

# **Review of Financial Support for County Councillors**

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

**February 2011**

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## 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 – Worcestershire Strategic Partnership Board and Former Vice-Principal and Pro Vice-Chancellor – University of Birmingham (Chairman)

**Jacqui Cravos** Former Chairman – Worcestershire Health Authority

**Christine Jones** Former Chief Executive – Herefordshire and Worcestershire Chamber of Commerce

**Richard Quallington** Chief Executive – Community First.

2.2 Administrative support was provided by John Jordan, Democratic Services Manager, Resources Directorate. We are grateful, once again, to him for his guidance and support throughout this process.

## Section Three

### Introduction

3.1 We last reported to the Council in July 2009. Our report was a comprehensive 'end of term' report which not only reviewed the principles which had underpinned our approach to Members' Allowances but which also brought forward our recommendations on issues which were likely to affect the new Council following the 2009 elections.

3.2 We were pleased to learn that the Council adopted our recommendations and in so doing, remain committed to the principles which continue to influence our approach to Members' Allowances.

3.3 However, we are all aware of the global financial picture and indeed the impact this has had on local government, both in terms of the level of funding and the way in which local government will be required to operate in the future. The emerging financial settlements for local government have started to give a clearer picture of the challenges which lie ahead. We therefore felt that it would be prudent to re-visit the nature and level of allowances now payable in this context.

3.4 We are also aware of a Notice of Motion in the following terms which was discussed by the Council in November 2010:-

*"This Council wishes to cut Members' Allowances (i.e. Basic Allowance, Special Responsibility Allowance and those paid to the Chairman and Vice-Chairman of the Council) by 10% with effect from April 2011.*

*We also call on the Leader of the Council to reduce the number of Cabinet Members by at least 10% in order to achieve a further saving.*

*We do this in recognition of the severity of the budget cuts that the Council must make and the consequences this will have for the Council staff and for services to the public. We therefore call for a speedy report from the Independent Remuneration Panel so its advice can be considered within this context and a formal decision taken."*

3.5 Although this Notice of Motion was rejected by the Council it did agree that a report should be sought and that it could be considered by Council in January, or more likely, February when the budget would be decided and any amendments to the Scheme could be considered.

3.6 In reaching our conclusions we have sought the views of the Chief Executive, Leader of the Council and Leader of the Liberal Democrat Group and have also given them the opportunity to raise any issues with us.

3.7 In accordance with previous practice a copy of our draft report has been shared with Group Leaders prior to its publication.

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## Section Four

### Our Approach to establishing the Level and Nature of Allowances Payable

4.1 For the sake of completeness, we believe that there is merit in reminding the Council of our approach to setting the levels of Basic and Special Responsibility Allowances; an approach which continues to be endorsed by the Council, most recently in July 2009. We have also set out our views about the basis for annually uplifting allowance payments

#### Basic Allowance

4.2 Statutory Guidance states that "the Basic Allowance is intended to recognise the time commitment of all councillors, including such inevitable calls on their time as meeting with officers and constituents and attendance at political group meetings. It is also intended to cover incidental costs such as the use of their homes".

'Incidental costs' can be many, ranging from telephone calls to visiting constituents.

4.3 The Worcestershire County Council Members' Allowances Scheme defines the Basic Allowance as "*intending to recognise the time devoted by Councillors to their work, including such inevitable calls on their time as meetings (whether Council meetings or meetings with constituents and political group meetings). This allowance is also intended to cover other incidental costs incurred including:-*

- *use of home;*
- *use of telephone (including the cost of mobile phones and other handheld devices of a similar nature);*
- *connection to the Internet;*
- *provision of IT consumables; and*
- *costs associated with member surgeries and other public events (including Room Hire) which are not facilitated by the County Council."*

The Scheme adds that "*by the very nature of their positions some Councillors who hold positions on the Council may incur additional expenditure which is over and above that incurred by ordinary backbench Councillors. In these circumstances any additional costs will be met from their special responsibility allowances*".

4.4 In setting the level of Basic Allowance payable, we continue to take a view on a financial link to the time spent by Councillors undertaking their role. Nationally there is ample evidence around the time spent by Councillors. However, there is no common view on the time actually required.

4.5 Guidance also suggests that:-

*'it is important that some element of the work of members continues to be voluntary – that some hours are not remunerated. This must be balanced against the need to ensure that financial loss is not suffered by elected members, and further to ensure that, despite the input required, people are encouraged to come forward as elected members and that their service to the community is retained'*

4.6 The exhortation that some work of members should remain voluntary is often known as the public service principle. This is a fundamental principle which we have advocated earlier in our reports and continue to support.

