



Cynulliad Cenedlaethol Cymru The National Assembly for Wales

Y Pwyllgor Cymunedau, Cydraddoldeb a Llywodraeth Leol The Communities, Equality and Local Government Committee

**Dydd Mercher, 4 Mawrth 2015
Wednesday, 4 March 2015**

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of the Meeting

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

The proceedings are reported 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

Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Christine Chapman	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)
Alun Davies	Llafur Labour
Jocelyn Davies	Plaid Cymru The Party of Wales
Janet Finch-Saunders	Ceidwadwyr Cymreig Welsh Conservatives
John Griffiths	Llafur Labour
Mike Hedges	Llafur Labour
Mark Isherwood	Ceidwadwyr Cymreig Welsh Conservatives
Gwyn R. Price	Llafur Labour
Rhodri Glyn Thomas	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Dominic MacAskill	Rheolwr Rhanbarthol, Pennaeth Llywodraeth Leol, Unsain Regional Manager, Head of Local Government, Unison
Mike Payne	Swyddog Gwleidyddol Rhanbarthol, GMB Regional Political Officer, GMB
Richard Penn	Chair, Independent Remuneration Panel for Wales Cadeirydd, Panel Annibynnol Cymru ar Gydnabyddiaeth Ariannol
John Toner	Swyddog Rhanbarthol, Uno'r Undeb Regional Officer, Unite

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

Rhys Iorwerth	Y Gwasanaeth Ymchwil Research Service
Claire Morris	Dirprwy Glerc Deputy Clerk
Matthew Richards	Cynghorydd Cyfreithiol Legal Adviser
Elizabeth Wilkinson	Clerc Clerk

*Dechreuodd y cyfarfod am 09:15.
The meeting began at 09:15.*

**Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions**

[1] **Christine Chapman:** Good morning, everyone, and welcome to the National Assembly for Wales's Communities, Equality and Local Government Committee.

**Bil Llywodraeth Leol (Cymru): Sesiwn Dystiolaeth 3—Yr Undebau
Local Government (Wales) Bill: Evidence Session 3—Unions**

[2] **Christine Chapman:** The first item today is the third evidence session on the Local Government (Wales) Bill, and today we will be hearing from union representatives. Can I give a warm welcome, firstly, to Dominic MacAskill, regional manager, head of local government, Unison; Mike Payne, regional political officer, GMB; and also John Toner, regional officer for Swansea, Unite? So, welcome to you all. Members will have read your papers, so if you're happy we'll go straight into questions on this Bill. I just want to start off. Obviously, you decide who answers; you can all answer if you want to. First of all, are you satisfied that the Welsh Government has demonstrated that this Bill, and the specific approach it takes in respect of merging local authorities, is needed? Dominic.

[3] **Mr MacAskill:** We may have some nuanced variations to this answer.

[4] **Christine Chapman:** Of course.

[5] **Mr MacAskill:** Unison's position with regard to local authority organisation is that, since 1995, we've been uncomfortable with the 22 model, and we felt it was more produced out of political expediency rather than the most efficient way of running local government in Wales. It was in the old Welsh Office days and John Redwood, so perhaps you'd really expect us to have that position. So, our position is reasonably positive about having a review of local government, and it seems logical after the recent restructuring of health that you would consider that within the boundaries of the existing health bodies. Because one of the key agenda items going forward is the link between health and social care, and we think that's an important element going forward. So, looking at local government restructuring within the footprints of health authorities seems sensible, and the most straightforward way of managing that would be through a merger process. So, Unison's position is that, yes, we generally support that, albeit we do not have a prescriptive blueprint of which authorities should merge with which. Therefore, this Bill is necessary just in terms of dealing with the process. We have concerns that the vision has varied in terms of what the future should look like, and I think the confusion was reflected in the voluntary merger proposals that came out of councils.

[6] **Christine Chapman:** Okay. Mike or John. Mike.

[7] **Mr Payne:** Chair, can I just add to that, and not replicate anything that Dominic says, apart from that, from GMB's position, we see this as almost a step on the road towards creating that vision? So, obviously, a number of papers have come before and there are consultation papers still to come that will give us a bigger picture. We see this Bill as providing a process for us to move towards that vision. So, it's not the end to the means, but a vehicle to get us towards that end, to provide the type of local government that people want to see, and that our members would like to work in in the future.

[8] **Christine Chapman:** Okay. John.

[9] **Mr Toner:** Yes, Chair, thank you very much. Can I just correct an error in the introductions, Chair? I'm actually the regional legal officer for Wales, rather than the regional officer for Swansea; I think that was well on 12 years ago, as your colleague, Mike Hedges, may recall.

[10] Similar to my other colleagues, Chair, we believe this is a process that essentially needs to go forward. The essentiality of it is that the governance of local government delivers the services to the communities that you represent, but our stakeholders believe it's our need to ensure we protect those services and continue to deliver well-paid, well-secured employment for our members.

[11] **Christine Chapman:** Okay, thank you. I've got Alun, then Mike and then Jocelyn. So, Alun first.

[12] **Alun Davies:** Thank you very much. I should put it on the record that I am actually a member of Unison before I ask any questions.

[13] I was interested in the response to that initial question, because one of the things that concerns me, representing Blaenau Gwent, is that the local authority is the biggest employer in the borough and it provides a range of well-paid employment. Now, I recognise and I agree with your analysis, Dominic, of the reasons why we've got 22 and I don't disagree with any of your position on that. My real concern is that one of the potential consequences of larger units is the centralisation of not only service delivery, but also employment. That could have a significantly negative impact on boroughs such as Blaenau Gwent, particularly for people who are seeking employment more locally. Is that a concern that you would share?

[14] **Mr MacAskill:** I think, for the size of Wales, reducing to a more optimum and efficient size is logical. There are always dangers when you merge organisations that there will be centralisation, but I think the way that we work in local government now, the times of needing very large county buildings or town halls is gone, and there is a lot more decentralisation within service provision. So, I think our concern is that we have the proper processes in place to manage the merger process. We mentioned in our submission the need for a staff commission, the need for proper and thorough consultation, and the need for evidence-based mergers. One of our concerns about the Williams report is that it did not provide a great deal of empirical evidence around which authorities should merge and why. So, I think those are all concerns that we would share, but I think it's not beyond us to overcome those concerns.

[15] **Alun Davies:** Okay. I recognise the point you make about the commission and I think there are other Members who wish to ask some questions on that. But, in terms of the paper that you presented as unions, you seem to be saying in that paper, without being quite as explicit as this, possibly, that you see, I think you used the term 'mass redundancies' in the paper. Is that what you believe the potential consequence would be? If we didn't go down the route of merger and we didn't go down the route of cost saving and we didn't go down the route of a level of centralisation, whatever that might be, one of the consequences of an alternative route would be the potential for significantly increased redundancies.

[16] **Mr MacAskill:** Well, I think we're actually seeing managed mass redundancies at present. I don't think you could avoid that with the types of funding cuts that we've seen in local government. I think our concern is—and this is not the best time to look at restructuring local government, during shrinking budgets—for the long-term sustainability of local government during this time of austerity and continued austerity, as far as we can see. So, the issue is how we deal with that.

[17] The problem is that we potentially have a double whammy of mass redundancies: 22

councils looking to deal with the cuts in 22 separate ways, and a lot of the collaboration is on hold now because of the reorganisation agenda, so we have 22 solutions in terms of the fairly parochial service arrangements at the moment, which will lead to a slimming down of the workforce and often the outsourcing of services, because that's the simplest and straightforward thing to do. Then, we get to restructuring, which looks as though, now, it could be as late as 2018, when all the 22 have made all their separate decisions around the cutting of services and they are all unaligned. Then, you have unaligned services that need to be put together again. The danger, then, is that the simple solution, again, is just to outsource, because you're going to have to invest to bring those services together again. So, I'm afraid, for our members, the future is fairly bleak anyway, and what we're looking at, in terms of local government restructuring, is to mitigate some of those negatives.

[18] **Christine Chapman:** Alun, I'll just bring Mike in now and then I'll move on to Mike.

[19] **Mr Payne:** Just on your point about centralisation, I see the dangers that you're talking about, but I think a staff commission could oversee that process. But also the discussions at a local level could ensure that structures are in place in those authorities that will allow for the trend that is taking place towards services being provided in localities; whether that be through hubs or whatever else, those services will still need to be in place. The reduction from 22, I think, is inevitable. I think everybody will say that the size of the population in Wales cannot sustain 22 local authorities and 485 community councils, and all of the other numbers of public services that we could go through. There is an opportunity for economy of scale to be delivered here and also a consistency of approach. But, on the redundancy side of things, we can't continue with the salami-slicing approach to services. We are seeing services disappear by stealth at the moment, because every year, year on year, over the last five years, we've seen that slicing away at front-line services. I see the future being those front-line services needing to be there probably more than they are at the moment. If we do this right, then front-line services will be protected and will be able to continue to provide the types of services that people want in Wales for a long time to come. But, if we do nothing, we will lose vital services by default and, as Dominic has said, once they're gone—whether that be to the private sector or by other means—we won't get them back without a massive investment in the future.

[20] **Christine Chapman:** Okay. I've got John and then I'm going to bring Mike in.

[21] **Mr Toner:** Thank you, Chair. With regard to the centralisation matter that you did raise, it's a fair matter to raise, however, I believe the evidence is there, and, if you look at the collaboration that's gone on previously in local government, it does show there is a willingness on our part in trying to ensure that collaboration does deliver the services to the communities that you serve. Part of that can be—. Within Blaenau Gwent, as an officer serving over there, we did have that collaboration with Newport in education, for example. I live in Caerphilly, and, if you look at Caerphilly, they provide excellent services in what I would call 'the one-stop shop', delivering those services to the communities where it matters, at the front line, at the coalface. But there is a need to understand that there is a requirement that exists that you have to look at investment as well. That investment, I would suggest, is that you need to look at the continuous professional development of individuals within the service and also continued investment in training for those employees.

[22] **Christine Chapman:** Okay, thank you. Mike.

[23] **Mike Hedges:** First of all, like Alun, can I declare that I've been a member of all three unions at different times? Can I just ask two questions? Back in 1995, the three organisations you represent supported the principle of unitary authorities and you opposed those of us in the county council who wished the unitary authorities to be based on the eight-

county model, which is what a lot of county councillors asked for at that time. So, what really has happened to make you change your mind in the last 22 years? Secondly, you've talked about the savings from mergers—it's been mentioned a couple of times. Can you give me any examples of any mergers that have taken place anywhere that have produced year-on-year savings?

