



Cynulliad Cenedlaethol Cymru

The National Assembly for Wales

Y Pwyllgor Cyfrifon Cyhoeddus

The Public Accounts Committee

Dydd Mawrth, 6 Mai 2014
Tuesday, 6 May 2014

Cynnwys
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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysisir
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 pwylgor yn bresennol
Committee members in attendance

Jocelyn Davies	Plaid Cymru (dirprwyo ar ran Alun Ffred Jones) The Party of Wales (substitute for Alun Ffred Jones)
William Graham	Ceidwadwyr Cymreig Welsh Conservatives
Mike Hedges	Llafur
Sandy Mewies	Labour
Darren Millar	Llafur
Julie Morgan	Labour
Jenny Rathbone	Llafur
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

Eraill yn bresennol
Others in attendance

Gillian Body	Swyddfa Archwilio Cymru Wales Audit Office
Mark Jeffs	Swyddfa Archwilio Cymru Wales Audit Office
Mark Jones	Pennaeth Coleg Gŵyr a Chadeirydd ColegauCymru Principal Gower College and Chair of ColegauCymru
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 Glorc Deputy Clerk
Joanest Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser
Meriel Singleton	Ail Glorc Second Clerk

*Dechreuodd y cyfarfod am 09:01.
The meeting began at 09:01.*

Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

[1] **Darren Millar:** Good morning, everybody. Welcome to today's meeting of the Public Accounts Committee. I remind everybody that, during the meeting, they are welcome to contribute to the proceedings in either English or Welsh as they see fit because, of course, the National Assembly is a bilingual institution. I encourage everybody to switch off their mobile phones and other electronic equipment because they can interfere with the broadcasting equipment. In the event of a fire alarm, we should follow the directions of the

ushers who will lead us to the nearest suitable safe exit. We have received apologies from Alun Ffred Jones today, and I am pleased to welcome Jocelyn Davies as his substitute for the morning.

09:02

**Papurau i'w Nodi
Papers to Note**

[2] **Darren Millar:** We have some papers to note. There are minutes from the meeting held on 29 April. I take it that those are noted. We will move on swiftly then to item 3 on our agenda.

**Cyllid Iechyd 2012-13 a Thu Hwnt: Trafod yr Ymateb gan Lywodraeth Cymru
Health Finances 2012-13 and Beyond: Consideration of the Response from the
Welsh Government**

[3] **Darren Millar:** You have all had a copy of the response from the Welsh Government accepting all of our recommendations, which I am sure you will be very pleased about. The Auditor General for Wales has also given some written advice on the Welsh Government's response. There is a suggestion that we might want some more clarity in respect of its response on recommendation 12 regarding the cost of pay protection in the NHS. Auditor general, do you want to comment on your response?

[4] **Mr Thomas:** As you say, Chair, my note to you recognises that the Welsh Government has accepted all the recommendations or is actioning them. However, I am concerned that it has possibly misread the last item. As I understood it, you wanted to know the historic cost of the pay protection. What it is talking about is the current state of negotiations. In fact, you could write again to the accounting officer to seek that information. Alternatively, I will be looking at workforce savings as part of this year's study that we are producing, hopefully in September, on the financial and service performance of the NHS, so we could pick it up then.

[5] **Sandy Mewies:** I think that that is the most—*[Inaudible.]*—pick up any other questions that come at the same time, will you not?

[6] **Darren Millar:** If Members are content, yes. Mike, do you want to come in?

[7] **Mike Hedges:** I just want to say that I found it to be a very positive response. The recommendations were not just agreed in principle. Everything has either been actioned or, if something has not been actioned, there is a date for it to be done. I think that that is one of the most positive responses I have ever had to any committee report I have ever been involved in. It is actually being done as opposed to being agreed in principle or generally agreed when you can be concerned sometimes about whether anything will actually come of those agreements.

[8] **Sandy Mewies:** I think that you are right.

[9] **Darren Millar:** However, are we happy with the auditor general picking up on this issue of pay protection in his next piece of work? I see that we are. When you do expect to complete that work?

[10] **Mr Thomas:** We hope to be publishing it in September.

[11] **Darren Millar:** Okay. I see that Members are content with that approach. Excellent. Moving on to our next item, we will just wait for the witness to be shown in. Thank you very much, Gillian and Mark.

09:06

Cyflogau Uwch-reolwyr: Sesiwn Dystiolaeth 5 Senior Management Pay: Evidence Session 5

[12] **Darren Millar:** Continuing with our inquiry into senior management pay I am very pleased to be able to welcome Mark Jones, principal of Gower College Swansea and chair of ColegauCymru, to the table. As Members will be aware, we have been undertaking this inquiry into senior management pay across the public sector. So far, we have taken evidence from the NHS, the Welsh Local Government Association, the Welsh Government, and indeed from the Hay Group, which gives consultancy advice, and the TaxPayers' Alliance. Our inquiry is quite broad in scope. We are looking at the decision-making processes, methods of agreeing pay increases, transparency in terms of reporting on pay and benefits and the accessibility of those data to the public, and also the comparability of pay within certain parts of the public sector. Clearly, we will be looking particularly at the further education sector this morning with Mr Jones.

[13] Mr Jones, we have been provided with a briefing paper from the research service here, along with some information from the Wales Audit Office. Did you want to make any opening remarks about how further education institutions go about making pay awards for senior managers and principals, such as you, before we go into questions from Members?

