



Comisiwn y Cynulliad Assembly Commission

NAFWC 2007 (Paper 1B)

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MEMBERS' SALARIES AND ALLOWANCES

Purpose and summary of issues

1. This paper sets options for the establishment of salary rates for Assembly Members pending the undertaking of a full review of Members' Pay and Allowances.

Recommendations (including priority deadline)

2. That the Assembly Commission determines that, with effect from 4 May 2007:
- The salary of an Assembly Member should be set at the level of 76.5 per cent of the salary of a Member of Parliament until such time as a full independent review is undertaken and the recommendations implemented.
 - The First Minister should receive an additional office-holder's salary at the same level as a Secretary of State.
 - Welsh Ministers, the Presiding Officer and the Leader of the largest political group without an executive role should receive an additional office-holder's salary at the same level as a Minister of State.
 - The Counsel General should receive a total salary equal to the total salary of a Welsh Minister.
 - Deputy Ministers and the Deputy Presiding Officer should receive an additional office-holder's salary at the level of 62.9 per cent of a Welsh Minister.



- Chairs of Committees established under Standing Orders 12, 13 and 14 should receive an additional office-holder's salary at the level of 14.6 per cent of a Welsh Minister.
- That the current Determination on Assembly Members' Pay and Allowances should be split into the four constituent elements identified in paragraph 13.
- That the Staff Salaries Allowance should be increased to allow Assembly Members to employ a total of 3 full-time equivalent staff on the basis set out in paragraph 16.
- That a review of Assembly Members' Pay and Allowances be undertaken by an external body or company and that the recommendations of that review are considered for appropriate backdating when received.

Discussion

3. The transitional provisions of Schedule 11 to the Government of Wales Act 2006 (GOWA) provide that the salaries and allowances determined by the National Assembly for Wales (Assembly Members and Officers) (Salaries, Allowances etc.) Determination 2006 continues to have effect until amended by the Assembly. However, a review of Parliamentary Pay and Allowances is likely to be published before the summer recess which may have a relevance to Assembly Members' pay and allowances.
4. The Senior Salaries Review Body (SSRB) has indicated informally that it does not have the resources available to undertake a review of Assembly Members' Pay and Allowances until Spring/Summer 2008. This would mean that any recommended changes could not be backdated to the date of the 2007 Election, but only to the start of the financial year in which the review takes place due to potential tax complications. In paragraphs 20-23 below this paper explores the possibility of using another means of reviewing pay and allowances.
5. The Commission should, therefore, consider whether it wishes to put in place any interim measures to deal with the period between Parliament implementing any SSRB recommendations and the conclusion of an SSRB (or other) review into Assembly Members' pay and allowances.

Assembly Member Salaries

6. On the last occasion when the SSRB reviewed Assembly Member salaries it recommended that the salary of an AM should be set at 76.5 per cent of an MP's salary. As with MPs, the salaries should be increased each year



by the relevant percentage by which the mid-points of the Senior Civil Service pay bands having effect from 1 April of the year concerned have increased compared with the previous 1 April.

7. However, where as is the case on this occasion, when reviews of AM and MP salaries do not take place at the same time, this relativity is lost.
8. If the Commission were to express Assembly Member salary levels as a proportion of those payable to MPs it would ensure that the current link established with salaries at Westminster would be preserved, pending a proper review of the responsibilities of AMs following the 2006 Act.
9. The status quo, however, would mean that AMs would continue with the current levels of salaries and allowances for the current year, with a consequential reduction in the relativity let alone any reflection of their new responsibilities.
10. The possible options for Ministerial and Presiding Officer salaries are outlined in Annex A. Those for Deputy Ministers in Annex B and those for Committee Chairs in Annex C.

Counsel General

11. Whilst it is presently unclear the precise role that the Counsel General will play, GOWA and standing orders refer to the Counsel General in a number of places in similar terms to Welsh Ministers by answering oral questions and introducing measures. It would, therefore, appear reasonable to set the total salary level for the Counsel General in line with that of Welsh Ministers.