[24] **Mr MacAskill:** I wasn't actually in my position when we had the reorganisation in 1995, but I have explored our records and I don't recognise your view of us opposing unitary authorities and opposing the eight-authority model, but what I have found is criticism of the 22 model that existed.

[25] In terms of the mergers and whether they save money, I think both the Welsh Local Government Association and the Welsh Government figures accept that there would be savings to be made over the intermediate and long term. They vary on the scale of those savings. I think, from our point of view, we have taken a position that, where mergers take place, they should take place within the footprints of the health authority, because we think that the future health and social care agenda is a very important, crucial one. But we have also said that any mergers that do take place will need to be based on evidenced benefits, which is not currently present in detail in any of the reports that we've seen.

09:30

[26] **Mr Payne:** Chair, could I come in? I should just remind Mike, and just for the record say that, as a past county councillor, I didn't oppose unitary authorities in 1995. I think, going on from Alun's point, the suggestion then was that there needed to be more local councils rather than these big county councils that were in place, and that's why we ended up with 22. We could get into the detail of politicians at a national level—and I mean 'Westminster' by 'national'—putting lines on maps and dividing councils, producing the largest geographical county in Wales, and also the smallest and poorest councils in Wales, by putting pencil lines on maps. But I think the—. We've had unitary government now for nearly 20 years, and I think—. Your point about how do we ensure year-on-year savings, I think that comes down to leadership, whether that be officer-wise or politically-wise. There needs to be clear leadership and clear governance within those new authorities to provide that year-on-year improvement and efficiency, but I don't see the dangers, Mike, that you might have.

[27] **Christine Chapman:** Thank you. I've got Jocelyn and John.

[28] **Jocelyn Davies:** Thank you. I guess, on the political fix that ended up with 22 in 1995, we wouldn't want to repeat the mistakes of the past, would we? We've got to learn from that and we can't go back and change that now. I hear your concerns about the different actions and disparate actions that have been taken in order to cope with a reducing budget. Does this Bill alleviate any concerns that you have—by putting into process the merger process—about that? I hear what you're saying that local authorities, side by side, are doing different things in order to cope with reducing budgets, and, if they are eventually merged, then we're going to create another problem. Does this Bill help at all with that?

[29] **Mr MacAskill:** The Bill is not a vision document, and it doesn't lay out a path for local government. What it does is put together processes for moving us from A to B. I think it's a staging post that we need to go through. As I've indicated earlier, I think time is of the essence with regard to local government reorganisation, and what is disappointing is that there doesn't appear to have been the engagement cross-party political on this issue to actually thrash out the vision. What we've got is a general agreement that restructuring needs to take place and we've now got a process for how that could happen, but the vision is not even clear from the Welsh Government's position, never mind from the other political parties. I think that is what's lacking and that's what's causing the uncertainty and the concern and

worry amongst staff and the fear about the future of services, because, as I said, there's the potential for a double whammy. We've got an interim period of potentially three or four years before anything happens, and, in the meantime, there is a state of limbo where senior officers are not planning really for the future, they're planning for the short term, and we're trying to create solutions to funding crises in 22 different ways.

[30] **Jocelyn Davies:** I can see what you're saying, that what you want is a clear vision, and cross-party thrashing out, of course, ended up with the situation that we're in now—the political fix—so I wouldn't want to see that happen again. Wouldn't it be better then if the Welsh Government just said, 'This is what it ought to be; here's a clear vision and we're going to do it'? Would you prefer to see that?

[31] **Mr MacAskill:** I would certainly prefer to see clear leadership now on the vision, yes.

[32] **Jocelyn Davies:** Yes.

[33] **Mr Payne:** I think private conversations with the Minister have said that the GMB would have preferred him two years ago, or his predecessor two years ago, to have said, 'We need reorganisation in local government and this is the way we're heading' and give people the opportunity to put up alternatives to that. That would have stopped the uncertainty that many people have gone through in the last two years, but the old saying, 'We are where we are', is the reality. But to answer directly your question, I don't see this Bill as alleviating all of our concerns. I see this as one step towards alleviating our concerns and, the further discussion documents that come forward, we'll be putting in jointly and separately our responses to those.

[34] But one of the ways of dealing with those concerns is the staff commission—that being in place sooner rather than later, working with trade unions and with management at a local level to ensure that services are sustained. There's lots of good practice going on out there, but you'll find neighbouring authorities—one actually providing services with best practice in place and the neighbouring authority being at the opposite end of the scale, and there isn't any consistency of approach towards providing services across Wales at the moment. We believe that fewer local authorities, under the auspices of an umbrella organisation, the staff commission, working with trade unions and with yourselves and with the employers, will provide that clear direction for us to travel.

[35] **Jocelyn Davies:** Have we got a history of best practice travelling because of the mergers in the past?

[36] **Christine Chapman:** Shall I bring John in now?

[37] **Jocelyn Davies:** Oh, sorry.

[38] **Christine Chapman:** So that then you can ask—.

[39] **Mr Toner:** I think there is a responsibility on the Executive to give leadership and direction, and I don't think that the Executive can negate that responsibility. What we are clearly saying is, that our experience is that there has been a model that we have an input into, and that is with the health authorities, and we believe that's a useful model to use, not necessarily as a template, but to give some direction. It's also to ensure—. It's all well and good that we ask the Executive to give that leadership and direction, but with that comes a further responsibility to engage with the stakeholders. And, as the stakeholders, we have that experience, we believe we can give that experience, by saying, 'This is the model we've engaged with previously; it has its "ifs" and "buts", but we believe it's a useful model to use

as a template going forward.’

[40] **Christine Chapman:** Okay. Jocelyn.

[41] **Jocelyn Davies:** Coming back to the best practice, you were saying that in some local authorities you’ve got best practice and, right next door, you’ve got the other end—which I suppose is poor practice, and we shouldn’t be afraid to say that. During the last reorganisation, did we see everybody coming up to best practice in the mergers, or not, or did it go to the lowest common denominator? And you mentioned earlier on about collaboration. Are we seriously saying that collaboration can deliver the step change that we need for services in Wales?

[42] **Mr Toner:** I think, if I may say, that, if we stay where we are, we’re not going to meet the demands of business, industry, and services. There is a need to continually develop and improve services and how you deliver those services. What I am saying is: there are experiences of collaboration where it’s shown that there’s an enthusiasm for change, not for change’s sake, but change to ensure that the delivery of services—and, let’s be quite blunt here, the delivery of services is a primary aim of local government, and that’s what we’re saying, that that just may be a way forward. We have those experiences, we can learn from the mistakes that may have happened during that, but also take the good along with us.

[43] **Jocelyn Davies:** Okay.

[44] **Christine Chapman:** Mike.

[45] **Mr Payne:** I was just going to say that what we actually saw as a result of 1995 and 1996—and I was in post then, so I bear the scars of that—we just saw 22 different approaches, and that’s been the issue, I think: 22 different approaches across Wales. That’s why we didn’t have that bringing up to best practice—you have 22 different local authorities doing different things. We could go into specifics around the way that staff have been deployed, the way that staff have been employed, the way that staff have been paid and rewarded over those 20 years, but we saw 22 different authorities in place, doing 22 different things, to a large degree. There has been, in the last few years, a levelling out of that, where more collaboration has taken place between authorities, and sharing best practice is now starting to take place far more readily than it ever did. But I think that this would be the next step, if you like—fewer authorities, with that best practice in place, with quality management and political leadership in place. I would see that having nothing but a decent outcome for local government services in the future.

[46] **Jocelyn Davies:** Thank you.

[47] **Christine Chapman:** Now I know Peter wants to come in—I’ll bring you in shortly, Peter. But John first, then Janet, and then Peter. John.

[48] **John Griffiths:** When you mentioned outsourcing as one response to the financial difficulties that local authorities face, obviously there are different models of outsourcing, and I can see the danger that local authorities that are currently separate, but may be merged in due course, may be going down different outsourcing routes and tying themselves into contract terms for periods of time and deliverers of the services involved, with all the different terms and conditions. Does the model of outsourcing affect those difficulties and those dangers? If it’s an in-house version, for example, does that make it potentially less problematic, if authorities merged subsequently, or do you not make any real distinction between the different models that authorities are pursuing? Just one other question, if I may, Chair: in terms of the unsettling effect on officers and employees of local authorities, we’ve heard a lot about the fact that people take their eye off the ball when they’re thinking about

their own positions and reorganisation rather than the day-to-day delivery of services and the development of services. I think that's often viewed in terms of the top officers, as it were—the top layer of officers in local authorities—rather than further down into the general ranks of employees. Could you give us a flavour of how, in your view, that affects a local authority throughout the workforce rather than at that top level?

[49] **Mr MacAskill:** I think the two questions are probably linked. In terms of outsourcing, I think the three unions share a general concern about the outsourcing of services. The one real positive about local government is that it is the most democratic, most accessible and most accountable public service that we have. We've got a great vision for Wales about a one-public-service Wales. But what you see with outsourcing is the leasing of that control and the leasing of that democratic accountability and the fragmentation of service delivery, so working counter to the positive narrative that we have in Wales. Almost irrespective of who you're outsourcing to, that is a problem. But then, on outsourcing to private companies, often when you haven't looked in depth at how you can improve, through innovation and efficiencies in the service that you deliver, you outsource any benefits for efficiencies and also you outsource the potential—which we come on to in our document—for exploitation of people who run the service through the two-tier workforce; there was news this morning around private social care providers paying below the minimum wage even.

[50] So, we've got all of those concerns. So, some of those concerns are less if you outsource to a more progressive third sector, but those concerns in terms of accountability and control are still leased away. If something changes in the service and you've already outsourced for a three, five or whatever-year contract and you want to make changes, that will cost you a lot of money, because you have to renegotiate contracts or you have to get into a new contract. So, you lose control and you lose potential for efficiency. It's those sort of issues that really cause the anxiety at the service delivery end, for the people who provide those services. In fact, it's easy for a chief officer for a solution to be a commissioning authority—you know, meet a couple of times a year to decide and negotiate contracts. That's nice and easy and is no concern, but for the people who actually provide those services, it's a real, anxious time. You're not sure about job security and you're not so sure about whether you can actually afford to carry on working in that area because of reduced terms and conditions or reduced pay and no access to pension and all of the other problems of outsourcing.

[51] **Christine Chapman:** Okay. Mike.

