



Lancaster City Council

Independent Remuneration Panel

Report to Council

February 2011

**RECOMMENDATIONS ON THE LEVEL OF
MEMBERS' ALLOWANCES TO BE PAID IN
2011/2012**



Introduction

The requirement for an Independent Remuneration Panel, how it operates, and the contents of a members' allowances scheme continue to be subject to the provisions of the Local Authorities (Members' Allowances) (England) Regulations 2003.

Regulation 19(1) states that *'Before an authority...makes or amends a scheme, the authority shall have regard to the recommendations made in relation to it by an independent remuneration panel.'*

Panel Members

Following a recruitment exercise in summer 2010, the Independent Remuneration Panel (The Panel) for Lancaster City Council now comprises six members, who are:

Steve Leach – Professor of Local Government at De Montfort University (Chair)

Brian Penney – Lancaster and Morecambe Trades Union Council

Colin Everett – retired Local Government finance officer

Unity Lawler – Finance Manager for family business, with previous experience in Local Government and research in academic institutions.

Pat Loryman – retired Local Government IT officer, and previously a director of a private company

Janice Wilson – retired Local Government Learning and Development Officer with previous experience in the public and private sector.

Meetings

The Panel met on the 12th October, 9th November and 7th December 2010 and on the 11th January 2011, in order to consider its recommendations and prepare its report.

At the meeting on the 7th December, the Panel met nine elected Members on an individual basis to seek their views on the current scheme and possible changes. Interviewees included the Leader and three other Cabinet Members, four non-executive Members, the Chairman of the Planning and Highways Regulatory Committee and the leaders of the six political groups on the Council. The Panel also received written comments from two other Members.

The Panel is grateful for the contribution of the Councillors who met the Panel, and for the support of the Head of Governance and Democratic Support Officer throughout the process.

Background and Comparative Information

The Panel had received a copy of the previous Independent Remuneration Panel's report to Council of the 14th April 2010, and was informed of the decision of Council of the 16th June 2010, which in the main rejected the recommendations in the report, (save to allow the independent and parish members of the Standards Committee to claim travel and subsistence allowances), and maintained all allowances at the 2009/10 level.

The Panel received comparative information about the allowances paid by other Lancashire district councils, and by councils in the Exeter Historic Cities and former CIPFA Benchmarking Group. This information is appended to this report. The Panel also had access to websites which

provided information about allowances paid by councils in Essex and in the south west of England.

The Panel also had information about the political composition of the Council; governance structure of the Council; Committee timetable, and the activities undertaken by Cabinet and the various Committees.

It was noted that in accordance with the Local Government and Public Involvement in Health Act 2007, the Council would be moving to “strong leader” executive arrangements effective from May 2011. This will include the introduction of a Deputy Leader.

The Panel was also aware of a proposal to stand down the Budget and Performance Panel from May 2011, incorporating its terms of reference into those of the Overview and Scrutiny Committee.

In considering its recommendations, the Panel was mindful of the difficult financial circumstances facing all local authorities at this time, when budgets across all services are to be reduced.

Principles

The Panel considered the twelve principles underlying the Scheme which had been adopted by the former Panel.

These were:

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.

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

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.

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

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.

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

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

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

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

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

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

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.

The Panel endorsed these principles, subject to the following:

Principle 8: Whilst endorsing this principle, the Panel felt that it was difficult to put into operation in the current financial climate.

Principle 10: The Panel firmly believed that purely political roles should not receive allowances, but, as set out later in this report, was prepared to accept that the role of an opposition Group Leader does have both political and non-political elements

Principle 11: The Panel was of the view that the Scheme should be fundamentally reviewed every four years, with the facility to re-convene at any time if there were significant changes in the structure of the Council or responsibilities of the Members

The Panel's Approach and the Identification of Options

The Panel faced a dilemma.

- (i) It felt an obligation to develop recommendations which it felt were fair and appropriate to Lancaster City Council, drawing upon data of allowances that were paid in comparable authorities, and recent changes in the expectations associated with the role of different councillors (leaders, ward councillors etc). Such recommendations may well imply an overall increase in the total members' allowances budget.
- (ii) The Panel was aware of the extremely difficult financial circumstances facing all local authorities over the next 3-4 years, including Lancaster. Councillors could find it difficult to support recommendations involving a significant increase (or indeed any increase) in the overall allowances budget. Under these circumstances, the Panel recognised there was an argument for ensuring that the impact of its recommendations did not result in an overall increase in the allowances budget.

The Panel felt the following might solve the problem.

