

# Public Accounts Committee

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Meeting Venue:  
**Committee Room 3 – Senedd**

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Meeting date:  
**Tuesday, 13 January 2015**

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Meeting time:  
**09.00**

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Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



For further information please contact:

**Michael Kay**  
Committee Clerk  
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## Agenda

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### **1 Introductions, apologies and substitutions (09:00)**

### **2 Papers to note (09:00–09:05) (Pages 1 – 2)**

**Health Finances 2013–14: Letter from Dr Andrew Goodall, Welsh Government (18 December 2014) (Pages 3 – 5)**

**NHS Wales Health Board's Governance: Letter from Older People's Commissioner for Wales (9 December 2014) (Pages 6 – 7)**

**Glastir: Letter from Gareth Jones, Welsh Government (8 January 2015) (Pages 8 – 12)**

### **3 Senior Management Pay – Consideration of Welsh Government Response (09:05–09:20) (Pages 13 – 24)**

**PAC(4)–01–15 Paper 1 – Welsh Government Response**

**4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the meeting for the remainder of the meeting (09:20)**

**5 Wales Audit Office Briefing on Managing the Impact of Welfare Reform Changes (09:20–09:50)**

PAC(4)–01–15 Paper 2 – Wales Audit Office: [Managing the Impact of Welfare Reform Changes on Social Housing Tenants in Wales](#)

**6 Scope of the Inquiry into Motorway and Trunk Road Value for Money (09:50–10:20) (Pages 25 – 40)**

Research Brief – Motorway and Trunk Road Value for Money

**7 Scrutiny of Accounts 2013–14: Consideration of the Key Issues (10:20–10:45) (Pages 41 – 49)**

PAC(4)–01–15 Paper 3 – Scrutiny of Accounts 2013–14 Key Issues

## Public Accounts Committee

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Meeting Venue: **Committee Room 3 – Senedd**

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Meeting date: **Tuesday, 9 December 2014**

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Meeting time: **09.00 – 10.55**

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This meeting can be viewed on [Senedd TV](http://senedd.tv/en/2468) at:  
<http://senedd.tv/en/2468>

Cynulliad  
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National  
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Wales



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### Concise Minutes:

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#### Assembly Members:

Darren Millar AM (Chair)  
William Graham AM  
Mike Hedges AM  
Alun Ffred Jones AM  
Julie Morgan AM  
Jenny Rathbone AM  
Aled Roberts AM  
Sandy Mewies AM  
Huw Vaughan Thomas  
Matthew Mortlock  
Dave Thomas

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#### Witnesses:

Sarah Rochira, Older People's Commissioner for Wales

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#### Committee Staff:

Meriel Singleton (Second Clerk)  
Leanne Hatcher (Deputy Clerk)

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## 1 Introductions, apologies and substitutions

1.1 The Chair welcomed Members to the Committee. There were no apologies.

## **2 Papers to note**

2.1 The papers were noted.

## **3 Intra-Wales – Cardiff to Anglesey – Air Service**

3.1 The Committee considered a letter from James Price, Director General for the Department for Economy, Science and Transport in the Welsh Government.

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

4.1 The motion was agreed to move into private session for item 5 and item 6.

## **5 Feedback from visit to the Dail**

5.1 The Committee considered a paper following their visit to Dail.

## **6 NHS Governance**

6.1 The Committee considered a paper on the follow up work on NHS Governance.

## **7 NHS Governance: Evidence from Older People's Commissioner for Wales**

7.1 The Committee scrutinised Sarah Rochira, the Older People's Commissioner for Wales.

7.2 The Commissioner agreed to provide the following information:

- The 12 key performance indicators that the Commissioner has developed in relation to older people.
- Information on the concerns and key issues the Commissioner has raised on the NHS Governance and Quality Green Paper.



Llywodraeth Cymru  
Welsh Government

Yr Adran Iechyd a Gwasanaethau Cymdeithasol  
Cyfarwyddwr Cyffredinol a Prif Weithredwr, GIG Cymru

Department for Health and Social Services  
Director General and Chief Executive, NHS Wales

Darren Millar AM  
Chair  
Public Accounts Committee  
Cardiff Bay  
Cardiff  
CF99 1NA

Our Ref: AG/KH

18 December 2014

Dear Darren

In response to your letter of 4<sup>th</sup> December I provide the following clarification for Committee members.

**a) whether prescribing in both hospital and GP settings is always "as per" the guidance;**

The role of clinical guidance is to inform individual clinical decisions, ensuring that the available evidence is considered. We would therefore not expect prescribing guidance to be applied in all situations.

Good Medical Practice (The General Medical Council document that describes the duties of doctors) expects that doctors:

- prescribe drugs or treatment, including repeat prescriptions, only when they have adequate knowledge of the patient's health, and are satisfied that the drugs or treatment serve the patient's needs
- provide effective treatments based on the best available evidence (which will include clinical guidance)
- check that the care or treatment they provide for each patient is compatible with any other treatments the patient is receiving, including (where possible) self-prescribed over-the-counter medications.



