

Review of Financial Support for County Councillors

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

July 2009

Report of the Independent Remuneration Panel – July 2009

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, Corporate Services Directorate. We are grateful, once again, to him for his guidance and support throughout this process.

Section 3

Chairman's Foreword

3.1 We are pleased to present to the County Council our second 'end of term' Report and our recommendations for 2009-10. I recognise we are doing so in a climate of suspicion about elected representatives and expenses. My colleagues and I regret that some of the national controversy may have spilled over on to the local stage. We cannot but help reflect that if Government and Parliament had put in place provisions for the House of Commons similar to those they require for local government, then the present scandal - with all of its implications for the undermining of trust in public life - would probably have been avoided. An independent panel to recommend levels of remuneration by way of public report, decisions made in public and independent audit are basic requirements for local government.

3.2 We urge the County Council to maintain its commitment to simplicity and transparency in all matters to do with remuneration and expenses and, in doing so, salute the commitment of elected members to the hugely important job they do.

Professor Michael Clarke
Chairman – Independent Remuneration Panel

Section Four

Introduction

4.1 We last reported to the Council in May 2008. The issues covered in that report were as follows:-

- Admission of Councillors into the Local Government Pension Scheme;
- The basis upon which the level of allowances are uplifted annually;
- Progress being made to implement the Councillor Development and Review Scheme; and
- Arrangements for reviewing the Membership of the Panel.

4.2 We also undertook to revisit the principles set out in our original report so that they may be endorsed or modified in the light of what would be, by then another four years of experience and practice of the Council's Governance arrangements. As part of this review we also undertook to give further detailed thought to those on-going issues which we have previously committed to consider.

4.3 A number of issues have arisen since our last report. As part of this report we have also given consideration to these. These issues are as follows:-

- New legislation and the possible impact on the level and nature of the Allowances currently payable;
- Adjustments to the Council's political management arrangements following the June 2009 elections;
- Proposals being developed by the Council for enhancing Member Engagement and Influence;
- Changes to the nature and level of support for Members (including the basis on which Members ICT needs are supported);
- The Notice of Motion submitted to the County Council regarding Councillors' Allowances;
- The Hereford and Worcester Fire and Rescue Authority Scheme of Allowances; and
- On-going discussions around the Worcestershire Enhanced Two Tier working programme of work.

4.4 We will deal with each of these issues as part of this report.

4.5 In reaching our conclusions we met with the Chief Executive and offered those Group Leaders holding positions prior to the elections the opportunity to raise any issues with us. We have also offered the opportunity to discuss any issues of mutual interest with the Council's Auditors.

4.6 The Chairman of the Panel has also had a further discussion with the Chief Executive following the Elections and in accordance with previous practice a copy of our draft report has been shared with the Leaders of the Conservative and Liberal Democrat Groups.

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Section 5

Reviewing the principles which have underpinned our approach to Members' Allowances.

Our terms of reference.

5.1 In carrying out our 'end of term report' principally we have done two things. We have returned to our original terms of reference to ensure that they remain relevant. We have also reviewed those principles and approaches we have previously advocated so that these may be endorsed or modified in the light of experience and practice of the Council's Governance arrangements.

5.2 Our terms of reference have been in place since May 2000 and are as follows:-

"To review the level and extent of allowance payments currently made to county councillors having particular regard to:-

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

We also considered that we should:-

- *Consider the level and extent of travel and subsistence allowances;*
- *Review the payment of allowances and expenses payable in relation to attendance at seminars and conferences; and*
- *Make observations about the support required for councillors to do their job effectively.*

5.3 It is clear to us that since these terms of reference were set, the environment in which the council operates and the expectations now placed both on the council and the individual councillors continues to grow.

5.4 Having taken the time to review the appropriateness of our terms of reference we have concluded that they have stood the test of time and remain relevant. Having reached this conclusion we believe that future Panels should continue to use these terms of reference as a basis for undertaking future Members' allowances work on the Council's behalf.

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The Principle of Public Service

5.5 In our original report of May 2000 we made the following observations about the Principle of Public Service:-

"We accept as a fundamental premise that it is contrary to the basic idea of local democracy that the recruitment of councillors should be limited only to a restricted group who can afford to provide an open-ended commitment with little or no remuneration. That is not to say that altruism or a sense of public service should be disregarded or that all councillors should be paid on a full time basis. We also believe that nobody should seek council office simply for the money. These principles should be reflected in how elected members are supported financially; they underlie our approach.

We have recognised that the idea of voluntary service has underpinned the traditional approach to local government. However our concern about the danger of exclusion – and our recognition of the time commitment involved – has led us to a clear view about proper financial support. We believe nevertheless that a proportion of any time commitment should be regarded as a voluntary commitment and that this principle should be endorsed by the County Council."

