

Report on the Draft Determination for the Fifth Assembly

**Remuneration Board of the
National Assembly for Wales**

March 2015

The Remuneration Board

The Remuneration Board of the National Assembly for Wales is the independent body responsible for setting the pay, pensions and allowances of Assembly Members and their staff. The Board was established by the National Assembly for Wales (Remuneration) Measure 2010, which received Royal Approval on 22 July 2010.

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Chair's introduction

The Remuneration Board of the National Assembly has today [6 March] published its Draft Determination for the Fifth Assembly. It sets out most of the ways Assembly Members and their staff should be supported and remunerated following the Welsh General Election in May 2016.

We believe it is a Determination fit for the Fifth Assembly; one which sets a new package for a new parliament with greater powers and responsibilities. The cross-party St David's Day Agreement set out in the Command Paper, on 27 February 2015, signifies a new devolution settlement for Wales. The next Assembly will have further powers in areas such as transport, energy, the environment and elections to the National Assembly and local government in Wales, as well as over its own operations – these are in addition to the new tax-raising powers granted in the Wales Act 2014. The Fifth Assembly will be very different to its predecessors, it may even be known as a Parliament.

While we are making new arrangements, our review to date has found much that works effectively. Where things work, remain of value and/or we do not feel they could be improved, they have been retained.

Where we have made changes, they have primarily been for one of three reasons:

- To address the capacity issues which affect Members in a comparatively small institution and in light of its growing responsibilities;
- To improve the clarity of the Determination, for Members, prospective candidates and the public;
- To increase the flexibility available to Members to enable them to make the most effective use of their allowances to support the conduct of their role.

Over the last 12 months we have held separate consultations on each of the four strands of the Determination: Salaries, Pensions, Allowances and Support. This Draft Determination brings together the outcomes of all those prior consultations and also introduces some new thinking on support for party groups.

I encourage anyone with an interest to share their thoughts on this draft before we publish our final Determination.

While we welcome comments or alternative proposals on all aspects of the Draft Determination, we would particularly welcome comments on the section relating to support for party Groups, as this aspect has not previously been consulted on, and on any equalities considerations.

The text below sets out the major changes in each chapter of the Draft Determination, compared with the Determination for the last year of this Assembly (2015-16). It also includes a short section setting out our estimate of the costs. We have taken a conscious decision to invest in the quality and capacity of the Fifth Assembly. As a consequence, the overall cost will rise, despite the reductions we have made in other areas.

A handwritten signature in black ink, reading "Sandy Blair", is enclosed in a thin black rectangular border. The signature is written in a cursive style with a long horizontal stroke underneath.

Sandy Blair CBE

Chair
Remuneration Board

How to respond to this consultation

While many of the proposals in this document have already been consulted upon, this is the first time we have put the whole package together and present the Remuneration Board's view having considered carefully the consultation responses received at each stage of the Review of the Determination. We would welcome any comments or alternative suggestions.

The proposals for support for party groups in Chapter 8 are new.

In the interest of transparency, the Remuneration Board has agreed that it will normally make responses to public consultations available on our web pages. If you do not want your response or name published, it is important that you clearly specify this in your submission.

The final date for responses is **8 April 2015**.

The Board intends to publish its final Determination and accompanying report at the end of May 2015.

Please send any responses to [**Remuneration@assembly.wales**](mailto:Remuneration@assembly.wales)

About this consultation

This consultation is taking place more than 12 months prior to the start of the Fifth Assembly in May 2016 to allow prospective election candidates to have a clear view of what support and remuneration would be available to them if elected.

As a consequence of this advanced announcement, there will be some adjustments prior to implementation. In particular, the Board has deferred decisions on three elements which are normally reviewed annually: Support Staff salary bands, office costs and residential allowances. We recommend that the Board looks at these early in 2016 in order that the final decision can take full account of any changes in the market rates of Welsh salaries, office rental costs, and residential accommodation costs.