[14] **Mr Jones:** Thank you, Chair. I have just a general comment. I suppose that the way that further education deals with the issue is that all college corporations have a remuneration committee, which generally has the responsibility for looking at principals' pay and then for putting recommendations back to the full corporation. I cannot comment on all colleges, but in terms of the colleges that I have worked with, and that I am aware of, that information is generally taken from surveys. Every year, the Association of Colleges—the English equivalent of ColegauCymru—does annual surveys across all further education colleges in England and Wales. It will produce benchmark figures, both nationally and regionally. So, Wales will have its own figures. I understand that the remuneration committee gets a copy of that report, which is sent automatically to the chair every year, and it uses that information when it sets principals' pay from one year to another. That is generally the process that takes place.

[15] **Darren Millar:** In terms of the benchmarks report, you say that that report is published annually.

[16] **Mr Jones:** It is.

[17] **Darren Millar:** Are the figures within that report, which give those benchmarks, on a scale according to the size of the organisation and number of employees? What other factors feed into that?

[18] **Mr Jones:** They are generally broken down in terms of size and turnover; that is how they are broken down, but there is other information in there—staff numbers et cetera. However, the basic benchmark is in terms of the size of the organisation, but also the region of the organisation. So, Wales is looked at separately from London and the south-east of England. So, all the information is in those tables.

[19] **Darren Millar:** So, you would expect to see a direct relationship in Wales between the size of the organisation and the pay given to the most senior person within that organisation.

[20] **Mr Jones:** That information is available for the remuneration committee to look at, yes.

[21] **Darren Millar:** It is not quite as straightforward as that, given the information that we have. I am going to bring in Sandy Mewies, who wants to ask a question on this.

[22] **Sandy Mewies:** This is not exactly the same, but I was wondering—. We have had dozens of figures, and good on you for being the only witness, because we have had such a lot of figures to look at. One of the things that is clear—and I wonder what the guidance is on it—is the way that the banding information appears, because it is inconsistent, is it not? You have talked about corporations working this way generally in your experience. You may not know the answer to this, but the statements are not explicit about what they include in their calculations, particularly to do with pension contributions. Do you have any information on the guidance that is issued? Do you know whether that guidance is meant to be followed with pension contributions included, or whether it is flexible?

[23] **Mr Jones:** I thought that it was standard accounting practice that you had to include it, so in a way I was quite surprised by the comment on inconsistencies between different figures. There is a requirement that is set out and audited, so I was surprised that there were slight differences in treatment between one institution and another. Clearly, I am seeing this cold, as you are, but I thought that the guidance was clear on it, to be honest.

[24] **Sandy Mewies:** Thank you. I wanted to get that clear before we moved on.

[25] **Darren Millar:** In terms of the support that ColegauCymru gives for the preparation of accounts by FE institutions in Wales, given that there is clear guidance—you say it is clear—how come ColegauCymru has not picked up on this, perhaps within FE in Wales, and said that there is an issue here that needs to be looked at?

[26] **Mr Jones:** Colleges submit their annual accounts to the Government to look at. Finance directors get together on general terms at meetings led by ColegauCymru but with the Department for Education and Skills experts in there as well, so I am surprised that it has not been picked up. It is difficult, Chair, looking at some of the figures. I moved colleges within the last year, 2012-13, and certainly the figures that I have seen there for my previous college, Bridgend, and for Gower College Swansea, do not appear quite right. For example, at Bridgend there was a handover period where there were two principals for a couple of months, and the same in Gower as well. Those accounts do not reflect that, so the figures look a little bit high. Well, they would—there were two principals there for a couple of months. Gwent as well looks strange, with the same figure for remuneration compared with salary, which does not look quite right either. It is difficult for me to comment exactly on those figures because the ones I have an understanding of look as if there are some issues there that need to be unpacked.

[27] **Julie Morgan:** Would you say as an overview that you feel that the arrangements are working adequately?

[28] **Mr Jones:** Yes, I would. It is independently done through remuneration committees. Remuneration committees have access to all benchmark information. I think that they are aware of their responsibilities. There is a comment in the report that, with the number of mergers in the further education sector in recent years, none of the new principals are in there. I think I have mentioned principals of two colleges, and their salaries are less than what was

being paid before. Having made phone calls to four other colleges that have merged in the last 12 months, I know that that is the same picture across the entire sector. So, I think that there is recognition within the remuneration committees, certainly the ones that I am aware of, of the high profile of this, and the need to be seen to be open and transparent. I think that they do that really well. There is a strong network across the colleges as well of chairs of governors, so everyone knows what everyone else is doing and there is advice there throughout as well, so, yes, I do think that it works well.

[29] **Julie Morgan:** Do you feel that it is as transparent as it should be?

[30] **Mr Jones:** I do, in that it is set independently, and all that information is available in annual accounts. I am just a little bit surprised by the small inconsistencies between different colleges, which we could pick up, but that apart, yes, I do think that it is open and transparent.

[31] **Julie Morgan:** We were told in our briefing that the minutes of the remuneration committees and the way that they work are not easily available to see on the websites of some further education institutions.

[32] **Mr Jones:** Remuneration committee minutes are picked up. Those minutes are reported. The minutes are given to the full corporation. The full corporation minutes—the best practice is that they are made available in places like college libraries. So, again, I think that we need to pick that up if there are gaps because they should be available.