5.6 This original report also considered the role of county councillors and considered "what councillors should be paid". The report stated:-

"Our study and deliberations has convinced us that there should be adequate and proper financial recognition of the roles of councillors. The present arrangements fall far short of achieving this. Councils have a responsibility to establish proper financial support, which reflects the level of councillors' responsibility and the hours they are expected to work on the council's behalf, albeit taking into account the voluntary principles. With that responsibility goes a correlative responsibility for councillors to use wisely and account for public money.

We consider that there are three themes at the heart of our approach to the setting of the right level of financial support:-

The Role – what it is that all councillors are expected to do, for what time are they expected to do it and what is an appropriate level of financial support for them;

Responsibility – while all councillors should be paid a basic annual allowance rather than on a piecemeal, item of service or meeting by meeting basis, particularly important responsibilities need to be recognised in addition; and

Transparency and accountability – as the counterpart of responsibility any scheme which provides for the adequate payment of councillors should also provide total transparency in the payment, and for accountability of those to whom money is paid."

Extracts from Independent Remuneration Panel Report – May 2000

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5.7 Having established these principles we have consistently returned to them and have had regard to them in subsequent years. They have continued to underpin our consideration of the nature and level of allowances payable to councillors.

5.8 Having re-visited them again as part of our latest work, we believe that they remain timely and appropriate. We further believe that these principles should be used to underpin future Members' allowances considerations.

5.9 Over time we have developed a number of other approaches to underpin specific aspects of our work. These include:-

Our approach to Basic and Special Responsibility Allowances

5.10 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.

5.11 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"*.

5.12 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.

5.13 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'

5.14 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 report and continue to support.

5.15 Traditionally there are two approaches to setting the level of Basic Allowance. One approach involves the use of the Local Government Association daily rate (currently £149.34 per day), which was originally based on the national male median white collar wage. The other approach uses a more localised benchmark.

5.16 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 have taken account of the nature of the task and the principle of voluntary public service. We have noted that these have been the basic considerations of many of the independent reviews and hope that they continue to be beyond challenge.

5.17 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.

5.18 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 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
- The level of allowances being set by other, similar councils in the wake of modernisation arrangements

5.19 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.

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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.

5.20 We reflect on the progress made by the Council in this regard in Section Seven of our report and would urge the Council to continue to bring forward mechanisms to demonstrate the effectiveness of our elected representatives.

5.21 We believe that our approach to setting the level of Basic Allowances for Councillors remains effective and should be used to underpin future consideration about the nature and amount of this allowance.

Special Responsibility Allowance

5.22 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.

5.23 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.

5.24 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.

5.25 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.

5.26 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.

5.27 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 have historically been set around the middle quartile of those set by our nearest neighbours and comparator authorities.

5.28 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 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.

5.29 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.

One Allowance Principle

5.30 Based on our previous deliberations and recommendations, the Council's Allowances Scheme contains a provision that no Councillor may receive more than one special responsibility allowance. We believe that this principle remains valid and aids the transparency about what payments are being made (and for what purpose).

Our approach to allowances payable to the Chairman and Vice-Chairman of the Council

5.31 We have previously advocated that there are different considerations surrounding the payment of an allowance to the Chairman and Vice-Chairman of the Council. Unlike the remainder of the Special Responsibility Allowances payable, the allowances payable to the Chairman and Vice-Chairman of the Council do not relate to political positions. There are different factors influencing the payment of special allowances in respect of these roles.

5.32 The Chairman of the County Council is the Council's Civic figurehead. In addition to the civic and ceremonial role, the Chairman has a key role to play in promoting Worcestershire across a range of partners and there remains a justification to continue to pay an additional allowance albeit not as a special responsibility allowance but under the provisions of the Local Government Act 1972. Again we believe that this arrangement brings clarity with it.

5.33 At the same time, and in the light of comments arising from a member questionnaire, we also considered the merits of continuing to pay an allowance to the Vice Chairman of the Council. We were conscious of the inconsistency between the way this and other vice-chairmen positions were treated and concluded that this role should cease to attract any additional allowance. The Council, however, did not support our recommendation in this regard.

5.34 Since 2006, allowances have been paid to the Chairman and Vice-Chairman of the Council under the provisions of the Local Government Act 1972.

Our approach to allowances payable to Group Leaders

5.35 There are a number of ways in which allowances to party group leaders can be calculated and we have previously explored each approach.

5.36 The flat rate approach appears to be the most consistent, although the level at which the allowances is set tends to reflect local circumstances.

5.37 Research also shows that it is unusual to pay any allowance to party group leaders who group numbers represent less than 10% of the total council membership. Our approach has therefore been to only recommend paying a special responsibility allowance to party group leaders with 5 or more group members.

5.38 Although we have revisited this matter in the light of the revised political make-up of the Council, we see nothing to persuade us to depart from our previous principle.