The great majority of the elements in this consultation are either a) already part of the 2014-15 Determination, or b) have already been consulted on in an earlier consultation. The one notable exception to this is the support available for groups [Chapter 8].

We are also unable to confirm the final pension arrangements for Members at this time. We are currently developing a new pension scheme, which will come in to effect in May 2016. Our proposals – which are set out in this Draft Determination – would reduce the taxpayers' contribution to Members' pensions from 23.8% to 16.6% of salary and ask Members themselves to increase their contributions. As a new public sector pension scheme, it requires the approval of HM Treasury, and we anticipate this happening over the Summer of 2015.

At the start of April 2015, the Board will publish its latest iteration of the Determination which will run from 1 April 2015 until the end of the Fourth Assembly. The new Determination for the Fifth Assembly will come into effect following the Welsh General Election on 5 May 2016.

Key changes proposed to the Determination for the Fifth Assembly

Chapter 1: Introduction and Principles of Financial Support

The Board believes that the principles we established back in 2010 remain sound. We are not proposing to change anything in this section.

We are clear that this Determination should put no barriers in the way of anyone being an effective Member of the National Assembly for Wales. The consideration of equalities has been mainstreamed and is now included in the introductory chapter.

The Board has worked with Diverse Cymru to produce an Equality Impact Assessment. Diverse Cymru has advised us throughout our work to ensure that we have paid due attention to equality matters and that our Determination does not have unintended and discriminatory consequences. We intend to publish our consideration of equality issues as part of our report to accompany the publication of the final Determination for the Fifth Assembly at the end of May 2015.

Chapter 2: Rules for submission of claims

We believe that these have enabled a responsible culture in the Fourth Assembly which serves Members and the public well. The principal change we are proposing is to increase flexibility by allowing Members to submit travel mileage claims electronically as an alternative to submitting a signed hard copy of a claim form.

We have also undertaken to do more to make known the Board's ability to pay what are termed, Exceptional Expenses. No set of written rules relating to the payment to financial support can cover every eventuality. It is vital that anyone elected as an Assembly Member is able to contribute fully, irrespective of personal circumstance. Alongside the Access Fund we see the facility to consider Exceptional Expenses as a way to address any specific needs or requirements a Member may have as a result of his/her individual circumstances.

Where Members feel they require additional support, which is not explicitly provided for in this Determination, we will consider a claim for Exceptional Expenses under the procedure described in the Determination. [2.4]

Chapter 3: Members' Remuneration

This chapter was previously entitled Members' Salaries. We have amended the title to reflect the contribution that the pension arrangements of Members make to their remuneration. The Board is obliged to set salaries for the full term of the Assembly.

Our consultation on **Members' salaries** has been the highest profile part of the Board's work, and we publish the consultation responses alongside this document. It was the clear

public view that paying AMs a higher salary was not popular – particularly at a time when wage restraint has affected many people. However, we were disappointed that so few responses engaged with the detailed arguments that we set out.

The Board considered the 64 responses to the consultation at our meetings in January and again in February. We reviewed whether there was anything within the consultation responses which addressed the issue of whether the figure was a fair reflection of the complexity and importance of the functions expected of a Member and which did not provide a financial deterrent to those who wished to seek election to the Assembly.

A handful of responses presented an alternative proposition, and we were pleased to assess them alongside our own initial judgement.

A high number of consultation responses said that this was not the right time to set a higher salary for AMs, given the economic context. We therefore once again gave serious consideration to delaying or phasing in our salary proposals. While this would reduce costs in the first years of the Fifth Assembly, it would mean paying a salary which is below our judgement of what a fair salary would be for the responsibilities which will be undertaken by Members of the Fifth Assembly.

As we noted in our consultation, there is never a good time to increase the pay of elected representatives. But we are considering how to remunerate Members prior to the start of a new Assembly, where the legislature is taking on new powers, and being spoken of as a Parliament in all but name by the leaders of all the main political parties. The Fifth Assembly will be more like the Scottish or UK Parliaments than any of its predecessors. There are however, only 60 Members and every single one needs to make a high quality contribution. We hope that with a greater recognition of the importance of the role candidates of high calibre will be attracted to the role.