09.15

[33] **Julie Morgan:** We were told that in most FEIs they are not easily available. So, obviously, that seems to be an important missing element in terms of transparency. In terms of the remuneration committees themselves, who are they made up of?

[34] **Mr Jones:** They are made up of a group of governors, so they are small committees. Corporations generally will have a range of sub-committees. On the remuneration committee, again, I can only talk about the two colleges that I work for, but the chair of governors would be there and, normally, the deputy chair, the head of audit and the head of finance and estates. It is those kinds of senior governors, and probably chairs of the individual committees who will be there, so that they can assess performance.

[35] **Julie Morgan:** What about staff and student representatives?

[36] **Mr Jones:** I think that you would have to look at each college individually. At both my previous colleges, staff and students were not there—

[37] **Julie Morgan:** Were not there, did you say?

[38] **Mr Jones:** Were not there, no, but it is a recommendation from the remuneration committee that goes back to the full corporation meeting, at which staff and students would be present.

[39] **Julie Morgan:** Right. Thank you.

[40] **Jocelyn Davies:** You have explained how changes are made year by year. What about when somebody is newly appointed, because, very often, you see adverts for public appointments and the salary is negotiable, or there is a range; there will not be one salary usually on an advert. So, when somebody is newly appointed, how is that salary, or that starting point, negotiated?

[41] **Mr Jones:** Again, it is benchmarked, and the same information, I believe, is used. So, all of that information is easily available and the governors will normally pick a point. I can think of numbers of adverts over the last few years where I think it generally has been a salary point that has gone into the adverts. However, again, all the benchmark information is available. Clearly, it has been a big issue in further education in the last couple of years, where colleges have merged and they have been bigger, and I think that that information has been really useful in allowing the governors to do that.

[42] **Jocelyn Davies:** Obviously, in austere times, salaries are something that get more attention than perhaps they would otherwise; perhaps that is an explanation for why these things have happened in recent years, as you said. Do you think that austerity and the financial crash, going back a few years ago, has held salaries down?

[43] **Mr Jones:** I think that it has. Again, I suppose that I can comment more favourably on the two colleges that I have worked for, but I think that you have been well aware that there has been a pay freeze in the further education sector in the last couple of years. Governors have been well aware of that, and, certainly, my previous college applied exactly the same percentage to principals. Certainly with the mergers going through, you will have seen almost a rebasing of salaries. I can think about Gower for example; my salary is certainly less than that of my predecessor. So, I think that governors have taken that on board wherever they possibly can.

[44] **Jocelyn Davies:** So, without austerity measures, the salaries that we have details of would be higher. It has held your salary down; you say that you are paid less than somebody who previously held your job.

[45] **Mr Jones:** I think that governors have taken those comments that you have made on board. Whereas I cannot say that absolutely for all my colleagues, I think that that is generally the feeling across the sector.

[46] **Jocelyn Davies:** Okay, thanks.

[47] **Darren Millar:** I am sorry; you have just suggested that there has been a holding back of salary increases. There are some who appear to have had huge increases in their salaries—almost 20% in a single year, for example, at Coleg Gwent. You said that there may be an explanation for that.

[48] **Mr Jones:** There is something not right about those figures, is there not? Again, the salary advertised in the press was significantly lower than those figures. What I cannot understand is that the two figures are the same, are they not? The figure for salary is the same figure as remuneration, so it does not seem quite right. However, I remember that salary being advertised and it was significantly below both of the figures that are there.

[49] **Darren Millar:** I am comparing the salary figure as opposed to the total remuneration figure here and, between 2009-10 and 2020-11, it went up by around 18%. That is just at Coleg Gwent. St David's Catholic College had a 14% increase between 2010-11 and 2011-12. However, you are suggesting that the average increases are in line with other staff within the organisations.

[50] **Mr Jones:** Well, I am sure that they are, Chair—

[51] **Darren Millar:** They are clearly not, are they? I have just read two examples out to you.

[52] **Mr Jones:** Are you looking at the salary figure for Coleg Gwent?

[53] **Darren Millar:** Yes.

[54] **Mr Jones:** The salary figure for 2010-11 is exactly the same as the total remuneration figure a couple of pages later—

[55] **Darren Millar:** I am looking at 2009-10 to 2010-11, on the salary of the highest paid officer.

[56] **Mr Jones:** Yes. The 2010-11 figure is the same figure as the total remuneration. It feels like the salary figure is too high, or is wrong.

[57] **Darren Millar:** So, you think that one year has the other benefits taken out and one year has them included.

[58] **Mr Jones:** I do not know, but that would be my expectation. I remember that job being advertised and it was nowhere near that salary.

[59] **Jocelyn Davies:** Do you remember what that salary figure was?

[60] **Mr Jones:** No.

[61] **Darren Millar:** Auditor general, did you have a point of clarification?

[62] **Mr Thomas:** I just want to confirm that one of the difficulties that we had with interpreting the accounts was because it was not consistent as to whether the other elements of remuneration had been included in the accounts, so it may well be that some of these distortions result from that.

[63] **Mr Jones:** Yes. I understand that. I suppose that I am being asked, ‘Why the increase there?’, and I would be amazed if there was an increase there. On St David’s Catholic College, I cannot comment. I suppose that it is a very different college and very much a sixth-form college.

[64] **Darren Millar:** Would you be able to help the committee by providing some further information on those two colleges in particular, just to give us a little more clarity?

