

## ***Independent Remuneration Panel for Wales***

### **An Historical Overview of IRPW Determinations on Members' Salaries**

IRPW was first established as the remuneration body for the 22 principal authorities in Wales in 2008, initially setting maximum salaries with full powers to determine actual salaries and other payments under the 2011 Measure. A cap is applied to the numbers of Senior Post holders in each authority, although there are procedures available for this to be increased if a case is accepted. This paper sets out the history of key determinations of IRPW over 8 years against potential alternatives. There is some limited exploration of future options.

#### **1. Analysis of Members Basic Salary 2013-2020**

1.1 The 2009 and 2010 Annual Reports determined only maximum figures: £13,356 and £13,868 respectively. An analysis in the 2010 Report demonstrates that 12 of 22 councils adopted the maximum as actual payments made to members in 2009 and this fell to 7 councils in 2010. The average basic salary paid to members by the 15 councils which paid a lower figure in 2010 was £12,837 - that is £1,031 below the IRPW maximum (with the lowest paying £12,075). Furthermore, the Panel inherited a system of payments which anticipated members would cover many direct support costs from their personal taxed remuneration. The 2011 Measure changed the powers of IRPW from setting maximum figures for remuneration of members to setting the actual figure to be paid (unless individual members opted for a lower figure). This report therefore starts in 2012, analysing actual determined figures paid to members over the successive 8 years.

<b>TABLE 1 - IRPW DETERMINATIONS ON MEMBERS' BASIC SALARY 2012-20</b>		
<b>Year</b>	<b>Basic Salary (£)</b>	<b>% increase</b>
<b>2013</b>	13,175	0
<b>2014</b>	13,175	0
<b>2015</b>	13,300	0.95%
<b>2016</b>	13,300	0
<b>2017</b>	13,300	0
<b>2018</b>	13,400	0.75%
<b>2019</b>	13,868	2.1%
<b>2020</b>	14,218	2.5%

1.2 The 2010 figure of £13,868 was established as three-fifths of the ASHE Wales-wide median gross salary (estimated as representing the backbench member council workload, taking account of a discounted voluntary contribution for ward work and similar activities). It was reduced in 2011 by 5.0% to £13,175, following the move from

setting a maximum to prescribing the basic salary. In fact, the Panel departed from the median salary reference point in the year following its inception and the gap has widened further each successive year - over the following 7 years the Wales Median Salary has increase by 16.8% compared to the IRPW basic rise of 6.4% in the same period.

- 1.3 The 2009 report removed the support cost element from the previous basic taxed allowance on the grounds of transparency, specifying for the first time that councils must provide the necessary support for members to carry out their duties, such as IT, telephone and postage, without cost to the member. However, this change has taken many subsequent years to achieve in full. The obligation on Authorities to meet costs of measures to protect members where necessary from physical attacks or intimidation, whether physical or via social media, was included from 2020.
- 1.4 Table 2 represents IRPW determinations on basic salary over 8 years set against alternative measures and benchmarks. These are: Retail Prices Index, Consumer Prices index, Median Wales-wide Salary, NJC scale, Living Wage, Assembly Members and MPs. For the purposes of this analysis the NJC reference point is the % increases applied to spinal point 27 on the pay scale. For each option, the same starting point (IRPW determined salary of £13,175 for 2013) has applied to it the percentage awarded to each of the comparators over the 8 years. *These are therefore notional figures which illustrate the application of alternative percentage increases.* (The actual figures relating to each measure are included in the Notes towards the end of this report)

<b>TABLE 2 - ALTERNATIVE MEASURES AND BENCHMARKS FOR BASIC SALARY (2012 baseline)</b>								
<i>Year</i>	<i>IRPW basic salary (£)</i>	<i>RPI</i>	<i>CPI</i>	<i>Wales Median</i>	<i>NJC SP 27</i>	<i>Living Wage</i>	<i>AMs</i>	<i>MPs</i>
<b>2013</b>	<b>13,175</b>	13,175	13,175	13,175	13,175	13,175	13,175	13,175
<b>2014</b>	<b>13,175</b>	13,531	13,518	13,702	13,267	13,425	13,175	13,307
<b>2015</b>	<b>13,300</b>	13,747	13,720	13,784	13,321	13,828	13,175	13,440
<b>2016</b>	<b>13,300</b>	13,912	13,734	13,922	13,587	14,257	13,175	14,824
<b>2017</b>	<b>13,300</b>	14,259	13,775	14,297	13,723	15,326	13,306	15,017
<b>2018</b>	<b>13,400</b>	14,845	14,175	14,441	13,860	15,970	15,662	15,227
<b>2019</b>	<b>13,686</b>	15,245	14,515	14,758	14,137	16,672	15,991	15,501
<b>2020</b>	<b>14,068</b>	15,702	14,805	15,569	14,505	17,489	16,550	15,920