The proposed headline increase in the salary to £64,000 as from the beginning of the Fifth Assembly is not therefore an annual pay increase in the normal sense, but instead is pay for a role which has already changed substantially over the course of the Fourth Assembly and for which there will be another step change in the Fifth Assembly onwards. The increase in the salary is therefore akin to an increase relating to a promotion from one role to another role.

After re-examining the rationale for our original proposal on an appropriate level of salary for the Fifth Assembly in the light of the consultation responses, we found nothing substantive to change our view that £64,000 is broadly the right level of pay for the weight of the job of Assembly Member in the Fifth Assembly. Whilst delaying or phasing in the new salary has some attractions – mainly in recognising the current economy and pay contexts, in particular pay restraint within the public sector – the effect of delay or phasing would be that Members' pay would be at a level lower than that which we consider appropriate to the role, would therefore be at a reduced level throughout the Fifth Assembly and would be inconsistent with our judgement. It also seems unlikely to us that

in the short to medium term there will be a time which is perceived to be a better time to set Assembly Member pay at an appropriate level. We therefore propose that the total remuneration of Members in the Fifth Assembly should be £74,600. This would be made up of £64,000 in salary plus a contribution to pension worth an estimated £10,600.

For **office holders**, we proposed relatively minor adjustments to the additional salaries they receive. The consultation produced just a handful of direct responses, and these were generally supportive or neutral.

Our intentions for 2016-17 are set out alongside the salaries for the coming year in the following table.

Table 1: Summary of the Board’s proposals for 2016-171

Office holder salaries	2015-16 total salary	2015-16 total remuneration	2016-17 total salary	2016-17 total remuneration
AM basic salary	£54,390	£67,300	£64,000*	£74,600
Welsh Government roles				
First Minister	£135,260	£167,500	£140,000	£163,200
Welsh Minister	£96,339	£119,300	£100,000	£116,600
Counsel General	£96,339	£119,300	£100,000	£116,600
Deputy Minister	£80,775	£100,000	£85,000	£99,100

¹ Figures for total remuneration (pay plus employer pension contributions) are rounded to the nearest 100, as these are estimates.

Office holder salaries	2015-16 total salary	2015-16 total remuneration	2016-17 total salary	2016-17 total remuneration
National Assembly roles				
Presiding Officer	£96,339	£119,300	£105,000	£122,400
Deputy Presiding Officer	£80,775	£100,000	£85,000	£99,100
Assembly Commissioners	£66,810	£82,700	£77,000	£89,800
Committee chairs (higher)	£66,810	£82,700	£77,000	£89,800
Committee chairs (lower)	£62,670	£77,600	£72,660	£84,700
Business Committee attendee	N/A ²	N/A	£72,660	£84,700
Opposition group leader (14) ³	£80,810	£100,000	£91,000	£106,100
Opposition group leader (11)	£77,630	£96,100	£88,000	£102,600
Opposition group leader (5)	£71,810	£88,900	£82,000	£95,600

Our consultations on **pensions** drew a limited range of responses. We are grateful to the Trustees of the current scheme for their feedback and engagement.

Our proposal for pensions has not yet been approved by HM Treasury. We do not anticipate receiving that formal approval until later in the year and it may be that we are required to amend certain details of the Scheme as part of the approval process.

Subject to that caveat, we are proposing a significant reduction in the cost of funding Members' pensions. The contribution made by the Assembly will fall by an amount equal to around 7.2% of Members aggregate salaries. In addition, Members will be required to make higher contributions than under the current pension scheme.

The details of our proposal were set out in our **second consultation on future pension arrangements for Assembly Members** in July 2014.

The table below sets out the main pension and benefits we are proposing:

Table 2: Main benefits of the proposed New Assembly Member's Pension Scheme

² In 2015 payments were made to business managers relative to the size of their group.

