

WIRRAL METROPOLITAN BOROUGH COUNCIL

REPORT OF THE INDEPENDENT PANEL ON MEMBERS' ALLOWANCES

October 2013

Introduction

1. The Independent Panel on Members' Allowances met on Monday 7th October 2013 to undertake a periodic review of the Members' Allowances Scheme. The Panel comprised:

Don Latham, Private Local Government Consultant (Chairman)
Nunzia Bertali, Italian Consul
Pauline Brown, Eclipse Executive Ltd
Ray Allan, Solicitor (Retired)

2. The Panel was made fully aware that the Council currently faces a budget shortfall of £27.5million and that in a time of austerity it is vital to ensure that public money is well spent and that all allowances are justified and merited. Members have given a lead on this and, with the support of the Panel, have previously elected to take a 5% cut in basic allowance which was reduced from £9,171 to £8,712. We also noted that in line with staff pay there has been no increase in allowances over the last two years.

3. The Panel recognises that the allowances awarded to Members in Wirral MBC are in the lower quartile when compared to other similar Councils and that some Special Responsibility Allowances (SRAs) might justify an increase. But, given the financial situation being faced by the Council, we do not recommend any significant change to the Scheme at this time. We do believe that, if and when the financial climate allows, due consideration should be given to reinstating the 5% austerity cut in the basic allowance. This would cost £30,294 (i.e. £459 x 66 Members).

4. We considered the published material and comparisons with other Councils similar to Wirral MBC concerning remuneration of councillors including independent studies undertaken for other authorities. We noted the National Census of Local Authority Councillors and also took into consideration the requirements of Government Regulations on Member Allowances.

5. We would thank Graham Burgess the CEO for presenting his views to the Panel at the commencement of our review meeting and in particular on the issue of pensions. We would especially like to record our thanks to Shirley Hudspeth, Democratic Services Manager, who supported the Panel throughout the review. Also to Joe Blot (Strategic Director – Transformation and Resources) and Surjit Tour (Head of Legal and Member Services) who also attended to provide information and to answer our questions.

6. The Leader of the Council - Councillor Phil Davies (Labour); Leader of the Conservative Group – Councillor Jeff Green, and Phil Gilchrist (Liberal Democrat)

Leader of the Group also attended and presented their views to the Independent Panel.

Summary of Findings

7. The Panel's recommendations are as follows:

- In the light of the continuing time of austerity that no change be made to the basic allowance or SRAs.
- When the financial climate allows, due consideration should be given to reinstating the 5 % austerity cut in the basic allowance.
- The allowances paid to the Mayor (£10,700) and Deputy Mayor (£1,500) should remain unchanged.
- No SRA be paid to a chairs of the new Constituency (Area) Committees until they are up and running and can be properly evaluated with a suggested timetable for review of twelve months.
- The payment of an SRA (£2,751) to the chair of Employment and Appointments Committee be discontinued.
- Members should continue to be restricted to one SRA.
- The NJC award for staff pay continue to be used as the basis for updating allowances.
- The option to allow Members to participate in the local government pensions scheme (LGPS) should not be reconsidered again until the completion of the current Government/Treasury consultation exercise - which is anticipated to happen in 2014.
- There be no change in the basis of payments for travel and subsistence.
- The process of approving training expenses be streamlined.
- The Caring Allowance should continue to be kept in line with the minimum wage – currently £6.31.

General Commentary and Findings

8. The Panel reviewed the National Census of Local Authority Councillors 2010 and noted that Councillors have various differing roles and work to carry out also that Councils have different decision making structures. We considered the census information in the changing context in which local government works, with economic and social pressures, and a growing public scrutiny in a time of austerity.

9. There is now an increasing focus on councillors as community leaders and the main findings of the census showed that councillors as individuals are dedicated people who devote a great deal of their own time to serving their communities. Councillors spend on average 23 hours per week on Council business and this is consistent with surveys previously undertaken in both 2004 and 2006. The Panel believes that the situation in Wirral MBC reflects this national position.