- (i) As it listened to the evidence presented and considered comparative allowances data the Panel felt there was a case for increasing certain allowances, for example the basic allowance and the SRAs for Council leader and their cabinet colleagues. It felt that it was appropriate to set out recommendations which acknowledged these arguments.
- (ii) However it also recognised the financial realities facing Lancaster, and felt it would be helpful to provide alternative sets of recommendations anticipating a likely (and understandable) view amongst Councillors that any increase could not be justified in the current circumstances. These recommendations include different options for changes to the current pattern of allowances, but broadly within a financial envelope of below or

around the identified budget. If the Council did adopt this position, the Panel would wish that the initial recommendation, which involved an increase in overall expenditure to be reconsidered when the financial climate became less severe.

- (iii) The Panel also felt it appropriate to put forward an alternative recommendation which would reduce the current allowances budget. It may be that Members would wish to lead by example by accepting a reduced budget in response to a situation where public sector pay increases are capped and all authorities are being asked to reduce their budget. This would not, however, respond to the concerns expressed by several members about the levels of basic allowance or SRAs for Cabinet positions.

The Options proposed by the Panel

The four options the Panel wishes to put before the Council are:-

1. An allowance package which the Panel feels would be justified 'in principle' but does not feel it can recommend at the present time.
- 2A An allowance package which makes adjustments to the existing scheme, without involving any increase in overall expenditure, in a way which acknowledges the increased demands placed on Council leadership.
- 2B An allowance package which makes adjustments to the existing scheme, without involving any increase in overall expenditure, in a way which acknowledges the need to increase the incentives for people to stand as Councillors.
- 2C An allowance package which makes minor adjustments to the existing scheme but maintains the current and basic leadership allowances but reduces the overall cost of the budget.

Other suggestions made to the Panel included a reduction in the number of Councillors (which is outside the Panel's remit), plus an option which recommended no changes in the current pattern of allowances, but simply increased all existing allowances by a factor reflecting the average increase in officers' salaries (if any). The Panel rejected this option as one which did not address anomalies in the existing system of allowances.

Option 1 'Normal Circumstances'

Looking at data which compares Lancaster with various comparators* certain anomalies became apparent. In particular

1. The basic allowance paid to members in Lancaster is relatively low (£3,300 compared with averages of (i) £4,590 (ii) £3,394, (iii) 4,660, (iv) £4,922)
2. The council leaders SRA in Lancaster is relatively low (£11,060 compared with averages of (i) £15,086, (ii) £12,347, (iii) £13,600, (iv) £16,883)
3. The SRAs paid to cabinet members in Lancaster are relatively low (£5,525 compared with averages of (i) £7,564, (ii) £5,327, (iii) £6,800, (iv) £9,618)
4. Lancaster is unusual (almost unique) in paying SRAs to group administrators.

It should be noted that in relation to the Lancashire district averages, Lancaster City Council is a much larger and more proactive council than many of the other Lancashire districts (e.g. Ribble Valley, South Ribble, and Rossendale).

The Panel considered these issues in turn. .

Given the growing importance given to individual Council leadership under the 2007 Local Government and Public Involvement in Health Act, the Panel felt that in normal circumstances,

* Including (i) Lancaster's CIPFA family, (ii) all Lancashire district councils, (iii) district councils in the South West and (iv) district councils in Essex

it would wish to recommend an increase in the Council leader's SRA to £13,500, with the possibility of further increases when it became clearer how the new system currently being considered by the Council actually worked out. Similarly, acknowledging the significant degree of individual responsibility exercised by cabinet members in Lancaster, the SRA for cabinet Members should be increased to £6,750 (also with possibilities for further increases).

Several Members stressed to the Panel the importance of seeking to ensure that a reasonable cross-section of the population were motivated to stand as Councillors (and the Panel noted in this respect the Task Group report which had looked at "Breaking Down the Barriers to Being a Councillor"). The Panel strongly agreed that this was desirable. It was also aware of the importance to a healthy local democracy of the work of ward members who did not hold posts qualifying for SRAs and for whom the basic allowance was their only financial remuneration.

To acknowledge the importance of the work of the ward Councillor and to seek to encourage a more representative cross-section of those wishing to gain nomination as a candidate, the Panel felt that, in normal circumstances, an increase in this basic allowance in Lancaster could be justified, from £3,300 to £4,500 which would bring it close to the average figure in Lancaster's CIPFA family.

Party group leaders and administrators

The Panel re-examined the question of whether SRAs for party group leaders (including leaders of 'independent' groups) and for group administrators could be justified. Previous panel reports have argued that 'political' positions of this nature were not appropriate for SRAs (involving, as they would, a cost to council tax payers). The Council rejected the previous Panel's recommendations and retained SRAs for both types of position.

