

REPORT TO THE INDEPENDENT REMUNERATION PANEL

15TH FEBRUARY 2007

REVIEW OF MEMBERS' ALLOWANCES

1. INTRODUCTION: THE CONTEXT OF THE REVIEW

1.1 The Independent Panel was originally established in 1997 in advance of the statutory requirement and produced a recommended scheme of Members Allowances which was implemented in August 2000. This was then reviewed to reflect the new decision making structure introduced in July 2001 in response to the Local Government Act 2000.

1.2 A full review was undertaken once the scheme had been in operation for a period of 12 months culminating in a revised Scheme which was adopted by Council on 9th October 2003.

1.3 Since that time issues have been addressed as required, mainly as a result of changes to the democratic structure, but it is now necessary to carry out a full review of the Scheme in accordance with the Regulations for implementation no later than 1st November 2007.

2. THE PRINCIPLES UNDERLYING THE SCHEME

2.1 The Panel agreed a set of principles from which the Scheme was developed as set out below with, in each case, a summary of the thinking which underpins them.

2.2 ***Principle 1: The system of Members' Allowances should not restrict the possibility of any group in society from standing for Council and should ideally have the effect of encouraging groups currently under-represented on Councils to become Councillors.***

The Panel were aware of the Government's concern to attract a more representative cross-section of the population to put themselves forward as electoral candidates, a principle which is fully supported. Members' Allowances systems should facilitate the involvement of all those who wish to become involved in Council work and should encourage those in full-time work and mothers with young children to become involved in the Council.

2.3 ***Principle 2: The voluntary public service principle should be one of the major factors influencing the Allowances Scheme.***

It is a generally accepted concept that financial remuneration is not necessarily a consideration when candidates decide to stand for Council election. This viewpoint exemplifies the long-established principle of voluntary service to the public amongst Councillors of all political persuasions. The Panel respected and strongly supported this viewpoint and felt it was right to retain a recognition of the importance of the 'voluntary' principle in relation to Councillors' motivation and activity. In common, however, with all other Independent Panel reports examined, the Panel felt this principle should only apply to a part of the time commitment involved in being a Councillor.

2.4 ***Principle 3: There should be established proper processes for holding Councillors to account in the performance of their duties. Transparency and accountability are essential components of a new system.***

Whatever system of Members' Allowances is adopted, it is important that the job expectations involved are made clear and that insofar as is reasonably possible, Members are held accountable for their activities as Councillors. This principle is particularly important where significant allowances are recommended. The public has a right to know

whether or not the way a Councillor performs his or her duties merits such an allowance. The Panel noted that there could be a reduced motivation to attend meetings amongst Members not on the Cabinet. If any Councillor were to follow this path, there should be mechanisms which make this apparent and it is hoped that the political parties would also take appropriate action.

2.5 ***Principle 4: The Allowances Scheme is based on responsibilities and workloads as approved by the Council.***

The Panel based its original recommendations on the way the system was anticipated to operate under the terms of the new Constitution, recognising in particular, the scope for collective decision making on the part of Cabinet Members, the key role of the Leader of the Council and the need for Overview & Scrutiny to act as an effective check and balance to the power of the Cabinet. The introduction of individual Cabinet Member powers to make decisions was recognised at a later stage.

2.6 ***Principle 5: There should be a basic payment received by all Councillors irrespective of their formal responsibilities on the Council, reflecting the demands of their representative roles and other duties.***

The Government has placed great stress on the way in which the new legislation will facilitate and strengthen the representative role of all Councillors. It follows that there should be a basic payment (or allowance) made to all Councillors which reflects the demands of the local representative role and the range of activities associated with it.

2.7 ***Principle 6: Special recognition for Councillors holding positions of responsibility should be acknowledged in the Scheme. Special Responsibility Allowances paid should reflect these different levels of responsibility.***

If the basic allowance is there to acknowledge the significance of the local representative role, special responsibility allowances (or SRAs) are intended to reflect the responsibilities involved in a particular set of Council roles; those which carry with them direct responsibility for decision making, financial expenditure or the responsibility for ensuring that decision making and expenditure are carried out properly. It follows that the greater the level of responsibility, the higher should be the SRA.

