

PETERBOROUGH CITY COUNCIL

31st October 2011

INDEPENDENT MEMBERS ALLOWANCES PANEL

Introduction.

1. The Independent Panel comprised:

Don Latham (Chair) - Private local government consultant
Mrs Jean Hunt - Representing the voluntary sector
Rev Kerry Tankard - Representing the faith community

2. The Panel met on three occasions and was supported throughout the review by Karen Dunleavy, Governance Officer and Nick Hutchins, Head of Business Support. Helen Edwards, Solicitor to the Council ; Diane Baker, Head of Governance, and Gemma George, Senior Governance Officer (Regulatory) - also gave information and support to the work of the Panel. We would like to give our thanks to them and to members and Groups who provided written evidence and to the Leader of the Council, Group Leaders and Councillor Swift who attended a meeting of the Panel. An opportunity was given for all members to contribute towards the review as part of an open and transparent process.

3. Initially we were requested by the Council to consider only issues relating to Chairs of Neighbourhood Councils and provision of telephones. At a subsequent meeting with all Group Leaders we were asked specifically to address the issue of the need to urgently adopt a more realistic basic allowance. The Group Leaders made it clear that they expected a robust report from the Panel to show how a realistic and appropriate basic allowance could be introduced in a time of austerity. In order to achieve this the Panel considered the level of Special Responsibility Allowances (SRAs) and in particular the payment of allowances to Cabinet members, Chairs of Scrutiny and Neighbourhood Committees.

4. The Panel were mindful of the fact that there has been a significant increase in the number and value of SRAs but that the basic allowance now justifies a major increase. We are recommending a 13% increase in the basic allowance from £7962 to £9,000 and a rebalancing of the scheme which will maintain or improve allowances paid to 81% of members. Recognising the austere times we strongly recommend that these changes be funded by savings within the member allowances

budget. The Panels report could be implemented without any increase in the budget. We hope that the Council will take action to implement our report in full.

The Panel recommends:

- 1) That in future the scheme of allowances be updated for inflation by the use of the NJC increase applied to staff pay. (Para 5)
- 2) That the current basic allowance of £7,962.08 be increased to £9,000. (Para 7)
- 3) That the travel allowance of £227.45 within the basic allowance be rounded to £230. (Para 9)
- 4) That the telephone allowance of £568.68 within the basic allowance be rounded to £570 and that all personal calls continue to be the responsibility of members. (Para 9 and 27)
- 5) That members continue to be restricted to one SRA. (Para 11)
- 6) That the Deputy Leaders SRA be reduced from 75% of the Leader to 65% - **saving £2,450.**
- 7) That the number of Cabinet member SRAs be reduced by one at the earliest opportunity - **saving £12,300.** (Para 14)
- 8) That the multiplier for calculating Cabinet allowances be reduced from 2 x net basic to 1.5 net basic £12,300 - **saving £28,700.** (Para 16)
- 9) That the payment to Scrutiny Chairs be reduced from basic to 0.75 net basic £6,150 – **saving £12,300.** (Para 19)
- 10) That SRAs payable to the three Chairs of Neighbourhood Committees be extended to seven Committees but that the level of payment to all Chairs of Neighbourhood Committees be set at 0.25 net basic allowance £2,050 – **saving £10,250.** (Para 25)
- 11) That the scheme be updated to record the entitlement of members to be in receipt of an iphone – **saving (say) £5,000.** (Para 27)
- 12) That Regulatory Committee SRAs be kept in line with Scrutiny Committees – **saving £6,150.** (Para 29)

Updating

5. The LGA daily rate was used previously to update the allowances for inflation. The Association has decided to withdraw this advice so the Panel recommends that in future that the scheme of allowances be updated for inflation by the use of the NJC increase applied to staff pay.

Basic Allowance

6. The Panel favour adopting a 'realistic' Basic Allowance so that only a minority of members receive an SRA. This we believe is in tune with the spirit of the Regulations.

Initially the Panel were not asked to review the basic allowance this year. In 2009 the Panel suggested a way that the basic allowance could be increased to £9,000 but the proposal was not taken up by the Council at that time. Subsequently the Council decided to forgo a cost of living increase of 2.3% which was not recommended by the Panel. In recent years priority has been given to increasing the number of SRAs. The result is that the basic allowance has fallen behind comparator authorities.

