



Independent
Financial
Review
Panel

24 September 2012

Rt Hon Theresa Villiers MP
Secretary of State for Northern Ireland
Northern Ireland Office
11 Millbank
LONDON
SW1P 4PN

Dear Secretary of State

I am enclosing a response on behalf of the Independent Financial Review Panel to the consultation launched by your predecessor, Rt Hon Owen Patterson MP, on measures to improve the operation of the Northern Ireland Assembly. The Panel's comments are restricted to those issues which fall within its remit.

The Independent Financial Review Panel (IFRP) was appointed on 1 July 2011 under the Assembly Members (Independent Financial Review and Standards) Act (Northern Ireland) 2011. It is fully independent. Its decisions do not require the approval of the Assembly or the Assembly Commission.

The remit of the IFRP is to set the level of salaries, allowances and pensions payable to members of the Northern Ireland Assembly. The Panel is required to do so in a way which is fair, ensures probity and accountability, represents value for money and does not prevent people from seeking election to the Assembly on financial grounds. The Panel's first Report, a copy of which is attached, was published on 14 March 2012 and relates to the current mandate of the Assembly which is scheduled to continue until 2015. The Panel also published a Determination which gives legal effect to its decisions.

In addressing the task, the Panel carried out a triple benchmarking exercise which involved a comparison of MLA salaries with those of other UK legislative bodies and also with occupations with similar responsibilities in the public and private sectors in Northern Ireland. The Panel also examined the relative weight of the various posts within the Assembly which attract Office Holder Allowances.

To further inform its work, the Panel consulted widely with the public, including the business sector, and with Assembly Members. Although the number of responses to the consultation process was limited, much of the criticism expressed was not related to the salaries of individual MLAs but rather the overall cost of the Assembly. A frequently expressed view was that there were too many Assembly members.

In the benchmarking exercises which the Panel carried out, the main factor that became evident was the relatively low span of MLAs' responsibilities due primarily to the number of MLAs per constituency. MLAs represent on average considerably fewer voters than their counterparts in other devolved legislatures and the House of Commons and therefore cost proportionately more. The starkest example of this relates to MPs and MLAs. Each Westminster constituency has one MP costing £66k in salary and £145k in expenses as well as six MLAs costing a total of £258k in salaries and £450K in Office Costs Expenses. The Assembly representation costs 3.4 times per constituency as that of the Westminster representation. A comparison of the number of constituents per elected member in the Assembly, the Scottish Parliament, The National Assembly for Wales and the House of Commons at Westminster is shown in Table 6 on page 30 of the Panel's Report.

The nature of the political arrangements in the Assembly is such that there is a substantial amount of duplication in the responsibilities of MLAs within constituencies. In evaluating the constituency responsibilities of MLAs, the Panel acknowledged that, while constituency responsibilities are a vital element of the role of an MLA, those responsibilities are shared amongst the six MLAs in each constituency.

The Panel's research raised a fundamental question ie "What is the role of an MLA?" The survey of MLAs and meetings with Members suggest that around 50% of MLAs' time is spent dealing with constituency business. Whilst the Panel fully understands that this is practical politics, it believes that much of this work is of a character that relates more to the work of local councils and other matters that might be better dealt with in other ways for example by Government Departments, local authorities or the Citizens Advice Bureau.

Northern Ireland is a small place. It has a small political space but that space is very crowded with MPs, MLAs and councillors. This makes it harder for the public to understand the difference between the roles of elected representatives and to identify the one who can best provide them with support or resolve their problems. The Panel was made aware of some (limited and anecdotal) evidence that the multiplicity of representatives can lead to competition between members of the same

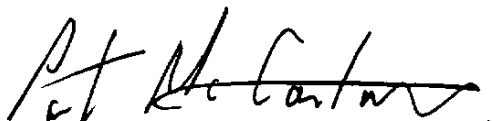
party in the same area for example, between councillors and MLAs or between MLAs and MLAs.

The current political structures mean that duplication and competition are unavoidable. It also means that the costs are high and the public is becoming increasingly aware that it is they as taxpayers who are paying for this. The huge outcry when IFRP published its proposals was symptomatic of a deep public concern about the effectiveness and cost of local politics. The Panel believes that having too many representatives in the one small political space has a negative effect on both of these factors.

