

## Agenda – Public Accounts Committee

---

Meeting Venue:	For further information contact:
Committee Room 3 – Senedd	Fay Bowen
Meeting date: Monday, 13 March 2017	Committee Clerk 0300 200 6565
Meeting time: 13.45	<a href="mailto:SeneddPAC@assembly.wales">SeneddPAC@assembly.wales</a>

### 1 Introductions, apologies, substitutions and declarations of interest

(14.00)

### 2 Paper(s) to note

(14.00 – 14.05)

(Pages 1 – 4)

**NHS Waiting Times for Elective Care in Wales and Orthopaedic Services: Letter from the Welsh Government (6 March 2017)**

(Pages 5 – 6)

**Senior Management Pay: Public Services Staff Commission Report**

(Pages 7 – 38)

### 3 Introductory Session: Welsh Government Permanent Secretary

(14.05 – 14.50)

(Pages 39 – 46)

Research Briefing

Shan Morgan – Permanent Secretary, Welsh Government

David Richards – Director of Governance, Welsh Government

**(14.50 – 15.00 – Break)**

### 4 Inquiry into Regulatory oversight of Housing Associations: Evidence Session 12

(15.00 – 16.00)

(Pages 47 – 54)



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

Research Briefing

PAC(5)-09-17 Paper 1 – Paper from the Welsh Government

John Howells – Director of Housing & Regeneration, Welsh Government

Ian Williams – Deputy Director, Sector Development, Welsh Government

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

(16.00)

Items 6, 7 & 8

**6 Inquiry into Regulatory oversight of Housing Associations:**

**Consideration of evidence received**

(16.00 – 16.15)

**7 Coastal flood and erosion risk management in Wales:**

**Consideration of draft report**

(16.15 – 16.45)

(Pages 55 – 80)

PAC(5)-09-17 Paper 2 – Draft report

**8 Forward Work Programme – Summer 2017**

(16.45 – 17.00)

(Pages 81 – 91)

PAC(5)-09-17 Paper 3 – Forward work programme, Summer 2017

## Concise Minutes – Public Accounts Committee

---

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Monday, 6 March 2017

Meeting time: 14.00 – 16.20

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/3913>

### Attendance

Category	Names
Assembly Members:	Nick Ramsay AM (Chair) Mohammad Asghar (Oscar) AM Neil Hamilton AM Mike Hedges AM Neil McEvoy AM Rhianon Passmore AM Lee Waters AM
Witnesses:	Alan Brace, Welsh Government Andrew Evans, Welsh Government Dr Andrew Goodall, Welsh Government Dr Jean White, Welsh Government
Wales Audit Office:	Huw Vaughan Thomas – Auditor General for Wales Dave Thomas – Wales Audit Office
Committee Staff:	Meriel Singleton (Second Clerk) Claire Griffiths (Deputy Clerk) Katie Wyatt (Legal Adviser)



## Record of Proceedings

View the [Record of Proceedings](#)

### **1 Introductions, apologies, substitutions and declarations of interest**

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

### **2 Paper(s) to note**

2.1 The papers were noted.

2.1 **The strategic approach of councils to income generation and charging: Additional information from the Welsh Government (21 February 2017)**

2.2 **The strategic approach of councils to income generation and charging: Additional information from the Welsh Local Government Association (February 2017)**

2.3 **The strategic approach of councils to income generation and charging: Additional information from the City and County of Cardiff (February 2017)**

### **3 Medicines Management: Evidence Session with the Welsh Government**

3.1 The Committee took evidence from Dr Andrew Goodall, Director General/NHS Chief Executive; Andrew Evans, Chief Pharmaceutical Officer; Professor Jean White, Chief Nursing Officer; and Alan Brace, Director of Finance, Welsh Government as part of its inquiry into medicines management.

3.2 Dr Goodall agreed to undertake an evaluation on the numbers of wards using automatic medicine vending of medicines and will also look to clarify tensions in the system at the same time.

3.3 The Committee agreed to take further evidence from health boards in the summer term.

#### **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.

#### **5 Medicines Management: Consideration of evidence received**

5.1 Members considered the evidence received.

#### **6 Coastal flood and erosion risk management in Wales: Consideration of draft report**

6.1 The Committee deferred considering the draft report until the next meeting.

#### **7 Natural Resources Wales Annual Accounts 2015–16: Update from the Auditor General for Wales**

7.1 The Auditor General for Wales gave an oral update on the latest position regarding Natural Resources Wales' Annual Accounts 2015–16.

#### **8 Local Authority Funding of Third Sector Services: Auditor General for Wales Report**

8.1 The Committee received a briefing on the Auditor General for Wales' report on his recent report on Local Authority Funding of Third Sector Services.

8.2 The Committee agreed to write to the Cabinet Secretary for Finance and Local Government outlining concerns about appropriate use of procurement for third sector services. On receipt of his response, the Committee will return to this issue.

## **9 Financial Management and Governance in Community Councils 2015–16: Auditor General for Wales Report**

9.1 The Committee received a briefing on the Auditor General for Wales' report on his recent report on Financial Management and Governance in Community Councils 2015–16.

9.2 The Committee agreed to write to the Cabinet Secretary for Finance and Local Government expressing their concern at weaknesses in financial management and governance across the sector and invite his observations on the Auditor General's findings. On receipt of his response, the Committee will return to this issue.

## **10 The Governance Challenges posed by indirectly provided, publicly funded services in Wales: Auditor General for Wales' Discussion Paper**

10.1 The Committee received a briefing on the Auditor General for Wales' report on his discussion paper on The Governance Challenges posed by indirectly provided, publicly funded services in Wales.

10.2 The Committee noted the paper and agreed to seek an update from the AGW in the autumn term.

Cyfarwyddwr Cyffredinol Iechyd a Gwasanaethau Cymdeithasol/  
Prif Weithredwr GIG Cymru  
Grŵp Iechyd a Gwasanaethau Cymdeithasol

Director General Health and Social Services/  
NHS Wales Chief Executive  
Health and Social Services Group



Llywodraeth Cymru  
Welsh Government

Nick Ramsay AM  
Chair  
Public Accounts Committee

Our Ref: AG/MR

6 March 2017

Dear Mr Ramsay

## **NHS Waiting Times for Elective Care in Wales and Orthopaedic Services**

Further to my appearance at the Public Accounts Committee meeting on 23 January 2017, I now provide an interim update for you.

With regards to NHS waiting times; whilst I acknowledge the Committee's disappointment in the pace of change, particularly with regard to demand management, I can assure you that progress is being made. Waiting times this year are lower than this point last year, with the number of 36 week waiters 23% lower in December 2016 than they were in December 2015 and 30% lower than the high of August 2015. Diagnostic waiting times are 29% lower in December 2016 than they were in December 2015. Further improvements will be seen by the end of March. You will also be pleased to note that the total number of people on the waiting list is 15,000 (3.4%) lower than the high of August 2015.

The Welsh Government is holding the NHS to account in terms of balancing capacity and demand, as this is a key element of their Integrated Medium Term Plans (IMTPs) in identifying what capacity is available to health boards and what additional capacity is required to meet the needs of the local population going forward. I would also like to take this opportunity to inform the Committee that health boards in both South East and South West Wales are working together to understand what capacity is required on a regional basis in terms of both elective care and diagnostics as additional support to local capacity.

A focus on efficiency across the planned care process is another required area of the health board's IMTPs. Progress against these national key areas and their local plans will be formally monitored quarterly in 2017-18.

On the revised rules for managing patients on a RTT waiting list; this document has been out for consultation with the NHS and the new guidance is on target to be issued at the end of this month, for implementation from April 2017 onwards. This is in addition to the updated

and revised *Guide to Good Practice - outpatients*, which is due to be issued at the 1000 Lives national conference on 29 March 2017.

Work has been undertaken to develop a vision for how outpatient services can be delivered in the 21<sup>st</sup> Century. This work has been undertaken by health boards, clinicians and patients. Over 300 patients have engaged directly in the process through direct interaction at a workshop or event and we have had over 1,200 responses to our online questionnaire. This has helped us shape our vision for outpatients and we are working with health boards to implement this vision at pace.