[65] **Mr Jones:** Absolutely.

[66] **Darren Millar:** I would appreciate that. Mike Hedges is next.

[67] **Mike Hedges:** First, Mark, may I thank you for correcting the title of the college to Gower College Swansea, because they had to turn ‘Gower College’ down? So, thank you for that.

[68] I have three questions. As far as I remember, the minutes of the committee that dealt with pay were taken to the governing body and were then published as part of the minutes of the governing body. Is that still the case?

[69] **Mr Jones:** That is my understanding, yes.

[70] **Mike Hedges:** I have a question on benchmarking. Benchmarking always had a tendency to ratchet salaries up. There is a level of inevitability, because, if the benchmark creates a salary of £100,000, those earning £80,000 and £90,000 immediately demand that their salaries go up, and those earning £120,000 explain that because they are doing such a

good job, they are worth it. That is the reality of how this works. Are you convinced that benchmarking is the best method of setting salaries?

[71] **Mr Jones:** I think that there are a lot of ways to do it, but I think that it probably is, Mike. I think that taking a wider comparison and not just looking at Wales but at England as well, is also useful. It is strange that the picture in England is changing quite dramatically from that in Wales, these days. I think that the average size of a further education college in Wales is way above the average size of an average college in England. However, I still think that by putting those figures in and looking at them on a regional basis, per size, is useful. Certainly, some principals now are coming from industry, so there is possibly an issue there in terms of looking at where those individuals are coming from and doing some benchmarks there. However, I think that each method has its own strengths and weaknesses and, therefore, the most appropriate way at this stage is to compare it with other FE colleges.

[72] **Mike Hedges:** If you take a simplistic look at salaries against size, it equates almost to a line moving upwards incrementing with size of colleges. If you take a less simplistic look and you break them down into the bottom five, the middle five or six and the top five, it is almost like a ratcheting exercise. The top five, if you drew an outline there—there is almost a straight line around about the £145,000 mark and, for the middle six, it bounces all over the place, but probably averages around about £120,000 if you look at all of the different figures. So, is that how the benchmarking is picking them up—in groups by, sort of, general size, or is it based on absolute size?

[73] **Mr Jones:** I do not think that it has been done in banding. The sector has changed so dramatically—you know, you have had four mergers since these figures were produced—that I think that it is difficult to do it in bands. It has been used more around absolute size in terms of turnover. The Association of Colleges' figures have bands as well; they are just smaller bands than the figures here have suggested. I think that there has been so much change in the further education sector and so many mergers that it has been an area that has been looked at really closely by governors.

[74] **Mike Hedges:** On the 2013 figures, which are in the graph that I have here, the highest paid is the second largest and the largest would actually come fourth in the league table.

[75] **Mr Jones:** Once again, if the figures are from Gwent, as I said, there is something not quite right with Gwent's figures, I think. The rest are, I think, Llandrillo Menai, Deeside and Gwent; they are the three biggest colleges in Wales. Llandrillo is now at a level of £65 million or £70 million; Coleg Cambria is not far off that; and Coleg Gwent stands at about £60 million. There is then a little gap before the next four or five—Neath Port Talbot, Cardiff and Vale, Gower and Cymoedd. So, that is the shape of the sector these days, which is very much changed from where it was three or four years ago.

[76] **Mike Hedges:** However, we are almost back to where we were prior to the local government changes, when we had eight colleges that were managed under the local authorities.

[77] **Mr Jones:** That was before my time, I am afraid. [*Laughter.*]

[78] **Mike Hedges:** For those of us for whom it was not before our time, we see that it is moving back towards that.

[79] **Aled Roberts:** Mae'r archwilydd **Aled Roberts:** The auditor general has talked cyffredinol wedi sôn am anghysondeb yn y about a lack of consistency in the way in ffordd y mae cyfrifon yn cael eu cyhoeddi. which the accounts are published. A great

Mae llawer iawn o sylw wedi cael ei roi yn ddiweddar i drefniadau pensiwn. Pan ydym yn sôn am gyfanswm taliadau i uwch-swyddogion, a oes cysondeb llwyr ar draws y sector ynglŷn â thaliadau pensiwn a threfniadau ar gyfer ceir ac ati?

deal of attention has been given lately to pension arrangements. When we talk about the total payments to senior officials, is there consistency across the sector with regard to pension arrangements and arrangements for cars, and so on?

[80] **Mr Jones:** I do not know is the truth. Colleges do it in very different ways these days. A college like Gower college is effectively one college these days, whereas Grŵp Llandrillo Menai has three colleges still in existence, with one chief executive over them, but covering an area that is four or five times the size of Gower. So, there are some differences, which individual colleges have put in place to make sure that they are more responsive to their local communities.

[81] In terms of other benefits, like cars, or whatever, I think you will find that that is minimal, if done at all. Certainly, it is not a topic that principals talk about very often, and I would be amazed if there was any of it, to be honest. It is very small. Fundamentally, these days, it is the pay and then the pensions on top of that.

[82] **Aled Roberts:** Os nad oes cysondeb llwyr, felly, ar draws y sector, a fyddai cofnodion y pwylgor taliadau yn eglur i bawb, os yw'r cofnodion hynny yn cael eu cyhoeddi—ac yn bendant, o fy mhrofiad i, roedd yr adroddiadau oddi wrth y pwylgor taliadau yn mynd at y bwrdd llawn, ond nid oedd y cofnodion llawn yn ymddangos yng nghofnodion y bwrdd—ac yn dangos y trefniadau pensiwn a phopeth felly, neu a fyddent ddim ond yn sôn am y cyflog a oedd yn cael ei dalu?

