



Cynulliad Cenedlaethol Cymru **The National Assembly for Wales**

Y Pwyllgor Cyfrifon Cyhoeddus **The Public Accounts Committee**

Dydd Mawrth, 20 Mai 2014
Tuesday, 20 May 2014

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are recorded in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

William Graham	Ceidwadwyr Cymreig Welsh Conservatives
Mike Hedges	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Julie Morgan	Llafur Labour
Gwyn R. Price	Llafur (yn dirprwyo ar ran Sandy Mewies) Labour (substitute for Sandy Mewies)
Jenny Rathbone	Llafur Labour
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

Eraill yn bresennol
Others in attendance

Elaine Ballard	Prif Weithredwr Cymdeithas Tai Taf Chief Executive, Taff Housing Association
Dr Norma Barry	Cadeirydd Tai Calon Chair of Tai Calon
Nick Bennett	Prif Weithredwr, Grŵp Cartrefi Cymunedol Cymru Chief Executive, Community Housing Cymru Group
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Claire Griffiths	Dirprwy Glerc Deputy Clerk
Meriel Singleton	Clerc Clerk
Gareth David Thomas	Y Gwasanaeth Ymchwil Research Service

Dechreuodd y cyfarfod am 09:03.

The meeting began at 09:03.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **Darren Millar:** Good morning, everybody, and welcome to today's meeting of the Public Accounts Committee. I remind Members that the meeting is bilingual and that headphones can be used for the simultaneous translation and, indeed, for sound amplification. I encourage everybody to switch off their mobile phones and other electronic equipment, as they can interfere with the broadcasting equipment. I would also remind everybody that, if the fire alarm sounds, we should follow the instructions of the ushers, who will take us to the

nearest safe place. We have received apologies this morning from Sandy Mewies, and we have to welcome Gwyn Price to the committee again—thank you, Gwyn, for your attendance today.

9:04

Papurau i'w Nodi
Papers to Note

[2] **Darren Millar:** We have the minutes from our meeting held on 13 May. I will take it that they are noted.

Arlwyo a Maeth Cleifion mewn Ysbytai: Y Wybodaeth Ddiweddaraf gan
Lywodraeth Cymru
Hospital Catering and Patient Nutrition: Update from Welsh Government

[3] **Darren Millar:** Members will see that we have had an update from the Welsh Government's chief nursing officer, who attended the committee back in February, when we held an evidence session seeking an update on progress on hospital catering and patient nutrition and the recommendations that have been made by the Wales Audit Office and, indeed, by this committee in our further piece of work. We have had a response providing an update on a pilot study that was undertaken by the Welsh Government in Llandough hospital, and also a note on some discussions that have been taking place between local government in Wales and the NHS. I have to say that it does not appear that there has been a great deal of progress. Aled is first.

[4] **Aled Roberts:** I think that 'pilot studies at Llandough' is probably stretching it a bit, from what I have read, anyway; it was one day's observation on the wards. I thought that the more telling one was on food waste disposal because, certainly in north Wales, Wrexham council has had a food waste system in place now for five or six years. I know that Gwynedd Council is collecting food waste, and I think Conwy council is in discussions with Gwynedd in certain regards.

[5] **Alun Ffred Jones:** Probably, yes.

[6] **Aled Roberts:** So, why are they saying that we need to see these new facilities, when, certainly—okay, not across Wales, but in areas of Wales—? Wrexham, for example, could have taken Wrexham Maelor hospital's food waste since five years. So, I just think that it is a bit of a pathetic response, to be honest.

[7] **Alun Ffred Jones:** Similarly, I was not here for the inquiry, but is food not collected in most local authorities in some shape or form these days?

[8] **Darren Millar:** Yes, but—

[9] **Alun Ffred Jones:** So, what is the difficulty? You would have thought that, with one site, it would be very easy to collect it and dispose of it in a rather more enlightened way than throwing it into a hole in the ground.

[10] **Darren Millar:** These were concerns raised by the committee during the course of our inquiry.

[11] **Alun Ffred Jones:** This is a part of the Government, which has had a policy for the past dozen years or whatever on recycling, particularly recycling food and separating it from general waste. Why the hospitals do not do it—. I am not sure of the situation. There are 11

hospitals that actually do recycle their food waste. I presume that there is a list of those, of which I am not aware.

[12] **Darren Millar:** Interestingly, we have not been provided with a list, but we are told that 11 out of the 59 hospitals—

[13] **Alun Ffred Jones:** Can we ask for a list of those hospitals? That might show us where the local authorities have a particularly enlightened process.

[14] **Darren Millar:** Okay. William is next.

[15] **William Graham:** I endorse what has been said. Chiefly, they seem to be rather slow. I know that certain hospitals in the Aneurin Bevan Local Health Board area were forced to take action with the famous fatberg, which is redundant fat collected in the drains. This prompted their action some years ago. I am surprised that it is taking so long. Like Alun, I was not here for the original inquiry, but it seems surprising that there is not a little more emphasis on the nutritional element, which would dictate a great deal of the food that they produce, and on food that is appetising for patients. That would reduce waste in itself.

[16] **Darren Millar:** One thing that I found surprising was this reference to the fact that they were recording protein waste only, rather than the whole plate being returned.

[17] Mike Hedges is next, and then Jenny Rathbone.

[18] **Mike Hedges:** I have two very quick points. First, it always amazes me that you have a health board, but you then seem to have individual hospital policies. That does seem to have been lost. We saw that when we looked at north Wales. You can have a health board policy, but then individual hospitals seem to have their own policies, and I think somebody needs to get a grip on that.

[19] My second point is that community health councils regularly visit hospitals. One of the things that they do look at is food and food waste. I did provide David Thomas with a copy of the one from the CHC in my area, which looked at Singleton hospital, and some of its practices seemed to be almost identical to those that the auditor general reported on prior to his report. Perhaps it does happen, but I wonder whether the auditor general routinely picks up community health councils' reports because they do tend to go to look at many of the things in terms of hospitals that the auditor general has previously reported on.

[20] **Darren Millar:** I will bring in the auditor general in a few moments. Jenny is next.

[21] **Jenny Rathbone:** A pathetic response. Hopefully, the future generations Bill will put a stop to all of this. There has to be an environmentally sound way of doing this, as well as an attention to what the patient is or is not eating.

[22] **Darren Millar:** It is rather astounding when you consider that nutrition has been a feature in a number of pretty serious reports into incidents in hospitals in recent years.

[23] **Gwyn R. Price:** I must agree that the local authority has been doing this for years now. This is not something new. I thought that they could have piggybacked on some of its good practices with regard to food waste.

[24] **Darren Millar:** Yes, and you would have thought that, actually, the volume of waste from a hospital would help to make projects more viable, if a local authority is wanting to embark upon a food waste project. Auditor general, do you want to come in?

[25] **Mr Thomas:** Yes. If you recall, this all stems from the report that we produced back in 2011 on which you took evidence, and there have been a few continuing questions you have been asking of the Welsh Government. We are coming up to the point where, next year, we will be doing a complete review of what has happened with regard to the whole issue of catering—not just waste, but the wider issue of nutritional and catering standards in hospitals. Although there are some encouraging features in here, I do not see any particular recommendations coming out of the work that is being reported on in terms of wider application. My suggestion to the committee, given that nutrition has once again turned up as a major issue in the recent Professor Andrews report, would be that this could either be dealt with by the Health and Social Care Committee or that I could do a specific revisit of the recommendations that were charged to the Welsh Government as a whole both out of the report that I produced in 2011 and the subsequent report that this committee did and bring back a single report for you to consider and take evidence on. I am just a little bit worried that we are pursuing smaller strands and that the committee is losing sight of the overall impact of nutrition and catering.

[26] **Darren Millar:** I think that, in terms of an update on where the recommendations are at—both the WAO report recommendations and those in our report—that sounds quite useful. May I just ask, in terms of a timescale, when would you be able to produce something like that?

[27] **Mr Thomas:** For something like that, you would be able to take an evidence session in the early autumn.

[28] **Darren Millar:** Does that sound reasonable?

[29] **Julie Morgan:** I support that. These are very important issues so I think that we should bring it together if we can.

[30] **Mike Hedges:** I would like to ask a specific question about community health council reports.

[31] **Mr Thomas:** I will look into that one and make sure that we try to cover that in the report.

[32] **Darren Millar:** We can see whether we can get a note on that in the interim or whether you can cover it in the main work you do next year.

[33] **Aled Roberts:** I accept the point that has been made regarding the wider catering issue, but I think that there is a point regarding waste. The Welsh Government has pumped millions into local government through the sustainable waste management grant. I do not understand how it does not include what, to all intents and purposes, are Government facilities within the NHS in the wider remit. It is as though the NHS has its own waste policy. It is now talking about, presumably, spending millions on biodigester units in kitchens without, I guess, any discussions taking place as to whether those biodigester units are necessary if you have the type of facility that they have in Gwynedd or Wrexham. I do not think that there is any joined-up thinking to be honest with you. There is a real issue regarding the waste management grant and the way it was rolled out. There were issues regarding local authorities having to dream up schemes for how it was spent, and I know that from my own experience.

[34] **Darren Millar:** May I suggest that, if we have this interim piece of work that the auditor general and the Wales Audit Office do providing an update on our recommendations, as some of our recommendations related to waste management and encouraged the Welsh Government to take steps to manage waste more sustainably, this gives us an opportunity to

cross-examine the Welsh Government's chief nursing officer when she comes in and we will be able to take further evidence on the progress that has been made to date? Are Members content with that? We will make sure that we shine a light on the sustainability related issues at that time. Are Members content? Is that okay, Aled?

[35] **Aled Roberts:** Yes, fine.

[36] **Darren Millar:** Okay. Excellent. We will move forward on that basis.

09:14

Cwrdd â'r Heriau Ariannol sy'n Wynebu Llywodraeth Leol yng Nghymru Meeting the Financial Challenges Facing Local Government in Wales

[37] **Darren Millar:** We have had a response from the Welsh Local Government Association. It is from the spokesperson for finance and resources, Councillor Aaron Shotton. It is quite a belated response, I think it fair to say, and it does not seem to provide much detail in terms of the action. It is more of a, 'We will soldier on as we were, haven't we done a great job?' sort of approach, I think. Alun Ffred, do you want to come in?