The Orthopaedic Planned Care Implementation Board, a sub group of the National Planned Care Programme, has been developing a national specification for a Clinical Musculoskeletal Assessment and Treatment Service (CMATS) that should be consistently applied across all health boards. Work has been undertaken to understand what progress health boards had made with regard to the establishment of their CMATS / MSK service and what impact these services were having on referrals to secondary care.

The review indicated varying practices across Wales, and therefore, the Orthopaedic Planned Care Implementation Board agreed to develop a standard national set of guidelines to ensure that the CMATS / MSK service in operation is delivering consistently across Wales. The work was led by clinicians at Abertawe Bro Morgannwg UHB, as the health board with the best performing service and has learnt from work undertaken at other health boards. All health boards are represented on the Board and have been party to discussions on the guidelines. I will be issuing the guidelines under a Welsh Health Circular shortly. The guidelines contain a number of performance indicators and health boards will be expected to report on this on a quarterly basis, commencing in July 2017 for the first quarter of 2017-18.

The four speciality implementation boards within the Planned Care Programme have issued guidance on procedures of limited value, and these are monitored on a regular basis. Each of these Boards has clinical representation, and I expect those clinicians to take this forward with their colleagues locally. Reports are produced on a regular basis to highlight any activity against the procedures of limited value. They are discussed at each implementation board as appropriate, and clinical leads are asked to explain why activity against these procedures, if any, had taken place during the period under discussion. If the Boards are not happy with the responses, then they will escalate this to the Planned Care Programme Board and to the health board's chief operating officers. A small sub set of these procedures are also reviewed as measures within the national delivery framework.

I have also discussed options to deliver improved orthopaedic services across Wales with the Cabinet Secretary. He has asked senior officials to conduct a review of orthopaedic services and what can be done to reduce waiting times and develop sustainable services, in line with the work of the national Planned Care Orthopaedic Board.

I will write again at the end of the summer with a further update.

Yours sincerely



**Dr Andrew Goodall**





Comisiwn Staff  
Gwasanaethau  
Cyhoeddus  
Public Services  
Staff Commission

---

# Transparency of Senior Pay in the Devolved Welsh Public Sector

## Observations and proposed way forward

December 2016



## The Public Services Staff Commission

The Public Services Staff Commission is an independent non-statutory organisation that advises the Welsh Ministers and public service organisations in Wales on the workforce issues arising from public service reforms which will need action and resolution.

We work in social partnership with trade unions and public service employers to address shared challenges and opportunities for our public services and the public service workforce in Wales.

We work across organisational and sectoral boundaries to support the development and dissemination of good practice workforce arrangements across our public services.

The Public Services Staff Commission is made up of six Commissioners including the Chair, and is supported by a Chief Executive and staff team and more details are on our website.

## How to contact the Public Services Staff Commission:

Public Services Staff Commission

Plas Carew

Unit 5/7 Cefn Coed

Parc Nantgarw

Cardiff

CF15 7QQ

Tel: 01443 336137

e-mail: [staffcommission@wales-uk.com](mailto:staffcommission@wales-uk.com)

Twitter: [@staffcommission](https://twitter.com/staffcommission)

[www.publicservicesstaffcommission.gov.wales](http://www.publicservicesstaffcommission.gov.wales)

## Accessible formats

All publications are available to download from our website and if you would like this publication in an alternative format and/or language, please contact us.

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

## Contents

Foreword	2
Scope of this report	3
Background	4
Our approach to this work	6
Our current thinking	7
1. Leadership	7
2. Spirit of the guidance	7
3. Accessibility	8
4. Comparison between sectors	9
5. Context	11
6. Additional requirements	13
Proposed way forward	14
Appendix A – Welsh Government Framework	15
Appendix B – Public Service Bodies within scope	18
Appendix C – Existing reporting requirements	19
Appendix D – Pay Policy Statement	20
Appendix E – Suggested examples	26



## Foreword

Senior remuneration can be an emotive and often controversial subject, prompting debate. In recent years, the impact of austerity on public finances has caused this debate to become more widespread and contentious. This should serve as a clear signal to public bodies that whilst they may believe they have the right pay structures in place to attract and retain talent these need to be communicated in a way that is accessible and understood by citizens and staff as well.

The growing gap between the perceptions of citizens and senior management has also raised the question as to the degree to which government should intervene to change pay policy and practice. The broader debate has also introduced the need to address income inequalities and fairness in decision making concerning senior remuneration.

Wales is not alone in this debate and neither are those who work within public services, but there is an opportunity for the Welsh public service to champion good practice in this area. The work we have completed to date indicates that public bodies could do more to explain how senior pay is determined, by sharing information about pay, publishing pay policies and providing explanations for decisions. A consistent and transparent approach will at the very least provide a clearer structure and create common ground for further debate. Done well, more transparency and effective communication on senior pay within the public sector in Wales should also limit the need for direct intervention by government.

Our observations in this report and a proposed way forward are intended to be an offer of support and assistance to public bodies and act as supplementary guidance to the existing Welsh Government Framework document.

Gill Lewis, Chair

## Scope of this report

The Public Services Staff Commission (the Staff Commission) is a non- statutory organisation, consequently the delivery of our work is made possible through a remit letter issued by Welsh Ministers under s60 of the Government of Wales Act (2006).

Welsh Ministers stated in our remit letter they *‘would welcome advice on the recently published Welsh Government Framework on “Transparency of Senior Remuneration in the Devolved Welsh Public Sector” during the course of the Commission’s work and no later than end of 2016.’*

A copy of the Welsh Government Framework is included in Appendix A.

Our remit letter was set against the background of Local Government Reform as then laid out by the last Welsh Government. There was specific emphasis placed on retaining and securing highly capable chief executives and senior officers for the Local Government of the future and for us to consider Local Government senior officer pay and remuneration in the context of the wider public sector in Wales and work with the Independent Remuneration Panel as necessary. Future proposals for Local Government Reform are currently being developed but the emphasis on retaining and securing highly capable chief executives and senior officers for the Local Government of the future remains as important and current as ever. The emphasis applies also to other sectors within the One Welsh Public Service if it is to be ‘an employer of choice’ that attracts and develops the most capable people to live and remain working in Wales.

This report sets out our observations and a proposed way forward to enable all organisations covered by the remit of the Staff Commission to adopt our advice and supplementary guidance and incorporate amendments not already included into their pay policy statements and annual reports for 2016-17.



## Background

There has in Wales in recent years been a substantial review of existing senior remuneration arrangements and related disclosures. Most notably the National Assembly's Public Accounts Committee (the PAC) agreed to undertake an inquiry into Senior Management Pay across the Public Sector in November 2013.

A short timeline of consequent key publications is summarised below:

- **February 2014 – Wales Audit Office 'Senior Management Pay across the Welsh public sector Memorandum for the Public Accounts Committee.'**<sup>1</sup>

The Wales Audit Office prepared this memorandum following a request by the Public Accounts Committee (PAC) to undertake an analysis of senior management pay across the Welsh public sector. For this reason, their report does not set out conclusions and recommendations.

Its report drew mainly upon information contained within the relevant audited financial statements and remuneration reports.

The report highlighted that whilst all public bodies are required to report the pay of their senior staff within their annual financial statements or remuneration report, the exact nature of the information varies between different sectors.

The report also provided a high level analysis of the salaries of chief executives (or the effective equivalent) across the Welsh public sector. This included consideration of pay ratios and gender split.

- **November 2014 – National Assembly for Wales Public Accounts Committee Senior Management Pay Report.**<sup>2</sup>

The PAC inquiry did not focus on the sums paid to individuals, but instead focused on the processes around setting senior pay.

The PAC found a number of cross cutting issues around transparency and accountability and published a number of recommendations in its final report. These recommendations were primarily aimed at overcoming the significant inconsistencies and discrepancies in what was then being published and disclosed by public bodies.

