



Council – 15 October 2018

Report and Recommendations of the Independent Remuneration Panel for Members' Allowances

Purpose of report

To introduce the report and recommendations of the Independent Remuneration Panel for Members' Allowances.

Attachment(s)

Appendix 1: Report of the Independent Remuneration Panel

Appendix A: Panel Terms of Reference

Appendix B: Existing and Proposed Allowances

1.0 Background

- 1.1 In accordance with Regulations under the Local Government Act 2000, the Council must establish and maintain an Independent Remuneration Panel (IRP) to review Members' allowances before considering any changes.
- 1.2 The last review was undertaken in 2014. Although the report was presented at the December 2014 Council meeting, a decision was deferred until after the May 2015 District Council elections. After consideration of the report in July 2015, some changes to the Members' Allowances Scheme were agreed but not all proposals by the Independent Panel were implemented.
- 1.3 As a review had not been undertaken since 2014 and the Council is required to maintain an IRP, a review of the membership was undertaken in January 2018 by the Democratic Services Manager to ensure the Panel remained statutorily compliant, with a requirement for a minimum of three members. Of the five members of the panel appointed in 2014, who were appointed for a term of five years, only one had expressed an interest in continuing to serve, so a recruitment process took place to appoint new members to the IRP for East Northamptonshire.
- 1.4 Following that recruitment exercise, on 26 February 2018, the Council approved the appointment of two members of the public, and extended the office of a third, to serve on the Independent Remuneration Panel to review Members' Allowances in East Northamptonshire until May 2022, noting that a review would be undertaken in due course. In respect of the Panel members' terms of office, it should be noted that if this Council ceases to exist under the proposal submitted in August to the Secretary of State, it will be for the new North Northamptonshire unitary council to appoint its own Independent Remuneration Panel.
- 1.5 The panel members are:-
 - Professor Steve Leach, Emeritus Professor of Local Government at De Montfort University.
 - Mr Edward Owen, resident within East Northamptonshire.
 - Gerard Dempsey, JP, a lay member of the Lord Chancellor's Advisory Committee and member of both Fenland and Wellingborough Independent Remuneration Panels.
- 1.6 In April 2019 the Leader of the Council formally requested the engagement of the recently-appointed remuneration panel to carry out a review of Members' remuneration and allowances, to be reported back to council during autumn 2018.

1.7 The Panel was convened during the summer and was chaired by Steve Leach, meeting on two occasions in August to September 2018 to progress its review. It has now concluded its report and recommendations, which are set out in Appendix 1. Whilst advice on technical and procedural issues was provided by the Democratic Services Manager, the conclusions and recommendations detailed within the report are exclusively those of the Independent Remuneration Panel.

2.0 Options for Council

2.1 The law requires the Council to determine the Members' Allowances Scheme and for it to consider the recommendations of its IRP in doing so.

2.2 The Council may consider each recommendation in turn individually or vote on all recommendations en bloc. As with any debate, members may propose amendments to the recommendations or alternative recommendations. In doing so, the Council should have regard to the conclusions and recommendations of the IRP and reflect that in any resolution.

3.0 Important Issues to Consider

3.1 Since the last change to the Members' Allowances Scheme was approved by Council in July 2015:

- i) the basic allowance for councillors has been linked to the annual percentage cost of living award for Local Government staff at pay scale point 49, which has been below inflation for many years; and
- ii) Special responsibility allowances and rates for travelling and subsistence expenses have remained fixed, with no increase linked to the cost of living;

3.2 Whilst the scheme may be amended during the year by full Council, it is for the Council to decide whether or not to backdate any changes to the start of the municipal year (the date of the annual meeting, Wednesday 16 May 2018)

3.3 Should the Secretary of State decide to form a new unitary council for North Northamptonshire, any changes to the Members' Allowances scheme made at this meeting would only be valid until 31 March 2020, or such other date that this council ceased to exist.

4.0 Equality and Diversity Implications

4.1 There are no equality and diversity implications directly arising from this report.

5.0 Privacy Implications

5.1 There are no privacy implications arising from this report; all responses from residents have been anonymised.

6.0 Legal Implications

6.1 The Local Authorities (Members' Allowances)(England) Regulations 2003 require the Council to appoint an Independent Remuneration Panel to review, make conclusions and recommendations as to the level of basic and special responsibility allowances paid by the council, as well as rates of reimbursement for various other expenses incurred not covered by the basic allowance.