In assessing the appropriate level of Office Holder Allowance for those MLAs holding a post of Minister, the Panel recognised the importance of this role. However it was apparent that while there are significant demands on these posts, the scope of their responsibility and the size of their portfolios varied considerably both within the Assembly and in relation to other devolved UK legislatures. The Panel considered whether there should be different levels of allowance for Ministers based on their responsibilities but decided that it would not differentiate between posts for their first Determination. The Panel has stated that for its next Determination, it will address any different levels of ministerial posts based on size, type, accountability and complexity. In so doing it will be guided by any changes agreed by the Executive in relation to Ministerial responsibilities.

The Panel would be happy to meet with you to expand on these views if it would be helpful.

Yours sincerely



PATRICK MCCARTAN CBE
Chairman

CONSULTATION ON MEASURES TO IMPROVE THE OPERATION OF THE NORTHERN IRELAND ASSEMBLY

SUBMISSION FROM THE INDEPENDENT FINANCIAL REVIEW PANEL

Introduction

The Independent Financial Review Panel (IFRP) is a fully independent body established by the Assembly Members (Independent Financial Review and Standards) Act (Northern Ireland) 2011 ("the Act"). Our decisions are not subject to approval by the Assembly or influenced by any political factors. We are required by the Act to set the level of salaries, allowances and pensions payable to members of the Northern Ireland Assembly and to do so in a way which is fair, ensures probity and accountability, represents value for money and importantly, does not prevent people from seeking election to the Assembly on financial grounds.

The Panel published its first Report and Determination in March 2012. This sought to update Assembly members' salaries and office holder allowances and to regularise the position in relation to Office Costs Expenses as well as pensions. Our aim was to establish a robust basis for our Report and Determination for the next mandate.

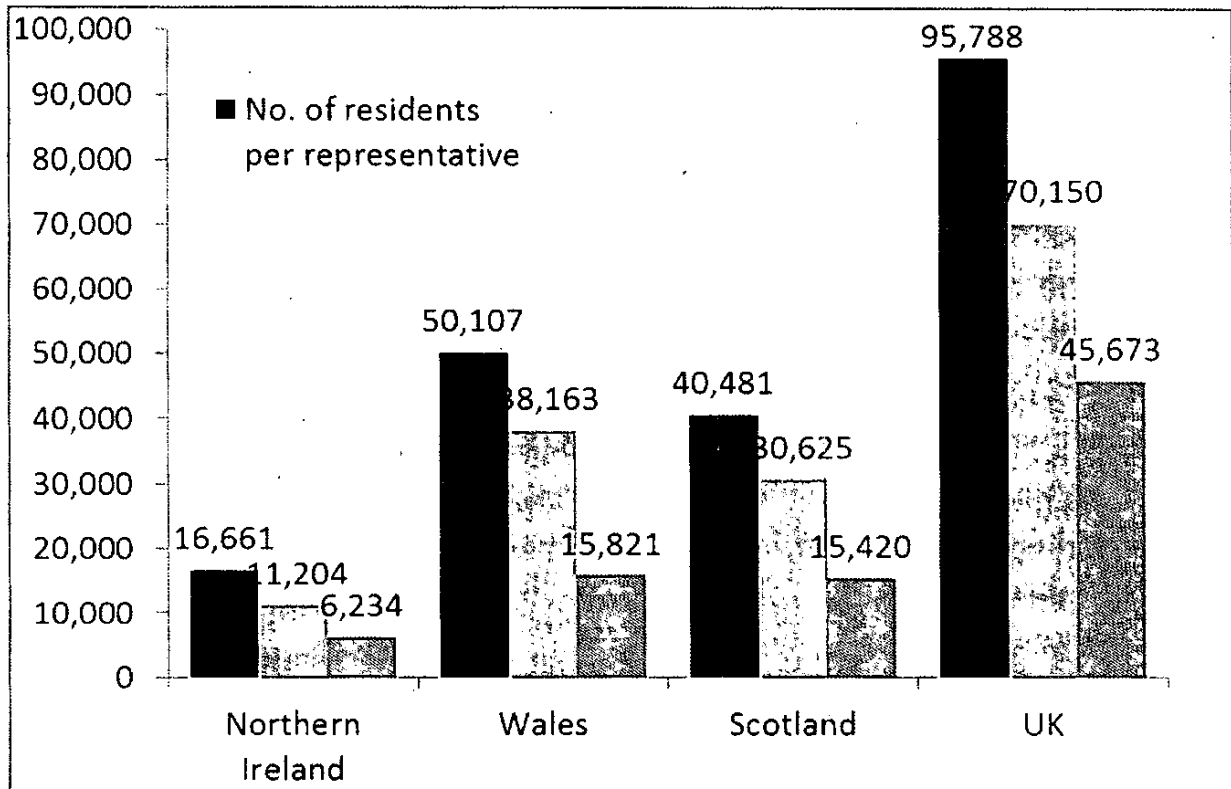
In our deliberations, we were conscious of the relatively high number of Assembly members per head of population compared with other parts of the United Kingdom. The number of MLAs and Ministers is not a matter within the remit of the Panel. However we noted the commitment by the Executive in the programme for Government to "agree any changes to post 2015 structures of Government in 2012". Currently the extent of these changes is unclear as are the outworkings of the current Parliamentary Boundary Review. Wider representative responsibilities for MLAs or increased responsibilities for Ministers in a smaller Executive would have a considerable influence on the Panel's future assessments of salary levels

