

Review of Financial Support for County Councillors

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

April 2008

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	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, Corporate Services Directorate.

Section Three

Introduction

3.1 We last reported to Council in May 2007. The issues covered in that report centred around the following issues:

- Admission of Councillors into the Local Government Pension Scheme (LGPS);
- Transparency and Efficiency of the Current Scheme;
- Annual uplift;
- Councillor Development and Review; and
- Future Membership of the Panel.

3.2 As part of that report we made a number of recommendations as follows:-

- (a) Councillors not be permitted to join the Local Government Pension Scheme at this stage but that we continue to research the matter in order that we may bring forward appropriate recommendations in the context of a wider consideration of allowances more generally in time for the life of the next Council in May 2009;
- (b) as part of our further work set out in paragraph (a) above, we explore with Group Leaders the progress being made in respect of the arrangements being put in place in respect of Councillor Development and Review;
- (c) having revisited the transparency and efficiency of the current allowances scheme, no further action be taken at this stage but that the matter be revisited as necessary in the context of any decisions taken as part of any wider review of allowances set out in paras (a) and (b) above
- (d) the Council confirms the extent to which it wishes to uplift the allowances payable from 1 April 2007;
- (e) the Council considers the arrangements it wishes to put in place to review the future membership of this Panel.

3.3 In response to these recommendations the Council agreed to:-

- (a) accept the recommendation of the Independent Remuneration Panel that members be not permitted to join the Local Government Pension Scheme at this stage but that the Panel further considers the issue, including whether each member should be allowed to join a pension scheme and that the Remuneration Panel also considers setting up a Stakeholder Pension or Group Personal Pension Plan for Members, in the context of a wider consideration of allowances in time for the May 2008 Council;
- (b) accept the Panel's recommendation that the Panel explores with Group Leaders the progress being made in respect of arrangements for Councillor

Development and Review and that Cabinet Members and Advisers should be seen as a first priority;

- (c) accept the Panel's recommendation that no further action be taken at this stage with regard to the transparency and efficiency of the current allowances scheme but the matter be re-visited as necessary in the context of any wider review of allowances;
- (d) confirm that the Annual uplift of Members' allowances from 1 April 2007 be in line with the Retail Price Index increase identified in paragraph 4.23 of the Panel's report; and
- (e) express its gratitude to the Panel Members for their work and authorises the Director of Corporate Services to review the membership of the Panel and to appoint or re-appoint members to it.

** Para 4.23 of the Panel's report read as follows:-*

On 1 April 2007 the Retail Price Index was 4.8% and based on our previous recommendations, the Basic and Special Responsibility Allowances are scheduled to be uplifted by this rate with effect from 1 April 2007. We are aware that such an uplift would increase the Council's allowances budget by £35,280.

3.4 Also at its meeting on 19 February 2008 the Council agreed a Notice of Motion in the following terms:-

“ that the Council's Independent Remuneration Panel be asked to review the present mileage payments to members on the basis that they should no longer be calculated by CC of the engine but CO2 emissions, ensuring the polluter does not receive a financial gain, in essence making the polluter pay. In addition car sharing should be encouraged and rewarded by increasing the passenger allowance to 5p a mile per person.”

- 3.5 As part of our latest work we have given some initial thought to this particular matter.
- 3.6 To assist us in our work, we have sought the views of Councillor Robin Lunn and have also given the Chief Executive and Group Leaders the opportunity to raise any issues with us.

Section Four

Issues Being Considered

- 4.1 In undertaking our work this time around, we have had regard to the issues raised by Council in May 2007 and have also considered a number of issues which been raised subsequently.
- **Admission of Councillors into the Local Government Pension Scheme (LGPS).**
- 4.2 As part of our last review we set out our detailed thoughts on the question of admission of Councillors into the LGPS. We have consistently advocated that any such consideration cannot be given in isolation and should be considered as part of a wider review of the Council's allowances scheme. We still believe that this approach is appropriate and that any recommendations should be brought forward in the context of a wider consideration of allowances more generally and in time for the life of the next Council in May 2009.
- 4.3 However, as requested by the Council we have again considered the issue. In a number of previous reports we have set out our views on this issue and we have again revisited them as part of our latest work.
- 4.4 We still believe that our previously stated principles are relevant and still believe that it would be inappropriate to consider the matter in isolation. However, as stated in our last report we will continue to research the matter in order that we are able to bring forward any appropriate recommendations in time for the life of the next Council in May 2009. This will also ensure that any costs associated with admission to the scheme can be considered as part of any wider review.
- 4.5 In accepting our recommendation in May 2007 that Councillors be not permitted to join the LGPS the Council did ask that we give consideration to whether each member should be allowed to join a pension scheme and that we also consider setting up a Stakeholder Pension or Group Personal Pension Plan for Members.
- 4.6 In considering this latest request we are concerned that when it comes to pension matters our remit only extends to making recommendations as to whether or not Members should be admitted to the LGPS. Obviously Members are already able to make whatever private pension arrangements they so chose. However, we believe that it would be outside our remit to make recommendations on personal pension matters.
- 4.7 Further, we are advised by the Council's Pensions experts that whilst they are responsible for the administration of the LGPS they are not permitted to provide what is in effect personal pension advice to members. The same restrictions would apply to the provision of advice to officers of the Council.
- 4.8 We are also conscious that we are approaching the last year of the life of this Council and have previously stated that we will continue to research the matter in order that we are able to bring forward any appropriate recommendations in the