2.8 ***Principle 7: Levels of remuneration in Lancaster should bear comparison with those agreed in other Authorities.***

The Panel recognised initially that few Councils had prepared revised Members' Allowances Schemes but since then comparative information has been available both nationally and from other Councils in Lancashire and Cumbria. It would be unjust if the allowances recommended in Lancaster were not comparable to those made elsewhere.

2.9 ***Principle 8: The allowances paid to Councillors should take into account those paid in relation to comparable positions of responsibility in the public sector.***

There are a range of other publicly-funded bodies in the locality – for example, Health Authorities and Primary Care Trusts. If Elected Members on the Council have similar levels of responsibility, it could be seen as unfair if there were not some degree of comparability between the allowances received by Councillors and those received by members of these other public bodies.

2.10 ***Principle 9: The system of Members' Allowances should be as uncomplicated as possible; easy for Councillors and members of the public to understand.***

The Panel were concerned about the complexity of some of the Members' Allowances Schemes considered. Indeed, there are certain aspects of the current Scheme in

Lancaster, in particular those regarding political group responsibilities, which it was felt do not meet this criteria of simplicity and clarity. For these reasons, the Panel was predisposed towards systems which limited the number of categories that attracted a special responsibility allowance and which did not permit any Councillor to claim more than one SRA (eg a Council Leader should not be able to claim an additional allowance as a Cabinet Member).

2.11 ***Principle 10: Internal political roles and activities should not be eligible for allowances.***

The Panel fundamentally supports the concept that Members' Allowances should reflect the demands of Council activity and not those of political parties. The politicised nature of Authorities like Lancaster and the part which parties play in structuring debate and decision making was recognised but it was also felt that the role of the party Group Leaders and other internal party positions now have a diminished Council dimension under the new arrangements and the reduced use of political whips, in particular on Overview & Scrutiny, supports this view. The Council has consistently opposed this view however and payments remain in place for Group Leaders and Administrators.

2.12 ***Principle 11: The Allowances Scheme should be reviewed annually to reflect any significant changes and subjected to a more fundamental review every three years.***

This principle seemed self-evident and was reflected particularly in the initial requirement to review the scheme fully after twelve months. Members with key roles in these arrangements were recommended to maintain detailed logs of their Council workload and practices.

2.13 ***Principle 12: Members' Allowances should be seen specifically as a remuneration which reflects the time commitments and responsibilities of Council activity and that expenses incurred for dependent relatives and travel should be reimbursed separately..***

In previous deliberations, consideration was given to which expenses should be covered by Councillors out of their basic allowances. It was recognised that Councillors who travel more than others as part of their responsibilities and those who have dependent relatives should be properly reimbursed and separate Schemes are therefore in place to reimburse reasonable costs

3. THE LANCASTER DIMENSION

3.1 The principles set out above are applicable to most, if not all, Local Authorities. However, in using them to develop specific proposals, the Panel agreed that it was essential to take into account the particular characteristics of a Local Authority – its size, its service responsibilities, its socio-economic composition and its political traditions. In this connection, the Panel paid full regard to the particular characteristics of the District and concluded that the representative role is probably no less demanding in Lancaster than it is in other types of Authority (particularly when account is taken of the demands of Parish Council liaison in rural parts of the District).

3.2 There are 60 Councillors in Lancaster, with a wide political representation stretching across 5 political groups with 2 non-aligned Councillors. The Council is, and has been for a long time, party political. Thus time spent at party group meetings and in other party political activities contributes significantly to the time commitments of being a Councillor in Lancaster.

- 3.3 As a Shire District, the range of services for which Lancaster is responsible is more limited than those for which County Council and Unitary Authorities are responsible. Its gross budget reflects these differences and, in particular, the fact that it is not responsible for Education, Social Services or Highways & Transportation. However, it is clear from the Corporate Strategy that the Authority has embraced the concepts of community leadership and community governance and is seeking to use its influence to achieve a range of community goals.
- 3.4 Thus, Lancaster can be seen in summary as a proactive, politicised, above average sized Shire District with an articulate population. In general, the Panel would expect levels of basic allowance and SRA to be significantly less in a Shire District like Lancaster than either in a County or Unitary Authority. Counties have much greater populations (and hence Councillors represent much larger numbers of people) and a significantly wider range of services. Unitary Authorities (and London Boroughs) have an even wider range of functions and significantly greater populations. Budgets in both cases may be many times that of Lancaster. Thus in terms of representative responsibilities and decision making/expenditure responsibilities, it would be inappropriate to apply the kinds of Allowances Schemes that may be agreed in these other types of Authorities.