[52] **Mr Payne:** I think we're actually seeing, John, the reversing in England now of services going out. A lot of authorities in England are actually taking those services back in-house and seeing the benefits and the savings that have come as a result of that. I think it's fair to say that, because of Welsh Government and many of the Members around this table here today, services in Wales have largely stayed in-house, under the direct control of local authority, but in England, they took the knee-jerk approach to austerity and reduction in budgets by outsourcing. In some authorities, they have nothing left—they've outsourced everything. They lose direct control and flexibility over the services that they would like to provide as elected members. So, we see the negative sides of privatisation.

09:45

[53] I cover both Wales and the south west, so, I'm able to bring to the table here today what I see happening in the south-west of England and services in Wales, and they bear no comparison in a lot of instances. But, you see, with private companies, everything is via contract—if it's not written down, they don't provide it. Lots of local authorities have actually found themselves letting contracts to the lowest bidder and have then found themselves having to pay more than that, because they've had to then go back and renegotiate the

contract because they just missed something within that contract. And it's usually our members and, more importantly, the service users that end up paying the price for those reduced services through the private sector. But, as I say, again, just to reiterate, lots of English councils are actually taking back in-house, and Islington is one prime example. They took their refuse and cleansing services back in-house and saved £6 million in the first year from doing that.

[54] **Christine Chapman:** Okay I've got John, and then—I don't know, have you finished your questions then, John?

[55] **John Griffiths:** Yes, thanks.

[56] **Christine Chapman:** Right. I'll move on to Janet, but John first.

[57] **Mr Toner:** Quite simply, I concur and am in agreement with my trade union colleagues, in that there is that belief and culture and ethos that public services are best delivered by direct involvement from the local authorities. Quite clearly, one would have to say that, by ensuring you have that direct control, you are able then to ensure that the services delivered to the communities that you serve are the appropriate services for those communities. They're not governed by other factors—i.e. the sheer thought of just profit being motivated. The motivation for having direct services is to ensure that the services are for the communities, not for profit.

[58] **Christine Chapman:** Okay. Now, we've got half an hour—that's all we've got—before we've got another panel coming in. So, I've got Janet, then Peter and then I'll bring Mark in and then Gwyn, because I want to make sure that everybody gets the opportunity—and Rhodri will come in at some point. Okay, we'll start with Janet.

[59] **Janet Finch-Saunders:** Thank you. I'm not on the set questions, yet.

[60] **Christine Chapman:** Whatever you want, you ask.

[61] **Janet Finch Saunders:** Okay. Good morning. I would echo the demoralisation and uneasiness that's going on in local authorities, because I've made it my business over the past few months to engage with as many as I can. Whilst we're talking about the Bill, the catalyst for this, of course, was the Williams commission report. I note, in your questions, Jocelyn, you talked about the whole-Wales public sector approach. I think there's a lot of disappointment that, whilst Williams had 62 key recommendations and was really more about public services in the main, we've become almost obsessed now with it being about local government and mergers and reorganisations. We must never forget that the front-line staff have just gone through a very painful job evaluation exercise. There is a body of opinion that feels there's been a waste of a year by this Welsh Government—you know, 12 months have slid by quite easily—adding to the frustrations felt by many within local government. I would just like your opinion on that.

[62] Clearly, if the Minister does come forward with his map in the summer, how is that going to impact then on staff having to go through another job evaluation process, but also, any redundancies and the pensions that they are automatically entitled to at the time? Without putting too fine a point on it, is there enough money in the kitty to be able to afford the pension responsibility for the local authorities should the number of redundancies be made that would need to be made if this map—? I think we've got a rough idea—let's be honest, it's going to be less than what's being suggested now. But, you know, if you were to, sort of, go ahead with those kinds of numbers, going through a job evaluation, suddenly drawing on their pensions, those who are facing redundancies, is that affordable? Is it achievable?

[63] **Mr MacAskill:** That is a very wide-ranging question, which I'll try to tackle.

[64] **Janet Finch-Saunders:** It's a good question, though.

[65] **Mr MacAskill:** As soon as the genie was taken out on the bottle with regard to local government restructuring, I think there was a real onus on Welsh Government to crack on with the vision and with delivering that. The period of uncertainty that we are now sat in, but also face, is not helpful, and the sooner we can have that map and be working towards that map, the better. The whole Welsh public service approach is important from staffing matters but also from service reconfiguration matters. That's why we favoured the public service staff commission. Initially, it was just going to be a local government staff commission, which would just carry on that focus just on local government. Local government is an important part of public services, but it's not the whole issue. We need to have cross-public-service solutions to some of the problems, going forward.

[66] In terms of some of the practical issues we face, and this goes back to Jocelyn's point about the way things have happened with the 22 local authorities, local government needs to be self-critical about how it has approached things in the past. It has been parochial in its attitude. It hasn't looked strategically in terms of the future of local government in Wales. I think that's where the Welsh Assembly and Welsh Government's roles becomes very important, to ensure that strategic approach is taken. Job evaluation is a key element of that. We've had 22 different approaches to what could have been a one-Wales approach. I know that Sue Essex and my predecessor, Paul Elliot, and the other trade unions argued for a one-Wales approach to single status and job evaluation and the councils wanted to go 22 different ways. They are now regretting at their leisure, and they've said that to me. So, I think we need, with the merger process, to revisit that. I think the staff commission would be the place, or the staff commissioner would be the person, to look at that issue. There will be costs involved. This is where—. We talk in our submission about the front-loaded costs of merging and restructure needing to be centrally assisted, because we're cutting the budgets to local authorities. If we're cutting the budgets to local authorities at the time of the merger, we are then also cutting their budgets to pay for some of the front-loaded costs of mergers, and that's going to impact directly on service provision. That's going to be a real problem.

[67] In terms of pensions, Unison and the trade unions have been wanting to scrutinise local government pensions for some time. The local government pension scheme is fairly unique in the public sector. It is a funded scheme. There are eight funds in Wales. Unison and the other trade unions believe that that should be one fund. We would save a lot of money currently going out to City of London advisers and fund managers—it's tens of millions of pounds that could be saved every year. I know that the Welsh Government has commissioned an audit review of the funds. We don't have control in Wales over the funds, but we could influence the Department for Communities and Local Government in Westminster on this issue. I think that's a very important one.

[68] In the end, because it's a funded scheme, we rely on people paying in to the fund. Shrink local government too far and you undermine the fund and create problems. There are a lot of efficiencies and savings in terms of fund management that would solve a lot of the problems going forward and may even reduce the costs of employers' contributions.

[69] **Janet Finch-Saunders:** My final point on that: has the CIPFA report really taken into account job evaluation? Has it really taken it into account the—? Is it a true analysis of really what it potentially is going to cost if we go for a wholesale reorganisation process?

[70] **Mr MacAskill:** I haven't got my calculator on me, and it'd take too long for me to make the individual—

[71] **Janet Finch-Saunders:** Your opinion.

[72] **Mr MacAskill:** There is no getting away from this: restructuring will cost in the short term. I think the evidence provided is clear, even from the WLGA, that there will be significant savings going forward. That is why we're asking for central funding of the transition period, so that it doesn't add to that double-whammy effect in terms of cuts to budgets from austerity and cuts for funding mergers.

[73] **Janet Finch-Saunders:** A tiny one. When I asked the Minister what moneys had been set aside in the budget to allow—. Nothing. So, where do you get money from thin air?

[74] **Mr Payne:** I listened in to the last meeting, which the Minister actually attended, and I think he actually said that he accepted that some moneys would need to be set aside, but he didn't put a figure on that.

[75] Just on Dominic's point about the pension schemes in Wales, in the recent report that's been produced nationally about all of the schemes in England and Wales, Welsh local government schemes are actually performing far better than their comparators in England, and Welsh local government finance directors are actually looking at the potential for releasing capital from those schemes at the moment to use for investment in infrastructure. But, there was one analysis done by the GMB a couple of years back, when we were in negotiations around changing the pension scheme, which took place on 1 April. It showed that if everybody that is in local government at this very moment in time stopped paying into the scheme tomorrow, and everybody who is entitled to take money out of that scheme continued to take that money out, there would be 30 years before the money ran out in those schemes. So, that gives you the scale of the amount of money that is in those schemes at the moment. Frankly, I get a bit fed up of people saying that those schemes are dying and withering on the vine, because that isn't the case.

[76] **Christine Chapman:** John, did you want to come in?

[77] **Mr Toner:** Yes, if I could just address the issue, in that you said—and I quote, I think—a body of opinion that job evaluation may have been a waste of time.

[78] **Janet Finch-Saunders:** I didn't say that.

[79] **Mr Toner:** Pardon?

[80] **Janet Finch-Saunders:** I didn't say that. I said 'a body of opinion' that there had been a year wasted from the Williams commission reporting to now—a painful job evaluation process for many of the front-line staff.

[81] **Mr Toner:** Yes, but on that basis, job evaluation did have a role in that there is a positive—

[82] **Janet Finch-Saunders:** No, I was on about the years. Basically, a lot of grass has grown under their feet whilst people have been worrying. Following the Williams commission report—

[83] **Mr Toner:** I accept what you say.

[84] **Janet Finch-Saunders:** There's been a year's delay.

[85] **Mr MacAskill:** Just on the funding—and it is an important thing—there is a Government programme, namely invest to save. This, if anything, is an invest-to-save

project—the restructuring of local government. Sometimes you need capital expenditure in order to get revenue savings in the future.

[86] **Christine Chapman:** Okay. Now, we've got about 20 minutes and I want to make sure that—. You know, other Members want to come in. So, can I ask Members to be as concise as possible? Right, Peter first.

[87] **Peter Black:** I think that local government doesn't, by and large, use the invest-to-save fund. Of course, it is mostly used by the health service and other public bodies for its own reasons. I think that we need to—. For all its faults, I think that the 1995 reorganisation did reduce the number of councils from 45 to 22. I think that we need to understand that. You keep talking—. I mean, first of all I think that you were absolutely right in saying that local government's strength is that it's democratic, accountable and accessible, but you are also talking about 22 different approaches, which seems to contradict, you know, what you're saying. I am just trying to be clear here as to what exactly your vision is in terms of the outcome of any reorganisation process, because whatever reorganisation processes you have, whether you have 10 or 12 or eight or six, you are going to have 12, 10, eight or six different approaches. Is that a problem for you?