7. Part way through this years review process all the Group Leaders indicated that priority should now be given to setting the basic allowance at a proper level. The Panel have reviewed comparator information with other local authorities, agencies and organisations including those for which no allowances are paid e.g. School Governors. We believe that £9,000 (as the Panel advised in 2009) would set the allowance at an appropriate minimum level taking into consideration the population (173,400) and economic circumstances of Peterborough being a below average area for remuneration. This would provide a below average allowance but we consider appropriate for the austere times being faced by the Council.

8. When the new form of Governance arrangements and higher levels of allowances were introduced the hope was to attract a greater diversity of membership to Council activities to better represent the community. A key part of this was to reduce the time commitment of members by streamlining the democratic governance arrangements. In practice, with some notable exceptions, this has not happened and members are working on average 22hours a week (Census 2008) and spending as much if not more time at meetings as they did under the old regime. Member allowances have increased significantly as part of a drive to recruit a broader based membership but the reality is that little change has taken place and membership is still predominantly male (68.4%), white (96.6%), and older (58.8 years - average).

9. We recommend that the travel allowance of £230 (£227.45 rounded) - to cover travel within the City boundary- should continue unchanged and the telephone allowance of £570 (£568.68 rounded) should also continue unchanged. This would result in a revised net basic allowance of £8,200.

10. Allowances are subject to income tax. However, as the basic allowance is intended to recognise the time devoted by councillors to their work, some incidental costs (e.g. use of their homes and private telephone) may be deducted from the allowance received in calculating how much of the allowance is taxable. This is subject to agreement with the Inland Revenue. Expenses can be offset against tax liability if it can be shown they have been wholly, exclusively, and necessarily, incurred in the performance of duties.

Proposals for changes in Special Responsibility Allowances

11. The Panel were mindful of Government Guidance that states that SRA's should only be paid to members when 'significant additional responsibilities' can be demonstrated. If this is not proven it could be subject to legal challenge. The spirit of the Regulations is that only a minority of members should receive an SRA and we recommend that members should continue to be restricted to one SRA. To quote Government guidance:-

'If the majority of members of a council receive a special responsibility allowance the local electorate may rightly question whether this was justified. Local authorities will wish to consider very carefully the additional roles, both in terms of responsibility and real time commitment before deciding which will warrant the payment of special responsibility allowance.'

Leaders Allowance

12. The Leaders Allowance is currently set at three times the basic allowance. A benchmarking exercise reveals that this has fallen back compared with some other authorities. The proposals being made by the Panel would increase the Leaders allowance from £29,460 to £33,600. We believe this is reasonable and compares favourably to the £38,000 recently agreed for the Leader of Cambridgeshire. The Deputy Leader has been paid 75% of the Leader and we recommend that this be reduced to 65% which would result in an allowance of £25,000 and a potential saving of £2,450.

Cabinet

13. In our 2009 report we were advised that the Council had introduced three new Cabinet Advisor roles to be paid an SRA equal to 0.5 net basic allowance. The Panel recommended that the Council should consider running these new roles for six months before implementing any allowance. One of our fundamental concerns was that this could result in eleven Cabinet related SRAs when the maximum should be ten. In practice the Council decided to increase the Cabinet posts by two and to reduce the number of Cabinet Advisor posts to one to be paid an SRA equal to a net basic allowance.

14. Decisions about allowances are for the Council to make not the Panel but the Council has a duty to consult the Independent Panel about significant proposed changes. This was to all intents and purposes a new proposal and we were not consulted. We recommend, not least to avoid any possible 'challenge' from having eleven Cabinet related SRAs, that as quickly as possible the Cabinet SRAs be reduced by one -saving £12,300.

15. The Cabinet Advisor post working with the Deputy Leader is being paid an SRA equivalent to a full net Basic Allowance. Having reviewed the job description of the post the Panel believe that the Cabinet Advisor is acting as an integral Cabinet member i.e. attends all meetings and takes executive action on behalf of the Cabinet. The SRA equal to a net basic allowance would seem to be appropriate but should continue to be kept under review.

