinet Office in another taxpayer-funded role. She was also previously the chief executive of Northamptonshire County Council.

- The use of consultancies to advise on pay does little to encourage public confidence in the system or deliver value for money, often acting as little more than an expensive rubber stamp. Some consultancies, like Solace, seem to be little more than employee groups designed to push up pay. Using consultancies is not always a bad thing, and should be analysed on a case-by-case basis, but extreme caution must be taken.
- Comparisons with private sector executives in charge of equivalent budgets or staff numbers are unhelpful and not at all instructive. Local government chief executives manage organisations in receipt of central government grants and council tax. They do not operate on profit and loss and have no risk of going bust if big mistakes are made. They also have no risk of losing their customers to rival service providers in most cases.
- The primary factor in determining the correct level of pay must be an assessment of the availability of suitable candidates and value for money.
- It is extraordinarily difficult for the public to establish the exact pay and conditions of public sector executives, let alone the details of how such remuneration packages were agreed. All minutes, agreements and memos pertaining to the setting of pay and conditions for board level and £100,000 plus earning members of public sector bodies should be available online, and a clear remuneration report (containing details of all board level and £100,000 plus earning employees) should be made a mandatory part of every public sector body's annual publications.

How efficiency and effectiveness are measured and related to remuneration, and also to redundancy packages

- The increase in chief executive pay and redundancy packages over the last decade is not matched by enough evidence of a corresponding increase in efficiency or effectiveness.
- Not only have we witnessed a worrying trend of rewarding failure but also frequent examples of handing out hefty redundancy pay packages to high-ranking officials, who are, in actual effect, not really being made redundant at all, but being absorbed back into the system in similar roles. A recent example of this was recorded in the NHS when The Times reported that three managers were paid a total of almost £1 million even though they continued to work in the NHS. One manager, Rob Cooper, was paid between £370,000 and £375,000 despite never leaving the NHS at all. As outlined above, though, this practice occurs in local government too.

The extent to which remuneration varies between type of authority, region and gender and the reasons for the variation

- The public sector is vast, encompassing a huge variety of professions. Arrangements to set executive pay will need to reflect this. However there should be consistency across the public sector regarding transparency.
- All individuals employed at executive level positions, in organisations funded by the taxpayer or controlled by Government (whether central or local) should have their total remuneration details published each year. The 'total remuneration' shown must include salary, bonus,

benefits in kind, employer pension contributions, compensation for loss of office, relevant termination payment, etc.

How remuneration compares with similar jobs in the public and private sectors

- Only for a select few senior posts in the public sector is comparability necessary or desirable, and even then the comparative private sector job should be used only as a reference, not a benchmark.
- Most top public sector jobs do not have a comparator in the private sector; with a virtual monopoly on healthcare, NHS managers cannot bench their pay to some private sector equivalent when private sector healthcare is almost exclusively a high value niche. The same applies to Council chief executives, whose closest comparator would be a central government permanent secretary (whose pay is far less than most council chief executives). Comparisons with positions in the City of London or FTSE 100 companies are particularly distorting and should be avoided; the claim that public sector executives, who have worked in the civil service or public sector all their lives, could walk into higher paid private sector jobs is often not very credible. Again, the primary factor in determining the correct level of pay must be an assessment of the availability of suitable candidates and value for money.
- If nothing else it is very difficult to find comparable jobs between the private and public sectors, beyond crude comparisons on organisational size and budget. These crude comparisons ignore the fact that private sector chief executives have different sets of priorities (profit maximisation) and pressures (competition), and thus different risks to public sector top posts.
- One obvious difference is job security; the risk to one's job is higher in the private sector, as poor performance is far more likely to lead to dismissal. Additionally, poor performance of an executive in the private sector can mean many other workers lose their jobs; this is rarely the case in the public sector. Remuneration in the private sector should therefore be higher to reflect these risks.

How chief officers' pay compares with average local government pay, and whether chief officers' pay has increased at a disproportionate rate

- The primary factor in determining the correct level of pay must be an assessment of the availability of suitable candidates and value for money.
- If we want to see good managerial talent come in from the private sector, taking over public sector organisations, then we may (in a few, very special circumstances) have to accept pay at considerably higher levels than the average local government pay. It is important to accept that hard rules and simplistic benchmarks are no substitute for transparency and controlling pay on the basis of a democratic judgement about the level of pay that is acceptable.
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The skills required by chief officers and market rate for those skills

- Leadership can have a considerable influence on the performance of an organisation. The qualities and performance of the senior members of public sector bodies will no doubt have a significant impact, as we have too often seen when over-promoted officials take on top posts, leading to unfortunate results.
- Improving the quality and motivation of staff in the public sector is not just, or even primarily, a matter of money. Giving staff real autonomy, the freedom to make decisions and the chance to take responsibility for the results (good or bad) will improve staff satisfaction, motivation and performance, much more than increased pay.
- Top posts in the public sector are very well remunerated, by any standard or measure. Moreover, if individuals in top posts do not perform to the best of their abilities at all times, regardless of pay, then they are not suitable for the job.

