

Council Agenda papers 17 September 2015

Report of the Independent Remuneration Panel referred to in Agenda Item 7.

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Review of Financial Support for County Councillors

**Report of the Independent Remuneration Panel
Commissioned by Worcestershire County Council**

September 2015

Section One

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Section Two

Membership of the Panel

2.1 The Independent Remuneration Panel comprises the following Members:

Professor Michael Clarke (Chairman)	Formerly Vice-Principal and Pro Vice-Chancellor – University of Birmingham (Chairman)
Leslie Gunde	Public representative
Professor Paul Jackson	University of Birmingham
Andrew Manning-Cox	Partner – Wragge Lawrence Graham & Co LLP
Richard Quallington	Community and voluntary sector.

2.2 Administrative support was provided by Simon Mallinson, Head of Legal and Democratic Services and Suzanne O'Leary, Democratic Governance and Scrutiny Manager, both of the Commercial and Change Directorate. We are grateful to them for their guidance and support throughout this process.

Section Three

Introduction

3.1. The Independent Remuneration Panel (the Panel) is established under the Local Authorities (Members' Allowances) (England) Regulations 2003 (as amended) to provide advice and recommendations to the County Council on its Members' Allowances Scheme and amounts to be paid under it.

3.2. The County Council is required to have regard to the Panel's recommendations before making any amendments to its scheme and must make public those recommendations and conclusions, together with the approved Scheme. It is important to bear in mind the separation of roles – the Panel makes recommendations from an independent perspective but it is for County Councillors in full Council to make the decisions on the allowances scheme.

3.3. Members of the Panel are appointed by the County Council and are independent members of the community. The Panel's membership is Professor Michael Clarke (Chairman) (local government and academia), Leslie Gunde (member of the public), Professor Paul Jackson (academia), Andrew Manning-Cox (business) and Richard Quallington (voluntary and community sector).

3.4. The Panel has made a number of reports to Council, most recently in July 2012. The last comprehensive report by the Panel was considered by Council on 16 July 2009. The Panel subsequently re-visited the nature and level of allowances and reported on a number of issues to Council in February 2011, when Council agreed that the level and nature of allowances payable to members for 2011/12 should remain as in 2010/2011; and that the Consumer Price Index (CPI) continue to be used as the indicator for any annual uplift of allowances. On 5 July 2012 Council considered an interim report of the Panel which noted the evolving role of the Councillor under the localism agenda and set out plans to engage members through a questionnaire, with a view to a further report. However, given the continuing freezing of Members' allowances since 2008/9, the further report was not pursued at the time.

3.5. The Panel has now been re-convened and has met a number of times, hearing from Group Leaders and the Chief Executive and considering a range of information including:

- comparative analysis from other local authorities
- outcomes from the previous member questionnaire in 2013
- ICT arrangements for Councillors.

3.6. This report sets out our conclusions and recommendations on members' allowances from 1 April 2016 for consideration by Council. The Panel will also carry out a more fundamental review over the next year in order to consider what recommendations to make in respect of the new Council from May 2017, anticipating a further report to Council in Autumn 2016.

Section Four

Terms of Reference

4.1. The Panel's terms of reference are:

To review the level and extent of allowance payments currently made to County Councillors having particular regard to:

- The role of the County Councillor and the importance of effective democratically accountable local government and community leadership
- The scale and complexity of the Council's operations and changes taking place in the various roles Councillors are expected to fulfil and the particular responsibilities attached to the various roles
- The time commitment required from Councillors to enable both the Council and individual Councillors to be effective in their various roles
- The importance of encouraging people from all backgrounds and circumstances to serve in local government without suffering financial loss as a consequence of their membership of the Council.

4.2. The Panel also:

- Considers the level and extent of travel and subsistence allowances
- Reviews the payment of allowances and expenses payable in relation to attendance at seminars and conferences
- Makes observations about the financial support required for Councillors to fulfil their role effectively.