BUDDSODDWYR | INVESTORS  
MEWN POBL | IN PEOPLE

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Pack Page 3

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Gwefan • website: [www.wales.gov.uk](http://www.wales.gov.uk)

Guidance may therefore not be appropriate for an individual because of other conditions, medications or personal preference. We expect these issues to be considered and discussed in the development of a personal management plan.

**b) whether the "handover" of patients from hospital to GP prescribing is always well managed - given that the costs of prescribing in GP settings are different ( for the same regime) than in hospital settings;**

Health boards as integrated secondary and primary care organisations are able to take a health community view of prescribing costs rather than make decisions based solely on the acquisition cost in one or another sector.

Health boards have joint primary and secondary care formularies which promote the most appropriate choice of medicines in particular clinical scenarios. The decision as to which medicines are recommended in such formularies are made through multidisciplinary committees which engage secondary care clinicians, GPs, pharmacists, nurses and finance professionals in decision making.

Prescribing advisors have an important role in supporting prescribing that is clinically and cost effective. They are routinely involved in reviewing general practice prescribing against guidelines and conducting audit. This supports identification of prescribing that is out of line with other GPs and national guidance. Their work is supported by national prescribing indicators and educational materials developed by the All Wales Medicines Strategy Group.

The Quality and Outcomes Framework incentivises GP practices to meet their health board prescribing advisor at least annually to agree up to three actions related to prescribing and subsequently to provide evidence of change. This work is supported by detailed prescribing data.

The importance of good communication at transfers of care is well recognised. The roll out of the Medicines Transcribing and electronic Discharge system to hospitals in Wales is supporting better transfer of information between hospitals and GPs by allowing discharge advice letters to be sent electronically.

We have invested £280,000 through the Welsh Government's Health Technologies and Telehealth Fund, to develop a proof of concept e-solution which allows information about a patient's medicines at discharge to be shared with a patient's nominated community pharmacy. Pharmacists can then use the information to support the reconciliation of a patient's medicines after discharge through the Discharge Medicines Review service which has been shown to provide a 3 to 1 return on investment.

**c) how well "co-morbidities" are managed for patients on a combination of drugs;**

The complexity of multiple co-morbidity is well recognised. All medications should be reviewed as advised in Good Medical Practice but in addition the Quality and Outcomes Framework rewards practices that evidence that a medication review is recorded in the notes in the preceding 15 months for at least 80% of patients being prescribed four or more repeat medicines.

In addition we have identified action to 'Minimise the harms of poly-pharmacy' as a priority area for General Practice . For 2015/16 practices are reviewing prescribing in patients aged

85 and over to identify actions to improve prescribing practice. [Guidance](#) has been developed by the All Wales Medicines Strategy Group to support this work.

**d) how well patient non-compliance is recognised and factored into doctors' adjustments to medication (for example, thinking the patient has deteriorated when they have simply opted to stop taking one key drug in their cocktail because they don't like the taste or think they can take any four from five).**

Good Medical Practice includes detailed duties for prescribing management. These include that at each review the prescriber should:

- confirm that the patient is taking their medicines as directed, and check that the medicines are still needed, effective and tolerated. This may be particularly important following a hospital stay, or changes to medicines following a hospital or home visit. Prescribers are also directed to:
- consider whether requests for repeat prescriptions received earlier or later than expected may indicate poor adherence, leading to inadequate therapy or adverse effects.

Pharmacists play an important role in identifying and rectifying non-compliance. Community pharmacists undertake Medicines Use Reviews and Discharge Medication Reviews which give patients the opportunity to discuss their medication with the pharmacist, to raise any concerns/issues around compliance or adverse effects and to identify solutions to improve compliance.

We are supporting work to further develop systems of medicines management in practice as part of the recent £3.5m investment in primary care. This includes projects in Powys Teaching Health Board and Betsi Cadwaladr University Health Board to develop the role of a practice based pharmacist to support medicines management, and an extended pharmacist role within the primary and community setting to encourage adherence to medication, to ensure appropriate and prudent prescribing and to strengthen the existing Discharge Medication Review service.

I hope the information provided is of assistance.

Yours sincerely



**Dr Andrew Goodall**



Darren Millar AM  
Chair, Public Accounts Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

Cambrian Buildings  
Mount Stuart Square  
Cardiff CF10 5FL

Adeiladau Cambrian  
Sgwâr Mount Stuart  
Caerdydd CF10 5FL

09 December 2014

Dear Darren,

## **Follow up from PAC Meeting 09/12/2014**

I wanted to write thank you for inviting me to give evidence this morning. As we touched upon the issue of a duty of candour towards the end of the meeting, I thought it might be helpful to let you and the Committee know that I am supportive of the Safe Nurse Staffing Levels (Wales) Bill that has been introduced by Kirsty Williams as reporting on staffing levels would be one of the 12 key things that I made reference to this morning. I have advised Kirsty, the Royal College of Nursing, the Health Minister and the Chair of the Health and Social Care Committee of this and will provide a more detailed briefing and rationale behind my support at an appropriate time to support debate in the Senedd.