4.7 Traditionally there are two approaches to setting the level of Basic Allowance. One approach involves the use of the Local Government Association daily rate, which was originally based on the national male median white collar wage. The LGA has since ceased to publish this rate. The other approach uses a more localised benchmark. Our approach has always tended to give more weight to local benchmarks.

4.8 In formulating our view about the level of basic allowance, in addition to having regard to the amount of time inevitably taken by the role, we take account of the nature of the task and the principle of voluntary public service. These have been the basic considerations of many of the independent reviews and hope that they continue to be beyond challenge.

4.9 As part of our original research, we also gave consideration to an additional issue which was drawn to our attention and which was borne of the particular urban and rural mix which characterises Worcestershire. At that time it was suggested to us that the time (and travel) demands were sharply different in different parts of the county, reflecting the density and sparsity of population in different areas. Our research, however, suggested that that the position was much more complex and that simple distinctions were misleading.

4.10 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;
- That the Government's intentions in its original political structure reforms include a wish to see the time burden reduced – not least as a way of making it more attractive to become a Councillor;
- The rates of pay available for membership of non-departmental public bodies and memberships of NHS trusts; and

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- The level of allowances being set by other, similar councils in the wake of modernisation arrangements

4.11 We have also had regard to the role expected to be played by the modern Councillor. The Worcestershire Councillor Role Descriptions have helped us to understand the role and what is required. However, we have frequently returned to the question of effectiveness. We are clear that the public purse should not be expected to pay for a Councillor's time if that time is not being effectively applied. Any scheme for financial support for Councillors has to pre-suppose that there is a public benefit worth paying for. The ballot box remains the ultimate test but we have previously advocated that the Council, Party Group Leaders and individual Councillors should continue to give attention to how best to review the effectiveness of Councillors' contributions to the tasks described in the role description.

### **Special Responsibility Allowance**

4.12 Regulations provide that:-

*"a special responsibility allowance may be paid to those members of the Council who have significant additional responsibilities, over and above the generally accepted duties of a Councillor. These duties must be related to the discharge of the authority's functions.*

4.13 Again there are a number of approaches to determining special responsibility allowances:-

- The factor approach – this determines special responsibility allowances as a multiple of the basic allowance. Three is the common multiple often used to arrive at the leader's special responsibility allowance.
- The time based approach – this assigns a notional amount of time to the leader's role in addition to the time notionally rewarded by the basic allowance. The extra time is often rewarded at a higher rate than that used to arrive at the basic allowance.
- The analogy approach – this draws an analogy between the role of leader and another public sector role, such as the Chair of the local primary care trust.

4.14 We have traditionally used the principles brought forward by the factor approach as the basis for calculating the special responsibility allowances payable in Worcestershire. In the interests of simplicity and clarity we have sought to use an approach which puts additional responsibilities into four bands of additional payment.

4.15 We believe that this approach has brought with it a flexibility which has enabled the Council to respond to changes without radically altering the basis upon which allowances are payable.

4.16 In considering the monetary value of the Bands we have always sought to make a recommendation justifiable by, and representing the work demanded by, a major council.

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4.17 Additionally, in calculating the levels of Basic and Special Responsibility Allowances we have always sought to ensure that the allowances payable in Worcestershire are comparable with near neighbours and the Audit Commission Family average. In setting the level of allowances, we are conscious of the need to reflect the Council's funding position and for this reason the level of allowances has historically been set around the middle quartile of those set by our nearest neighbours and comparator authorities.

4.18 We have also always sought to be clear about those roles which genuinely bring with them additional responsibilities over and above that covered by the Basic Allowance. As a guide we have also advocated that no more than 1/3 of Councillors should be in receipt of a Special Responsibility Allowance, although from time to time there have been justifiable reasons for departing from this principle.

4.19 Our principal reasons for this approach has been our belief that if too many members are in receipt of a Special Responsibility Allowance this may be an indication that the Basic Allowance may not be set at the correct level. There is also a limit to the number of positions within the Council that can reasonably carry responsibility for the Council's work.

#### **Basis for uplifting allowances**

4.20 Most allowances schemes have a provision for annually uplifting the levels of allowances payments. Again there are a number of indicators used to base annual uplifts on. The most common are the Retail Price Index, Consumer Price Index and the APT and C staff pay award.

4.21 From November 2001, the RPI was used as the basis upon which to annually uplift allowances. Indeed in previous reports we have stated our belief that annual uplifts remain 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.

4.22 In 2008 we were given cause to re-consider the indicator upon which to base future uplifts. As part of our April 2008 report we therefore considered whether the RPI remained an appropriate indicator against which to uplift allowances in the future.

