

Report of the Independent Remuneration Panel for 2010/11

Full Council, item 1

Committee:	Full Council	Agenda Item
Date:	15 December 2009	1
Title:	Report of the Independent Remuneration Panel for 2010/11	
Author:	David Murtagh, David Barron and Lucy Carr, assisted by Peter Snow	Item for decision

Summary

The Council is required by law to have regard to the recommendations of an independent remuneration panel in amending, revoking or replacing its scheme of allowances, or making a new annual scheme. A panel, consisting of three independent members, was established in 2001 to report to the Council for this purpose.

At its meeting on 19 February 2009, two options were presented for the Council's consideration. The Council agreed to accept option 1 for a 2.45% increase on present rates. Acceptance of the second option would have meant consolidating into existing rates the previous year's frozen increase of 2.475%.

This year, the Panel recommends an increase of 1% on existing allowances and proposes further adjustments to some of the special responsibility allowances payable under the scheme. Other recommendations are made in the report.

The Panel had expressed concerns in the previous two annual reports about its perception that allowances payable at Uttlesford had not kept pace with the levels of remuneration needed to compensate Councillors for the work undertaken, even taking account of the public service element of the role. Accordingly, we decided to conduct an in-depth study of the allowances scheme involving the use of comparative data and the circulation of a detailed questionnaire to all Members. This information has been used to help frame the Panel's recommendations.

The Panel recognises the Council's continuing financial difficulties, and the effect of the current economic climate on the UK public sector generally, but nevertheless takes the view that an across the board increase is essential to maintain the value of the allowances and to continue to encourage widespread public participation in the Council's membership. The report offers recommendations for the Council's consideration, as set out below.

Recommendations

1. The allowances scheme be amended as indicated in full in the table set out at the end of these recommendations and that the following specific changes be agreed. We believe that the impact on your budget of agreeing these proposals will be a small decrease in the cost of operating the scheme roughly equivalent to 0.9%.

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2. The basic allowance is increased by 1% and that public sector discount continue to be deducted at the rate of 35%
3. The special responsibility allowance paid to the Chairman of the Council be increased from $\frac{3}{4}$ to 80% of basic allowance.
4. The special responsibility allowance paid to the Vice-Chairman of the Council be reduced from $\frac{1}{2}$ to 40% basic allowance.
5. The list of Committee Chairmen entitled to receive the Special Responsibility Allowance (SRA) of $\frac{3}{4}$ basic allowance be re-defined as 'Chairmen of policy committees, regulatory committees and overview and scrutiny committees'.
6. The chairmen of area forums shall be entitled to receive a special responsibility allowance equivalent to 40% of the basic allowance. (This would be a reduction from the existing 75% payment to reflect the reduced frequency of meetings and loss of decision making powers.)
7. That no payment of SRA be made to the vice-chairmen of policy committees as there is insufficient evidence to support such payment.
8. The SRA payable to members of the Development Control Committee be reduced from $6\frac{1}{2}$ to 5 days at the rate currently applicable. (This is in recognition of the recommendation of that Committee to this meeting to change the cycle of meetings from three weekly to four weekly.)

Type of allowance	Present rate	Recommended rate
Basic allowance	£5,020 (notionally 65 days at £77.23 per day)	£5,070 (notionally 65 days at £78 per day)
Chairman of the Council	£5,020 + £3,765 + civic expenses (Basic allowance + $\frac{3}{4}$ basic allowance)	£5,070 + £4,056 + civic expenses (Basic allowance + 80% basic allowance)
Vice Chairman of the Council	£5,020 + £2,510 (Basic allowance + $\frac{1}{2}$ basic allowance)	£5,070 + £2,028 (Basic allowance + 40% basic allowance)
Leader of the Council	£5,020 + £7,530 (Basic allowance + $1\frac{1}{2}$ basic allowance)	£5,070 + £7,605 (Basic allowance + $1\frac{1}{2}$ basic allowance)
Deputy Leader of the Council	£5,020 + £3,765 (Basic allowance + $\frac{3}{4}$ basic allowance)	£5,070 + £3,803 (Basic allowance + $\frac{3}{4}$ basic allowance)
Chairmen of policy committees/regulatory committees/scrutiny and overview committees	£5,020 + £3,765 (Basic allowance + $\frac{3}{4}$ basic allowance)	£5,070 + £3,803 (basic allowance + $\frac{3}{4}$ basic allowance) NB please note recommended change of definition
Chairmen of area forums	£5,020 + £3,765 (Basic allowance + $\frac{3}{4}$ basic allowance)	£5,070 + £2,028 (basic allowance + 40% basic allowance)
Chairman of Standards Committee	£3,765 ($\frac{3}{4}$ basic allowance)	£3,803 ($\frac{3}{4}$ basic allowance)