I am also writing to confirm that in the New Year I will send you the key outcomes I expect to see reported on and reflected in key documents. In the interim, I thought it might be helpful to share with you, as there seems a clear read across to your current Inquiry, the fundamental questions I believe sit at the door of the Welsh Government to answer and which have, in no small part, guided my own work (Annex 1). These are in the public domain as they were attached to a briefing I circulated following the Mid Staffordshire NHS Foundation Trust Public Inquiry.

Kind regards

Sarah Rochira  
**Older People's Commissioner for Wales**



## **Annex 1: Key issues for Wales (Taken from briefing document on the Mid Staffordshire NHS Foundation Trust Public Inquiry issued in December 2013)**

- How does the NHS in Wales define effective and safe care, not just from a clinical perspective, but from the perspective of an older person?
- Are the mechanisms that we have in place to evaluate the quality of care sufficiently robust and evidence based to enable their findings to be used as an evaluation tool?
- Can staff within the NHS in Wales raise concerns effectively and where they do, is robust action being taken to address poor care or mistreatment?
- Are the mechanisms we have to gauge patient views of their treatment robust and do we use patient experiences effectively to drive continuous improvements?
- Is scrutiny of the quality of care undertaken by Health Boards robust and effective and is appropriate action taken and reviewed where failures take place.
- Is there sufficient openness and transparency with the public about what the health boards are getting right and, more importantly, what is going wrong?
- Does the Welsh Government effectively put the safety and quality of patient care at the front of its requirements of the NHS and is the way that the Welsh Government scrutinises performance of the NHS in relation to patient safety and quality of care sufficiently robust and evidence based.

# Agenda Item 2.3

Cyfoeth Naturiol  
Natural Resources

Cyfarwyddwr Cyffredinol • Director General



Llywodraeth Cymru  
Welsh Government

Mr Darren Miller  
Chair  
Public Accounts Committee  
National Assembly for Wales

8 January 2015

Dear Mr Miller

## **PUBLIC ACCOUNTS COMMITTEE: 2 DECEMBER 2014 WELSH AUDIT OFFICE REPORT ON GLASTIR**

Following the Public Accounts Committee session on 2 December, I was asked to provide additional information on a number of points. I am pleased to provide this information below.

### **A note on the revised targets that Glastir is expected to achieve and how they will monitor the delivery against those, whether they are biodiversity targets or otherwise**

Welsh Government outlined the strategic targets for Glastir under the next RDP programme in July last year. These targets, which are currently being negotiated with the European Commission, are:

- 1) To increase the level of investment into measures to mitigate green house gas emissions with the aim of contributing towards a reduction of net emissions from the land based sector in line with our international obligations.
- 2) To increase the level of investment into measures for climate change adaptation with the aim of building greater resilience into both farm and forest businesses and the wider Welsh economy and environment to ongoing climate change.
- 3) To increase the level of investment into measures to manage our water resources effectively with the aim of contributing towards an improvement in water quality in Wales and to meeting our obligations under the Water Framework Directive.



4) To focus increased resources on an identified list of priority species and habitats with the aim of contributing towards a reversal in the decline of Wales's native biodiversity and to meeting our obligations under the EU Biodiversity 2020 agenda.

5) To put in place measures and investment which maintain and enhance the characteristic components of the landscape and historic environment of rural Wales and to encourage increased public appreciation and access to the countryside.

6) To use agri-environment investment in away that encourages positive environmental outcomes but also contributes towards farm and forest business profitability and the wider sustainability of the rural economy.

In line with WAO findings WG also agreed that it would look wherever possible to quantify some of the benefits it expected Glastir to deliver once the budget available was determined. As I mentioned at the PAC, officials are currently working with the modelling team at the Centre for Ecology and Hydrology who lead the Glastir Monitoring and Evaluation Programme to develop realistic quantitative forecasts and targets. These will be published once the work has been completed and the new RDP approved by the European Commission. Progress towards these targets will continue to be monitored as part of the RDP Monitoring and Evaluation programme,

#### **The average length of time an inspection takes**

The average time taken to complete a Glastir Inspection (Entry/Advanced) in 2014 is four days, based on preparation time, the physical inspection and write up of the Inspection Report

#### **The number of cross-compliance penalties and the total fines over the past few years**

Details are provided in the table below.

Years	CAP element	Applied reduction s/ exclusion s (€)	Claimants sanctioned with a 1% reduction	Claimants sanctioned with a 3% reduction	Claimants sanctioned with a 5% reduction
2009	Direct Aid (SPS)	€ 1,492,652	64	285	152
	Pillar 2 (Rural Development)	€ 84,769	50	204	88
2010	Direct Aid (SPS)	€ 544,762	72	112	101
	Pillar 2 (Rural Development)	€ 71,132	50	89	76
2011	Direct Aid (SPS)	€ 568,783	44	105	101
	Pillar 2 (Rural Development)	€ 57,299.61	37	79	67
2012	Direct Aid (SPS)	€ 494,924	25	126	92
	Pillar 2 (Rural Development)	€ 50,323	16	55	37
2013	Direct Aid (SPS)	€ 456,364	25	100	88
	Pillar 2 (Rural Development)	€ 47,949	13	42	33

### **A note on how many applications for land to be left unfarmed have been turned down**

Having considered the context of this question within the PAC transcript I have interpreted this question as asking how many applications were turned down because farmers were not offering/or willing to do additional work beyond existing practice.