09:15

[38] **Alun Ffred Jones:** Ydw, os caf gyfrannu. Yr hyn sy'n fy nharo i ynglŷn â'r ymateb yw ei fod yn ymateb cyffredinol iawn a'i fod yn sôn am broses sy'n digwydd. Mae'n cydnabod yr her real sy'n wynebu awdurdodau lleol ac yn dweud bod y wasgfa ariannol yn mynd i bara'n hirach nag yr oedd wedi'i ragweld, ac felly fod angen cynllunio ar gyfer hynny, ond mae'n dal i sôn am brosesau ac edrych am enghreifftiau o arfer da o leoedd eraill. Byddai rhywun yn disgwyl, erbyn hyn—. Rydym rhyw bump neu chwe blynedd i lawr y lein ers i'r wasgfa ariannol ddechrau, ac eto nid oes teimlad bod Cymdeithas Llywodraeth Leol Cymru wedi ffurfio unrhyw fath o broses na dod i gasgliadau ynglŷn â'r hyn y dylid ei wneud ac y bydd yn rhaid ei wneud i ymateb i'r her ariannol. Mae'r her ariannol yn aruthrol, fel y gwyddom ni. Dyma'r amser gwaethaf i fod yn gynghorydd lleol, mae'n debyg, ers degawdau, efo'r dewisiadau sydd o'ch blaenau chi, ond nid yw'n ymddangos bod y gymdeithas wedi dod i unrhyw gasgliad ynglŷn â'r ffordd ymlaen, sy'n fy nychryn i, mae'n rhaid imi ddweud. Bydd hefyd yn dychryn y cyhoedd, sydd ar hyn o bryd yn gweld y gwasanaethau yn cael eu tanseilio. Felly, nid wyf yn credu ei fod yn ymateb sydd yn fy modloni i, yn sicr, er ei fod yn sôn am *robust response*. Yr unig beth y mae'n gofyn amdano yw sicrwydd pum mlynedd gan y Llywodraeth. Gallaf weld pam y

Alun Ffred Jones: Yes, if I may contribute. What strikes me in relation to this response is that it is a very general response and it talks about a process that is ongoing. It acknowledges the real challenges that are facing local authorities and says that the financial pressure is going to last for longer than it had foreseen, and therefore there is a need to plan for that, but it is still talking about processes and looking for examples of good practice from other places. One would have expected, by now—. We are some five or six years down the line since the start of the financial crisis, and yet there is no impression that the Welsh Local Government Association has formed any kind of process or come to any conclusions about what should and must be done to respond to the financial challenge. The challenge is a massive one, as we know. This is probably the worst time to be a local councillor in decades, given the choices that they are faced with, but it does not appear that the association has come to any conclusions about the way forward, which is a cause of great concern for me, I must say. It will also be a great cause of concern for the public, who is at present seeing services being undermined. So, I do not think that this response is one that satisfies me, certainly, even though it talks about a 'robust response'. The only thing it is asking for is a five-year commitment from the Government.

byddai'n gofyn am hynny, mae'n ddigon teg, ond nid yw hynny'n mynd i ateb y problemau sy'n ei hwynebu ar hyn o bryd. I can see why it would ask for that, fair enough, but that is not going to solve the problems that it is faced with at present.

[39] **Darren Millar:** Does anyone else want to come in on this? Jenny?

[40] **Jenny Rathbone:** I still get the sense, in local government, that they are sort of hanging on for a change of Government in 2015 and that, somehow, then it is all going to be different, and I just do not think that. Despite the fact that the Welsh Government gave local government quite a lot of warning of impending financial constraints, the cuts hit local government a lot later in Wales than in England. Yet nowhere in this paper is there a strategy for doing things differently so that they are done more cost effectively. It is all about, 'We have little seminars and we have got the Institute for Fiscal Studies to do some work', but you do not really get the sense of, 'And as a result of all those things, we have now decided to do X'. I am still in the dark.

[41] **Mike Hedges:** I think that, unfortunately, it has very much downplayed it. The pressure on adult social services is greater than that on health, in terms of need and demand. That consequently means that pressure is on the rest of the local government budget. We know that the population is getting older and we know that older people need greater support, either in their homes or in nursing homes, or other forms of support. The pressure is on children's social services, which are also under severe pressure due to social changes. So, we see social services budgets throughout Britain continuing to decree what has got to be done, at the expense of what it is nice to do. I think that I would prefer them actually to lay it down sharply that social services is probably the one service in the whole of Wales, including health, which is under the greatest pressure. I think I would have liked him to have said that.

[42] **Darren Millar:** I think that it is disappointing that it does not convey more urgency to deal with the financial challenge ahead. Given that, I just want to draw the attention of Members to the letter that we have had from Christine Chapman. If you remember, we wrote to the Communities, Equality and Local Government Committee asking it to keep this under review and encourage it to take up a piece of work. It does not look like it is going to undertake a piece of work specifically on finances. I just wonder whether it might be useful for this committee to take evidence, perhaps just from the Welsh Government and the Welsh Local Government Association, or to undertake a very short piece of work in order that we can perhaps help to inform the debate. I do not know what Members think of that. Aled, what about you?

[43] **Aled Roberts:** Rwy'n meddwl mai peth arall sy'n digwydd hefyd—nid wyf yn siŵr os yw'n digwydd yn rhywle arall—yn arbennig yn y gogledd, yw y bu rhyw dair neu bedair blynedd pan oedd Llywodraeth Cymru, i ryw raddau, yn dweud mai cydweithio ar draws y rhanbarth oedd y ffordd ymlaen a bod modd iddi gael arbedion a phethau felly. Yr hyn sy'n digwydd yn bendant yn y gogledd erbyn hyn ydy bod llawer iawn o'r prosiectau cydweithio yn dechrau diflannu. Mae'r cynghorau, o achos y pwysau ariannol sydd arnyn nhw, yn dechrau mynd yn ôl i mewn i'r byncri. Rwy'n gweld, ar lefel leol, mai'r cwbl sy'n digwydd ydy bod gwasanaethau rheng flaen, ran amlaf, yn cael eu dileu, ac nid wyf yn **Aled Roberts:** I think that another thing that is happening as well—I am not sure whether it is happening anywhere else—particularly north Wales, is that there were some three or four years when the Welsh Government, to a certain extent, said that collaboration across the region was the way forward and that it would be possible for it to make savings and so forth. What is certainly happening in north Wales by now is that many of the collaboration projects are starting to disappear. The councils, because of the financial pressures upon them, are starting to retreat to the bunkers. I see that, at the local level, all that is happening is that front-line services, for the most part, are being eliminated, and I do not think that the long-

meddwl bod y gwaith tymor hir o ran ailstrwythuro a'r ffordd y maent yn darparu gwasanaethau yn cymryd lle i'r un graddau. Mae canolfannau hamdden sydd wedi cau yn ardal Wrecsam gyda rhybudd o ryw dri mis. Y cwbl ydy'r rhain yw mesurau panig ar ran llywodraeth leol.

term work in terms of restructuring and the way that they provide services is taking place to the same extent. There are leisure centres that have closed in the Wrexham area with just three months' notice. These are all panic measures on the part of local government.

[44] Rwy'n meddwl bod y llythyr hwn yn eithaf diddorol felly, achos mae'r gymdeithas yn dweud, fel oedd Alun Ffred yn ei ddweud, fod y wasgfa ariannol wedi dechrau yn 2008, ac eto mae'n rhoi'r argraff ei bod wedi dechrau edrych ar y sefyllfa yn 2012. Nid yw hynny'n ddigon da. Rwy'n meddwl bod yn rhaid inni ofyn iddi, 'Ocê, os ydych chi'n dechrau dileu'r cydweithio hwn ar lefel ranbarthol, beth ydych chi'n mynd i'w wneud ynglŷn â'r wasgfa?' Rwy'n cytuno â'r hyn a ddywedodd Jenny. Hyd yn oed os oes newid Llywodraeth ar lefel Brydeinig yn 2015, mae'n debyg mai'r un cynlluniau ariannol a fydd ar y gweill. Nid oes newid byd yn mynd i ddigwydd yn 2015, ac mae'n amser i lywodraeth leol gydnabod hynny.

I think that this letter is quite interesting, therefore, because the association says, as Alun Ffred said, that the financial pressures started back in 2008, and yet it gives the impression that it only started to look at the situation in 2012. That is not good enough. I think that we have to ask the association, 'Okay, if you are starting to get rid of this collaboration at a regional level, what are you going to do about the pressure?' I agree with what Jenny said. Even if there is a change of Government at a UK level in 2015, it is likely that the same financial plans will be in the offing. There is not going to be a great transformation in 2015, and it is high time for local government to recognise that.

[45] **Darren Millar:** Julie, I see that you want to come in.

[46] **Julie Morgan:** I agree with Aled, in that I think that local government has been very late in responding to what it knew was going to happen for a long period of time. Certainly, we have got all these issues of leisure services, theatres and all these sorts of bodies that seem to be being coped with now, at the last minute, when there has been a long time to plan for this. So, I think that this letter is rather pathetic, really, and it does not give me much confidence, really, in terms of planning for the future.

[47] **Darren Millar:** Mike, do you want to come in?

[48] **Mike Hedges:** I have two very brief points. The first is that I think that, yes, a short inquiry probably would be of benefit. One of the things that I think that we have got wrong as an Assembly is that we are not using the Public Accounts Committee to feed into the Finance Committee. It ought to be a circle, and it is not. It is two semi-circles, is it not? Public accounts looks at things from one end and finance looks at things from the other, and we are not actually completing that. I think that that is something that we need to sort out as an Assembly via the committees. Public accounts should be producing information that then feeds into the next year's budget process; otherwise, it just ends here.

[49] The second point is that there is an inevitability to leisure centres and other services being cut, because when you have got the 'we've-got-to-do' services, it is those that are the add-ons that are the ones under most pressure. When you have got to provide out-of-county services for seriously disturbed children, and when you have got to provide homecare for people who meet the criteria—and we already have a Government commitment that it will spend more local government money on education than it currently does—there is not a lot left. What is happening is that local authorities are all getting alike. Those local decisions of having different theatres, a different sports facility, et cetera, are all the bits that made local authorities different, but the pressures that are taking place are making local authorities more

and more the same. I think that that is sad. I am not sure that that could have been planned for, unless you are suggesting that they should have closed things down a couple of years ago and saved the money up. I think that what is happening in local government is inevitable because of the cuts. It is only what has happened in England. We are a couple of years behind England and we are almost following in its wake.

[50] **Julie Morgan:** Surely, they should plan—

[51] **Darren Millar:** I will bring you in in a second. May I just say that, in terms of this issue of feeding into the budget processes, if you remember, when we had the discussion on the ways of working in the future, we included an issue called ‘ex ante scrutiny’, which is precisely the sort of work that we wanted to do more of. We tried to do a little bit more of that last year with our report to the Finance Committee to help to inform the budget process, but this could be an interesting short piece of work in terms of local government finances.

[52] **Mike Hedges:** I did not mean it as a criticism of this committee, but it fits in with how committees tend to work in silos.

[53] **Darren Millar:** You are absolutely right, and we could do a very useful piece of work, especially given that we have been told by the Communities, Equality and Local Government Committee that it does not intend to take any further work forward on this. Ffred wants to come in, as does Aled.

[54] **Alun Ffred Jones:** Dau beth. Yn gyntaf, mae nifer o gynghorau wedi cynllunio ar gyfer eu toriadau ymlaen llaw—rhag inni roi'r argraff nad yw llywodraeth leol wedi gwneud dim byd yn ystod y chwe blynedd diwethaf. Felly, hoffwn gywiro'r argraff hynny. Cytunaf y dylem edrych ar y mater hwn, ond byddwn yn awgrymu nad ydym yn gofyn i Gymdeithas Llywodraeth Leol Cymru i ddod i mewn—o leiaf, nid ar ei phen ei hunan. Byddwn yn licio cael enghreifftiau o gynghorau penodol i weld sut y maent wedi ymateb a sut ydynt yn cynllunio ar gyfer y dyfodol, ac efallai wedyn y gallem ofyn i'r gymdeithas i ddod i mewn. Yn anochel, mae'r gymdeithas yn gorfod cynrychioli pawb ac, wrth gynrychioli pawb, mae'n dueddol o beidio â beirniadu neb. Felly, byddwn yn meddwl ei fod yn well inni ofyn i rai cynghorau, ac edrych ar y pwynt a gododd Aled, sef beth sydd wedi digwydd i'r holl sôn a fu am gydweithio ar draws cynghorau a pha un a oedd hynny'n syniad da ai peidio. Mae gennyf fy marn am hynny, ond yn sicr, mae nifer o brif weithredwyr wedi blino ar y broses honno ac wedi tynnu allan oherwydd nid ydynt yn gweld dim byd yn digwydd yn y pen draw. Felly, mae materion pwysig yn y fan hon, a byddwn yn tybio ei fod yn beth da inni gael y dystiolaeth gan y bobl sy'n gorfod wynebu'r problemau hyn.

