

Committee: Full Council

Agenda Item

Date: 28 February 2013

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Title: Report of the Independent Remuneration Panel for 2013/14

Authors: David Barron, John Nowell and Jackie Anslow assisted by Peter Snow

Item for decision

Summary

1. In making or amending any scheme of allowances, the Council is obliged to have regard to the recommendations of an independent remuneration panel but is not bound by them.
2. The Independent Remuneration Panel has met on several occasions since September 2012 to consider the appropriate structure of the allowances scheme to apply in 2013/14.
3. The Panel's recommendations for 2012/13 were rejected at your meeting on 17 April 2012. The report submitted then attempted to adjust the scheme to reflect more closely working practices and decision making structures in operation at the Council.
4. The change from a committee based system to an executive model took place nearly two years ago. Initially it seemed sensible to delay making significant changes to allow the new system to settle down and to allow a proper assessment of the cabinet system to take place. There is now urgent need for the Council to change the allowances scheme to reflect current practice, and to enable those members undertaking front line responsibilities for taking decisions to be adequately compensated for performing that role.
5. The Panel proposes that necessary adjustments to special responsibility allowances should be phased in over a period of three years to enable a closer match between present responsibilities and duties undertaken to begin straight away.
6. It is proposed to leave the basic allowance unchanged. This is because, as noted last year, the basic allowance of £5,000 is in the upper range of those in operation at similar size councils in Essex and elsewhere.
7. The Panel has aimed for a broadly cost neutral set of proposals. However, the Panel has concluded that some increase in costs is inevitable to enable the scheme to meet existing needs. If the proposals are accepted, the overall cost of the scheme will rise by 0.4% in 2013/14, and by 2.4% in the following year. The proposals would have led to a further increase of 2.2% in 2015/16 but the reduction in council size expected to come into operation at the 2015 election would bring about a significant decrease in the cost of the basic allowance.

8. The Panel strongly urges the Council not to delay the process of changing the scheme of member allowances to match the structure of decision making in place. Government guidance says that a local authority will need to have made a scheme of allowances tailored to executive arrangements before they are adopted. This is clearly not now possible but any further delay in starting this process will risk the Council continuing to operate a scheme of allowances no longer fit for purpose.
9. It is well understood that the Council cannot commit to cost increases either in 2014/15 or in future years. However, we trust that the Council will be willing to commit to the principle of further changes over the next two years so that a satisfactory position is reached by 2015/16.

Recommendations

10. That the Council adopts for 2013/14 the recommended allowances set out in the following table and agrees in principle to adopt a graduated approach to the adjustment of allowances leading to the adoption of allowances for the financial years 2014/15 and 2015/16, broadly along the lines set out in Appendix A.

Type of allowance	Existing scheme	Recommended scheme
Basic allowance	£5,000 (notionally ten hours per week, or 65 days annually, determined at the hourly rate derived from the ASHE survey)	£5,000 (no change)
Broadband allowance (paid to some members only)	£2,268 (divided between eleven members)	£0 (payment to be discontinued in 2013/14)
Chairman of the Council	£4,000 (80% of basic allowance) + civic expenses)	£4,000 (no change)
Vice-Chairman of the Council	£2,000 (40% of basic allowance)	£2,000 (no change)
Leader of the Council	£7,500 (150% of basic allowance)	£8,750 (175% of basic allowance, increasing to 255% by 2015/16)
Leader's group leader allowance	£3,876 (£114 x group membership)	£3,000 (60% of basic allowance, being removed completely by 2015/16)