4.23 Throughout our previous considerations we have been mindful that a number of other authorities used the staff pay award as the basis for uplifting allowances payable to members. We did consider this option in our early work in 2001 but were concerned to maintain a distance between allowances and salaries. We still believed this to be an important distinction and so did not support using the staff pay award as an indicator on which to base future allowances uplifts.

4.24 Whilst the RPI was, in many respects, still seen as an appropriate indicator we were aware that it could be quite variable and differ significantly over short periods of time.

4.25 A number of things attracted us to the use of the CPI. It was not only becoming increasingly popular but it also covered a broader population of people's expenditure than the

RPI. The CPI used a similar set of goods and services to calculate its annual percentage up-rating. The major difference was that the CPI excluded Council Tax, mortgage interest and house insurance but included some financial charges. On this basis we concluded that from 1 April 2008, the CPI was now a more appropriate indicator on which to base future annual uplifts.

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## Section Five

### The Level of Allowances Currently Payable in Worcestershire

5.1 We last set the levels of Basic and Special Responsibility Allowance payments as part of our report in May 2005. Since that time there has been a provision to uplift allowances annually in line with the Retail Price Index or Consumer Price Index.

5.2 We did, as part of our 2009 work undertake some further comparator work and concluded that the nature and level of allowance payable at that time remained appropriate. Whilst we were conscious that a 4.8% uplift in 2007 had moved the level of allowances payable by the Council towards the upper quartile when compared to levels payable by similar authorities we concluded when considering the wider picture, which included the levels of non financial support to Councillors we believed that the levels payable remained justifiable.

5.3 The levels of allowances currently payable under the 2009/10 Members' Allowances Scheme are as follows:-

#### Basic Allowance

5.4 A Basic Allowance of £9,019.84. This includes an ICT allowance of £503.44.

#### Special Responsibility Allowances

5.5 Special Responsibility Allowances are currently payable as follows:-

Band	Rate of Allowance (£ pa)	Position
One	£31,074.47	Leader of the Council
Two	£16,449.71	Cabinet Members with Responsibility Chairman of the Overview and Scrutiny Performance Board
Three	£9,734.84	*Leader of the Conservative Group Leader of the Liberal Democrat Group Lead Scrutiny Members (including Health Overview and Scrutiny Committee Chairman and Chairman of Overview and Scrutiny Panels) Chairman of the Planning and Regulatory Committee Chairman of the Audit and Governance Committee
Four	£5,820.68	None currently payable

\* Not currently payable

5.6 Additionally allowances are paid to the Chairman and Vice-Chairman of the Council as follows:-

Chairman of the Council - £14,233.15 per annum  
Vice-Chairman of the Council - £3,222.60 per annum

### **Carers/Dependents Allowance**

5.7 A Carers/Dependents Allowance of £6.09 per hour up to an annual ceiling of £2,432.83 evidenced by receipts is also payable.

### **Current Comparison of levels payable**

5.8 In the light of the current financial pressures faced by the Council we felt that it would again be timely to re-visit the levels payable to see how those payable in Worcestershire now compared with those payable in similar councils.

5.9 To help inform our consideration we have sought comparison information from a number of other upper tier councils (20) including Worcestershire's near neighbours. Based predominately on 2010 figures, the averages payable are as follows:-

Allowance	Average Payable
Basic Allowance	£9,899
Leader of the Council	£31,358
Cabinet Member	£17,225
Overview and Scrutiny Chairman	£10,202
Committee Chairman	£7,300
Principal Group Leader	£11,355

5.10 From the information provided to us it would appear that the levels of allowances payable to Councillors in Worcestershire have moved from predominantly an upper quartile position and now appear to be slightly below average, a position which we feel far more accurately reflects Worcestershire's overall funding position.

5.11 Additionally, we have always been clear that financial support to Councillors in only one aspects of the wider support package for Councillors. Previous research we have undertaken indicates that a number of other councils appear to be more generous in terms of the total package of support (of which allowances is a part) available to members. This includes the provision of equipment, consumables and the provision of other non-financial (administrative, secretarial and research) support

5.12 In considering the nature and level of Special Responsibility Allowances we have always sought to be clear about those roles which genuinely bring with them additional responsibilities over and above that covered by the basic allowance. As a guide, we have consistently

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advocated that no more than 1/3 of Councillors should be in receipt of a Special Responsibility Allowance. Our reasons for this approach are set out in paragraph 4.19 earlier.

5.13 Having looked at a cross section of other Allowances Schemes as part of our research it would appear that the total number of allowances payable (and the positions for which allowances are payable) in some other councils are increasing.