Section Five

The principles of the scheme

5.1. The allowances scheme and the role of the Panel stem from legislation - the Allowances Regulations referred to above. Our July 2009 report reviewed and confirmed the principles which underpin our approach to Members' Allowances, and which were agreed by Council. These are:

- The public service principle - that a proportion of any time commitment by members should be regarded as a voluntary commitment
- That no Councillor may receive more than one special responsibility allowance
- The role – what it is that all Councillors are expected to do, for what time are they expected to do it and what is an appropriate level of financial support for them
- Responsibility – while all Councillors should be paid a basic annual allowance rather than on a piecemeal item of service or meeting-by-meeting basis, particularly important responsibilities need to be recognised in addition
- Transparency and accountability – as the counterpart of responsibility any scheme which provides for the adequate payment of Councillors should also provide total transparency in the payment, and for accountability of those to whom money is paid.

5.2. The Panel considers these principles to remain valid.

Section Six

The level of allowances currently payable in Worcestershire

Comparators and Indices

6.1. In originally coming to conclusions about the appropriate level of basic allowance we took into account:

- The average wage in the local economy
- The average number of hours worked by Councillors
- The level of allowances being set by other similar councils

6.2. This may be information the Panel wishes to revisit ahead of its further report in 2016, but for the purposes of this current report the Panel has had regard to a recent 'snapshot' of comparative member allowances data – attached at Appendix 1.

Inflation

6.3. The allowances scheme has a provision permitting an annual uplift in the levels of allowances to take account of inflation. Since 2008 the Consumer Price Index (CPI) has been used as the measuring stick for such annual uplifts. However, since 2008/09 Council has each year resolved not to take advantage of the inflationary uplift open to it, and accordingly the level of members' allowances has been frozen since April 2008. To state the obvious, that means that the allowances paid to members have reduced in real terms equivalent to more than 7 years inflation. Although inflation is low at present, included within this 7-year period are years when inflation has been considerably higher, for example 2011 when the annual rate of inflation was 4.5%.

6.4. The Panel is conscious that there have also been restrictions on uplifts in pay for Council staff due to the overall financial situation in the UK economy. We are mindful that a number of other authorities use the staff pay award as the basis for uplifting allowances payable to members. We considered this option in our earlier work but were concerned at that time to maintain a disconnect between member allowances and staff salaries. Having reviewed that thinking as part of this Report, the Panel is still of the view that allowances for Councillors and pay for staff should be regarded as two very separate matters, and the Panel does not believe that allowances should be linked to staff pay uplifts.

6.5. However, the Panel is aware both that the overall financial situation in the UK and the county has changed since the allowances were first set, and that there has been year-on-year inflation since 2008 which has reduced the real value of those allowances. This will inform its consideration of the wider issues including the principle of indexation before reporting again ahead of the new Council.

6.6. In the meantime the Panel is recommending a modest percentage increase in the level of basic allowance for all members for the year 2016/17 in place of an indexed uplift – see below.

Affordability

6.7. The Panel is very aware of significant factors, globally, nationally and locally, which have had a direct impact on the budget and the delivery of services of the Council.

6.8. We understand the political need to maintain or reduce the cost envelope for members' allowances, and members' desire to lead by example and to keep the Basic Allowance below £10,000. Our role is to suggest a fair scheme for allowances having regard to financial and other factors, rather than deliver any particular savings target - which is a political decision for Council to take.

6.9. In proposing the level of allowances we have always been conscious of the need to reflect the Council's funding position as well as the level of allowances in relation to its peer organisations. For this reason we have traditionally proposed a level of allowances at around the middle quartile of those paid by our nearest neighbours and comparator upper-tier authorities. Again, this 'positioning' of allowances is a factor we can give further thought to ahead of the later report.

Attracting new members

6.10. We have considered whether allowances influence decisions to seek to become a Councillor but we are not persuaded at present that there is a direct correlation between allowances and availability/quality of candidates. The fact and level of allowances are likely to be one of many factors. It is interesting to note that the last elections brought in a younger profile, irrespective of the frozen allowances.

Changing Role of Members

6.11. The Localism Act 2011 has impacted directly on members. The localism agenda had been developed by the Council to encourage more local people, groups and businesses to take more responsibility for delivering more local services. Aligned to this, members now have their own individual budgets through the Worcestershire Councillors' Divisional Fund to support initiatives and projects to promote well-being within their local communities. It appears that the evolving role of the Councillor to facilitate locally-based solutions for community-based issues means that the expectation of the role of the local Councillor is changing, albeit that this may be in addition to the core county role of Councillor.

