

INDEPENDENT FINANCIAL REVIEW PANEL

**SUMMARY OF RESPONSES RECEIVED
FROM PUBLIC CONSULTATION EXERCISE**

SEPTEMBER 2011

RESPONSE RECEIVED FROM DISABILITY ACTION

Re: Consultation on NI Assembly Members' Salaries and Office Holders allowances, office expenses and pensions

Disability Action is a pioneering Northern Ireland charity working with and for people with disabilities. We work with our members to provide information, training, transport awareness programmes and representation for people regardless of their disability; whether that is a physical, mental, sensory, hidden or learning disability.

21% (369,390) of adults and 6% (105,540) of children in Northern Ireland has a disability and the incidence is higher here than in the rest of the United Kingdom. Over one quarter of all families here are affected.

As a campaigning body, we work to bring about positive change to the social, economic and cultural life of people with disabilities and consequently our entire community.

Our network of services is provided via our Headquarters in Belfast and three regional offices in Carrickfergus, Londonderry and Dungannon.

Disability Action has no particular views on the above policy however, we would like to take this opportunity to advise you of our policy regarding the accessibility of consultation documents.

Disability Action recognises the time and effort that have gone into producing this document for consultation and thanks the Independent Financial Review Panel for the opportunity to respond and looks forward to continued dialogue.

RESPONSE RECEIVED FROM CIPFA

Background context

1. CIPFA has done much to promote effective governance in the public services and continues to do so, not least through its various submissions to the Committee on Standards in Public Life and through the development of governance guidance.
2. CIPFA's recent projects in this area include the CIPFA/SOLACE Framework: 'Delivering Good Governance in Local Government' and 'The Good Governance Standard for Public Services'. The Good Governance Standard, developed by an Independent Commission established by CIPFA and the Office for Public Management (OPM) with support from the Joseph Rowntree Foundation, builds on the Nolan principles for the conduct of individuals in public life by setting out six core principles of good governance for public service organisations underpinned by supporting principles. The Standard and the Nolan principles provide a useful context and frame of reference for consideration of MLAs' pay and expenses.
3. In Northern Ireland, CIPFA wrote 'On Board – A Guide for Board Members of Public Bodies' that was published by the Department of Finance and Personnel in 2010, and we provide training on good governance based on this Guide.
4. We comment on the work of the Panel that is of particular interest to CIPFA in its roles as a national stakeholder within the UK public services, a membership organisation and a professional accountancy body.

The Independent Financial Review Panel

5. In 2009, the issue of remuneration and expenses of Members of Parliament was extremely corrosive to the reputation of MPs, eliciting widespread condemnation and cynicism from the public at large. Our view at that time was that the solution did not lie in Parliament agreeing new rules, tighter controls or more modest allowances. The correct solution was Parliament removing itself completely from any involvement in proposing or approving MPs' pay and expenses.
6. Therefore, CIPFA welcomes the establishment of the IFRP in Northern Ireland to determine the level of pay, pension and related expenses for MLAs and Office Holders in the Northern Ireland Assembly and also to ensure probity, accountability and value for money for this spending of public funds.
7. CIPFA supports the need for assurances on probity, accountability, transparency and value for money when paying elected members. The current economic situation and pressures upon public spending give an added impetus for such assurances.

8. We are aware that the IFRP is currently researching comparable salaries of MLAs with public and private sector equivalents and so in the next part of our response we make some general observations on pay levels.

9. Regarding expenses, in March 2011, the Northern Ireland Assembly published its handbook on financial support for members. This is a welcome and comprehensive guide on the expenses MLAs can claim and the process for MLAs to re-claim expenses incurred in performing their duties. We particularly welcome the over-arching principles and spirit in which MLAs are expected to manage their expenses.

10. However, CIPFA believes the IFRP should regularly review these arrangements to ensure that:

- it remains reasonable for entitlements to be funded from the public purse;
- the amounts that are paid in expenses represents good value for money for the public; and
- the process by which MLAs are paid and reimbursed for expenses ensures probity and transparency of public funds, using systems that are consistent with other public spending.