Aled Roberts: If there is therefore not total consistency across the sector, would the minutes of the remuneration committee be clear for everyone, if those minutes were published—and, certainly, from my experience, the reports from the remuneration committee went to the full board, but the full minute did not appear in the board's minutes—and would they show the pension arrangements and so on, or would they note only the salary that was paid?

[83] **Mr Jones:** It would differ at different times of the year. When a principal was appointed, the terms would be clear regarding what the package is. If that package did not change from one year to another, I could imagine that it may not be picked up by the remuneration committee in the level of detail that you require. Once again, there is something about consistency there that, maybe, we could improve upon. So, I believe that it would be quite clear what the offer was upfront; you would see that. However, it may not be clear year on year, if there were not any changes. If there were changes, then absolutely I believe that you would see that. That would be a big issue. However, I do not believe that there are many.

[84] **Aled Roberts:** Rydych wedi sôn bod adroddiadau yn cael eu derbyn gan Lywodraeth Cymru ynglŷn â threfniadau oddi wrth y colegau a bod y cyfrifon sydd wedi cael eu harchwilio yn cael eu rhoi gerbron y Llywodraeth. Wrth ystyried y bydd rheolaeth y sector yn symud ac yn newid o dan y Bil newydd ac y bydd gan y colegau fwy o annibyniaeth, a oes canllawiau wedi eu cyhoeddi gan GolegauCymru, neu a oes perygl hwyrach y bydd yr anghysondeb yn waeth o ganlyniad i'r trefniadau newydd?

Aled Roberts: You have talked about reports regarding arrangements being received by the Welsh Government from the colleges and that the audited accounts are put before the Government. Bearing in mind that the management of the sector is shifting and is changing under the new Bill and that the colleges will have greater independence, have any guidelines been published by ColegauCymru, or is there a danger that there could be greater levels of inconsistency as a result of the new arrangements?

[85] **Mr Jones:** No, I do not think so. We are in the process of doing that. We have talked

about a new relationship with the Welsh Government going forward to recognise the impact of the Bill. So, we have a long list of things that we need to discuss with the Welsh Government in terms of how we work together, going forward. I do not think that it would be significantly different from where it was before, but, as part of that, we need to pick up all these areas. So, they have not been omitted, but that work is ongoing at this stage to make sure that we give the Welsh Government all the information that it requires.

09:30

[86] **Darren Millar:** Would FE colleges in Wales welcome further guidance from the Welsh Government in respect of pay and remuneration for senior managers? We know that, in terms of the independence of colleges, it is up to an FE college to employ people on terms and conditions that it agrees with those individuals, but, clearly, the guidance and the recommendations that are given by the Welsh Government have to be taken into account, and the Welsh Government can issue financial penalties if those pieces of guidance are not actually followed through on. Would you welcome a similar arrangement for senior managers?

[87] **Mr Jones:** I think that we could sort it out ourselves, to be honest. The one shocking thing was the level of inconsistency between them, and that is more about basic financial information. We should be doing that consistently, so, I think that, as a sector, we have got to take that away, look at the gaps and give our own guidance to do that. In producing that guidance for colleges and for finance directors, to make sure that they show the figures appropriately, we would clearly recognise the discussions here and we would also do that in partnership working with the Welsh Government. So, it is a job of work that we need to get on with, and we will make sure that we involve DfES as much as we can, so that it is happy with the information that we prepare.

[88] **Darren Millar:** In terms of the other remuneration, on top of salaries, you suggested that it is just pensions, but we have got a note here that suggests that there are benefits in kind that are being used to top up people's packages in Grŵp Llandrillo Menai, Pembrokeshire College, YMCA Wales Community College, Ystrad Mynach College and the Workers' Educational Association in south Wales. All those include a reference to benefits in kind within their financial statements. Do you have any indication as to what they might be? We know that one of them is in respect of a block car allowance.

[89] **Mr Jones:** Yes. All the ones that you described there sound as if they are big geographical regions, do they not? Llandrillo Menai now covers Rhyl, Anglesey down to Aberystwyth; the Workers' Educational Association is Cardiff, and Harlech as well—Pembrokeshire too. So, my suspicion is that it would be something in relation to travel. I do not know, but we could find that out and work with the Government in getting some level of consistency. It is difficult, because I think that the colleges would be very different colleges. Llandrillo Menai is a different vehicle from Gower College Swansea, for example. My campuses are six miles apart, while its campuses are 100 miles apart. So, I think that there has to be some flexibility to recognise that as well, but maybe some improved level of consistency, as you suggest.

[90] **Darren Millar:** However, you will be able to drop the committee a note, just in terms of what those benefits in kind actually are.

[91] **Mr Jones:** Yes, of course we can.

[92] **Darren Millar:** In terms of the remuneration committees, we discussed them a little bit earlier on, but the membership of those committees includes independent members, does it?

[93] **Mr Jones:** It absolutely does—

[94] **Darren Millar:** Is there a majority of independent members?

[95] **Mr Jones:** I am sorry, Chair, but do you mean outside the corporation?

