

WIRRAL COUNCIL

CABINET – 23 APRIL 2009

REPORT OF THE DIRECTOR OF LAW, H.R. and ASSET MANAGEMENT

MEMBERS' ALLOWANCES

1. SUMMARY

1.1 This report requests the Cabinet to make recommendations to the Annual Meeting of the Council in respect of the Members' Allowances Scheme. In particular it is asked to consider any up-rating of the allowances, as permitted under the scheme.

2. BACKGROUND

2.1 In February 2008 the Council considered the recommendations of the Independent Panel on Members' Allowances in relation to the setting of a members' allowances scheme for the municipal year 2008/09. The recommendations were accepted apart from the proposed increase of £240 (2.66%). Instead the Council approved the Cabinet's recommendation that -

“ although allowances for Wirral Council's elected members have not been increased for four years, Cabinet recognises the need to remain within public sector pay norms and therefore agrees that Wirral members will only accept a 1.9% increase in the basic allowance with effect from the 1st April 2008. Thereafter, the basic allowance will be updated each year for inflation by the use of the LGA daily rate, as recommended by the Independent Panel”.

2.2 The basis of the 'daily rate' is the LGA's proposition that there should be a significant voluntary element in councillors' work (say 20 hours a month) and that a remuneration scheme should seek to reflect no more than 40 hours effective work per month. The Independent Panel, having considered the options, decided that the remuneration scheme should reflect no more than 40 hours effective work per month (approximately six days) and took the LGA's daily rate of £138.75, as recommended in February 2007. The calculation was as follows:

$$£ 138.75 \div 7.4 \text{ hours} \times 40 \text{ hours} \times 12 \text{ months} = £9,000$$

At the same time the Panel accepted that there were costs in undertaking the role of councillor. It recommended that a sum of £240 be added to recognise the expense element of the allowance, making a total allowance of £9,240 (which the Council subsequently reduced to £9,171).

2.3 The LGA daily rate was revised in March 2008 (see attached letter). That was shortly after the new allowances had been officially published, so no action was taken to implement any further increase at that time.

2.4 I have only just received this year's guidance from the LGA, which is as follows:

This alert updates the LGA guidance on the suggestion that authorities can adopt a "day session" rate when developing and updating their local scheme of allowances for members. The median increase for 2007 [i.e. on the 2007 rate] was 2.9% - we would like to point out that the rate is purely advisory, and local authorities are free to use these or other indices and benchmarks which are appropriate to up-rate member allowance rates.

2.5 It should be noted that, whilst the Panel recommended that allowances should be increased each year by the use of the LGA daily rate, it emphasised that even the decision to update for inflation had to be taken in the context of the financial pressures being faced by the Council.

2.6 The Panel also recommended that the dependant carer's allowance, currently £5.52 per hour, should in future be kept in line with the minimum wage, and this was recently increased to £5.73 per hour (for employees aged 22 and over).

3. REGULATORY REQUIREMENTS

3.1 The setting of a members' allowances scheme is a decision for the whole Council, based on recommendations from the Cabinet.

3.2 Any arrangement to implement an up-rating, as allowed by the Scheme, can remain in force for up to four years, i.e. until 2012. No other changes to the Scheme are envisaged by this report, and it was not, therefore, intended to request the Independent Remuneration Panel to meet.

3.3 The minimum wage is set by statute.

4. FINANCE AND STAFFING IMPLICATIONS

4.1 Each increase of 1% in the basic allowance would add £8,262 to the members' services budget, based on the current basic allowance and available special responsibility allowances. However, not all of the SRAs are currently taken up, which means that, if an increase of up to 2.9% were recommended, it could be accommodated within the existing budget.

4.2 To date, I cannot recall any instances of a claim being made for the dependant's carer's allowance.

4.3 There may be savings made from any decision to reduce the number of overview and scrutiny committees (the subject of a separate report).

4.4 There are no staffing implications arising from this report.

5. EQUAL OPPORTUNITY IMPLICATIONS

5.1 None arising directly from this report, other than those covered by the inclusion of a carer's allowance within the Scheme.

6. LOCAL AGENDA 21 IMPLICATIONS

6.1 None arising from this report

7. OTHER IMPLICATIONS

7.1 None.

8. LOCAL MEMBER SUPPORT IMPLICATIONS

8.1 This report affects all members.

9. BACKGROUND PAPERS

9.1 None, other than the report of the Independent Remuneration Panel and LGA guidance.

10. RECOMMENDATIONS

10.1 That the Cabinet consider whether members' allowances should be up-rated for the municipal year 2009/10, in accordance with the approved scheme.