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Group Leaders	One basic allowance + either £1,055 p.a. or £114 x group membership as at 1 st April (subject to a minimum group size of 2) which ever is the greater.	£5,070 + £1,066 (or £115 x group membership), whichever is the greater.
Members of the Development Control Committee	£5,020 + £502 (Basic allowance + 6½ days at £77.23 per day)	£5,070 + £390 (Basic allowance + 5 days at £78 per day)
Carer's allowance	£10 per hour	No change
Travel rates	Cars and vans – 40p (up to 10,000 miles p.a.) Each passenger making the same business trip – 5p Motorcycles – 24p Pedal cycles – 20p The applicable rates will be set at Inland Revenue approved rates (AMR) as from 1 February 2004	No change (However, please note other provisions for travel and subsistence as set out in schedule 2 of the members' allowance scheme in part 6 of the constitution)
Independent and town and parish council representatives on the Standards Committee	£500 – benchmarked against the payment made to members of the Independent Remuneration Panel	No change (but subject to any change in the remuneration paid to members of the Panel)
Only one Special Responsibility Allowance is payable to a member at any one time (this is the higher of the two or more to which a member is entitled) but group leaders remain entitled to receive a maximum of one additional SRA	No change	No change

Background Papers

Guidance from the Department for Communities and Local Government on members' allowances for local authorities in England

Guidance and advice from the LGA on Members' allowances, including comparative data

The current committee structure and the role of councillors as set out in the Council's Constitution

Previous reports of this Panel

Comparative data obtained from other councils in England

Responses from members of this council to the questionnaire on allowances issued to all councillors at Uttlesford

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Impact

Communication/Consultation	Councillors were all sent a questionnaire designed to gather information about the operation of members' allowances. Group leaders were consulted about the scheme.
Community Safety	No impact.
Equalities	No specific impact.
Finance	The budget assumes a 1% increase. Implementing the recommendations in full will reduce the cost of Members' allowances by £2,540, a reduction of around 0.9% in the budget for this item.
Health and Safety	No specific implications.
Legal implications/Human Rights	No specific implications.
Sustainability	No specific implications
Ward-specific impacts	No specific ward implications.
Workforce/Workplace	No specific implications.

Situation

1 The membership of the Independent Remuneration Panel is:

- David Murtagh – local resident, magistrate and senior official in the Ministry of Defence: this year's Chairman.
- David Barron – local resident and Chairman of the Mid Essex Primary Care Trust
- Lucy Carr – local resident and staff nurse.

In this report we consider and make recommendations on:

- The annual increase in the basic, special responsibility and carer's allowances.
- The request that we consider whether or not SRA should be paid to policy committee vice-chairmen.
- The position of area forum chairmen in view of the change from area panels to area forums in May 2008.
- Other SRA such as those paid to the Chairman and Vice-Chairman of the Council and to members of the Development Control Committee.

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- The position of group leaders.
- The need to address the apparently growing gap between the Council's basic allowance and the LGA's recommended daily rate, even taking account of the public sector discount.

The Panel's deliberations have been informed by the responses to the detailed questionnaire sent to all Councillors and a study of comparative data obtained from other councils.

Review of allowances for 2010/11 – general approach adopted

- 2 When we first met in September, we noted the Panel's intention, flagged up in its report of February 2009, to undertake a more comprehensive report this year. We agreed that a more wide ranging review should be carried out to ascertain the validity of the current allowances, and of the formula used to determine the basic allowance.
- 3 Accordingly, we circulated a questionnaire at the end of September, covering a wide range of questions about the operation of the present scheme and the amount of time needed to undertake councillor duties: this formed the basis of the Panel's deliberations in framing our recommendations. Similar surveys were undertaken in 2001 and 2004 and we believed that more up to date information would help us to decide on the validity of the current formula.
- 4 To remind Councillors about how and why the allowance formula was originally determined, the Panel's initial report in April 2002 said that 'while it is apparent that the number of hours which Members commit varies depending on their personal circumstances nevertheless a consensus supports the view that the commitment per week in order to fulfil ordinary duties is of the order of 10 hours per week or 520 hours per annum. This translates to 65 days per annum in our view.'
- 5 This is important because the formula for the calculation of basic allowance was based on this number of hours, less a deduction of 35% to allow for an element of public service discount (PSD). PSD is commonly deducted from the basic allowance paid to councillors across the country as it is considered that some element of the work of members should continue to be voluntary. The DCLG guidance, which encourages an element of PSD, says that any deduction 'must be balanced against the need to ensure that financial loss is not suffered by elected members and people are encouraged to come forward as elected members and that their service to the community is retained'.
- 6 Our perception that the value of the basic allowance has been eroded in real value was set out in detail in paragraph 12 of our last report to you in February 2009. The present gap between the actual basic allowance and the rate that would be applicable had the LGA's formula been strictly applied every year since 2003 is of the order of £1,240.