Alun Ffred Jones: Two points. First, a number of councils did plan for their cuts in advance—lest we give the impression that local government has not done anything over the past six years. Therefore, I would like to correct that impression. I agree that we should look at this matter, but I would suggest that we do not invite the Welsh Local Government Association in—or, at least, not on its own. I would like to have examples from specific councils to see how they have responded and how they are planning for the future, and then perhaps we could invite the association to come in. Inevitably, the association has to represent everyone and, in representing everyone, it has a tendency not to criticise anyone. Therefore, I think that it would be better for us to invite some authorities in, and to look at the point that was raised by Aled, namely of what has happened to all the talk of collaboration across councils and whether that was a good idea or not. I have my own opinion on that, but certainly a number of chief executives have grown weary of that process and have withdrawn from it because they do not see anything happening as a result of it. Therefore, there are important matters to consider here, and I would think that it would be a good thing for us to take evidence from the people who have to face these problems.

[55] **Darren Millar:** Okay, fair point. I call on Aled.

[56] **Aled Roberts:** Rwy'n cytuno efo Alun Ffred y dylem gael cynghorau unigol i mewn, achos os ydym i gael darlun cyffredinol, ni fyddwn yn dysgu rhyw lawer, a dweud y gwir. Fodd bynnag, yn amlwg, mae Llywodraeth Cymru hefyd wedi gwario miliynau yn ystod y pedair neu bum mlynedd diwethaf yma ar gynlluniau rhanbarthol—rhai ohonynt o dan *invest-to-save*, ond rhai eraill lle mae'r arian wedi cael ei ddanfôn allan at y cynghorau. Yr hyn yr wyf i eisiau ei gwestiynu yw a oedd yr arbedion yno yn y lle cyntaf. Rwy'n meddwl bod yna gwestiwn mawr yn codi os dyna oedd y sefyllfa.

Aled Roberts: I agree with Alun Ffred that we should ask individual councils to come in because if we get just a general picture, we will not learn much, to be honest. However, evidently, the Welsh Government has also spent millions over the past four or five years on regional plans—some of which have been under invest-to-save, but others have seen money being sent out to councils. What I would like to question is whether there were savings there in the first place. I think that raises a big question if that was the situation.

[57] Rwy'n cytuno efo'r hyn a ddywedodd Mike. Nid wyf, am un funud, yn mynd i ddweud nad yw'r penderfyniadau sy'n cael eu gwneud gan gynghorau yn anodd. Rwy'n cytuno hefyd fod yn rhaid i wasanaethau statudol gael y flaenoriaeth. Fodd bynnag, nid oes modd i gymuned leol arbed gwasanaethau lleol os yw'r cyngor ond yn rhoi tri mis o rybudd iddynt, a dyna sy'n digwydd rŵan. Nid oes cynllunio. Mae cynllunio wedi mynd ymlaen am flynyddoedd, ond achos bod swyddogion yn dod efo cynigion gerbron yr aelodau a'r aelodau'n derbyn hynny, mae yna esiamplau fel yr un yn Wrecsam, lle nad oedd dim sôn am y ganolfan hamdden yn cau tan fis Rhagfyr, ac roedd gan y gymuned leol ryw dri mis i roi rhyw cynllun ar waith. Felly, rwy'n meddwl bod yna ddiffyg cynllunio o fewn rhai cynghorau.

I agree with what Mike said. I am not for one minute going to say that the decisions that have to be made by the councils are not difficult. I also agree that statutory services have to take priority. However, there is no way that a local community can save local services if a council gives it only three months' notice, and that is what is happening now. There is no planning. Planning has been going on for years, but because officers are bringing proposals before the members and members are accepting them, we are seeing examples such as the one in Wrexham, where there was no mention of the closure of the leisure centre until December, and the local community consequently had only three months in which to put together a plan. So, I believe that there is a lack of planning within some councils.

[58] **Darren Millar:** Okay. I will bring in Gwyn and then Jenny.

[59] **Gwyn R. Price:** I agree with Alun Ffred along the lines of bringing other councils in, but I do believe that we have obviously got to bring the WLGA in as well. Being on the local government committee, I know that we felt, on the letter that we had from you, that you were consulting with the WLGA on it, and we were waiting for the response to that. So, having it a bit wider, for local authorities along with the WLGA, would be a good way forward. Perhaps then you could send a letter back to us so we can see how you got on with it.

[60] **Darren Millar:** Yes. I think that, if we are deciding, the consensus is to take a bit of evidence, perhaps on a Thursday. We could do a very short piece of work that, hopefully, will be able to inform the rest of the debate, including the future work programme of the Communities, Equality and Local Government Committee.

[61] I call on Jenny, then Mike.

09:30

[62] **Jenny Rathbone:** I would like to pick up on what Alun Ffred said. Of course they have done something; they have had to do something, because, otherwise, they would all go to prison if they did not set a balanced budget. However, what has not gone on, as you can see from the collaboration inquiry that we did in the Communities, Equality and Local Government Committee—which, perhaps, we ought to look again at before we come to interview people—is that collaboration was done as a result of ‘Oh, because we think we must do it’, rather than, ‘How can we drive down our costs in order to save our less-than-statutory services?’ They have also taken the easy option of cutting the things that they do not have to do, rather than looking hard at the statutory services, and at how they can radically improve their cost base in there—that is the impression that I get.

[63] **Mike Hedges:** If we are going to have local authorities in, can we have one from each band? There are three bands—can we have one from each?

[64] **Darren Millar:** I think that we will have to work up a very short witness list, because we want to try to get this out of the way on a Thursday morning, perhaps, in terms of a piece of work. I just want to bring in the auditor general in terms of his advice to the committee, and then we will conclude our discussion.

[65] **Mr H. Thomas:** May I break my comments in two? The first bit relates to the specific reaction to our report. Following the report that was produced on the financial challenges, the WLGA and the Society of Welsh Treasurers engaged with us, and we are working with them to have a shared learning seminar, as you will see from the papers, on 4 July. That is in the Society of Welsh Treasurers’ annual meeting. We also know that the WLGA has set up a working group, to look at the medium-term financial planning—that is good—and its priorities do look to be appropriate.

[66] What we are doing this year is that we are checking the quality and the effectiveness of local authorities’ financial planning arrangements. We are doing that in June, we will be feeding back to authorities in July and August, and we will be producing a national overview report in the autumn. So, we are proceeding with work that is based on this particular report.

[67] However, what does appear quite clearly is that, despite the fact that there had been enough warning about the storm clouds, there is an argument between the Welsh Government and the WLGA about the extent to which they are working together on the timing of information to settlement. I think that there is an issue there that possibly does need a specific and very short piece of work. I think that it would be appropriate to illustrate that by looking to see, from the Society of Welsh Treasurers, how some good examples are taking place in Wales; there are some good examples—it is a mixed scene. However, also, Wales needs to look to England, as it does not operate in isolation. England has been through this before the Welsh local authorities, and there ought to be some lessons that they were learning. Those are the areas that we ought to be testing them on, if you like—their lack of longer-term financial gazing.

[68] **Darren Millar:** We have raised a number of issues. I think that, picking up on the feeling around the table, we want to do a short piece of work on this, confined to a Thursday, in terms of the evidence that we take. We have the political leadership side of things, we have, perhaps, the Association of Finance Directors, and we also have Welsh Government, certainly, to bring in. Did you want to make a suggestion, Ffred?

[69] **Alun Ffred Jones:** Is the auditor general suggesting that we delay our inquiry until the autumn? Is that what you are saying?

[70] **Mr H. Thomas:** No. What I am saying is that I think that there are two strands here.

Particularly given that there is a need to make sure that, when this year's round is given, there is proper understanding between the Welsh Government and the WLGA, which is what the settlement is looking for, some work in that direction is absolutely needed. The rest will be ongoing work, and you will need, I think, to pick up some examples in order to inform the discussions that you are having on the first theme.

[71] **Darren Millar:** So, we will go ahead, and we will get that booked in. We will circulate a note with suggested witnesses, and if anyone has any other thoughts on witnesses to bring in, you can let the clerks know.

09:34

Cyflog Uwch Reolwyr: Sesiwn Dystiolaeth 7 **Senior Management Pay: Evidence Session 7**

[72] **Darren Millar:** This is our seventh evidence session on this particular subject. I am very pleased to be able to welcome Nick Bennett, in his capacity as chief executive of Community Housing Cymru Group, Elaine Ballard, chief executive of Taff Housing Association, as well as Norma Barry, chair of Tai Calon. Welcome to you all. You will be aware that the committee has taken an interest in senior management pay across the public sector, and, given that registered social landlords are largely funded by the public purse, or receive a significant proportion of their funding from the public purse, it was felt appropriate to take some evidence from you.

[73] It has come to our attention that there is a range of salaries that is being paid within the registered social landlord sector—if that is what we can call it—and, in some cases, pensions and benefits in kind are paid, and we just wanted to get a better understanding as a committee as to how the pay and rewards given by your organisations to senior managers are determined, what guidance you receive from Welsh Government or other external sources to help to inform that and whether Community Housing Cymru has, perhaps, a greater role to play in that in the future. Perhaps, Nick, you could just touch on some of those issues, and then we will open the floor to questions from Members.

[74] **Mr Bennett:** Bore da. We are very happy to be here and are grateful for the invitation, but, I have to stress that RSLs, in accounting terms, are not part of the public sector. However, as you said, we receive a significant amount of public funding, and we are regulated by Government. So, we are happy to come here, but there is the little matter of the £3 billion of private borrowing, which has gone into improving the quality of stock and the supply in Wales, and I have a responsibility to make sure that I do not say or do anything that would lead to a reclassification of that, particularly during a period of deficit reduction, which would not be good for Wales or for Welsh housing.

[75] So, there is this balance that we have to strike, in a sense of not being part, directly, of the public sector, but ensuring that senior pay is appropriate and that it is sufficient to attract and retain, but not at a level that would bring the sector into disrepute. That is certainly the language that we use in our draft code of governance, which we will be consulting on until September of this year.

[76] There is some evidence to suggest that current pay arrangements within the sector are working well. Generally, the sector uses formal benchmarking by a company known as Smith and Williamson. So, there is a level of independence in terms of setting pay and drawing on what is going on within similar sectors in other parts of the labour market. Decisions are taken by board remuneration committees, against performance, which is measured against targets and objectives.

[77] In terms of where pay stands for senior management within the sector, there is the John Lewis Partnership rule, which is that the chief executive cannot be paid more than 20 times the lowest paid. If you were looking at a similar test for housing associations in Wales, the ratio would be much more modest than that—something more like a ratio of 1:5 or 1:6.