11. We say this because it is good practice to re-visit the regulations and underlying assumptions that determine reimbursement of expenses, as happened in Scotland with the allowances review by Sir Alan Langlands in 2008 and by Sir Neil McIntosh in 2010. This is to be fair not only to our MLAs but also to the public that expects the Assembly to comply with good public sector standards and practices. We cover this in more detail in the second part of our response below.

Remuneration levels

12. The salary and office holder allowances as at July 2011, set out in Annex A of the IFRP's background note shows that Assembly members are consistently paid less than members of other regional and national government and for some jobs in Northern Ireland the salaries are substantially less than counterparts elsewhere. This assumes of course that MLAs in Northern Ireland are doing similar jobs as their counterparts and that the smaller scale of Northern Ireland (compared to the rest of the UK and Ireland) is not a material issue.

13. The research currently being undertaken by IFRP to benchmark salaries with comparable levels in the private and public sectors in Northern Ireland, building on findings of previous research carried out by SSRB published in 2008 should be used to help determine MLA pay levels.

14. If this comparative research confirms that salaries in the Northern Ireland Assembly are materially lower than elsewhere, the IFRP should in principle determine an appropriate increase to what it deems to be 'the going rate' for the various jobs in the Assembly.

15. However, in practice an increase in MLA salaries would be difficult to implement at a time of austerity, cutbacks in public expenditure, increasing pension contributions, reductions in the real value of earnings and shrinking of jobs in the public sector. In addition, the Assembly has just published its Programme for Government and it would be prudent to wait for the outcome performance against the plan before considering any salary increase.

16. Therefore, CIPFA recommends that any proposed increase in MLA salaries is frozen until a suitable affordable time during better economic conditions and progress is made on delivery of the Programme for Government.

17. CIPFA can see merit in MLAs also being elected as MPs and representing the interests of Northern Ireland in national government and understanding the issues facing the whole country that can be overlaid here. We agree with the abatement of salaries where this is the case, so that 'double-jobbing' is not rewarded with two salaries.

18. However in terms of good governance, there are some risks with MLAs also being elected members of local councils. We understand that of the 108 MLAs, 37 are also locally elected councillors. In future, we think this form of 'double jobbing' should be discouraged and phased out. We say this because:

- There is potential for individual conflicts of interest at regional and local levels e.g. when considering large scale planning applications or in the arrangements for local government reform as in the pending Review of Public Administration.
- More people should be encouraged to enter politics at local council level.
- The public could be confused by the dual roles locally.
- There is a risk of duplication of payments and expenses for councillors and MLA roles.

Expenses

19. MLAs are entitled to reimbursement of expenses wholly, exclusively and necessarily incurred in connection with their role and such financial support is essential to govern Northern Ireland. The detailed entitlement to reimbursement of expenses is set out in the Northern Ireland Assembly (Members' Expenditure) Determination 2010.

20. This determination says in paragraph 7 (1) that office cost expenditure 'which he incurs in any year in respect of secretarial, clerical or administrative assistance (including the provision of any equipment, facilities or services associated therewith) required by the member in connection with the carrying out of his Assembly duties'.

21. Paragraph 7 (2) of the 2010 Determination states the 'maximum amount which a member is entitled to recover in any year under sub-paragraph (1) i.e. for

office expenditure is £75,857.04. If every MLA claims this maximum entitlement, the total expenditure of some £8.2M is not an insignificant cost to the public purse.

22. Therefore, there needs to be an assurance that this level of expenditure is properly procured in accordance with public sector policies and procedures and that it provides good value for money.