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- 7 Responses to the questionnaire indicated that the average number of hours per week spent on Council duties, excluding those remunerated by an SRA, varies between 12.6 and 13.9 hours. We have given careful consideration to the question of whether the existing formula remains valid, or whether the number of hours allowed should be increased to reflect the evidence we have gathered.
- 8 Any increase in the number of hours allowed will inevitably impact on the cost of the scheme. One way of reducing the impact of any increase is to adjust the % PSD. We have given careful consideration to this also.
- 9 We were greatly encouraged by the response of more than 60% to our Members' questionnaire. This provided a wide range of views and the exercise helped to shape our thinking. We are extremely grateful to all those who responded.
- 10 We also considered extensive information gathered about the allowances operated in other local authorities as a benchmarking exercise. Information was gathered from a number of councils in each of the following categories:
- Fourth Option Special Interest Group (FOSIG)
 - Sparsity Partnership for Authorities delivering Rural Services (SPARSE)
 - Neighbouring councils and some others in Essex
- 11 The information gathered indicated a wide range of basic allowances payable in the councils concerned but has helped to inform and support our conclusions.

Basic allowance

- 12 **After careful consideration, we are recommending that the basic allowance be increased by 1%, in line with the pay award to council staff; and that the formula used to determine the rate of increase remains unchanged.** We examined in considerable detail whether the formula should – and could – be adjusted to reflect the increased time commitment reported in questionnaire responses. With the current formula based on 10 hours, any additional hour allowed would have the effect of increasing the monetary value of the allowance by 10%; moving to the reported average hours of 13 would mean a 30% increase in the allowance. In the current economic circumstances, we felt that increases of this magnitude would be unacceptable to the Council.
- 13 The effects of an increase in the numbers of hours remunerated by the formula could be ameliorated by increasing the level of public sector discount applied. For example, increasing the number of hours from 10 to 13 could be offset by increasing the PSD from 35% to 50%. But evidence from our study of PSDs applied elsewhere persuaded us that the current discount of 35% was about right and broadly in line with practice elsewhere. Without any

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substantive justification, we were reluctant to increase the PSD simply as a numerical offset. On balance, therefore, and notwithstanding the strong message contained in questionnaire responses, we decided to continue to apply the existing formula as the basis for calculating the allowance. We intend to examine in subsequent reviews the scope for adjusting the formula to better reflect actual hours worked by councillors.

Special responsibility allowances

- 14 We consider that the balance between the SRA paid to the Chairman and Vice-Chairman of the Council does not fully reflect the workload and responsibility of both roles. Accordingly, **we recommend that the SRA payable to the Chairman should be increased slightly from 75% of basic allowance to 80%, and that, correspondingly, the SRA payable to the Vice-Chairman should be reduced slightly from 50% to 40%.**
- 15 We next considered the SRA payable to the Area Forum Chairmen. We took into account that the two Area Forums that replaced the previous three Area Panels meet less frequently (three times annually as opposed to five before), are purely consultative and consequently are no longer considered to be committees at all.
- 16 As a result of these changes, **we feel that a reduction from 75% of basic allowance to 40% is appropriate and recommend accordingly.** We feel it is reasonable to continue with a reduced SRA payment because, although the Forums are no longer decision making bodies, they continue to act in the role of an interface between the Council, the public and other representative bodies such as parish councils, the County Council, and local Police and Health Authorities.
- 17 We next considered that it would be helpful for the sake of clarity to re-define which committee Chairmen should be eligible to receive the SRA of 75% of basic allowance. Quite apart from the recommended change mentioned in paragraph 16 above, we note that there are other committees appointed by the Council on an annual basis (such as Staff Appeals, Emergency, and Appointments) that do not meet on a regular basis and were never intended to be included in the SRA scheme. **We recommend that, for the purposes of the scheme of allowances and in line with what we believe to be current practice, committee Chairmen be defined as ‘Chairmen of policy committees, regulatory committees and overview and scrutiny committees.**
- 18 Next, we examined in more depth the request made to us last year to consider introducing a SRA for committee Vice-Chairmen. Two of the questions posed in the members’ questionnaire related to the role of committee Vice-Chairmen. It must be said that the responses were mixed and opinion among councillors was evenly divided. Having spoken also to group leaders on this question, we have concluded that **there is no persuasive evidence to support the payment of an SRA to committee Vice-Chairmen and we recommend**

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accordingly. This matter can continue to be kept under review as circumstances permit.