The Glastir Entry scheme (basic level) application process is farmer-led. Farmers have to commit to undertake activities amounting to at least 34 points per hectare of their farmed land. So long as this minimum criterion is met an application would not be turned down. Because this is a farmer-led scheme it is not possible to assess the detailed level of change from current activity being offered for each individual application. This would require detailed baseline collection of all field management activity and stocking rates prior to entry for all farms that potentially might apply (i.e. the whole farm population). However, by analysing the activity undertaken it is possible to provide a relative benchmark at overall scheme level of the additional value provided compared to the previous Tir Cynnal Entry Level scheme.

As the Welsh Audit Office have set out in their report, one guarantee of additionality in an agri-environment agreement is the inclusion of payments for capital items. Under the predecessor Tir Cynnal scheme less than 5% of farms were required to undertake any capital works for a scheme payment of similar level to that offered under Glastir Entry and the total value of capital works delivered under the scheme was under 1% of the value of payments made. Under Glastir Entry (based on an analysis undertaken by Welsh Government for all entrants in the first two years of the scheme) more than 85% of farms were required to undertake capital activity and 36% of total scheme payment value was for capital works.

Under the Glastir Advanced (higher level) farms are selected and approached by Welsh Government with the offer of an agreement to participate in the scheme based on a farm visit which assesses what additional work would be required by the farmer to deliver towards the environmental objectives being targeted on the farm. All signed agreements require active farming for sustainable land management outcomes. Farmers not willing to undertake this work would not be offered a contract. Therefore it is possible more fully to assess to what extent applications are not progressed due to unwillingness by farmers to undertake additional work. In 2014 around 20% of farmers visited by a contract manager to draft a programme of works were not willing to undertake the necessary additional activities and therefore did not enter into agreement with Welsh Government for 1 January 2015.

### **An overview of the steps being taken to assist online applications**

The online Glastir applications have a number of features to aid completion. These include instant validation, drop down menus and context-sensitive help. There is also more detailed step-by-step guidance available to access at any stage of the application. If customers have any queries, they can contact the Customer Contact Centre. The Customer Contact Centre staff are able to view all customer applications in real time, to enable them to talk the customer through any problems.

Customers who are unable to access broadband or who need more intensive support are able to book a face-to-face appointment at a Welsh Government divisional office. Customers can access the internet and the technical guidance required to register with RPW Online and complete their online application. This support is in addition to the service that agents and farming union representatives provide to help their members benefit from the advantages of online applications.

We are also working with colleagues to raise awareness of the Superfast Cymru and the Access Broadband Cymru schemes among the farming community.

The Glastir Advanced and Glastir Organics scheme application rounds were launched online during Autumn 2014 with great success. 99.75% of applicants were able to complete their applications without recourse to paper copies.

Yours sincerely

GARETH JONES

# Agenda Item 3

## **Response to the Report of the National Assembly for Wales Public Accounts Committee Report on Senior Management Pay**

We welcome and agree entirely with the report's recommendations and offer the following response to the 23 recommendations within it.

The recommendations are timely given work already in progress in this area, but are also challenging, in view of the resource constraints we face and the time it will take to implement some of the recommendations fully. In light of this, we propose to draw the attention of public sector organisations in Wales to the publication of the report, signalling our acceptance of the recommendations, and encouraging voluntary, early adoption. We will do this in advance of the next financial year.

We intend to implement a number of the recommendations, namely those related to definitions, guidance, and senior pay policies by taking them forward as part of work already in progress to develop a Welsh Public Sector Pay Policy. (This applies to recommendations 1, 3, 6, 9, 10, 11, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23. Please see Annex 1 for an indicative timetable for this work.) The initial focus of this work would be extended to pick up and develop the additional senior management pay guidance, best practice and governance arrangements highlighted in the report. It will look to bring together existing pay related principles adopted by the Welsh Government and its sponsored bodies into a wider set of "umbrella" arrangements that would cover devolved public services. However, the Welsh Government's power to *require* organisations to conform is not uniform across the public sector. We will give this issue early consideration as part of Stage (1) of the Welsh Public Sector Pay Principles high level delivery plan, set out at Annex 1, and come back to the Committee as soon as we can on the scope of the policy.

Furthermore, as the report clearly sets out, local government reform and the planned establishment of a Public Services Staff Commission also presents an ideal opportunity to address some of the issues identified. The Welsh Government proposals for a Public Services Staff Commission have been set out in "Devolution, Democracy and Delivery White Paper – Public Services Staff Commission" on which consultation closes on 13 January 2015 (please see Annex 2 for an indicative timetable.) How the Staff Commission will assist in delivering the Government response to this report will depend on decisions on its role, remit and work programme in the light of this consultation.