³ The figures in brackets represent the size of the current groups in the Assembly. Groups in the next Assembly may be of different sizes but we have used the current figures in our projection to provide a straightforward comparison.

Main benefits	
Type of benefit	Career Average Revalued Earnings
Revaluation	CPI
Pension increases	CPI
Annual accrual rate	1/50 th of earnings
Normal Retirement Age (NRA)	Age 65 for each individual or State Retirement Age if greater
Surviving spouse/partner pension (in the event of death once pension is in payment)	1/2 of actual pension payable at point of death ⁴
Surviving spouse/partner pension (in the event of death in service)	1/2 of pension that would have accrued by Normal Retirement Age ⁵
Surviving spouse/partner pension (in the event of death of deferred pensioner)	1/2 of deferred pension payable at point of death ⁶
Death in service lump sum	2 x salary
Ill-health retirement benefits	In line with current scheme arrangements
Commutation factors	Consistent with current methodology
Early / late retirement	Consistent with current methodology
Standard Contribution Rate based on HM Treasury financial assumptions	27.6% ⁷
Member's contribution based on HM Treasury financial assumptions	11.0%
'Employer' contribution based on HM Treasury financial assumptions	16.6%

⁴ Under the current scheme the surviving spouse/partner would receive 5/8 of actual pension payable at point of death.

⁵ Under the current scheme the surviving spouse/partner would receive 5/8 of pension that would have accrued by Normal Retirement Age.

⁶ Under the current scheme the surviving spouse/partner would receive 5/8 of deferred pension payable at point of death.

⁷ This includes the estimated cost of providing transitional protection, which is 1.2% of payroll for five years. Only the cost of future accrual is shown. The figures do not allow for contributions required to remove any past service deficit. Alternative assumptions are also provided in Annex C of our July 2014 consultation document on Pensions.

Main benefits	
Treasury financial assumptions	
Member/Employer contribution split	60:40
Additional Voluntary Contributions	The Board is exploring the possibility of putting in place an arrangement whereby Assembly Members may make Additional Voluntary Contributions on a defined contribution basis to a top-up money purchase scheme pension.
Pension arrangements for Office Holder salaries	Benefits accrued up to May 2016 will be protected. All Office Holder salaries will be subject to the new arrangements from the start of the Fifth Assembly, including for those Assembly Members who are eligible for grandfathering.
Transitional Protection (grandfathering)	Five years' transitional protection from May 2016 for those within 10 years of Normal Retirement Age at April 2012.
Rule of 80	Available only to those with continuous scheme service from prior 1 April 2007 until the date of their early retirement.

While the limited number of consultation responses showed a slight preference for linking future changes in Members' salaries to changes in public sector pay, the Board believes that annual changes to the pay of Members should reflect that of the widest possible catchment of the population they represent. To that end, from 2017, we will index the pay of Members (and office holders) in April of each year to the annual change (up or down) in the ASHE index of Median Earnings in Wales published in March of that year.

Chapter 4: Residential Accommodation Expenditure

We are proposing to retain the basis of the current system, where allowances vary according to the distance of the Member's residence from Cardiff, with its inner, intermediate and outer areas. We do, though, propose to make a significant change affecting Members close to the border of the outer area. These Members are the most likely to have significant travel times to and from the Assembly whilst not being eligible for permanent residential accommodation in Cardiff. In line with our theme of increasing flexibility we will permit Members who are not in the outer area to submit a business case if they feel their individual circumstances justify different arrangements in respect of residential accommodation. We would also consider similar cases from those Members in the inner area whose residence is close to the border of the intermediate area. [4.1.3]

For Members in the inner area we are removing the automatic entitlement to a maximum number of hotel stays in Cardiff each year. Cardiff hotel stays will only be reimbursed in exceptional circumstances. [4.2.1]

We recommend that our successor Board reviews the amount that may be claimed for rental (outer area Members), and for hotel stays (outer and intermediate area Members) in January 2016.