[88] **Mr Payne:** Well, I think that a lot of the political leaderships in the 22 councils have had to make different decisions because their circumstances are different. If you look at the smallest authorities in Wales, their budgets are significantly lower than the largest. So, there will be differences and nuances within that. You're right; there is a potential, whether it is eight or six, or 11 or 12, or however many the Minister determines at the end of this process, for the political leadership within those councils to come up with potentially different solutions. That's why we've argued consistently that the process for getting us from where we are to where we want to be is a consistent one, overseen by a staff commission, overseen by input from the trade unions and politicians locally, so that we actually get as close to a mirror image in each of those areas as possible. We also have to take into account that the individual communities are going to be different. The culture and the structures in those communities are going to be different.

[89] **Peter Black:** Yes, absolutely.

[90] **Mr Payne:** So, I wouldn't sit here today—and I'm sure that my colleagues wouldn't sit here today—and say, 'Everything has to be a mirror image in every single authority'. What we are saying is that approach has to be more or less the same. There has to be a consistent vision from the Welsh Government and that has to be implemented on the ground. Where those nuances do need to take place, local government need to have the flexibility and the resources in place to be able to provide those services in that way.

[91] **Peter Black:** Of course, Wales is a very diverse place. What will work in Powys may not work in Blaenau Gwent, although they are quite close together.

[92] **Mr Payne:** Absolutely.

[93] **Peter Black:** I think that we need to take account of that in terms of how we do that. I am just concerned that you seem to be effectively proposing a single authority for Wales in terms of the approach.

[94] **Mr Payne:** No, I don't believe that's what I'm suggesting, Chair. I think that there is a need to reflect upon the differences that you suggest are in place, and I accept that they are in place. You know, I live in Cardiff—you can tell by the accent that I'm a Cardiffian—but I travel regularly across Wales and I see the differences every single day. Those have to be taken into account, and communities have to have the ability to be able to say to their elected

members, 'We would like this to be done differently', but that has to be done with a single vision in place so that we're not going off in that same direction again.

10:00

[95] **Peter Black:** Okay. The other thing that you said was that Welsh councils were acting differently to English councils in taking services back in-house. Actually, the evidence is to the contrary: that the difference is that Welsh councils are putting services out to not-for-profit trusts and things like that. So, if we look at Neath Port Talbot, for example, its leisure services and its care homes are all run—. Well, the care homes are run by a housing association; its leisure services are run by not-for-profit trusts. Swansea, Bridgend and other councils are doing very similar things. Given the scale of the cuts that local government is facing, is it inevitable that that's going to happen, and is it that we should be encouraging that approach rather than the, sort of, more profit-based approaches? Is that really what you're looking at?

[96] **Christine Chapman:** Dominic.

[97] **Mr MacAskill:** I think that we've made comments about the problems of outsourcing. Leisure, for example, just isn't a level playing field. There are VAT incentives to outsource leisure services.

[98] **Peter Black:** For exactly those savings.

[99] **Mr MacAskill:** We would argue for a level playing field in terms of that tax requirement for local authorities to retain leisure in-house. In terms of the different levels of democracy and accountability, I think that the need for Welsh Assembly and Welsh Government is unarguable now in terms of providing a strategic overview and a strategic narrative for Wales, which is important, and it is accountable because it's subject to elections, and there's a certain amount of proportionality in those elections, which means that it underpins that democracy. I think that that is important in terms of dealing with the 22 different varieties of approaches that we have. For all of the examples that you've given in terms of outsourcing to the third sector, there are examples of it outsourcing to the private sector—in terms of the Vale of Glamorgan outsourcing leisure services to the private sector, and Powys and Pembrokeshire are outsourcing all of their home care to the private sector. You've seen what happened—the debacle that happened—in Powys over that decision, by losing control and putting vulnerable people at risk. I think that we can have a set of terms for local government, which are decided at a Wales level and which are then interpreted to local circumstances at the local level. That's where I think Wales can do things differently.

[100] **Peter Black:** So, how is this patchwork quilt, if you like, of different service provision going to be reconciled when it actually comes to merging the authorities? I mean, you have one authority, which has its leisure services, its social care, its care homes, and even its council houses all run by different people merging with a council that has them all in-house. How's that going to be reconciled?

[101] **Mr MacAskill:** Well, this is the problem that we face. It is a reality. The problem with delay and the limbo that we're at is that that will worsen over the next few years rather than improve, because, you know, there is no idea of who you are going to be relating to in three or four years' time. So, it will take some time for new authorities to bed in because, yes, you could be merging with completely different ways of providing services.

[102] **Christine Chapman:** Okay. Now, we are running short of time and I know that there are a few Members who want to come in—Mark, then Gwyn, then Rhodri. I will start with John this time on the answering. So, Mark, did you have some questions?

[103] **Mark Isherwood:** Yes, I think that, to a large extent, the suggested questions have already been addressed. Mr MacAskill, you said earlier—and I think that I heard it correctly—any merger would have to take place on the basis of assessed benefits, which hasn't happened to date, but you also said that we needed Executive lead. Could you cover—? Do I understand therefore that you're saying that the Executive should be carrying out that cost-benefit analysis before reaching any structural decisions, or are you saying that they should design the system and then carry out a cost-benefit analysis after they've already tried to state how that map should look?

[104] **Mr MacAskill:** You'll need to have some—. Your vision will need to be informed by some evidence, demographics and population, and all the other factors, which will give you your initial impressions. Then, you need to hone in and provide some detail to underpin that. That's what is lacking, but it's what we would expect to happen in some of the considerations around the different ways that services are provided and how they would be brought together and the cost of that. So, you've got costs in terms of transitional costs and the potential savings in the future. So, there are two sets of analysis that haven't been thoroughly undertaken, albeit the WLGA and the Welsh Government have done some fairly large number-crunching on a general basis, but I think what we'd like to see, prior to the mergers taking place, is that more work is done on that. That work should really be done now, but it can't be done now, because we don't know what the footprints are.

[105] **Mark Isherwood:** [*Inaudible.*]—in all the other sectors and, in fact, in local authorities themselves, that would be mandatory, before they moved to advanced merger discussions.

[106] **Christine Chapman:** John.

[107] **Mr Toner:** I'm sorry; I couldn't hear what the Member was saying. I can't hear him, sorry.

[108] **Mark Isherwood:** Sorry. In all sectors, and certainly in my experience with the mutual and the third sectors, merger discussions should not move to any form of advanced stage until that detailed work has been undertaken, otherwise you risk replicating some of the mistakes of the 1990s, for example, when merger mania was focused on short-term assumptions of gain, which didn't often materialise.

[109] **Mr Toner:** I think, quite clearly, if there is a merger, there is a need to do that evaluation in regard to what is cost-effective and what is going to be waste. You have to go through that exercise. It's the same in private industry as in public industry. You have to do those exercises. What we are saying is that there is that responsibility for the Executive, the Government, to provide some resources so that all those who are going to be involved have an opportunity to engage in the exercise in a transparent and fair manner.

[110] **Mark Isherwood:** So, it's not just the upfront cost, which is critical—and I think you've answered my next question already, so I won't ask it—but it's the ongoing efficiency and outcomes, once the merger has bedded in, and whether the cost-benefit analysis indicates that the services resulting, and the benefits to the service users gained, from that will be better or not, because the detailed work has been done upfront.

[111] **Mr Payne:** I'm good, but I've left my crystal ball in the car. I think the—

[112] **Mark Isherwood:** There are people who do this for a living.

[113] **Mr Payne:** I think, you know, your point about the analysis being done upfront is a

fair one. I think that could be done and should've been done sooner, but we are where we are. What happens in the future will depend upon, as Dominic put it, the footprint and the services that we provide and the difficulties of bringing back together the services that have been torn asunder by different councils doing different things. You've also got, on top of that, the issues around job evaluation being done in 22 different ways in local authorities. If you pull councils together, what do you do with those staff who have all been paid differently for doing similar jobs in neighbouring authorities? So, there are lots of ponderable things here, and so we are not being deliberately unhelpful, but, you know, it's difficult to get to that until we actually know what the geographical areas are going to look like and what the services in those areas will be once we've got that map.

[114] **Christine Chapman:** Thank you. We are running short of time, but I want to make sure that everybody comes in. So, Gwyn first, then Rhodri.

[115] **Gwyn R. Price:** Good morning to you all. Can you explain why and how you want the Bill to address the issues around the code of practice on the workforce matters, because in your papers you do say it's a little bit uneven by there and that some are compelled to do it while others 'have regard' to do it? Could you tease that out?

[116] **Mr MacAskill:** First of all, I think it's great that, in Wales, we still have the two-tier code, and it wouldn't have taken place if it wasn't for the Welsh Government reintroducing it after Westminster took it away. But, the code itself had different implications for different services. So, in the health service, it's a code that must be followed. So, if you outsource a service in health, of which, thankfully, there is not much evidence over recent years, that two-tier code must apply, and that means that any company that takes on that service will need to employ any new staff on the same terms and conditions as the staff who transferred over.

[117] In local government, there is only a requirement to take heed of the code. It does not have to apply it and, so, when we raise this issue with councils, they say, 'Well, we did consider the code and we decided not to apply it'. So, it is a toothless tiger. Good councils that want to protect the people who provide the service into the future will apply it, but with those councils that have had the nod and a wink with a private sector provider, whose real profits element is going to be in the longer term as they create the two-tier workforce and exploit the new workers who come on to provide that service, then that happens. What we see as the option in this Bill is to put local government under the same regulatory requirement as the health service. But also, why is FE and HE excluded from the two-tier code as well? Let's bring those in. Let's have a one-Wales public service approach to the two-tier code. If we're talking about valuing the people who provide the services, then we should not accept two-tier arrangements wherever they may occur.

[118] **Mr Toner:** If we can just go back a step, part of the job evaluation exercise was that it allowed the local authorities, for example, to do a skills audit and then ensure that those who carry out the services are paid the appropriate remuneration for those skills in delivering the services. Now, taking that to the next step, the two-tier code ensures, I believe, that those who are delivering those services are delivering a more efficient, better service because they are better trained, but, more importantly, the benefit is having that belief that they're being treated in the appropriate way and not being treated differently from a colleague who may be doing the same job. So, I think there is an essentiality in ensuring that we do have the two-tier code on the regulatory basis.

[119] **Christine Chapman:** Okay. Mike.

[120] **Mr Payne:** I'd just agree with my colleagues on the equality and consistency that would apply if you made the two-tier code apply consistently across health, local government, FE and HE. It's the optimum opportunity for us to do that now, as this Bill progresses.

[121] **Gwyn R. Price:** Are we going back, then, to the not-level playing field again? Because we're going uphill here instead of starting off level.

[122] **Mr Payne:** Absolutely. I think this is an opportunity for Wales to show the rest of the UK what should be done.

[123] **Gwyn R. Price:** Thank you.