- 1.5 Table 3 sets out the analysis of the percentage increases represented in table 2. The final column aggregates these increases.

**TABLE 3 - PERCENTAGE INCREASES BY ALTERNATIVE MEASURES OR BENCHMARKS**

<i>Year</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>TOTAL 7 years compound</i>
<i>IRPW Basic</i>		<b>0</b>	<b>1.0</b>	<b>0</b>	<b>0</b>	<b>0.8</b>	<b>2.1</b>	<b>2.5</b>	<b>6.4%</b>
<i>RPI</i>		2.7	1.6	1.2	2.5	4.1	2.7	2.0	18.2%
<i>CPI</i>		2.6	1.5	0.1	0.3	2.9	2.4	2.0	12.4%
<i>Wales Median</i>		4.0	0.6	1.0	2.7	1.0	2.2	5.5	16.8%
<i>NJC SP 27**</i>		0.7	0.4	2.0	1.0	1.0	2.0	2.6	10.0%
<i>Living Wage</i>		1.9	3.0	3.1	7.5	4.2	4.4	4.9	32.7%
<i>AMs salary</i>		0	0	0	1.0	17.7	2.1	3.5	25.6%
<i>MPs salary</i>		1.0	1.0	10.3	1.3	1.4	1.8	2.7	20.8%

\*\*SP27 changed to SP20 from 2019

- 1.6 The ASHE median gross salaries measure is published by WG each October. It varies across the principal authorities in Wales. It has also fluctuated between areas in recent years. The latest 2019 weekly figure for Wales is £535. In Merthyr the 2019 weekly median salary is £468 whilst in Neath Port Talbot it is £613. In 2016 the highest figure was in Flintshire and the lowest in Blaenau Gwent and, before that, Powys.
- 1.7 Successive increases, reductions and freezes in the IRPW determinations have been driven by perceptions of public acceptability, especially with reference to LA staff salary increases over the same period (in fact, discounting incremental increases received by most staff, the NJC increase was 10.0% compared to IRPW 6.4% over 7 years - see Table 3). In direct discussions with members, reference was often made to comparisons with officers they worked with as being a deterrent to accepting IRPW increases.
- 1.8 Acceptability by LA members themselves, evidenced by individuals opting out of increases in a particular year, has also influenced Panel deliberations. The latest figures show that three principal authorities, Merthyr, RCT and Torfaen, have between them 97 basic and 76 senior salary holders who have not accepted their full salaries. The remaining 19 authorities between them have just 20 basic holders and 10 senior holders not taking their full salaries (See appendix 1). Often, refusals to accept IRPW determined salaries appear to be transitory, with members taking the rise in subsequent years - thus this may be deferral rather than refusal. Note that some of the returns may be exaggerated due to the inclusion of members who did not draw their full salary because they left the council part way through the year.
- 1.9 The bodies responsible for setting Assembly Members' and MPs' salaries have also battled with public perceptions of acceptability for many years. This has resulted in salaries falling behind and then in significant catch up adjustments - most recently in 2015 for MPs and in 2017 for AMs. The Independent Remuneration Board has subsequently adopted annual indexation based upon ASHE gross median earnings

(March to March of the preceding year). In 2013, IPSA consulted on a proposal (following the significant uplift) to “link changes in MPs' pay to their constituents' pay across the country”. Technically, the implementation of this proposal is referred to as AWE-KAC3 published by ONS in the previous October to be paid from April each year. (Average Weekly Earnings - the analysis by the Office of National Statistics of 3 months of total weekly pay, May-July, compared with the same 3 months of the previous year).