7.0 Risk Management

- 7.1 Any increase in Members' Allowances above the rate of the annual percentage award for council staff could potentially impact on staff morale, noting the below-inflationary pay rises they have received in recent years.
- 7.2 Residents of East Northamptonshire could also potentially respond negatively to a significant rise in Members' Allowances at a time when Northamptonshire County Council has suffered a very public breakdown in its finances.

8.0 Financial Implications

- 8.1 The current 2018/19 budget for the Members' Allowances Scheme is set at £250,000 (excluding travelling and subsistence claims). The proposed scheme would cost a maximum of £268,645, requiring an increase in budget of £18.6k pro rata for 2018/19, amounting to around £16.3k.
- 8.2 Should Council approve the recommendations of the Panel in full, backdated to the date of the May annual council meeting, the additional cost of £16.3k for 2018/19 would need to be borne firstly from in-year underspends or, if none are available, revenue reserves. The costs for 2019/20 will need to be incorporated into the Members' Allowances Scheme budget as part of the normal Medium Term Financial Planning process.
- 8.3 The Council has previously allocated a maximum of £5,000 to be used in any given year that the Panel reviews the members' allowances scheme in order to support its work. The cost of this has been included in the 2018/19 budget to cover any allowances payable, research costs and travel expenses, as provided for in the 2003 Regulations.

9.0 Constitutional Implications

- 9.1 Any changes agreed to the Members' Allowances Scheme will need to be reflected in Part 6 of the Constitution.

10.0 Implications for our Customers

- 10.1 There are no direct implications for our customers arising from this report. A copy of the Panel's recommendations will be published in the next available edition of Nene Valley News, in accordance with the 2003 Regulations.

11.0 Corporate Outcomes

- 11.1 The presentation of a report from the Independent Remuneration Panel for Members' Allowances ensures that the council continues to demonstrate openness and transparency in decision making and this directly contributes to the priority of Strong Community Leadership.

12.0 Recommendations

- 12.1 Council is recommended to:-
- a) Give consideration and regard to the report and recommendations of the Independent Remuneration Panel in determining a Members' Allowances Scheme for 2018/19; and
 - b) If changes to the Scheme are made, consider whether they should be backdated to the date of the annual meeting of the Council, 16 May 2018.

(Reason – to comply with the statutory requirement to review Members' Allowances.)

Legal	Power: Local Authorities (Members' Allowances) (England) Regulations 2003 Other considerations:					
Background Papers: Independent Remuneration Panel – Appointment of Members, Report to Council 26 February 2018						
Person Originating Report: Ben Smith, Democratic & Electoral Services Manager ☎ 01832 742113 ✉ bsmith@east-northamptonshire.gov.uk						
Date: 2 October 2018						
CFO 04/10/18			MO 04/10/18		CX 04/10/18	

EAST NORTHAMPTONSHIRE COUNCIL REVIEW OF MEMBERS ALLOWANCES 2018 REPORT OF THE INDEPENDENT REVIEW PANEL

Introduction

- 1.1. In the summer of 2018, a Members Allowances Review Panel was convened by East Northamptonshire Council. Its membership comprises Steve Leach (Emeritus Professor of Local Government at De Montfort University, Leicester) who chaired the Panel: Ged Dempsey (Executive Chairman of Premier Asset Solutions and a member of the Lord Chancellor's Advisory Committee for Justice) and Edward Owen (a solicitor in private practice).
- 1.2. The Panel met on 24th August 2018 for a briefing meeting and again on September 24th 2018, when it interviewed eleven councillors, including most of the senior office holders. It received a helpful briefing note from the Monitoring Officer concerning the Joint Standards Complaints Committee. It is grateful to all the councillors who attended for interview and for the support provided by Ben Smith, the Democratic Services Manager.
- 1.3. On the 31st August 2018, the councils in Northamptonshire (with the exception of Corby) submitted a reform proposal, at the invitation of Government, which recommended the replacement of the existing two-tier system of local government in the county by two unitary authorities- covering North Northamptonshire (comprising Corby, Kettering, Wellingborough and East Northants) and West Northamptonshire (Daventry, South Northants and Northampton) The Government is currently consulting on this proposal, but the expectation is that it is almost certain to be implemented with the new councils due to be in existence from 1st April 2020.
- 1.4. In these circumstances, the Panel felt that it was appropriate to focus on the implications for the responsibilities of members of the tasks facing the authority in the 18-month run-up to the start date of the new unitary authority, rather than to consider radical changes in the approach to members' allowances. In addition, recent structural changes, notably the introduction of the Transformation Committee and the Housing Policy Sub-Committee needed to be addressed. The Panel also felt that there was scope for a simplification and rationalisation of the allocations of Special Responsibility Allowances (SRAs) to the various positions involved; the benefits in the design of a robust and coherent East Northants allowances scheme, better helping inform discussion on councillor remuneration when coming to be considered by the new shadow and unitary authorities respectively .