Lastly, severe and ongoing pressure on our resources also means that, whilst we are committed to implementing the recommendations, this work will need to be scheduled with the Government's other priorities and the delivery of the Programme for Government in mind.

**Recommendation 1. The Committee recommends that a clear definition of what is meant by a senior post in the public sector is produced and disseminated by the Welsh Government. This should have consideration to the level of remuneration, scale of the organisation and the level of responsibility of the post holder.**

**Accept** - We accept that a clear definition of what is meant by a senior post in the public sector will help to support common understanding, help ease of comparison between posts, organisations and sectors, and ultimately improve consistency.

We also accept that all organisations are different and will have tailored terminology and practices. We welcome the committee's recognition that a 'one size fits all definition' is not necessarily required.

Development of the senior post definition will be taken forward as part of establishing Directions within a wider Welsh Public Sector Pay Policy as set out in the indicative timetable at Annex 1.

**Recommendation 2. The Committee recommends that the Welsh Government use the local government reorganisation work to consider the options for introducing consistency around senior management pay in Local Government. We would like to see a clear rationale published setting out how pay should be set in any new structure that is introduced. Given the recent decisions by some councils to consider voluntary mergers, this should be done with a matter of urgency. Furthermore, the process of voluntary mergers should be included in any consideration of pay structures.**

**Accept** -Matters relating to senior management pay will be considered in taking forward the work on reforming local government, ensuring the involvement of relevant stakeholders, and feeding into the work of a planned Public Services Staff Commission on which the Welsh Government is currently consulting . The Staff Commission will identify and propose practical solutions to issues arising from reform which can be considered and implemented. To ensure the Public Services Staff Commission is able to provide support to any voluntary Local Authority mergers, in accordance with the timetable set out in the *Reforming Local Government White Paper*, we aim to establish it, on a non-statutory basis, by April 2015. Subject to the outcome of consultation, we will then bring forward legislation after the next National Assembly for Wales elections, to place the Commission on a statutory footing.

**Recommendation 3. The Committee recommends that a glossary of terms relating to senior pay is produced and published by the Welsh Government, which sets out the most appropriate terms to be used in pay disclosures, as well as explanations for less frequently used terms. The Committee further recommends that narratives to accounts, particularly for unusual situations, contain adequate notes which are easy to interpret.**

**Accept** - We accept that a glossary of the terms relating to senior pay should be produced, and will take this forward as part of establishing Directions within a wider Welsh Public Sector Pay Policy as set out in the indicative timetable at Annex 1.

We will implement the second part of this recommendation as part of our response to Recommendation 19.



**Recommendation 4. The Committee recommends that the Welsh Government work with local authorities to ensure that items pertaining to pay matters are listed clearly and separately on all agendas (Executive Board and Council Level). This may require an amendment to the Local Authorities (Executive Arrangements) (Decisions, Documents and Meetings) (Wales) (Amendment) Regulations.**

**Accept** – We have made it clear to Local Authorities that the Welsh Government expects matters relating to senior officers pay to be handled in an open and transparent way. We have already legislated to give effect to this through the Local Democracy (Wales) Act 2013, our guidance on pay policy statements and the Local Authorities (Standing Orders) (Wales) (Amendment) Regulations 2014. In addition, we will write to Local Authorities to draw their attention to this report.

We will also take this forward as part of our work on reforming local government in Wales. We will consider carefully the best way to achieve the aims underpinning this recommendation. If legislative amendments are required, we will undertake these in line with the timetables for our wider programme of local government reform (See Annex 2).

**Recommendation 5. The Committee recommends that clear guidance is issued by the Welsh Government to local authorities requiring any Returning Officers fees to be published in an easily accessible place alongside remuneration information. This should include clear explanations behind this entitlement.**

**Accept** – We will write to all Local Authorities and draw their attention to this Report. We will also take this forward as part of the work on reforming local government in Wales. In addition, we will work closely with the Electoral Commission to ensure that best practice is followed in relation to the publication of Returning Officer accounts at elections to the National Assembly.

**Recommendation 6. The Committee recommends that the Welsh Government, and other bodies issuing account directions, reviews their mechanisms, including grant conditions, for monitoring compliance with remuneration disclosures, and reports back to the Committee how it intends to ensure that full compliance is achieved.**

**Accept** - We will undertake a review of the monitoring arrangements linked to Accounting Directions and report back to the committee in as set out in the timetable at Annex 1.