We propose that Outer Area Members who can demonstrate that they have caring responsibilities for a dependent who is normally resident with them in Cardiff, should be entitled to up to £1,440 a year to cover any necessary higher cost of residential accommodation. Any such additional payment would be subject to approval by Members' Business Support of a business case. [4.4.3h]

A small and shrinking number of long-serving Outer Area Members still receive reimbursement in respect of mortgage interest payments on properties of their own. While this is no longer permitted for Members elected since May 2011, we have allowed it to continue. With low interest rates, this creates a considerable saving to the taxpayer as compared with rented accommodation. Members in this position are also permitted to claim up to 10% of the maximum residential accommodation expenses towards the cost of essential repairs to their property. They will not be reimbursed for other costs associated with residential accommodation, such as the purchase of consumer durables.

The Board is proposing no change to the arrangements for overnight stays outside Cardiff. [4.5]

Chapter 5: Members' Travel

We are proposing no change to this chapter.

We remain committed to encouraging Members to use public transport and sustainable modes of travel where practical. Members travelling by car will continue to be reimbursed in line with the mileage rates set by Her Majesty's Revenue and Customs. In line with other parts of the public sector, this means that a lower rate will apply for claims beyond the first 10,000 business miles per annum.

Chapter 6: Office Costs

We are proposing a number of small changes in this chapter.

Members will be able to increase the amount available to cover their office costs by up to £4,253+CPI⁸ by transferring unused funds from their staffing expenditure. As a result of consultation feedback the Board has agreed that this provision will be introduced from April 2015, rather than waiting for the new Assembly. [6.1.7]

Equivalent transfer in the opposite direction (ie from office cost expenditure to staffing) will not be permitted.

With the approval of Members' Business Support, Members in the Fifth Assembly will be allowed to draw down up to £4,253+CPI⁹ from the next financial year in exceptional circumstances. This is intended to provide greater financial flexibility to Members whilst maintaining appropriate control and governance. [6.8]

Newly elected Members will be allowed to use their own choice of supplier when utilising the £5,000 available to furnish and equip their new constituency or regional office. Previously there was a single approved supplier. [6.3]

Longer serving Members (those having already served two terms or more) will be able to claim a one-off grant of up to £1,000 in 2016-17 towards the replacement of old or worn office furniture and equipment. [6.3.5]

There will be a reduction in the amount that Members must pay from their office costs allowance before being able to claim for necessary Health & Safety adjustments or Security work at constituency or regional offices. From May 2016, sums in excess of £500 rather than £1,000 will be met centrally. [6.5&6.6].

⁸ This is the figure for 2015-16. It is subject to review by the Board in January 2016.

⁹ See above.

We recommend that our successor Board reviews the amount that may be claimed for office costs in January 2016. The rate for 2015-16 is £17,014+CPI¹⁰ [6.1.3]

Chapter 7: Support for Assembly Members

The Board has expressed its concerns about the capacity of the Assembly to meet the considerable and growing responsibilities it has with only 60 Members. In order to support the capacity of Members, we have decided that Members should have the flexibility to recruit one of their three full time equivalent (FTE) employees in a new role of Senior Advisor. These posts will be paid at a level (2014-15 salary range £31,016 to £37,885) previously only available to senior staff employed as an Additional Group Support by the political groups. This is intended to enhance the overall capacity of the Assembly and its Members. [7.1]

In response to feedback from Support Staff and Members and in line with the policies of many employers, the Board has agreed to two enhancements to the conditions of Support Staff with immediate effect:

- To introduce a death in service provision for AMSS, payable at twice the rate of salary at the date of death (or twice the previous years' salary, whichever is greater). [7.4]
- To enhance redundancy payments from one and a half times statutory redundancy pay to twice statutory redundancy pay for support staff who are made redundant without advanced warning. [7.10]

In the interests of increased flexibility, we are proposing to remove the £2,000 ceiling for AMSS claiming travel and overtime, subject to funds being available within the relevant budget. [This appeared as 7.3.1 in the 2015-16 Determination]

The Board's proposal to increase the standard notice period for new starters to one week of notice in the first three months of service, and four weeks' notice thereafter, has largely been supported by Members and their staff. This will be reflected in an amendment to the standard contract of employment for Member' Support Staff.