[96] **Darren Millar:** I meant either outside the corporation or independent non-executive members of the boards.

[97] **Mr Jones:** The remuneration committee comprises governors of the college; sometimes, corporations will bring in non-execs to join, for example, in audit or in finance to bring experience. I am not sure whether that happens in remuneration, but the remuneration committee comprises governors of the college, so there will be business governors in there as well as maybe local councillors. I think that it will differ between different colleges, and it will differ, I think, depending on the make-up of the individual sub-committees. I think that the remuneration committee, as it does look at performance, would probably want to put more of the chairs of sub-committees on remuneration, so that they are in a position to comment on the performance during the last year.

[98] **Darren Millar:** Okay. Mike, you wanted to come in.

[99] **Mike Hedges:** Just to confirm, executive members who attend governing bodies, but who are not members of them, even if they attend a remuneration committee, do not have a vote at that remuneration committee. It is the vote of only those governors who are present, who are appointed for whatever reason. As you say, sometimes it is chairs and sometimes it is people who might have experience and skills in that area.

[100] **Mr Jones:** Absolutely, yes.

[101] **Darren Millar:** I call on Jenny Rathbone.

[102] **Jenny Rathbone:** You said that FE colleges in Wales are rather different animals to those in England. They are much larger, in the main—

[103] **Mr Jones:** On average, yes, they are.

[104] **Jenny Rathbone:** Yes. So, what do you think is the most appropriate benchmark for the top salaries in FE colleges in Wales? Do you think that it is universities? I suppose that I am trying to understand why, in some of your colleges, the principal is being paid more than the chief executive of the Welsh Government.

[105] **Mr Jones:** Colleges are very different. I do not think that it is as simple as being able to compare with any organisation. Take universities, for example, again, they are a very disparate group. I think that some of our colleges, these days, in some areas of Wales, are probably bigger than some of their local universities—that is certainly the case in terms of student numbers, but it is also the case in terms of turnover. Therefore, what is comparable in one part of Wales might be not comparable in another area. So, I think that benchmarks are useful, and I think that the remuneration committees do use them. However, I think that there also has to be a recognition of the area—the local market—and I think that you have to take all those factors into consideration when deciding. I think that the benchmarks are probably the starting point for those discussions with governors, but I do not think that it is as simple as comparing the salary with any organisation. The example of higher education is a good one; I think that, in some cases, colleges are bigger than universities.

[106] **Jenny Rathbone:** Okay, but obviously, from our perspective, we are trying to identify how it is that top officers' pay is not getting out of control in the way that it is, obviously, in the City of London.

[107] **Mr Jones:** I think that the benchmarks would give you the assurances that that is not the case, looking at both increases year on year and the changes between colleges of different sizes. I think that I can give you that assurance that it is not out of control in Wales.

[108] **Jenny Rathbone:** So, remuneration committees are satisfied that it is perfectly in order to pay their senior executive more than the chief executive of the Welsh Government.

[109] **Mr Jones:** It is difficult to compare just with one individual—you are pressing me on that. I think that the remuneration committee has a lot of different factors to look at. I think that the two big things for them are whether it is a going rate across the sector, and what the increases are from year to year. I think that college governors, through the remuneration committee, are well aware of those pressures that are there at this stage. I gave you some examples earlier on of where I know that salaries have been reduced to recognise the pressure in the public sector, and the way that everyone is looking at these figures at this moment in time.

[110] **Jenny Rathbone:** Thank you.

[111] **Darren Millar:** May I ask you about pay differentials between the most senior person in each organisation and the next person down? There appears to be quite a large gap in some organisations between the most senior person and the person on the next rung, as it were. Do you think that that is appropriate?

[112] **Mr Jones:** Again, it is very different. If you go to Grŵp Llandrillo Menai, effectively, you have campus principals there, with a wide remit in terms of their particular campus. In other colleges, a deputy will be doing a principal's job, but working across; in others, deputies might have responsibilities for some particular areas. So, again, I do not think that it is easy to compare one with the other. I think that you have to take consideration of what the role is, and whether it is a campus-based role, whether it is a deputy role, and whether it is specific on quality, or curriculum, or finance. I think that that has to be brought into the discussions as well. So, there is a difference in consistency, and that is all about the college, and all about the skills set of the principal and the others as well. I think that there is a different solution in every college, to meet the needs of that particular college.

[113] **Darren Millar:** You seem to be arguing against benchmarking there though. You told us at the start of your opening remarks that it is all about the size of the college, and all about the number of employees and students, and that there is a clear sort of indicator as to where pay and remuneration ought to be set. However, you are now saying that it is different according to each college. So, what is it? I am trying to get my finger on exactly how colleges decide these things.

[114] **Mr Jones:** There are benchmarks available, so that is the starting point for the remuneration committees—they will start with those benchmarks. In setting a salary, they will obviously be aware of what the sector is doing, and of what the figures have been in previous years. That is what they start with. Then, in terms of the next job down—the deputy, or the assistant principals—I think that they will look at that particular job and see whether there needs to be an adjustment to recognise that, maybe, that deputy is not doing a deputy's role; maybe it is a functional role looking after finance, and maybe that can flex. My feeling is that all those flexes are downwards, not upwards.

[115] **Darren Millar:** Sandy, you want to come in.