The PAC made clear it did not believe it was in the public interest to have different bodies publishing different information.

---

<sup>1</sup> Senior management pay across the Welsh public sector - Memorandum for the Public Accounts Committee | Wales Audit Office (<http://www.audit.wales/publication/senior-management-pay-across-welsh-public-sector-memorandum-public-accounts-committee>)

<sup>2</sup> National Assembly for Wales Public Accounts Committee Senior Management Pay November 2014 ([http://www.assembly.wales/laid documents/cr-ld9976 - report of the public accounts committee's - senior management pay report/cr-ld9976-e.pdf](http://www.assembly.wales/laid%20documents/cr-ld9976-report%20of%20the%20public%20accounts%20committee's%20senior%20management%20pay%20report/cr-ld9976-e.pdf))

The PAC also made clear its expectation that the Welsh Government would take a lead role in working with public bodies to take forward the recommendations in the report.

- **December 2015 – Welsh Government Framework ‘Transparency of Senior Remuneration in the Devolved Welsh Public Sector.’<sup>3</sup>**

In December 2015, the Welsh Government published a framework (the framework principles) that set out a common set of high level principles and standards for reporting arrangements of senior remuneration within the Welsh public sector. These principles and recommended reporting arrangements are outlined within “Transparency of Senior Remuneration in the Devolved Welsh Public Sector” (Appendix A).

The framework set out three principles of:

- i) Consistency;
- ii) transparency and
- iii) accessibility.

It further recommended reporting arrangements that include:

- i) Annual pay policy statements; and
- ii) Annual reporting.

The Welsh Government believes that it is right for considerations around the remuneration of senior posts to be transparent and underpinned by principles which are applied across the range of devolved public services in Wales. The framework principles are not intended to interfere with existing pay bargaining arrangements, nor are they a statement of the Government’s intention to set the rate of pay for Welsh devolved public bodies.

It is intended that the framework principles will be kept under review as changes in legislation, policy and the devolution settlement evolve.

---

<sup>3</sup> Welsh Government | Written Statement - Transparency of Senior Remuneration in the Devolved Welsh Public Sector (<http://gov.wales/about/cabinet/cabinetstatements/previous-administration/2015/seniorremuneration/?lang=en>)



## Our approach to this work

Our own focus has been on the application of the aforementioned framework principles disseminated to public bodies in Wales; making an independent assessment of whether the recommended reporting arrangements provide citizens of Wales with an accessible and clear understanding of pay arrangements within an organisation but also across the public sector in Wales.

In adopting this approach, we have also taken account of the statutory reporting requirements that public bodies also need to comply with, the wider aims of the recommendations in the PAC report, together with other existing good practice advice and guidance on senior pay disclosures.

A list of those public bodies which fall within our remit is set out in Appendix B. Higher education, further education and registered social landlords which are referenced in the PAC report, do not fall within our scope, neither do bodies such as the Independent Welsh Commissioners, the Assembly Commission, the Wales Audit Office and the Public Services Ombudsman for Wales. That said, as with all our work, where advice and guidance is made available then there is nothing to prevent other bodies from adopting it for their own benefit and wider benefit of citizens.

Whilst we did write to all those public bodies that fall within our remit to make them aware that we were carrying out this work we have not made any separate or additional information requests of them in carrying our work. In the main we drew upon published information which was contained within:

- External websites;
- Annual reports;
- Board reports and Cabinet or Council papers;
- Annual financial and governance statements; and
- Pay policy statements.

We have considered the disclosures of 48 bodies in Wales, which include the Welsh Government as an employer, the NHS, Local Government and the devolved sectors. We will discuss arrangements in education separately, and this is explained further within our report. The findings in this report will have taken account of all information published before 21 October 2016 which we took as a reasonable time period for bodies to have acted.

We have then considered based on the evidence available, the extent to which the framework principles have been implemented and whether any additional advice can be offered to Welsh Ministers and organisations to further improve the consistency, transparency and accessibility of senior pay arrangements.



The work we have carried out is not a formal audit and it would not be appropriate for us to give an opinion on whether bodies have complied with existing accounting practices. We have in effect put ourselves in the place of a member of the public, and sought out and drawn upon the information currently made available by public bodies.

The framework principles set out that remuneration or 'pay' information should include salary, pensions, benefits in kind and other non-taxable benefits. We have where possible adopted the term 'pay' in this report in preference to the often-used term of 'remuneration' which we believe is more readily understood by citizens.

## Our current thinking

The role of the Staff Commission is to provide advice to Ministers and public service organisations on issues that need action and resolution. The key points summarised below set out in our view the remaining action that would further improve the consistency, transparency and accessibility of information relating to senior pay across Welsh public services.

### 1. Leadership

There needs to be leadership shown in not only holding public bodies to account but in working with them to improve the consistency, transparency and accessibility of information.

We would advise that the Welsh Government is ideally placed to do this, in part by leading through example in its own pay policy statement and annual reporting arrangements.

### 2. Spirit of the guidance

In our view the framework principles and guidance from the Welsh Government are complementary to existing requirements, clear and not unreasonably onerous on public bodies to produce on an annual basis.

The opportunity to look afresh at the approach taken to disclosing information has however been missed by organisations in their consideration of these requirements. We would advise a broader conversation with the Welsh Government, public bodies, recognised trade unions and their leaders to recognise the importance of entering the spirit of the aims of the framework and how it should complement not undermine or override existing reporting requirements.



Our advice would be that the role of the Chief Executive should be explained in the pay policy statement to offer context as to the responsibilities of the role. The good examples of transparency also offered a short pen picture of the current post holder which provided information on their previous experience. Taking this information together with the pay information provides a more balanced and informative picture to the citizen.

We would also advise that the introduction to the pay policy statement should be from the Chair or Leader of the organisation and would set the tone as to why accountability for decision making within the organisation and transparency of information about senior pay is important.

We do also believe that it is reasonable for public bodies and senior staff to be encouraged to disclose the names of those post holders included within remunerations reports as they are likely to be those charged with the key decision making in an organisation.

### 3. Accessibility

Our view is that the framework principles recommendation to publish information in a clear and transparent fashion on a single, prominent and easily accessible place on a website should be achievable. We found this was rarely the case in practice.

The better examples we came across tended to share information under either the front page heading of 'About Us' or 'Publications'; and then one click through to subsequent headings of 'Senior Pay Arrangements', or 'Pay Policy Statement'. From these initial points, you could then click through to other information including specific terms of reference, policies and procedures, remuneration reports, financial statements and annual accounts.

We would advise that all bodies publish a pay policy statement which sets out the policy and procedures for decision making concerning senior pay and pay for other staff. An annual remuneration<sup>4</sup> report should then complement the information in the pay policy statement and vice versa. We would advise that public bodies publish their remuneration reports alongside the pay policy statement to demonstrate the outcomes of their decision making.

We would advise that the pay policy statement is approved and published before 1 April, and reviewed and updated as necessary once the remuneration report information is published later in the year. This is based on the general premise that the pay policy statement in the main sets out the policy and procedural arrangements for decision making and the remuneration report then sets out the outcomes of decision making.

---

<sup>4</sup> The framework principles set out suggested information to be included in a remuneration report; which would complement existing statutory accounting requirements.

Our advice is that the key information that is presented should be written in a style that is direct, concise, and factual and is focused on the citizens' needs, who are likely to be scanning for the information they are interested in and ignore the rest. Better use of hyperlinks to other helpful information, specific policies and procedures and increased use of keyword phrases would improve the experience of users.

#### 4. Comparison between sectors

Each sector continues to adopt a different approach to job evaluation and its linkages to pay and this fuels the perception that there is unfairness in the reward for senior roles that some believe carry similar levels of responsibility. Our advice is that further consideration should be given by the Welsh Government to a common approach to senior job evaluation. More detailed work would be required to consider fully whether a common approach would provide greater assurance that reward is objectively justified, fair and appropriate. It might also facilitate greater mobility between sectors at a senior level and reduce the cost of external recruitment.

