

**HERTFORDSHIRE COUNTY COUNCIL
RESOURCES, PROSPERITY PARTNERSHIP
AND CONSULTATION SELECT COMMITTEE
THURSDAY 25 JANUARY 2001 AT 10.00 A.M.**

CORPORATE SERVICES BUDGET 2001/02 – 2004/05

Report of the Chief Executive, the County Secretary, the Finance Director ,
the Corporate Director (People & Property) and the Director of Community
Information

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Executive Member:- David Beatty

1. Purpose of the report

1.1 To consider proposals from the Cabinet for the revenue budget 2001/02 to 2004/05 and the Capital Programme 2001/02 to 2003/04 for the Corporate Services portfolio and make recommendations as appropriate.

2. Summary

2.1 At its meeting on 18 December 2000 Cabinet made proposals on the revenue budget and capital programme for scrutiny by Select Committees in January 2001.

2.2 The proposals relating to the Corporate Services portfolio are attached at Appendix 1A to 1F.

2.3 Recommendations made by this committee will be considered by Cabinet on 29 January, along with the latest information on resources and the outstanding uncertainties. The County Council will agree the budget and council tax level on 15 February.

2.4 Since the report was presented to Cabinet in December the following issues have emerged, which will need to be considered by Cabinet in the preparation of the final budget.

- (a) Statutory guidance on new council constitutions has recently been issued, which recommends that local authorities provide overview and scrutiny committees with discrete budget allocations to enable them to fulfil their function, through engaging independent consultants to assist their enquiries, or to cover expenses for witnesses that they may wish to call. The New Members Structures Panel has considered this guidance and suggests that in finalising the budget, the Cabinet be asked to consider establishing a budget of £50,000 for this purpose, with its application being agreed collectively by chairmen and vice chairmen of select committees.
- (b) As part of the implementation of new structures, an independent review of the members' allowance system has been conducted, and the report from this review is included at Appendix 2. If all the Panel's recommendations are accepted, the new scheme would involve additional costs for members allowances and training of £340,500, offset by savings on mileage allowances and other expenses of £25,000. In compiling the final 2001/02 budget the Cabinet will need to consider the financial implications arising from this review.

3. Cabinet Proposals

3.1 The recommendation made by Cabinet on 18 December 2000, which is relevant to this report, is as follows:-

- 1.(a) That the resources budget proposals detailed in the report, including the use of reserves, be approved.

**PORTFOLIO: CORPORATE SERVICES
PROPOSED RESOURCE BUDGET 2001/02 – 2004/05**

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COMMENTARY

APPENDIX 1A

- 1.1 This Appendix outlines details of the proposals for a revenue budget of £10.550 million for the Corporate Services budget included in the Resources Portfolio.
- 1.2 The savings included in the proposals are summarised below with fuller details provided in the following appendices:

	£'000
<u>Efficiency Savings</u>	
Staff Restructurings and increased vacancy factor	(68)
Additional Income	(85)
Other non-pay efficiencies	<u>(192)</u>
Total	(345)

- 1.3 These savings represent 3.5% efficiency savings as part of Corporate Services' commitment to get better in all that we do (compared with the 2% target in the promises). Some may impact on the delivery of other promises: in particular, the Economic Development Unit has had to absorb a loss of TEC funding as well as achieve efficiency savings, which will adversely affect the promises to make Hertfordshire a better and a more prosperous place to live and work.
- 1.4 Corporate Services have made extensive efficiency savings in previous years budgets: in the four years' budget since 1997/98 a total of £1.536 million has been taken in efficiency savings, plus a further £0.638 million in service changes and reduction. On top of this various growth items have been absorbed within budget. This is in the context of an expanding Corporate workload addressing such issues as Best Value, Community Planning and new structures within the authority. The continuing savings make it increasingly difficult to respond to these demands and to deliver promises, for example, the new promise to give communities a better voice. Budget managers now have very few areas over which they can exercise short term discretion: non pay budgets are now at a level where they only just cover regular commitments, and areas where there is scope for income generation have already been built into the budget. This also minimises the capacity to deal with any one off demands placed on Corporate Services. The vacancy factor built into budgets means that any short term savings arising from vacancies are needed to meet pay budget targets and are not available for viring to agency staff or other areas.
- 1.5 The proposed Corporate Services capital programme is set out in Appendix G and incorporates investment in replacement financial systems, telecommunications, the amplification system for the council chamber and replacement emergency generators for County Hall. The capital programme totals for Corporate Services are as follows:-