The Basic Allowance

- 2.1. The Basic Allowance in East Northants currently stands at £4,807. This is close to the average for Northants, although Kettering and South Northamptonshire are higher. The Panel felt that there was a case for an increase in the Basic Allowance for three reasons. First, East Northants is an active council in terms of political input. There is a plethora of working parties to which councillors commit significant amounts of time, in addition to formal meetings and constituency duties, including the Licensing Panels, to which several members devote a significant amount of time and energy. Second, it is likely that

in the run-up to reorganisation, all councillors will have additional responsibilities in ensuring a smooth transition, above and beyond their existing decision-making and constituency commitments.

- 2.2. Third, as discussed in Section Three, there is a need for SRAs to be specified for new elements in the council's decision-making structure, such as the Transformation Committee and the Housing Policy Sub-committee. The council already has a higher proportion of its members in receipt of SRAs than the Government feels is appropriate. The updated ODPM guidance (April 2018)¹ on members allowances makes the following points: 'If the majority of members receive a special responsibility allowance, the local electorate may rightly question whether this was justified' (p.11) and 'It does not follow that a particular responsibility which is vested in a particular member is a significant additional responsibility for which an SRA should be paid' (ibid). In East Northants there are already 18 council positions which qualify for an SRA. The new responsibilities noted above would have the effect of increasing the proportion of council members to over 50%. In these circumstances, the Panel wished to examine the case for discontinuing some of the smaller SRAs (e.g. vice-chairs of minor committees), an issue which is addressed in Section Three. The increase in the Basic Allowance would provide (in most cases) full compensation for those affected.
- 2.3. The Panel recommends that the Basic Allowance should be increased by just under 8%, raising it from £4,807 to £5,185. Although some councillors interviewed argued that there was significant variation in the commitment of different council members, the Panel is not legally empowered to take these variations into account. It is an issue for party groups to address.

Special Responsibility Allowances

- 3.1. The Leader's SRA currently stands at £8,000. The Northants Districts' average is around £13,000. Only Wellingborough's is lower, and the recommendation of the recent Members Allowances Panel was that it should be raised to a figure above that of East Northants. It is apparent that the current level of the Leader's SRA here is already out of line with comparable authorities in the county. There is no justification for this discrepancy. East Northants is a proactive council with a wide-ranging agenda.
- 3.2. The scope of responsibilities and the pressure on the time of the leader and his deputy will undoubtedly increase over the next 18 months in the run-up to reorganisation. It is only fair that their SRAs should reflect these circumstances. The job of the leader, in particular, is likely to become in effect a full-time one, if it is not already. Whilst it would be unrealistic to set his SRA at a level which reflects this situation (and allowance must always be made for the unpaid element of voluntary service in council work), the Panel was clear that a substantial increase was justified. It recommends that the Leader's SRA should be increased by 50% to £12,000 and the Deputy leader's SRA by the same proportion from £5,000 to £7,500.
- 3.3. Although in the past the SRAs for the Opposition leader(s) have been linked proportionately to those of the council leader, the Panel did not feel that the

¹ <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim65960>

continuation of this practice could be justified, given the small size (two) of both current opposition groups. The current allowance of £3,683 is shared between the two opposition leaders and the Panel recommends that this practice should continue. If there were to be a significant increase in the size of an opposition group, then this SRA would need to be reviewed. There is a big difference in the challenge of leading a group of eight or nine, compared with a group of two.