Travel and Subsistence

5.39 We believe that there is benefit in ensuring a consistency of approach between members' and officers' travel and subsistence schemes and this has formed the basis of our approach for some time.

5.40 In February 2008, we were asked to consider 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 the cc of the engine but CO2 emissions, ensuring that 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 per mile per person"*.

5.41 As requested we gave this motion some initial consideration as part of our April 2008 Report. At that point one of the difficulties we saw was that the basis upon which mileage rates we 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 changes to the basis on which mileage rates were calculated needed to be carefully considered in this context. Further we also believed that whatever scheme was ultimately put in place needed to be simple to administer.

5.42 Also given our view concerning the need for consistency between officer and member schemes, any revised scheme would need to be applied equally to officers and members of the authority.

5.43 To help us give more detailed consideration we 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 asked 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

5.44 There is currently limited evidence of alternative approaches and at this point there are no proposals to significantly alter the basis upon which Officer's travel is re-imbursed.

5.45 We believe that it is worth keeping this particular matter under review and brought forward for re-consideration should the picture materially change.

Basis for uplifting allowances

5.46 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.

5.47 From November 2001, the RPI has been used as the basis upon which to annually uplift allowances. Indeed in previous reports we have stated our belief that annual uplifts were an important factor in ensuring that levels payable remain comparable partly because of the financial consequences of bringing allowances into line on an ad-hoc basis.

5.48 In setting the level of allowances payable to members we have always been conscious of the need to reflect the Council's funding position. For this reason we have traditionally set the level of allowances at around the middle quartile of those paid by our nearest neighbours and comparator authorities.

5.49 In 2008 we were given cause to re-consider the indicator upon which to base future uplifts. We were also conscious that a 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 authorities. We were also aware that an uplift for 2008 in line with the RPI would have increased allowances payable by a further 3.8%.

5.50 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.

5.51 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.

5.52 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.

5.53 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 it was now a more appropriate indicator on which to base future annual uplifts.

5.54 Taking everything into consideration we concluded that there was a justification to change the indicator on which annual uplifts were based. From 1 April 2008 we believed that basic, special responsibility and carers/dependents allowances should be uplifted annually in line with the CPI. We also commented that although the allowances payable to the Chairman and Vice-Chairman were no longer within our purview but paid by the Council under the Local Government Act 1972, we believed that, for the sake of consistency these allowances should be similarly uplifted annually in line with the CPI.

5.55 We have always sought to bring forward proposals which are flexible enough to take account of changing circumstances. However we are mindful that from time to time circumstances warrant adjustment. At this point we consider that the CPI remains the most appropriate indicator by which to uplift allowances payable to members. However, we suggest that it be kept under review to ensure that the CPI remains the most appropriate indicator against which to annually uplift allowances.

Section 6

The Levels of Allowances Currently Payable

6.1 We last set the levels of Basic and Special Responsibility Allowance payments as part of our report in May 2005. Since that time they have been uplifted annually in line with the Retail Price Index or Consumer Price Index.

6.2 The levels of allowances currently payable under the 2008/09 Members' Allowances Scheme are as follows:-

Basic Allowance

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

Special Responsibility Allowances

6.4 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 Steering Committee
Three	£9,734.84	*Leader of the Conservative Group *Leader of the Labour Group Leader of the Liberal Democrat Group Lead Scrutiny Members (including Health Chairman) Chairman of the Planning and Regulatory Committee Chairman of the Audit and Governance Committee
Four	£5,820.68	Advisors to Cabinet Members with Responsibility

Note

* Not currently payable

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

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

Annual Uplift

6.6 In accordance with the provisions of the Council's Allowances Scheme, the level of allowances payable were due to be uplifted in line with the CPI with effect from 1 April 2009. This would have uplifted the allowances payable by 2.3% for 2009/10.

6.7 We have, however, noted the views of the Council when setting the Council's 2009/10 budget that there was general support for the proposal to freeze members' allowances for the forthcoming year. We understand that as a consequence, the Council's budget which was approved by Council in February 2009 contains no budgetary provision to uplift members' allowances for 2009/10.

6.8 Whilst we naturally applaud the council's stance we would urge that the Council remains mindful of the need to regularly reviewing allowances to ensure that the levels payable remain appropriate and consistent with those payable by other authorities.

Comparisons with other authorities

6.9 As part of our latest work we have been supplied with detailed information which provides detailed comparisons with the level of allowances payable by many other Councils across the Country. In general terms, our main observation is that the level of basic and special responsibility allowances now payable by the Council are moving into the upper quartile of allowances payable by other comparable councils. However, this needs to be put into context. From the research we have undertaken it would appear that some other councils are more generous in terms of the total package of support (of which allowances is a part) available to members.