5.14 Whilst there are a number of consistent principles contained in Allowances Schemes across the country, each one is specifically designed to best meet individual councils' structures and governance arrangements.

5.15 Although we continue to have regard to the arrangements in operation within other Councils, we have always sought to bring forward arrangements which specifically reflect the political management arrangements in place in Worcestershire.

5.16 The principles we have advocated and the operational arrangements brought forward are all designed to ensure adequate underpinning of the current governance arrangements in Worcestershire, both Executive and Scrutiny. Indeed the Council will be aware that we have consistently and deliberately placed Cabinet Members with Responsibility and the Chairman of the Overview and Scrutiny Board into the same Band of Special Responsibility Allowances in order to give a clear message as to the importance of both roles to the effective operation of the Council.

#### **Effect of Freezing the uplift**

5.17 Members will be aware that for the last two years no uplift has been applied to the level of allowances payable in Worcestershire. The effect of these 'freezes' can be clearly seen.

5.18 Indeed, had the level of allowances been uplifted in line with the CPI over the last two years the effect would have been to uplift the level of allowances by 3.8% in 2009/10 and by a further 2.8% in 2010/11. Had the Council chosen to uplift allowances in accordance with the CPI this would have increased expenditure of Members' Allowances by £56,332.

5.19 We are also mindful that the CPI is running at 3.8% and an uplift for 2011/12 based on this figure would increase the Council's Members' Allowances budget by £33,548. Although we believe the levels of allowances payable have returned to a level which is more consistent with Worcestershire's funding position, we would be surprised if, in the current financial climate, the Council chose to uplift the level of allowances payable for 2011/12.

5.20 Despite this and whilst we continue to applaud the Council's stance, we would urge that the Council remains mindful of the need to regularly review allowances to ensure that the levels payable remain appropriate and consistent with those payable by other authorities.

## Section Six

### Consideration of Other Related Matters

#### Future influences/considerations

6.1 The environment in which local government operates continues to change, and this is particularly evident following the 2010 General Election. Not only has the financial picture changed, but a series of proposals aimed at streamlining external inspection regimes have been brought forward and which will require the Council to think about how it will meet the challenges presented.

6.2 The abolition of the Comprehensive Performance Assessment regime, Standards Board for England and the Audit Commission (to name but a few) are particularly relevant. Whilst these changes will reduce the amount of external inspection, the need for the Council to monitor and evaluate its own performance will remain. We believe that the Overview and Scrutiny function will have a significant role to play, not only in holding the Council to account but ensuring that there remains an openness and transparency in the way in which the Council operates. The same is also true of the Council's Audit and Governance arrangements.

6.3 The Council should not lose sight of the support Councillors will require to undertake the challenges presented by these changes, whether that be the support for the Council's Democratic Structures, support for the local County Councillors and associated training and development needs.

6.4 At the same time the Council will need to work in different ways. Total Place, The Big Society and the Localism Bill (to name but a few) will be of particular relevance, as will the changes being brought forward in the Health White Papers. The Council will face unprecedented changes to the way it delivers services in the future and the Leader of the Council has, in his Annual Report to the Council in January 2011, already started to outline his vision for the future.

6.5 Whilst the detail of these changes may not yet be fully clear, there will be a significant impact on all County Councillors, whether those holding positions of responsibility or those local County Councillors fulfilling their community advocate role.

6.6 We are therefore pleased to see that the Council is already considering the impact on Councillors and have commissioned a piece of scrutiny work which seeks to strategically re-examine the role of the Local Elected Member and identify if any changes should be made to the way in which Local Members are supported by the Council.

6.7 As part of our last review we also heard about the revised arrangements for supporting Members' ICT needs through an allowance to purchase their own equipment. We would remind the Council of our view that we are close to reaching the point where access to basic ICT packages are part of everyday life and will be an expectation on those seeking election to

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public life. Future support, particularly in respect of ICT arrangements should be looked at in this context.

6.8 We would also re-iterate our previous view that such an arrangement could be a catalyst for future efficiencies. We remain mindful that other organisations, particularly District Councils and the West Mercia Police Authority also make ICT provision for their members. Given the number of dual councillors and in keeping with the principles of Enhanced Two Tier Working we would support continued investigations into a co-ordinated approach to supporting member ICT needs. In particular when considering the amount payable under any future arrangements, consideration should also be given to any similar payments received from other authorities.

### **Member Engagement/Councillor Development and Review**

6.9 Members will know that we have consistently advocated the need for transparency and the need for appropriate mechanisms to enable the contributions made by each Councillor towards the effective operation of the Council to be assessed. We commend the Council for the work it has undertaken to ensure that there is transparency around the amounts claimed by Councillors.