The Board suggestion that the Assembly Commission's successful apprenticeship scheme be extended to include Members' support staff was well received in consultation. We recommend that the Assembly Commission works with the party groups to explore how this might be implemented.

The Board proposes a change to [7.10] Temporary Staffing Allowance. On application, The Board may agree to extend the Temporary Staffing Allowance [7.10.2] to cover a member of staff on paid suspension, where that suspension has been agreed with Members' Business Support.

¹⁰ This is the figure for 2015-16. It is subject to review by the Board in January 2016.

The Board has considered how it could use its Determination to contribute to the Commission's strategic objective to improve communication with the public. To this end, the Board has decided to increase the size of the Policy & Research Fund ('PRF') from £2,000 to £2,500 per Member and to widen the definition of the uses of the PRF. The wider definition will include an ability to use the PRF for communicating with constituents on matters of public interest – not party political issues. We hope the increased limit and greater flexibility will encourage even greater use both for research and engaging with constituents. This additional flexibility will be subject to clear and transparent rules which will be published prior to the start of the Fifth Assembly. In response to concerns from party groups, the Board has agreed that this use of the PRF for communication will be reviewed at a suitable point after 12-18 months to ensure that it is being used appropriately. [7.11]

Chapter 8: Support for Party Groups

We are proposing the same changes to conditions (death in service and redundancy payments) for Group Staff as already set out for Support Staff. [8.5]

We are also proposing a new system for allocating group support. [8.2] This has not been formally consulted on to date, so our thinking in this area is set out below in detail.

The Government of Wales Act 2006 requires the Standing Orders of the Assembly to specify the minimum size of a political group. Since 1999 that minimum size has been set at three Members. From group status flow a number of other rights and responsibilities such as a place on the Assembly Commission, on the Business Committee and committees generally. It is the basis for much of the practical organisation and operation of the Assembly.

Currently it is also the driver for separate financial support provided by the Remuneration Board. We propose to alter the basis on which that funding is provided and set out here, for consultation, the changes we are considering.

The current system

A system of financial support for political groups has existed since the formation of the Assembly. The key features of the system as operating in 2014-15 are as follows:

- A group of three or more Members, which is represented in the Welsh Government, is entitled to just over £146,000;
- A group of between 3 and 10 Members, which is **not** represented in the Welsh Government, is entitled to around £222,300;
- A group of more than 10 Members, which is **not** represented in the Welsh Government, is entitled to a further £35,600 for each additional five Members or the group.

In practice, this results in the following amounts being paid in 2014-15 to the political groups in the Assembly.

Group	Members	In government	Funding £000
Labour	30	Yes	146
Conservative	14	No	258
Plaid Cymru	11	No	258
Liberal Democrats	5	No	222
Total	60		884

In the main, the funding is used to employ staff to provide research, communications, administrative and other support to the group.

On a per capita basis, funding in the Assembly is, at the same time, generous and more variable than elsewhere.

Funding for groups in the Assembly differs from Scotland and Westminster in two key ways:

- Funding is given to all groups, including any in government¹¹;
- It is based on bandings rather than per capita amounts for each Member.

The main argument in favour of the Assembly’s relatively generous approach is that it reflects its small size, allowing a high degree of support to enable over-burdened Members to undertake their roles effectively. Providing support to all parties reflects the ethos behind the Assembly, especially in its early days. The traditional notion of government and opposition was far less prominent when the Assembly was first established as a single corporate body with, in theory, all parties and Members having some role in executive decision making. Today, although there is a clear distinction in who carries executive responsibility, the working practices of the Assembly still assume that all groups have a significant role in oversight and legislation.

¹¹ In Scotland, funding can be claimed by a party in coalition government, provided the party has no more ministers or junior ministers than one fifth of the total.