The definition for senior posts used in a pay policy statement was often different from that in the remuneration report. This arises where the statutory accounting requirements took precedence over the definition in the framework principles. We believe that this can be overcome provided a clear explanation is given as to the rationale for the selection of certain posts for inclusion in the annual remuneration report and that information relating to the total workforce and related total pay cost of the organisation is also provided.

Where the senior post disclosures in the remuneration report refer to a specific group of posts for example a Board or a Senior Management Team then we would advise the role and purpose of such decision making groups should be explained. This could be achieved with a hyperlink to a Terms of Reference. Any changes to the membership of such groups should also be explained where this changes from year to year.

Where public bodies act as the 'host' to other organisations then the governance and pay arrangements for senior staff should be disclosed i.e. reference included in the pay policy statement and relevant disclosures made in remuneration reports of the host body. The full picture of staff numbers by pay band should also be disclosed to distinguish between the host and hosted organisations. In our view the pay arrangements for 'hosted' organisations are not currently transparent.

Where a senior post holder is on secondment then we would expect, the information relating to the role to still be disclosed and the pay of the individual to be disclosed in the remuneration report where applicable, and the cost to the organisation to also be disclosed as this could be higher when non-recoverable VAT is applied.



All bodies provided more detailed information on the remuneration arrangements for more senior posts than for those on less highly paid posts. Most bodies do now publish pay multiple data and set out the highest and median pay points, and in some cases the lowest paid staff. It remains difficult however to get a sense of proportionality when compared to the workforce as a whole. Our advice would be that the remuneration report is most useful when the full picture of all staff numbers by pay band is also included to provide context to the numbers and pay arrangements of senior posts.

Such disclosure could also separately analyse for example specialist groups, with teachers and clinical staff being the most commonly raised examples. Local Authorities are required to publish the number of employees whose remuneration is more than £60,000 per year. We advise that consistency would be improved if other bodies disclosed information to at least a similar level of transparency as an initial step.

Within Local Government the full Council is required to vote on the salary for new appointments at £100k or over and similarly to vote on severance packages of £100k or above. In our view this does not seem unreasonable given the high level of public interest in such decisions. For consistency, however we would advise that for other bodies the Board or equivalent decision making group should ratify the decisions taken by for example Remuneration Committees and we would advise that this requirement is included in the pay policy statement and wider governance arrangements.

There is an existing requirement on governing bodies of schools to have a pay policy in place<sup>5</sup>, but there is no explicit publication requirement; however, the detail of these specific requirements has a very different focus than the framework principles. Our advice is therefore for the Welsh Government to work with the WLGA, Governors Wales and governing bodies to clarify the requirements of governing bodies with regards the framework principles so that appropriate action can be taken by schools by 1 April 2017.

At this time, we would advise that Local Authorities publish the number of teachers employed at pay bands >£60,000 as part of their Statement of Accounts and that governing bodies be encouraged by the WLGA and the Welsh Government to publish their existing pay policies on the school's website.

---

<sup>5</sup> STPCD\_2016\_guidance.pdf (<https://www.gov.uk/government/publications/school-teachers-pay-and-conditions-2016>)

## 5. Context

### Decision making

The published evidence to support decision making about senior pay arrangements was variable. We would advise that as a minimum the membership, terms of reference and minutes of remuneration committees or similar decision making groups are published.

Some bodies are limited in their local ability to influence affordability as they are covered by national arrangements and pay awards are in that regard fixed by others. Such arrangements should be clearly stated in the pay policy statement.

Good examples were where links were made to the membership, meetings and decisions of the decision making body, for example, the Remuneration Committee. Additionally, some bodies set out the principles on which they considered the annual pay award, for example, equal pay, incremental pay, prioritising the lowest paid, rates of inflation, reductions in overall funding levels and enhancement of other non-pay rewards available. We would consider this good practice.

Some bodies also stated their relationship with recognised trade unions in decision making about pay with some explaining their collective bargaining arrangements; we would consider this good practice.

Where decisions have been taken that are outside the norm of the standard pay scales then this should be explicitly stated with reference to the authority to make those decisions. In our view, it is these types of decisions where the PAC recommendations are driving at the need for greater transparency and understanding of alternative consideration before reaching decisions.

### Severance arrangements

With regards to severance policies, most bodies who published pay policy statements made links to specific policies and procedures and disclosed the detail of their decision making, in terms of number and value of severance agreements in their remuneration reports.

Good practice examples saw bodies refer in their pay policy statements to the publication of their remuneration committee decisions and therein provided a summary of the main outcomes sought through such redundancy and redeployment schemes and business cases. Specific reference should be made to considerations of value for money including the reasonableness of any payback periods.



## Talent Management

The framework principles suggested that public bodies should include the body's approach to internal talent management in their pay policy statement. Whilst many bodies gave examples, under the heading of talent management, of training opportunities offered and taken up by staff, few bodies demonstrated a strategic approach to talent management, and we have identified this as an area which we advise further work and a targeted approach is much needed, working across sectors and with other bodies to achieve the maximum benefit.

It is our view that this would be maximised by working more collaboratively across sectors and promoting secondments and loans between sectors to develop knowledge and skills to the benefit of the wider public sector in Wales as well as to the individual.

## Support for lower paid staff

Most bodies refer to the action they had taken, or were planning to take to achieve or work towards payment of the Living Wage Foundation rate.

A few bodies referred to schemes available to staff such as salary sacrifice schemes that facilitated the interest free purchase of goods, services and equipment and salary advance when an employee starts just after the usual pay date or available on request in special circumstances. In most cases, it appears that these offers would be available to all staff and are not designed to support lower paid.

Our assessment in this area is therefore limited as we have not gone further than the pay policy statement and have not been able to determine the actual take up of such offers by lower paid staff or looked at how such offers are promoted within the organisation or as part of recruitment campaigns. We would advise that organisations should disclose the action taken that is designed to provide support to lower paid staff and consider monitoring the take up and impact on lower paid staff.

## Gender makeup

Not all bodies provided information on the gender makeup of the senior team within their remuneration reports. We see this as an opportunity to link the gender disclosure to the existing requirement to publish an Annual Equality Report.

We would advise that comparative figures are also provided so that the reader can understand changes from one year to another. The good examples we saw presented this information as the gender split of the senior team as compared to the gender split of the Board and total workforce.

Very few organisations are publishing annual equal pay reports which was an expectation included in the framework principles.

## Bonus payments, performance related pay and benefits in kind

In our view if not already included within the remuneration report then arrangements for bonus payments and benefits in kind should be explained in the pay policy statement and a hyperlink as a footnote could be included in the remuneration report. Where no bonus payments are made, we would suggest it would be in the interests of the organisation to state that point. Similarly, where benefits in kind have been assessed as nil then greater clarity could be achieved by stating that point.

Most bodies no longer have a performance related pay system that results in the payment of a bonus or other additional reward. Often however the existing disclosures did not make this explicitly clear.

The good examples we identified explained how most often staff are appointed to an incremental scale for their post and that a performance appraisal as part of a performance management policy acted as a trigger point in moving along that incremental scale from one year to another. Some also included a hyperlink to their Performance Management Policy.

We would advise that specific reference should be made to any performance related pay arrangements, even where these are considered but not awarded or even where they do not apply.

## 6. Additional requirements

### Off-payroll engagements

Those bodies who report using the Government Financial Reporting Manual (the FReM) included in their remuneration reports disclosures about Off-Payroll engagements. This became a requirement following a Review of Tax Arrangements of Public Sector Appointees<sup>6</sup> and applies in Wales. There are three core disclosures requirements:

- All off-payroll engagements at 31 March for those earning more than £220 per day and that last for longer than six months.
- All new off-payroll engagements, or those that reached six months in duration during the year for more than £220 per day and that last for longer than six months.
- For any off-payroll engagements the number where the individual was a board member and/or senior official with significant financial responsibility during the year.