10.2 That, irrespective of the decision in 10.1 above, the dependant carer's allowance be increased to £5.73 per hour.

Bill Norman
Director of Law, H.R. and Asset Management

APPENDIX 1

WIRRAL METROPOLITAN BOROUGH COUNCIL

REPORT OF THE INDEPENDENT PANEL ON MEMBERS' ALLOWANCES

December 2007

Introduction.

1. The Panel last reported in 2002 and we are pleased to update our recommendations in the light of that report and the changed conditions being faced by the Council. We do have concerns that the Council has moved away from our recommended approach of a realistic basic allowance and a tight restriction on the number of Special Responsibility Allowances (SRAs). We address these and other issues presented to us by members in this report. Of particular concern to the Panel is the proliferation of SRAs to the extent that these are now payable to a majority of members.
2. Previous Panel reports recommended that Wirral should move to a median position and a benchmarking exercise has been undertaken to ensure that this position has been maintained by the Council. Having been made aware of the financial constraints currently faced by the Council we make recommendations that would require only a minimal increase in the budget.
3. We have been made aware of the published material from national bodies and other councils similar to Wirral Metropolitan Borough Council concerning remuneration of councillors including independent studies undertaken for other authorities. Evidence from benchmarking with the non-elected public sector has provided some useful comparisons on remuneration, role and responsibility levels. We have also taken into account the requirements of Government Regulations on Member Allowances.
4. The Independent Panel comprised:

Don Latham, Private Local Government Consultant (Chairman)
Nunzia Bertali, Italian Consul
Pauline Brown, Eclipse Executive Ltd
Ray Allan, 174 Law Solicitors

Andrea Grant, Democratic Services Manager, supported the Panel throughout the review. We would like to record our thanks to her together with the Leader of the Council - Councillor Steve Foulkes, Leader of the Liberal Democrat Group – Councillor Simon Holbrook, and Leader of the Conservative Group – Councillor Jeff Green, who offered personal evidence in response to our questions.

Summary of findings.

5. The Panel's recommendations are as follows:
 - That the basic allowance be set at £9,240 per annum (currently £9,000)
 - That the basic allowance be updated each year for inflation by the use of the Local Government Association daily rate - issued each February.

- That a revised and restricted range of special responsibility allowances (SRAs) be introduced as set out in paragraphs 10-14.
- That members should continue to be restricted to one SRA.
- That the option to allow members to participate in the local government pensions scheme should not be implemented at this time.
- That there be no change in the basis of payments for travel and subsistence.
- That the Caring Allowance hourly rate be increased from £4.50 to £5.52.

General Commentary and Findings.

6. The Panel made proposals in their previous report that represented a significant shift from SRAs to a higher basic allowance that we still believe represents ‘best practice.’ We also recognised the need to monitor and evaluate the new scheme through the possible introduction of a self- assessment/ appraisal process. The Panel was made aware that the Council has adopted the Improvement and Development Agency charter for member development and that appropriate budget provision is made for member training. But we do not have the evidence that would confirm that less time being spent in meetings; there is more involvement with the community and that a greater diversity in Council membership has been achieved. It was also intended that the new process would result in decision- making being more effective, transparent etc. These were some of the intended outcomes of the new governance arrangements of which the payment of more realistic allowances to members would form an important part. Nevertheless we have kept all these in mind in making our recommendations to the Council.

Basic allowance.

7. The Panel was influenced by work undertaken by other Panels e.g. The Association of London Government (ALG). The AL G report proposed that there should be a significant voluntary element (say 20 hours a month) and that ‘a remuneration scheme should seek to reflect no more than 40 hours effective work per month.’ The Panel having considered the options decided that the remuneration scheme should reflect no more than 40 hours effective work per month. (Approximately six days) We have taken the Local Government Association’s daily rate of £138.75 as recommended in Feb 2007. The calculation is as follows: -

$$£ 138.75 \div 7.4 \text{ hours} \times 40 \text{ hours} \times 12 \text{ months} = £9,000$$

8. Allowances are subject to income tax. However, as the basic allowance is intended to recognise the time devoted by councillors to their work, some incidental costs (e.g. use of their homes and private telephone) may be deducted from the allowance received in calculating how much of the allowance is taxable. This would be subject to agreement of Inland Revenue. Expenses can be offset against tax liability if it can be shown they have been wholly, exclusively, and necessarily, incurred in the performance of duties.
9. We are aware of the costs in undertaking the role of a member. These costs are covered by the basic allowance and some Councils identify a sum within basic allowance to cover such costs. We recommend that a sum of £240 be added to recognise the expense element of the allowance making a **total allowance of £9,240.**

Special Responsibility Allowances.