1.10 This analysis has included the proposed 2020 increase of £350 to the basic salary as agreed for 2020. This would represent a percentage increase of 2.5% over 2019 (£13,868 to £14,218). It is determined that senior salary holders would benefit only by the £350 basic increase. The percentage increase for senior salary holders would be between 0.7 and 2.3%. The Senior Salaries in the 2009 and 2010 IRPW Annual Reports were also significantly higher than the current levels. Differentials between basic salary and senior salaries have reduced over the past 8 years, though not substantially partially because of the higher increases to senior salaries (£800) determined in the 2019 Annual Report.

## 2 Analysis of Senior Salaries 2013-2020

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Leader	47,500	47,500	48,000	48,000	48,000	48,100	48,300	49,100	49,450
Dep Ldr	33,460	33,460	33,500	33,500	33,500	33,600	33,800	34,600	34,950
Exec Mem	28,780	28,780	29,000	29,000	29,000	29,100	29,300	30,100	30,450
Chair/Grp Ldr	21,910	21,910	22,000	22,000	22,000	22,100	22,300	22,568	22,918
Grp Leader	16,920	16,920	17,000	17,000	17,000	17,100	17,300	17,568	17,918
Civic Head	21,375	21,375	21,500	21,500	21,500	21,600	21,800	22,568	22,918
% increase	-8.7	0	1	0	0	0.2	0.4	1.7	0.7% to 2.3%

*\*Band B has been used in calculations where there is more than one salary band for the post.*

### 2.1. Leaders

2.1.1 The figures in Table 4 represent the determinations made by IRPW between 2012 and its latest 2020 Annual Report for leaders of 22 principal councils in Wales, in 3 populations bands. In 2011 the Panel adopted a benchmark of the Wales Median Annual Salary: x2.5 for population Band A; x2.25 for Band B and x2 for Band C.

2.1.2 An analysis in the 2010 Annual Report demonstrated that just 5 of the 22 councils adopted the maxima as actual payments to leaders.

2.1.3 The Panel considers these posts to be full-time equivalent, though not 9-5, but accepts that post holders may have alternative employment. Post holders are not permitted by IRPW to receive remuneration for membership of either a National Parks Authority or a Fire and Rescue Authority or a Community or Town Council, which are the

responsibility of the Panel. Some leaders hold remunerated posts in the Welsh Local Government Association (WLGA), the Local Government Association (LGA) or on Welsh health boards or other public bodies. These bodies are beyond the scope of the IRPW.

- 2.1.4 There is evidence that some post holders do not draw their full salaries, do not claim certain expenses to which they are entitled, and/or make significant donations to charities.

## **2.2. Deputy Leaders**

- 2.2.1 The figures in Table 4 represent IRPW determinations for Deputy Leaders over the same period. The initial calculation was a 10% uplift on Executive Members. 70% of a leader's salary was set as a benchmark figure in 2011.
- 2.2.2 The 2010 analysis demonstrated that 5 councils adopted the IRPW maxima and 3 councils did not pay any senior salary for this post.
- 2.2.3 The Panel considers these posts to be full-time equivalent but accepts that post holders may have alternative employment. Post holders are not permitted by IRPW to receive remuneration for membership of either the National Parks Authority or the Fire and Rescue Authority or Community or Town Councils, which are the responsibility of the Panel. Some post holders may hold remunerated posts in public bodies which are beyond the scope of the IRPW.
- 2.2.4 There is evidence that some post holders do not draw their full salaries, do not claim certain expenses to which they are entitled, and/or make significant donations to charities.

## **2.3. Executive Members**

- 2.3.1 The figures in Table 4 set out the IRPW determinations on the salaries of Executive Members. The 2011 salary calculation was 60% of a leader's salary.
- 2.3.2 The 2010 analysis shows that 7 councils of the 22 paid the maximum IRPW executive members' salaries - 111 of 208 individuals would then have benefitted had their councils paid the maximum.
- 2.3.3 The Panel considers these posts to be full-time equivalent but accepts that post holders may have alternative employment. Post holders are not permitted by IRPW to receive remuneration for membership of either the National Parks Authority or the Fire and Rescue Authority or Community or Town Councils, which are the responsibility of the Panel. Some post holders may hold remunerated posts in public bodies which are beyond the scope of the IRPW.
- 2.3.4 There is evidence that some post holders do not draw their full salaries, do not claim certain expenses to which they are entitled, and/or make significant donations to charities.