<sup>6</sup> Review of the tax arrangements of public sector appointees - Publications - GOV.UK (<https://www.gov.uk/government/publications/review-of-the-tax-arrangements-of-public-sector-appointees>)



Secondment agreements between public bodies are not the intended focus of this new disclosure requirement. We would advise that the pay policy statement should explain the type of circumstances where off payroll arrangements are likely to be considered appropriate, how those decisions are taken, who takes those decisions and how those engagements are kept under review and by whom.

## Proposed way forward

We set out to make an independent assessment of whether the recommended reporting arrangements provide citizens of Wales with an accessible and clear understanding of pay arrangements within an organisation but also across the public sector in Wales. An interim report was considered by the WPC in November and we have taken account of social partners' feedback in this final report.

In our view the Welsh Government framework, as published in December 2015, is complementary to existing disclosure and reporting requirements, clear and not unreasonably onerous on public bodies to produce on an annual basis. During this first year of adoption progress has been made in implementing the requirements of the Welsh Government framework, but there remain some key areas where we would advise more could be done to explain how senior pay is determined, by sharing information about pay, publishing pay policies and providing explanations for decisions.

As an offer of practical assistance to the Welsh Government and those bodies that fall within our remit, we have included in our report as supplementary guidance to the existing Welsh Government Framework an example pay policy statement (Appendix D) and suggested good practice disclosures to include in annual reports (Appendix E). This should enable all organisations covered by the remit of the Staff Commission to adopt our advice and supplementary guidance and incorporate any amendments not already included into their pay policy statements and annual reports for 2016-17.



## Appendix A – Welsh Government Framework

### Principles

#### 1. Consistency

Reward must be commensurate with responsibility and role. Effective job evaluation is the first step towards this. Public sector bodies in Wales should have published Pay Policy Statements available to the public, which cover the full range of their direct employees and make clear any difference in approach which is proposed for different groups or between the majority of employees and senior staff and why this difference is necessary. This document recommends a standardised model of reporting arrangements for the remuneration of senior posts within the devolved Welsh public sector. Implementing uniform reporting arrangements will provide for greater accessibility to organisational decision making, subsequently leading to increased scrutiny of public spending and ultimately more efficient use of public funds.

#### 2. Transparency

Accountability for the pay arrangements of individual bodies lies with the appropriate governance structure, subject to overarching legal or financial requirements set by either the UK or Welsh Government. It should be clear to employees, the public and those responsible for making decisions on pay where these responsibilities lay. The basis for decisions made, and where departures from existing policies are permitted, should be equally clear to all. Those making the decisions, those scrutinising them and those affected by them should have appropriate information on which to base their decisions. It is reasonable that the remuneration arrangements for more senior posts should be more transparent and open to scrutiny than those for the larger numbers of less highly paid positions.

#### 3. Accessibility

Ensuring that organisational decisions relating to senior remuneration in the Welsh public sector are easily accessible is a key step towards effective scrutiny of public spending. All devolved Welsh public bodies are therefore recommended to publish the information required by this document in a clear and transparent fashion on a single, prominent and easily accessible place on their website. In order to make the availability of information relating to senior remuneration within the devolved Welsh public sector as easily accessible as possible, in addition to publishing its own Pay Policy Statements and Annual Reports, the Welsh Government will also publish links to the relevant disclosure pages of the main register of devolved Welsh Public Bodies on its website.



## Reporting arrangements

This document is aimed at ensuring all devolved Welsh public sector bodies publish certain information relating to the remuneration of their most senior staff in an easily accessible and transparent fashion.

Where existing accounting practices place requirements upon specific devolved Welsh public sector bodies to publish information in a manner similar to that outlined within this document, those existing practices will take precedence over this document. The public bodies who are party to those practices should continue to comply with their existing arrangements.

### 1. Annual Pay Policy Statements

This document recommends all devolved Welsh public sector bodies publish an annual Pay Policy Statement in an easily accessible and prominent place on its website. This Pay Policy Statement should articulate the public body's own policies towards a range of issues relating to the pay and remuneration of its workforce, in particular the pay and remuneration of its senior posts and its lowest paid employees.

The purpose of a Pay Policy Statement is to increase accountability in relation to payments made to senior employees in the public sector by enabling public scrutiny, and should set out the public body's policies relating to the pay and remuneration for senior posts.

The Pay Policy Statement should state:

- a) the definition of "senior posts" adopted by the body for the purposes of the pay policy statement;
- b) the definition of "lowest-paid employees" adopted by the body for the purposes of the pay policy statement;
- c) the body's reasons for adopting those definitions; and
- d) the relationship between the remuneration of senior posts and that of the lowest-paid employees.

In this document "senior posts", in relation to a devolved Welsh public body, may mean the head of the body's paid service; its monitoring officer; a statutory chief officer; a non-statutory chief officer, a deputy chief officer, an executive director, and a senior manager with or without board level responsibility who reports directly to the head of the body.

All devolved Welsh public bodies should include the following information in their Pay Policy Statements:

- a) demonstrable evidence of affordability and value for money;
- b) the number of senior posts within the body with a remuneration package of more than £100,000 in bands of £5,000;
- c) the body's approach to internal talent management;
- d) the body's approach to performance related pay;
- e) the body's approach to providing support for lower paid staff;
- f) the highest and lowest pay points set by the body; and
- g) the severance policies which the body operates and how and in what circumstances these can be varied.

## 2. Annual Reports

All devolved Welsh public bodies should comply with existing accounting practices and publish a full annual remuneration report.

This report must set out in full the following information about all senior posts in an easily interpreted format:

- a) salary;
- b) pension;
- c) benefits in kind and non-taxable benefits;
- d) gender make-up of the senior team; and
- e) details of severance packages which have taken place during that reporting year, including robust business cases justifying the departure arrangements and representing real value for money.

All devolved Welsh public bodies are recommended to disclose the decisions of their remuneration committees with regards to senior remuneration. In addition, all devolved Welsh public bodies should produce and publish annual Equal Pay Reports.



## Appendix B – Public Service Bodies within scope

The public service bodies to be covered by the remit of the non-statutory Commission currently include:

- A county borough council or county council in Wales
- A town or community council
- Fire and Rescue Authorities
- National Park Authorities
- The Local Democracy and Boundary Commission for Wales
- Local Health Boards and NHS Trusts
- The Care Council for Wales
- The governing body of a maintained school or federation
- The Higher Education Funding Council for Wales
- The Arts Council of Wales
- The National Library for Wales
- The National Museum of Wales
- The Royal Commission on the Ancient and Historical Monuments of Wales
- The Sports Council for Wales
- The Natural Resources Body for Wales.

Subject to the requirements of the Constitutional Reform and Governance Act 2010 the Welsh Government (as an employer), voluntarily regards itself as being within the remit and will take notice of and apply its guidance on the same basis as others.

## Appendix C – Existing reporting requirements

All public bodies are required to report the remuneration of their senior staff.

NHS bodies and all bodies within the central government sector e.g. the Welsh Government and most Welsh Government Sponsored Bodies follow the requirements set out in the Government Financial Reporting Manual (the FReM)<sup>7</sup>.

All local government bodies including the national parks and fire and rescue authorities follow the requirements set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code).

In Wales these manuals, Codes and statements of recommended good practice are supplemented by other guidance issued by the Welsh Government which includes:

- NHS bodies – NHS Manual for Accounts<sup>8</sup>
- Welsh Government Sponsored bodies – specific Ministerial Directions
- Local government bodies – The Accounts and Audit (Wales) (Amendment) Regulations 2014<sup>9</sup>. Pay Accountability in Local Government in Wales; Guidance under s40 of the Localism Act 2011.<sup>10</sup>

Some public bodies are also registered charities and Big Lottery grant distributors and therefore must comply with the reporting requirements of the Charities Commission and Statement of Recommended Practice (the SoRP).

The Freedom of Information Act requires every public authority to have a publication scheme, approved by the Information Commissioner's Office (ICO), and to publish information covered by the scheme. The Information Commissioner has made available guides that set out the types of information expected to be published including that relating to senior remuneration.<sup>11</sup>

The Equality and Human Rights Commission (the EHRC) publishes information to support public bodies in Wales in meeting their statutory requirements under the Equality Act 2010<sup>12</sup>. The EHRC also provides information on good practice examples of action taken and reporting identified in public bodies from Wales.