[78] In terms of average pay across the sector, I take on board that there is a variance, and that variance tends to reflect the size of stock and turnover. You have some RSLs for which significant parts of their businesses are involved in care or supporting people, such as Taff Housing Association. Then, it is not just about measuring stock; there are other services and other responsibilities that will fall on the shoulders of those chief executives.

[79] The most recent data and evidence that I have for you relate to 2012-13, where average chief executive pay in the sector in England was £151,000, in Northern Ireland it was £107,000, in Wales it was £103,000 and in Scotland it was £98,000. So, we are second from the bottom, and there is clearly a question in terms of the pay within the Celtic home nations being much lower than that in England.

[80] In terms of pay restraint and settlements, given that we are facing a period of austerity, during 2012-13 average increases for chief executives in England were 2.9%, in Northern Ireland it was 3.6%, in Scotland it was 2.7% and in Wales it was 1.8%. So, Wales was the only constituent part of the United Kingdom to have a settlement of below 2%. So, I hope that that points to the fact that, generally speaking, arrangements are working well.

[81] **Darren Millar:** Thank you for that.

[82] **Gwyn R. Price:** Good morning, everybody. How much use is made of consultants? We have taken evidence from local authorities, et cetera, on the pay deals. They use a firm called Hay Group; you may use some other methods. How much do your organisations rely on consultants?

[83] **Mr Bennett:** A significant amount. Smith and Williamson tends to be the company that is used across a lot of the sector. The benefit of that approach is that there is something that is based on evidence that is also independent.

[84] **Darren Millar:** In terms of Smith and Williamson, does it do the wider public sector or publicly funded organisations? Is it in the marketplace along with companies such as Hay?

[85] **Mr Bennett:** Yes, it does compete with others, and not just in the public sector but also in the private sector.

[86] **Darren Millar:** So it has a broader remit. It is interesting, because its name has not been mentioned before today. Everyone has told us that Hay has a monopoly; that clearly is not the case.

[87] **Julie Morgan:** I wanted to ask about performance-related pay. How extensive, or not, is that in the sector? Could you tell us a bit about your views on that?

[88] **Ms Ballard:** I would say that it is not widely used in the sector, in terms of bonuses and what people would generally think of in terms of performance-related pay. It is used in terms of pay progression. Individual associations will set their own criteria for that progression and any awards for performance. Generally speaking, that will be on the basis of agreed targets with the board, the remuneration committee or, if it is the chief executive, it will quite frequently be part of the appraisal process between the chair and the chief executive.

[89] **Julie Morgan:** So, in an appraisal process, you can decide on what the level of performance-related pay should be.

[90] **Ms Ballard:** No. There is generally a system or a framework around how to progress, and then the target will be the measures by which you would progress.

[91] **Julie Morgan:** When you say that it is not very widely used, what percentage would use it?

[92] **Ms Ballard:** I do not think that we have the figures on the exact percentages.

[93] **Mr Bennett:** No. It is important to differentiate it from what most people would consider a formal performance-related-pay system. If you are working in a housing development, if you reach a development target you will get a bonus of 15%. That type of system is not widely used. I think that what Elaine is alluding to is that, when the chief executive is appraised by the chair within an RSL, there will have been certain objectives that were intended to be achieved for the year and whether those are achieved or not, they would form a core part of the appraisal without it being what we might consider a traditional performance-related-pay system, if that makes sense.

[94] **Julie Morgan:** I am not sure.

[95] **Dr Barry:** Would it be helpful if we explained the system that we use within housing associations for assessing pay? We have explained that we use Smith and Williamson for benchmarking purposes, and I think that it is fair to say that that is widely used across the sector. We have some really good guidance from Community Housing Cymru as to how we should operate the pay system. The majority, if not all, of RSLs in Wales have remuneration committees that decide on the pay of senior staff. They make a decision and it goes to the board. There is a framework for that in that all senior staff have performance targets that they should achieve in a year. When people talk about performance-related pay, it is important to understand whether we are measuring against targets and objectives set for senior staff, or whether we are talking about bonuses. So, although they are inter-related, they are completely different processes.

[96] Generally, bonuses are not that widely used within the sector. If you follow what I, as a relatively new chair, believe to be good guidance in the charter for good governance, it is all about best practice and it gives really good guidance for chairs and board members in terms of deciding pay for staff. If you look at the sector as a whole, out of 37 housing associations in Wales, the majority have signed up to the charter for good governance that expects us all to have a transparent process in place for the remuneration of senior staff.

09:45

[97] As I said earlier, I found that really useful for me in the role, which is a very challenging role. Although the process does vary from association to association, there is a fair amount of evidence that the majority use the Smith and Williamson benchmarking. A number obviously use job evaluation processes, so it is a mix. As I mentioned, the decisions are taken by the remuneration committee. If we look at the advice that we get from CHC, it tells us a number of things that we should take account of: first, the overall performance of the association, because obviously that reflects on the performance of the senior staff; secondly, pay-band benchmarking within the sector, which is widely used; and, thirdly, the pay levels of other staff within the particular association. We have done some research into that, and generally, as Nick said, the ratio is 1:5. In Tai Calon, which I chair, I think it is 1:6. So, it is very low, and that paints a good picture.

[98] We are advised by CHC, under its charter for good governance, to take account of a number of factors—things like the size and complexity of the association, sector norms, which we have touched upon, and prevailing market conditions. I think that we are very conscious, especially in the association that I chair, that we are operating in a deprived area of Wales. We have to have some sensitivity to that in making our pay awards, and in terms of the pay of the staff within the association and other stakeholders. Generally, I think overall that it is working quite satisfactorily, and I think that the code of governance that Community Housing Cymru is currently developing will help us in terms of being far more robust in terms of pay awards as well.

[99] **Julie Morgan:** Thank you, that is very helpful. Do you feel then that you have enough guidance—that the committees making the decisions have got enough guidance—or do you feel that more is needed?

[100] **Dr Barry:** I will ask Nick to respond on behalf of the sector, but I can respond on behalf of the association that I chair. I think that I have very good guidance available to me. I do think, particularly with a new association such as a stock transfer association, that we are on a journey. I see it very much as a journey. We are coming, in Tai Calon, to the end of our five-year period following the transfer of stock, and I am certainly looking to tighten up the accountability and the objectives of senior staff going forward.

[101] **Ms Ballard:** Just to echo what Norma has said, the guidance that is now out to consultation from CHC is very much what the sector is already practising—being open, transparent having clear systems in place, and being able to demonstrate the effectiveness of the pay structure.

[102] **Darren Millar:** May I just check the status of that guidance? It is draft guidance at the moment, then; it is not formally published guidance.

[103] **Mr Bennett:** This sounds like semantics, I am afraid; I apologise for that. We currently have a charter of good governance. Soon we will have a code. We are consulting on the code, but the charter currently exists, and that is in force to provide guidance.

[104] **Darren Millar:** So, the guidance that will be published in place of the charter is—what is it? A charter with bells on? What is the difference?

[105] **Mr Bennett:** It is about formalising the journey that we have been on in terms of public service reform more generally, and the debate that we have had nationally between the regulator and the regulated. We think that it is important that housing associations remain independent organisations that are delivering for the communities that they serve. The decisions made by boards should be owned by boards, and they should be supported in exercising those decisions, but we do not want to see the nationalisation or the infantilisation, if you like, of boards. They have to be supported, and that falls upon us as the trade body, but, clearly, where that does happen, there are significant powers of intervention that the Welsh housing regulator has up its sleeve.

[106] **Darren Millar:** You did not quite answer my question. I was asking what the difference is between the charter and the guidance—the charter and the code.

[107] **Mr Bennett:** There are some additional factors.

[108] **Darren Millar:** If you send us copies, we can have a look at it and consider it.

[109] **Mr Bennett:** I will do more than that. I will send you an analysis of what has changed.

[110] **Darren Millar:** Yes, a schedule of the differences. That would be very helpful.

[111] **Dr Barry:** In terms of the differences, having looked at both, the charter is very helpful but the code is far more rigorous and robust. When I was going through that, as chair, I thought that it really is rigorous and robust in terms of the governance of organisations.

[112] **Darren Millar:** However, it has no mandatory status for your membership.

[113] **Mr Bennett:** I think that it will have, actually. We are owned by our members, so it is difficult under those circumstances to force members to adopt the code, but I think that there will be incentives for them to do so. We have an overall responsibility for the reputation of the sector. I promised that I would not quote Galbraith today, but he did once famously say that

[114] ‘The salary of the chief executive of a large corporation is not a market award for achievement. It is frequently in the nature of a warm personal gesture by the individual to himself.’

[115] We do not want that happening in terms of public services in Wales in any part of those public services. Again, we do not want to see the infantilisation of boards. We could have a system that was set by Government. I think that that would really raise questions around the independence of the sector; there is also the fact that the £3 billion that we have borrowed is off the balance sheet. Our role is to support chairs such as Norma so that while associations might be taking independent consultancy advice, they can also turn to the code and make sure that there is support there to ensure that this is a rigorous process.

[116] **Darren Millar:** Do you regard the decision by the Scottish housing regulator to issue very firm guidance and practices to housing associations and registered social landlords up there as the infantilisation of the housing and registered social landlord sector in Scotland? It is interesting that they have the lowest average pay according to the figures that you gave us.

[117] **Mr Bennett:** Yes. I am not sure whether that was as a result of the additional guidance that was issued because it is relatively recently that that guidance was made available. I do not think that the £53,000 differential between pay in Scotland and England has emerged in the last five or six years since the Scottish regulator did that. We are always open to adopting best practice. The question—and I have asked this question to Scottish colleagues and I was with them in Glasgow last week—is to what extent that additional guidance has added value and, perhaps, more robustness to the process in Scotland. I have not seen any evidence of that. We are consulting on our code and if there is scope for us to do more in Wales, then fine, but I would prefer that to be in the form of guidance that emanates from the trade body and supports individual boards, rather than additional regulation, given that, ultimately, as the regulator within Wales, the Government has significant powers for intervention should anything go wrong.

[118] **Darren Millar:** Let us be clear: there is no requirement for registered social landlords to join your trade body, is there?

[119] **Mr Bennett:** No, but there is a legal requirement for all of them to publish the chief executive’s salary.

[120] **Darren Millar:** But there is no requirement for them to follow any codes that are issued, unless they are within membership and you make it a mandatory requirement of membership.

[121] **Mr Bennett:** Increasingly—Norma underlined this as well—moving from the charter to the code will need a much more robust document, which we think will be adopted by all members. However, regardless of whether they are members of CHC or whether they adopt that code, they are still regulated by Government and have to conform to the statement of recommended practice and meet their legal requirements, which means disclosing the chief executive’s salary.

[122] **Darren Millar:** Yes, but there is no guidance in the regulations at present. I call Jenny Rathbone first, then William Graham.

[123] **Jenny Rathbone:** I just want to look a little bit more at the relationship between the chief executive and the board. It is a little bit like school governors who are required to set the pay of the headteachers—they have different risks and responsibilities, but, nevertheless, they are important ones. I think that Norma has outlined quite clearly some of the important decisions that you have to make around not just size and complexity but also the perception of the community. Elaine Ballard, how uncomfortable, difficult and challenging is it for some of the board members who are on the remuneration committee, or whatever the structure is for deciding your pay? How robust is it? My experience of school governors is that they say, ‘Oh well, we can’t not give the headteacher an award because then they will be disappointed and then they will either stop working for us or be deflated’.