**Recommendation 7. The Committee recommends that the Welsh Government produce and disseminate guidance on how to manage pay arrangements for joint appointments between local authorities, given the increasing moves towards these types of appointment. This should include the need for these salaries to be disclosed in all contributing local authorities' accounts.**

**Accept** – The statutory Guidance published on the Welsh Government website on the preparation of pay policy statements makes clear that Authorities are obliged to include within these Statements the estimated annual salary of any joint appointments with other Local Authorities along with the resultant savings. Consideration will be given to whether the Guidance needs further updating. The Accounting disclosure requirements set out in the Accounts and Audit (Wales) Regulations are applied to staff who are employed on a temporary or part time basis. The level of disclosure is applied on a pro rata basis. We will consider whether further changes are required to these Regulations.

**Recommendation 8. The Committee recommends that the Welsh Government consider the make-up and recruitment of the independent remuneration panel for Wales, as positions become available, to ensure it is representative of wider civil society.**

**Accept** - We have a clear commitment to increasing diversity in local government and across the public sector and it is appropriate our public appointments reflect that ambition.

It should be noted that the Panel has, under its own initiative, taken steps to broaden understanding of its work amongst diverse networks in the hope of attracting interest from under-represented groups when vacancies occur for membership.

**Recommendation 9. The Committee recommends that information on remuneration committees across the public sector and their decisions are published in an easily accessible and prominent place on the organisations website.**

**Accept** - We accept that information on remuneration committees should be widely available with their decisions published prominently in an appropriate way. Ongoing attention is given to the effective presentation of this information on our own website. This will be taken forward as part of establishing directions within a wider Welsh Public Sector Pay Policy as set out in the indicative timetable at Annex 1.

**Recommendation 10. The Committee recommend that the Welsh Government produce good practice guidance for remuneration committees setting out the key principles of openness and transparency. Alongside this guidance, we recommend that a number of seminars/training sessions are held which set out these principles and develop the important skills needed to be an effective remuneration panel member.**

**Accept** - We accept that each sector is likely to have a different approach to operating their remuneration committees and that panel members play an important role in establishing senior management pay arrangements.

We also accept that in order to help encourage openness and transparency, a good practice guide for remuneration committees, and potential training interventions for

panel members, should be developed. This will be taken forward in line with the timetable set out in Annex 1.

**Recommendation 11. The Committee recommends that best practice guidance is produced by the Welsh Government which sets out best methods for engaging with external consultants on senior management pay. This should include the need to have interaction with the relevant decision making group throughout the process.**

**Accept** - We accept there are risks around using external consultants to provide advice on senior management pay, in particular where one supplier is dominant in the field. We also accept that best practice guidance should be developed in line with the timetable set out in Annex 1 to help ensure that where consultant advice is sought, value for money considerations remain at the forefront.

**Recommendation 12. The Committee recommends that the Welsh Government works with the WLGA and the Wales Audit Office to produce guidance on the role of senior officers in local authorities in providing advice in relation to pay matters.**

**Accept** - The legislation referred to in respect of Recommendation 4 has already partly addressed this issue. Legislation forming part of the Reforming Local Government Programme to be introduced into the National Assembly for Wales in January 2015 will further strengthen openness and transparency in this area. As the Reforming Local Government Programme progresses we will work closely with the Wales Audit Office and the planned Public Services Staff Commission on this issue.

**Recommendation 13. The Committee recommends that the Welsh Government work with local government, higher education, further education, health, and registered social landlord sectors to ensure that training and guidance on senior pay is consistently delivered to all sectors.**

**Accept** - We accept that Welsh Government Departments do have a role in providing training, advice and guidance on senior management pay.

The Welsh Government will do all it can to ensure training is delivered consistently across the public sector, subject to constraints where bodies have autonomy over pay. In these cases we will seek to influence where we cannot direct.

While we would, for example, anticipate that HE and FE be included in the guidance, training would not be appropriate as universities and colleges are autonomous bodies. The Welsh Government will monitor the FE position and we will ask HEFCW to monitor senior pay in the HE sector as part of the Ministerial remit letter for 2015/16.

This work will be taken forward as part of establishing Directions within a Welsh Public Sector Pay Policy.

**Recommendation 14. The Committee recommends that the Welsh Government reminds local authorities out of the importance and independence of the role of the monitoring officer, and the need to ensure that this role operates effectively across the organisation at a senior level. This should also remind monitoring officers of methods for reporting any concerns either internally or if necessary externally.**

**Accept** – Local authorities have a duty to appoint one of their officers as the Council's Monitoring Officer. They have an important role to ensure that the authority follows legal requirements. Authorities should therefore ensure that they appoint persons of sufficient knowledge and seniority to sometimes deliver unwelcome advice.

The National Assembly approved the Local Authorities (Standing Orders) (Wales) (Amendment) Regulations 2014 in June of this year. They provide a level of protection to the Monitoring Officer (and certain other senior posts) from unfair disciplinary processes. The Welsh Government has ensured that local authorities, including monitoring officers, were made aware of these regulations.

We will write to all Local Authorities to draw attention to this Report.

**Recommendation 15. The Committee recommends that the Welsh Government undertake a study into different pay mechanisms, and produce a report setting out what is considered good practice. This should consider how best to deal with senior management in failing organisations.**

**Accept** - We expect there to be a number of studies already published on this issue. A review in line with the timetable set out in Annex 1 would therefore draw on existing material.