Basic allowance

10. The Panel recognises that had the normal inflationary factors been applied the basic rate could have risen to £9,500. But that the Cabinet had recognised the

need to show restraint in the public finances in these difficult times and had determined not to increase the allowance for inflation. The result is that the current basic rate is now in the lower quartile of comparator authorities. Having discussed the situation with Group Leaders, in the light of the challenges being currently faced by the Council, the Panel proposes that, at this time, no change is made to the basic allowance of £8,712.

Mayor and Deputy Mayor

11. The Panel were asked to include these allowances in future reviews. No evidence was supplied that would suggest an increase could be justified. We recommend that the allowances paid to the Mayor (£10,700) and Deputy Mayor (£1,500) remain unchanged.

Special Responsibility Allowances

12. The Panel were asked to review the awarding of a separate special responsibility allowance to the Chairs of the four Constituency (Area) Committees. The Panel recommends that no SRAs be paid to the chairs of the new Constituency (Area) Committees until they are up and running and can be properly evaluated with a suggested timetable for review of twelve months.

13. We noted that the number of Policy and Performance Committees had been reduced from six to four and the number of SRAs (£4,585 x 2) reduced accordingly.

14. We were informed of the substantial changes in the terms of reference of the Employment and Appointments Committee. Delegations have been made to the Chief Executive Officer and the Committee now only meets ad hoc. The Panel, therefore, recommends that the payment of an SRA (£2,751) to the chair of Employment and Appointments Committee be discontinued.

15. We believe that SRA's are soundly structured. We recommend, in line with good practice, that the use of the basic allowance as a building block for SRA calculations should continue and we consider that SRA's are currently set at an appropriate, if minimum, level.

16. The Panel recommends, in line with current practice, that Members should continue to be restricted to one SRA.

Updating

17. The Panel recommend that the NJC award for staff pay should continue to be used as the basis for updating allowances.

Pensions

18. Strong representations were made to the Panel that Members should be allowed to join the Local Government Pensions Scheme (LGPS). We particularly noted the fact that the administrator of the Pension Fund - Wirral MBC - is the only

Merseyside Authority whose Members are not allowed to participate. Nevertheless, the views of the Panel remain unchanged That it is not appropriate to introduce pension provision at this time as it is felt that the overall package of allowances is sufficient and that the addition of a small pension, at quite considerable potential cost to the Council and council taxpayers, would not particularly encourage younger people to stand for Councillor. Panel members had previously expressed concern that the provision of pensions also implied employment rather than public service where a large voluntary component is integral to the role of the Councillor.

19. Nevertheless, because of the strength of the arguments previously made to the Panel we agreed that we would reconsider if we could be provided with more evidence and an estimate of potential cost. Information was supplied to the Panel suggesting that if there were a similar level of 'take up' in Wirral MBC to that of other Merseyside authorities (i.e. 24%) the cost could be upwards of £30,000. The Panel, continuing to be mindful of the Council's need for financial prudence, has not changed its position. But we believe that when the financial climate allows, due consideration should be given to the restoration of the 5% austerity cut (£30,294) in the basic allowance which would benefit all Members.

20. The Panel has noted that on 19th December 2012 the Local Government Minister, Mike Brandon Lewis, made a statement to the House of Commons setting out the Department's intention to remove access for councillors to the LGPS in England from April 2014 (see Annex) and that a separate consultation paper is to be issued as part of the planned consultation on the wider reform of the LGPS.

21. The consultation paper contains arguments the Panel would support against councillor involvement in the LGPS and we, therefore, believe that the option to allow Members to participate in the local government pensions scheme should not be reconsidered again until the completion of the current Government/Treasury consultation exercise on pensions - which is anticipated to happen in 2014.

Travel and Subsistence

22. The Panel fully endorse the Councils arrangements for travel and subsistence, especially the use of 40p for member mileage. Councillor David Elderton made a strong case in writing to the Panel that the HMRC rate of 45pence, as used by the Officers, should also apply to Councillors because of the high costs of travel. Because of the austerity being faced by the Council the Panel propose no change in the basis of travel and subsistence allowances other than that they should be increased appropriately each year for inflation.

Training Expenses

23. We were asked by officers to give consideration to agreeing a maximum amount of expenses that could be payable to Members who wished to attend training courses outside the Borough (often at short notice) because of the elaborate process they currently have to go through e.g. support from the Member Training Steering Group and with that permission from the relevant Portfolio Holder.