23 In this context, CIPFA believes there should be a regular review of expenses entitlement; expenditure amounts that will be reimbursed; and the process for claiming reimbursement. These should be benchmarked against accepted and good practice. Our reasons for calling for a regular review of expenses are:

- Expenditure in public bodies has been, and will continue to be, subject to ongoing efficiency savings of typically 3% - 4% per annum, and the Assembly should be no different. For example, future Office Costs Expenditure (OCE) increases should be met from efficiency savings rather than by increasing allowances by the RPI percentage each year, as laid down in the 2010 determination.
- Paragraph 17 of the 2010 Members' Expenditure Determination relating to annual uprating of expenses using the RPI is not consistent with the 2010 CSR and forward financial planning of public expenditure.
- The Assembly should be subject to public sector procurement rules to ensure the best value for money is achieved, for example in the acquisition of office accommodation and equipment.
- The Assembly should be assured that costs have been properly incurred, for example it may be more appropriate and flexible for MLAs to be issued with child care vouchers (which is generally accepted practice) rather than incur costs that are later reimbursed.
- There is merit in providing some equipment centrally to obtain savings from increased purchasing power, e.g. office equipment and furniture. Following the McIntosh review in Scotland (2010), arrangements have been made for the provision of equipment, furniture and office supplies to Members, the costs of which are not claimed against expenses. Equipment and furniture provided for Members remains the property of the Scottish Parliament Corporate Body.
- In Northern Ireland, it is unclear as to who retains ownership of equipment purchased through public funds and whether this is capitalised and if so, how it is written down and disposed of.

24. In the interests of complete transparency, CIPFA welcomes the on-line publication of detailed expense claims of all MLAs. This should encourage MLAs to consider the spirit – the 'how would it look to the person in the street?' test – as well as the regulations.

25. CIPFA welcomes the full independent annual audit by the Northern Ireland Audit Office of MLAs' remuneration and expenses and the sample auditing by the internal audit team, as set out in paragraph 2.4 of the Members' handbook.

Acknowledgement

26. Finally, we thank the IFRP for the opportunity to contribute to this consultation exercise and will be pleased to expand on any of the points raised in this paper or provide other assistance as required.

SUBMISSION RECEIVED FROM A POLITICAL PARTY

Do you feel that assembly members' current basic salaries reflect the complexity of their responsibilities? If not what do you regard as an appropriate salary?

It is our view that current pay levels for Assembly members are set at an appropriate level and we would not support any pay rise for MLAs

Do you consider the current Office holder allowances appropriate?

We are in favour of abolition of additional remuneration for the positions of Chairpersons and Deputy Chairpersons of Assembly committees.

Constituency remuneration

We believe that the current levels of constituency remuneration are set at an appropriate level.

Do you regard pension arrangements for MLAs to be appropriate?

The current MLA pension scheme was constructed to take into account the fact that an MLA career will in the main be much shorter than other public sector workers, they have to in effect reapply for their jobs every 4 years and therefore contribute less to their pension scheme over the course of their public sector employment. Any changes that the IFRP propose to the construct of the scheme would I presume recognise this reality.

Additionally we believe that the use of Assembly Members' Pension Funds by investment companies should be subject to an acceptable code of ethics

RESPONSE RECEIVED FROM THE ULSTER TEACHERS' UNION

- 1 It is the view of UTU that any changes to members' salaries should mirror those of public sector salaries including teachers. This must include adhering to the current pay freeze until September 2013.
- 2 UTU also feels that any pension arrangements for members should reflect any changes being made to public sector pensions.

RESPONSE RECEIVED FROM A BUSINESS PERSON

Thank you for your letter dated 20 October 2011, regarding the Independent Financial Review Panel's public consultation of NI Assembly member salaries and Office Holder allowances, office expenses and pensions.

In my view Northern Ireland Assembly members' salaries appear to be of an appropriate level, and reflect the complexity of their duties and responsibilities. The comparative table provided in your previous letter, which shows the salaries and Office Holder allowances of elected members in the NI Assembly, the Scottish Parliament, the National Assembly for Wales, the House of Commons and Dáil Éireann reinforces this opinion. As information on pensions was not included I cannot comment on that.