	£'000
2001/02	2,284

2002/03	1,328
2003/04	210

APPENDIX 1B

**REVENUE BUDGET 2001/02 – 2004/05
AND MOVEMENT FROM CURRENT YEAR'S BUDGET**

	2001/02 £'000	2002/03 £'000	2003/04 £'000	2004/05 £'000
2000/01 Original Budget	10,248	10,248	10,248	10,248
Technical Adjustments 2000/01	(425)	(425)	(425)	(425)
2000/01 Adjusted Budget	9,823	9,823	9,823	9,823
Technical Adjustments 2001/02	24	24	24	24
Inflation	394	394	394	394
Pressures for Change				
<i>Previous Policy Decisions</i>				
1. Herts Connect (Gateway) savings*	(22)	(22)	(22)	(22)
2. Herts Connect (Gateway) recharge*	2	2	2	2
3. Rent loss on property disposals to meet receipt target	344	396	396	396
4. Rent loss on highways depots becoming salt stores	106	106	106	106
5. Single Status*	(8)	(12)	(16)	(18)
<i>Legislative Changes</i>				
6. Climate Change levy	(7)	(7)	(7)	(7)
<i>Other Pressures</i>				
7. Superannuation	81	163	244	326
8. Increments	54	87	102	105
9. Revenue effects of capital (telecoms)	16	18	19	19
10. Capital payback		(35)	(53)	(70)
11. Capital Payback - telecoms	10	17	17	17
12. End of TEC – salaries funding	31	31	31	31
13. Review of Financial Systems	66	15	-	-
14. Rates revaluations	(19)	(75)	(165)	(222)
Efficiency Savings				
1. Chief Executive/Assistant Chief Exec	(8)	(8)	(8)	(8)
2. Strategy & Consultancy	(3)	(3)	(3)	(3)
3. Economic Development	(3)	(3)	(3)	(3)
4. County Secretary	(24)	(24)	(24)	(24)
5. Members services	(3)	(3)	(3)	(3)
6. Chairman's Allowances	(1)	(1)	(1)	(1)
7. Crime & Disorder	(2)	(2)	(2)	(2)
8. Internal Audit	(3)	(3)	(3)	(3)
9. Corporate Admin	(2)	(2)	(2)	(2)
10. Personnel	(6)	(6)	(6)	(6)
11. Development Opportunities Fund	(8)	(8)	(8)	(8)
12. Land Purchase, Rationalisation etc	(11)	(11)	(11)	(11)

13. Corp Managed Properties	(32)	(32)	(32)	(32)
* full year effect of previous efficiency savings				

APPENDIX 1B (cont'd)

**REVENUE BUDGET 2001/02 – 2004/05
AND MOVEMENT FROM CURRENT YEAR'S BUDGET**

14. Staff Housing	(4)	(4)	(4)	(4)
15. County Hall Support services	(4)	(4)	(4)	(4)
16. Health & Safety	(6)	(6)	(6)	(6)
17. Corporate Property Fees	(10)	(10)	(10)	(10)
18. SERMU	(2)	(2)	(2)	(2)
19. Corporate Finance	(36)	(36)	(36)	(36)
20. Corp Information Systems	(8)	(8)	(8)	(8)
21. Annual Provision – Corporate ICT	(5)	(5)	(5)	(5)
22. ISU	(15)	(15)	(15)	(15)
23. Increase Vacancy factor by ½%	(44)	(44)	(44)	(44)
24. Reduce consultancy budgets by 12.5%	(55)	(55)	(55)	(55)
25. External Subscriptions	(17)	(17)	(17)	(17)
26. Members' conference expenses	(2)	(2)	(2)	(2)
27. Further ½% efficiency from non pay budgets	(31)	(31)	(31)	(31)
Resultant budget	10,550	10,580	10,550	10,559

PRESSURES FOR CHANGE

Previous Policy Decisions

1. <u>Gateway Savings</u> Full year effects of savings associated with the Gateway Project. (full year effect of previous efficiency savings)	- £22,000 2001/02 and subsequent years
2. <u>Customer Service Centre recharge</u> Full year effects of recharges associated with the Gateway Project. (full year effect of previous efficiency savings)	+ £2,000 2001/02 and subsequent years
3. <u>Rent loss on property disposals</u> Loss of rents on Staff Housing and Corporate Managed Properties as a result of property sales.	+ £344,000 2001/02 +£396,000 2002/02 and subsequent years
4. <u>Rent loss on Highways depots becoming salt stores</u> Loss of rental in respect of depots vacated by Highground that are now to be converted to salt stores for Environment.	+ £106,000 2001/02 and subsequent years
5. <u>Single Status</u> Costs and savings arising from the implementation of the single status package on 1 July 2000. (full year effect of previous efficiency savings)	- £8,000 2001/02 -£12,000 2002/03 -£16,000 2003/04 -£18,000 2004/05