[116] **Sandy Mewies:** I have just two points for clarification, really. I appreciate what you are saying about the differences, and there are huge differences in FE colleges now. However, I do not think you are disagreeing that there can be some sort of benchmarking, and you have given us some indicators as well as to why people lower down the scale might be having additional payments. There is a bit of a tradition in academia, is there not, for giving additional payments for special responsibilities—not just in FE colleges; it happens elsewhere? Is there any consistency that you know of regarding what they would be given? You said that that would happen if they were the principal of part of a college or if they had special responsibility for this or that, or special skills in this. Is there any sort of guideline that you know about, because otherwise it is impossible to compare, is it not, if governors can sit and say, ‘Well, Mr Jones is particularly good at this and we need that skill, therefore, we will make an additional payment’? If you build that into the system, in my experience, that would rarely go out, even when Mr Jones had gone on somewhere else; that will still be there for somebody to claim. So, is there anything we could look at to find out whether there are a general number of special responsibilities that could be used as indicators? I know I am perhaps not making it terribly clear, but I do not think that the picture is terribly clear.

[117] **Mr Jones:** No, it is not; I accept that. With regard to your comment, I certainly do not recognise additional payments in the further education sector. I have to say that. I am aware of payments in other parts of academia—you are absolutely right on that—but it is certainly not something that I recognise in FE. To give you an example, if I was appointing a director of finance in my college, according to the AOC statistics that is probably a level 3 post with responsibility for finance. However, I may look at what the market was for finance directors locally as well. I would look for something that came in between. So, I think in some cases such as finance and human resources, you would go outside and look at what the benchmarks were, because I would want someone to come in with wider experience than just education. So, I think that in some limited cases, we may go outside the benchmarks, specifically where there were specific functional responsibilities. That apart, I think that we pretty much stick to the benchmarks as closely as we possibly can.

[118] **Sandy Mewies:** Thank you.

[119] **Darren Millar:** May I ask about compensation for loss of office payments? Obviously, with mergers et cetera having taken place, some individuals might be deemed to be surplus to requirements following changes in staffing structures, et cetera. There are requirements in terms of reporting some of the issues in relation to compensation for loss of office in accounts. Do you think those requirements are strong enough, or would you welcome further guidance?

[120] **Mr Jones:** No, I think the guidance is clear. Again, I do not think there have been many such examples in further education; it has tended to fall very much in line with retirement in most cases. That is my understanding. I think the rules are absolutely clear. That goes back to your earlier question about whether we require further guidance from the Government. I think the guidance is there as it is; I am just a little surprised that it is not as consistent as it should be.

[121] **Darren Millar:** Given that the guidance is very clear—you have said that on a number of occasions—did you welcome the fact that the Government felt that it needed to clarify the guidance late last year, because it was clear that it was not clear previously?

[122] **Mr Jones:** Yes—

[123] **Darren Millar:** Did you ask for the Welsh Government to clarify that guidance? There was an accounts direction issued, was there not?

[124] **Mr Jones:** There was an accounts direction issued, but accounts directions are issued regularly, year on year. My colleagues did not realise that there was that level of inconsistency that some of your papers would suggest there is; I think we just need to work together to resolve that going forward. There is always accounts guidance on some thing or other; there are always changes in European or British accounting rules, so we try to work with that guidance. I am surprised that if there was that inconsistency, accounts have been signed off in some way, I suppose, because that is what you are meant to do. So, I am a bit surprised by that.

09:45

[125] **Darren Millar:** However, in terms of the role of ColegauCymru going forward, you have obviously already alluded to the fact that you want to work with the Welsh Government on securing or improving the level of guidance that can be given to boards and remuneration committees on setting senior pay. What other role do you think that ColegauCymru can play in terms of the implementation of that guidance going forward and the monitoring of the arrangements to ensure that people are reporting on a consistent basis so that there is this transparency for members of the public—taxpayers—who might want to take a look?

[126] **Mr Jones:** Well, we could do more, in terms of best practice, I suppose, for college governors. Certainly, at this stage, we are looking at how governors play a role in ColegauCymru. For example, we have a national conference in a couple of weeks' time, and we are thinking that perhaps, going forward, we should have separate sessions within that for college governors and for chairs of governors who meet, not regularly, but a couple of times a year. We could take this as an example of best practice, that we could speak to all of the college governors together and say that, 'This is the expectation and this is what we want you to do'. So, we can be proactive, I think, in taking forward the recommendations to make sure that this is dealt with as consistently as possible across the different colleges.

[127] **Darren Millar:** Thank you for that. There was one question that I forgot to ask you earlier, in terms of remuneration committees. They would make recommendations to the full board in respect of all remuneration across the organisation, not just the senior managers', would they?

[128] **Mr Jones:** No. The remuneration committee is tasked with looking at the remuneration of what they call senior postholders. The college corporation anyway has the responsibility for terms and conditions across the organisation. So, every year, a recommendation would come through, normally from the principal, in terms of what salaries are for the rest of the staff. That would still be approved by the college corporation. The remuneration committee looks at the senior postholders only.

[129] **Darren Millar:** Who determines what is or what is not a senior post?

[130] **Mr Jones:** The college corporation decides that. It will always be the principal and the clerk. There are some inconsistencies below that. In some cases it includes deputies, and in some cases they are not senior postholders. So, there are some differences between different colleges. However, it will always be the principal and the clerk; they are the two required by statute to be senior postholders. The rest is left up to the college corporation. However, they would still approve the salaries of everybody.