Source: Local Government Association Members' Allowances Survey 2008

Section Seven

Other Issues requiring Consideration

Admission of Councillors into the Local Government Pension Scheme

7.1 We have consistently been asked by the Council to consider recommending the admission of Councillors into the Local Government Pension Scheme (LGPS).

7.2 As part of our 2007 Report we set out our detailed thoughts on the question. In making our previous recommendations there were a number of issues which have influenced our thoughts.

- For the first time there appeared to be a clear desire on the part of the majority of respondents to a member questionnaire to consider admission to the LGPS;
- There was work going on nationally on the issue of Pensions for Councillors and detailed consideration should be given to the issue in the light of this work;
- We have undertaken research and have had the benefit of detailed advice from the Council's Pensions expert. It is clear from this research that for the majority of members, admission to the LGPS is likely to be of minimal financial value;
- We have been aware that the Local Government White Paper may also bring forward proposals which may impact on the role of councillors;
- We were conscious that Local Government Pension issues generally were attracting a high profile due to changes being contemplated to the LGPS;
- Our over-riding concern, however, has been that any recommendation to admit councillors into the LGPS would, alongside the levels of allowances already payable be seen as a further (and possibly final) erosion of the voluntary principle which underpins Local Authority Membership. Additionally such a recommendation may be seen as divisive and may further confuse the distinctive roles of officers and members.

7.3 In undertaking our research in 2007 we revisited our previous considerations and concluded that many of them were still relevant.

7.4 The advice provided to us continued to show that admission to the LGPS was likely to be of minimal financial value to Individual Councillors. We included examples to support our view. Clearly, however, this was only one factor. These illustrations are reproduced in the following paragraphs.

7.5 The other factor which needed to be considered was the overall cost of admission to the Council. Our illustrations also therefore included the cost to the Council via the employer's contribution which were not insignificant.

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7.6 Eligibility was also a factor to be borne in mind. The age profile of Councillors had changed since the 2005 elections but even then 23% of Councillors would be prevented from joining the LGPS as they were over 70 years of age. A further 11% were aged between 65 and 70.

7.7 As an illustration the following calculations (included in our 2007 Report) showed the benefit which existing eligible Councillors would receive based on four years council membership for the period 1 April 2005 to 31 March 2009.

Band	Basic All £	SRA £	Career Av Pay £	Cllr Cont. @ 6% P A £	Employer's cont. @ 9.9% P A £	Annual Pension £	Retirement Grant £
	8,397		8,397	504	831	420	1,260
1	8,397	28,928	37,325	2,240	3,695	1,866	5,599
2	8,397	15,360	23,757	1,425	2,352	1,188	3,564
3	8,397	9,062	17,459	1,048	1,728	873	2,619
4	8,397	5,427	13,824	829	1,369	691	2,074

7.8 Although the illustration showed that the financial benefits to individual Councillors were limited, the cumulative impact on the Council would not be insignificant. As a further illustration, if 25 Councillors were to take up membership, the employers' contribution based on an estimated rate of 9.9% in respect of the Basic Allowances alone would be in the region of £21,000 per annum for the four year period. We understand that the employers' contribution has now risen to 12.2%.

7.9 A further factor which needs to be borne in mind is that admission to the LGPS would require a 6% contribution from Councillors from the allowances they already receive. The option already exists for members to make such a contribution to a private pension scheme if they so desire.

7.10 In accepting our recommendations 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.

7.11 In considering this particular request we were concerned that when it came to pension matters our remit only extended to making recommendations as to whether or not Members should be admitted to the LGPS. Obviously Members were already able to make whatever private pension arrangements they chose. However, we believed that it would be outside our remit to make recommendations on personal pension matters.

7.12 As part of our latest work we have again revisited the issue. We have discussed the matter with the Chief Executive.

7.13 We have noted as part of our research that the level of allowances payable to Councillors in Worcestershire now compared very favourably with those payable by its nearest neighbours. We understand the Council's desire to keep expenditure at a moderate

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level and to date, no view has been put to us that there should be a switch from investment in allowances to pensions.

7.14 The national picture indicates to us that more Councils are permitting Members to join the LGPS although the level of actual take-up is less clear and we have taken account of this as part of our latest research.

7.15 We remain committed to previously stated principles. Also, particularly in the current economic climate, we could not support any proposals which increased the total allowances budget.

7.16 To date the Council has chosen to invest in allowances rather than pensions for those councillors who would be permitted to join the LGPS. However should the Council wish us to consider departing from this principle, we feel that it would only be appropriate for us to do so on the understanding that admission to the scheme (including the employers and employees contributions, any future actuarial costs and the costs of administering such a Scheme) is totally self-financing from within the existing members' allowances provision. Should the Council wish us to investigate the matter further on this basis, we would ask that it passes a formal resolution that we do so, alongside a commitment all costs would be met from within the existing allowances provision.