[124] **Ms Ballard:** I understand completely what you are saying. Any appraisals can be difficult conversations to have. I can only speak from my own experience. In order to get around that kind of difficulty, the principles that we have adopted at Taff is that the salary structure and framework is the same for the caretaker as it is for the chief executive. It is based on a job evaluation scheme. There is a rate for the job, no matter who is doing the job, whether it is me or anybody else. Then, any pay increases or pay progression, within a very small and defined scale, are dependent on that appraisal by the chair, who then goes to the remuneration committee and feeds back what she thinks. If she thinks that I do not perform, then she will recommend to the board that pay progression within that small scale does not go ahead. I think that taking it away from the chair through the remuneration committee and the board to make that collective decision, if it were necessary, gives the chair some comfort that they are not eyeball to eyeball with someone who they are telling is not getting a pay rise.

[125] **Jenny Rathbone:** According to our briefing, you are not on the list of signatories on the CHC website. Is that because your board has not discussed it yet, or have you decided not—

[126] **Ms Ballard:** We are a signatory, I believe.

[127] **Jenny Rathbone:** Okay, so that is incorrect. Fine.

[128] **Mr Bennett:** There are only two RSLs in Wales that are currently not signatories, but they have signed the national housing federation code, which is quite similar. So, there is nobody who has not signed a code.

[129] **Jenny Rathbone:** Okay. Perhaps I can ask a question to Nick, rather than pursuing Elaine. How robust do you think you can make it, even if you were to adopt the Scottish recommendations? How do you prevent it becoming too cosy? Boards obviously have to work together over a 12-month period and deal with all the issues that come up. How do you then make that a really robust and independent process without people falling out?

[130] **Mr Bennett:** There are a number of factors at play. I think, first of all, as Elaine has already said, increasingly now, there is no separate conversation with the chief executive. It is going to be 1% or 2% for everyone, from the cleaner up to the chief executive. We have also

had some evidence of late that, in some associations, that is tapered. So, there might be an average of 2%, but it is 1.5% for the chief executive and 2.5% for those on lower pay. Certainly, for chief executives as well—this is the point that I was trying to make earlier in terms of performance-related pay—if you do not meet your objectives, you do not even get the 2%. We also have some evidence of chief executives refusing to take that small increase because of austerity.

[131] So, in terms of cosiness, there is an awful lot of evidence that everyone is being treated in the same way across the full staff complement. Therefore, any personal issues on that level do not come to the fore. It is important that, first of all, people are following good practice and that they know what the industry norm is. We are glad that there are consultants in the field that are providing that robust, independent advice. Ultimately, the process in all of this should be at the fore, so that people are taking this through a robust process that involves not just a cup of tea between the chief executive and the chair, but a proper remuneration committee, which can be open and transparent in terms of the criteria that it has used for reaching its conclusion, and that that conclusion can be made available publicly as well.

[132] **Jenny Rathbone:** So, are the English housing associations greedier, or is the process in Wales more robust? Or is it just because of the size of English housing associations?

[133] **Mr Bennett:** An awful lot is to do with size. Some might argue as well that a lot of it is to do with financial risk. Average gearing in England right now is about 97%. It is about 58% or 59% in Wales. I think that it is probably lower in Northern Ireland and Scotland. You have some massive registered social landlords in England; I think that there are some that might have stock spread across over 100 local authorities. Compared with that, as I said, the whole of the sector is pretty much community-facing in Wales.

10:00

[134] **William Graham:** I noted from our papers that there is no requirement for Welsh RSLs to publish their accounts, but rather to prepare them. So, we have agreed that you have to prepare them. Is it not odd that you do not publish them? Surely, it must be for your own interest. Your own members will have them, will they not?

[135] **Mr Bennett:** Everyone publishes their accounts.

[136] **William Graham:** Is this in the same category?

[137] **Mr Bennett:** Absolutely. In terms of governance, it is a not-for-profit model. Many are—

[138] **William Graham:** I accept that, but—

[139] **Mr Bennett:** It would have to comply with charity law, and also with company law. So, there would be an expectation—

[140] **William Graham:** So, your accounts are published and available to all.

[141] **Mr Bennett:** They are made available and there must be an open call to attend the annual general meeting.

[142] **William Graham:** Quite so.

[143] **Mr Bennett:** They can be inspected and agreed there.

[144] **William Graham:** On gender equality, looking at Inside Housing's annual chief executives' salaries survey, you will see that women were paid less than men, in essence. Why is that? I am sure that the job description must be the same. Is it a question of targets, or what?

[145] **Mr Bennett:** I will ask my colleagues to answer that question, but there are a couple of things that I wish to address. First, it is worth bearing in mind in terms of how progressive the sector is in terms of gender. A third of chief executives in housing associations in Wales are female. I do not think that you will find the same proportion of that in local government or any other public service in Wales. Also, salaries tend to reflect stock levels, and then turnover. It might be that colleagues will have a view in terms of their perspective.

[146] **Ms Ballard:** I think that there are a number of women who are chief executives of the smaller community-based associations. Their size and complexity is less than some of the larger Wales-wide organisations, such as Gwalia and Wales and West, for example. There are some disparities, but you cannot just take it at face value; you need to look at the individual organisations. Some might have large commercial ventures, student housing, and care and support, whereas others are primarily landlords—I say 'only landlords', but it is a very important function. However, it is not an easy exercise just to simply say that women are paid less than men. There is usually a reason if that is the case. The job evaluation processes that many of us are now undertaking actually have an equal pay audit as part of that process. So, it should be able to benchmark against other similar sized organisations and similar levels of complexity to ensure that there is fairness.

[147] **William Graham:** Thank you.

[148] **Darren Millar:** Pardon me, Julie; is your question on this subject?

[149] **Julie Morgan:** Yes—[*Inaudible.*]—smaller organisations. So, how is the gender balance on the bigger organisations?

[150] **Ms Ballard:** There are a number of women chief executives of the larger associations. I think that there are two in the stock transfer organisations and a number in the others—probably two or three in the other larger associations.

[151] **Julie Morgan:** Two out of how many?

[152] **Ms Ballard:** When you divide them up—

[153] **Mr Bennett:** Proportionately, for the whole sector, you are talking 33% of female chief executives. Therefore, if there are more in the smaller community associations, I would suggest that that is probably around 50% female; then, perhaps, for the stock transfers, it is 20%, and for the larger regional associations, it is probably 20% or 25%.

[154] **Ms Ballard:** Yes. It is quite small, I would think.

[155] **Mr Bennett:** It is an average of 33% across the whole of Wales.

[156] **Julie Morgan:** So, in terms of gender balance, obviously, women are not taking the highest-paid jobs, basically, in the field. I notice that you give a very nice defence about why women are not earning as much as men in terms of the evaluation process and so on, but those sorts of things have been said for years about most parts of all sectors, really. So, I wondered whether this was being addressed in the sector.

[157] **Ms Ballard:** I think that it is a governance and recruitment issue rather than a pay

issue, probably. For example, the top five paid chief executives in the stock transfers are all male. They, of course, may be the best people for the job. It is a matter for boards to take that view. I do not think that it is about salaries being less. I think that it is about decisions being taken about who occupies those posts. That is my personal view.

[158] **Julie Morgan:** So, in terms of the five jobs taken by men, do you think that that is a fair sort of system?

[159] **Ms Ballard:** I was not part of the recruitment process, so I could not possibly answer that.

[160] **Julie Morgan:** Okay. It is just that I think that your sector probably suffers in the same way as other sectors in terms of tending to be male dominated.

[161] **Mr Bennett:** As I say, a third of chief executives are female. You will not find that level in any other public service in Wales, so I do not think that we suffer the same as everyone else does. I think that we still have to make progress, and I do not think that there is any scope for complacency. However, if I had the figures in front of me, you would have a distribution of positions across 40 RSLs in Wales, and there are women at the bottom but there are women also at the top.

[162] **Julie Morgan:** That is fine, and I accept that you might be better than other parts of the public sector, but, if there is a third who are female, there are two thirds who are men. Two thirds is quite a lot.

[163] **Darren Millar:** Okay. Alun Ffred Jones is next, and then I will come to Mike Hedges.

[164] **Alun Ffred Jones:** Mae cymdeithasau tai yn amrywio'n fawr o ran eu maint. Fodd bynnag, a oes cysondeb o ran y cyflogau ar draws y sector?
Alun Ffred Jones: Housing associations vary a great deal in size. However, is there consistency in wages across the sector?

[165] **Mr Bennett:** Oes. Rwy'n credu bod cysondeb, ac efallai mai hynny yw'r broblem pan ydym yn sôn am y gwahaniaeth mewn tâl rhwng merched a dynion. Mae tueddiad bod mwy o dai a mwy o stoc yn golygu mwy o dâl. Wrth gwrs, mae'r trosiant yn bwysig, felly, pan ydym yn sôn am *gender*, y gwahaniaeth mawr, efallai, yw bod mwy o ferched yn y cymdeithasau bach nag sydd yn y rhai mawr.
Mr Bennett: Yes, I think that there is, and that is perhaps the problem when we talk about the difference in pay between men and women. There is a tendency that more houses and more stock means a greater salary. Of course, the turnover is also very important, so, when we talk about gender balance, the big difference, perhaps, is that there are more women in the smaller associations than there are in the bigger associations.

[166] **Alun Ffred Jones:** Rydych chi wedi cyfeirio at drosiant, felly, yn fras iawn, beth yw trosiant y gymdeithas fwyaf a'r gymdeithas leiaf sy'n aelodau? Beth yw'r gwahaniaeth?
Alun Ffred Jones: You referred to turnover, so, very briefly, what is the turnover of the largest association and the smallest association that are your members? What is the difference?

[167] **Ms Ballard:** I think it is about £56 million for the largest.

[168] **Mr Bennett:** Ie. Gyda'r rhai mwyaf, rydych chi'n sôn am drosiant o £40 miliwn, ac efallai £50 miliwn. Ar gyfer y rhai mwyaf,
Mr Bennett: Yes. With the bigger ones, you are talking about perhaps a £40 million turnover, or perhaps £50 million. For the

a'r rhai lleiaf—

biggest ones, and the smallest ones—

[169] **Ms Ballard:** It is around £10 million, or maybe less than £10 million.

[170] **Alun Ffred Jones:** O dderbyn bod rhychwant eithaf eang o ran trosiant, mae'r ffigurau hynny gryn dipyn yn is na ffigurau trosiant llywodraeth leol. Fodd bynnag, mae'r cyflogau yn cymharu. Yn wir, mae cyflogau'n cael eu talu i brif weithredwyr rhai o'r cymdeithasau hyn sy'n uwch na phrif weithredwyr llywodraeth leol. A ydych chi'n meddwl bod swydd prif weithredwr cymdeithas dai yn fwy cymhleth na swydd prif weithredwr llywodraeth leol?

Alun Ffred Jones: Accepting that there is quite a wide range in terms of turnover, those figures are considerably less than the turnover figures of local government. However, the salaries are comparable. Indeed, there are salaries paid to chief executives of some of these associations that are greater than those of local government chief executives. Do you think that the position of a chief executive of a housing association is more complex than that of a chief executive of local government?