[124] **Christine Chapman:** Rhodri.

[125] **Rhodri Glyn Thomas:** Diolch yn fawr iawn, Gadeirydd. Os caf i gydio yn y sylwadau diwethaf a wnaethoch chi i gyd, rŷch chi'n gweld cyfleoedd yn y fan hyn gydag ad-drefnu hwyrach i greu sefyllfa lle rŷm ni'n cau'r bwlch rhwng y cyflogau uchaf mewn llywodraeth leol a'r cyflogau isaf, a chael sefyllfa llawer iawn mwy cyfartal o ran hynny. Ond beth ddigwyddodd gydag ad-drefnu'r byrddau ieched—ac rŷch chi wedi cyfeirio at hynny fel model llwyddiannus—oedd, wrth gwrs, fod llawer iawn o'r uwch-reolwyr yn cael eu gadael yn derbyn cyflogau mawr am drin eu gerddi, yn llythrennol, oherwydd nad oedd yna ddim lle iddyn nhw yn y drefn newydd. A ŷch chi'n credu bod yna berygl bod hynny'n mynd i ddigwydd gydag ad-drefnu llywodraeth leol hefyd?

[126] **Rhodri Glyn Thomas:** Thank you very much, Chair. If I may pick up on the comments you've just made, you see opportunities here with the reorganisation perhaps to create a situation where we close the gap between the highest paid in local government and the lowest paid, and to get a much more equitable situation in those terms. But what happened with the reorganisation of the health boards—which you have referred to as a successful model—was, of course, that many of the senior managers were left receiving large sums while on gardening leave, quite literally, because there was no room for them in the new regime. Do you think that there's a danger that that will happen with local government reorganisation, as well?

[127] **Christina Chapman:** Who wants to start? Dominic or—

[128] **Mr MacAskill:** I think that was a great piece of negotiation in terms of getting a no-compulsory-redundancy position in the health service, and the level of protection was something that, in local government, you would only dream of. So, we're certainly not advocating that approach in the circumstances for local government. I certainly believe that there needs to be more transparency in terms of pay at the top level in local government, but the attention has just been on local government. You think about, as you say, some of the senior figures in health boards and the amounts that they're paid, but just look at some of the obscene amounts paid to vice-chancellors, and in the FE sector as well. So, if we're going to have transparency over top pay, it shouldn't just be on the cinderella service of local government, albeit that is of concern and we don't want any more Porsche examples from Pembrokeshire. So, I think the transparency is clear. We argue in the paper that this shouldn't just apply to public services; it should also apply to any organisation providing public services. The transparency stops when you go into the private sector or into the third sector, so let's take that transparency over there as well.

[129] **Rhodri Glyn Thomas:** Ar y pwynt yna, Dominic, rŷch chi'n sôn yn eich papur am adran 28, sef y dylai adran 28 fod yn berthnasol i ddarparwyr gwasanaethau yn gyffredinol. A allwch chi jest esbonio sut fyddai hynny'n digwydd yn ymarferol?

Rhodri Glyn Thomas: On that point, Dominic, you talk in your paper about section 28, stating that section 28 should apply to service providers in general. Can you just explain how that would take place practically?

[130] **Mr MacAskill:** The requirement to have that transparency and to produce your pay audits and your pay strategies should follow the service and should not just be relating to local government—or to health, for that matter. So, if a service is outsourced, the requirement of any organisation taking on that service should be the same: transparency on where that service came.

[131] **Rhodri Glyn Thomas:** Ac a ŷch chi'n credu bod hynny'n ymarferol bosib? Nid oes yna rwystrau i hynny ddigwydd os ydy'r ewyllys yno. **Rhodri Glyn Thomas:** And do you believe that that is practically possible? There are no obstacles to that taking place if the will is there.

[132] **Mr MacAskill:** The tendering process can identify social factors, and I think that that could be one of the social factors, including obviously positive ones such as the living wage, trade union recognition and other things. So, transparency of pay and pay policies should certainly be one of those.

[133] **Rhodri Glyn Thomas:** Ocê, diolch yn fawr iawn. **Rhodri Glyn Thomas:** Okay, thank you very much.

[134] **Christine Chapman:** I have just one question before we finish. We've got the Independent Remuneration Panel for Wales coming in shortly. Do you think that it's appropriate for the independent remuneration panel to be able to make recommendations on the salaries of chief officers as well as chief executives, as proposed in the Bill?

[135] **Mr MacAskill:** I think that our experience of the IRP is fairly limited. We have no involvement. There is no trade union involvement in the IRP and there is no consultation with trade unions around the strategy of IRP, and its role has expanded without any consideration for involving the trade unions. The trade unions have got a partnership approach with Welsh Government and with the employers through the workforce partnership council, which we value and which is important. We have had an input into the considerations around a staff commission and commissioner, and we've argued that any staff commission or commissioner needs to have a very clear link and relationship to the workforce partnership council because it has that tripartite relationship. So, we have general concerns about the IRP and the expanded role of the IRP outside of that framework.

[136] Also, there is currently collective bargaining in place for chief officers and chief executives, albeit fairly small in its influence. It's just in terms of what pay increases may happen on a year-on-year basis. The actual salary strategies vary considerably as chief officers. Also, in terms of my understanding of the IRP, it has a different definition of chief officers than the local government association's, and it's much broader. So, it actually encompasses heads of service who are not actually chief officers. So, there are all sorts of issues that we really haven't got to grips with and we'd need to look into before coming to any final determination, but there are some real concerns about the expanded role of the IRP at the moment.

[137] **Mr Payne:** I think we've mentioned in our papers that we need to do a bit more research into our understanding of the IRP's role and how that interacts with what would be a staff commission and a staff commissioner and how that impacts upon national bargaining at the moment across England and Wales. So, we would like the opportunity at some point to maybe be able to come back and address that point with you.

[138] **Christine Chapman:** Okay, thank you. John.

[139] **Mr Toner:** Yes, just briefly, Chair. It's similar to my colleagues, but I think in

addition to that, the baseline is that we look for transparency, we look for fairness, we look for justice, and I think that's right and proper right across the spectrum of public services within Wales.

[140] **Christine Chapman:** Okay, well, on that note, I will draw this session and this part of the meeting to a close. Can I thank all of you for coming today and answering the questions? We will send you a transcript of the meeting so that you can check it for factual accuracy. Thank you very much. The committee will now reconvene at 10.30 a.m.

*Gohiriwyd y cyfarfod rhwng 10:19 a 10:34.
The meeting adjourned between 10:19 and 10:34.*

**Bil Llywodraeth Leol (Cymru): Sesiwn Dystiolaeth 4—Panel Annibynnol Cymru
ar Gydnabyddiaeth Ariannol
Local Government (Wales) Bill: Evidence Session 4—Independent
Remuneration Panel for Wales**

[141] **Christine Chapman:** This is the fourth evidence session to inform our scrutiny of the Local Government (Wales) Bill. Can I give a warm welcome to Richard Penn, chair of the Independent Remuneration Panel for Wales? Welcome, Richard. We can go straight into questions, as obviously Members will have read the appropriate papers.

[142] Are you satisfied that the Welsh Government has demonstrated that this Bill and the specific approach it takes in respect of merging local authorities is needed?

[143] **Mr Penn:** Chair, that's a very tempting question to answer personally. The panel, as such, doesn't have a view on that, obviously. It's a panel that isn't concerned with that legislation, except where it affects it. All of us on the panel, who all come from a local government background, have views about the current pattern of local government provision in Wales and all of us have views that it has to change. So, I think the panel is trying to sort of focus on its involvement, although we did have a very useful presentation from somebody who's working in the background on this legislation, and the panel is very interested. It clearly has to have a general awareness of what's going on, because whatever emerges at the end of it will have a major impact for the panel. But, we don't have a panel view as such.

[144] **Christine Chapman:** As yet. Okay.

[145] Are you able to accurately assess how the Bill will impact on the work of the panel, given that there is uncertainty at the moment about future councillor numbers and the eventual local government map?

[146] **Mr Penn:** Yes, Chair, we have talked about that, obviously. We're in a bit of a transition, because my term of office finishes, along with that of the vice-chair, at the end of this calendar year, and there's a recruitment process to take place to recruit two new members of the panel and potentially three, of course, to extend the current membership of five to six. So, we are in a bit of a situation where, whilst we have to continue with our regular work, our normal work, if I can put it that way, we have to, as I'm sure you're well aware, produce an annual report setting out our determinations on remuneration. That work starts in May/June every year and finishes with the report being published, as it was last week for the current year. So, it's a continuing process.

[147] Of course, what the panel will have to do with new members, and an additional member, potentially, is continue that regular process. So, we will be shortly starting our report for next year whilst at the same time starting to think about how the Bill will impact on our

work in the future. Clearly, some of the proposals in the Bill, particularly in respect of what's to come in later Bills, I know, such as fewer local authorities and fewer members, potentially, have a major impact on the kind of determinations we might need to make about what's an appropriate reward for fewer councillors in bigger authorities. So, clearly, whilst we're doing our normal work, we've got to be thinking about all of that, and that doesn't even include, of course, the issue around transitional arrangements, shadow authorities, and so on. So, yes, it is going to have a very big impact on the work of the current panel and I think you need to know it's in the context of significant change in membership of the panel in any case. So, it's something that we've started to think about very hard from the beginning.

[148] **Christine Chapman:** Thank you. Gwyn.

[149] **Gwyn R. Price:** Good morning. Do you think it's appropriate that the Ministers can direct you to make determinations on the payments to members or propose new local authority areas before they come into existence? Do you see any dangers or risks in association with this?

[150] **Mr Penn:** No, Chair, we're used to working to ministerial directions. We're a creation of Welsh Government. Whilst we have our independence, we're used to those kinds of directions from Welsh Government and from Ministers. So, I think our view is that it's perfectly appropriate for Welsh Ministers to be telling us in advance of us having to deliver what it is that we might have to deliver. So, we have no concerns about that as a panel. We think it's part of the way Government works. We're all used to it and we think, to be blunt, the sooner the better. The sooner we know what kind of additional activity the panel will have to undertake and what kind of resources might be appropriate to undertake that work, the better in terms of managing our workload in the future. So, we're very comfortable with being given directions by Ministers on our work.

[151] **Gwyn R. Price:** Thank you. You say that a bespoke remuneration framework for each council might be needed in the future. Given that the size of local authorities already varies, why would the variations in the future be different to the current variations?