Deputy Leader	£3,750 (75% of basic allowance)	5,250 (105% of basic allowance, increasing to 165% by 2015/16)
Members of the Executive	£3,750 (75% of basic allowance)	£4,750 (95% of basic allowance, increasing to 140% by 2015/16)
Chairmen of Overview and Scrutiny Committees	3,750 (75% of basic allowance)	£3,500 (70% of basic allowance, remaining at 70% by 2015/16)
Chairman of Planning Committee	£3,750 (75% of basic allowance)	£3,750 (75% of basic allowance, increasing to 80% by 2015/16)
Members of Planning Committee	£385 (5 days at the ASHE rate)	£385 (5 days at the ASHE rate)
Chairman of Licensing and Environmental Health Committee	£3,750 (75% of basic allowance)	£3,250 (65% of basic allowance, decreasing to 60% by 2015/16)
Chairman of Standards Committee	£3,750 (75% of basic allowance)	£3,000 (60% of basic allowance, decreasing to 50% by 2015/16)
Chairmen of Area Forums	£2,000 (40% of basic allowance)	£1,250 (25% of basic allowance, decreasing to 15 % by 2015/16)
Group leaders	Either £1,055 or £114 x group membership whichever is the greater (subject to a minimum group size of two)	Leader of the majority group @ 60% of basic allowance, gradually decreasing as the Leader's allowance increases (see box above); leader of the largest opposition group @ 25% of basic allowance (£1,250); other opposition group leaders @ 15% (£750)
Independent members of the Standards Committee	£500 – benchmarked against the payment made to members of the Independent remuneration Panel	No change

Multiple payment of Special Responsibility Allowances (SRA)	Only one SRA is payable to a member at any one time (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
All other elements of the scheme including carer's allowance, travel and subsistence, application of the Local Government Pension Scheme, and Data Protection Registration to remain unchanged	As set out in last year's report	Unchanged from the current year (subject to consideration of the comment in the legal implications box under impact in paragraph 13 relating to reimbursement of the Data Protection Registration fee)

Financial Implications

11. The estimated cost of implementing the recommendations in 2013/14 is £294,755. This represents an increase of £1,246, or 0.4% on the existing scheme.

Background Papers

12. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

No specific background papers were referred to in preparing this report other than documents already published.

Impact

13. The impact of these proposals is described in the table below.

Communication/Consultation	The Panel has consulted with the leaders of each of the political groups represented on the Council, as well as members of the Cabinet, about the impact of the likely changes in the allowances scheme. The Panel also conducted a survey of councillors to help evaluate their workload and time commitment and attended a member workshop to discuss the process of agreeing a scheme of allowances.
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Community Safety	No impact
Equalities	No specific impact
Health and Safety	No specific implications
Human Rights/Legal Implications	A recent review of payments made by another local authority to its members has cast doubt on the legality of members being reimbursed for data protection registration fees. To avoid any potential challenge it is suggested that either the amount of the data protection registration fees be incorporated in the basic allowance or that the payment of such fees be deleted from the scheme.
Sustainability	No specific implications
Ward-specific impacts	No specific ward implications
Workforce/Workplace	No specific implications

Composition of this year's Panel

14. As already reported to members, Jackie Anslow was appointed in 2012 for a three year term to replace David Murtagh. This year's Panel consists of the following members:

- David Barron (Chairman), Chairman of the Princess Alexandra Hospital Trust, Harlow, serving until April 2013
- John Nowell, a former senior finance officer in local government, serving until August 2015
- Jacqueline Anslow, a former social worker and foster panel member, serving until August 2016

15. Janet Pearson was appointed initially as a shadow member of the Panel, and will replace David Barron to serve a three year term of office from April this year. Mrs Pearson is a former accountant and an ex-Chairman of Debden Parish Council.

Background to the review and the approach adopted by the Panel

16. The position at Uttlesford remains much as last year in that the executive model of governance is not reflected in the structure of the allowances scheme. The only concession to the cabinet system now in operation for a period of almost two years is that the special responsibility allowances payable to policy committee chairmen prior to May 2011 are now paid to portfolio holders instead.