New Legislation on the level and nature of allowances payable

7.17 Since the introduction of the Council's revised political management arrangements in 2000 there has been a steady stream of national legislative refinements and guidance aimed at strengthening the Executive/Scrutiny arrangements. Indeed the Council has adjusted its political structures to reflect these changes, most notably in 2005 when it agreed moved away from a cross party executive and implemented revised scrutiny arrangements. Further changes are being implemented in 2009 as described in paragraphs 7.19 – 7.24 below.

7.18 Whilst we may have recommended some minor adjustments to the level and nature of allowances payable we believe that the fact that we have not needed to make any significant adjustments to our approach demonstrates that principles which have unpinned our work remain relevant and fit for purpose.

The Council's Political Management Arrangements following the County Council elections

7.19 The Local Government and Public Involvement in Health Act 2007 requires Councils to adopt what has been described as a "strong leader" in governance terms for executive arrangements.

7.20 Of the two options available to it, the Council in December 2008 adopted a "new style" Leader and Cabinet executive. In essence this provides that:-

- A Leader is appointed by Council for a 4 year period; and
- At least 2 councillors must be appointed to the Cabinet by the Leader

7.21 We are aware of the constitutional revisions being made to bring these arrangements into effect following the June 2009 Elections. This includes an increase in the number of Cabinet Members with Responsibility and changes to scrutiny structures. In addition to the over-arching Overview and Scrutiny Committee, the Council has established 5 formal standing scrutiny panels.

7.22 Although these arrangements will concentrate further power in the Leader of the Council, we cannot see any reason to change our approach to the way in which Special Responsibility Allowances are determined.

7.23 To enable the Council to meet the challenges it faces in the future, the County Council on 25 June 2009 agreed to increase the size of the Cabinet to 10 (Leader plus 9 Cabinet Members with Responsibility). This increase has been partly offset by the deletion of the 4 Advisor positions. To ensure that scrutiny is able to continue to undertake its well respected work required in that area, the Council has also agreed that the newly re-titled Overview and Scrutiny Performance Board comprise 7 Scrutiny Lead Members in addition to the Chairman of the Board.

7.24 Whilst the number and nature of some of the allowances payable will have changed, and the new constitutional requirement that the Chairman of the OSPB should not be a party Group Leader will have an allowances impact, we recognise that the number of positions attracting an SRA will decrease and the overall cost will remain within the overall allowances cost envelope.

Arrangements for supporting Councillors

The nature and level of support for Members

7.25 We are reminded of a statement made in our original Report of May 2000 as follows:-

"We have welcomed elsewhere in our report the steps which the County council are taking to increase the general support available to councillors in their representational and constituency roles and internal work, including IT provision and the establishment of the member communications officer and three patchworker posts. Our investigations have, again, brought home to us the importance of elected members being properly equipped and supported in their complex roles. We appreciate that there sometimes may be a reluctance to be seen to be financing such support. It is easy for such support to be misunderstood in the public gaze or to seem decidedly less important than properly supporting front line services. We are clear that, without proper support, elected members will be unable to do their jobs effectively and that it will be the county rather than the councillors who are the losers. We urge the county council to keep under close review the general support provided and to ensure that it is sufficient to ensure that an effective job is done".

7.26 Our principles, and the operational arrangements, have consistently been designed to ensure adequate underpinning of the current governance arrangements in Worcestershire, both Executive and Scrutiny. One of our key beliefs was recognition that

support of Councillors in their work came only in part through the allowances system. An equally important part was the personal and administrative support given to Councillors individually and collectively in their discharge of both Executive and Scrutiny functions.

7.27 As part of our last report we were aware that the financial circumstances of the Council were more difficult than ever. We recognised 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 made clear our strong support for that infrastructure as a key part of the Council's governance arrangements.

7.28 The post election period has seen a number of new members joining the Council and new democratic arrangements put in place, some of which may bring with them the need for additional support. We would therefore re-iterate our strong support for effective personal and administrative arrangements for all Members. We do, however, recognise that support for members is not exempt from the Council's quest for efficiencies although this must not be at the expense of effectiveness.

Councillor Development and Review

7.29 For a number of years, we have 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.

7.30 We were informed as part of our last report that arrangements for Councillor Development and Review meetings were being put in place. We were pleased to see the progress being made and encouraged the Council to continue to support the further development of this process, using the experiences from the first set of reviews to develop and refine the Scheme for the future.

7.31 As part of our discussions with the Chief Executive, we have been updated on the arrangements it is intended to be put in place for the new Council. Principally this involves:-

- Proposals to increase Member Engagement and Influence in the new Council.
- A further series of Councillor 1-1 interviews, early in the life of the new Council to capture Members aspirations and confirm expectations. Outcomes from these interviews will also be used to inform the Member Development Programme which will be rolled out later in the year.
- Greater member accountability, achieved through the publication of member attendance records and member activity reports.