## **2.4. Chairs**

- 2.4.1 The figures in table 4 set out the IRPW determinations on the salaries of Chairs of committees in principal authorities. Prior to 2010, salaries were banded by authority according to population groups and differentiated between specific committees.
- 2.4.2 The Panel anticipates that the workload of a chair is significantly greater than that of a backbench member. Some chairing roles are, however, clearly more demanding than others.
- 2.4.3 In 2016, the Panel created two levels of payment, giving councils the opportunity to differentiate higher and lower workload levels. This flexibility was subsequently dropped when there was limited take up and inconsistent application.
- 2.4.4 Authorities may decide not to remunerate some chairs and may decide to remunerate other chairing roles which are not responsible for statutory matters.

## **2.5. Opposition Leaders**

- 2.5.1 Table 4 sets out the IRPW remuneration for Leaders of the main opposition group. Such groups must comprise at least 10% of the membership of the council to qualify for salaries above that of a backbench member. These posts were initially banded.
- 2.5.2 In its 2012 Annual Report, the Panel linked this salary with that of a Chair.

## **2.6. Group Leaders**

- 2.6.1 Table 4 sets out the IRPW remuneration for Leaders of other opposition groups. Such groups must comprise at least 10% of the membership of the council to qualify for salaries above that of a backbench member. These posts were initially banded.

## **2.7. Civic Leaders and Deputies**

- 2.7.1 Table 4 represents IRP determinations on the salaries of civic leaders and their deputies. Many authorities still refer to this as a civic allowance.
- 2.7.2 IRPW assumed responsibilities for these senior salaries under the 2011 Measure and its first determinations came into force in 2012. Prior to this, local authorities set their own allowances for civic leaders and there was a wide variation of remuneration across Wales.
- 2.7.3 Councils may decide not to remunerate these posts. Councils may also decide to appoint a Presiding Officer to chair Council meetings.
- 2.7.4 Whilst, initially, the bands related, as with other senior salaries, to the population bands, in 2014 the Panel recognised that size of council was not an accurate reflection of civic workload. It therefore determined, following consultation, that councils could have the flexibility to decide which band to pay their civic leaders, based on workload. It also permitted civic leaders and deputies to be paid on different bands in the same authority according to their perceived relative workloads. Due to the lack of take-up in implementation of this approach, the Panel removed this more nuanced approach to levels of remuneration of civic leaders in 2019.

2.7.5 Although the Panel is clear that civic salaries are intended as (taxed) remuneration for responsibilities, and almost all post holders have a very demanding diary of events in addition to their council duties, it appears to be a widespread expectation that incidental donations and clothing costs will be met from these payments. Authorities have a varied approach to civic transport, larger donations, civic events and secretarial support but appear to accept these basic support costs as a council budget rather than an individual responsibility. Most post holders are honoured to accept the roles and are resigned to the fact that their year of office, certainly as chair/mayor, will involve increased personal costs. The chair/mayor role is perceived as full time. The deputy role varies considerably from authority to authority (and possibly from year to year) but is not considered to be full time in normal circumstances. (See paragraphs 3.14 to 3.19 of the Annual Report).

### **3. Summary**

- A. The Panel has to balance perceived public acceptability of increases against eroding levels of pay and differentials.
- B. Other comparable remuneration bodies (IRB and IPSA) have faced the same dilemma for AMs and MPs and have in the last 5 years each awarded a significant “catch up” payment and then adopted a benchmark approach to ensure the problem is not repeated.
- C. Affordability, acceptability and fairness are subjective terms. It is clear members’ salary increases have fallen significantly behind any other comparable measures since they were set by the Panel at its inception. A reluctance to benchmark over the years, driven by perceptions of acceptability, is one reason for this state of affairs, with Panel members almost invariably opting for a lower figure than might otherwise be justified by such comparators.
- D. The Panel may abandon quoting the ASHE Wales Gross Median Salary as a valid benchmark within the annual report. It may be an understandable and even justifiable approach to seek a benchmark which relates to the salaries of members’ constituents in Wales. However, this has not been applied since it was initially adopted. Had this benchmark been adopted and applied consistently, the basic member’s salary would now be in excess of £16,600. Within the ASHE analysis there is now a variation of over 30% between the highest and lowest median salaries by principal authority area across Wales. It may also be appropriate to drop the concept of a “public service discount” which has limited value - what does this contribute to acceptability?
- E. Looking to the future, if, after any “catch up” increase, it is considered appropriate to adopt any benchmark for percentage adjustments, the Panel might adopt either the same approach as the Independent Remuneration Board/IPSA or NJC rates. The IRB approach would apply the percentage increase measured during the previous year of the ASHE Gross Median Salaries (differing from the 3/5ths of the actual pay previously adopted by IRPW). The NJC approach would apply the same rate applied to local government staff at a similar level of pay.