There is, however, a strong argument that the NI Assembly comprises of too many MLAs. As shown in the table provided overleaf, the NI Assembly consists of 108 elected MLAs, which is the equivalent to one MLA for every 16,657 citizens. In contrast, the National Assembly for Wales is made up of 60 MLAs, which equates to one MA for every 50,100 citizens. Broadly speaking, this means that an MA in Wales represents over three times more citizens than an MLA in Northern Ireland. While it might be argued that it is preferable to have more MLAs in Northern Ireland, because of the past conflict and emergence of a local democracy, I believe there is a case for considering some reduction.

I look forward to hearing about the outcome of the public consultation.

RESPONSE RECEIVED FROM A BUSINESS PERSON

Thank you for your letter inviting my views on the remuneration.

I do have a few observations I would like to share. The first is that Assembly Members do not get paid enough. Evidence for this is the very poor calibre of public representation that we have. There is a relationship in all careers between the calibre of the practitioner and their remuneration. Politics is no exception. It is important that we remember that if we wish to improve the quality of public representatives then we must improve the remuneration to make a career in politics as attractive as a career elsewhere.

This is especially true of Northern Ireland given our past. I know this is an unpopular line. But Northern Ireland is not governed by Stephen Nolan just yet and we just resist moronic and illogical populism.

I would therefore argue that we should have at least parity with Wales in terms of remuneration for our politicians but ultimately increase from there – given that governance in a post conflict region is obviously more challenging and requires more skilled people.

The increases in salaries could be offset by a reduction in numbers of political representatives which at present is far too high.

So in short in politics as in everything else you get what you pay for and for so long as pay for politicians is low you will get low calibre representation.

I do appreciate that none of this applies to Sinn Fein because of that party's special rules over remuneration but then Sinn Fein is not a normal political party.

I hope this is of some help. Many thanks for asking me to contribute.

RESPONSE RECEIVED FROM A BUSINESS PERSON

I have made some comments regarding the questions you have asked in your letter of 20 October 2011. They reflect the opinion of the Directors in our company.

1 Do Assembly Members' salaries reflect their responsibilities? If not, what salary would be appropriate?

In the present depressed state of the Northern Ireland economy members' salaries should not be increased. There are far too many Assembly members. A 30% reduction in numbers would lead to a far more efficient Assembly and would leave room to increase salaries in future. The assembly is seriously oversized for the small population it is expected to represent and govern.

The Northern Ireland economy has not been helped by the inertia of the Assembly – companies throughout the province are facing up to reductions in turnover and people employed.

2 Are Members' Allowances appropriate?

Members' allowances should be adequate to cover their authorised activities.

3 Are Pension arrangements appropriate?

This is an extraordinary question at the present time of pension turmoil in the UK. Pensions are far more likely to be reduced in the future for Government employees.

It would be useful to have some way of measuring success and taking action against failure! There is no opposition party in the Assembly to call people to account.

The contents of your letter clearly suggests increasing Assembly Members Salaries and pension. There is no sympathy here for either.

RESPONSE RECEIVED BY EMAIL FROM A PRIVATE INDIVIDUAL

Market led approach.

Are members of the assembly leaving because they will get a higher salary elsewhere?

I cannot think of any. Whether this is because of our current politicians deep commitment to their assembly work; or a more realistic assessment of their abilities by employers beyond the assembly, is a matter for academic debate: the fact is that we are probably paying too much for them at the moment.

Now current Assembly members may say that they seek comparison with the devolved legislatures in Scotland, Wales, etc. There are two arguments against this. Firstly, nothing prevents candidates from seeking election in such bodies.

Another argument against comparison with other legislatures is that such exercises tend to lead to progressive ratcheting up of salaries. This phenomenon is well known in the private sector in reviewing executive and director compensation.

