REPORT OF THE INDEPENDENT REMUNERATION PANEL

1. Purpose of the Report

1.1 The purpose of this report is to allow Members to consider the report of the Independent Remuneration Panel, which is attached, and to decide what action to take in respect of the two issues which were referred to the Panel.

2. Background

2.1 There is a requirement in the Members Allowances Regulations to review the index, which is used to uprate the basic and special responsibility allowances, every four years. The Council must consider a recommendation from the Panel prior to making a decision. The Panel last reviewed the current index towards the end of 2007 and reported to Council in January 2008 that it be retained. Council accepted the recommendation.

2.2 Council, at its meeting on 19 May 2010, resolved to request that the Panel re-consider that recommendation and consider recommending the adoption of a locally determined uprate mechanism. The increase to Members’ Allowances for 2009/10 was 4.6%, i.e. significantly more than the pay award to Council employees for that year. Council also asked that the Panel consider a reduction of 4% in respect of the allowances paid under the Scheme.

3. Outcome of the Review

3.1 The Panel has recommended that:

(i) the current index for uprating the basic and special responsibility allowances within the Members’ Allowances Scheme be retained; and

(ii) the proposed cut of 4% across the allowances within the scheme be not implemented.

3.2 The remit of the Panel requires that proposals are assessed purely in the context of the scheme and its operation. In the view of the Panel, the marked difference between the two outcomes of the indices for 2009/10 does not outweigh the fact that the existing index has worked well in practice for a number of years. Also, a 4% cut across the board, in Members’ Allowances, would undermine the rationale for the whole scheme, from the Panel’s perspective. The Panel appreciates that the Council has a different perspective and may take a broader view of the potential benefits of the proposed changes.

3.3 Members must have regard to the Panel’s recommendations when deciding what action to take on these two issues. This does not mean that Council must follow the recommendations, but if Council were to take a different view Members must be clear as to the reasons for not adopting the Panel’s line and be satisfied that they are legitimate reasons in the circumstances.
3.4 The ODPM guidance, which was issued at the inception of the schemes, suggested that Councils may wish to adopt the current, median white-collar wage, index. The other two alternatives were local/regional wage rates and allowances paid to members of the voluntary sector, eg. members of local health trusts. In the event, the Council chose the median white-collar wage, but it is clear that it would have been adjudged as a reasonable decision that local wage rates were a more appropriate measure for the level of allowances to be paid to elected members of the community.

3.5 A decision to change the index at this stage, contrary to the recommendation of the Independent Remuneration Panel, would be vulnerable if Members’ Allowances would increase, or be likely to increase, as a result of the change. That is not currently the case, as the proposals would generate a saving.

4. Financial Implications

4.1 If Council were to adopt the recommendations of the Independent Remuneration Panel, the financial position would not change.

4.2 In a full year, a cut of 4% in Members’ Allowances would produce a saving of around £21,180.

4.3 The position regarding the index is less certain. The current index has produced a 2% increase for 2010/11, whereas the Employers have currently offered 0% to Council employees subject to JNC conditions. Whilst the pay award negotiations have not concluded, if that were to be the outcome, a change of index would generate a saving in the region of £10,600 in the current year.

5. Proposed Decision

5.1 Members decide what action to take on the two proposals, whilst having regard to the recommendations of the Independent Remuneration Panel.

Peter Blackburn
Assistant Chief Executive
(Legal and Administrative Services)

The Contact Officer for this report is Peter Blackburn, Chief Executive’s Department
Town Hall
Tel: (01744) 673203
REPORT OF THE ST HELENS INDEPENDENT REMUNERATION PANEL

1. Introduction

1.1 Under the Local Authorities (Members’ Allowances) (England) (Amended) Regulations 2003, each local authority has in place a scheme in respect of members’ allowances. In establishing such a scheme the authority has to have regard to the recommendations of an Independent Remuneration Panel.