- 3.4. The SRAs for the chairs of the three main committees in East Northants (Policy and Resources, Planning Policy and Planning Management) are currently also pitched at £3,683. The SRA for the chair of Governance and Audit is set below this level at £3,250. Below this level, there is a range of SRA payments for different committee positions varying from £2,000 (chair of Licensing) to £250 (vice-chair of Finance Sub).
- 3.5. The SRAs for the three main committees in East Northants are close to the average for those Northants Districts which operate a committee system. Those districts which operate a leader and cabinet model pay their executive members more, but this discrepancy can be justified on the basis that executive members enjoy a degree of formal decision-making responsibility whilst committee chairs do not.
- 3.6. The Panel heard no arguments that the SRAs for the chairs of the three major committees should be increased, and itself saw no case for doing so. But at the lower levels of SRA remuneration, there are some anomalies which need addressing, and some new elements of council machinery which justify SRAs.
- 3.7. The Transformation Committee, which has only recently been established, is earmarked to play a key role in managing the transition from district council to unitary authority. Although there is, as yet, little evidence to go on, the Panel judged that the new committee would be certain to play a high-profile role. It recommends that the chair of this committee should receive an SRA of £3,683, bringing it in line with the three major committees.
- 3.8. The Panel could see no logic in the current allocation of a lower level of SRA to the chair of the Governance and Audit Committee. This committee plays a crucial role, not just in the auditing of the council's finances, but also in carrying out important scrutiny functions, the only element of council machinery which performs this important responsibility. The Panel recommends that the chair of this committee should also receive an SRA of £3,683.
- 3.9. What was previously the Housing Policy Working Party has recently been upgraded to the status of a sub-committee of Policy and Resources. In the light of what the Panel learned of its responsibilities and workload, it sees no reason to treat it any differently from this committee's other sub-committees. Accordingly, it recommends that an SRA of £1,228 should be paid to its chair, bringing it in line with the Finance and Personnel sub-committees.
- 3.10. The Licensing Committee faces a demanding (although variable) workload. As with the Planning Management Committee, they, and in particular their chairs, have a tangible form of responsibility; if their decisions are challenged, the council may face costs

associated with a successful appeal. The Panel was clear from the evidence it heard that the SRA for the chair of the Licensing Committee should match that of the Planning Management Committee and be increased from £2000 to £3,683. In other Northants districts, the average SRA for the chair of the Licensing Committee is just under £4,000. The Panel's recommendation would remedy this unjustified discrepancy.

- 3.11. There are two other council positions where there is a case for the award of an SRA. The Northamptonshire Police and Crime Panel is chaired by an East Northants councillor who receives no allowance for this demanding position. Police and Crime Panels have an important scrutiny function in holding the Police and Crime Commissioner to account, as well as several other responsibilities. Typically, chairs of such Panels do receive an SRA; £3952 in Nottinghamshire and £2,568 in Suffolk. It is likely that a decision about an appropriate SRA for this position would have to be made by an independent advisor to the Police and Crime Panel, which is outside the scope of this Panel's responsibilities. But there is nothing to stop East Northants allocating an SRA to the chair as the authority's representative on this important body. The Panel's recommendation is that an SRA of £1,228, equivalent to that paid to chairs of the Policy and Resources sub-committees, should be paid, to be discontinued if an SRA is allocated from other sources.
- 3.12. Secondly there is the issue of allowances for the chair and vice-chair of the Joint Standards Complaints Committee. The chair is currently a parish councillor; the vice-chair is an East Northants councillor. In effect, the chair and vice-chair share responsibilities, in what is a time-consuming and responsible job; not least because the reputation of the person about whom the complaint is made is at stake. There is also an Independent Member who plays a key role in committee hearings and appeals. He/she is currently allocated an SRA of £1,178 and the Reserve Independent member an SRA of £471. The Panel's recommendation is that the Chair and Vice-Chair of the committee and the Independent Member should all receive an SRA of £1,228, and the Reserve Independent Member an SRA of £614 (50% of the above).
- 3.13. East Northants currently allocates SRAs to those members holding the vice-chairs of the three major Committees, together with the Government and Audit and Licensing Committees and the Finance Sub-committee. What to recommend regarding vice-chair positions invariably causes problems for Independent Review Panels. The interpretation of the role varies considerably. Some vice-chairs operate a de facto partnership with their chairs, sharing responsibilities, whilst others are there primarily to deputise for the chair if required, which may rarely be necessary. In other circumstances, for example if the review were to be applied to a four-year council term, the Panel would wish to look in detail at the case for retaining SRAs for these positions, with a presumption in favour of discontinuing them unless a significant level of responsibility could be identified. But given the limited future span of operation of the council, the Panel decided not to pursue this issue. The SRA for the vice-chair of the Finance sub-committee should be discontinued, bringing it in line with that of the vice-chair of the Personnel and Housing Policy sub-committees, but those for the vice-chairs of Policy and Resources, Planning Policy, Planning Management, Governance and Audit, Transformation and Licensing should be retained, and all be set at £1,228. As a result, the proportion of East

