

REPORT TO: **INDEPENDENT REMUNERATION PANEL**

SUBJECT: **POSSIBLE ANNUAL INFLATIONARY INDICES**

DATE: **21 JANUARY 2013**

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1.0 Background

- 1.1 At its meeting on 10 October 2012, the Panel made a request for information to be provided to aid the formulation of its recommendations to the Council on the Members' Allowance Scheme for 2013/14. Specific reference was made to the identification of any relevant inflationary measures that could be used to amend Members Allowances.
- 1.2 The Local Authorities (Members' Allowances)(England) Regulations 2003, Part Three sections 10 (4) and (5) states:
- 1.2.1 (4) A scheme may make provision for an annual adjustment of allowances by reference to such index as may be specified by the authority and where the only change made to a scheme in any year is that effected by such annual adjustment in accordance with such index the scheme shall be deemed not to have been amended.
- 1.2.2 (5) Where an authority has regard to an index for the purpose of annual adjustment of allowances it must not rely on that index for longer than a period of four years before seeking a further recommendation from the independent remuneration panel established in respect of that authority on the application of an index to its scheme.
- 1.3 This report identifies a number of possible options for Members of the Panel to consider in determining future annual uplifts of Members' Allowances.
- 1.4 The Independent Remuneration Panel at its meeting of 6 June 2012 resolved to adopt the following Members' Allowance Scheme as detailed below: -

2012/13 Members' Allowances:

Band	Position	How the Allowance is calculated	Level of Payment	Number of Councillors holding this position	Total cost
4	Leader of the Council	Basic allowance x3	£25,560	1	£25,560
3	Cabinet Members (excluding the Leader of the Council)	Basic allowance x2	£17,040	6	£102,240
2	Senior Councillor	Basic allowance x1.5	£12,780	9	£115,020
1	Councillor	Basic allowance	£8,520	66	£562,320
				TOTAL	£805,140

2.0 Indexation Options

2.1 A wide range of options are available to the Remuneration Panel in which the basic allowances could be up lifted. In the following paragraphs, a number of, what is felt to be the most appropriate indices, have been identified for consideration. An

indicative financial impact of the options is shown in Annex A (using the latest available indices). This may assist the understanding of the options.

- 2.2 The indices identified fall, principally, into two categories; employee benefits and general inflation indices. Each has their own benefits and pitfalls. Employee benefits reflect the increases in remuneration that certain sectors (or all parts) of the economy are receiving, whilst general inflation provides an indication of the price increases affecting the wider economy.

2.2.1 Employee Benefits

- (i) **Local Government Pay Settlement** – This is agreed annually and reflects the national pay bargaining between the national employers and the trade unions.

For information, the Government has indicated that grant settlement for 2013/14 will include a 1% increase in resources for employee costs. However, the actual increase for local government staff would be in line with the pay bargaining between the unions and the Local Government Association.

- (ii) **Average pay increase given to Sefton Council employees** - The Council has in the past kept its pay structure in line with national annual increases. If this were to continue the impact on Members' Allowances would be the same as (i) above. However, should the Council move away from this link, then an alternative local pay scale could be used as a proxy for Members' Allowance increases.

For information, the Council's current budget proposals assume that there will be a move away from the national link. i.e. **no** increase in employee remuneration for 2013/14. The final decision on the budget will not be known until 28 February.

- (iii) **National Pay Scales** – No national pay award is published for the private sector, however, there are infrequent surveys carried out by HR companies.

For information, a survey carried out by XpertHR shows employers predict a 2.5% pay increase for 2013, with an average increase of 2.8% paid in 2012.

- (iv) **Minimum Wage increase** – The Low Pay Commission (LPC) is an independent body established to advise the Government about the National Minimum Wage.

For Information, the LPC recommended an increase to the Minimum Wage of 1.8% with effect from October 2012 for adults (aged 21 and over).

2.2.2 General Inflation

- (I) **Retail Price Index (RPI)** Another option to consider would be to increase Members' Allowances in line with the Retail Price Index (RPI),

For information, this currently stands at 3.0% (as at November).

An alternative to the RPI would be the RPIX rate (RPI excluding Mortgage Interest), which is currently at 2.9%.

The RPI for Housing and Household Expenditure could also be used, which currently stands at 2.7%.

- (II) **Consumer Price Index (CPI)** The final appropriate option to consider is to increase the Basic allowance by the November rate for CPI, which is 2.7%.

- (III) A number of variations of the RPI and CPI could be used to index members' allowances. The indices are both broken down into many sub categories of the various prices and incomes that make up the index, including personal expenditure (4.4% in November) and Food (3.7%). Areas like food are broken down even further so a more detailed breakdown is available with a much greater disbursement in percentages.

2.3 For reference, each increase of 1% in Members' Allowances over the current rate would result in an additional cost of £8,051 for the Council.

2.4 In accordance with legislation, an authority can only agree the method of indexation for a maximum period of four years. After the four year period has elapsed (2017), another report will be required to be presented to this panel.

3.0 Other Authorities Increases

3.1 Sefton Council's nearest neighbours have increased members allowance on the following bases:

Authority	Basis of Indexation
Liverpool	No Index Linking
Knowsley	Indexed to the national pay awards for Local Government Officers
St Helens	Indexed to the national pay awards for Local Government Officers
Wirral	No Index Linking
Halton	Indexed to the national pay awards for Local Government Officers

3.2 A review of other councils approach to indexation around the country shows that the overwhelming majority favour an increase linked to employees pay awards. A number of councils have frozen any indexation in these years of budget pressures.

4.0 Summary

4.1 The financial impact of the potential indices highlighted in this report will result in an increase to Members' Allowances and will therefore lead to an increase to the Council's budget gap. The financial impact of the various options can be seen in Annex A.

5.0 Recommendation

5.1 Members of the Panel note the information on potential inflationary increases.

ANNEX A

FINANCIAL IMPACT OF POTENTIAL INDICES

Index	Rate	Leader of the Council	Cabinet Members	Senior Councillor	Councillor	Total Increase
Local Government Pay Settlement	1%	£256	£1,022	£1,150	£5,623	£8,051
Pay Award for Sefton Employees	0%	£0	£0	£0	£0	£0
Retail Price Index	3.0%	£767	£3,067	£3,451	£16,870	£24,155
Retail Price Index (Excluding mortgage interest)	2.9%	£741	£2,965	£3,336	£16,307	£23,349
Consumer Price Index	2.7%	£690	£2,760	£3,106	£15,183	£21,739