[152] **Mr Penn:** That's a very interesting question, Chair. I've been involved with the work of the remuneration panel since the start, and we had an open book. We had the option then of producing bespoke remuneration frameworks for each of the 22 unitary authorities. That would have been a very major task for us, given the resources we had, the number of panel members and the limited support we get as a panel from Welsh Government and a fairly modest budget, if I might say so. So, we decided then to take another route, which was to have a consistent framework across the whole of Wales that would apply to all 22 unitaries, although, of course, if you know our framework well, you'll know that there is some variation. So, for example, executive members get paid more in the big authorities than in the small ones. But, beyond that, it's really a consistent pattern across Wales, and we felt that was very important, that there should be consistency, because our research told us that there was great variation and no logical explanation for that variation in what went before the framework that we've introduced.

[153] So, we've always, since then, maintained this view that, because of the workload that could be involved in trying to develop bespoke frameworks for each individual authority, it would be a task beyond us to do that on an annual basis. However, if the number of authorities were to reduce, as it appears will be the outcome, however many it turned out to be, and we've all got our views on that on the panel, and how many there should be is another view, but we won't go down that route—. There are clearly going to be fewer and the Welsh Government's preferred option, I think, is for 11 or 12, which is half the current number. It would be easier, although I wouldn't want to fetter my successors, because I won't be involved in the work—. It would be more feasible for the panel to develop a bespoke

remuneration framework, clearly with some continuing consistency. So, for example, you might see a pattern emerging where every councillor in Wales who is a backbench community councillor receives the same salary, whereas the bespoke framework reflects the size of the authority more than it does currently and goes beyond simply recognising differences in executive members' remuneration to include chairs of committees and so on.

[154] So, as I said, I wouldn't want to fetter the panel because the decision hasn't been taken, but it would be easier and probably more appropriate for bespoke remuneration frameworks to be developed. Of course, one benefit of that may well be that it would be easier to benchmark those authorities with other authorities in England, Scotland and Northern Ireland. There are lots of examples that we could look at in other parts of the UK and indeed beyond the UK, as we did when we originally started. So, I think there are advantages in developing bespoke frameworks for individual authorities, if there are fewer of them.

[155] **Gwyn R. Price:** Thank you.

[156] **Christine Chapman:** Okay. John.

[157] **John Griffiths:** Despite what you say, Richard, about a smaller number of local authorities making it more doable and manageable, you still say in your evidence that it would increase the workload of the panel considerably. So, could you tell us why that would be the case?

[158] **Mr Penn:** Because we've always, as a panel, taken the approach of being an evidence-based panel, and we have consulted widely and visited local authorities in developing our current framework. We've had two major rounds of consultation, where panel members and secretariat support have visited each of the unitary authorities and, indeed, the fire and rescue and national park authorities and spent a full day talking to councillors, officers and others involved in the local authority. That takes time and a lot of arranging, and I think that, if we were to develop bespoke frameworks, we would have to do that even more intensively, maybe in an initial period of work. Certainly, when we created our current framework, it was quite demanding on our time and resources to do those 22 individual visits. If we were to do maybe 10 or 11, who knows, but spend maybe a couple more days in each of them, it just increases the workload. The point I made in my first response was that we have to keep the machine rolling. We are required to produce an annual report, come what may, so the work would be keeping that going for the existing authorities whilst planning the frameworks for the new authorities, and that's where the workload comes in.

10:45

[159] It's very much a one-off, I think, to develop individual frameworks—bespoke frameworks. It would be a one-off exercise, and then it's a question of tweaking it in subsequent years, but that first piece of work would be very labour intensive, particularly given that the machine has to keep on running for the authorities that are already in place. So, we'd be looking at a framework for the 22 existing authorities whilst planning frameworks for however many new authorities, and of course for any transitional arrangements, as well—shadow authorities and so on. So it's quite a big workload.

[160] **John Griffiths:** Are you reasonably confident, then, that the panel will be able to cope with that workload? Will one additional member be sufficient?

[161] **Mr Penn:** I think we need to keep that under review, Chair, to be honest. I'm not sure, in that initial period, when we'd have to be doing a lot of work, that we would be able to cope, even with an additional member. We've been very good as a panel, I think, in keeping

within budget—a very modest budget; I’ll say it again—and the people who are on the panel, myself included, have felt very privileged to be involved in this work, which is very interesting work, and we work hard to deliver. But I do think it would stretch us in that first period, when we were doing at least two or three separate tasks in one year. I think we would need to keep under review whether one extra member would be sufficient to deliver all of that work.

[162] **John Griffiths:** Just one further question if I may, Chair. In terms of the work that you do, Richard, you described how you visit local authorities and you have discussions and talks with various players involved; could you give us a flavour of how the trade unions are involved in that process? Do you envisage any changes in terms of the future work that you will do in terms of the involvement of trade unions, and maybe the workforce partnership council also?

[163] **Mr Penn:** It’s an interesting question, Chair. It makes me think about how we have involved the trade unions, and the straight answer is that we haven’t, really. They are stakeholders. Our website’s very open—they see what’s on the website—but, of course, our work doesn’t impact on the work of officials in local government at all, except, I suppose, in terms of the work of the democratic services team when they have to administer our determinations. But our work doesn’t really impact on officials, except, interestingly, currently in the case of heads of paid service, where they are now, as Members, I’m sure, are aware, part of our—. Part of our responsibility is to take a view on any proposed changes to the remuneration of heads of paid service, which is beyond what is happening in their own local authority. So, if the pay of a chief executive goes up or down, or is proposed to go up or down, we have to be consulted, and we have been in a couple of cases recently. But, of course, what the Bill does is extend that responsibility, not just to heads of paid service, but to senior officers. It’s not yet fully defined, but we assume it’s going to be directors and maybe some of the senior heads of service, depending what the structure is. So, that’s another bit of work that needs to be thought about.

[164] In that connection, we have been talking to the trade union principally concerned, which is the Association of Local Authority Chief Executives—or ALACE, as it is known—because they’re very interested, obviously, in how we’re reaching our decisions on that. The most recent example, of course, was in Pembrokeshire, where the salary was reduced by, I think, nearly £50,000. The panel—I have to say that I declared an interest in that, because I’d had some other involvement, so I wasn’t involved in that work—took a view that the salary should be considerably reduced, and it was. Of course, ALACE wanted to know how we reached that decision, and what implications that has for a number of other chief executives in Wales as the new authorities, in particular, begin to emerge. So, yes, we haven’t had a great deal of contact with the trade unions, except in the case specifically of ALACE, because of our role in relation to heads of paid service salaries.

[165] **John Griffiths:** But you think that might change, then, going forward.

[166] **Mr Penn:** What’s interesting is how the work that’s being proposed under the Bill for the panel to take on more of a role—so not just looking at heads of paid service, but at other senior officers—sits alongside what is in the ‘Reforming Local Government: Power to Local People’ White Paper, which talks about the creation of a staff commission, which seems to us as a panel a much more logical piece of apparatus to deal with the pay and conditions of service for staff in Wales generally, not just heads of paid service. I have a personal view on that as well. I think the panel is not that well equipped—and I speak about my colleagues carefully here—to be honest, to do extensive work on the pay of council officers. It has to call for all the information that local authorities have in order to reach a view, but there’s no great expertise amongst the panel members—myself excluded, I say with modesty—around pay matters in local government.

[167] I think, at some point, Welsh Government is going to have to take a view about whether or not it extends the panel's responsibilities widely, or whether setting up the staff commission would take on that piece of work, and take it off the panel, because that's a more logical place for that work to be done, in my view and in the panel's view.

[168] **Rhodri Glyn Thomas:** Wrth gydio yn yr hyn rydych wedi'i ddweud am y sefyllfa yn sir Benfro, roeddwn yn croesawu argymhelliad y panel yn fawr iawn yn y fan honno o ran rhesymoli cyflog y prif weithredwr. Wrth gwrs, mae hynny'n creu problem fewnol lle mae rhai penaethiaid gwasanaeth o fewn y cyngor wedyn yn derbyn cyflog sy'n fwy na'r cyflog bydd y prif weithredwr neu brif weithredwraig newydd yn ei dderbyn. A ydych chi fel panel yn rhoi ystyriaeth i faterion felly, neu dim ond yn edrych yn benodol ar gyflog yr unigolyn?

Rhodri Glyn Thomas: To address what you've said about the Pembrokeshire situation, I warmly welcomed the recommendation of the panel in that case in terms of rationalising the salary of the chief executive. Of course, that does then cause an internal problem, whereby some heads of service within the council are paid more than the salary that the new chief executive will receive. Do you as a panel give any consideration to that, or do you only look specifically at the salary of the individual?

[169] **Mr Penn:** We are aware of that complication, but it's not something that we have any responsibility for. It's clearly an issue, if a local authority chooses to pay its head of paid service significantly less than some of those people who are direct reports to that head of paid service; that causes complications within the authority. Maybe the answer to that—and it's not the work of the panel—is that, where that occurs, there needs to be a review of the salary structure more generally of the senior management in that authority. There are ways of doing that and there are bodies that are able to do that. It won't be welcomed, I wouldn't have thought, by those concerned, but clearly there is an implication. You can't have, long term, a head of paid service being paid less than those people who report to that person. It's not tenable in the longer term.

[170] **Rhodri Glyn Thomas:** Un cwestiwn arall. Rydych wedi cyfeirio at yr angen i gael comisiwn staff i edrych ar y sefyllfa yn ei chyfanrwydd, o ran y bobl sy'n cael eu cyflogi gan awdurdodau lleol yng Nghymru, ond a ydych chi'n rhoi unrhyw ystyriaeth, wrth edrych ar gyflogau unigolion, i'r gwahaniaeth rhwng y bobl ar y cyflogau uchaf a'r rhai ar y cyflogau isaf mewn llywodraeth leol? Ynteu a ydych jest yn edrych ar gyflog penodol y person dan sylw?

Rhodri Glyn Thomas: One more question. You've referred to the need to have a staff commission to look at the situation in its entirety, in terms of those employed by local authorities in Wales, but do you give any consideration, when you look at the salaries of individuals, to the difference between the people who are on the highest salaries and those on the lower salaries in local government? Or do you just look at the specific salary of the person in question?

[171] **Mr Penn:** As I said in my earlier response, we are simply looking at the salary of the chief executive. That is a flaw, I think, in terms of the way the panel is required to work. We have got no authority to look at and, indeed, no way of accessing that information, except through the pay policy statements that may give some information. We don't, as a panel, look at the impact that any decision or any view that we take on the salary of the chief executive has on other senior managers. Maybe we should. I think it's a very important point that's made. As I said earlier, I have to declare an interest very often in these matters, as a member of the panel. It's something I think I'll take back to those who deal with it—the vice chair normally leads on this work—and make sure that he's aware, along with those who are involved in this work, that there is a potential complication in not taking a wider view and just simply looking at the head of paid service salary.