Northants members receiving SRAs would remain at around 50%; not an ideal outcome, but these are untypical times!

Other Issues

- 4.1. The current practice in East Northants is to permit the payment of only one SRA to any councillor who holds more than one position which qualifies for such a payment. This practice has been widely recommended by independent panels and equally widely adopted. But the revised 2018 Government guidance makes it clear that this limitation is not a requirement. The Panel was aware of the dangers of multiple SRAs, particularly in relation to the posts which receive a higher level of SRA, where the result could be that a particular councillor ends up with a combined SRA which is greater than what the council leader receives. But there is a counter-argument, that an SRA should be seen as 'the rate for the job', and if a councillor is handling two such jobs, he or she should be paid accordingly. Certainly, in the case of those positions which attract smaller SRAs, the Panel saw no objection to multiple payments. But as a safeguard, the total sum to be paid out in such circumstances should be capped. The Panel's recommendation is that the provision that councillors should only be eligible for a single SRA should be discontinued, but the total of SRA payments received should be capped at £5,000 (excluding the positions of leader and deputy leader of the council).
- 4.2 The Panel's attention was drawn to the fact that the recompense paid to the Vice-chair of the council (outside of this Scheme) has not proved adequate to meet the costs of fulfilling this role, particularly in relation to the requirement to purchase tickets for various charitable events. The same problem may apply to the Chair of the council, but the Panel was not provided with evidence to this effect. There is an important point of principle here. No councillor should end up out-of-pocket, as a result of operating as chair or vice-chair of the council. These are important ceremonial positions and should be open to all members. There will be members who may well be deterred from taking on these positions, if they think they are likely to incur costs by so doing. The Panel's view is that the problem could be remedied if the outlays associated with these positions were to be regarded as expenses, which could be submitted and reclaimed. But there may well be other ways of dealing with the problem, which the Panel would accept so long as they have the desired outcome.
- 4.3. The Panel endorses the current position regarding the annual updating of members' allowances, namely that the increase should equate with the percentage increase received by staff on point 49 of the Council's pay scale.
- 4.4. The Panel received no representations regarding travelling and subsistence allowances or the Carers allowance and sees no case for recommending any changes.
- 4.5 The Panel would have no objection to the Council deciding to backdate its recommended increase to the start of the 2018-19 municipal year, given the short duration (one year) in which its proposals would have an effect, if they are not implemented until April 2019.
- 4.6 A summary of the Panel's recommendations is set out below. Collectively they would amount to an increase of around 14% in the total allowances budget. This may seem to

some an unjustifiably large increase (although it remains at less than 2.3% of the council's overall budget). But in the unique circumstances facing East Northants over the next 18 months, the Panel is clear that an increase of this magnitude is fully justified.

