

APPENDIX A

THE SCHEME OF COUNCILLORS' ALLOWANCES FOR STEVENAGE BOROUGH COUNCIL

**AN UPDATE REPORT BY THE
INDEPENDENT REMUNERATION PANEL**

JUNE 2006

REPORT OF THE INDEPENDENT REMUNERATION PANEL

1.0 Summary of Recommendations

The following is a summary of the recommendations made by the Independent Remuneration Panel (IRP) convened by Stevenage Borough Council to update and give consideration to additional aspects of the Members' allowances scheme and advise the Council accordingly.

It is recommended that:

- 1) **The existing rationale and framework of basic and special responsibility allowances be retained until the end of 2006/07 and the actual amounts increase by 2.95% to reflect the 2006/07 NJC award – backdated to 1st April 2006.**

(see para. 6.1)
- 2) **The Independent Remuneration be asked to re-examine the structure of the present scheme to re-visit the rationale and approach, test the robustness of previous conclusions and take account of any potential changes to the Council's management process, with a view to producing a new or revised scheme, effective from the beginning of 2007/08.**

(see para. 6.1)
- 3) **An additional responsibility allowance (SRA) be made available for the new post of Chair of the Audit Committee; and it be set at the Scale III level until the next review and experience of the post is established.**

(see para. 6.2)
- 4) **The post of Independent member of the SBC Audit Committee should attract an annual honorarium in line with that paid to the Independent Member of the Standards Committee.**

(see para. 6.2)
- 5) **The SBC Chair (Vice–Chair) of the joint SBC/HCC Highways Panel now be included within the Members' Allowance Scheme and an additional special responsibility allowance (SRA) be made available and set at the Scale IV level.**

(see para. 6.2)

2.0 Introduction

This report has been produced by a new Independent Remuneration Panel convened by Stevenage Borough Council to update and give further consideration to certain aspects of its Scheme of Allowances made under the Local Government Act 2000 and the Local Authorities (Members' Allowances) (England) Regulations 2003.

3.0 New Panel membership & terms of reference

3.1 A new Independent Remuneration Panel was convened in April 2006 consisting of:

- The Rev'd Michael Banks MA FCIS, retired parish priest and a former Chief Executive of Stevenage Borough Council (Chair)
- Mr. Fintan Donohue BA(Hons) Law MPhil, Principal & Chief Executive of North Hertfordshire College, Stevenage
- Mr. Ian White MSc CBE, previously Director of Social Services, Hertfordshire County Council and currently Chair of Beds. & Herts. Strategic Health Authority.

3.2 It was noted that its terms of reference and functions are based on para. 61 of the "Guidance on Regulation for Local Authority Allowances 2003" (ODPM) as follows:

- to make recommendations to Stevenage Borough Council as to the amount of basic allowance that should be payable to its elected members
- to make recommendations to Stevenage Borough Council about the responsibilities or duties which should lead to the payment of a special responsibility allowance and as to the amount of such an allowance
- to make recommendations to Stevenage Borough Council about the duties for which a travelling and subsistence allowance can be paid and as to the amount of this allowance
- to make recommendations as to the amount of co-optees' allowance
- to make recommendations as to whether the Council's Allowances Scheme should include an allowance in respect of the expenses of arranging for the care of children and dependants and if it does make such a recommendation, the amount of this allowance and the means by which it is determined
- to make recommendations as to whether any allowance should be backdated to the beginning of a financial year in the event of the scheme being amended
- to make recommendations as to whether annual adjustments of allowance levels may be made by reference to an index, and, if so, for how long such a measure should run

- to make recommendations as to which members of the Council are to be entitled to pensions in accordance with a scheme made under section 7 of the Superannuation Act 1972
- as to treating basic allowance and special responsibility allowance as amounts in respect of which such pensions are payable.

4.0 Process of this update review exercise

4.1 The Panel members met on three occasions during May/June 2006

- to be introduced as the new Panel and agree mode of working
- to be briefed on particular requirements of this review exercise
- to study and reflect on the three previous reports of the Council's Independent Remuneration Panel made in October 2001, November 2003 and June 2004
- to collect observations and arrive at conclusions prior to formulating recommendations
- approving recommendations and the detail of the Panel's report to be made to the Council.

4.2 Mention should be made of the helpful assistance and support the Panel received from Jackie Cansick, SBC Constitutional Services Manager who facilitated the meetings and provided the specific background material required.