1.2 The membership of the Panel in St Helens is as follows:

Peter Bounds, Consultant and former Chief Executive of Liverpool City Council
Peter Rushton, former Principal of Carmel College and Consultant
Mike Mason, Administrator of St Helens Parish Church

2. Reason for the Report

2.1 The Panel made a recommendation to the Council, in January 2008, to retain the current index for uprating the allowances in the Members’ Allowances Scheme. The Council adopted the recommendation at that stage.

2.2 The Council has requested that the Panel re-consider the earlier recommendation and consider an alternative index, based on the pay awards to the local workforce. In addition, there is a request to consider a proposal to reduce the allowances in the scheme by 4%.

3. The Index

3.1 The index, referred to in the scheme, that is used to uprate members’ allowances is based on the median white-collar wage, which is calculated by the Office for National Statistics and notified by the Local Government Association. The legislation requires that the Council reviews the index at least every four years and that it considers the Panel’s recommendation when making its decision.

3.2 The percentage increases which have been applied to allowances under the scheme over the last six years are set out below, together with, for comparison, the pay settlements for the majority of Council employees subject to the National Joint Council for Local Government Services conditions:

<table>
<thead>
<tr>
<th></th>
<th>Current Index (%)</th>
<th>NJC %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>2.4</td>
<td>2.75</td>
</tr>
<tr>
<td>2005</td>
<td>4.15</td>
<td>2.95</td>
</tr>
<tr>
<td>2006</td>
<td>2.8</td>
<td>2.95</td>
</tr>
<tr>
<td>2007</td>
<td>3.7</td>
<td>2.475</td>
</tr>
<tr>
<td>2008</td>
<td>2.9</td>
<td>2.75</td>
</tr>
<tr>
<td>2009</td>
<td>4.6</td>
<td>1.00</td>
</tr>
</tbody>
</table>
4. **The Findings of the Panel**

4.1 On the last review, undertaken by the Panel towards the end of 2007, which informed the report adopted by Council, the finding was that the scheme and the index had operated effectively over the previous four years. No concerns were raised by Elected Members at that stage. The operation of the current index had produced a higher increase in the allowances, compared to the pay awards, over the period from 2004 to 2007, although in two of the years it had been the lower of the two percentage figures.

4.2 Patently the difference between the two indices was more marked in 2009. Whilst it is appreciated that, in the current climate, this may be a sensitive issue for Elected Members, from the Panel’s perspective this recent development does not outweigh the fact that the index has worked well in practice for a number of years. It is difficult to forecast the future performance of the two indices. There is no guarantee that an index linked to pay awards would continue to produce lower increases than the median wage. The Panel’s recommendation is that the current index ought to be retained, but if it were to change, it is the view of the Panel that a review ought to take place earlier than the statutory four-yearly requirement.

4.3 The original exercise which underpinned the Members’ Allowances Scheme, was based on an analysis that Members would spend, on average, a certain amount of time on Council duties. A rate was applied and the appropriate calculation produced the Basic Allowance. The various Special Responsibility Allowances were then derived from the Basic Allowance, as multiples or fractions of that figure, depending on the relative level of responsibility of each post. The view of the Panel is that it was an appropriate, reasoned approach, which still forms the basis of the scheme and is still valid. That validity would inevitably be undermined were the Panel simply to recommend, to Council, a 4% cut in the allowances payable under the scheme. From the Panel’s perspective, a reduction in the level of allowances would necessarily imply a reduction in hours/responsibility of all the posts, and would require a fundamental re-evaluation of the scheme. For that reason, the Panel are not able to recommend the proposed 4% cut in allowances to the Council.

4.4 The Panel are mindful of the fact that a Member may, under the scheme, elect to forego any part of his/her entitlement to an allowance.

4.5 The Panel appreciates that the Council is able to take a broader view of the potential benefits of the proposed changes, whereas the remit of the Panel is to focus on the operation of the scheme.

5. **Recommendations**

It is recommended to Council that:

5.1 the current index for uprating the basic and special responsibility allowances within the Members’ Allowances Scheme be retained; and

5.2 the proposed cut of 4% across the allowances within the scheme be not implemented.

Peter Bounds, Mike Mason, Peter Rushton
St Helens Independent Remuneration Panel
July 2010