Summary of the Panel's Recommendations

- (1) The Basic Allowance should be increased from £4,807 to £5,185.
- (2) The Leader's SRA should be increased from £8,000 to £12,000
- (3) The Deputy Leader's SRA should be increased from £5,000 to £7,500.
- (4) The Opposition Leader's SRA should remain at £3,683 and continue to be divided equally between the leaders of the two opposition groups so long as the groups are of equal size.
- (5) The SRA paid to the Chairs of the Policy and Resources, Planning Policy, Planning Management, Governance and Audit, Transformation and Licensing Committees should be set at £3,683.
- (6) The SRA for the Vice-chairs of the above Committee should be set at £1,228.
- (7) The SRA for the Chairs of the Finance, Personnel and Housing Policy sub-committees should be set at £1,228.
- (8) The council's representative on the Northants Police and Crime Panel (which she currently chairs) should receive an SRA of £ 1,228 as the Council's representative, which should be reviewed if an SRA is paid from other sources.
- (9) On the Joint Standards Complaints Committee, the Chair, Vice- chair and Independent Member should each receive an SRA of £1,228, and the Reserve Independent Member an SRA of £614
- (10)The provision that Members should be eligible for only one SRA should be discontinued, but the total entitlement of SRA payments should be capped at £5,000 (leader and deputy leader excluded)
- (11)The recompense paid to the Chair and Vice-chair of the Council should be reviewed to ensure that those who hold these positions do not incur financial loss in carrying out their duties.
- (12) The levels of travel and subsistence allowances and the Carers allowances should remain as they are.
- (13) The basis for the annual updating of members allowances should remain as at present (equivalent to the increase awarded on point 49 of the Council's pay scale.
- (14) The Panel would support a proposal to backdate the awards set out in its report to the start of the 2018-19 municipal year

**Steve Leach - Chair of the Panel
October 2018**

INDEPENDENT REMUNERATION PANEL

TERMS OF REFERENCE

To make recommendations to the District Council on Members' Allowances as set out in the 2003 Regulations

To consider the existing scheme of allowances for Members and to prepare a report for submission to the District Council recommending a scheme of allowances encompassing:

1. Basic allowance for Members
2. Special responsibility allowances for Members who have special responsibilities which may include one or more of the following categories
 - a) Leader and Deputy Leader of the Council and/or political group
 - b) Chairman/Vice-Chairman of Committees, Sub-Committees or other bodies
 - c) Representing the Council at meetings of, or arranged by, any other body;
 - d) Acting as a Member of a Committee, Sub-Committee or other body of the Council which meets with exceptional frequency or for exceptionally long periods;
 - e) Members of Committees, Sub-Committees or other bodies relating to licensing or the control of any activity (eg Licensing Panels)
- 3) Travel, subsistence and conference allowances
- 4) Dependent Carers and child care allowances
- 5) Co-optees allowances
- 6) Annual adjustment/increase of allowances
- 7) Any other issues that the Panel deem to be appropriate.

In addition the Panel have set additional criteria that they may take into account when reviewing the allowances-

- 1) Comparisons with allowances paid by statistical neighbours;
- 2) Issues surrounding recruitment and retention of Councillors;
- 3) Workload and level of responsibility;
- 4) Affordability;
- 5) Administrative convenience.

Existing and Proposed Members' Allowances 2018/19

<u>2018/19 Current Members' Allowances Payable</u>	Amount Payable £
Basic Allowance payable to all Cllrs in addition to any Special Responsibility Allowances as below	4807
Leader of the Council	8000
Deputy Leader of the Council	5000
Policy and Resources, Planning Management and Planning Policy Committee – Chairmen	3683
Governance & Audit Committee - Chairmen	3250
Licensing Committee, - Chairman	2000
Personnel Sub-Committee – Chairman	1228
Finance Sub Committee – Chairman	1000
Policy and Resources, Planning Management and Planning Policy Committee – Vice Chairmen	1228
Governance & Audit Committee – Vice Chairmen	1083
Licensing Committee – Vice Chairman	600
Finance Sub Committee – Vice Chairman	250
Leader of the Opposition	3683
Joint Standards Complaints Committee – Independent Member	1202
Joint Standards Complaints Committee – Reserve Independent Member	481

<u>2018/19 Independent Remuneration Panel Proposed Members' Allowances Payable</u>	Amount Payable £
Basic Allowance payable to all Cllrs in addition to any Special Responsibility Allowances as below	5185
Leader of the Council	12000
Deputy Leader of the Council	7500
Policy and Resources, Planning Management, Planning Policy, Governance and Audit, Transformation and Licensing Committees – Chairmen	3683
Policy and Resources, Planning Management, Planning Policy, Governance and Audit, Transformation and Licensing Committees – Vice Chairmen	1228
Finance and Performance, Personnel and Housing Policy Sub-committees – Chairman	1228
Leader of the Opposition	3683
Council's Representative on the Northants Police and Crime Panel	1228
Joint Standards Complaints Committee – Chairman, Vice-Chairman and Independent Member	1228
Joint Standards Complaints Committee – Reserve Independent Member	614