

Inquiry into Senior Management Pay

Response from Rhodri Glyn Thomas AM

National Assembly for Wales
Public Accounts Committee
PAC(4)-SMP06
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What are your views on how senior management pay is set in the public sector?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Is there adequate accountability for senior management pay?

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

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

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

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