6.12. Members told us that although the Council workforce is shrinking the member role is growing – there was increasing pressure on Councillors as more constituents were approaching Councillors direct rather than going to officers.

6.13. In the light of this, the Panel thinks it is now timely to explore *how* the role of Councillors has changed and how they have responded to and performed under the new localism agenda, the Council's new operating model and its commissioning approach. This will inform the Panel's further report ahead of the new Council.

Effects of Freezing Allowances

6.14. We last proposed the levels of Basic and Special Responsibility Allowance payments as part of our report in February 2011. Since 2008/09 the Council has chosen to apply no uplift to the levels of member allowances payable in Worcestershire.

6.15. Had the level of allowances been uplifted in line with the CPI (since 2008/09) the effect now as compared to the level of allowances as at 1 April 2008 would have been to increase the expenditure on Members' Allowances by £98,355.19 and individual allowances by £53,248.01. The Panel recognises the financial and political factors behind those decisions of Council; it is also conscious of the consequential impact that the freezing has had on the real value of the allowances.

6.16. In previous reports we have stated our belief that annual uplifts were an important factor in ensuring that levels payable remain comparable, partly because of the financial consequences of bringing allowances into line on an ad-hoc basis, and partly to ensure that the levels payable remain appropriate. This remains the Panel's view and accordingly it is recommending a modest uplift in the level of basic allowance for 2016/17 pending its more fundamental review – see below.

Section Seven

Consideration of other aspects of the remuneration package

ICT

7.1. The Panel has considered the level of financial and other support each Member should receive in relation to ICT. The current allowance allows for 'start-up', consumables, hardware, support. There are two elements of this - £505 pa paid for consumables including paper, ink, internet connection etc., and an allowance up to £1,000 over the 4-year life of Council which can be drawn down to fund ICT hardware (laptops, smartphones etc.) either purchased privately or provided by the Council.

7.2. ICT is clearly essential for members - enabling remote working allowing more time in constituencies, accessing information and for Councillors to be more responsive to their community. Group Leaders told us the flexibility of the separate IT allowance was very important and helpful and enabled the Council to reduce spend if Councillors did not need the IT equipment to be provided. However, the scheme itself lacks some clarity on this point and could benefit from updating.

7.3. Evidence from the Strategic Commissioner – Service Transformation set out the pros and cons of changing the allowance from financial to direct provision of equipment. This issue can be considered in our further report and it would be fair to say that, subject to further representations, the Panel is minded to recommend direct provision only in its 2016 Report because this assists cyber security, delivery of economies of scale savings, improved access to the Council's systems, and the prompt and cost-effective resolution of maintenance and repair issues. In the meantime, the Panel recommends that the scheme is updated to reflect the position from 2013 that members' ICT hardware needs may be met either by draw down of the allowance for the purchase of hardware or by the direct provision of that hardware by the Council. Provision for consumables requirements also needs to be reaffirmed.

Special Responsibility Allowances (SRAs)

7.4. The changing role of Councillors is also affecting those with special responsibilities. With executive arrangements and increased delegated decision-making, Cabinet Members with Responsibility are doing more and taking more responsibility than ever before. Further Committees have also been established by the Council, but there are likely to be differences in demands upon and responsibilities of Committee Chairmen. Thought needs to be given to whether there is a correct balance between SRAs in terms of level and range.

7.5. We think the time is ripe for a fundamental review of the SRAs in time for the 2017 Council – to look at the definitions and application (distribution and levels) of the allowances. We anticipate such a review could result in some SRAs rising and some reducing in a way which is properly evidence-based and objective.

7.6. Our intention is to report back to Council with recommendations around the SRAs in Autumn 2016.

Section Eight

Conclusions and Recommendations

8.1. We have indicated above our view that annual uplifts are an important factor in ensuring that levels payable remain comparable, partly because of the adverse financial and budgetary consequences of bringing allowances into line on an ad-hoc basis, and partly to ensure that the levels payable remain appropriate with due regard to the financial and changing operational circumstances of the Council.