Allowances

12. As the Allowances structure has diverged between Parliament and the Assembly since the original allowances regime was introduced in 1999 to take account of the needs of Members, it is less clear how an automatic linkage could work or would benefit Assembly Members.
13. There would be a strong case for splitting the current Determination into 4 constituent elements, namely:
 - Salaries – as the relative position between AMs and MPs would only be revisited every 4 years then this would need to change only rarely.
 - Allowances used for Assembly business (e.g. Office Costs Allowance) – This category should be sub-divided into Allowances used for Assembly business (e.g. Office Costs Allowance) and



those relating to departing AMs (e.g. Resettlement Grant and Winding Up Allowance); and

- Allowances relating to departing AMs (e.g. Resettlement Grant and Winding Up Allowance); and
- Party Leader's Allowance – as, under section 24 of GOWA, decisions on the levels of this allowance are reserved to the Assembly on a two-thirds majority

14. Separating Allowances from salaries in the way suggested above would allow any changes that were considered necessary to be made without the change being incorrectly portrayed as an increase in salaries.
15. In the light of the additional responsibilities of Assembly Members in the Third Assembly, there is a case to be made to increase the level of support available to Assembly Members under the Staff Salaries Allowance.
16. Currently, under the terms of the Determination, an Assembly Member may claim an allowance to cover the salary and related Employer's National Insurance Contributions for up to 2.5 full-time equivalent staff. No more than 1.0 full-time equivalent staff may come from Band 1 as defined below. No more than 1.0 full time equivalent staff may come from Band 2 and the remainder from Band 3 – the current salary scales are shown in Annex D for ease of reference.
17. The Commission may feel that the likely increase in workload would justify increasing the resource available to Assembly Members so that, in future, an Assembly Member may claim an allowance to cover the salary and related Employer's National Insurance Contributions for up to 3.0 full-time equivalent staff. No more than 1.0 full-time equivalent staff may come from Band 1 as defined below. No more than 1.0 full time equivalent staff may come from Band 2 and the remainder from Band 3.

Timing of future reviews

18. One of the major contributors to the reviews at Parliament and the Assembly falling out of synch is the fact that from time to time a three year cycle of reviews will cause a review to fall due at or about the same time as an Assembly Election.
19. A possible solution to this difficulty is to move to a 4-yearly cycle of reviews linked to Assembly Elections. For example, the 2011 Assembly Election could be followed by a review in late 2011/early 2012 to take effect from 1 April 2012. This would mean that there is a transparency in



the timing of the process as the schedule could be made known well in advance.

Who should undertake reviews?

20. To date, only the SSRB has undertaken reviews of Assembly Members' Pay, Pensions and Allowances (in 1999, 2001 and 2004). Under the normal cycle, a review would have been expected this year but, due to the Election, it was not possible for this review to take place as the necessary evidence taking could not be undertaken.
21. However, Assembly Members have expressed concern about the approach taken by SSRB during previous reviews which suggests that consideration needs to be given to having a review undertaken by another organisation. The benefits and otherwise of using the SSRB are set out in Annex E.
22. If SSRB are not to be used, then consideration needs to be given to who might be invited. Whilst there are a range of consultancies who undertake job evaluation exercises, these are often the organisations that are engaged by SSRB to undertake fieldwork for consideration by them. In 1999 and 2001 Hay undertook the fieldwork and in 2004 PriceWaterhouseCoopers were used. A competitive tendering exercise would be necessary to use a specialist company.
23. Costs are likely to be higher if the Assembly were to directly contract with one of these companies as these costs are currently borne by SSRB, particularly as a new organisation would need to collect information from scratch. One of the main criticisms aimed at SSRB was that they took no account of the volume of work undertaken by Assembly Members. This is a function of all job evaluation methodologies, which give weight to responsibility rather than volume, and is unlikely to be treated differently whichever approach is adopted.