[171] **Mr Bennett:** Rwy'n meddwl ei bod yn bwysig asesu natur y swydd yn hytrach na chymharu'r swydd â llywodraeth leol ar ei phen ei hun. Yn amlwg, mae swydd arweinwyr llywodraeth leol yn job gymhleth iawn, ac mae pwysau hefyd ar dâl y tu mewn i'r sector. Beth yw'r gwahaniaeth? Rwyf wedi sôn yn barod bod £3 biliwn wedi cael ei fenthyl gan y sector preifat ac wedi cael ei fuddsoddi yn y maes tai, sy'n golygu bod prif weithredwyr yn y maes hwnnw yn gyfrifol am risg wahanol iawn i'r rheini sy'n gweithio yn llywodraeth leol neu wasanaethau cyhoeddus. Hwn yw'r unig wasanaeth cyhoeddus sydd yn wir yn cymysgu arian cyhoeddus ac arian preifat, ac maen nhw'n gyfrifol fel swyddogion monitro, sy'n golygu ei bod yn job sydd efallai â mwy o gyfrifoldeb na bod yn bennaeth tai y tu mewn i gyngor. Efallai mai dyna lle mae rhai ardaloedd yng Nghymru yn gallu cymharu: y cyflog yr oedd rhywun yn ei gael pan oedd yn rhedeg adran dai y tu mewn i gyngor a'r hyn sy'n digwydd os yw'r person hwnnw'n cael swydd fel prif weithredwr—

Mr Bennett: I think that it is important to assess the nature of the job rather than compare it with local government jobs. Evidently, local government leadership positions are very complex ones, and there is also pressure on pay within that sector. What is the difference? I have talked already about the fact that £3 billion has been borrowed by the private sector and has been invested in the housing field, which means that chief executives in that area are responsible for a very different kind of risk to those who work in local government or in other public services. This is the only public service that mixes public and private money, and they are responsible as monitoring officers, which means that it is a job with more responsibility than that of a housing director in a council. Maybe that is where some areas in Wales can draw a comparison: the salary that someone received when they ran a housing department within a council and what happens if that person gets a job as the chief executive of—

[172] **Alun Ffred Jones:** Y cwestiwn a ofynnais i oedd a yw swydd prif weithredwr cymdeithas tai—rwy'n derbyn bod cymdeithasau yn gwahaniaethu—yn fwy cymhleth na phrif weithredwr llywodraeth leol, neu gyngor sir sydd efallai'n cyflogi 5,000 neu 6,000 o bobl.

Alun Ffred Jones: The question that I asked was whether the position of a chief executive of a housing association—I accept that associations vary—is more complex than the chief executive of a local authority or a county council that employs some 5,000 or 6,000 people.

[173] **Mr Bennett:** Nid yw'n gwestiwn o dalu rhywun ar sail pa mor gymhleth yw'r swydd, ond ar sail y cyfrifoldeb. Mae gennyh rai prif weithredwyr yn y sector

Mr Bennett: It is not really a question of paying someone according to the complexity of their job, but it is about their level of responsibility. You have some chief

cyhoeddus sydd â llawer o staff ac yn delio â chymhlethdod pob dydd, ond nid ydynt wedi benthyg ceiniog ar gyfer datblygu'r busnes hwnnw, felly mae'r model hwnnw yn un hollol wahanol. Nid wyf wedi dod yma heddiw i gymharu sectorau gwahanol nac, wrth gwrs, i ymosod ar awdurdodau lleol a'r cymhlethdod y mae rhai o'u harweinwyr yn ei wynebu.

[174] **Alun Ffred Jones:** Na, ac rwy'n derbyn hynny. Wrth gwrs, mae llywodraeth leol hefyd yn benthyca arian, yn buddsoddi arian ac yn rheoli cronfeydd pensiwn anferthol, ym mhell bell y tu hwnt i drosiant—nid lladd ar y sector ydw i rŵan, ond rydym yn trio gweld cymariaethau rhyngddynt. A derbyn eich bod wedi dadlau nad ydych yn y sector cyhoeddus, y gwir amdani yw, fel y profwyd yn ddiweddar, bod y sector yn ddibynnol iawn ar y Llywodraeth, arian y Llywodraeth ac ar reoleiddio gan y Llywodraeth hefyd. Felly, mae'n bodoli oddi mewn yr hyn y byddwn i'n ei alw yn fras y sector cyhoeddus, a derbyn bod risgiau ariannol. Fodd bynnag, diolch yn fawr i chi am y sylwadau hynny.

[175] **Darren Millar:** Diolch, Ffred.

[176] I call on Mike.

[177] **Mike Hedges:** May I make a statement and then go on to a question? There has always been a history of women housing managers. In fact, there used to be an association of women housing managers in existence. So, it is one of the two areas of local government that have traditionally had substantial numbers of women in senior positions. The questions that I have follow on from Alun Ffred's. The levels of pay for senior staff, following stock transfer, are substantially higher than they were for housing managers prior to stock transfer. Is that true?

[178] **Mr Bennett:** I accept the point that Alun Ffred was making, which was that local government does borrow, but, in terms of housing, where that was not possible in terms of improving the quality of the stock, you have had a stock transfer where private finance has been leveraged against the value of the stock to improve its quality. That means that the job of running a stock transfer organisation has different risks and is far more complicated than running a housing department within a local authority that was not able to access that borrowing. So, I think that there has been a corresponding increase in remuneration for those particular jobs.

[179] However, more broadly, some of the research that I have seen in this area—and it is limited—would suggest that, across stock transfer organisations, terms and conditions, if anything, have either remained the same or they have improved following stock transfer, which, of course, was one of the great fears for some of those areas that voted overwhelmingly against stock transfer—there were certain parts of Wales: Wrexham, Swansea and other places. So, I would hope now that, with 11 stock transfers having taken

executives in the public sector who have a lot of staff and deal with complex issues every day, but they have not borrowed a penny for developing that business, so that model is completely different. I have not come here today to compare different sectors or, of course, to attack local authorities about the complexity that some of their leaders face.

Alun Ffred Jones: No, and I accept that. Of course, local government also borrows money, invests money and manages huge pension funds, far greater than the turnover—I am not criticising the sector there, but we are trying to see comparisons between the sectors. Accepting that you have argued that you are not in the public sector, in reality, as proven recently, the sector is very dependent on Government, on Government funding and on Government regulation as well. So, it does exist within what I would call, broadly, the public sector, accepting that there are financial risks. However, thank you very much for those comments.

Darren Millar: Thank you, Ffred.

place, those stock transfers can demonstrate a commitment to decent pay and conditions for the staff who were transferred.

[180] **Mike Hedges:** May I just say that, pre-1979, local authorities were engaged in far greater borrowing for building houses than housing associations ever have been?

[181] **Mr Bennett:** I am sure that that is the case, but, I am afraid that I have been in this post only since 2006, and things were a little different.

[182] **Mike Hedges:** I am just saying that when local authorities were building huge estates, they were borrowing substantially for over 60 years.

[183] Finally, do you think that remuneration committees work? I do not. I used to serve on one, so I start off with that view. There is a tendency for them to be advised either by the chief executive or by people close to the chief executive. Perhaps you can give me an example of where a remuneration committee has reduced the salary of somebody in a senior position.

[184] **Dr Barry:** As a relatively new chair, I think that remuneration committees may work differently in each housing association, but I think that it is really important, as a chair, that you maintain a very clear boundary with your chief executive and that you do not get too close. I do not think that my chief executive would say that I am cosy with her. However, you have to be seen to be supportive. I think that, as the chair of the remuneration committee, which I will be in a month or so, I will be very keen to get as much evidence as possible in order to evaluate whether or not pay rises are justified. Although I was not there last year at this time, I can tell you that there were no pay rises last year for the senior staff within Tai Calon. In making those judgments, we talked about benchmarking and we had a benchmarking exercise last year to help inform that decision.

10:15

[185] I think that it is about the setting of targets for senior staff, including the chief executive—and targets that the chief executive herself has to be answerable for. I think that it is very easy in these situations to have overall organisational targets—that is really about what the staff are delivering—but, actually, what is the chief executive responsible for, and how can you actually measure that, not just in numbers, but in terms of qualitative outcomes? There are a number of mechanisms that you can use to make those assessments, such as independent stakeholder surveys, which we do, independent tenant surveys, and staff surveys. Personally, I think that some of those can be more robust, particularly the latter. However, I think that, as the chair of a remuneration committee, it is really important that you gather as much information as possible, to help to inform the decisions. I am certainly—as I am sure are a lot of my colleagues—very conscious of the need to have a clear boundary, and not be cosy with the chief executive. That is very much in the code of guidance as well.

[186] **Ms Ballard:** Could I just add something on some of the methodologies that can be used? First of all, you do not necessarily need to have the chair of the board as the chair of the remuneration committee, which has a degree of separation then, so there is more scrutiny. You can implement 360 degree appraisals, so that you are not just getting one person's opinion, and you can review that. Just as an example, in my own organisation, once we had put in a new salary structure, using job evaluation, the senior team was asked not to take the resulting rises for a period, because of the financial situation. So, there are examples out there where remuneration committees can work that way.

[187] **Darren Millar:** Did you want to come back on this, Mike?

[188] **Mike Hedges:** Yes, I have one question. Do you know of any examples of the remuneration committee cutting the salary of a chief executive?

[189] **Ms Ballard:** I do not know of any cuts, but I know of them not increasing them.

[190] **Mike Hedges:** A number of freezes, but no cuts. Thank you.

[191] **Darren Millar:** Ffred, was your question on this? If not, I will move to Aled, and then come back to you.

[192] **Alun Ffred Jones:** No.

[193] **Darren Millar:** Okay. Aled Roberts has the next questions.

[194] **Aled Roberts:** Rwyf am ofyn cwestiwn ynglŷn â maint y sector yng Nghymru, o'i gymharu â gwledydd eraill. Ar y dechrau, roeddech yn cymharu cyflogau uwch-swyddogion yng Nghymru â'r rheini yn Lloegr, yr Alban, a Gogledd Iwerddon. Rwy'n meddwl bod cwestiwn yn codi ynglŷn â'r ffaith bod 37 o gymdeithasau tai yng Nghymru ac os yw'r rheini i gyd yn cael £80,000 neu £100,000 yr un, mae canran yr arian sy'n mynd i mewn i gyflogau uwch-swyddogion yng Nghymru, mae'n debyg, yn llawer iawn uwch na'r ganran mewn gwledydd eraill. Mae pwysau, wrth gwrs, o ran ailstrwythuro llywodraeth leol, o achos bod gormod o uwch-swyddogion.

Aled Roberts: I want to ask a question about the size of the sector in Wales as compared with the other countries. At the outset, you were comparing the salaries of senior officers in Wales with those in England, Scotland and Northern Ireland. I think that a question arises from the fact that there are 37 housing associations in Wales and if they all get £80,000 to £100,000 each, the percentage of the money that goes into the salaries of senior officials in Wales is probably a great deal higher than the percentage in other countries. There is pressure, of course, in terms of restructuring local government, because there are too many senior officers.

[195] A oes unrhyw fath o symud o ran y cymdeithasau tai ar y lefel honno? A allwch chi roi tystiolaeth i ni ynglŷn â maint cymdeithasau tai yn y gwledydd eraill, er mwyn inni allu cymharu, achos rwy'n sylwi yn y dystiolaeth mai dim ond pump o'n cymdeithasau tai ni sydd ymysg y 100 mwyaf ym Mhrydain?