[172] **Christine Chapman:** I'll bring Alun in as well, but I'll bring in Peter, Janet and then Alun. I know we may have to go back to some. Peter first.

[173] **Peter Black:** Going back to 1995, when the last reorganisation of local government took place, a lot of local councils—the new merged authorities—which were unitary authorities had a lot more responsibilities, a lot more powers, than their predecessors. The chief officers in particular had a particular level of responsibility that meant that many local authorities felt they had to offer higher salaries to attract the top calibre people to come to those jobs. Some local authorities experimented with short term contracts, which again meant there were higher salaries attached to those, because those contracts were shorter term. Now, when we come to this reorganisation, if and when it happens, we're going to have a very similar situation. We're going to have smaller councils, bigger councils—sorry, a smaller number of councils, bigger councils, more responsibility, and the same sort of issues facing local authorities. How do we regulate the salary levels that chief executives and chief officers are going to be expecting or be offered in that sort of scenario when local authorities are going to be determined to make sure they get the best people to fit the job? How do you make sure we keep everything within a realistic level?

[174] **Mr Penn:** It's not the business of the panel, is the short answer. At the minute it's restricted purely to heads of paid service and, more strangely, not the chief fire officer, but the chief officer in fire and rescue authorities. That is the extent of our current responsibility. The Bill proposes extending that beyond heads of paid service into other tiers of the authority and, by implication, it's not just about the current authorities, or even the new ones, but interim arrangements as well.

[175] I feel, and I won't be a member of the panel, so I can say that, personally, I feel very uncomfortable with that. I don't think the panel was set up for that purpose. The panel was set up, by definition, to look at the remuneration of elected members. We haven't got the skillset, we haven't got the people currently on the panel, who are comfortable with that job. As I was saying earlier, we respond to what we're asked to do and I think the panel has been very good at responding. I think there have been three cases so far. Pembrokeshire, Anglesey and the Vale of Glamorgan have been the three authorities who've consulted us. In the Vale of Glamorgan as it happens, there was no change that was considered significant for the panel to comment on. In the other two cases, we gave a view. But it's not what the panel is there for, it is not what the members were recruited for, and I think that it's much more the business of a properly constituted staff commission to look at those kinds of issues. Certainly, I was involved—I seem to be involved in lots of reorganisations—in reorganisation in England, rather than Wales, and the staff commission there was a very useful institution. It was short lived—it was not a permanent institution—but it was there to exactly deal with the kind of issues that you've just mentioned, and did so very well, very effectively. But, of course, there are a lot more authorities there—I mean, hundreds rather than tens—in England, so there was a much bigger job to do. But I think personally the panel is not set up to do that kind of work and, although it's responded very positively to what it's been asked to do in the last few months, I think the staff commission, personally, is a much better way of dealing with those kinds of issues than the independent remuneration panel, whose focus has to be on remuneration of elected members.

[176] **Peter Black:** Okay. The Welsh Government is envisaging elections for local authorities merging voluntarily to take place in 2018 and the election of shadow authorities to those merging by a second Bill to take place in 2019. How realistic are those timescales in the panel's view?

[177] **Mr Penn:** I'm sorry—

[178] **Peter Black:** How realistic are those timescales in the panel's view?

[179] **Mr Penn:** Well, again, that is a matter not for the panel but for Welsh Government. I mean, we follow in the wake of decisions about—

[180] **Peter Black:** Are you able to do your job within those timescales?

[181] **Mr Penn:** Yes. As I say, we've given that some consideration. It's part of the reason why we welcome the additional panel member. I should also say that the panel has been particularly in some difficulty over the last six months because, as Members might know, one of our panel members had a very serious illness before Christmas, so we're down to four. But going back up to six wouldn't just increase the capacity of the panel to deal with some of the additional things it will be asked to do. Also, and it is a very practical point, what it does enable the panel to do is to break into two—so, to have two sub-panels if you like, each with three people, so we would be quorate; there'd be a way of managing work better with maybe two sub-committees, two panels of three members each. So, that's another reason why, not just in terms of workload, but also in terms of practicalities, we welcome the additional panel member being appointed—or recruited and appointed.

[182] **Peter Black:** Okay. Of course, section 27 of the Bill requires the IRP to comply with any direction given to them by the Welsh Minsters and the Welsh Ministers can issue guidance and vary that or revoke that in a subsequent direction. Are you content with that provision in the Bill?

[183] **Mr Penn:** Yes.

[184] **Peter Black:** You are?

11:00

[185] **Mr Penn:** Yes, as a panel, as I said in response to an earlier question, we're used to responding to direction and to different requirements, whether it's a direction from the Minister or a new piece of legislation, as it was in the case of the responsibility for heads of paid service. The panel's very flexible: my colleagues are very talented, they're very well experienced. We're very well supported—maybe I can put that on the record—by the secretariat from Welsh Government and it's very effective and practical support for us. So, I think we are very comfortable with being given directions and guidance from Welsh Government or from Ministers. But I think the point will come when maybe the panel will have to say that the workload it's been given and the guidance and directions it's been given are beyond its capacity to deliver. So, that's why I said that I think the panel will need to keep this under review as time goes on, to make sure that it doesn't fall flat. That would be disastrous.

[186] **Peter Black:** Thank you.

[187] **Christine Chapman:** Okay. We've got a quarter of an hour left and I want to get every Member in. We've got Janet first, then Alun, then Mike and then Jocelyn. So, Janet.

[188] **Janet Finch-Saunders:** Thank you. As regards your own role, it's really interesting, Richard, the comments you're making. Much of your work—. You referred to pay policy statements. My office did some work with the previous Minister, Lesley Griffiths, on pay policy statements, and we wrote to all 22 local authorities and I was shocked with the responses.

[189] **Mr Penn:** It's variable.

[190] **Janet Finch-Saunders:** Very variable. Such great inconsistencies: some were published and some were not, so we didn't even know whether some had them in place. Anyway, it does beg the question, when you're bringing out guidance and legislation—and these things are supposed to be done by all 22 and some are just completely not doing so—how do you cope then when you hit barriers like that, where you see such great inconsistencies?

[191] **Mr Penn:** Well, it's interesting. I'll use the example, not of pay policy statements, but you're right, we have looked at all the pay policy statements—we've gathered them through our secretariat—and they are very variable: some are very good and some are not so good. But one of the things that we have as part of our armoury as a panel is requirement for compliance. So, for example, we require that the schedule of remuneration that's published every year is in a certain format and provides certain information, and the reality is, they don't. Some are very good and some are much less good. Only last week in Cathays park, I had a meeting with the chairs and heads of democratic services—chairs of democratic services committees and heads of democratic services—to point out that this wasn't helpful in terms of openness and transparency, because you can't compare. From looking at the schedule of remuneration, if you were a council tax payer, in some authorities, it would be very difficult to see who got what and why. We've tried very hard, as a panel, not to name and shame exactly, but certainly to go back—when we've scrutinised the schedules of remuneration—to the authority and point out where it's deficient, and I have to say that they're pretty good at sorting that out. So, I think there's a need for much more compliance with things like pay policy statements and with schedules of remuneration.

[192] The other point I'd make is: if you are a council tax payer, looking at a local authority website to understand what the remuneration is, sometimes it's tucked away and you have to spend an hour trawling through the website to find the information. One of my colleagues put 'remuneration' into the search for one local authority and it came up with 1,500 hits. It wasn't easy for him, and he's a member of the panel, to access the information. So, I think our quest for openness and transparency about the way that local authority members are remunerated is not helped by the practice of the local authorities themselves.

[193] **Janet Finch-Saunders:** Okay. Where you have non-compliance, should there not be ministerial leadership to ensure that there is compliance?

[194] **Mr Penn:** Well, it's actually a matter for the panel in that sense. It's our responsibility to ensure compliance, which is why we can be quite sort of explicit about where we think the schedule should be improved to reflect our determinations or—it's not just our determinations, but the way that the authority interprets our interpretations and applies them. So, we have that power.

[195] **Janet Finch-Saunders:** And do you have on record anything where you've had to use your power to ensure compliance?

[196] **Mr Penn:** Yes. There's one interesting example. There's still a perception in local government—and this is a detailed point, but it's interesting. There's still a perception in local government that a council at large, or a particular political group, can decide not to take, for example, a very modest pay award. We applied a 1% pay award last year—not this year—to all remuneration in Welsh local authorities. It caused a bit of an outcry and it wasn't well received, I have to say, but some authorities decided not to implement it. Well, they can't—it's ultra vires. These are not recommendations, these are determinations, and we've had to keep on pointing out to local authorities that individual councillors have the right not to take all or part of their allowance, but a council at large can't decide that, nor can a political group. And we have the power there if there is—. If, for example, an authority chose nevertheless to

do that, we would then go to the Minister seeking him to issue a direction for compliance. That's the route.

[197] **Janet Finch-Saunders:** Okay. And do you have a published remit? You said that, talking over the Bill and the fact that you've been given additional work now to look at chief executives' pay—. Do you actually have a remit? What mandate, what remit do you work to?

[198] **Mr Penn:** Yes, it comes through the various local government Measures: the initial Measure, then there's the—

[199] **Janet Finch-Saunders:** And it's quite specific.

[200] **Mr Penn:** Absolutely specific, yes.

[201] **Janet Finch-Saunders:** Okay. And my final question—

[202] **Mr Penn:** I think, actually, in my written evidence, it refers at the beginning to what determines our work. It's very much—

[203] **Janet Finch-Saunders:** Yes, but I just wondered how that then covers the role of scrutinising the pay.

[204] **Mr Penn:** It's set out in the Local Government (Democracy) (Wales) Act 2013.

[205] **Janet Finch-Saunders:** Okay. Fair enough. And then my final question: are you content with the fact that you must comply with all ministerial directions and have regard to all guidance issued, and are there any dangers with giving Ministers these powers of direction and guidance, given that the panel is an independent body?

[206] **Mr Penn:** It's independent in the sense that it makes determinations. It doesn't recommend either to Government, or to local authorities, what the remuneration should be. In the old days, when it first started, we made recommendations. The local authorities took our recommendations and applied them in the way they wanted to and there was great inconsistency. So, what local government was saying to Government, and to us, was, 'What we really want is for the panel to make those decisions'—because of the public image about councils voting for their own remuneration and so on—and the local government Measure gave us that power of determination. So, what we produce every year in our annual report isn't optional; it's our determinations. That's why we're independent. We're certainly not independent of Government; we are paid by them as panel members. Our work is funded by Welsh Government, so we're not independent in that sense, but we are independent in the sense that our determinations are our own, not recommendations either to Ministers or to local government, and, so far, we have never had a direction from a Minister about our determinations.