16. It is possible to have two tiers of allowance within the Cabinet as exemplified by the recently approved report for Cambridgeshire. The Panel has been informed of the level of Cabinet allowances being paid by other authorities and believes that at a time when a significant increase in the basic allowance is being proposed that the multiplier used for Cabinet posts should be reduced from 2 x basic to 1.5 basic - saving £28,700. Each Cabinet member would get an overall allowance of £21,300.

17. The Labour Group has recommended a more thorough review of the working of the Council suggesting that the Cabinet membership could be reduced by four posts not least because of the effects of privatisation of service provision. Reducing the size of the Cabinet would be an alternative way of achieving savings.

Scrutiny

18. The Panel are aware that an effective scrutiny process is a key to the successful governance of the Council and has noted that the current process of six Commission/Committee Chairmen (SRA equivalent to a basic allowance) has been put in place. We continue to believe that the Council needs to carefully evaluate the benefits of the changes that have been made to ensure that the new arrangements are sustainable and effective. Are there too many Committees? Does the 'call in' process work successfully in holding the Executive account? We had particular concerns when the new process was introduced that it was proposed that Chairs should only be selected from the controlling Group. We believed that the Council still needs to carefully evaluate the benefits of change and initially we suggested that consideration should be given to paying 0.5 net basic - £4,100 - until the new arrangements had a proven record of success with quantifiable outcomes.

19. We did find a Scrutiny Review of the work of Neighbourhood Committees to be of an excellent high standard and influential to our thinking as a Panel. The inter party objectivity of the report was evident (Para 20). Having considered the levels of SRAs being paid and the evidence of comparator authorities we recommend that the allowances for Chairs should be reduced from net basic - £8,200 to a maximum 0.75 net basic - £6,150. Saving £12,300.

Neighbourhood Committees

20. The Panel noted the current position that three Chairs of Neighbourhood Committees (formerly Neighbourhood Councils) each receive an SRA equal to a full net basic allowance. The same allowance as being paid to the Chairs of Regulatory and Scrutiny Committees. We were made aware that the role of Neighbourhood Committees is changing following a Scrutiny review and will change further in pursuit of the local-ism agenda. The delegations to Neighbourhood Committees have been extended, and it is anticipated that more decision making will be done at this local level. The intention is to delegate as much decision making and budget responsibility to Neighbourhood Committees as possible.

21. We believe that the new neighbourhood structure is primarily about increasing the effectiveness of the members role to represent the community and we understand and have sympathy with the Councils own excellent Scrutiny review undertaken in January 2011 that concluded that the Chairs role does not warrant the payment of additional allowances.

22. We believe that the Council needs to carefully evaluate the benefits of these changes and we fully understand and have sympathy with the view expressed in the Councils own detailed Scrutiny Review that the SRA for Neighbourhood Committee Chairs should no longer be awarded, reflecting the greater involvement of all councillors in Neighbourhood Committees.

23. We realise that this view is contrary to the decision of the Cabinet made on 7th February 2011 - 'Disagree that the SRA for Neighbourhood Council Chairs is no longer awarded; reflecting the greater role to be played by ALL Councillors in relation to Neighbourhood Councils and that each of the seven Neighbourhood Councils should elect its own Chair who should be a Councillor from one of the wards represented at the Neighbourhood Council.' The Panel understand that in practice some Chairs have been appointed who do not represent wards covered by the Neighbourhood Council.

24. We suggested in our 2009 report to the Council that consideration should be given to paying an allowance of 0.5 net basic for the first six months until the new arrangements are seen to be fully effective. But this was only for three positions of Chairs of Neighbourhood Councils. Despite additional information being supplied to us in this review and a personal and a presentation by the Leader of the Council the Panels view has not changed. The officers supplied comparator information of authorities who have adopted similar schemes of neighbourhood delegation and we

did find a precedent. Luton Borough is paying £1,000 to their Neighbourhood Chairs. A wider review undertaken by the Panel has produced similar evidence.

25. The Panel would not support, certainly at this stage of development, the Council spending £57,400 (7 x £8,200) on these positions. We recommended in a previous report that payment should be restricted to a maximum of 0.5 net basic and that this should be subject to review. Despite the views of the Panel the Council, which it has every right to do, has started to pay a full net basic to three Chairs (formerly Neighbourhood Councils). Having adopted this principle the Panel are being asked to support this being extended to seven. We believe that £2,050 (0.25 net basic) should be a starting point and 0.5 net basic a maximum payment when the process has been more developed. This should be subject to annual review, and applied to all Neighbourhood Committee Chairs. This would save £10,250 on the present arrangements.