Governance Matters

Financial implications

24. Provision for the payment of salaries and allowances has been included in the Commission's budget previously approved by the Assembly.
25. The estimated additional full-year costs (including Employer's National Insurance contributions and pension contributions) of the new salaries and enhanced allowance are as follows:



- Counsel General - £117,000 if not an Assembly Member (£55,000 if an AM)
- Deputy Ministers - £35,000 each (£140,000 in total for four Deputy Ministers)
- Staff Salaries Allowance - £650,000 in total

26. There are likely to be pressures on both accommodation and ICT but, as the location of additional staff and the way in which Assembly Members employ the additional staff may vary considerably it is not possible to produce an estimate of additional costs that may be incurred.

27. The other salaries referred to are in line with those currently in payment and represent no increase in funding requirement.

28. There are likely to be additional costs associated with a review of Members' salaries and allowances

Risk Assessment

29. Not relevant to this paper.

Compliance

30. Section 20(6) of GOWA allows for the Assembly Commission to be conferred the responsibility for setting the levels of salaries for Assembly Members.

31. Section 20(6) of GOWA allows for the Assembly Commission to be conferred the responsibility for setting the levels of allowances for Assembly Members.

32. Section 53(7) of GOWA allows for the Assembly Commission to be conferred the responsibility for setting the levels of salaries etc for:

- a. The First Minister;
- b. Every Welsh Minister appointed under section 48 of GOWA;
- c. The Counsel General; and
- d. Every Deputy Welsh Minister

33. Standing Order 1.7 confers the responsibilities outlined in paragraphs 30-32 on the Commission.

34. However, under section 24 of GOWA, any changes to the Party Leader's Allowance must be approved in plenary on a two-thirds majority vote.



35. There is no direct impact on the Assembly's statutory duties in relation to race equality or sustainable development.

Publication

36. This paper is suitable for publication.

June 2007



Annex A

Ministerial and equivalent salaries

1. When the SSRB originally recommended salary levels for Ministers in 1999, it recommended that the First Minister should be paid at the same level as a Secretary of State and that Ministers and the Presiding Officer should be paid at the same level as a Minister of State. The SSRB has not changed their view in either of the subsequent reviews.
2. However, it made no recommendation on a salary for the Leader of the Opposition. The Assembly itself set this salary at the same level as a Minister. The SSRB in 2004 made no recommendations to change this and the consultants employed by SSRB commented in their report that whilst the job evaluation score of the role was slightly below that of an Assembly Minister mainly because the Minister has a longer-term accountability for policy decisions, the current level of salary was consistent with the score.
3. In the case of the First Minister, Ministers and the Leader of the Opposition, there would appear to be 2 options open to the Commission pending a full review of AM salaries and allowances.

Option 1: To do nothing and leave the respective salaries unchanged

Option 2: To make a determination re-stating the respective salaries as a percentage of that of the equivalent Ministers at Westminster to ensure that relativities were maintained

Deputy Presiding Officer Salary

4. When the SSRB originally recommended salary levels for office-holders in 1999, it was unclear what the role of the Deputy Presiding Officer would be and so it recommended a daily rate to be paid when the office-holder undertook duties in relation to that office. The Assembly substituted an annual salary in 1999. The SSRB has not disagreed with this approach in subsequent years. The SSRB in 2004 made no recommendations to change this and the consultants employed by SSRB commented in their report that in job size the role is aligned between the smallest Parliamentary Under Secretary of State and that of an MP. The salary level is currently 62.9 per cent of a Minister's salary (£25,121).
5. Again, there would appear to be 2 options open to the Commission pending a full review of AM salaries and allowances.



Option 1: To do nothing and leave the DPO salary unchanged

Option 2: To make a determination re-stating the DPO salary as a percentage of that of a Minister to ensure that relativities were maintained



Annex B

Deputy Ministers' salaries

1. Following the formal establishment of the role of Deputy Ministers in the Government of Wales Act 2006 (GOWA), decisions need to be taken on the appropriate level of remuneration for these office-holders. No salary had been set for Deputy Ministers prior to the Election as the SSRB declined to make a recommendation until their role and number had been more clearly defined and so, unlike all other office-holders, the transitional provisions of Schedule 11 of the GOWA cannot be used.
2. There would appear to be 5 options open to the Commission pending a full review of AM salaries and allowances.