The experience of local authorities that have shared chief executives and management structures, or have deleted the post of Chief Executive

- The TaxPayers' Alliance has spoken at length to councillors at East Hampshire District Council. It shares a Chief Executive and Senior Management team with Havant Borough Council. Their experience has been largely positive, with savings in excess of £5 million since 2010. They have flagged up some lessons to take into consideration for other authorities looking to implement similar mergers. One is that past experience in merging other services is a big help – for East Hampshire and Havant, this was the merger of their waste collection services. Another is the importance of communicating the vision and “end point” to staff and councillors at the very beginning, to assuage any apprehension they may have had. Finally, communicating the process and progress at every stage helps to keep staff motivated and informed. The TaxPayers' Alliance strongly recommends that the Committee holds a separate oral evidence session on this, with appropriate witnesses.

The effect of merger of local authorities' back office services on the employment prospects of chief officers

- First and foremost any decision to merge back office services should be with regards to value for money for the taxpayer, rather than the employment prospects of chief executives.
- It is good that councils have been combining services and this is something we have been recommending for a while. South Holland and East Lindsey District Councils in Lincolnshire merged five back-office services in 2008. They estimate it will save £30 million over the next ten years. In June 2011, it was reported Wokingham Council was to merge its legal services department with the Royal Borough of Windsor and Maidenhead.
- All of this proves when councils work together and explore new ways of working there are considerable benefits for taxpayers. However they do need to go further, and ensure they cut the number of directors and chief executives. When pension contributions are factored in, many senior council officers are costing taxpayers in excess of £200,000 a year.
- With considerable savings possible, this should be the primary concern when deciding a course of action, not the potential employment prospects of chief officers.

Evidence from the Permanent Secretary, Welsh Government to the Public Accounts Committee on Senior Management Pay

Introduction

I am grateful for the opportunity to provide written evidence in advance of the Committee's Inquiry into Senior Management Pay in the Welsh public sector. This note sets out both the arrangements for Senior Civil Service Pay within the Welsh Government and a perspective on senior pay across the wider Welsh public sector.

Senior Civil Service Pay within the Welsh Government

1. The terms and conditions for Senior Civil Servants (SCS) in the Welsh Government are set by the Cabinet Office and apply across the Home Civil Service, covering both Whitehall Departments and the Devolved Administrations. These arrangements apply both to the recruitment process and to the SCS pay system.
2. The Civil Service Commission regulates recruitment to the Civil Service, including the SCS, providing assurance that appointments are on merit and after fair and open competition. The Commission, which is independent of the UK Government and the Civil Service, determines the rules and procedures for meeting the legal requirement for appointment. Whilst we have some flexibility to determine our approach to SCS recruitment to meet operational requirements, we must do so within these rules and procedures which are monitored very closely by the Commission.
3. Furthermore, to add additional rigour and transparency into the selection process, a Civil Service Commissioner will chair the selection panel for all competitions for posts at Permanent Secretary and SCS Pay Band 3 (Director General) level. A commissioner will normally also chair the panel for external competitions at SCS Pay Band 2 (Director) level.
4. The SCS pay and grading system is managed by the Cabinet Office and is based on the UK Government's response to the annual report of the Senior Salaries Review Body. The Review Body provides independent advice to the UK Government on the pay of senior civil servants, the judiciary, senior officers of the armed forces, certain senior managers in the NHS and Police and Crime Commissioners. The arrangements for my own pay, as Permanent Secretary, are determined by the Permanent Secretary Remuneration Committee (a sub-committee of the independent Review Body). In reaching their recommendations, the Review Body takes into consideration a range of factors including the need to recruit, retain and motivate suitably able and qualified people, along with wider

economic considerations and affordability. The Review Body is an advisory non-departmental public body of the Cabinet Office.

5. The Welsh Government has some limited flexibility to apply individual pay awards but must do so within the parameters set by the Cabinet Office. The Welsh Government's SCS Remuneration Committee, which is chaired by a Non Executive Director, provides governance and oversight of this process. Under me, the Committee is responsible for approving the recruitment process for all SCS posts; determining the Welsh Government's SCS Pay Strategy (within the guidelines set by the Cabinet Office); overseeing the process of performance assessment; and formally advising the First Minister on discharging his responsibilities as the Minister for the Civil Service in Wales.
6. Information on my remuneration and that of Directors General is published within our Annual Accounts. In addition, salary banding information for our Welsh Government Directors can be found on our website.

Welsh Government Sponsored Bodies

7. Governance arrangements and internal controls in Welsh Government Sponsored Bodies (WGSBs) are primarily a matter for individual WGSB Boards themselves, but the Welsh Government has a specific role in the process of determining the pay of Chief Executives. In practice, this means WGSBs must submit proposals relating to both the appointment process and the proposed remuneration of Chief Executives for consideration and approval by the Welsh Government prior to recruitment. In a similar way, any WGSB proposals for re-grading or changes to pay must also be presented for approval. The Welsh Government also sets the overall framework for annual pay awards for Chief Executives, advising WGSB Boards on the level of any increases that may be awarded in a given period. WGSBs are responsible for publishing Chief Executive and Director level salary details within their own Annual Accounts.