Though the current system has served the institution adequately and has general support amongst the current political groups, there are several factors that justify change in the Board's view. In particular:

- the thinking and justification behind the original design and its evolution are not transparent;
- though it has had broad support to date, it could deliver anomalous funding outcomes in future depending on election results;
- the already generous level of funding would vary significantly if the number of groups in the Assembly altered due to electoral results or the Assembly's definition of a group (ie 3 Members); and
- it provides no support to individual Members or small parties who do not meet the group threshold.

The Board wishes to put in place a revised system that meets several tests:

- a) It should prioritise support for the effective scrutiny of the government;
- b) It should operate rationally under different electoral outcomes and models of government;
- c) It should ensure that all parties (including those in government) have sufficient administrative support to operate in a co-ordinated and efficient manner;
- d) The total cost of support should be constrained to an amount set by the Board and all of that total should be distributed;
- e) The amount received by parties not in government should in some way reflect their relative size;
- f) Small parties and individual Members should be supported at a level that allows them to play an effective part in the scrutiny process;
- g) Small differences or changes in party size should not lead to dramatic changes in funding.

Our proposal

The formal definition of a political group in the Assembly has implications for the operation of the institution itself and the management of formal parliamentary business. It is, therefore, properly a matter for Members to decide. In allocating funding, our objective is to support the effective operation of the Assembly as a whole. To do so, our view is that we should support all parties, irrespective of size, and any individual Members elected as their party's sole representative in the Assembly. We therefore intend to break the link between the funding we provide and the Assembly's separate decision on the minimum size of a political group.

The Assembly is a small legislature where the burden of scrutiny and oversight is carried by around 40 opposition and government backbench Members. It is essential, therefore, that

every one of those Members is able to play a full and effective part in holding the government to account and putting forward constructive policy and legislative alternatives. Our proposed system will enable that and meet each of the tests set out above.

Under our proposal, the Remuneration Board will set the total sum to be distributed for party support. For the purpose of this consultation we have used a figure of £900,000 ie approximately the same as is received by the four parties currently represented in the Assembly.

Funding for parties in government

Though parties in government are not funded at all in Westminster and Scotland, we consider there is value to the Assembly in supporting their effective organisation and administration. Unlike the current system, however, we propose that payment to parties represented in the Welsh Government will be the same whether the government comprises a single party or a coalition. Whatever its political make-up, a core sum will be paid to the party or parties represented in the government. For the purpose of this consultation we have assumed £150,000. For each additional Member above 30 in government, the average level of government core funding would also be paid (ie £5,000 per additional Member - £150,000/30).

So, for illustration, if there were to be 33 Members in the party or parties in government, they would receive £165,000 to support their effective organisation and operation within the Assembly. The Remuneration Board could lay down rules to decide how the sum received should be allocated between two or more parties in a coalition government. It is our assumption at this stage, however, that this would be better left to the parties themselves to agree as part of their coalition negotiations. No payment would be made until distribution had been agreed by all parties involved.

Funding for parties not in government

The principal purpose of the funding we provide, as in Westminster and Scotland, is to support the scrutiny and oversight work of the institution. The remainder of the total set by the Board will, therefore, be distributed amongst the Members and parties not in government.

Since its creation, the Assembly has considered the presence of three Members from the same party as an important threshold for effective operation¹². We therefore propose that any non-government party in the Assembly with three or more Members should receive an initial level of core funding. For the purpose of this consultation we propose £50,000. For the avoidance of doubt we propose that this minimum size of three Members to qualify for

¹² Since 1999 the minimum size of a political group, as defined by the Assembly's Standing Orders, has been three Members.

core funding would remain unchanged even if a future Assembly should vary its definition of a political group.

The size of the remaining sum in any Assembly will clearly depend on the make-up of the government and the number of parties outside government qualifying for core funding. We propose that the balance of allocated funding is distributed amongst all parties in opposition in proportion to their relative strength ie on a per capita basis. This will provide generous funding to the larger opposition parties to help them put forward an alternative vision for Wales and constructive challenge of government proposals. For the first time, it will also provide a meaningful sum for even a single independent Member, unsupported by a party machine, to obtain additional support.