Is there any movement in terms of the housing associations at that level? Could you give us evidence of the size of the housing associations in the other countries, so that we can compare, because I notice in the evidence that only five of our housing associations are among the 100 biggest associations in Britain?

[196] **Mr Bennett:** Mae cymdeithasau yng Nghymru yn fwy na'r hyn y byddech yn ei ffeindio o ran maint yng Ngogledd Iwerddon, ac yn yr Alban hefyd. Yn Lloegr, mae rhai mawr iawn, ond mae rhai bach hefyd. Mae 1,400 o gymdeithasau yn Lloegr. Ar hyn o bryd, mae 500 yng Ngweriniaeth Iwerddon, ond efallai y gwelwn eu strwythur nhw'n newid. Fodd bynnag, fel amcangyfrif, byddwn yn dweud bod tâl yn adlewyrchu maint ym mhob gwlad ym Mhrydain, ac yn Iwerddon hefyd.

Mr Bennett: The associations in Wales are larger than you would find in terms of size in Northern Ireland, and in Scotland as well. In England, there are some very large ones, but there are some small ones, too. There are 1,400 associations in England. At present, there are 500 in the Republic of Ireland, but perhaps we will see their structure changing. However, as an estimate, I would say that salary reflects the size in each country in Britain, and in Ireland as well.

[197] Mae pwynt, wrth gwrs, o safbwynt strwythur, i feddwl a yw 37 yn optimwm—

There is a point, of course, in terms of structure, to consider whether 37 is the

faint ydych chi ei angen o safbwynt costau rhedeg cymdeithasau, ac yn y blaen? Fodd bynnag, rwy'n meddwl ei bod yn bwysig cofio er efallai fod y rhain yn cynnig gwasanaeth cyhoeddus, nid ydym yn rhan o'r sector cyhoeddus. Rwy'n meddwl y munud y mae'r Gweinidog yn troi rownd a dweud, 'Rwyf eisiau aildrefnu llywodraeth leol—rwyf eisiau 15, neu 10', mae cwestiwn mawr yn codi wedyn o safbwynt a ydym y tu mewn neu'r tu allan i'r sector cyhoeddus.

[198] Yr hyn y byddwn i'n licio ei weld yw'r hyn sydd wedi bod yn digwydd yn ddiweddar—nifer o'r cymdeithasau'n dod at ei gilydd, oherwydd eu bod yn gweld y sens o wneud hynny. Maent yn gallu arbed arian, ond maent hefyd yn gallu rhoi gwell gwasanaeth i'w cymdeithasau. Rydym wedi gweld hynny gyda Chymdeithas Tai Gwerin ac Eastern Valley yn dod at ei gilydd i ffurfio Melin Homes yn ne Cymru. Hefyd, daeth Cymdeithas Tai Dewi Sant a Chymdeithas Tai Abertawe at ei gilydd i ffurfio'r Grŵp Tai Arfordirol. Ar hyn o bryd, mae Cymdeithas Tai Eryri a Chymdeithas Tai Clwyd yn dod at ei gilydd i ffurfio Grŵp Cynefin. Bydd yn ddiddorol iawn gweld cymdeithas yn y gogledd a fydd yn gweithio drwy gyfrwng yr iaith Gymraeg ar draws y gogledd. Felly, lle mae'n gwneud synnwyr, rwy'n gobeithio y byddwn yn cadw gweld hynny'n digwydd ac y bydd y sector yn gallu ymdopi â'r her yn y dyfodol.

[199] **Aled Roberts:** A gaf ofyn am eich cod newydd? Mae'r rheolau ynglŷn â pha wybodaeth sy'n cael ei chyflwyno yn wahanol yn Lloegr a'r Alban o'u cymharu â Cymru. Yn Lloegr a'r Alban, mae'n rhaid i bob cymdeithas tai gyhoeddi nifer y swyddogion sydd â chyfanswm tâl o dros £60,000, a hynny mewn bandiau o £10,000. Nid yw hynny, ar hyn o bryd, yn digwydd yng Nghymru. A oes unrhyw drafodaeth wedi bod ynglŷn â newid y cod yng Nghymru fel bod pob cymdeithas tai yn dangos y bandio o ran uwch-gyflogau?

[200] **Mr Bennett:** Mae'n digwydd yng Nghymru, ond weithiau mae'n dibynnu ar y gymdeithas, felly mae'n bosibl inni roi'r un peth i mewn i'r cod yng Nghymru. Cawn weld a ydym yn cael ymateb yn ystod gweddill y cyfnod ymgynghori. Fodd

optimum number—how many do you need in terms of the costs of running associations, and so on? However, I think that it is important to remember that although these might offer a public service, we are not a part of the public sector. I think that, as soon as the Minister turns around and says, 'I want to restructure local government—I want 15, or 10', a big questions arises then as to whether we are within or outwith the public sector.

What I would like to see is what has been happening recently—a number of the associations coming together, because they see the sense in doing that. They can save money, but they can also offer a better service in their areas. We have seen that with Gwerin Housing Association and Eastern Valley coming together to form Melin Homes in south Wales. Dewi Sant Housing Association and Swansea Housing Association have also come together to form Coastal Housing Group. At present, Cymdeithas Tai Eryri and Cymdeithas Tai Clwyd are coming together to form Grŵp Cynefin. It will be very interesting to see an association in north Wales that works through the medium of Welsh across north Wales. Therefore, where it makes sense to do so, I hope that we will see that happening and that the sector will be able to cope with the challenge in future.

Aled Roberts: Can I ask about your new code? The rules about what information is presented are different in England and Scotland as compared with Wales. In England and Scotland, every housing association has to publish the number of officers whose salary is in excess of £60,000, and has to do so in bands of £10,000. That does not currently happen in Wales. Has there been any discussion about changing the code in Wales so that every housing association shows the banding in terms of senior pay?

Mr Bennett: It does happen in Wales, but sometimes it depends on the association, so it would be possible for us to include that in the code in Wales. Let us see whether we get a response during the remainder of the consultation period. However, it is perfectly

bynag, mae'n berffaith bosibl i ni roi hynny i mewn er mwyn adlewyrchu'r hyn sy'n digwydd yn Lloegr a'r Alban hefyd.

possible for us to include that in order to reflect what happens in England and in Scotland.

[201] **Aled Roberts:** Mae gennyf un cwestiwn olaf. Rydych yn sôn am y gwahaniaeth rhwng uwch-gyflogau a'r cyflog isaf, a bod hynny, ar gyfartaledd, yn 1:5 neu 1:6, ond mae rhai cymdeithasau tai lle mae hi llawer iawn yn uwch na hynny. Nid wyf yn meddwl y byddai llawer o bobl o fewn rhai o'r cymdeithasau tai yn derbyn cyflog is na ryw £30,000—pe baem yn defnyddio'r raddfa o 1:5. Felly, mae'n rhaid bod rhai ohonynt dros 1:10, a llawer iawn ohonynt dros 1:10. Felly, rwy'n cwestiynu sut y mae rhai cymdeithasau tai yn gallu anelu at gael rhyw fath o fesur lle maent yn dod i'r 1:5 neu 1:6. Hoffwn ofyn hynny, oherwydd rydym wedi clywed, o fewn llywodraeth leol, fod cynghorau rŵan sy'n ceisio dod i lawr—rwy'n derbyn mai i 1:11, neu rywbeth felly ydyw. Os yw rhai o'ch cymdeithasau tai yn gallu anelu at 1:5, pam nad yw rhai eraill yn gwneud hynny, os mai'r un egwyddor a'r un mantra sydd gennych?

Aled Roberts: I have one final question. You talked about the differences between the highest salaries and the lowest, and that, on average, that is on a ratio of 1:5 or 1:6, but there are some housing associations where it is much higher than that. I do not believe that there would be many people in some of the housing associations who would receive a salary of less than around £30,000—if we used the ratio of 1:5. Therefore, some of them must be higher than 1:10, and a considerable number higher than 1:10. So, I question how some housing associations can aim for some sort of yardstick to reach a level of 1:5 or 1:6. I ask that because we hear, in relation to local government, that some councils are now trying to come down to the level of 1:11, or something similar. If some of your housing associations can aim for 1:5, why can others not do so, if the same principle and mantra applies to each of them?

[202] **Mr Bennett:** Mae'r mwyafrif llethol rhwng 1:5 ac 1:6. Rwy'n gallu meddwl am un neu ddau lle mae'n uwch na hynny—efallai 1:10. Mae hynny'n digwydd am nifer o resymau. Efallai fod y gymdeithas honno yn gwneud gwaith hollol wahanol i'r mwyafrif yn y sector, efallai fod rhai wedi bod yn adeiladu yn y sector preifat neu wedi bod yn datblygu drwy'r fenter cyllid preifat a gwneud gwaith adeiladu ar gyfer prifysgolion, ac yn y blaen. Mae rhai hefyd wedi mynd i mewn i wasanaethau gofal, lle mae gennych rai cyflogau isel iawn a nifer o gontractau ar hyn o bryd lle mae'n rhaid iddynt gystadlu, ac rydych yn tueddu i gael mwy o bwysau ar gyflogau isel yna. Fodd bynnag, byddwn yn dweud bod y mwyafrif o gwmpas 1:5 neu 1:6 ac efallai fod un neu ddau ar 1:10.

Mr Bennett: The vast majority are at a ratio of between 1:5 and 1:6. I can think of one or two where it is higher than that—perhaps 1:10. That happens for a number of reasons. Perhaps that association is doing vastly different work to the majority of the sector, perhaps some have been doing private sector construction, or been developing via a private finance initiative and developing buildings for universities, and so on. Some have also gone in for care services, where you have some very low salaries and there are a number of contracts at the moment where they have to compete, and you tend to get greater pressure on lower wages there. However, I would say that the majority are around the 1:5 or 1:6 ratio and perhaps one or two have a ratio of 1:10.

[203] **Alun Ffred Jones:** Rwyf am ofyn cwestiwn ynglŷn ag aelodaeth. Mae aelodaeth byrddau'r cymdeithasau tai yn wirfoddol. A oes cysondeb ynglŷn â'r ffordd y mae'r aelodau hynny'n cael eu dewis neu eu hethol? Beth sy'n digwydd?

Alun Ffred Jones: I would like to ask a question regarding membership. The membership of housing association boards is voluntary. Is there consistency with regard to the way in which members are chosen or elected? What is the process?

[204] **Ms Ballard:** Generally speaking, the members of the board are elected by the

shareholders at the annual general meeting. There are a variety of recruitment processes. Many associations now advertise openly for board member vacancies, and conduct elections, with information to tenants and other stakeholders and shareholders about the skills that the prospective board member would bring to the organisation. There is a person specification and a job description for board members in, I think, almost all organisations now, and there would be a skills mix that would be required for each board. That is for them to determine along with what the vacancies are. Recruitment would be against those, but the election is up to the shareholders.

[205] **Alun Ffred Jones:** You mention shareholders. What do you mean by ‘shareholders’?

[206] **Ms Ballard:** RSLs have shareholding members. They pay £1 for that share. They do not have dividends or profits, but they are then able to influence the business of the organisation, and it is accountable to those shareholders at each annual general meeting. So, they will receive the accounts, including the details of salaries and so on, they will receive the annual report of the board, and they will elect the members of the board. So, that is the channel of accountability.

[207] **Darren Millar:** That is consistent across all RSLs, is it?