Legislative Changes

6. <u>Climate Change levy</u> This adjustment is the net effect of climate change levy on fuel less the associated National Insurance reductions.	-£7,000 2001/02 and subsequent years
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Other Pressures

7. <u>Superannuation – Local Government Pension Scheme</u> The increase in employers superannuation contributions following the latest actuarial review of the pension fund in 1998.	+ £81,000 2001/02 + £163,000 2002/03 + £244,000 2003/04 + £326,000 2004/05
8. <u>Increments</u> Relates to the incremental progression of staff.	+ £54,000 2001/02 + £87,000 2002/03 + £102,000 2003/04 + £105,000 2004/05
9. <u>Revenue Effects of Capital (Telecoms)</u> Corporate Services' contribution to the revenue costs arising from capital expenditure within the Corporate Telecoms Strategy capital Programme.	+ £16,000 2001/02 + £18,000 2002/03 + £19,000 2003/04 + £19,000 2004/05

APPENDIX 1C (cont'd)

PRESSURES FOR CHANGE

<u>10. Capital Payback</u>	- £35,000 2002/03
This related to the completion of Corporate Services' contributions to capital payback for previous corporate schemes in the capital Programme.	- £53,000 2003/04 - £70,000 2004/05
<u>11. Capital Payback (Telecoms)</u>	+ £10,000 2001/02
Corporate Services' contribution to the costs of the capital payback scheme arising from capital expenditure within the Corporate Telecoms Strategy capital programme.	+ £17,000 2002/03 + £17,000 2003/04 + £17,000 2004/05
<u>12. End of TEC funding for Economic Development Unit posts</u>	£31,000 2001/02
The TEC provide for 50% funding for two posts in Economic Development Unit working on generating external income including ESF and SRB monies. With the ending of the TEC the full costs of these posts will fall back on HCC.	and subsequent years
<u>13. Review of Financial Systems</u>	£66,000 2001/02
This will cover the cost of project management for the review of mainframe financial and HR systems with a view to replacement of the existing system in 2002/03.	£15,000 2002/03
<u>14. Rates Revaluation</u>	-£19,000 2001/02
Civic Buildings base budgets have been adjusted to reflect the outcome of last year's rates revaluation, and the phasing in of new arrangements over the next four years.	-£75,000 2002/03 -£165,000 2003/04 -£222,000 2004/05

SAVINGS

Efficiency Savings

- | | |
|---|---|
| <p><u>1. Chief Executive/Assistant Chief Executive – staff restructuring</u>
Savings arise from the ongoing effects of a staff restructuring exercise and other reductions in staff costs.</p> | <p>- £8,000 2001/02
and subsequent years</p> |
| <p><u>2. Strategy & Consultancy</u>
These savings will be achieved efficiencies identified in work undertaken for the corporate SLA.</p> | <p>- £3,000 2001/02
and subsequent years</p> |
| <p><u>3. Economic Development</u>
£3,000 savings will be achieved by generating additional external contributions to projects.</p> | <p>- £3,000 2001/02
and subsequent years</p> |
| <p><u>4. County Secretary</u>
It is hoped to generate £24,000 additional external income. External income has risen in recent years, and may now be reaching the maximum level that staff can generate.</p> | <p>- £24,000 2001/02
and subsequent years</p> |
| <p><u>5. Members Services</u>
Previous years' spend indicates that £3,000 will be saved from the mileage allowance budget.</p> | <p>- £3,000 2001/02
and subsequent years</p> |
| <p><u>6. Chairman's Allowance</u>
£1,000 efficiency savings will be found from the travel budget.</p> | <p>- £1,000 2001/02
and subsequent years</p> |
| <p><u>7. Crime and Disorder</u>
£2,000 expenditure savings will be found from the miscellaneous fees budget.</p> | <p>- £2,000 2001/02
and subsequent years</p> |
| <p><u>8. Internal Audit</u>
£3,000 will be saved across non pay budgets including training and consultancy.</p> | <p>- £3,000 2001/02
and subsequent years</p> |
| <p><u>9. Corporate Administration</u>
Efficiency savings of £2,000 will be found from printing and stationery and from mainframe computer usage.</p> | <p>- £2,000 2001/02
and subsequent years</p> |
| <p><u>10. Personnel</u>
A reduction in the use of management consultants will give a saving of £4,000. Reductions in mainframe computer use will save a further £2,000.</p> | <p>- £6,000 2001/02
and subsequent years</p> |
| <p><u>11. Development Opportunities Fund</u>
£8,000 will be saved by seeking a higher level of contribution from developers to schemes entered into to achieve maximum</p> | <p>- £8,000 2001/02
and subsequent years</p> |

property disposal values.