[131] **Darren Millar:** Yes—on the recommendation of the principal.

[132] **Mr Jones:** On the recommendation of the principal, yes.

[133] **Darren Millar:** The cynic inside me would say that it is always possible for a principal to make a recommendation that will push up salaries at the top end that are not senior or not perceived as being senior and do not have to go to the remuneration committee in order to force a differential between his or her salary and the next peg down. That does not happen, does it?

[134] **Mr Jones:** You are absolutely right that that is possible, but, no, I do not think that that happens at all. I think that, with the current pressure on the public purse, pay freezes, et cetera, if there is anything that steps out of line from the norm, college governors are going to be asked questions as to why that is. So, whereas it is possible, I do not think that that is the situation.

[135] **Jocelyn Davies:** Could I—sorry, Mike.

[136] **Mike Hedges:** That is okay, Jocelyn. Go ahead; mine is on a different point.

[137] **Jocelyn Davies:** It is just that you have been an advocate for benchmarking, but you are not using the figures that we have, are you, in the benchmarking? The figures are not collected consistently and they are not correct, or there are things here that look a bit odd. So, these figures are not in the benchmarking exercise, are they?

[138] **Mr Jones:** I have problems with some of the figures in there. I think that, generally, colleges do use the benchmarks as the basis. I think that they may tweak up or down depending on a whole range of factors. However, generally, I think that they start with those benchmarks.

[139] **Jocelyn Davies:** What I am saying, however, is that the figures in the benchmarking exercise are these figures that we have. Are they, or are they different?

[140] **Darren Millar:** How do they get the figures for the benchmarking process?

[141] **Mr Jones:** There is an annual report produced by the Association of Colleges that has, for Wales, bands of colleges, and there will be a figure in there as to what the lower quartile, median and upper quartile are.

[142] **Darren Millar:** Forgive me, Mr Jones, but I think that what we are saying is that, if we cannot get the figures through the offices of the Wales Audit Office, the Members' research service and the resources that we have, as a National Assembly committee, what other resource or access to information does the Association of Colleges have to be able to give you some security that the benchmarks that it is providing are actually accurate?

[143] **Jocelyn Davies:** Especially when those figures push up, or may push up—. That is what I am wondering—whether the figures that we have are the figures that—. There is not a long, long list of institutions so even if there are three or four that you are questioning that will make a big difference to this number of institutions in terms of affecting what everybody thinks is okay for this area, because that is what everybody else is doing. I just wonder whether—. I am not saying that benchmarking is not a good idea, but, for it to be a good idea, the figures have got to be very good, have they not? Otherwise, over a period of time, you are going to have changes based on incorrect information.

[144] **Darren Millar:** You will be able to provide us with a copy of the latest benchmark report by the Association of Colleges, will you, Mr Jones—

[145] **Mr Jones:** Absolutely, yes—

[146] **Darren Millar:** —so that we can compare and contrast the information available?

[147] **Jocelyn Davies:** That would be useful.

[148] **Darren Millar:** I think that that would be very helpful indeed.

[149] **Mr Jones:** Would you like us to go further and look at some of the figures, some of the areas, that just do not feel right to me? I can comment on two of them, personally. We could look at correcting them, if we feel—

[150] **Darren Millar:** Yes, I think that that would be really helpful, but a copy of the benchmarking report that is done by the Association of Colleges would also be interesting.

[151] **Mr Jones:** Yes, it is public information.

[152] **Darren Millar:** Mike is next.

[153] **Mike Hedges:** On the way that the remuneration committee reports to the governing body, as you know, Mark, I was on governing boards in Swansea for a very long time. We went through two different methodologies. One was where the chair of the committee came and reported the whole discussion and how it came to its conclusions. We also had meetings where we got the minutes and we were then asked whether anybody wanted to question those minutes or get any further information on them. Again, like lots of committees, it depended on what time we reached that agenda item as to how much people wanted to ask further questions. Would you agree that the first methodology is perhaps the best one and that that should be put out as good practice?

[154] **Mr Jones:** Yes I would. I am delighted to say that I cannot comment on that because, when they discuss that, I am the one person who is outside the room. So, I have never been there when they have had those discussions. I can think back over the years: sometimes, I have been out of the room for 10 minutes and sometimes I have been out of the room for half an hour. However, the idea of sharing best practice and doing it at some kind of governors' seminar or conference is something we could easily do.

[155] **Darren Millar:** Thank you, Mike. Aled had a question.

[156] **Aled Roberts:** I was just going to ask whether the Association of Colleges' report was available publicly.

[157] **Darren Millar:** Okay. Are there any further questions from Members? I can see that there are none. Do you want to make any closing remarks, Mr Jones?

[158] **Mr Jones:** No, not at all, Chair.

[159] **Darren Millar:** I thank you very much indeed for coming in today. We have appreciated the evidence you have given to us. You will be sent a copy of the transcript of the proceedings so that you can correct any inaccuracies. We will also send you a note of the additional pieces of information that you have agreed to provide to the committee today to help us with our inquiry. Thank you very much indeed.

[160] **Mr Jones:** Thank you.

09:53

**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**

[161] **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(ix).

[162] I can see that there are no objections.

Derbynwyd y cynnig.

Motion agreed.

*Daeth rhan gyhoeddus y cyfarfod i ben a 09:53.
The public part of the meeting ended at 09:53.*