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

- = The Local Authorities (Members' Allowances) Regulations 2003 – Statutory Instrument 2003 No. 1021
- = New Council Constitutions: Guidance on Regulation for Local Authority Allowances (ODPM) 2003
- = Reports of SBC's Independent Remuneration Panels October 2001, November 2003 and June 2004
- = Terms of Reference, Constitution and Agendas of SBC's new Audit Committee and the Stevenage Borough Council/Herts. County Council Joint Member Highways Panel
- = Comparative information from various County, District and Unitary Authorities

5.0 Background Context

- 5.1 **Local democracy and remuneration for elected members** – From the outset the Panel acknowledged the importance of local democracy in helping to bind communities together and give voice to everyone regardless of status, allegiance, beliefs or income. It is local councils that provide democratic accountability for key decisions about priorities, resources and services. Democracy, in its true sense, will only flourish if people from diverse backgrounds are encouraged to serve as councillors – not just those who are retired or have other independent financial means.

It is clear that today's councillors have great demands on their time and expertise and are responsible for spending large sums of public money wisely. Fewer employers are now willing or able to allow employees time off to fulfil civic duties. A comprehensive scheme of local authority allowances enables individuals to be compensated properly for these duties and thereby makes it increasingly possible for a wider sector of society to be represented within local government – a positive development for democracy.

- 5.2 **SBC: Performance rating** – Upon enquiry, the Panel learnt that a team of inspectors from the Audit Commission had visited Stevenage to assess how well the Borough Council was managing its resources and to assess whether it was providing the community with value for money. Apparently, this **Use of Resources** assessment is nationally applied using a prescribed methodology and scoring procedure. In their report the inspectors concluded that the Council's performance met required standards in all assessment areas.

Also the assessment team considered whether the Council had improved its performance since the Audit Commission's Comprehensive Performance Assessment (CPA) rated it as a "good" Council some time earlier. This is known as a **Direction of Travel Assessment** and again the Panel heard that the report was positive as it was concluded that the Council continues to make good progress and "has strengthened its management capacity and performance management framework to deliver the outcomes required in its CPA Improvement Plan."

- 5.3 **Guiding principles** – In arriving at its findings and recommendations the Panel was mindful of the guiding principles that had been adopted and shaped previous review exercises, namely that the scheme of allowances should:
- conform with legislative requirements and be cognizant 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 Members 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
- continue to 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.

6.0 Details of Conclusions & Recommendations

6.1 **Remuneration structure** – In reviewing the current scheme and level of allowances the members of the Panel were able to understand and appreciate the rationale of relating the level of allowances to the principal officer salary structure framework. The Panel acknowledged that creating and maintaining a remuneration structure for elected councillors that achieves universal support is always likely to be difficult. Yet, there was recognition that this is a significant part of the process of providing robust governance principles, reporting frameworks and performance measures – thereby helping to improve the connection between policy objectives and implementation which should in turn lead to continued improvement in local service delivery.

Looking in detail at the last report of the previous Panel, it seemed that there was a clear intention for the level of allowances to be subject to annual adjustment in line with the NJC award for the PO grades for a four year period, running from 2003/04 until the end of 2006/07– as allowable under the Regulations (SBC IRP Report 2004 section 6.4 refers).

With that in mind, the current Panel was inclined to the view that the present level of allowances should therefore remain in operation until the end of 2006/07 and be subject to the appropriate indexation adjustment, backdated to 1st April 2006.

Meantime, it was felt that a further re-examination of the structure of the scheme should be conducted to re-visit the rationale and approach, test the robustness of previous conclusions and take account of any potential changes to the Council's management process to produce a new or revised scheme to be in place by the beginning of 2007/08.

There was also general agreement that two specific areas identified in previous IRP reports should receive attention in this later re-examination exercise – namely,

- The number or proportion of special responsibility allowances within the current scheme, bearing in mind the statutory guidance
- Increasing calls for transparency and accountability as part of the modernising change agenda for local authorities.

In commenting about these two aspects, the Panel recognizes that it is not its duty to try to determine the Council's management structure or the way it operates. However, charged with the responsibility of making a series of recommendations regarding allowances within a scheme that is judged to be equitable, transparent and understandable, the Panel will wish to encourage and support attempts to streamline the management process and also any initiatives that develop member accountability and provide leadership training.

The Panel therefore recommends that:

The existing rationale and framework of basic and special responsibility allowances be retained until the end of 2006/07 and the actual amounts increase by 2.95% to reflect the 2006/07 NJC award – backdated to 1st April 2006.

The Independent Remuneration be asked to re-examine the structure of the present scheme to re-visit the rationale and approach, test the robustness of previous conclusions and take account of any potential changes to the Council's management process, with a view to producing a new or revised scheme, effective from the beginning of 2007/08.