8.2. Basic Allowance - There have been policy decisions by the Council since 2008 not to increase the level of allowances in line with inflation. As a consequence their real value has clearly been eroded over the years. We consider that further erosion of the basic allowance should be avoided for the reasons set out above. The aggregate CPI increase from 2008 to date is approximately 10.13% although the current annual rate is low.

8.3. Taking into account the concerns expressed by Councillors regarding any significant increase in allowances, we recommend an increase of 1% to the current basic allowance. Should this be accepted by Council, this figure should then be reflected in the Allowances Scheme within the Council's Constitution. Having regard to all the factors including looking ahead to April 2017, such an uplift in basic allowances is a reasonable approach to halting further erosion in their value until that date. This will increase the basic allowance from £9,019.84 (including annual IT consumables) to £9,110.04 with effect from April 2016 and increase the Council's overall Members' Allowances budget in 2016/17 by £5,141.40. The total bill would be in the region of £862,255.

8.4. Special Responsibility Allowances - The Panel intends to carry out a more fundamental report on the members' allowances scheme and report to Council in Autumn 2016 ahead of the new Council in May 2017. It is making no recommendations in relation to SRAs at this stage

8.5. The Panel's recommendations to Council are that:

- a) the level of members' Basic Allowance be increased by 1% for the 2016/17 financial year;**
- b) the scheme be updated to reflect that members' ICT hardware needs may be met either by draw down up to the allowance for the purchase of hardware or the direct provision of that hardware by the Council. However the Panel records its current intentions to recommend a move to direct provision of ICT for Councillors from 2017 onwards and invites representations on that subject to the Head of Legal and Democratic Services from any Councillors wishing to make them; and**
- c) the Council receives a further report on the allowances scheme in Autumn 2016.**

APPENDIX ONE

Members' Allowances Comparisons

Year	Council	Basic £	Leader £	Deputy Leader £	CMR £	Ch O/S £	Ch Plg £	Opp GL £	Co Chm £	Council V-C £	Total cost £000 (2013/14)	Cost per 000 popn (2013-14)
Present	Worcestershire	8,515	31,074	n/a	16,499	16,499	9,734	See A	14,233	3,222	847	£1,518
2015/16	Gloucestershire	9,100	27,300	n/a	18,200	5,460	5,460	5,850	9,100	2,730	741	£1,247
2015/16	Herefordshire	7,254	28,839	n/a	11,750	11,750	9,078	See B	9,078	1,602	643	£3,578
1/4/14	Shropshire	11,514	23,028	14,392	11,514	11,514	5,757	5,757	8,635	8,635	1,217	£4,147
2015/16	Warwickshire	8,975	22,970	13,782	10,243	5,504	5,504	7,791 (C)	5,540	2,752	799	£1,490
2015/16	Staffordshire	9,072	35,193	26,394	17,596	6,695	6,695	17,596 (D)	16,907	8,451	1,000	£1,203
2014/15	Cambridgeshire	7,700	21,000	14,250	12,000	n/a	4,500	11,000	6,000	3,000	806	£1,308
2015/16	North Yorkshire	8,994	24,704	15,440	13,896	1,544	3,088	4,632	9,264	3,088	977	£1,631
2015/16	Somerset	10,580	31,743	18,930	16,930	5,291	5,291	9,523	9,523	1,058	770	£1,465
2015/16	East Sussex	11,080	24,618	17,232	14,771	6,153	6,153	12,307	12,307	4,927	871	£1,691
2015/16	Buckinghamshire	10,825	40,106	26,767	20,373	10,192	5,096	1,349 +269 per member	12,736	3,187	957	£1,921

A. Group must have 5 or more members. Allowance = £9,734

B. = £1,602 + £124 per group member provided Group membership exceeds 10% of Council's total membership.

C. = must represent at least 10% of the membership of the Council (Deputy Leader of Group £4,769). Leader of opposition group < 10% = £500

D. = £1,760 for Leader of minority opposition.

ICT allowances for WCC = £1,000 over the life of the Council + £505 PA for internet connection and consumables