- F. The compromise to a fixed approach to the basic salary could be to adopt an appropriate measure of adjustment as a principle but vary if there are exceptional circumstances.
- G. The Panel's approach to Senior Salaries might be criticised as being less generous, sometimes awarding only an increase to the basic rate element (as in 2020 but following a significant increase in 2019). The consequence is some limited erosion in differentials. The approach outlined in paragraph D would imply generally applying the same rate of increase to senior salaries as to the basic salary unless, exceptionally, the Panel considered this to be unreasonable.
- H. The Panel welcomes comments and ideas on these analyses.

#### 4. Notes

a. RPI figures: (July of respective year)

<i>Year</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>% increase</b>	3.1	2.7	1.6	1.2	2.5	4.1	2.7	3.0

b. CPI figures: (May of respective year)

<i>Year</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>% increase</b>	2.8	2.6	1.5	0	0.3	2.9	2.4	2.0

c. LA staff percentage increases - as measured for NJC spinal point 27:

<i>Year</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>% increase</b>	<b>0</b>	<b>0.7</b>	<b>0.43</b>	<b>2.05</b>	<b>1.0</b>	<b>1.0</b>	<b>2.0</b>	<b>2.6</b>
<b>Annual</b>	22,958	23,188	23,288	23,698	23,935	24,174	24,657	25,295
<b>Hourly</b>	11.90	12.02	12.07	12.29	12.41	12.53	12.81	13.14
<b>2/3rds</b>	13,775	13,913	13,973	14,219	14,361	14,504	14,794	15177

d. Median Wales-wide salaries:

<i>Year</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Weekly</b>	453	471	474	479	493	498	509	535
<b>Annual</b>	23,563	24,499	24,655	24,915	25,643	25,904	26,476	27,828
<b>3/5th</b>	14,137	14,699	14,793	14,949	15,386	15,542	15,885	16,696
<b>% incr</b>	0.4	4.0	0.6	1.1	2.9	1.0	2.2	5.5

e. Living Wage:

(based on 35 hours per week for 52 weeks a year)

<i>Year</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Hourly (£)</b>	6.19	6.31	6.50	6.70	7.20	7.50	7.83	8.21
<b>Annualised (£)</b>	11,266	11,488	11,833	12,197	13,108	13,654	14,255	14,947
<b>% inc</b>	0	1.9	3.0	3.1	7.5	4.2	4.4	4.9

## d. Analysis of Wales Assembly Members salary increases

	<i>Actual (£)</i>	<i>% incr</i>
2012	53,852	
2013	53,852	0
2014	53,852	0
2015	53,852	0
2016	54,391	1.0
2017	64,000	17.7
2018	65,344	2.1
2019	67,649	3.5

## e. Analysis of MPs salary increases

	<i>Actual (£)</i>	<i>% incr</i>
2012	65,738	
2013	66,396	1.0
2014	67,060	1.0
2015	74,000	10.3
2016	74,962	1.3
2017	76,011	1.4
2018	77,379	1.8
2019	79,468	2.7

