

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

### **Introduction**

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

### **Senior Civil Service Pay within the Welsh Government**

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

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

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

#### **Welsh Government Sponsored Bodies**

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

#### **Senior Management Pay across the Welsh Public Sector**

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

#### *Local Government*

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

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

#### *Health*

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

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

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

#### *Education*

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

#### **Perspective on questions posed by the Inquiry**

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

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

Permanent Secretary