7.32 We have also had sight of the Councillor Compact which has been accepted by all Councillors following the recent elections. This Compact sets 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.

7.33 We believe that such an agreement will be instrumental in the continued development an effective relationship between the Council and its Members.

7.34 Given our previously expressed views about the need to demonstrate high performance levels and transparency and accountability we would support the arrangements being put in place and would urge the Council and its Members to play their part in honouring their respective commitments and working towards the delivery of the intended outcomes for the benefit of the residents of the County.

Arrangements for supporting Councillor ICT needs

7.35 As part of our latest work, we have been asked to consider changes to the way in which the Council supports Councillor's Information Communication Technology (ICT) needs and the most appropriate way of reflecting the revised allowance arrangements which follow.

7.36 We are clear that more and more council business is being transacted electronically. Effective use of ICT packages will ensure that councillors remain aware of and are briefed on key issues. More importantly it is a tool to help councillors undertake their role in a modern and effective way. Earlier in this report we have stressed the importance of effective support for councillors and future support for their ICT needs is a critical element of this support.

7.37 Previous arrangements were that Councillors were provided with ICT equipment which was procured and managed by the County Council. We are aware that a Councillor Working Group has reviewed this arrangement in the light of Councillors' stated preferences and needs. Based on the work it has carried out, the Group has concluded that the present type of service provision is no longer the most effective way of supporting Councillors' needs, particularly as an increasing number of Councillors now have their own ICT equipment or have access provided by another authority or organisation to which they belong.

7.38 We are aware that based on discussions with the Councillor Working Group and Group Leaders, the revised arrangements to be put in place following the elections centre around a one-off allowance being offered to Councillors for the purchase and support of their own ICT equipment. This arrangement will see the phased withdrawal of existing support by the County Council.

7.39 Based on the advice we have received from the Council's IT experts a one-off payment of up to £1,000 payable on the production of receipts has been suggested. It has also been suggested to us that appropriate uses would be:-

- The purchase of (or upgrading existing) PC or laptop (including Office 2007 and Anti-virus software)
- PC support contract in connection with the above
- Printer/Scanner
- Memory Stick or hard drive for back-up purposes

- The purchase (and insurance) of communication devices (fax/mobile phone/XDA only)

7.40 The arrangement proposes that this allowance cannot be used for the purchase of other peripherals/software not specified above, nor can it be used to fund call charges and running costs associated with any communications equipment purchased through this allowance.

7.41 Whilst we would support such a move we believe that we are close to reaching the point where access to basic ICT packages is part of everyday life and will be an expectation on those seeking election to public life. The issue which will face future Councils will be determining arrangements for contributing to the use of consumables. However we are not quite at this point yet and there currently remains a need to effectively support councillors in this area. There are a number of issues which require consideration:-

- It is essential that there is absolute clarity around the detailed arrangements. We would therefore recommend that a detailed protocol setting out the parameters and operation of the arrangement should be produced. To ensure transparency Councillors should also be asked to declare that any ICT equipment purchased via the arrangement will be used to support Councillors to undertake their role in an effective manner. Although not required by legislation, any amount claimed by individual councillors should also be publicly advertised.
- Specific reference should be made in the protocol to the issue of timing given the expectation that any such set up arrangements should take place early in the life of the Council.
- If the arrangement is to be of benefit to councillors it is important to ensure that councillors remain effectively supported. Appropriate guidance and support needs to be available from the Council's IT staff, particularly in the early part of the new council. Access to on-going training and development opportunities should be made available to councillors and actively encouraged.
- This opportunity should be taken to ensure that there is clarity around future financial support for councillor ICT. Currently a sum of £500 per annum is available as part of the basic allowance to councillors to fund connection to the internet and the purchase of ICT consumables. To ensure future clarity this amount should be removed from the Basic Allowance and included as part of a future package of ICT support. The payment of this allowance should only be payable in exchange for a commitment that the individual councillor will use the IT systems and applications available to them.

7.42 Such an arrangement could be a catalyst for future efficiencies. We are 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 the Worcestershire Enhanced Two-Tier Working initiative we would support continued investigations into a co-ordinated approach to supporting members ICT needs. In particular we believe that when agreeing the amount of any such payment to a member, consideration should be given to any similar payments received from other authorities.

7.43 As part of this overall review we have concluded that there would be merit in putting in place an arrangement whereby Chairmen of the respective Independent Remuneration Panels across the Worcestershire meet informally to discuss issues of common concern. A co-ordinated approach to ICT support is one of those issues which could be usefully discussed as a part of this arrangement.

Notice of Motion – Councillors' Allowances

7.44 We are aware that there has been a significant amount of discussion around the whole issue of members' allowances. This culminated in a Notice of Motion to Council in February 2009 in the following terms:-

“That this council agrees as a matter of urgency to set up a cross-party working group to look at all areas of members’ expenses and to submit their recommendations, via the offices of the Finance Directorate, to the Cabinet for adoption ready for the new council as elected in June.