6.10 In addition to the annual advertisement of the amounts paid to members required by law, we are pleased to see that individual Councillors' expenses forms are now routinely available online, an arrangements which now appears to be being followed by a number of other Councils.

6.11 Whilst the Council's approach is to be applauded there still remains a public perception around the cost to the public purse of Members' Allowances payments, particularly to those members who serve on more than one Council. We were reminded of a previous suggestion emanating from Worcestershire County and District Leaders and Chief Executives that consideration should be given to publishing annual allowances advertisements at the same time. We believe that such an approach would be worthy of further discussion.

6.12 As part of our last review we heard of the arrangements being put in place for the new Council. Principally this involved:-

- Proposals to increase Member Engagement and influence in the new Council.
- A further series of 1 – 1 interviews, early in the life of the new Council to capture Member aspirations and confirm expectations. Outcomes from these interviews were also to be used to inform the Member Development Programme
- Greater member accountability, achieved through the publication of member attendance records and member activity reports.
- The implementation of a Councillor Compact setting out the Council's expectations of its members as well as giving a commitment as to the level and nature of support Councillors can expect to enable them to fulfil their role.

6.13 We are assured to learn that following the elections all Councillors signed the Councillor Compact and that as part of the last roll out of the Councillor 1 – 1 Programme, 54 out of 57 Councillors participated in the Programme.

6.14 We have heard that a comprehensive Induction Programme was put in place during 2009/10 and a series of Member Development events and Briefings have also been held. Whilst we commend the arrangements which were put in place to support the new Council, we are slightly concerned at the level of attendance and engagement in some areas.

6.15 Effective Member Development arrangements will be instrumental in the continued development of effective and engaged Councillors and we would urge the Council to continue with its work in these key areas.

6.16 As part of our research we have found that a number of Councils (Warwickshire County Council being a local example) are beginning to move towards a mandatory approach to member development. To support this they have adjusted their approach to the payment of the Basic Allowance. Under their Allowances Scheme an element (1/12<sup>th</sup>) is only payable once individual Councillors have demonstrated that they have met their identified training and development commitments during the year.

6.17 Should the Council feel that there would be merit in considering a similar approach to Member Development in Worcestershire, we would be happy to consider the Members Allowances aspects of such an arrangement during the year.

### **Travel and Subsistence Allowances**

6.18 We last considered the issue of Member Travel and Subsistence as part of our Review in 2009.

6.19 At that point one of the difficulties we saw was that the basis upon which mileage rates were calculated were largely influenced by tax considerations which were determined by Her Majesty's Revenues and Customs and to some extent out of local control. Any change to the basis on which mileage rates were calculated needed to be carefully considered in this context. Further we believed that whatever scheme was ultimately put in place needed to be simple to administer.

6.20 Although we have not given any further detailed consideration to the issue we have been kept informed of developments in this area. We are aware that the County Council continues to investigate alternative (more eco-friendly) approaches to the way in which Officers' travel is reimbursed.

6.21 We have previously advocated that there should be a consistent approach to travel and subsistence payments and as arrangements are implemented for the Council's Officers we should look to do likewise for Members.

## **Section Seven**

### **Recommendations**

7.1 Having given detailed consideration to the issues before us, we have brought forward the following recommendations for consideration by the County Council:-

#### **Level and Nature of allowances Payable**

7.2 In the light of our review, we recommend that the nature and level of allowances payable to Members for 2011/12 remain as set out in the Members' Allowances Scheme for 2010/2011 (and set out paragraph 5.4 and 5.5 of this report).

#### **Uplift for 2010/11**

7.3 Although we understand that the Council does not wish to uplift allowances for 2011/12, we recommend that in future years, the Consumer Price Index continues to be used as the indicator against which to annually uplift Basic, Special Responsibility, Carers/Dependents Allowances and the allowances payable to the Chairman and Vice-Chairman of the County Council under the provisions of the Local Government Act 1972.

#### **Councillor Development and Review**

7.4 We have consistently advocated the need for transparency and appropriate mechanisms to enable the contributions made by each Councillor to be assessed and we would recommend that the Council continues to develop its arrangements for enabling the contributions made by each Councillor towards the effective operation of the Council to be assessed.

7.5 As part of this, the Council may wish to consider whether or not it would wish for the Panel to do any further work to consider the Allowances aspects of developing a mandatory approach to member development.

#### **Worcestershire County Council Members' Allowances Scheme**

7.6 We recommend that the Council's Members' Allowances Scheme for 2011/12 should be updated to reflect both the points made in this report and the decisions of the Council in respect of the recommendations brought forward in this report.

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