**Recommendation 16. The Committee recommends that public sector organisations are required by the Welsh Government to set out their approach to performance related pay and internal talent management in their pay policies.**

**Accept** - We agree consideration should be given to developing and nurturing internal talent wherever possible, and accept there will be instances where career progression provides better value for money over paying higher salaries to attract external appointments.

Where the Welsh Government is not in a position to direct public sector organisations to conform, we will seek to encourage adoption of the recommendation. This work will be taken forward as part of establishing a wider Welsh Public Sector Pay Policy.

**Recommendation 17. The Committee recommends that the Welsh Government issues advice and guidance to the Welsh Public Sector, including those sectors receiving significant funds from the Welsh Government (e.g. registered social landlords, further education and higher education) on the requirements for publication of remuneration information and pay policies, taking account the recommendations in this report.**

**Accept** - As outlined in previous responses we accept that clear guidance on the requirement for remuneration and pay policies should be developed. Where the Welsh Government cannot direct, we will seek to encourage public sector organisations in Wales to conform. This work will be taken forward as part of establishing Directions within a wider Welsh Public Sector Pay Policy.

**Recommendation 18. We recommend that public sector organisations are required to publish information on the number of employees with a remuneration package of more than £100,000 in bands of £5,000.**

**Accept** - We accept current disclosure guidelines have varying thresholds and banding requirements. We also accept that a more consistent approach will help support comparisons. We note the Committee's reference to the use of bands of £5,000 or £10,000 in the report.

Where the Welsh Government is not in a position to direct public sector organisations to conform, we will seek to encourage adoption of the recommendation. This recommendation will be considered and taken forward as part of establishing Directions within a wider Welsh Public Sector Pay Policy.

**Recommendation 19. We recommend that a full remuneration report is produced by all organisations within the Welsh public sector annually, and published on a prominent place on the organisations website. This should set out in full the following information about all senior staff, with due regard to the Committee's previous recommendation about ensuring published information is easily interpreted:**

- Salary;
- Pension;
- Benefits in kind;
- Non-taxable benefits;
- Severance packages;
- Returning Officer fees/additional fees;
- Pay ratio between highest and lowest paid officer;
- Gender make-up of the senior team.

**Accept** - We acknowledge that remuneration details should follow existing disclosure practices and be included within published Annual Accounts. We also accept that published information relating to bodies receiving public funding should be easily accessible and in a consistent and prominent format. This recommendation will be taken forward as part of establishing Directions within a wider Welsh Public Sector Pay Policy.

**Recommendation 20. We recommend that all organisations in the Welsh public sector are required to publish a pay policy statement, in line with the requirement**

**on Local Authorities and Fire and Rescue authorities in the 2011 Localism Act.**

**Accept** - We accept that all Welsh public sector bodies should be required to produce and publish a pay policy statement.

Where the Welsh Government is not in a position to direct public sector organisations to conform, we will seek to encourage adoption of the recommendation. This work will be taken forward as part of establishing Directions within a wider Welsh Public Sector Pay Policy.

**Recommendation 21. The Committee recommends that all information on an organisations pay is published in a single, easily accessible place on their website and sets out the information in a clear and transparent fashion. To achieve this, we recommend the Welsh Government produce guidance on the format for this disclosure. We believe this will achieve maximum transparency and ultimately accountability.**

**Accept** - We accept that all published remuneration details should be easily accessible. We also accept that guidance on the format of disclosures will help support transparency. This work will be taken forward as part of establishing Directions within a wider Welsh Public Sector Pay Policy.

**Recommendation 22. We recommend that the Welsh Government make these requirements a condition on any grants or funding which are provided to those organisations which do not explicitly fall within the public sector ( e.g. higher education/further education/registered social landlords)**

**Accept** - We entirely endorse the view of the committee that funding recipients should be encouraged to conform to these requirements. However, we will need to balance this objective against placing disproportionate burden on relatively small organisations. We would like to explore this further and return to the committee. We will do this in line with the timetable in Annex 1.

**Recommendation 23. The Committee recommends that the Welsh Government collate the information on senior pay across the Welsh public sector in line with that produced by the Wales Audit Office for the Public Accounts Committee to include those sectors receiving significant funds from the Welsh Government (e.g. RSLs, Further Education and Higher Education) on an annual basis and publish this on their website.**

**Accept** - We accept that compiling and publishing an annual senior management pay report will provide a further level of transparency and support wider monitoring arrangements. This will be taken forward in line with the timetable in Annex 1.