<sup>7</sup> 2015-16 FReM December 2015 pdf ([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/488328/2015-16\\_FReM\\_\\_December\\_2015\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/488328/2015-16_FReM__December_2015_.pdf))

<sup>8</sup> NHS Wales Governance e-Manual | Local Health Board and NHS Trust Annual Accounts (<http://www.wales.nhs.uk/governance-emanual/local-health-board-and-nhs-trust-annual->)

<sup>9</sup> Welsh Government | Guidance on the accounts and audit (Wales) regulations 2014 (<http://gov.wales/topics/localgovernment/finandfunding/publications/accounts-audit-guidance/?lang=en>)

<sup>10</sup> Welsh Government | Pay accountability in Local Government in Wales (<http://gov.wales/topics/localgovernment/finandfunding/publications/payaccount/?lang=en>)

<sup>11</sup> Definition documents | ICO (<https://ico.org.uk/for-organisations/guide-to-freedom-of-information/publication-scheme/definition-documents/>)

<sup>12</sup> Guides to the PSED in Wales | Equality and Human Rights Commission (<https://www.equalityhumanrights.com/en/advice-and-guidance/guides-psed-wales>)



## Appendix D – Pay Policy Statement

This is the xxx annual Pay Policy Statement for the period 1 April 201x-31 March 201y. It was approved by the Board/Council on dd/mm/yyyy <link to minute>.

This pay policy statement provides the framework for decision making on pay and in particular decision making on senior pay.

It complements other information published on our website which is linked below. If you cannot find the information you are looking for, then please contact us <link>.

### Introduction from Chair/Leader

*A brief personal statement that recognises the public interest in public sector pay and the importance of transparency and accountability set against the current strategic aims of the organisation, including demonstrating value for money and the role senior leadership plays in service delivery.*

### Legislative framework

*A brief explanation of the legal entity, including a reference to establishment and where applicable the relationship with the Welsh Government e.g. sponsor department, analogue arrangements.*

### Decision making including consideration of value for money

*Provide a summary of the current terms and conditions of service for all staff in the organisation.*

*An explanation about the job evaluation process should include how pay bands are determined, reviewed and pay awards considered. Explicit reference should be made to any nationally agreed terms and conditions.*

*Insert a link to the organisation's senior pay decision making body; membership, terms of reference and minutes e.g. a remuneration committee.*

Where applicable delegated limits for decisions on pay should also be published.

Where changes to the post holders of senior posts and changes to the pay grades of existing post holders have been considered (even where not agreed) then a summary narrative should be included.

Where agreement is made to pay outside/above the standard job evaluation process for senior posts then the degree of flexibility to make such decisions e.g. award a market pay supplement, should be stated explicitly and referenced to the relevant minute of approval.

*Set out the collective bargaining relationship with Trade Unions with a link to the relevant <partnership agreement>.*

*Set out the criteria used for considering pay awards made during the year.*

A Local Authority in Wales is required to consult the Independent Remuneration Panel for Wales about changes to senior staff pay<sup>13</sup>. The pay policy statement should state where consultation has occurred during the year and what the outcome of that consultation was.

Welsh Government has issued guidance to NHS bodies regarding Executive and Senior Posts (ESPs), although this guidance is not in the public domain. All NHS bodies are required to notify the Welsh Government of their intention to advertise any new or existing ESPs prior to doing so. The ESP cohort is defined as all staff not employed on Agenda for Change or medical and dental contracts. The pay policy statement should state where such notification has taken place.

## Senior pay remuneration

### Role of the Chief Executive

The Chief Executive is the senior officer who leads and takes responsibility of the organisation. The organisation has a turnover of £xM (£xM capital and £yM revenue) and is responsible for a wide range of services employing some xx staff.

The role of the Chief Executive is a (full time/permanent) appointment. Post holders are selected on merit, against objective criteria, following public advertisement. They are appointed by (the Council/Chair/Board).

As head of the paid service/organisation, the Chief Executive works closely with elected members/Board to deliver <summary of strategic aims>.

The Chief Executive routinely works evenings as well as the standard Monday to Friday business week. The Chief Executive also heads the 'on call' arrangements particularly to cover emergency planning requirements.

### <Chief Executive's background>

*Insert a brief pen picture of the current post holder and specifically when they took up post.*

<sup>13</sup> Welsh Government | Guidance for salaries of local authority chief executives and chief officers (<http://gov.wales/topics/localgovernment/publications/guidance-salaries-irp/?lang=en>)



## Chief Executive Pay

Salary for the Chief Executive is set out in the <pay bands>; the current range is £x – £y.

The Chief Executive may receive additional payments for any of the elections for where he/she is the Returning Officer.

Details of the Chief Executive's pay, including any additional payments are published in the remuneration report. (This document is found within the annual accounts of the organisation/published separately) and can be accessed <here>.

Expenses such as for train, car mileage, overnight accommodation and parking are claimed back in accordance with the organisation's travel and subsistence policy <link>. Where benefits-in-kind or other expenses are taken up these are disclosed within the remuneration report.

The Chief Executive is a member of <xx pension scheme and details are disclosed in the remuneration report. *There have been no increases or enhancements to the pension outside of standard arrangements.*

The notice period for the role is x months.

## Senior staff

The current definition for senior posts is classed as:

- Salaries in excess of £100,000 or;
- the head of the body's paid service;
- its monitoring officer;
- a statutory chief officer;
- a non-statutory chief officer;
- a deputy chief officer;
- an executive director; and
- a senior manager with or without board level responsibility who reports directly to the head of the body.



We publish all <pay bands> and <a breakdown of staff numbers by pay band>. These posts are covered by a range of terms and conditions drawn from either:

- Joint National Council for Chief Officers
- Soulbury Committee
- National Joint Council
- Agenda for Change
- Teachers
- Civil service.

Employee Group	Terms and Conditions	Pension arrangements
All employees (except those listed below)		
Chief Executive		
Senior Staff		
Soulbury		
Medical and dental		
School teachers		
Other		

Arrangements for approving benefits in kind and other allowances should also be explained.

Details of senior staff pay are published in the Statement of Accounts/remuneration report (This document is found within the annual accounts *of the organisation/ published separately*) and can be accessed <here>. Where permission to publish personal data has not been granted names have been omitted.

The Board/Senior Management Team includes senior staff within the organisation. The Board/SMT, is chaired by xx and meets xx; its role is primarily to <link to terms of reference>.



## Talent management

Provide an explanation of the organisation's approach to succession planning for specialist and senior posts. This is targeted at developing the leaders of the future and innovative recruitment and learning and development practices that the organisation uses to recruit and retain staff.

## Performance related pay

Specific reference should be made to any performance related pay arrangements, even where these are considered but not awarded or even where they do not apply.

All staff have an annual performance appraisal which is supported by a performance development plan in line with the organisation's <performance management policy>. This policy also sets out arrangements for addressing under performance.

## Support for lower paid staff

Examples designed to support lower paid staff should be provided, along with an assessment of take up by lower paid staff and measurement of impact.

The organisation should state its position with regards the recognised Living Wage Foundation rate of pay.

## Highest and lowest pay point

The lowest paid employee is on (Band x). The pay band minimum is £x per annum and rises to £. This excludes apprentices who are engaged on different arrangements with training being the main feature of the arrangements and it also excludes agency staff.

The highest paid employee is <role> and the pay band minimum is £x rising to £y; the current post holders earns £z.

*A link to disclosure here or to in the remuneration report to also include:*

The median salary in the organisation during the year was at Band y and was £z.

*Where the highest paid individual is not the Chief Executive provide both ratios.*

## Exit policy

The organisation has <a policy> for severance or exit arrangements.

Specific details of schemes considered and/or agreed during the year should be referenced to the relevant minutes. The detailed costs and numbers of exit packages should be provided with a link to the remuneration report and to include:

- Salary paid in lieu;
- Lump sum redundancy/severance payment; and
- Cost to the organisation of any pension fund payment that arises on leaving.