6.2 ***Consideration of additional SRAs*** – The Panel noted that the political management structure of the Council has changed little since the last IRP report, but had been informed that two additional offices now existed that would appear to justify consideration for the award of a special responsibility allowance:

- ***Chair of the new Audit Committee*** – The Council at its Annual Meeting on 23rd May 2006, approved the establishment of an Audit Committee with the following terms of reference:

To advise or comment as appropriate on:

- i) Internal Audit matters, including -
 - The Annual Internal Audit Plan
 - The adequacy of management responses to Internal Audit reports and recommendations
 - The Auditor Partnership Manager's Annual Report and Opinion
 - To consider summaries of specific internal audit reports, as requested
- ii) External Audit matters, including -
 - External Auditors plans for auditing and inspecting the authority.
 - The Annual Audit & Inspection Letter from the External Auditor
 - The report to those charged with governance
 - Proposals from the Audit Commission over the appointment of the External Auditor
 - The scope & depth of External Audit work.

- iii) Arrangements made for the co-operation between Internal Audit, external audit and other bodies.
- iv) Anti Fraud & Corruption issues including the Council's policies on Anti-Fraud and Corruption, "whistle-blowing".
- v) The Councils' Statement of Internal Control (SIC)
- vi) The Council's Constitution in respect of Contract Standing Orders, Financial Regulations.
- vii) The Council's Risk Management arrangements.
- viii) The Council's arrangements for delivering value for money.
- ix) The Statement of Accounts and related Capital Determinations.

This follows "encouragement" from the Audit Commission and CIPFA, as Audit Committees are considered to be "a key aspect of good corporate governance; they help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors.....They enhance public trust and confidence in the financial governance of the organisation."

It is clear from the above terms of reference that the person who serves as Chair will face a steep 'learning curve' and training will need to be provided to fulfil this role.

However, for various legal & constitutional reasons, the SBC Audit Committee will be an "Advisory Committee" where questions can be raised and matters discussed with subsequent recommendations being made to the Council's Executive. As such, it is anticipated that most of the workload will be concerned with 'considering' rather than 'determining' issues.

Bearing these considerations in mind and noting the similarity with the work of a Scrutiny Panel Chair it is recommended that:

An additional responsibility allowance (SRA) be made available for the new post of Chair of the Audit Committee; and it be set at the Scale III level until the next review and experience of the post is established.

During the course of resolving this matter it was brought to the attention of the Panel that the membership of the Audit Committee included an Independent Member. After consideration it was decided to recommend that:

The post of Independent member of the SBC Audit Committee attract an annual honorarium in line with that paid to the Independent Member of the Standards Committee.

- **Chair/Vice-Chair of the SBC/HCC Joint Member Highways Panel** – This joint SBC/HCC Member Panel was first constituted in 2003 and is chaired in alternate years by an SBC Member. In the years SBC does not chair the meetings, then it takes the Vice-Chair role.

The terms of reference for this Panel are as follows:

- i) To offer advice and recommendations on concerning the functions listed below, and offer guidance to the District Manager on how he/she should exercise his/her delegated powers.
 - Barriers, railings and street signs
 - Carriageway markings
 - Co-ordination of all highway activities
 - Comment on highway aspects of planning applications
 - Development Control and securing of obligations under the Town and Country Planning Act 1990
 - Ditch maintenance
 - Emergency standby
 - Gully cleansing
 - Highway drainage
 - Insurance claims
 - Minor traffic management projects
 - New Roads and Streetworks Act administration, co-ordination, inspection and enforcement
 - Pedestrian facilities
 - Routine inspection
 - Street lighting management and inspection
 - Structure maintenance of carriageways and footways
 - Winter maintenance
 - Road closures
- ii) To foster and improve liaison between the Councils on highway matters in the Borough and in monitoring and reviewing the activity and progress of the Highways Unit.
- iii) To advise the HCC Highways District Manager on the spending of the budget for the area, as allocated by HCC.

The IRP members received a verbal report on the work involved for the SBC Chair (Vice-Chair) and considered the level of responsibility involved in being the link between SBC and HCC Members, SBC Officers, SBC residents and HCC Officers dealing with

deputations, petitions and attempting to resolve controversial & emotive issues such as road closures. The SBC Lead Member has also been called to give evidence at an HCC Scrutiny Committee regarding one particular decision taken by the Panel (this particular matter may also be subject to a Judicial Review).

After considering this matter the IRP took the view that the responsibilities involved were very much in line with the work of the Chair of an Area Committee and therefore agreed to recommend that:

The SBC Chair (Vice-Chair) of the joint SBC/HCC Highways Panel now be included within the Members' Allowance Scheme and an additional special responsibility allowance (SRA) be made available and set at the Scale IV level.

7.0 Conclusion

We confirm that the foregoing views and conclusions are those of the members of this Independent Remuneration Panel which endorses and commends these recommendations to the Stevenage Borough Council for its consideration.

Michael Banks

Fintan Donohue

Ian White

June 2006