context of a wider consideration of allowances more generally and in time for the life of the next Council in May 2009.

- **Annual Up-lift**

- 4.9 Currently the allowances scheme provides for an annual uplift in line with the Retail Price Index (RPI). The use of the RPI as the basis on which to uplift allowances was agreed by the Council in November 2001.
- 4.10 As part of previous reports we stated our continuing belief that annual uplifts are an important factor in ensuring that levels payable remain comparable. However, we were conscious that an uplift in line with the RPI in 2007 would have increased the level of allowances payable to Councillors by 4.8%. We were mindful of the council's budgetary situation so would not have been surprised if the Council had chosen to limit the level of uplift for 2007/08.
- 4.11 We are aware that the Council's decision to uplift allowances payable by 4.8% caused an element of division within the council and that a number of councillors subsequently renounced their entitlement to this uplift, instead requesting that the level of uplift be in line with the staff pay award.
- 4.12 Whilst we still believe that annual uplifts are important we need to remain mindful of the effect of such uplifts. Whilst a number a number of authorities uplift their allowances scheme in line with the RPI, others use the Staff pay award and an increasing number of councils are now moving to use of the Combined Price Index (CPI).
- 4.13 In setting the level of allowances payable to members, we were conscious of the need to reflect the Councils funding position. For this reason, the level of allowances was set around the middle quartile of those paid by our nearest neighbours and comparator authorities. We are conscious that the 4.8% uplift in 2007 moved the level of allowances payable by the Council into the upper quartile when compared to levels payable by similar Councils. We are also aware that an uplift for 2008 in line with the RPI would further increase allowances payable by a further 3.8%.
- 4.14 We have therefore considered whether the RPI remains an appropriate indicator against which to uplift allowances in the future.
- 4.15 As stated a number of authorities use the staff pay award as a basis for uplifting allowances payable to members. We did consider this option in our early work in 2001 but we were concerned to maintain a distance between allowances and salaries. We still believe this to be an important distinction and so would not support using the staff pay award as an indicator on which to base future allowances uplifts.
- 4.16 Whilst the RPI is, in many respects, still seen as an appropriate indicator we are aware that it can be quite variable and differ quite significantly over short periods of time.
- 4.17 A number of things now attract us to the CPI. It is not only becoming increasingly popular but it also covers a broader population of people's

expenditure than the RPI. The CPI uses a similar set of goods and services to the RPI to calculate its annual percentage up-rating. The major difference is that the CPI excludes Council Tax, mortgage interest and house insurance but includes some financial charges. On this basis, we believe that it is now more appropriate for use in the Public Sector and, as such, is a more appropriate indicator on which to base future annual allowance uplifts.

- 4.18 To assist us in determining whether to change indicators for the future, we have compared the percentage rates of each indicator for the past 5 years. We have also compared this to level by which the Council has increased its Members Allowances budgetary provision for the same period.
- 4.19 Taking everything into consideration we believe that there is now a justification change the indicator on which annual allowance uplifts are based. From 1 April 2008, we believe that basic, special responsibility and carers/dependants allowance should be uplifted annually in line with the CPI. Although the allowances payable by the Council of the Chairman and Vice Chairman of the Council are no longer within our purview but paid by the Council under the Local Government Act 1972 we believe that for the sake of consistency these allowances should be similarly uplifted by the Council annually in line with the CPI.
- 4.20 For 2008, the use of the CPI as an indicator would uplift the levels of allowances payable to members by 2.5%.
- 4.21 We have always sought to bring forward proposals which are flexible enough to take account of changes in circumstances. We are, however, mindful that from time to time circumstances warrant adjustment. Whilst we believe that in future allowances payable should be uplifted annually in line with the CPI we intend to continue to monitor the impact it has on the level of allowances payable to members to ensure that it remains appropriate.

Councillor Development and Review

- 4.22 Members will be aware that for a number of years we have advocated the need for transparency and accountability and the need for appropriate mechanisms to enable the contributions made by each councillor towards the effective operation of the council to be assessed.
- 4.23 Indeed as part of our last report we recommended that we explore with Group Leaders the progress being made in respect of the arrangements being put in place.
- 4.24 As part of our latest review we have been informed of the arrangements now being put in place. At the time of writing this report we are aware that a significant number of Members have completed Member Review meetings. We are pleased to see the progress now being made and would encourage the Council to continue to support the further development of this process, using the experiences from this first set of reviews to develop and refine its Scheme for the future.