The organisations should provide an explanation between costs to the organisation that may not always be the same as payment to the individual.

The organisation should state any arrangements where senior staff have been re-employed following redundancy or early retirement, and a summary of the reason for doing so with reference to the relevant minute of approval.

## Off payroll arrangements

Organisations should explain the type of circumstances where off payroll arrangements are likely to be considered appropriate, how those decisions are taken, who takes those decisions and how those engagements are kept under review and by whom.

Specific reference should be made to any Off-Payroll arrangements used during the year and referenced to the relevant minutes *with a link to disclosure here or in the remuneration report*.

*It should be clear why such an arrangement has been approved, who approved it and how the arrangements will be kept under review.*

## Appendices

<Pay Bands>

<Staffing breakdown by band>

<Delegated limits for decisions on pay>

<Partnership agreements>

<Travel and subsistence policy>

<Redundancy/severance policy>

<Performance management policy>

<Annual leave policy>



## Appendix E – Suggested examples

### Total Staff Composition

	Permanent	Temporary	Agency	Inward Secondment	Total	Prior Year Total
	£000	£000	£000	£000	£000	£000
Wages and salaries						
Social Security costs						
Other pension costs						
Agency costs						
Total						

During the year the average number of full time equivalent staff employed by contract type:

Pay Band	Permanent	Temporary	Agency	Staff on inward secondment	Total	Prior Year Total
Total						

During the year the average number of full time equivalent staff employed by pay scale band is:

Pay Band	Clinical/ Teaching	Non clinical/ teaching	Total	Prior Year Total
Senior staff and/ or >£60,000*				
Other staff				
<b>Total</b>				

\*in bands of £5,000 (from £60,000/A4C Band 8C/Executive Band 2 through to the highest paid director band or where the wider definition of senior staff applies but individuals are paid less than £60,000).

During the year the average number of full time equivalent staff employed by pay scale and by job role is:

Pay Band	Additional clinical services	Administrative & clerical	Allied health professional	Estate & ancillary	Medical & dental	Nursing & midwifery	Professional, scientific & technical	Students	Board members	Total
<b>Total</b>										



During the year the average number of full time equivalent staff employed by pay scale and by job role is:

Pay Band	Sports & leisure	Culture & heritage	Planning	Trading Standards	Social care & inclusion	Administrative and clerical	Estates, catering and ancillary	Construction & maintenance	Corporate Services	Total
Total										

### Staff Composition by Gender

A breakdown of the workforce by gender is set out in the table below. This represents the composition of the workforce as at 31 March xxxx.

Pay Band	Male				Female			
	FTE	%	Headcount	%	FTE	%	Headcount	%
Total								
Prior year total								
Variance								

## Staff Composition by target group

A breakdown of the workforce by target area is set out in the table below.  
This represents the composition of the workforce as at 31 March xx.

Staff Group	Current Year	Prior Year	Variance
Welsh language skills All staff*			
Welsh language skills Senior staff bands			
BAME All staff			
BAME Senior staff bands**			
Disabled All staff			
Disabled Senior staff bands			
Women All staff			
Women Senior staff bands			

\*based on self-assessment of using welsh language skills in the workplace irrespective of level

\*\*senior staff bands include those in bands >£60,000



## Exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total Cost of packages in each cost band
<£10,000				
£10,000 – £25,000				
£25,000 – £50,000				
£50,000 – £100,000				
£100,000 – £150,000				
£150,000 – £200,000				
>£200,000				
Total number of exit packages by type				
Total cost				



Document is Restricted

Document is Restricted

## PUBLIC ACCOUNTS COMMITTEE INQUIRY INTO THE REGULATORY OVERSIGHT OF HOUSING ASSOCIATIONS

### CONTRIBUTION FROM CABINET SECRETARY FOR COMMUNITIES AND CHILDREN - SUBMITTED 5 JANUARY 2017

#### Introduction

1. Under Part 1 of the 1996 Housing Act, the Welsh Ministers have powers to regulate registered social landlords (RSLs) in Wales and to set standards of performance to be met by RSLs and related guidance. The 1996 Act also sets out enforcement action which the Welsh Ministers can apply to RSLs. The overall approach towards housing regulation in Wales is set out in the Regulatory Framework for Housing Associations Registered in Wales<sup>1</sup>. RSLs are commonly referred to as housing associations. Reference in this paper to housing associations is to those housing associations which are registered as registered social landlords under the legislative provisions set out above. Regulation of RSLs is undertaken by the Welsh Government's Housing Regulation Team.

#### Social Housing Sector

2. Housing associations are a key component of the housing sector in Wales. There are currently 92 associations registered as social landlords. Of this number, 34 associations are significant providers of social housing. Altogether associations are responsible for 10% of all homes in Wales. This compares to the situation in 2001 when they were responsible for just 4% of all homes. The difference relates largely to the transfer of council owned social housing to the RSL sector in 11 local authority areas in Wales.
3. Social housing accounts for just over half of all rented properties in Wales. As the following table illustrates housing associations are responsible for 32% of all rented properties.

<b>Rented Housing Sector in Wales</b>	<b>Private rented</b>	<b>Housing Association</b>	<b>Local Authority</b>
Total homes / proportion of sector	208 000 48%	136 000 32%	88 000 20%

4. The RSL sector is a key component in delivering the Welsh Government's commitment towards increasing the supply of affordable homes. Between 2011 and 2016 an additional 11,508 affordable homes were provided in Wales of which 84% were delivered by housing associations.
5. The government recognises that housing associations have a wider social role. They are at the heart of efforts to build resilient and sustainable communities. They are essential partners in the government's efforts to prevent homelessness. Housing associations provide a wide range of advice

and support to their tenants beyond straightforward landlord services. The sector also plays a crucial role in enabling many vulnerable and disabled people to live independent lives in a manner which reduces the burdens which would otherwise fall on the NHS and social care sectors.

6. The Welsh Government is conscious and supportive of this wider social and economic role. It is also committed to ensuring that this is reflected in the arrangements for regulating the sector in Wales.

## Housing Regulation

7. The essential role of housing regulation is to
  - **Protect tenants.** There are nearly 140,000 housing association tenants in Wales – 90% of whom are in receipt of welfare benefits of some kind.
  - **Safeguard public assets.** The Welsh Government has invested nearly £1.5bn grant funding into housing association homes since 1999 and
  - **Facilitate private sector investment.** Grant funding of housing association homes is supplemented by private sector investment, which currently totals £2.5 bn.
8. Tenants are at the heart of regulatory activity. The Regulatory Framework for Wales places clear expectations on housing associations to demonstrate that their tenants are involved in strategic decision making and in the shaping of high quality, improving services. The regulation function provides tenants with information about their landlord which allows them to compare their landlord with others and helps protect them from poor or failing landlords. The Regulation Team has strong relationships with the national tenant support organisations and we have placed a growing emphasis on maintaining and strengthening these links.
9. The key principles of the current Regulatory Framework – proportionality, transparency, consistency and the promotion of continuous improvement - remain unchanged since its original publication in 2011. However, the application of these principles, and of the Regulatory Framework, has been subject to review and change in the same spirit of continuous improvement which we expect from the housing associations we regulate. For example, we recently launched a new regulatory judgement framework and are about to consult on revised performance standards, which reflect the more challenging environment in which housing associations currently operate and our experience of regulation since the launch of the Regulatory Framework in 2011.

## Structure of Regulation in Wales

10. The Deputy Director for Sector Development has responsibility for the Team which, since June 2016, has had two branches.
  - Operations – Regulation Managers, who engage directly with housing associations, delivering regulation on the ground (8 people) and
  - Learning and prevention – finance and housing specialists with a particular focus on the provision of strategic policy and sector analysis and currently producing financial analysis, thematic reviews, lessons learned exercises and considering options to address issues arising from the recent reclassification of housing associations (4 people).