Option 1: To do nothing and leave Deputy Ministers unremunerated for the present

Option 2: To pay Deputy Ministers the same salary as Committee Chairs (£5,819)

Option 3: To pay Deputy Ministers the same salary as a Junior Minister in the Scottish Parliament (£24,989)

Option 4: To pay Deputy Ministers the same salary as the Deputy Presiding Officer (£25,121)

Option 5: To pay Deputy Ministers the same salary as a Parliamentary Under Secretary of State.

3. Options 1 and 2 are the safest Options in terms of ensuring that no overpayment of salary occurs, though Deputy Ministers may feel aggrieved at receiving no salary should the Commission choose to implement Option 1. Options 3, 4 and 5 represent increasing levels of risk that the final salary would be lower than that established by the Commission.
4. Options 2 and 4 have the added presentational benefit of analoguing to existing National Assembly for Wales' salary levels. There is, in any case, very little difference between Options 3 and 4.
5. If asked, the SSRB might be prepared to give an indication of which of these options would be acceptable.



Annex C

Committee Chairs' Salaries

1. When the SSRB originally recommended salary levels for office-holders in 1999, it made no recommendation on a salary for Committee Chairs. However, following a request made by the Assembly for the 2001 review, a salary was introduced for the Chairs of Subject Committees and, at the 2004 review, this was extended to the Chair of the Audit Committee. A Committee Chairs' salary is currently £5,819 (14.6 per cent of a Minister's salary)
2. The definition of those Committee Chair roles will also need to be revisited. The current Determination assigns salaries to Chairs of Subject Committees established in accordance with section 57 of the 1998 Government of Wales Act and the Chair of the Audit Committee established in accordance with section 60 of that Act. The equivalents in the Third Assembly would appear to be those Committees established under Standing Orders 12 and 13 (Scrutiny Committees and the Audit Committee respectively). The Commission might also wish to include the Chair of the Finance Committee established under Standing Order 14.
3. As with the Deputy Presiding Officer's salary (Annex A), there would appear to be 2 options open to the Commission pending a full review of AM salaries and allowances.

Option 1: To do nothing and leave the Committee Chair's salary unchanged

Option 2: To make a determination re-stating the Committee Chair's salary as a percentage of that of a Minister to ensure that relativities were maintained



Annex D

Support Staff Salaries

Band 1	2007-08
Point 1	£19,761 p.a.
Point 2	£21,578 p.a.
Point 3	£23,562 p.a.
Point 4	£25,728 p.a.
Point 5	£28,094 p.a.

Band 2	2007-08
Point 1	£16,805 p.a.
Point 2	£18,534 p.a.
Point 3	£20,441 p.a.
Point 4	£22,545 p.a.
Point 5	£24,865 p.a.

Band 3	2007-08
Point 1	£15,171 p.a.
Point 2	£16,383 p.a.
Point 3	£17,692 p.a.
Point 4	£19,104 p.a.
Point 5	£20,630 p.a.

Band 4 (Available to party groups only)	2007-08
Point 1	£26,763 p.a.
Point 2	£28,159 p.a.
Point 3	£29,628 p.a.
Point 4	£31,172 p.a.
Point 5	£32,799 p.a.



Annex E

Benefits of using Senior Salaries Review Body

1. The main benefits of using SSRB are:

- They are seen as being independent of the Assembly as the Assembly has no say in the appointment of Board members;
- They have a track record in assessing and making recommendations on a range of salaries (senior officers of the armed forces, judiciary, senior civil service etc);
- They have experience in reviewing salaries and allowances of MPs and have conducted reviews in each of the other devolved administrations and so can draw parallels between each of these;
- They have a significant amount of knowledge and would not need to “start from scratch”;
- The only costs incurred by the Assembly are the publication costs of the report (around £8,000 in 2004).

2. The main drawbacks of using SSRB are:

- They may be approaching the exercise with a pre-conceived idea based on evidence taken elsewhere;
- Less familiarity with the political environment in Wales (some Assembly Members expressed concern about some references in the last report to the relationships between AMs and MPs for example);