As a body closely involved in governance issues relevant to the Assembly we felt that it was incumbent on us to contribute to this consultation. In so doing, we are mindful of our statutory remit and of the apolitical nature of our responsibilities. Our responses to the questions posed in the consultation document are set out below.

Question 1

What should the future size of the Northern Ireland Assembly be?

In the benchmarking exercises which the Panel carried out, the main factor that became evident was the relatively low span of MLAs' responsibilities due primarily to the number of MLAs per constituency. MLAs represent on average considerably fewer voters than their counterparts in other devolved legislatures and the House of Commons and therefore cost proportionately more. The starkest example of this relates to MPs and MLAs. Each Westminster constituency has one MP costing £66k in salary and £145k in expenses as well as six MLAs costing a total of £258k in salaries and £450K in Office Costs Expenses. The Assembly representation costs 3.4 times per constituency as that of the Westminster representation. A comparison of the number of constituents in 2011 per elected member in the Assembly, the Scottish Parliament, The National Assembly for Wales and the House of Commons at Westminster is shown in the table below.



- Number of residents per representative
- ▨ Number of people entitled to vote per representative
- ▩ Voters per representative

To further inform its work, the Panel consulted widely with the public, including the business sector, and with Assembly Members. Although the number of responses to the consultation process was limited, much of the criticism expressed was not related to the salaries of individual MLAs but rather the overall cost of the Assembly. A frequently expressed view was that there were too many Assembly members.

The nature of the political arrangements in the Assembly is such that there is a substantial amount of duplication in the responsibilities of MLAs within constituencies. In evaluating the constituency responsibilities of MLAs, the Panel acknowledged that, while constituency responsibilities are a vital element of the role of an MLA, those responsibilities are shared amongst the six MLAs in each constituency.

The Panel's research raised a fundamental question ie "What is the role of an MLA?" The survey of MLAs and meetings with Members suggest that around 50% of MLAs' time is spent dealing with constituency business. Whilst the Panel fully understands that this is practical politics, it believes that much of this work is of a character that relates more to the work of local councils and other matters that might be better dealt with in other ways for example by Government Departments, local authorities or the Citizens Advice Bureau.

We concluded that the overall scope and depth of the individual responsibility of each MLA is less than that in other legislatures. Whilst we recognise that the number of Assembly Members was determined in light of the political climate in 1998, we feel that MLAs' responsibilities should be broadly comparable with those of their counterparts in the rest of the UK thus indicating that the number of MLAs should be reduced. The responses to our consultations, comments made in the media and the current financial climate would indicate that it is in the public interest for this to happen. A reduction in the number of MLAs and the consequential increase in responsibilities would strengthen the case for a higher salary to be set for the next mandate which might attract those who may have previously been deterred on financial grounds from standing for election to the Assembly.