17. In the recommendations made last year, the Panel attempted to start reforming the scheme to match the roles and responsibilities of leading members more closely to the allowances payable. In the event, the Council decided not to accept the recommendations and the structure of the allowances scheme therefore remains much as it did when the executive system was introduced.
18. There is now an urgent need to reform the allowances scheme and the Panel has decided to begin that process by recommending increases in some allowances and decreases in others. The approach we have adopted this year is to propose the first stage of necessary changes to be adopted over a three year period, leading to what is hoped will be a satisfactory final position by 2015/16.
19. The Panel is acutely aware of the sensitivity involved in raising the cost of the allowances scheme and has aimed at a broadly cost neutral settlement in 2013/14. However, the Panel has decided that some increase in costs is inevitable given the nature of the changes needed. As stated in the financial implications section of the report, the cost of the scheme is proposed to increase by around 5% over a three year period, beginning with a modest rise of 0.4% in 2013/14.
- 20. The justification for the Council changing its model of governance from a committee based to an executive system was stated to be that quicker and more effective decisions would be taken. We consider that modest cost increases are an inevitable consequence of that decision.**
21. However, the impact of these increases is expected to be offset in 2015/16 by the proposed reduction in council size from 44 to 39 likely to result in a reduction in the cost of paying basic allowances. If these proposals are accepted and then feed through into subsequent settlements, the cost of the allowances scheme will be approximately 3.5% lower in 2015/16 than it is now. [As has been the case with remuneration throughout most of the public sector, allowances have been effectively frozen since 2009.]
22. As in previous reviews, we have paid close attention to information from comparator authorities and undertaken benchmarking of the allowances payable. As stated elsewhere in this report, we used information from a comparator group of Essex authorities (Braintree, Brentwood, Harlow, Maldon, Rochford and Tendring) and from the group of authorities in the South-East region.
23. The benchmarking exercise indicates that the range of allowances we are proposing should be reached by 2015/16 broadly replicates the pattern of those paid in comparator authorities both within Essex and in the South-East group. Subject to the remark about powers of decision making to executive members in paragraph 32, we are satisfied that the range of allowances being suggested is appropriate to the structure in place at Uttlesford and has been properly benchmarked.

24. In reaching its conclusions, the Panel has been greatly assisted by meetings with group leaders, cabinet members, and attendance at a member workshop at the beginning of this month. A survey was also undertaken to ascertain members' present roles, time commitment and attitude towards the allowances scheme. The Panel wishes to thank all councillors who participated in these events for their help with this review.

Description of proposed changes

25. In looking at the **basic allowance**, the Panel examined the level of basic allowances paid in authorities of a similar size. It noted that the average allowance paid in a group of authorities in Essex with similar population characteristics to those in Uttlesford is £4,730. The basic allowance paid at Uttlesford is therefore considered to be a little on the generous side at £230 more than the average paid in comparable neighbouring or nearby authorities.

26. However, the Panel does not propose a reduction in the basic allowance. The payment of £5,000 is very close to the figure indicated by the hourly rate derived from the Annual Survey of Hours and Earnings by place of residence in Uttlesford (ASHE), once the public service discount of 35% is applied, and therefore seems to be broadly correct.

27. Members are nevertheless reminded that they may elect at any time to forgo their entitlement, or any part of their entitlement, to allowances.

28. One change that we are recommending is to discontinue with immediate effect payments to members for the provision of **broadband facilities** at their homes. We were advised that these payments should have been encompassed within the basic allowance as part of the allowances scheme. They have never been formally stated as such and we consider the payments should now cease.

29. In examining **special responsibility allowances (SRA)**, the Panel has paid close consideration to the feasibility of finding a satisfactory method of matching the allowances paid to the roles undertaken by those members with significant responsibilities. The key consideration in determining who should receive SRAs, and what the level of those payments should be, is the level of responsibility involved in undertaking the relevant role, and not necessarily the time taken to perform it. We have geared our proposals to this consideration.

