

David Rees MS
Chair
Llywydd Committee
By e-mail

12 December 2023

Dear Mr Rees

Dame Elan has asked me to respond to your letter to her of 29 November, to provide assurance over the regularity and propriety of the Commission's £1500 cost of living payments as part of its 2023 pay settlement with its staff.

As you will know from wider discussions, it has been particularly challenging to reach fair pay settlements this year across the public sector. Increases in inflation have far outstripped forecasts and – crucially – provisions made in budgets at a far earlier time. The Commission set its own budget for the year back in October 2022, building provision for a pay award of 4% into its 2023/24 budget, based on the widely held view at that time that inflation would significantly reduce. This provision was reasonable in the context of the situation and forecasts of the time, and took into account the appropriate Civil Service Pay Remit guidance, given the legal obligation placed on the Commission to have regard to the context of pay arrangements for the UK Civil Service when determining its own pay arrangements. The decision was fully considered and approved at Executive and Board levels. It was consistent with broadly contemporaneous provisions made by other public sector bodies.

Over the following months the impact of continuing high inflation on the cost of living resulted in the Civil Service Pay Remit Guidance being updated – though not until June 2023 – to allow pay flexibility of 4.5%, plus an additional 0.5% to be targeted at lower pay bands. Both unexpectedly and unusually, it also allowed for a fixed non-consolidated payment of £1,500 per full-time employee, which then became part of the final civil service pay settlement for 2023.

The obligation on the Commission to have regard to pay arrangements across the Civil Service remained, but we were also concerned by the impact of inflation on the cost of living of our staff, and that failure to also implement the £1500 payment would increase the challenges in attracting and retaining key staff, and thus increase to deliver our key functions.

The decision to align directly with Civil Service settlements was made with a clear understanding that it might entail a combination of measures to balance its overall budget, including curtailment of specific activities, and the pursuit of a supplementary estimate. The decision was thoroughly scrutinised by the Commission's Remuneration Committee (RemCo), where affordability considerations were integral to the broader evaluation of competing pressures and risks to the delivery of key functions.

With the decision to make the £1500 payments made, the Commission has considered the desirability of cutting or curtailing activities and come to the view that the alternative of

including the additional costs in its supplementary estimate is more in-line with its obligation to maintain its core functions without unacceptable risks to their delivery. The limited options available to the Commission to reduce spend in the remaining months of the year would all have a disproportionate impact including beyond the financial year – such as not running our annual tracker survey, not filling vacant roles, and cutting all travel to engage with local authorities.

In summary, the one-off payment, mirroring the Civil Service's agreement, was made for legitimate reasons and followed appropriate governance processes. It adhered to the expectation that the Commission align its pay settlement with the Civil Service. The decision-making process was documented, adhered to clearly defined criteria, underwent scrutiny for fairness under employment legislation, and received full oversight from the Commission's Board.

I trust that the above provide the reassurance you seek, and demonstrates that the Commission's commitment to probity, appropriateness, and transparent governance in managing staff remuneration.

Yours

DM

Director of Finance and Accounting Officer