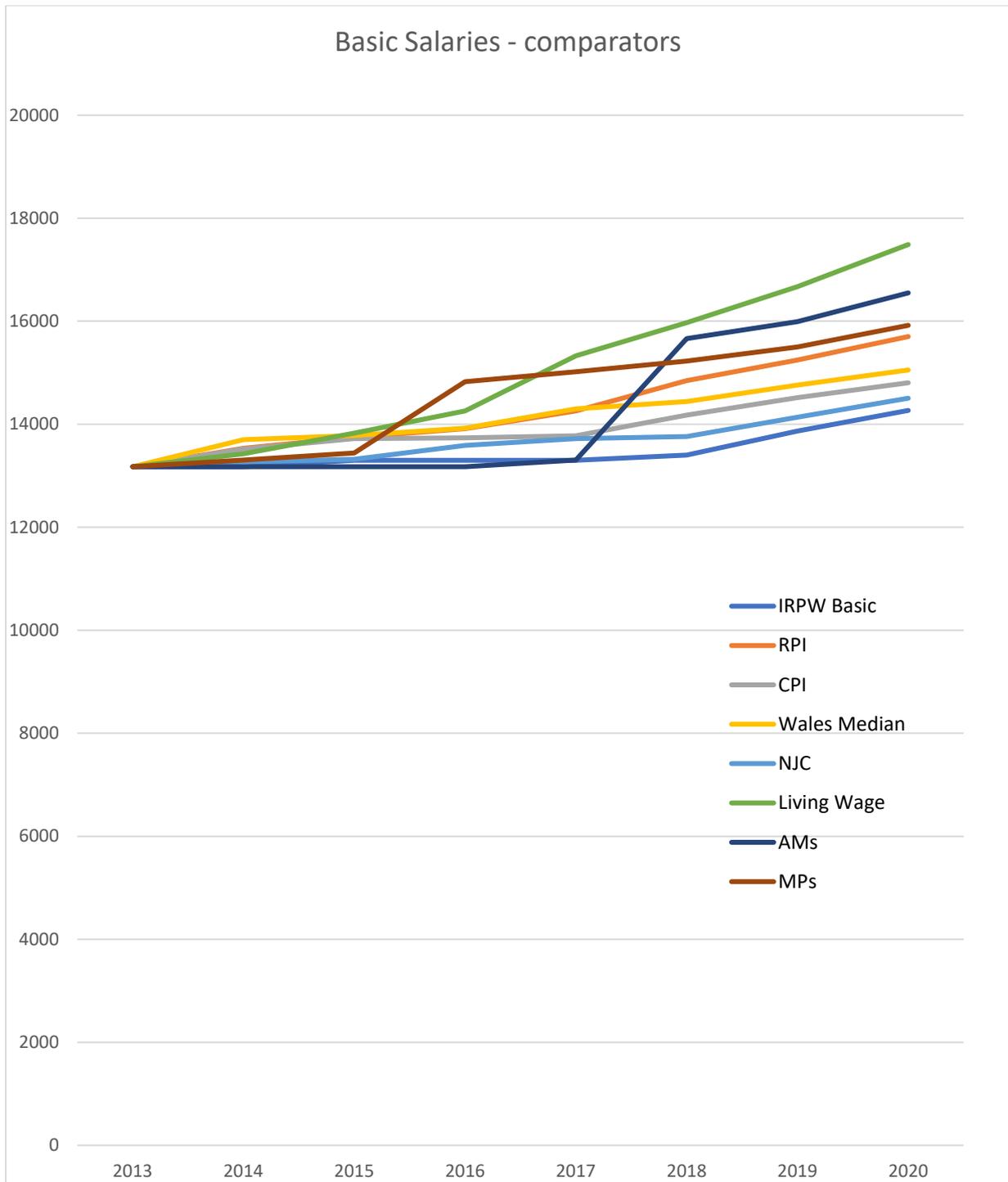
f. The multiplier to convert weekly to annual salary is 52.0152.