The Panel's next Determination is scheduled for publication in mid 2014. Should it be decided to reduce the number of MLAs this may have an impact on the salary level for the next mandate. It would be preferable if any change to the number of MLAs could be agreed in time to allow this to be reflected in our next Determination.

Question 2

Do you believe that there be combination of Parliamentary and Assembly elections in 2015 or should these be decoupled?

We do not have a view on the decoupling of the elections scheduled for 2015.

Question 3

Do you think the term of the current Northern Ireland Assembly should be extended to 2016?

We do not have a view on the term of the current Assembly. However there may be practical implications for the Panel should the date for Assembly election be deferred. The current members of the Panel were appointed on 1 July 2011 for a five year period. We are required to publish our Determination for the next mandate approximately one year before the end of the current mandate. We currently intend to publish our next Determination in mid 2014. Should the Assembly's term be extended, the publication of our next Determination would be postponed to mid 2015.

Question 4

Should the Northern Ireland Assembly move to a fixed 5 year term permanently?

We do not have a view on duration of the Assembly mandate except to say that it would be preferable if the length of the terms of appointment for members of IFRP would synchronise with the Assembly mandate to avoid a new Panel having to make a Determination in its first year which is based on the research of the previous Panel.

Question 5

Do you believe that representatives should be prohibited from holding the offices of MP and MLA at the same time?

We are strongly of the view that there should be no double or triple jobbing. When we carried out our research approximately one third of MLAs were also councillors. We are aware that some of these MLAs have since resigned as councillors or have requested that their councillor basic allowance is no longer paid. A small number of MLAs were also MPs but the majority of these have recently resigned from the Assembly.

Northern Ireland is a small place. It has a small political space but that space is very crowded with MPs, MLAs and councillors. This makes it harder for the public to understand the difference between the roles of elected representatives and to identify the one who can best provide them with support or resolve their problems. The Panel was made aware of some (limited and anecdotal) evidence that the multiplicity of representatives can lead to competition between members of the same Party in the

same area for example, between councillors and MLAs, between MLAs and MLAs or between MLAs and MPs.

The current political structures mean that duplication and competition are unavoidable. It also means that the costs are high with each MP and MLA receiving a salary for representational responsibilities which frequently overlap. The public is becoming increasingly aware that it is they as taxpayers who are paying for this. The considerable public response to the increase in MLA salaries in the IFRP Determination, despite the fact that there was a reduction in other areas for example, Office Costs Allowances, was symptomatic of a deep public concern about the effectiveness and the cost of local politics. The Panel believes that having too many representatives in the one small political space has a negative effect on both of these factors.

Question 6

Should MLAs also be prohibited from being members of the House of Lords?

Our views expressed in response to Question 5 also pertain to membership of the House of Lords.

Question 7

Is it better to use primary legislation to ban such practices outright at the earliest opportunity or to take a power to do so at a later date to allow space for agreement to be reached?

Our, albeit limited, experience of dealing with Assembly Members would indicate that primary legislation would be the more immediate and effective way of eliminating such practices.

Question 8

Do you think the Assembly would operate more effectively with a system which provides for a government and an effective opposition? If so, how can this system best be achieved?

This is a political matter on which we cannot comment except to say that it would have considerable implications for the work of the Panel as significant changes would be required to the way in which Members' Office Costs Expenses and Office Holder Allowances are structured.

Additional comments

Whilst the consultation did not specifically make reference to the appropriateness of the current number of Government Departments, this is an issue which emerged as being in need of review during the course of our deliberations. We as a Panel feel that this important issue should be addressed.

In assessing the appropriate level of Office Holder Allowance for those MLAs holding a post of Minister, the Panel recognised the importance of this role. However it was apparent that while there are significant demands on these posts, the scope of their responsibility and the size of their portfolios varied considerably both within the Assembly and in relation to other devolved UK legislatures. The Panel considered whether there should be different levels of allowance for Ministers based on their responsibilities but decided that it would not differentiate between posts for their first Determination. The Panel has stated that for its next Determination, it will address any different levels of Ministerial posts based on size, type, accountability and complexity. In so doing it will be guided by any changes agreed by the Executive in relation to Ministerial responsibilities.