The Panel supported the view of its predecessor that if the roles of party group leaders and group administrator were wholly 'party political' in nature, then SRAs for these positions could not be justified. However, they noted with interest the evidence from group leaders that two separate elements of their role could be identified – they acknowledged that sometimes their role was indeed 'political' – organising and facilitating group strategy and tactics. Certain Members also argued that there was an element of leadership which transcended party group activity – times when leaders operated in various ways 'for the good of the Council'. For opposition groups, there was also an important 'holding to account' (or 'scrutiny') role – ensuring that there was informed debate and (where appropriate) robust challenge from opposition groups in relation to the proposals of the administration, and (usually) spearheading such processes. It is also the case that almost all other authorities allocate SRAs to party group leaders.

Unlike its predecessor, the Panel felt that on balance there was a case for SRAs for party group leaders, but only by reflecting the 'leadership' element, rather than the 'party political' element in their role. The Panel felt the case was much stronger for opposition groups than for groups who were working together in a joint administration. For the latter the crucial 'holding to account' element of leadership would not apply; the group leaders concerned would normally be working with the leader of the Council as the executive (and so qualify for a SRA as an executive Member. This is the current situation for leaders of four of the six groups on Lancaster Council).

The Panel's proposal would be that an SRA equivalent to half that of the Council Leader should be allocated to leaders of groups who are 'in opposition' – i.e. who do not form part of the administration and are not represented on the Cabinet. This sum (currently £5,530) should be divided amongst the leaders of opposition groups, in proportion to the respective size of their groups. There should be a minimum number of Members in a group of four.

Thus if there were a single opposition group (as at present), its leader would receive an SRA of £5,530. If there were two such groups one of 12 and another of 6, then their leaders would receive SRAs of £3,690 and £1,840 respectively. If the council decided to agree an increase in the Council leaders SRA, then their figures would be adjusted accordingly.

In relation to the 'group administrator' issue, the Panel felt that although the role did contribute to the smooth running of the council, and did not involve adversarial party politics, it was an administrative role operating purely within the different party groups and was (in that sense) Political, nor was there any significant leadership element involved. The Panel was also aware that of the 50 or so other authorities whose members' allowances scheme it reviewed only one allocated SRAs to 'group administrators'. The Panel felt that if the groups (party or otherwise) on Lancaster City Council wished to provide some form of financial reward for the group administration role, they should make their own arrangements to do so, perhaps through a small levy on other allowances received within the group.

Other anomalies

There are further anomalies in the current (2010/11) Scheme which the Panel would wish to see rectified. In each case, the Panel accepted the arguments and recommendations in the report of its predecessor (April 2010), as follows:

That an SRA of £1,400 per annum be introduced for the Chairman of the Council Business Committee.

That the SRAs paid to the Chairmen of the Licensing Act Committee, Licensing Act Hearings Sub-Committees and the Appeals Committee be reduced by half as set out below:

SRA	Currently	From May 2011
Chairman of Licensing Act Committee	£1,430	£715
Licensing Act Hearings Sub-Committee Chairman	£870	£435
Appeals Committee Chairman	£575	£290

Taking these recommendations together with those already set out in relation to party group leaders and group administrators, we can summarise a number of general recommendations which apply to all options set out.

General Recommendations

1. The payment of SRAs to all group leaders should cease.
2. The payment of SRAs to group administrators should cease.
3. An SRA equal to half that of the Council Leaders allowance (currently £11,060) should be allocated to leaders of opposition groups (i.e. groups who are not represented on the cabinet), in proportion to their respective sizes (if more than one such group).
4. The minimum 'group size' qualifying for these SRAs should be 4.
5. That an SRA of £1,400 per annum be introduced for the Chairman of the Council Business Committee
6. That the SRAs paid to the Chairmen of the Licensing Act Committee, Licensing Act Hearings Sub-Committees and the Appeals Committee by reduced by half.

It should be emphasised that these general recommendations apply to all of the options (1, 2A, 2B, and 2C) discussed below. The Panel would not wish any of these options to be seen as an opportunity to override any of the general recommendations set out above.

Option 1 - Summary of recommendations

1. All recommendations set out under “general recommendations” should apply.
2. The Basic Allowance should be increased from £3,300 to £4,500.
3. The Council Leader Allowance should be increased from £11,060 to £13,500, with a further review in a year’s time.
4. The Allowance for Cabinet members should be increased from £5,525 to £6,750 with a further review in a year’s time.
5. The ‘Deputy Leader’ post should attract an SRA of £7,750
6. SRAs should be paid to leaders of any groups operating ‘in opposition’. A total sum of £6,750 should be allocated for this purpose, divided between those group leaders who qualify, in proportion to the size of their groups (see below).

If, however, the council decides that it does not feel it appropriate to agree any level of increase in the circumstances (which would be quite understandable) then the Panel would wish to put forward three other options for consideration. These options require the inclusion of all the general recommendations set out earlier, but provide proposals for the re-allocation of resources stemming from a reconsideration of different elements in the current set of allowances.