The areas to address are as follows:

- *A LEAN approach when claiming expenses.*
- *Produce a clear list of activities and duties that the member can claim expenses against.*
- *Identify those events such as stage, music, special events, etc in which members can expect complimentary tickets and other concessionary arrangements, to introduce some clear guidelines with such free invites.*
- *Recommend the method and frequency of submitting expense claims.*
- *Recognising that the public is very sceptical regarding members’ remuneration and expenses that a more accurate method of collating costs are considered by this group which can be properly accessible on an annual basis.*
- *With more councillors now being “twin hatted” there is an apparent loophole in how those members split their time and so allocate their expenses to the correct authority. Further, expenses can be claimed from the Fire Authority and the Police Authority. This group should look at how a proper audit trail can be established to ensure that there is transparency with all such claims and to recommend a method of cross checking the numerous ways of remuneration, etc”.*

7.45 We are aware that advice has already been sought from the Council's Audit and Governance Committee who concluded that it:-

- Acknowledges that its role concentrates on the adequacy of systems of control and requests the Internal Audit Team to undertake a review of the general operation of the Members' Allowances system with particular regard to expenses;
- Notes the role of the Council's Independent Remuneration Panel in relation to the adoption of the Members' Allowances Scheme and invites the Panel to consider the issues raised in the Motion, together with input from Group Leaders and any relevant advice and comment from Officers on those issues;

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- Advises Council that, in its view, the most appropriate way of dealing with the Notice of Motion would be for Council to consider it afresh on 25 June 2009, in the light of the outcome of the Internal Audit review and the Independent Remuneration Panel's report, incorporating any comments on the issues raised, and when it will also be agreeing its Councillor's Allowances Scheme; and
- Agrees that further guidance be issued to Members regarding Members' Allowances.

7.46 In formulating our advice we have considered the additional advice which has been supplied to members by the Head of Legal and Democratic Services. We believe that this adequately clarifies a number of the issues raised in the Notice of Motion. We have previously advocated the need for openness and transparency around Members expenses and in the current climate this is more important than ever.

7.47 We have also had regard to the issues raised in the Audit Report on the systems in place and have offered an opportunity to the Auditors to raise any issues with us.

7.48 Neither the Audit and Governance Committee nor the Internal Audit Report has revealed any serious flaws in the current arrangements for administering members' expenses claims. Equally, we have concluded that the present arrangements remain robust.

7.49 Both investigations have referred to the guidance which has already been provided to members and the need to ensure that arrangements are actively and consistently applied. We would echo these sentiments. Additionally we have observed that the opportunity has been taken to ensure that clear advice and guidance has been supplied to all councillors following the recent elections.

Hereford and Worcester Fire and Rescue Authority Scheme of Allowances

7.50 As part of our latest work, we have been asked to offer any comments on the Hereford and Worcester Fire and Rescue Authority's Scheme of Allowances.

7.51 The revisions proposed to the Scheme are not inconsistent with the County Council's Allowances Scheme. We have therefore informed the Hereford and Worcester Fire and Rescue Authority that there are no issues which we would wish to raise with them.

Section Eight

Recommendations

8.1 Having given detailed consideration to the issues before us, we have brought forward the following recommendations for consideration by the County Council. In doing so, we would wish to remind the Council that over time our recommendations have moved the level of allowances payable to members from the lower to upper quartile when compared against our neighbours and other councils.

Terms of Reference

8.2 We believe that our Terms of Reference as set out in Paragraph 5.2 of this report remain timely and appropriate and therefore recommend that they be confirmed as the basis upon which future Independent Remuneration Panels should undertake their work in the future.

Allowances Principles

8.3 We recommend that the following principles and approaches, which are detailed in this Report and which have underpinned our approach to Members' Allowances be confirmed:-

- The principle of public service;
- The role of the County Councillor;
- The approach to Basic and Special Responsibility Allowances;
- The one allowance principle;
- The approach to allowances payable to the Chairman and Vice-Chairman of the County Council; and
- The approach to allowances payable to Group Leaders.

Travel and Subsistence Allowances

8.4 We recommend that the consistent approach to travel and subsistence payments be confirmed, but that the Council's approach be kept under review and brought forward for re-consideration should the picture materially change.

Basis for uplifting Allowances

8.5 Although the Council has indicated that it does not wish to uplift allowances for 2009/10 (and we are not recommending an uplift), 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.

Admission of Councillors into the Local Government Pension Scheme

8.6 We recommend that, at this point, Councillors not be permitted to join the Local Government Pension Scheme. However, should the Council wish us to give further consideration to the matter, it should formally request that we do so:-

- Confirming that it wishes us to depart from our previous approach of investing in allowances rather than pensions; and
- Confirming that it accepts that all costs (including the cost of the employers and employees contributions and associated administration costs) will be met from within the existing Members' Allowances Budget.

