

Disclosure of senior remuneration in the Welsh HE/FE Sectors

Issue:

At the March meeting of the Welsh Governments' Workforce Partnership Council the Trade Union Side tabled a paper on senior salaries in the devolved Welsh 'public sector', which primarily focused on the further and higher education sectors (FE/HE).

The Welsh Government was asked if conditions of grant letters could be used to require the FE/HE sectors to publish their pay scales, and in particular, whether an alignment of reporting requirements with the wider public sector, would create undue implications for the ONS classification of FE/HE institutions.

The following action was tabled for Welsh Ministers:

Action: *To raise with the Office of National Statistics (ONS) whether requiring FEIs/ HEIs to publish defined pay information would impact on their classification.*

Background:

Welsh Further education institutions, established under the Further and Higher Education Act 1992, had been treated from 1992 as Non-Profit Institutions Serving Households, (NPISH), part of the private sector for National Accounts purposes. In October 2010, the ONS announced the decision to reclassify further education institutions as part of central government for the purposes of National Accounts. The key factor in this decision was the level of control that government exercised over further education institutions, particularly in relation to the control over borrowing by further education institutions and the dissolution of institutions. The reclassification was retrospectively applied to the date of the first incorporation of institutions under FHEA 1992 with effect from April 1993.

The Welsh Government introduced the Further and Higher Education (Governance and Information) (Wales) Act 2014 (the Act) which received Royal Assent on the 27 January 2014. The provisions of the Act served to enhance the autonomy and decision making abilities of Further Education Institutions (FEIs) by removing and modifying existing legislative controls on them and enabled the ONS to restore them to their previous NPISH status. .

In January 2015, following the changes to the legislative framework relating to the Welsh further education sector governance and funding arrangements, the Office for National Statistics re-categorised further education institutions in Wales as private sector bodies for the purposes of the National Accounts.

The ONS decision letter stated that the ONS must also be satisfied that the Conditions of Funding applied to colleges and the Financial Memorandum for FE provision in Wales contained no public sector controls.

Potential solution:

Although they are not public sector organisations, HE/FEIs in Wales are subject to the HE/FE Statement of Recommended Practice (SORP), which is a UK-wide statement of financial requirements, combining the requirements of both higher and further education throughout the United Kingdom. Any changes to the SORP are agreed at a UK level and widely consulted upon. As such, the SORP is not under the direct control of the Westminster Government.

In addition to the SORP, each UK HE and FE Funding Council, (in Wales the equivalent funding bodies are HEfCW and the Welsh Government), periodically issues an Accounts Direction/ financial memorandum, to supplement the disclosure requirements of the FE-HE SORP. The direction covers information to be contained in the institutions' financial statements, the manner in which they are to be presented and the methods and principles according to which they are prepared. In issuing the accounts direction the Welsh Government wishes to ensure the form, content and disclosures within institution's financial statements follow good practice, are consistent across the sector and *meet any specific requirements of the Welsh Government*.

The Welsh Government could seek to strengthen FE reporting requirements on publishing pay scales through the Annual Accounts Direction.

Question: Would the ONS consider such action to be a 'control' over how FE institutions are run?

The Partnership Council is meeting in July and your early advice would be appreciated.