30. It is clear that the **Leader** is the single key position in the Council as the person elected to that post assumes direct responsibility for the executive functions of the Council, and appoints a deputy and other executive members to assist with that process. We propose that the SRA paid to the Leader should rise from 150% of basic allowance to 175% in 2013/14, and to 255% by 2015/16. At the same time, it is proposed to reduce and then to phase out the SRA paid to the Leader in the capacity of a group leader, so that payments to the holder of this position will rise overall from £11,376 to £11,750 in 2013/14, and then to £12,750 by 2015/16.

31. Similar arrangements are proposed in the case of the **Deputy Leader** and for other **members of the executive (portfolio holders)**. For the holders of these offices we propose increases from 75% to 105% and from 75% to 95%, respectively, rising to 165% and 140% respectively by 2015/16.
32. We have accepted that the levels of commitment required of executive members far exceeds that of policy committee chairmen under the previous method of governance and should be clearly recognised in the allowances scheme. We noted however there is, as yet, no delegated authority granted to portfolio holders. We will continue to review in future years whether SRA should continue to rise as suggested in this report in the absence of specific individual decision making powers being delegated.
33. During discussion with cabinet members it was suggested that consideration should be given to bringing **deputy portfolio holders** within the scope of SRAs. It is apparent to us that some deputies undertake onerous duties such as, for example, chairing the Housing Board. However, we noted that deputy portfolio holders have no formal duties, nor can they substitute for executive members in a decision making capacity. In the absence of further strong evidence, we can find no justification for recognising deputies in this way.
34. Within the context of a broadly cost neutral settlement, increases in some of the allowances must be offset by decreases in others. The **Performance and Audit and Scrutiny committees** continue to play a vital role in monitoring the Council's audit and risk functions and in scrutinising executive and committee decisions. However, in terms of workload, neither of these committees has met more than six times a year since the advent of the executive system. We propose that SRA payable to the chairmen of these committees should decrease from 75% to 70% in 2013/14, remaining at that level in succeeding years.
35. We then considered how to deal with the regulatory and Standards committees. We noted that the **Planning Committee** meets every four weeks and that site visits precede nearly every meeting. The Chairman of the Planning Committee has a significant level of responsibility underpinned by a considerable time commitment. We consider that this position should attract a SRA remaining at 75% in 2013/14 and increasing to 80% by 2015/16.
36. The same argument applies to all Planning Committee members. We will continue to monitor the extra workload and time commitment undertaken by Planning Committee members but there is presently neither the scope nor intention to increase the existing payment. This is equivalent to five days at the ASHE rate. The payment was reduced from 6.5 to 5 days in 2010/11 when the cycle of planning meetings changed from three to four weekly.
37. We then noted that the **Licensing and Environmental Health Committee** bears a heavy workload in terms of the frequency of meetings. The Committee often meets as a panel undertaking quasi-judicial hearings, but not all members are required to be present when a panel is convened. The Committee's decisions generally concern the upholding of licensing conditions by individuals rather than the broader public interest. In consideration of all

the circumstances, we take the view that the SRA payable to the chairman of the committee should decrease in 2013/14 from 75% to 65%, and to 60% by 2015/16.