11. The work of the regulation team is supported by a non statutory independent Regulatory Board, reconstituted in April 2016 and made up of independent members with sector expertise. The members are appointed by the Cabinet Secretary for Children and Communities following a public recruitment exercise to provide advice from an independent perspective on the Welsh Government's regulatory function. The Board is supported by, and draws evidence from:

- Regulatory Advisory Group – made up of representatives of key sector stakeholders, including tenants, funders, housing associations and local authorities; and a
- Tenant Advisory Panel – providing a tenant perspective to the Board, via a group of housing association tenants who interact with tenants across Wales.

The Board meets four times a year. Its main purpose is to provide challenge to the regulation team and to advise the Cabinet Secretary on the performance of the sector. The current membership of the Board is attached at Appendix 1.

## Our Approach to Regulation

12. A key element of the work of the Regulation Team is the publication of regular regulatory opinions on the health and performance of the housing associations we regulate. <sup>2</sup> Much work has been done over the past 12 months to improve the efficiency of the Regulation Team in terms of producing timely Regulatory Opinions.

Year	2014/15	2015/16	2016/17
<b>Regulatory Opinions Produced</b>	4	16	27

13. Co-regulation underpins the Regulatory Framework, recognising the shared aim of the sector, its stakeholders and the Regulation Team to achieve a vibrant and improving housing association sector, delivering robust governance, strong finance and high quality services. Co-regulation involves setting out the respective responsibilities of associations and the Regulation Team to achieve robust and effective regulation, with both parties agreeing to work together to offer the best protection for tenants and the public funds invested in housing in Wales. Both parties have a shared interest in working together to resolve issues quickly and appropriately to protect tenants. When regulatory or other serious issues arise relating to the business of one or more associations, the Welsh Ministers (in whom the regulation functions ultimately vest) can use a range of powers to intervene and act quickly to safeguard tenants' interests.

14. The Regulation Team operates on the principle that this collaborative, relationship-based approach supports strong and effective regulation. Our experience is that the relationships developed through regulatory contact with housing associations provide a solid foundation of trust and understanding on which to have honest conversations about difficult issues.

<sup>2</sup> <http://gov.wales/topics/housing-and-regeneration/services-and-support/regulation/regulatory-assessments/?lang=en>

15. Where necessary, regulation has taken a robust approach with housing association boards and management teams to ensure that significant issues have been effectively addressed. We are conscious that the evidence from our regulatory engagement is that the lack of a co-regulatory approach and a failure to share information can be a warning sign of potential issues and has been a factor in most of our complex cases.
16. The Regulation Team aims to apply a culture of continuous improvement across its work. It is central to our delivery of the regulation function and ensures we develop and change our approach in the light of regulatory experience and the changing environment for housing associations.
17. During the course of 2016, the Regulatory Board for Wales has undertaken a review of housing association approaches to achieving value for money. This review, undertaken in collaboration with the sector, key stakeholders and relevant experts, has produced significant positive outcomes. These include an agreed set of cost metrics which will be available annually through the Global Accounts publication, and will provide the basis for focussed regulatory discussion with individual housing associations around value for money. We are also encouraged that the way in which the review has been approached by the Board has prompted correspondingly positive moves in the sector, including a stronger focus towards value for money across all aspects of RSL business.
18. We have developed a method to ensure that we learn objective lessons where regulatory issues arise. Discussions are ongoing with Community Housing Cymru and the Chartered Institute of Housing Cymru to develop an effective approach to wider dissemination of those important lessons.
19. Our lessons learned approach is at the core of Regulation Managers' work with individual housing associations, through informal sharing of information and highlighting emerging key themes. Current themes are listed at Appendix 2.

### **Effectiveness and quality of governance arrangements**

20. The housing associations we regulate are independent, not for profit organisations run by voluntary, unpaid Board Members.
21. The current regulatory regime is rooted in the 2008 Essex Review of Affordable Housing which proposed an approach focussed on risk and the quality of governance. Our experience is that when associations face serious difficulties the underlying cause is more often than not an issue related to the quality of governance. For this reason, our analysis of current risks to the sector places a strong focus on governance risk and much of our regulatory activity is now focussed on governance quality.
22. Much of the quality of governance is founded on Board culture and on behaviours displayed. These are matters which can be difficult to identify from remote document reviews. We have therefore increased the focus of our regulatory engagement on Board observation. A minimum of four Board observations per year for every housing association allows a "hands on" approach, giving the opportunity to see culture and behaviours first hand. We are conscious that this is in contrast to a more desk-based assessment

approach by the regulators in England and Scotland. This reflects in part the relatively small size of the RSL sector in Wales (there are nearly 1200 associations in England). We are, however, committed to turning the relatively small scale of the sector in Wales to our advantage and using our ability to foster effective relationships through face to face contact to strengthen our regulatory engagement.

### **Managing and mitigating sector wide risks**

23. Housing associations in Wales operate in an increasingly challenging and risky environment. For example, welfare reform means that housing association capital grant availability is less certain, cost pressures have increased, interest rates are likely to start to rise and the diversity and complexity of the sector has grown. Housing associations are also under increasing pressure to diversify and to take a wider role in addressing community issues, partly as a consequence of reductions in local authority finances. Associations are expected to play a central part in delivering the Government's target of 20,000 new affordable homes in this Assembly term. Associations face real challenges in attracting the board members with the right sorts of skills to oversee multi-million pound businesses contributing to an ever more demanding but important wider social agenda.
24. The approach to the delivery of regulation aims to ensure that the regulatory focus is on key risks. As part of this, the regulation team produces a Sector Risk Paper<sup>3</sup> which is used to provide focus to Boards as well as to the work of the Regulation Managers and our wider regulatory engagement.
25. Current major risks to the sector are the potential impacts of the recent reclassification of housing associations into the public sector by the Office for National Statistics (ONS); the need to improve the sector's track record in achieving value for money; and the impact of welfare reform on both housing associations and their tenants.
26. The Regulation Team is responding to reclassification by developing a comprehensive set of proposals aimed at addressing those aspects of the current regulatory regime which has caused ONS to reclassify housing associations as public sector organisations. The need for legislative changes is being considered as part of this work. Welsh Ministers have made clear that they will make the changes necessary to allow the ONS to reclassify the sector back into the private sector.
27. We have used our own experience to identify common sector risks and acted to improve sector performance by setting out clear expectations, e.g. our expectation that housing associations put in place Asset and Liability Registers and carry out robust stress testing with mitigation arrangements by 31 March 2017. Experience clearly indicates that the major risks to the sector are in governance and finance, so our Regulation Manager resources have been refocused on the critical elements of these risk areas.
28. The effectiveness of risk management is a key judgement factor in the new regulatory judgement framework and performance standards.

---

<sup>3</sup> <http://gov.wales/topics/housing-and-regeneration/publications/sector-risks-facing-housing-associations/?lang=en> Pack Page 71





## Appendix 1

### Regulatory Board for Wales - Current Membership

Helen White (Chair)

Ron Dougan

Ceri Victory-Rowe

Doug Elliott

Gayna Jones (until March 2017)

Claire Russell-Griffiths

David Roberts

Robert Smith

Biographies for Regulatory Board members can be found here:-

<http://gov.wales/topics/housing-and-regeneration/services-and-support/regulation/regulatory-board-for-wales/biographies/?lang=en>

## **Appendix 2**

### **Themes emerging from current regulatory contact.**

- Compliance with Community Housing Cymru's Code of Governance
- Self Evaluation development/improvement
- Compound scenario stress testing of the financial Business Plan, with mitigation strategies
- Asset Management - development/implementation of a strategic and planned approach
- Welfare Reform - continued preparedness for the impact of Universal Credit/Local Housing Allowance Housing Benefit Cap
- Value for Money - development/embedding of a comprehensive approach and assessment of outcomes
- Effectiveness of approaches to promoting equality and diversity
- Improvements to tenant engagement - at strategic level and involving the wider body of tenants in service improvements
- Tenant service satisfaction - more robust monitoring/measurement for assurance/understanding

Document is Restricted

Document is Restricted