26. The Council seem to have adopted the concept that an allowance of 1 x net basic is the norm for SRAs outside the Cabinet and that once they are adopted they are fixed. The process of governance is dynamic and SRAs will go down as well as go up. Ideally it is right to start at a low level and to build up following an annual review of performance including an assessment of outcomes. For example in rural areas similar functions may be carried out by dynamic Parish Councils and the members of those Councils do not receive an allowance.

Telephones

27. We have been informed of the Councils intention to make iphones available to all members. The allowances scheme will require updating so that it records the entitlement of members to be in receipt of these or a free Nokia telephone or for the continued use of personally owned telephones. Members will continue to be responsible for the payment of all private telephone calls. No calls will be reimbursed by the Council. We understand that estimated savings of £5,000 are expected to be made from these new arrangements for members and that the Council are making appropriate administrative changes.

Licensing Committee.

28. We have noted that the situation has been reviewed by the Council and that the Licensing Act Committee and the Licensing Act 2003 Committees have been merged under the name of the Licensing Committee. The Chair of the Licensing Committee is being paid an allowance equivalent to a full Basic allowance.

29. We have been made aware of the current workload which we understand to be

'considerable' and for the moment agree that this SRA should continue to have a parity with Planning. In a majority of Councils this would be the norm but it would also be quite normal for Councils to pay less than a basic allowance for these Regulatory Chairs. We recommend that the SRAs for Audit, Planning, and Licensing be reduced to 0.75 of a basic allowance (£6,150) in line with our recommendation for Scrutiny Committees - saving £6,150. The Panel also recommend that the licensing workload be kept under review.

Other issues identified by members.

30. We considered in detail all the issues presented to us in writing by members and officers and have taken these into consideration in making our recommendations. For example we do not believe an exception should be made to meet the higher travel costs of rural members. It is a matter for the Council to make appropriate minor changes to the scheme without the need to call a meeting of the Panel. But we would expect to be kept informed on issues such as a change in the way telephones are to be provided as this is integral to the basic allowance.

Finance

31. The Panel are prepared to endorse an increase in SRAs from 28 to 31 (54% of members). We recommend an increase in the basic allowance budget of £59,000 . But we are also recommending potential savings of £72,150 which together with £5,000 estimated savings being made from the new arrangements for the provision of members telephones would cover this additional cost. **The Panels report could be implemented in full without any increase in the current budget of £748,000.**

32. We have made our proposals in the light of the Leaders comments made to Council when a report of the Panel was presented last year. The Council may feel that in the light of the Leaders clearly expressed views that it is not right to have any increase in the member allowances budget.

'Councillor Cereste responded to the comment raised and stated that if the recommendations proposed by the Independent Members' Allowances Review Panel were approved, then the amount of money paid to Councillors would increase and in these very difficult and austere times, this would not be morally acceptable.'

Conclusions

33. The Council has the opportunity to implement a more soundly balanced scheme of allowances appropriate for a time of austerity. Some sacrifice would be required from a minority of members but this would be a great example to staff who face a loss of employment and the public who face severe reductions in services.

Position	Present £	Proposed £
Basic Allowance	7,162	9,000
Telephone	569	570
Travel	227	230
Net Basic Allowance	6,366	8,200
Leader	29,460	33,600
Deputy Leader (65% Leader)	24,025	25,000
Cabinet (1.5 net basic) – seven posts	22,294	21,300
Cabinet Advisor (net basic)	15,128	17,200
Planning and Environment (0.75 net basic)	15,128	15,150
Licensing (0.75 net basic)	15,128	15,150
Audit (0.75 net basic)	15,128	15,150
Employment (0.25 net basic)	9,753	11,050
Scrutiny (0.75 net basic) – six posts	15,128	15,150
Neighbourhood Councils – three posts	15,128	-
Neighbourhood Committees – seven posts (0.25 net basic)	-	11,050
Opposition Groups (to be distributed pro-rata) (net basic)	7,166	8,200

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