38. The **Standards Committee** now meets only three times annually, disregarding those occasions when it is required to consider complaints about breaches of the code of conduct. In this context, we consider that the SRA payable to the Chairman should fall from 75% to 60% in 2013/14, and to 50% by 2015/16.
39. In 2010/11, the SRA payable to chairmen of the two **area forums** was reduced from 75% to 40%. We note that the forums meet only three times annually and have no decision making powers. We therefore consider that a payment of 40% is disproportionate in comparison to Council committees. There is a possible case for removing the payment altogether but the Panel's proposal is to reduce the SRA from 40% to 25% in 2013/14 and to 15% by 2015/16. We consider that the principal justification for the continuation of these payments is the public interface provided by forum meetings.
40. We come now to the position of **group leaders**. The political groups play a significant role within the Council and it is right that their position is recognised. As a result of their position, group leaders are involved in many activities over and above their duties as a member. This year, for example, group leaders have been involved in a briefing given by the Local Government Boundary Commission and have been consulted by the Independent Remuneration Panel. Opposition group leaders also attend Cabinet meetings and generally act as spokesmen for their groups.
41. The present method of payment is unsatisfactory because it grants a threshold payment applicable to all groups containing between two and nine members. The leader of the majority group also receives a payment as a group leader even though it is assumed that the majority group leader will also be the Council Leader in all foreseeable circumstances. We have already made reference to this apparent anomaly (see paragraph 30) and said that it is proposed to phase out this payment. Effectively, the Leader's group leader's SRA is proposed to be consolidated into the Council Leader's SRA by year 2015/16.
42. We feel that a more appropriate solution is to distinguish between the role of the **largest opposition group leader** and that of **other minority group leaders** by adjusting the payment to a stated percentage in each case. The proposal is that this should be set at 25% and 15% respectively. In 2013/14 this will result in a small increase in the payment made to the majority opposition leader from £1,055 to £1,250, and to a reduction in the SRA paid to the leader of other opposition groups from £1,055 to £750. This seems to us a fairer reflection of the comparative workloads involved in undertaking these roles.
43. There was some debate about the role of **working groups and task groups** within the Council's hierarchy. As on previous occasions, we concluded that it is difficult to make a proper assessment of the role played by these bodies

because of the irregular and sometimes transitory pattern of their activities. It is not thought right to recognise the role of these bodies within the allowances scheme even though working groups undertake valuable and often demanding work. It must also be borne in mind that they are non-decision making bodies and do not meet in public.

44. It is proposed that **independent members of the Standards Committee** should continue to receive a payment of £500 annually. No changes are proposed to the arrangements for travel and subsistence, carer's allowance, or for the reimbursement of data protection registration fees.
45. We were asked to consider whether the basic allowance should continue to take account of **incidental costs such as IT and internet provision, postage, the provision and use of paper, and the cost of making telephone calls, as well as use of councillors' homes for Council activities**. We concluded that no change should be made (other than the discontinuation of the broadband payment referred to in paragraph 28) and that members should continue to fund these incidental expenses themselves from within the basic allowance.
46. As previously noted, the net effect of these proposals will be to increase the cost of the allowances scheme in 2013/14 by some £1,246, or by 0.4%. In subsequent years, the cost will rise by 2.4% and 2.3% to a figure in the region of £308.5k, assuming the Council makes the changes foreshadowed in this report. However, please note the effect of the decrease in council size from 2015/16.

Membership of the Local Government Pension Scheme (LGPS)

47. Following a change in the law, membership of the LGPS became available to elected members from May 2003. The Panel at that time concluded that membership should be available to members at Uttlesford and this was duly incorporated into the allowances scheme from April 2005.
48. As part of last year's report we recommended that no backdating of pension scheme applications should be allowed and this view was accepted.
49. Membership of the LGPS remains open to members upon application. The local government minister announced in December that councillors would be barred from the scheme with effect from April 2014 and that councillors who were members already would be unable to accrue further benefits after that time.
50. The Minister's statement said that 'councils may want to consider early, voluntary closure of the scheme to their councillors as a sensible saving'. Following representations to the Chief Executive from a member, the matter was referred to us for consideration.
51. We understand that the proposed closure of the LGPS to elected members has caused some degree of unrest and it is far from clear what the Government's final position will be. In the circumstances we recommend that

the position should remain unchanged at Uttlesford pending a definitive announcement of Government policy.

Risk Analysis

52. The risk analysis is set out below.

Risk	Likelihood	Impact	Mitigating actions
That member allowances do not continue to be set at a realistic level reflecting jobs undertaken and may jeopardise the recruitment of elected members	3 – allowances paid to portfolio holders do not reflect the time commitment and level of responsibility demanded	3 - the Council may be less well governed if allowances are not set at a realistic level and future recruitment of members may be affected	Adopting a suitable scheme of allowances taking account of relevant levels of responsibility

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.