[207] **Janet Finch-Saunders:** Okay. Taking forward the recommendations of the Bill, I got the feeling that you feel that, basically, the numbers that you have aren't going to be enough. Do you have a number that you feel would enable you to carry out your role with due diligence, very professionally, and abide by all that is written in the Bill?

[208] **Mr Penn:** I think an increase in the budget by £20,000 has been suggested, and that will pay for additional work and for an additional panel member. We think that's sufficient to cope with what we understand to be the additional work that's forecast in the Local Government (Wales) Bill. My point was to an earlier question—

[209] **Janet Finch-Saunders:** Extending it to other officers.

[210] **Mr Penn:** Well, there's going to be a pinch point. There's going to be a point at which we're keeping our normal work going, we're dealing with maybe some shadow authorities, we're beginning to do our work on maybe bespoke frameworks for the new authorities that emerge following the legislation, and I think at that point there's going to be a real problem in managing the workload, if it's also then going to be responsible as a panel for doing the issues around, or looking at issues around, senior management pay. I think that's the point at which it becomes almost too much for the panel to manage.

[211] **Janet Finch-Saunders:** Okay. Well, I can tell you now—I'll just put on record—that I would endorse senior officers actually being brought into some kind of independent remuneration.

[212] **Christine Chapman:** Okay. We haven't got an awful lot of time, but I want to bring in all the Members who want to come in. So, I've got Alun, Mike, Jocelyn and then Mark. So, Alun.

[213] **Alun Davies:** I think we've covered everything that I was going to cover, so I'm very content.

[214] **Christine Chapman:** Okay. Mike.

[215] **Mike Hedges:** Sorry, I can't say the same thing. What I would say is that the old JNC used to set the chief executive salary, as they were at that time, and then everything was built on that, of 90% or 80%, down to 60% of chief executive salary. Would you see a role for yourselves in setting just the head of paid service's salary, and that the staff commission and others decide that which would be a percentage of it?

[216] **Mr Penn:** I don't think that's natural work for the panel. As I said earlier on, the panel doesn't have the skill set. It doesn't have the secretarial support to do that kind of work. I think it requires some dedicated work to set up a national pay scale for chief executives and senior directors in Wales. I think it would be a major piece of work, and there would have to be a lot of benchmarking with other public sector organisations and third sector organisations, looking at England, Scotland and so on. I think it's a major piece of work to set up a defensible evidence-based framework for senior management pay. Incidentally, I would hope that the staff commission wouldn't simply look at local authority pay. It would be looking at the pay in the health sector and other public bodies in Wales as well. It's a general thing. I think that there needs to be consistency and comparability across the public services in Wales. I think that just to focus on Welsh local government is a mistake; I think it should have a much broader remit.

[217] **Mike Hedges:** I tend to agree with you and that. Of course, the easiest thing would be to just use the old JNC, which still has the salary levels set.

[218] **Mr Penn:** The good old days. When I was first appointed chief executive I could read across and say, 'That's what I'm going to get', and there was a scale, but, now, it's all over the place. In England, in particular—and in Wales to some extent—there is no logicity to the payment that senior managers receive.

[219] **Christine Chapman:** Jocelyn.

[220] **Jocelyn Davies:** Yes, I was going to ask you about section 28 about the pay policy statements of the new authorities and the shadow authorities. The Welsh Government appears to be concerned, and have said so in their explanatory memorandum, that councils could award irresponsible pay rises or inappropriate regrading for senior officers ahead of mergers.

I think this is based on past experience. Has the panel—? Do they think that these concerns are well founded?

[221] **Mr Penn:** I think there's a distinction between what the panel thinks as a panel and what individuals on the panel think as individual members, but the panel hasn't debated it.

[222] **Jocelyn Davies:** Okay, yourself then, given all your experience, do you think that that's well founded, or do you think that there are enough safeguards in the system to prevent that?

[223] **Mr Penn:** No, I think that it could well happen. I think that the real safeguard, to be honest, is public opinion and publicity around what I would describe as irresponsible pay rises. For openness and transparency, and to re-establish public confidence in payment of senior officers in the public sector, there has to be a more consistent, logical and evidence-based approach to senior management pay. In Wales, I think—a small country—there are not so many individual organisations to be concerned about. There is that real potential for creating a staff commission or something else—some process—for determining senior management pay on the basis of evidence and strong argument. It's almost like a random process at the minute. There are issues. There are all of these issues about recruitment and retention, so there has to be flexibility. It can't be rigid. This is why the old JNC skills disappeared in the 1980s, because, simply, you could not recruit people into those posts at the JNC levels. There began to be drift and people started paying more salaries, and then it became a bit of a race. Well, I think that, in Wales, that can be controlled much more effectively because it is a small country and there are much stronger levers, I think, than exist in a big nation like England to do that. I am very optimistic, but I don't think it's the work of the panel. That's my point. But, I think it's something that needs to be done. I think that the White Paper 'Power to Local People' raising that issue is right. I think that it has to be raised and discussed, with the right mechanisms put in place to deliver a consistent pattern of payment to senior public sector workers in Wales.

[224] **Jocelyn Davies:** So, do I take it from what you're saying, then, that even though, I guess, the legislation says that the Minister can direct you to do other things, just because the panel exists and there is a power of direction, it's not just assumed that the panel can cope and deal with these difficult things, because we've already got a body that does this? I think there's a danger that that seems a convenient place to put difficult things.

11:15

[225] **Mr Penn:** Yes. We were intrigued as to how we ended up having that responsibility for chief executives' pay as a result of the recent legislation. I think my perception was that it was, to some extent, 'Well, let's look around; where could we give this responsibility? There's a remuneration panel, let's give it to the body'. We coped, and we are coping, and we can probably cope with more and do more and more, but I don't think that's a rational, logical way to do it in the longer term. I think there needs to be a rethink, and, as I say, I see the staff commission proposal as being the answer of taking on all of those responsibilities into one body that's properly equipped to deal with it, and the panel, to be blunt, isn't. It will do its best, it will respond to directions, but that's not what it was created to do, and our expertise and experience is rooted very much more in elected member remuneration than it is in officer remuneration.

[226] **Jocelyn Davies:** Thank you.

[227] **Christine Chapman:** Okay. Mark.

[228] **Mark Isherwood:** I think you've largely answered my questions. You referred to the

need for panel members to have the skills to carry out the wider proposed role. Presumably, those skills would include job evaluation, performance measures and so on. What would happen if, in looking at the basket of comparable jobs to evaluate jobs and pay for chief officers and chief executives, and in looking at the performance measures against which they might be measured, there was a clash with political direction over figures above which persons should not be paid?

[229] **Mr Penn:** To take those points, the panel isn't equipped to do that kind of work. I have a lot of experience in job evaluation as it happens—that's not why I'm on the panel; it just so happens that I have that experience. No-one else on the panel does, and certainly no-one in the secretariat and who supports us does. So, if the panel was to have more involvement in that kind of work, I think it would require people with more of that kind of background. Also, I think there's an argument for having someone on the panel with maybe some private sector experience of remuneration, because the experience of all the panel members at the moment as either officers or members, or both in some cases, is around local government and the public sector more generally. So, I think if we're going to have a proper system of rewarding senior managers in public service in Wales, there needs to be a private sector and maybe a voluntary sector input as well. So, that might change the whole nature of the panel and its experience, as well as its expertise.

[230] In terms of producing an outcome that may not accord with political direction, that's often the case currently with job evaluation in local government in individual authorities, where external consultants may well recommend a particular framework for remuneration and it's not politically acceptable. And, at the end of the day, the council is the employer, and people, I'm afraid, have to live with it. If they don't like it, there is an answer. But, certainly, it is not unusual that external consultants, for example, in job evaluation, come up with a framework that isn't politically acceptable in terms of public perception, or political acceptability by the council. So, it's not unusual for an external consultancy proposal not to be implemented in full. There are then negotiations that go on, and that's where the unions come in, but it's not unsolvable—it's not a big issue.

[231] **Mark Isherwood:** Thank you.

[232] **Christine Chapman:** Before we finish, Richard, I just want to ask one quick question. In your view, how accurate are the potential costs set out in the explanatory memorandum as far as they relate to the panel's work?

[233] **Mr Penn:** There are two elements to the costs of the panel. We get the secretariat free, whatever that means; the panel's budget doesn't pay for the secretariat. Our budget relates to the payment of individual panel members and also some of the other work we do; for example, the visits we make to local authorities clearly cost in terms of travel, subsistence and so on. The proposal is for an additional £20,000, about a quarter of which would be the payment of the additional panel member. So, I think the additional £15,000 would go a long way towards supporting the kind of work that might be necessary if we were to go down the bespoke framework route, and I see that additional budget as paying for that kind of work more than panel members, who aren't that well paid, to be blunt—they're Welsh Government rates. The panel members are probably the smallest cost to the panel's budget, but it's the work we do, getting out and about, meeting with local authorities, rather than paying panel members. But, yes, I think that it's a realistic estimate of the additional work involved.

[234] **Christine Chapman:** Okay. Thank you very much. Can I thank you, Richard, for attending today? We will send you a transcript of the meeting so that you can check for factual accuracy. So, thank you for that.

11:20

Papurau i'w Nodi
Papers to Note

[235] **Christine Chapman:** There are a number of papers to note.

**Cynnig o dan Reol Sefydlog 17.42 (vi) i Benderfynu Gwahardd y Cyhoedd o
Weddill y Cyfarfod**
**Motion under Standing Order 17.42 (vi) to Resolve to Exclude the Public from
the Remainder of the Meeting**

Cynnig:

Motion:

y pwyllgor yn penderfynu gwahardd y cyhoedd o weddill y cyfarfod yn unol â Rheol Sefydlog 17.42(vi).

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

Cynigiwyd y cynnig.
Motion moved.

[236] **Christine Chapman:** I'd now like to ask the committee if they're happy to go into private session for a short time, for the remainder of the meeting, to discuss the evidence received this morning and to consider the committee's approach to scrutiny of the Renting Homes (Wales) Bill. Are you happy for that to happen? Okay, thank you.

Derbyniwyd y cynnig.
Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 11:21.
The public part of the meeting ended at 11:21.