24. The Panel considers this to be an internal matter for the Council itself and that if the process currently in place is too laborious, then the Council should change it.

Caring Allowance

25. The Panel recommends that the hourly rate be kept in line with the minimum wage. (Currently £6.31)

Independent Panel
October 2013

Annex

Written Ministerial statement of 19 December 2012 on Councillors Pensions

On 12 September 2001, the then Department for Transport, Local Government and the Regions announced plans to give taxpayer - funded pensions to councillors, through access to the LGPS. The proposals came into force in 2003. The Councillors' Commission report of the last administration noted that 912 councillors in England had joined that pension scheme by 2004. A Taxpayers' Alliance survey in February 2009, across the whole United Kingdom, found that 3,527 councillors had pensions as of 2007 to 2008; a further survey in January 2012 found that figure had increased to 4,548 councillors by 2010 to 2011. The trend is clear.

Abolition of Taxpayer-Funded Pensions

Ministers in this government take a fundamentally different view to the last administration. We do not believe that taxpayer-funded pensions are justified. Councillors are volunteers undertaking public service; they are not and should not be employees of the council on the municipal payroll. They are not professional, full-time politicians, nor should they be encouraged to become so. Councillors do not receive a salary; rather, they receive allowances to compensate for their out-of-pocket expenses. Yet following changes made by the last administration, allowances have slowly become a form of salary, a situation worsened by the state-funded pensions. This is a corrosive influence on local democracy and independent thought, blurring the distinction between council staff and councillors. Every bit of the public sector needs to do its bit to help pay off the deficit inherited from the last administration. Local government grants are being reduced. Ministers have cut and then frozen their salaries. Public sector pensions, including parliamentary pensions, are being reformed to reduce the burden on taxpayers. It is only right that councillors do their bit as well. We do not believe that an occupational pension scheme intended for employees, and paid for by taxpayers, is an appropriate vehicle for councillors.

Existing Pension Rights

Subject to consultation, we propose that there will be no access for councillors to the LGPS in England from April 2014. In the interests of fairness, those councillors already in the scheme would have their accrued rights up to April 2014 fully protected, but would not be able to accrue any further benefits after that date in the existing scheme. This will not prevent councillors contributing to a personal pension: if they put aside part of their (taxable) allowances into such a pension, then that is a matter for them; they will continue to receive income tax relief like any ordinary member of the population, subject to the prevailing tax rules. Although central records on councillors' participation in the scheme are not held by my department, initial rough estimates suggest that this could save £7 million a year in taxpayers' money. There is absolutely no case for increasing councillor allowances to compensate. Instead, councils may want to consider earlier,

voluntary closure of the scheme to their councillors as a sensible saving.

Civic Duty

Eligibility regulations for the LGPS are overseen by my department. Although this is a centrally mandated change (as was its original introduction), we believe these reforms will assist localism and local democracy by encouraging a greater separation between councillors and officers. Robust local scrutiny of council spending requires councillors to be substantively independent of means and of thought from the body they are overseeing. Civic duty should not be bought. We do not believe it will have any detrimental effect on people choosing to become councillors. The best thing we can do to encourage more people to take part in municipal public life is to decentralise power to local communities so being a councillor is a meaningful and rewarding role.

Elected Mayors

We recognise that there is a greater expectation that an elected mayor is a full-time position. We therefore propose to consult on allowing elected mayors to remain in the scheme as a voluntary option (but not as an expectation), subject to local scrutiny, challenge and determination. The salaries of the Mayor of London, Members of the Greater London Assembly and Police and Crime Commissioners will remain pensionable.

Timing

Statutory consultation is required and will commence in due course, as part of the planned consultation on the wider reform of the LGPS. We will consult with the Welsh Assembly government in respect of access to the LGPS for councillors in Wales.

As a former councillor myself, I would like to pay tribute to their often unsung and ongoing work in standing up for their local residents. We hope these reforms will further strengthen the integrity and independence of councillors and increase the respect within their communities for the voluntary work they undertake as champions of the people.