

REPORT OF THE INDEPENDENT REMUNERATION PANEL

1. PURPOSE

- 1.1 To consider whether pensions should be introduced for elected members of Bury Metropolitan Borough Council.

2. BACKGROUND

- 2.1 Section 99 of the Local Government Act 2000 included powers for the Secretary of State to:

- make provision for the payment of pensions to such members of a local authority as may be prescribed by regulations; and
- make regulations prescribing the role of the independent remuneration panel in the process of determining which member positions may receive pensionable remuneration.

- 2.2 Regulations have now been produced which set out the pension provisions that relate to elected members (including mayors) in England and the role the independent remuneration panel plays in the process of deciding who may be eligible for membership of the scheme. Basically:-

- The Council's independent remuneration panel is able to make recommendations as to which members of the Council (who are under age 70) should be entitled to membership of the Local Government Pension Scheme (LGPS) and whether the basic allowance or special responsibility allowance, or both, should be made pensionable;
- The Council's scheme of allowances must set out which members of the authority are to be entitled to membership of the LGPS and also whether the basic allowance or special responsibility allowance, or both, is to be pensionable. The Council will only be able to make membership of the LGPS available to those elected members who are recommended for membership of the LGPS by the independent remuneration panel, but the council can decide not to offer membership to some or all of the recommended councillors;
- Where the Council's scheme offers membership of the LGPS to an elected member (an "eligible councillor") it will be for that elected member to decide whether or not to opt into the LGPS;
- An "eligible councillor" is entitled to join the Scheme at any age prior to age 70 and remain as an active member in the LGPS until age 70; and
- An elected member who opts to join the LGPS (a "councillor member") is, for the purposes of the Scheme, to be treated as a whole time employee.
- The Scheme requires a 6% contribution from the Councillor.

2.3 Local authorities in England have been given until 30 September 2003 to put their new scheme of allowances in place and may backdate its effect to 1 May 2003.

3. EVIDENCE

3.1 The Panel met on 14 August 2003 and considered the following documents:-

- 1) Report of the Director of Finance and E Government setting out the background to the issue;
- 2) Letter from Councillor Walker, the Conservative Group Leader, setting out the views of the Conservative Group.
- 3) Letter from Mr Ronald Schwarz setting out his views on this issue.
(Mr Schwarz had submitted apologies for the meeting on 14 August but had been invited to forward written comments).

The Panel discussed in some detail whether Councillors should be offered membership of the LGPS. One member of the Panel considered that Councillors should, if they so wished, provide for private pensions out of the allowances now received so as to obviate any further charge on Bury Metro Council Tax Payers. This is, however, not an Option available under the Regulations and on that basis cannot be recommended.

4. RECOMMENDATIONS

- 4.1 The Panel recommends that this Council adopts the principle of pensions for elected members. It feels that this will assist the Council in attracting and retaining (subject to re-election) Members from a wide range of backgrounds and age groups. The Panel feels that such a move will assist in attracting those for whom Council service could threaten a loss of career opportunity, loss of income and thereby future pension entitlement.
- 4.2 The Panel recommends that all Members of the Council should be eligible for membership of the LGPS. The Panel considers that to restrict the right to Executive Members only would be inappropriate given that the composition of the Executive can and will change over a period of time. Members currently not in the Executive would not have an opportunity to reckon their total service.
- 4.3 The Panel recommends that Basic Allowance and Special Responsibility Allowance only should count as reckonable remuneration.
- 4.4 The Panel recommends that any Member wishing to consider membership of the LGPS should be asked to take independent advice.
- 4.5 The Panel would wish to record that in making these recommendations, it has taken into consideration the potential cost implications and has been advised that the total costs could be in the region of £50,000 per annum. However, this figure would be based on all Members under 70 years of age buying into the Local Government Pension Scheme, and this possibility is considered to be unlikely.

4.6 The Panel recommends that the Scheme should apply from 1 July 2004.

**COLIN SMITH
CHAIR OF THE INDEPENDENT
REMUNERATION PANEL**