Illustration of the proposed system

If applied to the current make-up of the Assembly, with £900,000 set by the Board as the total to be distributed, the proposed system would deliver the following result:

Group	Members	Core £000	Per Member addition £000	Total £000
Labour	30	150	-	150
Conservative	14	50	280	330
Plaid Cymru	11	50	220	270
Liberal Democrats	5	50	100	150
Total	60	300	600	900

If today’s Assembly contained a party with just one elected Member, our proposed system would provide that Member with approximately £20,000. This number will, of course, vary depending on the size of the governing party/parties and the number of parties qualifying for core funding¹³.

¹³ A single Member party would not qualify for core funding support but would receive the non-government Member addition ie an amount equal to the total sum allocated to party support less the funding provided to parties represented in the Welsh Government and the core funding provided to qualifying non-government parties, all divided by the number of non-government party Members.

Our proposal in summary

Total support for parties – the Remuneration Board sets the total sum allocated to party support;

Government party core – the party or parties represented in the Welsh Government receive a core sum, set by the Board;

Government Member addition - if the party or parties represented in the Welsh Government contain more than 30 Members, the average level of government party core funding (ie government party core/30) is paid in respect of each additional Member;

Non-government party core – any party with three or more Members, not represented in the Welsh Government, receives a core sum set by the Board;

Non-government Member addition – the remaining balance of total support for parties is allocated to all parties and Members not represented in the Welsh Government on a per capita basis.

The system of party support proposed here should be viewed alongside the separate change we propose to make to the staffing support arrangements available to each individual Assembly Member. To increase capacity, we propose that each Assembly Member can, if they wish, employ a member of staff in the new, higher paid role of Senior Advisor [7.1.3]. The staffing allowance of each Member will be increased accordingly to fund this change. As now, and in keeping with our theme of flexibility, Members will be free to transfer funds from their individual staffing budgets to supplement the party system described here if they so wish.

Chapter 9: Members Leaving Office

Equality and Access (which appeared in Chapter 9 in previous determinations) is now incorporated in Chapter 1. This chapter was Chapter 10 in earlier versions of the Determination.

The current 'transitional arrangements' for payment of an enhanced Resettlement Grant to longer-serving Members (broadly those who were Assembly Members in the Third Assembly and have continued as Members) is to be phased out by the start of the Sixth Assembly.

The transitional arrangements will continue to be paid at the end of the Fourth Assembly. At the end of the fifth Assembly, the transitional amount payable will be reduced by 50%. It will not be payable thereafter and all Members will then be subject to the same Resettlement Grant payments. [9.4]

The Board has considered whether some form of externally provided outplacement/advice service could be made available for a limited period to support Members losing their seat

at an election. We recommend that this suggestion be examined in more detail by the Assembly Commission.

Costs

The Board's Determination for 2013-14 (the last completed year) cost £13.2m. The forecast expenditure for this year (2014-15) is £13.3m.

In real terms, the cost of the Determination in each year of the Fourth Assembly has been less than that in the Third Assembly.

For the first year of the Fifth Assembly (2016-17) there would be three additional costs based on the Board's proposal to invest in capacity and quality, which in total amount to £835,000:

- £813,000 for AM salaries; changes in the way employers National Insurance is calculated make up £71,000 of this sum.
- A saving of £315,000 in employer's pension contributions (these figures based on the pension consultation proposal and subject to approval of the pension scheme by HM Treasury)
- £336,000 for AMSS senior advisor & group staff changes (maximum with 100% take up - expenditure likely to be less in first year). Changes in the way employers National Insurance is calculated make up £167,000 of this sum.
- £20,000 for PRF extension (3/4 of this is due to us forecasting a greater uptake).

The Board has also not reviewed three elements which make up a large portion of the overall costs. Any proposals for changes to these following elements will be consulted on by the successor Board in early 2016:

- AMSS salaries
- Office Costs, and
- Residential Allowances.