10. We believe that SRA's should be restricted to the minimum number of councillors. This approach is endorsed by Government Regulations that state that an SRA should be paid only to members who undertake **'significant additional responsibilities.'** The Association of London Government (ALG) report stated that to have more than one third of members with a SRA would be top heavy. The original Welsh Assembly report for the Welsh Unitary authorities was more explicit and recommended a maximum of one third or 20 whichever was the lower. The Government regulations are not explicit but the intention is clear that only a minority of members should be expected to receive an SRA. In our previous report we recommended 25 (38%) but currently the Council scheme provides for 45 (68%).
11. We have specifically addressed issues that would enable the Council to reduce urgently the number of SRA payments and a number of other issues brought to our attention by group leaders. We recommend in line with good practice, that the use of the basic allowance as a multiplier for SRA calculations should continue and we consider that SRAs are set at an appropriate level.
12. We believe the Scrutiny role is a key to the success of the new structure and process but we are concerned that six Select Committees have now transformed into ten Overview and Scrutiny Committees each Committee acting as a shadow of a member of the Cabinet. The intention of the new form of governance was to lessen the time members spend in Committees and members of the Panel were concerned not least at the impact on the Member Allowances Scheme. We were also informed of the creation an Audit Committee in addition to the above 'scrutiny' arrangements. We fully support this development but would question whether the payment of an allowance of £900 for the Chairman is appropriate. If this is a fully functioning Audit Committee we recommend that the Chairman should receive an SRA of £4,500 (50% net basic) equal to that received by Overview and Scrutiny Committees. It would be usual for the major opposition group to play a leading role in the overview and scrutiny process but the Panel were made aware of the special circumstances of the Councils current political management arrangements.
13. Of particular concern is the continuation of the payment of a £900 SRA to 15 members of a 'pool' used to determine Licensing matters. Many Councils made temporary arrangements to pay additional allowances during the period of the implementation of the new Licensing regime but these were short term arrangements and have been discontinued. Other Committees, e.g. Planning, also make heavy demands on member time and the Panel does not consider that these exceptional payments to members of Licensing Committee should continue. We strongly recommend that these SRA payments be discontinued.
14. We recommend that when the Chairmanship of the Standards Board is undertaken by an independent member (commonly regarded as good practice) that the Council should consider increasing the allowance from £900 to say £1,350 (15% net basic)
15. The Panel recommends, in line with current practice, that an individual councillor is restricted from claiming more than one allowance.

Updating.

16. The allowances have been updated in line with the median white-collar wage, as notified by the LGA in February 2007. We recommend that allowances should be increased each year by the use of the LGA daily rate. The Panel recognises that even the decision to update for inflation has to be taken in the context of the financial pressures being faced by the Council. Our proposals would add £6,390 (net) to the current Council budget.

Pensions.

17. Strong representations were made to the Panel that members should be allowed to join the Local Government Pensions scheme. We would particularly like to thank those members who provided detailed information in writing. We particularly noted the fact that as the administrator of the Pension Fund Wirral Metropolitan Borough 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 was felt that the overall package of allowances was sufficient and that the addition of a small pension, at quite considerable potential cost to the Council and taxpayers, would not particularly encourage younger people to stand for Councillor. Panel members 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. The Panel was also mindful of the Council's need for financial prudence and that nationally, mainly due to the large number of Councils yet to introduce a scheme, only 5% of members are participating.

Travel and subsistence.

18. The Panel fully endorse the Councils arrangements for travel and subsistence especially the use of 40p for member mileage. We recommend no change in the basis of the allowances other than that they should be increased appropriately each year for inflation.

Caring Allowance.

19. The Panel welcomes the introduction of a caring allowance. This is in accord with 'best practice' and we recommend that the hourly rate of £4.50 be increased and in future kept in line with the minimum wage – currently £5.52.