Support to Councillors

8.7 We recommend that the County Council continues to invest in its Members by ensuring that effective personal and administrative arrangements remain in place for them.

Councillor Development and Review

8.8 We have consistently advocated the need for transparency and appropriate mechanisms to enable the contributions made by each councillor towards the effective operation of the council to be assessed. We therefore strongly recommend that the Council actively works towards the implementation of those proposals which the Council intends to put in place following the Elections, namely:-

- Proposals to increase Member Engagement and Influence in the new Council
- The continued development of the Councillor 1 – 1 interviews which should be used to inform the development of an effective member Development Programme
- The publication of Member attendance records and member activity reports
- Delivery of those commitments set out in the councillor compact

Arrangements for Supporting Councillor ICT needs

8.9 We note the arrangements the Council proposes to put in place for supporting Member's ICT needs in the new Council, together with the amount proposed to be made available to each Councillor to purchase and support their own ICT and the Council's reasons for changing to this approach.

8.10 We recommend that:-

- to ensure continued transparency and accountability a detailed guidance note and protocol which sets out the parameters and operation of the arrangement is produced by the Council and is supplied to all Councillors.

- Specific reference should be made in the protocol to the issue of timing given the expectation that any such set up arrangements should take place early in the life of the Council.
- From their part, Councillors should be asked to declare that any ICT equipment purchased via the arrangement will be used to support Councillors to undertake their role in an effective manner which includes the use of ICT as their primary means of communication.
- Appropriate guidance and support continues to be made available to support Councillors, including access to on-going training and development opportunities.
- To ensure future clarity, the current sum (£500 per annum) available to councillors to fund internet connection and ICT consumables should be removed from the Basic Allowance and instead be included as part of a package of ICT support for Councillors. Again, the payment of this allowance should only be payable in exchange for a commitment from Councillors that they use ICT as their primary means of communications.
- The amounts claimed by individual councillors under this arrangement should be publicly advertised as part of annual notice which is published by the Council under the provisions of the Local Government Act 1972.

Notice of Motion – Councillors' Allowances

8.11 We recommend that the provisions of the Council's Members Allowances Scheme continue to be actively and consistently applied. Other than, we recommendation that no further action be taken in respect of the issues raised in the Notice of Motion

Meetings of Panel Chairmen

8.12 We recommend that arrangements be put in place to enable Chairmen of the respective Independent Remuneration Panels across Worcestershire to meet informally to discuss issues of common concern.

Nature and Level of Allowances Payable for 2009/10

8.13 In the light of our review and the recommendations brought forward in this Report, we recommend that from 1 April 2009 to 4 June 2009 the nature and level of allowances payable to Members up to remain as set out in the Members' Allowances Scheme for 2008/09. With effect from 5 June 2009 the nature and level of allowances payable for 2009/10 as detailed in Appendix 1 to this Report be approved.

Worcestershire County Council Members' Allowances Scheme

8.14 We recommend that the Council's Members Allowance Scheme for 2009/10 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

Levels of Allowances payable for 2009/10

Basic Allowance

A Basic Allowance of £8514.96 payable to all Councillors.

Special Responsibility Allowances

With effect from 4 June 2009, the rates payable in respect of each Band of Special Responsibility Allowances be as follows:-

Band	Rate of Allowance PA	Position	No of Allowances Payable	Amount
One	£31,074.47	Leader of the Council	1	£31,074.47
Two	£16,449.71	Cabinet Members with Responsibility	9	£148,047.39
		Chairman of the Overview and Scrutiny Performance Board	1	£16,499.71
Three	£9,734.84	Leader of the Conservative Group (not currently payable)	0	
		Leader of the Liberal Democrat Group	1	£9,734.84
		Lead Scrutiny Members (including Health Chairman)	7	£68,143.88
		Chairman of the Planning and Regulatory Committee	1	£9,734.84
		Chairman of the Audit and Governance Committee	1	£9,734.84
Four	£5,820.72	None currently payable within this Band		
			21	£292,969.97

Allowances payable 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/Dependent Allowance

Up to £6.09 per hour with an annual ceiling of £2,432.83 evidenced by receipts.

Councillors ICT Package

A one off payment of up to £1,000 payable upon the production of receipts to support:-

- The purchase of (or upgrading existing) PC or laptop (including Office 2007 and Anti-virus software)
- PC support contract in connection with the above
- Printer/Scanner
- Memory Stick or hard drive for back-up purposes
- The purchase (and insurance) of communication devices (fax/mobile phone/XDA only)

A sum of £504.84 to cover incidental ICT costs including connection to the internet and the provision of ICT consumables