Senior Management Pay across the Welsh Public Sector

8. The Committee will already be aware that there are different arrangements in place for senior management pay across the Welsh public sector.

Local Government

9. Local Government pay awards are generally negotiated on a collective basis across England and Wales between the Local Government Employers and the Trade Unions, through national negotiating fora. A separate negotiating forum exists for senior officers' pay although such cases tend to be negotiated locally to take account of local circumstances.

10. There have, of course, been a number of issues recently about senior management pay in some Welsh local authorities. These are issues for those authorities to address, as each authority is an individual employer in its own right and has the autonomy to make decisions on starting pay and pay increases which are appropriate to local circumstances and which deliver value for money for local taxpayers. Where doubts arise – as they have recently in several cases, they can be investigated as appropriate.
11. However, the Welsh Government has taken steps to ensure that there are measures in place to support the governance and scrutiny of senior officers pay. Local Authorities are required by the Localism Act 2011 to prepare and publish annual pay policy statements. These statements cover the local authority's policy towards matters relating to pay, including the remuneration of senior staff. It is a requirement that these statements are approved by the full Council. In accordance with the Act the Welsh Government has issued guidance to which authorities in Wales must have regard when performing their functions in preparing and approving pay policy statements. The guidance recommends that, in addition to agreeing the parameters for setting the pay of chief officers, the full Council should be offered the opportunity to vote on salary packages in excess of £100,000 which are to be offered in respect of new appointments.
12. These measures will be strengthened further through amendments shortly to be proposed to Local Authority Standing Order Regulations which will mean that Councils will be required to advertise externally all vacancies for jobs with a salary of £100,000 a year or more. These regulations will also require decisions on remuneration of all chief officers to be agreed by the full council.
13. In addition, the Local Government Democracy (Wales) Act 2013 is introducing new responsibilities for the Independent Remuneration Panel for Wales. The Act has extended the remit of the Panel to having oversight of Chief Executive pay awards within local government. Authorities will be required to take into account the views of the Panel when considering variations to the pay of its Chief Executive. With effect from April, no local authority will be able to vary the salary on offer to their Chief Executive (or the post, if advertising a vacancy) without first referring the matter to the Panel and considering their response.

Health

14. The majority of senior managers are now covered by the nationally (UK) negotiated Agenda for Change arrangements (as are the majority of NHS staff). The group referred to as "Very Senior Managers" includes the Chief Executive, Executive Directors and any other manager reporting directly to the Board. Proposals for their pay uplifts are submitted to the Minister for Health and Social

Services for approval and are promulgated via the Statement of Information & Decision Report route. The relevant powers are contained in the NHS (Wales) Act 2006 which have been transferred to the Welsh Minister under the Government of Wales Act 2006. Senior roles are evaluated using the civil service Job Evaluation for Senior Posts (JESP) methodology.

15. At the time of the NHS reforms in 2009, the Welsh Government established a framework setting out the salaries for each LHB and Trust Executive Team. Following an evaluation of posts, a schedule "Remuneration of LHB/Trust Executive Directors" was issued, noting the specific salary band for each Executive Director Post. The decision making process to increase a salary within the band range was remitted to LHB/Trust Remuneration and Terms of Service Committees.

Education

16. Governing Bodies are responsible for setting head teachers' pay with the detail usually being carried out by the Finance (or similar) sub-committee of governors. Local Authorities are usually involved in an advisory role. Education Institutions are not public bodies but senior staff pay arrangements are handled through a similar Remuneration Committee based approach. For Further Education, the pay of principals is determined by each corporation. Most use external benchmarks to determine salary (derived from the annual survey of remuneration carried out by the Association of Colleges and covering the UK).

Perspective on questions posed by the Inquiry

17. Management pay in the public service in Wales must strike the right balance. Organisations should be able to attract and retain excellent people to positions of leadership for the delivery of key public services. An important element in recruitment and retention (though not the only one) is to ensure that competitive and appropriate remuneration packages are in place for what can be roles with very heavy policy, management and financial responsibilities. But we also recognise that the need to recruit the best people to leadership positions in Wales has to be balanced against the requirements for delivering value for money and guarding against the risk of excessive salaries which are not appropriate. There are also the less tangible factors such as; a strong public service ethos in Wales, job satisfaction, and job security.. There is also the risk of creating circumstances in which there is a gradual upwards inflationary drift in senior management pay. Arrangements for determining senior management pay – and the way in which those arrangements are applied in practice – should of course be fully legal, compliant and transparent.

18. Finally, the Committee asks whether there should be greater consistency on senior pay within the public sector. I recognise that it is desirable wherever practical for there to be standard practices and comparable levels of pay, not least to help to facilitate greater interchange of senior managers between sectors. But we also have to bear in mind the administrative and legislative complications involved in attempts to standardise, as well the need for different sectors, and individual organisations within those sectors, to have the flexibility to reflect their own particular needs and their distinct democratic and organisational arrangements. These arrangements do differ between sectors, and we need to recognise those different distinct democratic and organisational factors as well as the need to compete in different employment markets.

Permanent Secretary

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Chairman, Secretary