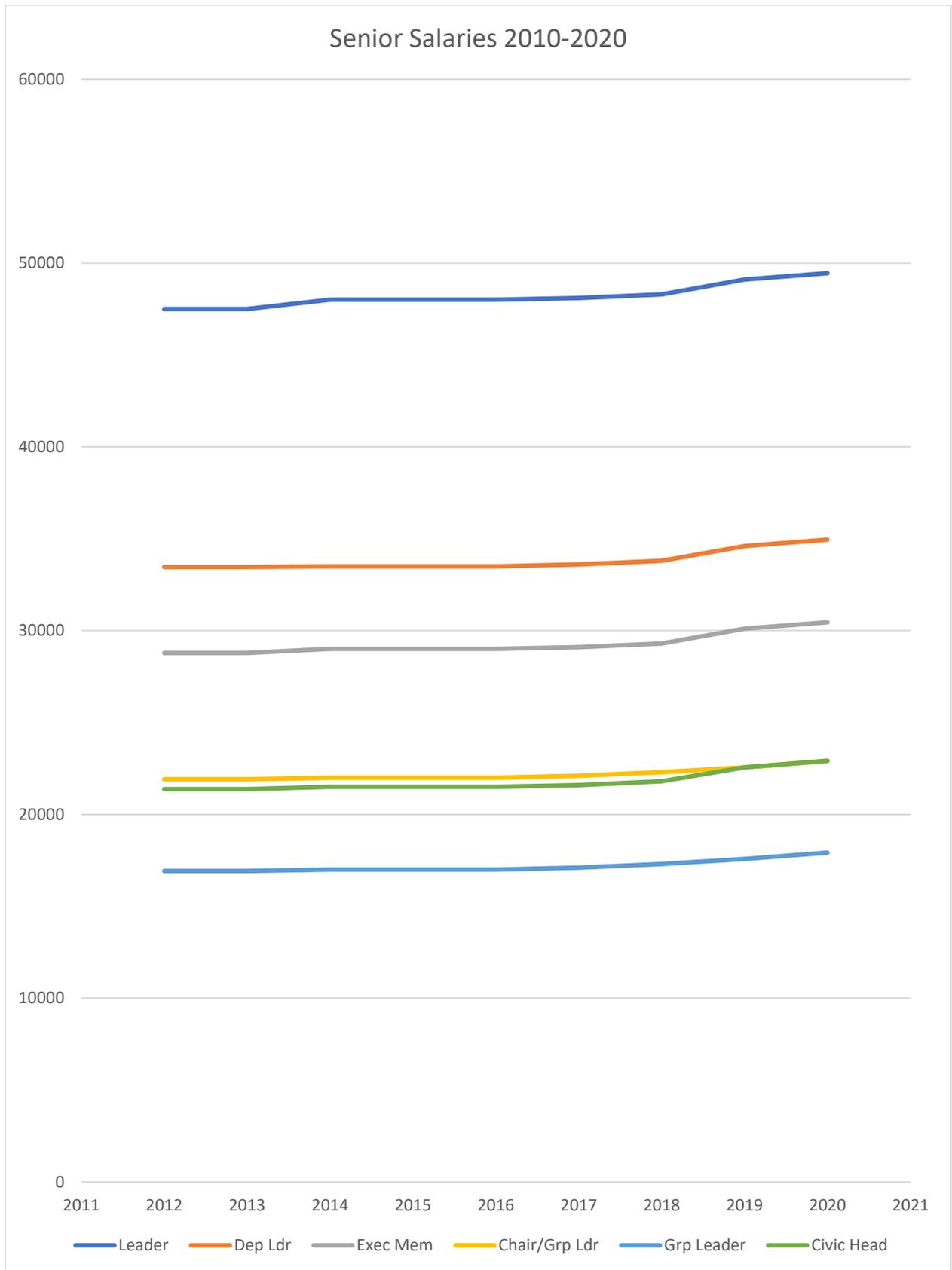
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5. NJC: <https://www.unison.org.uk/content/uploads/2018/08/New-NJC-Pay-Spine-2018-2019.pdf>
6. IPSA: <https://www.theipsa.org.uk/publications/consultations/review-of-mps-pay-and-pensions/>
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## Appendix 1

### *Members Opting out of Payments 2017-18*

Name of Authority	Number of Councillors opting to forgo basic salary (total in Authority)	Senior Salaries forgone
Blaenau Gwent	8 (42)	5
Bridgend	0 (81)	0
Caerphilly	5 (94)	1
Cardiff	0 (108)	0
Carmarthen	0 (104)	0
Ceredigion	0 (52)	2
Conwy	1 (59)	0
Denbighshire	0 (64)	0
Flintshire	0 (89)	0
Gwynedd	0 (76)	0
Isle of Anglesey	0 (38)	2
Merthyr	22 (51)	23
Monmouth	0 (59)	0
Neath Port Talbot	0 (65)	0
Newport	0 (50)	0
Pembrokeshire	0 (79)	0
Powys	0 (105)	0
Rhondda Cynon Taf	42 (105)	26
Swansea	0 (73)	0
Torfaen	33 (65)	27
Vale of Glamorgan	0 (71)	0
Wrexham	6 (73)	0
<b>Total</b>	<b>117 (1,603)</b>	<b>86</b>

Figures based on research collated from the statement of payments received (opted to forgo column) from all Local Authorities for the year 2017 – 2018.

These figures may include members who left the council part way through the year.