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Mr Leighton Andrews AM
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Welsh Government
Cardiff Bay
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Dear Leighton

SENIOR MANAGEMENT INFORMATION

I refer to your letter dated 17 February 2015 seeking my view on whether there is consistency in the information about the cost of senior management published by local authorities in their financial statements under the Accounts and Audit Regulations (Wales) 2005.

The disclosure requirement, as set out in the Accounts and Audit Regulations (Wales) 2005, and the Accounts and Audit (Wales) (Amendment) Regulations 2010 define a senior employee as a person whose salary is more than £150,000 per year, or whose salary is at least £60,000 per year (to be calculated pro rata for a part-time employee) and who is:

- a) the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a local government body (in terms of the meaning given by the Local Government and Housing Act 1989);
- b) the head of staff for a local government body which does not have a designated head of paid service; or
- c) any person having responsibility for the management of the local government body to the extent that the person has power to direct or control the major activities of the body.

Whilst (a) and (b) are clearly defined, category (c) has been interpreted by local government bodies in different ways. This can be seen from the memorandum on senior management pay across the Welsh public sector which I prepared for the Public Accounts Committee (February 2014). In that memorandum I considered disclosures in the 2012-13 financial statements for local government bodies and identified a variance of between 3 and 21 managers disclosed as 'senior managers'.

These variances are referred to again in section 3.15 of your White Paper, '*Reforming Local Government: Power to Local People*'. In that section reference is made to figures in the context of 2013/14 accounts for Blaenau Gwent and Neath Port Talbot, with three senior managers each and Conwy disclosing seventeen senior managers.

However from looking at those financial statements, I cannot determine how the White Paper figure of three is arrived at for Blaenau Gwent as more than that are disclosed, the Neath Port Talbot disclosure refers to the Chief Executive and three directors (although there is also a disclosure note adding that the post of a fourth director was filled by the services of an interim director, with payment to Windsor Transformational Limited).

For Conwy, the disclosure includes the Chief Executive, three strategic directors plus two statutory heads (of social services and education services) plus 12 heads of service.

It is clear that, whilst the regulations state (in c) above that the disclosure should be of any person having responsibility to the extent that they 'have power to direct or control the major activities of the body', some local government bodies interpret this as a head of service whilst most confine it to more senior staff. It therefore follows that there is currently inconsistency in the interpretation of the Regulations.

It is interesting to note that the Welsh Government NHS Wales Manual for Accounts uses a definition of a senior manager as '*those persons in senior positions having authority or responsibility for directing or controlling the major activities of the NHS body. This means those who influence the decisions of the entity as a whole rather than the decisions of individual directorates or departments*'. The Manual goes on to say that it is usually considered that the regular attendees of the entity's board meetings are its senior managers – usually between nine and twelve individuals in total.

Whilst local government has different corporate structures to the NHS the above definition might be a useful starting point for providing greater clarity.

In summary, my view is that further clarity of definition would certainly be beneficial for local government bodies as regards regulation (c) above to ensure greater consistency in disclosure. You will of course appreciate that absolute consistency is unlikely to be achieved given the different organisational structures which are in operation.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Huw Vaughan Thomas'.

HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES