

APPENDIX C

**REVIEW OF THE SCHEME OF
COUNCILLORS' ALLOWANCES
FOR
STEVENAGE BOROUGH COUNCIL**

**THE REPORT OF THE
INDEPENDENT REMUNERATION PANEL**

NOVEMBER 2003

REPORT OF THE INDEPENDENT REMUNERATION PANEL ON COUNCILLORS' ALLOWANCES

1.0 Summary of Recommendations

The following is a summary of the specific recommendations made by the Independent Remuneration Panel (IRP) convened by Stevenage Borough Council to consider the current members' allowances scheme in the light on new Government regulations and advise the Council on a revised scheme. It is recommended:

- 1) That the existing framework of basic and special responsibility allowances (SRAs) be retained and to reflect the percentage increase in the Council's staff earnings since the last IRP review in Oct. 2001, the various allowances be increased by 7.5% - backdated to 1st May 2003. (see para. 7.2)
- 2) That in summary the recommended level of allowances proposed for the financial year 2003/2004 is as follows:

Basic Allowance - all Councillors	£5,760	(Previously - £5,350)
Special responsibility allowances to be added to the basic figure		
Scale I - Leader of the Council	£15,050	(£14,000)
Scale II - Executive Members plus Chair of Scrutiny Overview	£9,135	(£8,500)
Scale III - Chairs of Scrutiny/Review Panels plus Chair of Planning & Development	£7,255	(£6,750)
Scale IV - Chairs of Joint Local Committees	£4,300	(£4,000)

Note: only one Special Responsibility Allowance should be payable to any individual Councillor at any one time. Any member also may, by notice in writing given to the Borough Solicitor, elect to forego any part of his/her entitlement to any allowance under this new scheme. (see para. 7.3)

- 3) That a co-optees' allowance be incorporated into the new scheme of allowances such that in the case of the independent Standards Committee Chairman it be set at £1,250 p.a. as an honorarium and for the other independent member at £1,000 p.a. also as an honorarium. (see para. 7.4)
- 4) That a further review be conducted regarding the new licensing arrangements within the next 3-4 months to establish the likely impact of the new requirements and the necessary committee structure needed to meet this workload. (see para. 7.5)

- 5) That all elected councillors should be entitled to pensions under Section 7 of the Superannuation Act 1972 with effect from 1st April 2004 and the basic & special responsibility allowances (SRAs) should be used as the basis for calculating the “career average” pay. (see para. 7.6)
- 6) That provision be made for members who are responsible for providing care to children or dependant relatives should qualify for a Dependant Carers’ Allowance to assist them with the financial cost of paying for care whilst they are attending approved duties. The claims for allowance shall be supported by receipts from the carer, specifying the expenditure incurred, with payments to relatives not being admissible and the allowance be provided to repay the actual cost of care incurred, up to the following maximum levels:

Childcare	-	£5	per hour
Dependant Care	-	£8.50	per hour

Subject to a maximum of 20 hrs per month. (see para. 7.7)
- 7) That the same rate of travel, mileage and subsistence allowances payable to the Officers for approved duties should be applicable to Members including cycle mileage, car sharing and conference arrangements. (see para. 7.8)
- 8) That the question of a reduction in the number of SRAs should remain under regular review and where possible opportunities taken to combine certain Executive portfolio responsibilities and streamline the Scrutiny/review arrangements. (see para. 8.1)
- 9) That, in acknowledging the call for greater accountability in both the public & private sectors, the Council actively promote the phased introduction of a system of assessing and developing the effectiveness of members and those undertaking roles of special responsibility. (see para. 8.2)
- 10) That the new allowances’ scheme should permit the Council to withhold all of a Councillor’s allowance should that person be suspended for misconduct, or to require the Councillor to repay the Council such part of any allowance as has already been paid in respect of any period during which the person is suspended.
(see para. 8.2)
- 11) That as the current Independent Remuneration Panel has now completed a 5-year term steps should be taken to recruit a new Panel whose initial task would be to review the introduction and operation of this new allowances’ scheme in the early part of the 2004/2005 municipal year. (see para. 7.2)

2.0 Introduction

2.1 The Government has now made new regulations governing the payment of allowances to Councillors – the Local Authorities (Members' Allowances) (England) Regulations SI 2003 No.1021. These regulations recently came into force and Councils are required to implement a new allowances' scheme by no later than 31st December 2003. Many features of the old allowances' scheme have been retained:

- Basic allowances
- Special responsibility allowances
- Requirement for an Independent Remuneration Panel to consider and make recommendations on all allowances proposals
- Publicity and public notice requirements
- Dependant carers' allowances

2.2 Features introduced under the new regulations are as follows:

- Travel and subsistence allowances (now at the full discretion of the local authority and not subject to the Secretary of State maxima)
- Allowances for co-opted and appointed Members (e.g. the Independent Standards Committee Members)
- Allowances' schemes to run for 12 months ending 31 March in any year
- Changes to an allowances' scheme made in the course of the year may be backdated to the start of the year
- Provision for indexation of allowances on an annual basis for up to four years outside of an Independent Remuneration Panel review.

2.3 In accordance with new regulations Stevenage Borough Council has reconvened its independent remuneration panel to provide advice on a new Members' Allowances Scheme and the amounts to be paid. The Council are required to have regard to this advice in determining its new scheme arrangements.

3.0 Panel Membership and & Terms of Reference

3.1 The previous Panel appointed to undertake an earlier allowances' review (in September 1997) and propose a restructured allowances' scheme reflecting the Council's new political structures and the role of Members (in October 2001) was re-convened and consists of:

- The Rev'd Michael Banks MA, retired parish priest and former Chief Executive of Stevenage Borough Council (Chair)
- Mr. Roger Gochin BSc, Principal & Chief Executive of North Hertfordshire College, Stevenage
- Mr. Stephen Hollingsworth MA, Management Consultant and Chairman of Stevenage Leisure Ltd.

- 3.2 Under new Regulation 21 the Panel is required to produce a report to the Council making recommendations:
- a) as to the responsibilities or duties qualifying for special responsibility, co-optees; travelling & subsistence allowances
 - b) as to the amount of such allowances and the basic allowance
 - c) as to whether dependants' carers' allowances should be payable, and, if so, the amount
 - d) as to whether adjustments to the level of allowances can be backdated if the Scheme is amended
 - e) as to whether adjustments to the level of allowances may be determined according to an index and, if so, which and for how long that the index should apply - the maximum possible being 4 years
 - f) as to which Members are entitled to pensions and whether they should be calculated on basic or special responsibility allowances or both.

4.0 Process of the Review

- 4.1 The Panel has met on three occasions during November 2003:
- to be briefed on the new regulations and the various implications
 - to be updated about progress and the operational effectiveness of the Council's new constitution, political structures and decision-making mechanisms
 - to interview a cross-section of Councillors by reference to a series of questions regarding their views about such matters as the new structures, the present level of allowances, the desirability of pension provision etc.
meeting - Cllrs. B. Hall (Leader of the Council),
R. Parker (Leader of the Opposition),
G. Clark (Leader of a Minority Party),
Mrs P. Gallagher (Chair of Scrutiny Overview)
M. Downing (Chair of a Review Panel & County Councillor)
 - to arrive at conclusions, formulate recommendations on each of the review elements and begin preparing the shape of the Report.
- 4.2 Mention should be made of the helpful assistance that was provided to the Panel by the Assistant Chief Executive, the Borough Solicitor and the Council's Officers - making various arrangements, supplying advisory support when required and furnishing the Panel with useful background material.

4.3 The following items of information were considered by the Panel in reaching its recommendations:

- The Local Authorities (Members' Allowances) Regulations 2003 No. 1021
- New Council Constitution Guidance on Members' Allowances for Local Authorities in England (DETR – April 2001)
- Report on Member Allowances by the IRP – October 2001
- Details of the Council's Political Management Structure 2003/2004
- Report of the Council's Peer Group Review May 2003 – as part of the national Local Government Improvement Programme (LGIP)
- The Council's Corporate Improvement Plan
- Stevenage Borough Council's Budget for the Year 2003/2004
- Report on the Government's Licensing Bill (November 2002)
- Stevenage Borough Council's Current Mileage & Subsistence Allowance Scheme
- Comparative information from certain County, District & Unitary Authorities

5.0 Context of the Report: Stevenage Borough Council

5.1 The Panel found it helpful to have access to the findings of the Council's Peer Review (May 2003) which had been conducted as part of the national Local Government Improvement Programme. Focusing on three key organizational themes - leadership, accountability and managing performance - the independent peer review team listed among the strengths of the authority:

- ✓ high levels of ambition & commitment for the Borough
- ✓ strong sense of identity
- ✓ engaged, committed councillors & staff
- ✓ strong involvement with local community
- ✓ sound financial control

- 5.2 In assessing progress made in developing the Council's new constitution, political structures and roles of members since their adoption two years ago, the Panel noted with interest the ambitious targets of the Council's Corporate Improvement Plan that include:
- Developing with partners and the local community, a coherent vision and strategy to secure long term success for Stevenage
 - Plans to work increasingly in a sub-regional and regional context – defining what a successful 'third generation' new town can and should be
 - New customer service arrangements to provide improved customer outcomes – and communicating these culture changes to the citizens & customers of the Council
 - A more robust approach to project management with milestones and targets for each stage of the change management programme – including a risk management framework with contingency plans and mitigation for key projects and programmes.
- 5.3 It is against this background and within the Council's overall planning, management and operational framework that the Panel's deliberations have taken place.

6 Guiding Principles of this Review

- 6.2 In arriving at its findings and formulating recommendations, the Panel has kept in mind certain guiding principles that had been adopted and shaped its previous review exercises – viz. that the new scheme of allowances should:
- conform with legislative requirements and be cognisant of published guidance
 - preserve a recognition that the work of a local councillor has an element of voluntary service – and this ethos is worth maintaining
 - recognize the demands placed on Councillors by their differing roles and responsibilities within the Council and fairly and equitably compensating them – as far as appropriate – for the time and effort they devote or can reasonably be expected to devote to their work as a member of the Council.
 - be affordable, efficient & effective to administer as well as easy to explain understand and justify in terms of public perception
 - encourage members from a cross-section of the electorate to be attracted to this important work – removing, as far as possible, potential barriers to entry.

7 Details of Findings & Recommendations

- 7.2 **Remuneration: setting the level of allowances** - the Panel reviewed the recommendations in its report of October 2001. From the evidence collected from Officers and Members it is felt that the system of a basic allowance plus special responsibility allowances continues to enjoy widespread support.

In essence, the evidence points to the fact that the Council's new constitution and organizational arrangements are certainly beginning to fulfil the initial aspirations for them. As the Peer Group Review report (op.cit.) remarks:

“The Council has both long serving members and staff who are strongly committed and engaged with the public they serve. There is much investment in training and development for staff and also members. By all accounts, the members are respected by their constituents. Executive members are considered to be strong with a clear sense of purpose. Overall relationships between members and officers are good, and the strengths of both provide a considerable resource for sustained improvement.”

It is clear that the local councillors play a vital role as the voice of local neighbourhoods. They are elected to ensure that the £millions of public money spent each year are used wisely and to good effect. The importance of their contribution is recognized by the fact that the Panel confirms its view that the Principal Officer (PO) grading structure provides a helpful reference framework in assessing the appropriate level of allowances.

Therefore the Panel wishes to re-iterate its proposals set out in the previous review exercise (see “Section 4 – Determining levels of remuneration” IRP Report October 2001) viz. that:

- # the Basic Allowance should be equated with the PO1 grade (minimum point) assuming a ‘voluntary service’ discount of one third
- # the range of Special Responsibility Allowances (SRAs) be classified within a scale (I-IV) linked to particular PO grades (minimum point), according to the special levels of responsibility and the additional time requirement involved.

- 7.3 **Backdating and Index Adjustment** - this was carefully considered and the Panel saw merit in perhaps linking the annual index adjustment to the average annual percentage increase in the Council's staff earnings.

However, as the current Panel has now completed a 5-year term this observation is recorded here for information purposes; and it is strongly felt that a new Independent Remuneration Panel should be recruited and undertake further review of this matter (and other associated issues) at an early stage in the new 2004/2005 municipal year.

However, as the percentage change in the Council's staff earnings since the last IRP Review two years ago, amounts to an increase of 7.5 % (comprising 3% - 1st April '02; 1% - 1st Oct. '02; and 3.5 % on 1st April '03) the Panel recommends that the Council similarly increase all the basic & special responsibility allowances by 7.5 % – backdated to 1st May 2003.

7.4 *Councillor's Remuneration: Allowances for 2003/2004 – in summary the range of these allowances proposed for the financial year 2003/2004 is as follows:*

<i>Basic Allowance - all Councillors</i>	<i>£5,760</i>	<i>(Previously - £5,350)</i>
<i>Special responsibility allowances to be added to the basic figure</i>		
<i>Scale I - Leader of the Council</i>	<i>£15,050</i>	<i>(£14,000)</i>
<i>Scale II - Executive Members plus Chair of Scrutiny Overview</i>	<i>£9,135</i>	<i>(£8,500)</i>
<i>Scale III – Chairs of Scrutiny/Review Panels plus Chair of Planning & Development</i>	<i>£7,255</i>	<i>(£6,750)</i>
<i>Scale IV – Chairs of Joint Local Committees</i>	<i>£4,300</i>	<i>(£4,000)</i>

Note: only one Special Responsibility Allowance should be payable to any individual Councillor at any one time. Any member also may, by notice in writing given to the Borough Solicitor, elect to forego any part of his/her entitlement to any allowance under this new scheme.

Co-optees' Allowance – this is a new provision, as the regulations state that the new scheme may provide for a co-optees' allowance “in respect of attendance at conferences and meetings.” The Panel noted that the Chairman of the Council's Standards Committee is a co-opted member and the only other co-optee, with formal voting and statutory rights, is also an independent member of this same committee .

Clearly, non-councillor members of the a Standards Committee provide a valuable external perspective and previously have been able to claim a financial allowance at a rate prescribed by the Secretary of State. This rate will not continue to be prescribed and it therefore would seem equitable to include a rate of remuneration within the new scheme.

The Panel therefore recommends that:

a co-optees' allowance be incorporated into the new scheme of allowances such that in the case of the independent chairman it be set at £1,250 p.a. as an honorarium and for the other independent member at £1,000 p.a. also as an honorarium.

- 7.5 ***New Licensing Regulations*** – the Panel was apprised of the changes to the licensing regime which will require significant Council input from 1st April 2004. The principal effect of the Licensing Bill when it becomes effective in law will be to transfer responsibility for liquor licensing from Magistrates Courts and Licensing Justices to the local authorities.

Consideration is currently being given to the potential impact of these new responsibilities and although consequent amendments to the organizational structure have yet to be resolved it would appear that the General Purposes Committee will be re-formed as a Licensing & General Purposes Committee with appropriate sub-committee support as required.

In this event, the Panel can see clear parallels with the Chairman of Planning & Development and would be minded to propose a Scale III special responsibility allowance as appropriate. That said, however, it would seem that this licensing role does need some further review to assess the impact of the new requirements and the committee arrangements that will be required to be in place to meet them - possibly prior to the new Panel undertaking its review activity next year.

- 7.6 ***Pensions*** - the new regulations now make it possible for the Council to make provision within its new scheme for allowances to be pensionable as part of the local government pension scheme (LGPS) and prescribe the role of the Independent Remuneration Panel in the process of determining the issue.

As a result, the various arguments for and against such provision have been considered. ***Arguments for:*** certainly, it could be argued that such provision would assist the aim of attracting a greater cross-section of the community to become councillors, including more people of working age. Those who are working may lose out because council activities mean additional work or promotion activities are not available – affecting total earnings in the short and long term. Also the point that pensions should be regarded as part of any remuneration package and therefore pensions should follow pay.

Yet, ***arguments against:*** include the doubts that have been expressed as to the effectiveness of the pension option on recruitment & retention of candidates and councillors - particularly in the light of the likely low value. Wouldn't it be better to boost the basic and special responsibility allowances or take more direct and immediate measures to attract prospective councillors – runs this counter argument.

The Council may only make membership of the LGPS available to those councillors who are recommended for membership by the Panel. In addition, the specific elements of the members' allowances that should be made pensionable and the implementation date itself are also matters which are subject to the Panel's recommendation.

Once an individual becomes eligible for membership of the LGPS, it will be left to each Councillor to decide whether to opt into the pension scheme or not. The contribution rate will be 6% of his or her pensionable allowance. Take-up is an unknown factor and there would be an unquantifiable and continuing financial obligation on the Council and the pension fund.

In reaching its decision the Panel considered the cases for and against to be finely balanced. Nonetheless, it felt that a positive recommendation on its part would allow the Council to consider the merits of the case and also take account of the financial considerations - not a material factor for the Panel.

Therefore it is recommended that:

- ρ *all elected councillors should be entitled to pensions under Section 7 of the Superannuation Act 1972 with effect from 1st April 2004*
- ρ *and the basic & special responsibility allowances (SRAs) should be used as the basis for calculating the "career average" pay.*

7.7 ***Dependants' Carers' Allowances*** – the Local Government Act 2000 gave the right to local authorities to pay a Dependant and Child Care Allowance to eligible members while on approved council duties.

Not wishing to distinguish between individual Councillor's circumstances, in its previous report the Panel did not recommend setting up such arrangements contending that the basic allowance had been set at a level high enough to absorb this expenditure.

However, upon reflection the Panel acknowledges that this allowance was explicitly designed to enable a wider range of candidates to stand for, and remain on the Council.. The Panel noted that it is becoming common practice for local authorities to make this allowance available to members with caring responsibilities - as a way to encourage people who would otherwise find it difficult to become Council members.

It is therefore recommended in the new scheme that:

- # *provision be made for members who are responsible for providing care to children or dependant relatives should qualify for a Dependant Carers' Allowance to assist them with the financial cost of paying for care whilst they are attending approved duties*
- # *the claims for allowance shall be supported by receipts from the carer, specifying the expenditure incurred, with payments to relatives not being admissible*

the allowance be provided to repay the actual cost of care incurred, up to the following maximum levels:

Childcare - £5 per hour

Dependant Care - £8.50 per hour

Subject to a maximum of 20 hrs per month

7.8 ***Travel & Subsistence*** – the Panel is required to make recommendations as to the approved duties for which travelling and subsistence allowances are payable. New Regulation 8 sets out the categories of duties that may be included in a scheme and the Panel considered that all these categories are relevant and should properly be included in the Council's new scheme of allowances.

With regard to the amount of such allowances the Panel recommends that:
the same rate of travel, mileage and subsistence allowances payable to the Officers for approved duties should be applicable to Members including cycle mileage, car sharing and conference arrangements.

The adoption of this recommendation would remove the need for the Panel to continually review these rates as they are updated nationally at periodic intervals.

In respect of travel by car, it is considered that the Council could safely pay the 'casual user' rate (up to 8,500 miles) as it is unlikely that the maximum miles claimed by a member on council business would exceed that figure in the course of a year.

An additional point was raised with the Panel regarding the requirement for subsistence before meetings. This suggests that the Council might wish to consider including in their new scheme provision for a member to be entitled to claim subsistence in respect of actual expenditure reasonably and necessarily incurred prior to an approved meeting - having regard to the nature and timing of that meeting.

8 Concluding Observations

8.1 ***Number of SRAs with the new scheme*** - In its 2001 Report (see section 8.1), the Panel noted the wide divergence of allowances being recommended nationally by the independent review process - even between authorities with similar characteristics. Mindful of other public sector positions and responsibilities (i.e. within the Police Authority and the Health Service), the Panel set its recommendations at a level that balanced the local needs of the Council's new political and management structures whilst at the same time being mindful of the need to set a fair level of recompense for those members involved at different levels of responsibility.

Notwithstanding these considerations, the Panel noted that the requirements of the Council's new constitution and political structures did result in a significant number of special responsibility allowances. Attention was drawn to this matter noting the Guidance on Members' Allowances advice (DETR – April 2001) and the Panel asked for this to be reviewed by the Council in the light of experience of operating the new structures.

Strictly speaking, it is not for the Panel to determine the Council's management structure or the number of its committees. This is a matter for the Council or its Executive - the Panel's role being to assess the allowances which should be paid to the Chairman or Vice-Chairman of the committees under the given structure.

However, the Panel has considered the number of SRAs currently awarded in the light of the statutory guidance. The Secretary of State's guidance is directed at local authorities and doubtless the Council will wish to have regard to this, as well as the Panel's Report, when setting this new scheme of allowances.

For information, a summary of the Panel's observations on this matter is set out below:

- # The Panel noted that, as in 2001, the new regulations do not limit the number of special responsibility allowances which may be paid
- # Different Councils have different numbers of committees & committee structures and to a larger or lesser extent the number of SRAs will depend somewhat on the actual structure adopted
- # Whilst in normal circumstances it might not be justified for a majority of members of the Council to receive special responsibility allowances, the Panel recognizes the current policy & performance workload involved in both the new licensing arrangements and the special issues of Stevenage as a 'third generation' new town in Hertfordshire facing a step change in its profile and character
- # However, as over 60% of members receive some form of SRA it is felt that this situation should remain under regular review and opportunities taken where possible to combine certain Executive portfolio responsibilities and to streamline the Scrutiny/review arrangements – thereby reducing the overall number of SRAs.

8.2 ***Transparency & Accountability*** – in arriving at its range of recommendations the Panel has considered the extent of the roles that members of Stevenage Borough Council, in common with other local authorities, are now undertaking as part of the Government's modernising agenda.

The task of the Panel has been to produce a formula for a new scheme for members' allowances that is equitable, transparent and understandable. Inevitably, this requires a balance to be struck between the voluntary effort required of members and at the same time ensuring that there is appropriate financial recognition for the demanding role being fulfilled. It has not been the Panel's job to consider the performance of the Council's elected members whether collectively or individually.

Nonetheless, the Panel did consider the question of accountability and the exercise of control of the allowances awarded so as to avoid any risk of abuse. Various possibilities were discussed, and it was also recognized that the political process would,

to an extent, monitor the revised allowances scheme. For example, the publication of Council members' attendance records at Council, committee and any other community meetings would give an indication of commitment, providing that appropriate safeguards are in place to note unavoidable absences.

Attendance at meetings is just one part of the role of a Councillor and annual reports by those receiving SRAs on their perceived contribution to the work and achievements of the Council could provide a next stage - along with specifying in writing the expectation & commitment expected of those who occupy specific positions of special responsibility.

These would give rise naturally to role profiles, self & peer assessment activity and perhaps even an electorate contract.

At this time the Panel recommends that:

in acknowledging the call for greater accountability in both the public and private sectors, the Council actively promote the phased introduction of a system of assessing and developing the effectiveness of members and those undertaking roles of special responsibility.

Additionally, in the unlikely event of a Council member being suspended for misconduct, the Panel felt it necessary to make a further specific recommendation regarding the withdrawal of allowances. It is therefore recommended that:

the new allowances' scheme should permit the Council to withhold all of a Councillor's allowance should that person be suspended for misconduct, or to require the Councillor to repay the Council such part of any allowance as has already been paid in respect of any period during which the person is suspended.

9 A final word....

In considering the framework for the new scheme of allowances to recommend to the Council, the Panel saw no reason to depart radically from the general format of the current scheme except as stated in this report.

We confirm that the foregoing views are those of the members of the Independent Remuneration Panel and that this Report concludes the assignment allotted to us. We endorse and commend these recommendations to the Borough Council for its consideration.

Michael Banks

Roger Gochin

Stephen Hollingsworth

November 2003