[208] **Mr Bennett:** Not all. Elaine has given us the absolute precise detail of the traditional RSL model, but there is the large-scale voluntary transfer model as well.

[209] **Dr Barry:** I can briefly outline the model that we have. It is called a community mutual model. We have paid-up members. A third of our members are nominated by the local authority, a third are independent members, and a third are voted in by tenants. So, it is a completely different structure.

[210] **Darren Millar:** So, a third are appointed by the local authority. You say that a third are independent, but are they appointed by the rest of the members of the board?

[211] **Dr Barry:** Yes, but, as Elaine outlined, they go through a thorough recruitment process. We are just in the process of recruiting independent members and, as Elaine said, there is a person specification and a job specification, and it is a very open recruitment process.

[212] **Darren Millar:** And the others are, effectively, elected by the tenants—

[213] **Dr Barry:** By the tenants or they are local-authority nominated.

[214] **Darren Millar:** And they are paid board members, is that right?

[215] **Dr Barry:** No.

[216] **Mr Bennett:** No. There has been a ban on the payment of board members in Wales for some time. There is freedom to pay board members in England and Scotland, and that is currently being explored by a governance working party. So, we are looking at the whole range of issues that affect governance moving forward. Does an RSL require the freedom to offer board members payment in the same way that some may wish to do in England and Scotland? Is the code of good governance fit for practice? Are there other aspects of regulation that need to be improved to make sure that we can withstand the ongoing challenges of, perhaps, less public subsidy being available and also obviously the recent upsets that have happened in terms of private finance?

[217] **Darren Millar:** Have boards had challenges filling those posts because they are not

remunerated?

[218] **Mr Bennett:** In some areas. It is important to remember that, overall, it is a voluntary sector. However, there are those who would argue that, particularly in terms of some of the stock transfers, these have become substantial businesses with turnovers of over £40 million a year, and so there should be some recompense, or recognition of the real fiduciary responsibilities that those chairs or directors have.

[219] **Darren Millar:** Okay. Jenny Rathbone is next.

[220] **Jenny Rathbone:** Do either of the systems for electing your boards generate staff representatives?

[221] **Ms Ballard:** No.

[222] **Jenny Rathbone:** Are they banned from electing representatives?

[223] **Mr Bennett:** In effect, yes. There are other mutual models—I think that there are some in Rochdale—that are more of a co-operative model that would include worker representation formally within the governance model. There are some who would argue that that could be possible in aspects of the community mutual model as well. What has tended to happen in Wales is that the concentration has been much more on tenants' services than workers' rights. However, it is possible to look at this. Currently, it will be examined because the other issue here is executive board members. We have no tradition of paid officials being members of boards. All board members are volunteer board members. You would not have a chief executive or a non-executive director as you might have in a private sector model.

[224] **Jenny Rathbone:** I understand the importance of tenant representation in the context of a housing association. However, obviously, in the context of discussions about the City of London and the remuneration that FTSE 100 companies are paying, there is a clamour for some sort of staff representation on boards to try to control the levels of pay. So, is it the case that in no RSLs anywhere in the UK are there staff represented—

10:30

[225] **Mr Bennett:** No, there would be some. It would be a different form of mutual. Certainly, I have come across examples in Rochdale and other areas where you would have worker representation. The issue of going down the tenant model is about reassuring tenants, particularly given that there were concerns around the privatisation of local authority stock. It was really important to lock in the tenant voice in that model. That is not to negate the workers' voice. However, it is the difference between the consumer interest and the producer interest.

[226] **Jenny Rathbone:** I understand that entirely.

[227] **Mr Bennett:** Regarding the producer interest, there is a significant role here for union input. They have been very influential in terms of influencing behaviours and outcomes, not just in stock transfers but more generally, in terms of pay negotiations over the last few years.

[228] **Ms Ballard:** There is not union representation in many organisations, but there are other alternative participation and engagement mechanisms, such as staff forums and that kind of thing, that would look at the salary model and input into it and put views forward.

[229] **Aled Roberts:** Pwy fyddai'n codi'r **Aled Roberts:** Who would lift the ban on

gwaharddiad ar dalu aelodau'r bwrdd, a phryd y byddai hynny o dan ystyriaeth?

[230] **Mr Bennett:** Carl Sargeant, gobeithio, a hynny cyn diwedd y flwyddyn. Rwy'n meddwl ei bod yn bwysig inni beidio â gwneud hynny ar ein pennau ein hunain. Mae'n bwysig inni ystyried sut y mae gweddill y pethau hyn yn gweithio, o safbwynt sicrhau llywodraethu da ar gyfer y dyfodol.

[231] **Aled Roberts:** Nid wyf yn deall yn union sut y gall Llywodraeth Cymru wahardd talu aelodau'r bwrdd, a chithau wedi dweud ar y cychwyn nad yw cymdeithasau tai yn rhan o'r sector cyhoeddus.

[232] **Mr Bennett:** Wel, mae'n bosibl i'r Llywodraeth fy ngwahardd i fel unigolyn rhag gwneud pob math o bethau. Nid yw hynny'n golygu fy mod i'n rhan o'r sector cyhoeddus. Deddfwriaeth sy'n sicrhau bod y gwaharddiadau hynny'n bodoli. Mae gan Lywodraeth Cymru bwerau sylweddol o ran penderfynu ar ddyfodol y sector. Fodd bynnag, y prawf mawr ar gyfer sicrhau nad ydym yn cael ein gweld fel rhan o'r sector cyhoeddus yn y dyfodol, a sicrhau nad yw'r ONS yn cynnwys y sector yn y sector cyhoeddus—cam a fyddai'n golygu y byddai'r £3 biliwn rydym wedi'i fenthylg yn mynd ar y *public sector debt repayment*—yw faint o *control* sy'n digwydd o fewn ystafell y bwrdd.

[233] **Aled Roberts:** Cawsom drafodaeth ynglŷn â cholegau addysg bellach, a'r perygl y byddai'r colegau hynny'n cael eu gweld fel rhan o'r sector cyhoeddus. A yw'r ONS wedi rhoi unrhyw fath o ystyriaeth i ailedrych ar y sefyllfa hon? A oes perygl bod yr ONS yn edrych arnoch chi ar hyn o bryd fel rhan swyddogol o'r sector cyhoeddus?

[234] **Mr Bennett:** Dyna'r hyn rydym yn ceisio ei osgoi. Gwn fod yr ONS wedi edrych ar addysg bellach ac wedi penderfynu bod addysg bellach yn sicr yn rhan o'r sector cyhoeddus. Mae'n hollbwysig nad yw hynny'n digwydd yn y maes tai, oherwydd yr arian sylweddol sydd wedi cael ei fuddsoddi a'r ffaith nad ydym am golli'r arian hwnnw mewn cyfnod pan fo'r Trysorlys yn ceisio torri yn ôl ar wariant cyhoeddus.

paying board members, and when would that be considered?

Mr Bennett: Carl Sargeant, I hope, and before the end of the year. I think that it is important for us not to do that alone. It is important for us to consider how the other things work in terms of ensuring good governance for the future.

Aled Roberts: I do not understand exactly how the Welsh Government can ban the remuneration of board members, given that you said at the outset that housing associations are not part of the public sector.

Mr Bennett: Well, it is possible for the Government to ban me as an individual from doing all kinds of things, but that does not mean that I am part of the public sector. It is legislation that ensures that those bans exist. Welsh Government has considerable powers when it comes to determining the future of the sector. However, the big test for ensuring that we are not seen as part of the public sector in the future, and that the ONS does not put the sector in the public sector—a step that would mean that the £3 billion that we have borrowed would go into the PSDR—is how much control there is within the boardroom.

Aled Roberts: We had a discussion about further education colleges, and the danger that they would be seen as part of the public sector. Has any consideration been given by the ONS to looking again at that situation? Is there a danger that it is looking at you at present as an official part of the public sector?

Mr Bennett: That is what we are trying to avoid. I know that the ONS has looked at further education and has decided that further education is certainly part of the public sector. It is vital that that does not happen with housing, because of the considerable money that has been invested, and the fact that we do not want to lose that during a period when the Treasury is trying to cut public spending.

[235] **Darren Millar:** Alun Ffred, do you want to come in on this? No. Are there any further questions?

[236] **Jenny Rathbone:** I wanted to ask about the deficit of £1 billion or more in the social housing pension scheme. How are housing associations planning to address that rousing problem?

[237] **Ms Ballard:** Yes, it is a challenge. The social housing pension scheme has had a deficit, and arrangements have been in place over the last six years to start repaying that. It is an additional burden on the association, as is auto-enrolment. It is something where we have had to adjust our offer to staff across the sector. There are far more defined contribution schemes now than final salary defined benefit schemes for new members in the sector at the moment. Having said that, the aim of the housing association sector is to offer more than just a pension and a salary. It is about a good working environment, good staff engagement and a good work-life balance. Those are all things that I think influence a person when they think about coming to work for the sector. The pension is not the only factor that people look at.

[238] **Jenny Rathbone:** In other sectors, like in some local authorities, there have been moves by some chief executives to opt out of that and to make their own arrangements by way of tax avoidance. What is the situation in housing associations? Is everybody in the same pension scheme?

[239] **Ms Ballard:** I believe that the majority of associations are in the social housing pension scheme—Nick might be able to answer this more than I can. In the past, I know that there have been others that have gone down the private pension route, but there certainly has not been anything of the order that you are talking about for chief executives opting out. That has not happened, to my knowledge.

[240] **Mr Bennett:** Before we had the pension deficit, the SHPS scheme was an attractive one—a very attractive one. So, I would be surprised if most chief executives had not been attracted to that particular scheme. We are unaware of any alternative arrangements.

[241] **Jenny Rathbone:** Overarching, how do you think that you are going to manage this deficit?

[242] **Mr Bennett:** As Elaine referred to, I would say that the defined benefit scheme has been closed down. Certainly, in my own workplace, we have gone from defined benefit to defined contribution, and, you know, over time, we have a hope that things will be managed.

[243] **Aled Roberts:** I was just wondering, with regard to the £1 billion that Jenny referred to, when the last valuation was, because there is talk about the SHPS. Also, the Welsh Government's evidence talks about societies, or housing associations, rolling out pension auto-enrolment, which was not the case previously. Has that now been concluded, or is it an ongoing process?

[244] **Ms Ballard:** The last valuation was in 2011. There is another one due in September this year. So, presumably, we will know if there is a deficit and what the size of it is, going forward. I imagine that we would put in place, after consultation with staff, arrangements to meet any deficit.

[245] Auto-enrolment depends on the size of the organisation. Small and medium-sized enterprises are required to have registered from April 2014, which I would guess would cover most of the sector in Wales.

[246] **Mr Bennett:** Yes, 80% of it.

[247] **Darren Millar:** If there are no further questions, that draws this part of our meeting to an end. Thank you very much, Nick Bennett, Norma Barry and Elaine Ballard. You will be sent a copy of the transcript of today's proceedings. If there are any factual inaccuracies, feel free to send a message to the clerk, and we will correct them. Thank you very much indeed.

10:38

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod
Motion under Standing Order 17.42 to Resolve to Exclude the Public from the
Meeting**

[248] **Darren Millar:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order 17.42(iv).

[249] Does any Member object? I can see that there are no objections.

[250] I should note that we are also going to meet in private on 3 June. So, if no Members object to that, we will move into private session.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10:38.
The public part of the meeting ended at 10:38.*