Other Issues

Mileage Payments

- 4.25 The Council in February 2008 agreed a Notice of Motion that “ the Council’s Independent Remuneration Panel be asked to review the present mileage payments to members on the basis that they should no longer be calculated by CC of the engine but CO2 emissions, ensuring the polluter does not receive financial gain, in essence making the polluter pay. In addition car sharing should be encouraged and rewarded by increasing the passenger allowance to 5p a mile per person.”
- 4.26 As requested by the Council we have given this matter some initial consideration. One of the difficulties we see is that the basis on which mileage rate are calculated are largely influenced by tax considerations which are determined by the Her Majesty’s Revenue and Customs and to some extent out of our local control. Any changes to the basis on which mileage rates are calculated would need to be carefully considered in this context. Further, we believe that whatever scheme is ultimately put in place needs to be simple to administer.
- 4.27 The Council will also be aware that we have, over a number of years, sought to ensure that rates payable to Members were consistent with those payable to officers. We understand that there are still some minor inconsistencies, particularly around the payment of mileage rates for passengers. In considering any changes the opportunity should be taken to resolve these minor inconsistencies. Further, any revised scheme should be applied equally to officers and members of the Council.
- 4.28 To help us to give more detailed consideration to this request we have asked that further research be undertaken to ascertain whether any other councils have considered or indeed implemented a similar approach to that advocated in the Notice of Motion. Additionally, we would ask that discussions should be held with the Council’s Human Resources Division to determine whether such an approach could also be implemented for the Council’s officers.
- 4.29 We would intend to use the outcomes from this further research to help inform more detailed consideration of the matter later in the year.

Issues raised by Group Leaders.

- 4.30 As in previous years we have given Group Leaders the opportunity to raise any further issues with us.
- 4.31 In doing so we have indicated that once again we intended to base this review on the principles set out in our original report. We will wish to revisit these principles before the end of the life of this Council so that they may be endorsed or modified in the light of what will be, by then, another four years of experience. In undertaking this review we will also involve the Council’s new Chief Executive.

- 4.32 Those principles – and the operational arrangements – were all designed to ensure adequate underpinning of the current governance arrangements in Worcestershire, both Executive and Scrutiny. One of our key principles was recognition that the support of Councillors in their work comes only in part through the allowances system. An equally important part was that the personal and administrative support given to Councillors individually and collectively in their discharge of both Executive and Scrutiny functions.
- 4.33 We are aware that the financial circumstances of the County Council are more difficult than ever. We recognise that, in these circumstances, it may be tempting to chip away at systems of support for Members both individually and collectively. In this context we have made clear our strong support for that infrastructure as a key part in the Council's governance arrangements.
- 4.34 Whilst comments have been received from Group Leaders no issues requiring consideration at this point were raised.
- 4.35 As referred to in paragraph 4.31 we will, before the end of the life of this Council, carry out a detailed review of our basic principles which are set out in our original report. Alongside this we will also wish to have regard to experience and practice of the Council's Governance arrangements over the life of this Council. As part of this detailed report we will also give further detailed consideration to those on-going issues which we have committed to consider.
- 4.36 We would intend that the conclusions from this review be used to help underpin the nature and levels of allowances payable to members in the new council post May 2009.

Section Five

Recommendations

- 5.1 In summary we recommend that:-
- (a) we continue to undertake research into the matter of admitting Members into the Local Government Pension Scheme in order that we are able to bring forward appropriate recommendations in the context of a wider consideration of allowances more generally in time for the life of the next Council in May 2009;
 - (b) with effect from 1 April 2008 the level of basic, special responsibility and carers/dependants allowances be uplifted annually in line with the Combined Price Index (CPI);
 - (c) although the allowances payable by the Council of the Chairman and Vice Chairman of the Council are no longer within our purview but paid by the Council under the Local Government Act 1972 we believe that for the sake of consistency these allowances should be similarly uplifted by the Council annually in line with the CPI;
 - (d) the progress being made to implement the Councillor Development and Review Scheme be welcomed and the Council be encouraged to continue to support the further development of this process, using the experiences from this first set of reviews to develop and refine its Scheme for the future;
 - (e) before the end of the life of this Council we will revisit the principles set out in our original report so that they may be endorsed or modified in the light of what will be, by then, another four years of experience and practice of the Council's Governance arrangements. As part of this detailed review we will give further detailed consideration to those on-going issues which we have committed to consider; and
 - (f) the Director of Corporate Services continues to review the membership of the Panel and makes arrangements to appoint or re-appoint members to it before the end of the life of this Council.