- 19 We understand that this meeting of the Council will be asked to endorse a proposal to change the cycle of Development Control meetings from three weekly to four weekly. This reflects a long-term trend of a fall in the number of applications being considered and a corresponding reduction in the length of meetings.
- 20 On the assumption that this proposal is agreed, we consider that a commensurate reduction in the SRA payable to members of the Development Control Committee is appropriate. **Our recommendation is that the SRA is adjusted from the present payment of 6½ days at the applicable daily rate to 5 days.** The proposed adjustment reflects quite closely the reduction in workload being proposed from 17 meetings to 13 meetings annually.
- 21 We considered the role of other committees, particularly the Scrutiny Committee, with a view to deciding whether the workload of any of those committees was sufficient to justify the award of an SRA to its members. For example, we noted that a special allowance had been paid to Licensing Committee members in recognition of their unusual and exceptional workload during the period from June to September 2005. However, **we reached the conclusion that the role and workload of the Scrutiny Committee does not presently justify a SRA.** Again, we will keep this matter under review when the opportunity arises.
- 22 Finally, we considered the payments made to group leaders. The question of whether the Council should have a formal 'leader of the opposition' role, with this recognised in the scheme of allowances, was raised during the course of our work. We consider that this is a matter for the Council rather than us to determine. However, we did examine whether the allowances payable to the leader of the main opposition party and the leaders of minority groups were sufficiently differentiated. On balance, we decided – for now – to leave the current structure of payments to group leaders unchanged but we will look again at this in the light of any future changes to the governance system operated in Uttlesford.

Future constitutional change

- 23 We were told that the Council intends to vote on a recommendation to move towards introducing an executive leader and cabinet system of governance after the 2011 district elections. This is not a matter of immediate concern to the Panel as any new arrangements that may be agreed will not change the nature of the committee system of decision making presently in place during the period that our report will be applicable.
- 24 The Panel remains available to be recalled at any time in the future to consider significant changes in the Council's mode of operations. We expect to be asked to consider the implications of moving towards a cabinet model in next year's report, assuming that this proposal is agreed by the Council.

Carer's allowance

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- 25 We considered the suitability of the present arrangements for the payment of carer's allowance and concluded that no change is presently necessary. We established that the payment of this allowance is taxable and is subject to National Insurance.
- 26 The Panel's original report in 2002 established the principle of payment for the care of children or dependent relatives but the rate of £10 per hour has remained unchanged ever since. The payment is intended to be claimed where extra expenditure is incurred on childcare or on care of a sick or dependent relative ordinarily resident at a Member's home.
- 27 We received some anecdotal evidence during the course of the review that the cost of care for disabled relatives might be as high as £20 per hour, but we did not feel we had enough evidence to raise the allowance at this stage. If this is an area that Members wish us to investigate further, we will be pleased to do so.

Pension eligibility

- 28 The Panel proposed in December 2004 that all Members should be entitled to membership of the Local Government Pension Scheme and this remains the position. The Panel noted at that time that the pension scheme had been amended so that basic and special allowances could be treated as pensionable.
- 29 It is understood that no Member of the Council has ever taken advantage of this decision but the Panel notes that the pension scheme remains available to all Members as before.

The general position

- 30 We remain concerned that the value of the basic allowance appears gradually to have been eroded ever since the Panel's original report was implemented in 2002/03, particularly in relation to the indicative rate produced centrally by the LGA. However, we are reassured that the Uttlesford rate has not fallen behind that of most neighbouring or comparator councils. Indeed, the allowances paid in Uttlesford are in the higher range of allowances paid in neighbouring and comparator councils. It may well be the case that all authorities' rates have declined in real terms as a result of the widespread practice of linking allowance increases to local government pay awards during those years.
- 31 The financial consequence of adopting the increases shown in the table has been calculated as a reduced cost to the Council in the region of £2,500. Such a reduction is of course within the Council's budget assumption of a 1% increase in member allowances.
- 32 All Members continue to have the option to forgo any part of their entitlement to an allowance by giving notice in writing to the Chief Executive.

Overall conclusions

- 33 Other than the matters already mentioned, we believe that no further changes to the scheme are required this year.

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- 34 In framing our recommendations to you this year, we feel we have no option other than to recognise the continuing fragility of the Council's underlying financial position and, more widely, the current pressures on public expenditure. We have made some adjustments to the scheme whilst restraining any increase in cost broadly in line with your budget expectations. However, we strongly commend to the Council our recommended increase in the level of basic allowance.
- 35 The Panel has a continuing duty as an independent body to consider the level of allowances it thinks is appropriate and to reflect that view in the proposals brought forward. The Council must now decide whether to accept or reject our recommendations.
- 37 We submit this report, with the recommendations listed above, for consideration by the Council.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
A danger that Member allowances do not remain set at a competitive level	3	3	The annual review process

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project