4. BASIC ALLOWANCE

- 4.1 The Panel initially considered what would be an appropriate basic allowance for Councillors in Lancaster, using information from discussions with Councillors and other reviews, it was assumed that Councillors on the whole spent between 40-50 hours per month on their representative duties. Councillors involved in positions of responsibility spend a good deal more time than this on Council business. The appropriate level of basis allowance was assessed as follows. 45 hours per month was estimated as the average input for the local representative role. In the light of the principle of 'voluntary public service' (Principle 2), 5 hours per week was regarded as an appropriate 'voluntary' contribution, this being the kind of time input which others involved in unpaid voluntary work which benefits the community would normally be prepared to spend (eg the coach of a youth football team, a school governor, a WRVS volunteer). Of the remaining 25 hours, it was estimated that around 10 would be involved in party political activities (eg group meetings of various kinds) and hence were not eligible for remuneration (see Principle 10). The remaining 15 hours per month was multiplied by the average white collar wage. In 2001 this stood at £15 per hour making an annual allowance of £2,700 – this has been increased by the rate of inflation each year.

5 SPECIAL RESPONSIBILITY ALLOWANCES

- 5.1 The Panel also considered the appropriate categories for SRAs. Independent Panel reports have singled out the leadership role as appropriate for the highest SRA. This judgement reflects the significance placed by the Government on the leadership role both of and within the Cabinet and equally important as a 'community leader' in a broader sense.
- 5.2 The Panel was not convinced that the leadership role in an Authority of the size and responsibilities of Lancaster was necessarily a full-time job, as it would be in a Unitary or County Authority. Full-time leadership has not been the tradition in Lancaster, however, the particular responsibilities and time demands of the Leader's role in the new system were recognised and requiring a significant time commitment, approximately 55 hours per month, in excess of that of a non-executive Member. The Panel applied the same average hourly white collar rate to an additional time commitment of 55 hours per month giving a figure of £9,900, which was adjusted to £10,000.
- 5.3 The second SRA covered the category of Cabinet Members who at that time had responsibility for collective decision making within the terms of reference for each area of specific interest as set out in the draft Constitution. On this basis, the Panel felt it was

appropriate to pitch the SRA at a level slightly in excess of the current allowance of £3,000 for Policy Chairmen at £3,500 and, for simplicity, there should be no differentiation between the allowances of the 9 Cabinet Members.

- 5.4 The Panel was not convinced of the need to make special provision for SRAs for a Deputy Leader. Deputy Leader of the Cabinet will always be a Cabinet post and hence receive the SRA on that basis. Deputising arrangements should be shared as appropriate amongst the Cabinet Members.
- 5.5 The Panel also considered the appropriate SRA level for Chairmen of Review Boards (of which at that time there were four). It was acknowledged that overview and scrutiny is the most crucial 'check and balance' element in the new system and as such involves an important level of responsibility, but it was felt that the Chairmanship of a Review Board was likely to be less time-consuming than a Cabinet post (on the basis of survey evidence from elsewhere) and also involves a different type of responsibility. Cabinet Members are responsible for decision making and for the expenditure of significant sums of public money. Review Boards are responsible for ensuring that Cabinet Members do their jobs properly. Given these differences, the Panel felt it was appropriate to recommend SRAs for Chairmen of Review Boards at half the level for Cabinet Members (£1,750).
- 5.6 At the time there were 3 other positions, which in the Panel's view merited an SRA – Chairmen of the Planning Committee, the Licensing Regulatory Committee and the Appeals & Appointments Panel.
- 5.7 The Council now has Cabinet Members with individual decision making responsibilities and the make-up of the Overview and Scrutiny function and regulatory committees has changed. Details of changes made to these SRAs and the rationale behind them are set out in a separate table showing the incremental changes that have been made since the commencement of the Scheme.

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