Requirements analysis approach

If we start at the beginning and look at what qualities we would look for in an assembly member: honesty, wisdom, and some education. None of these qualities are the preserve of those highly salaried people. There are many men and women with all three qualities currently unemployed, who could do the job for the minimum wage and a fraction of current NI Assembly salaries

“Let’s not exclude anybody” approach

The problem with this is that you would have to pay very high salaries to make it worthwhile for leading business people, lawyers etc. to park or abandon their private sector careers. The approach is unachievably expensive, so a line will have to be drawn somewhere – some people will have to be excluded. (sorry Lord Rana, Baron Ballyedmond, etc)

Median wage salary approach.

Assembly salaries would be linked to the median wage in N Ireland, and would float up and down with it. This would align Assembly members’ interests very firmly to that of their electorate, and thereby encourage them to improve the economy of N Ireland as a whole.

It would also put Assembly members in the same position as the median person on the street when deciding between public and private healthcare for example. They would know by daily experience if a public sector service was value for money or an unnecessary drain on the taxpayer.

Conclusion.

Recent experience from the parliaments in Dublin and London has shown that paying high salaries to politicians does not ensure their honesty, neither does it guarantee long-sighted decision making in the economy.

As for our own Assembly, decision-making has been lethargic. Gavin Boyd was designated chief of the Education and Skills Authority 5 years ago, the Police College hasn't had a sod turned ten years after its location was chosen, and reorganisation of the councils is some way off. Now not all of this is our politicians fault, but surely they have to take the blame for some of the delay.

The Median Salary approach has many benefits, and excludes only as many as it includes, and is the one I recommend.

Pensions.

In view of the uncertain nature of a political career, accrual rates in pensions should be asymmetric and loaded towards the first few years of employment, falling off with long terms of service.

who would do the job for minimum wage. men and women capable of bringing to realisation the Education and Skills Authority in less than 5 years reducing the number of local councils and so on just as rapidly as our current assembly members.

RESPONSE RECEIVED BY EMAIL FROM A PRIVATE INDIVIDUAL

To whom it may concern,

I regard the current arrangements for Members' salaries, expenses and pensions to be appropriate and fair.

RESPONSE RECEIVED BY EMAIL FROM A PRIVATE INDIVIDUAL

I suggest that MLAs adjust their pay to that of a senior staff nurse like myself! I earn £27,624 per year. For that I work shifts including night duty. I am a chemotherapy trained nurse. This involves delivering vesicant chemotherapy drugs peripheral and lines which are placed in the SVC. Also I am in charge of the ward on most weekend shifts. I am responsible for the care of patients who are critically ill and recently on accepting a patient direct from A and E, I checked his bloods to realise he had not been treated appropriately in A and E and was at a very high risk of septic shock and resulting death. The patient I'm glad to say recovered and is continuing chemotherapy – what do MLAs do to save lives? Not only is my pay what it is but I have not had any cost of living pay rises [like many others] staffing levels are getting lower we are down to 2.5 full time staff and have three staff members on maternity leave and have the same number of patients – how can the standard of care not be affected – morale is at an all time low – there are more and more managers and people wonder why we are voting to strike!

RESPONSE RECEIVED BY EMAIL ON BEHALF OF TWO PRIVATE INDIVIDUALS

We do not believe that any MLA is worth their current salary never mind any increase.

They pass no legislation and only ever seem to discuss issues which could be settled at council level.

Off the top of my head, the only thing I am aware of them ever doing is increasing the cost of a dog licence. (and probably giving themselves a pay rise) It is usually the case that the first task of any newly elected body is to discuss their pay – always in an upward direction!

We are not politically ignorant and keep up to date with current happenings on government issues, but the above is the only conclusive issue which springs to mind.

It appears to be nothing but a very expensive and ineffective talking shop and we believe that the money it takes to run this lucrative gravy train could be much better spent in other areas such as health and help for small business.

If this body existed on a “value for money” basis – they would have been axed long ago!

Some of the members seem to spend so much time gadding around the country getting their pictures in the papers, they couldn't have time to do any work.