## **Annex 1**

### **Welsh Public Sector Pay Principles: High Level Delivery Plan**

#### **Stage 1 – Mobilisation**

##### Planning – by Spring 2015

- Competence? (Guidance, Policy, Code or Best Practice)
- Definitions? (i.e. Senior Management Pay)
- List of Public Sectors
- Planning Next Steps
- Establish Resources

#### **Stage 2 – Public Sector Pay Principles**

##### Pay Award / Pay Principles – by Spring 2015

- Staff
  - Scope of future Pay Awards
  - Progression Pay
  - Living Wage / Zero Hours Contracts
  - Focus for Awards
  - Line on redundancy
  - Focus on Total Reward / Salary sacrifice
- Senior Management

#### **Stage 3 – Defining Change**

##### Guidance, Policy, Code or Best Practice – by Autumn 2015

- Preparation
  - Study into pay mechanisms (15)
- Guidance
  - Definitions (1)
  - Glossary of Terms (3)
- Best Practice
  - External Consultants – best practice guide(11)
  - Remuneration committee – best practice guide / training (10)
- Policy / Code
  - Publish info on all employees earning over £100k (18)
  - Detail required; Easy to find (19, 21)
  - Publish a pay policy statement (20)
  - Reporting remuneration committee decisions (9)
  - Performance Related Pay and Internal Talent Management (16, 17)
  - Grants (22)

#### **Stage 4 – Embedding Change / Business As Usual**

##### Governance / Change - Late Autumn 2015

- Ensure Compliance (6, 13)
- Compile WAO type report (23)

## **Annex 2**

### **Reforming Local Government Programme: Outline Timetable**

#### **January 2015**

Local Government (Wales) Bill 2015 introduced into the National Assembly for Wales  
Consultation on the Public Services Staff Commission ends

#### **February 2015**

Publication of a further White Paper in the Reforming Local Government Series

#### **April 2015**

Consultation closes on the further White Paper in the Reforming Local Government Series  
Non Statutory Public Services Staff Commission established

#### **November 2015**

Local Government (Wales) Bill 2015 scheduled to receive Royal Assent  
Second Local Government (Wales) Bill published in draft for consultation

#### **January/February 2016**

Orders made for Voluntary Mergers  
Consultation closes on the draft of the second Local Government (Wales) Bill

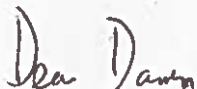


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Date: 8 January 2015  
Our ref: HVT/2255/fgb  
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**WELSH GOVERNMENT RESPONSE TO THE PAC REPORT ON SENIOR MANAGEMENT PAY**

The clerks have requested my advice on the Welsh Government response to the Committee's November 2014 report on *Senior Management Pay*. The Welsh Government accepts all 23 of the Committee's recommendations.

From the Welsh Government's response, it is clear that much of the work that will be taken forward to action the Committee's recommendations will be subsumed within work already in progress to develop a Welsh public sector pay policy and as part of the reforming local government programme. The Welsh Government has helpfully set out the anticipated timetables for that wider work. However the extent to which the work that is being taken forward will encompass all of the sectors covered by the Committee's report is not entirely clear, though the Welsh Government has indicated that it will be providing an update following a decision on the scope of the public sector pay policy work in Spring 2015.

There are a few issues that the Committee might wish to reflect on when considering whether it is satisfied at this stage with the Welsh Government response. First, the response to *Recommendation 6* suggests that the Welsh Government will be undertaking work to review monitoring arrangements linked to Accounting Directions and to ensure compliance with remuneration disclosure requirements in late Autumn 2015. This may not be sufficient to ensure greater compliance and consistency within individual sectors in the presentation of accounts for the 2014-15 financial/academic year particularly as regards higher education, further education and registered social landlords. The Committee might wish to seek further information about how the Welsh Government will seek to ensure basic compliance and consistent interpretation of current accounting directions in these sectors in the short-term, regardless of the scope of any future changes in those directions arising from the public sector pay policy work.

On a related point, the Welsh Government has indicated in response to several of the Committee's recommendations that it will be writing to local authorities to draw their attention to the Committee's report. While development of the public sector pay policy work will inevitably take some time, the Welsh Government could helpfully have committed to some wider communication about the Committee's report in the short-term. In particular the Welsh Government could encourage those sectors covered by the report to consider its findings and recommendations ahead of any more detailed guidance and requirements arising from the public sector pay policy work.

Whilst the responses to most of the Committee's recommendations refer to the timetables for activity response, the response to *Recommendation 7* does not indicate a specific timetable, whether aligned with or separate to the reforming local government programme.

Since the Welsh Government has already offered to provide further updates on certain matters in the short to medium term, the Committee might wish to request a full update on the action taken in response to its recommendations in late 2015 or early 2016. This will enable the Committee to take stock of the progress that has been made before the end of the fourth Assembly. The Committee will hopefully also have the opportunity at that point to consider the updated information on senior pay rates that the Welsh Government has committed to collating and publishing in response to *Recommendation 23* in the Committee's report.

Finally the Welsh Government has noted that how the proposed Public Services Staff Commission will assist in delivering the response to the Committee's report will depend on decisions on its role, remit and work programme. The consultation period on the Commission closes on 13 January 2015. The Committee might therefore wish to invite an update from the Welsh Government in this regard as soon as those decisions are taken.

I hope this advice is helpful to the Committee.



**HUW VAUGHAN THOMAS**  
**AUDITOR GENERAL FOR WALES**

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