

MEMBERS ALLOWANCES

(Report by Head of Administration)

1. INTRODUCTION

- 1.1 The Members Allowances scheme was reviewed last in the autumn of 2004 and the changes came into effect on 1st January 2005. It makes provision for an annual adjustment of both the Basic Allowance and Special Responsibility Allowances using as an automatic index mechanism the average Cambridgeshire salary contained in the New Earnings Survey published annually by the Office of National Statistics. The adjustment is made each year with effect from the Annual Meeting of the Council.
- 1.2 Reference to the New Earnings Survey information for 2005 would result in a higher increase than the provision made in the budget for the current year which has prompted the need for this to be brought to the attention of the Panel.

2. NEW EARNINGS SURVEY

- 2.1 In recommending the Members Allowances scheme for the period until the end of 2007, the Independent Remuneration Panel sought to identify an index mechanism that was both independent of the Council and in which there could be confidence. The Office of National Statistics survey has been adopted by other authorities as an index for their Members Allowances schemes but was changed last year by the ONS to an annual survey of hours and earnings which is based upon a one per cent sample of employees. It no longer shows an average Cambridgeshire salary but analyses the sample data into the median for all employee jobs both by place of work by local authority and by place of residence by authority. The increases for Cambridgeshire for the two criteria for 2004 are 13.4% and 7% respectively
- 2.2 Provision has been made in the current year's budget for an increase of 2.5% in Members' Allowances which is clearly insufficient to fund a level of increase in line with the ONS data. Moreover Members may consider it inappropriate for a percentage increase of this size to be applied to the existing allowances.
- 2.3 The Chairman of the Independent Remuneration Panel has advised that the Council has discretion to adopt an alternative index without the need for the Panel to be reconvened to review the Scheme but has made no recommendation as to what that index could be.

3. ALTERNATIVES

- 3.1 There are few automatic indices that provide a viable alternative, hence the use of the ONS data. Some authorities are understood to use the nationally negotiated increase for local government employees but as the Council has opted out of the national scheme for its own employees, this might be considered inappropriate. Use of the locally determined salary increase would offer a way forward inasmuch as Members would receive the same percentage increase that was considered appropriate for employees earlier in the year. However as this is set by the Council itself, it cannot be regarded as

an independent index mechanism and it would be difficult to justify its use in subsequent years.

- 3.2 The application of a 3.2% increase to Members Allowances with effect from the Annual Meeting would result in additional expenditure of £2,500 in 2005/06 which can be met by transferring resources from the Members travelling and subsistence budget.

4. CONCLUSION

- 4.1 The statistics provided by the ONS would result in an increase in Members Allowances which would be substantially in excess of the current rate of inflation and for which insufficient budgetary provision has been made. Having regard to the few viable alternatives that are available, it is

RECOMMENDED

that the Basic Allowance and Special Responsibility Allowances for Members be increased with effect from the Annual Meeting on 18th May 2005 by the same percentage increase as applied to the salaries of Council employees for 2005/06.

BACKGROUND PAPERS

Members Allowances Scheme
Annual Survey of Hours and Earnings published by the Office of National Statistics

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