Three alternative options can now be set out drawing on the above material.

Option 2A

1. All recommendations set out under ‘general recommendations’ should apply.
2. The resources generated from the changes proposed under the general recommendations should be reallocated to increase the following :-
 - a. Leader of the Council £13,500
 - b. Deputy Leader (£1,000 more than Cabinet Member) £7,750
 - c. Cabinet Members £ 6,750
 - d. Leader(s) of Opposition Group £ 6,750 (in total)
3. Basic Allowance remains unchanged @ £3300

Option 2A would reduce the overall cost of the allowances scheme by 0.63% .

Option 2B

1. All recommendations set out under ‘general recommendations’ should apply.
2. The resources generated from the changes proposed under the general recommendations should be reallocated to change the following :-
 - a. Basic Allowance £3,600
 - b. Deputy Leader (£1,000 more than Cabinet Member) £6,530
 - c. Leader(s) of Opposition Group £ 5,530 (in total)
3. Leader of the Council remains unchanged @ £11060
4. Cabinet Members @ £5530

Option 2B would involve a negligible overall cost increase in the allowances scheme of 0.46%

Option 2C

1. All recommendations set out under ‘general recommendations’ should apply.
2. The resources generated from the changes proposed under the general recommendations should be reallocated to change the following :-
 - a. Deputy Leader (£1,000 more than Cabinet Member) £6,530
 - b. Leader(s) of Opposition Group £5,530 (in total)

3. Basic Allowance remains unchanged @ £3300
4. Leader of the Council remains unchanged @ £11060
5. Cabinet Members @ £5530

Option 2C would result in a reduction in the overall cost of the allowances scheme of 5.38%

Other Issues

Apart from the positions already discussed, the Panel received no representations to amend any of the other SRAs, and saw no reason to do so. Thus the SRAs allocated to Chairs of Overview and Scrutiny, Budget and Performance Panel, Planning, Licensing Regulatory, Personnel, Audit and Standards Committees should remain the same. In the event of a merger of Overview and Scrutiny and Budget and Performance Panel, the Vice-Chair should receive an SRA equivalent to that of the current Chair of Budget and Performance Panel.

The Panel saw no reason to recommend changes in the current Travel, Subsistence or Carers' Allowances. It supports the view that the City Council should pay a mileage rate to cyclists (40p) equivalent to that paid to car users. . It was noted that 40p for cars and 20p for cyclists is the current tax-free limit imposed by HMRC.

The Panel did not feel that it was in a position to judge between the respective merits of the Retail Price Index (RPIx) and the Consumer Price Index (CPI) as a basis for indexing Members' allowances. It recommends that no index-based increase should be applied for 2011/12, in line with the restrictions placed on officers' salaries. When the Council feels it appropriate to re-introduce some form of annual index-linked increases, the Panel would wish to be consulted about the best basis for doing so.

In keeping with the ethos of Principle 3, the Panel recommends the introduction of a scheme of performance review for all Councillors. However, the scheme should be as simple as possible, and should ideally be seen as an incentive for Councillors rather than an imposition. It should combine qualitative and quantitative data, and should be based on role descriptions.

For all councillors there should be measures of attendance at meetings (as at present) and the scope of ward-based activities. For Cabinet members, there should be the opportunity to explore how they had contributed to the Council objectives set for their portfolios over the course of the municipal year, and to respond to questions about their performance in this respect (perhaps through Overview and Scrutiny Committee). For non-executive Members there should be the opportunity to appraise a wider audience of the contribution they have made over the course of the year to their constituents

There are various examples of members' performance review schemes, and it is recommended that the Council seek out some "best practice" examples and develop a scheme which is appropriate for the particular circumstances of Lancaster. The Panel recognises that the Council may not wish to give immediate priority to such a scheme, given the many other challenges it faces over the next years.

Conclusion

Four options have been identified by the Panel. It is right that the Panel should consider and present an option which it feels is appropriate "in principle" (ie one which seeks to rectify some significant discrepancies in the allowances paid by Lancaster City Council, in the context of those paid by comparable authorities). However, the Panel would understand and indeed support any view taken by the Council that, whatever, the merits of the arguments in favour of such increases, now was not the time to implement them. Options 2A and 2B provide opportunities to respond

to two such discrepancies (allowances for executive/leadership positions and basic allowance) respectively, broadly within the current overall total of members' allowances. Option 2C does not address either of these anomalies, but provides an opportunity for the Council to agree a net reduction (of around 5%) in the total members' allowances budget, if it so wishes.

Appendices

1. Allowances paid by Lancashire District Councils and councils in the Exeter Historic Cities former CIPFA Benchmarking Group
2. Members' Allowances Scheme – IRP Proposals