APPENDIX 1D (cont'd)

SAVINGS

- | | |
|--|---|
| <p><u>12. Annual Provisions: Land Purchase, Feasibility Studies, Rationalisation Schemes</u>
Savings of £11,000 will be achieved by seeking a higher level of contributions from developers. This is possible because the overall volume of transactions is increasing and so more frequent opportunities arise.</p> | <p>- £11,000 2001/02
and subsequent years</p> |
| <p><u>13. Corporate Managed Properties</u>
Increased income potential of £32,000 has been identified, including the use of properties for filming. This is being achieved in conjunction with Herts Filmlink's work to promote the county for film locations.</p> | <p>- £32,000 2001/02
and subsequent years</p> |
| <p><u>14. Staff Housing</u>
Savings of £4,000 will be achieved as the programme of housing sales are proceeding faster than envisaged.</p> | <p>- £4,000 2001/02
and subsequent years</p> |
| <p><u>15. County Hall Support Services</u>
Efficiency savings of £4,000 will be achieved by seeking support to the salary cost of one post under the Support Placement Scheme.</p> | <p>- £4,000 2001/02
and subsequent years</p> |
| <p><u>16. Annual Provision: Health & Safety</u>
£6,000 will be saved by phasing spend on lower priority schemes, although this may increase risks.</p> | <p>- £6,000 2001/02
and subsequent years</p> |
| <p><u>17. Corporate Property Fees</u>
£10,000 will be achieved by reducing work commissioned from APS. Having completed asset revaluation work for accounts purposes over the last two years, this expenditure will be lower pending the next revaluation.</p> | <p>- £10,000 2001/02
and subsequent years</p> |
| <p><u>18. SERMU</u>
£2,000 efficiency savings have been identified by reducing the printing and stationery budget and making more use of the Intranet to deliver publicity and information.</p> | <p>- £2,000 2001/02
and subsequent years</p> |
| <p><u>19. Corporate Finance</u>
Savings of £22,000 are deliverable by reducing consultancy support, staffing changes and through a small increase (£3,000) in income from other external services for Treasurer services. Efficiency savings of £14,000 will be achieved on the cost of</p> | <p>- £36,000 2001/02
and subsequent years</p> |

mainframe computer operations, through contract renegotiations.

APPENDIX 1D (cont'd)

SAVINGS

- | | |
|--|---|
| <u>20. Corporate Information Systems</u>
£8,000 savings will be made on the pay budget through restructuring. | - £8,000 2001/02
and subsequent years |
| <u>21. Annual Provision – Corporate ICT</u>
The reduction of £5,000 will be absorbed by rationalisation of existing equipment and achieving economies of scale when purchasing new firewall equipment, which is required when linking our network with the growing number of partner organisations. | - £5,000 2001/02
and subsequent years |
| <u>22. Information Systems Unit</u>
Efficiency savings will be achieved by rationalising the Data Protection register (£1,500); on external information sources through joining consortia (£2,500); on technical research now there is a more standards based approach across the county council; and on consultancy. | - £15,000 2001/02
and subsequent years |
| <u>23. Corporate Services Vacancy Factor</u>
The vacancy factor included in Corporate Services pay budgets has been increased by ½%. | - £44,000 2001/02
and subsequent years |
| <u>24. Consultancy budgets</u>
A 12.5% saving has been taken from consultancy budgets held in Corporate Services. Part of this is included in the efficiency savings identified above, the balance gives further savings totalling £54,700 | - £55,000 2001/02
and subsequent years |
| <u>25. Review of External Subscriptions</u>
£17,000 will be saved by discontinuing some subscriptions that are no longer considered essential. | - £17,000 2001/02
and subsequent years |
| <u>26. Members Conference expenses</u>
Further savings have been identified on regional government Conferences and other subsistence costs. | - £2,000 2001/02
and subsequent years |
| <u>27. Further ½% efficiency saving on non fixed costs</u> | - £31,000 2001/02 |

Savings have been identified from various transport and supplies and subsequent years and services budgets to give additional ½% efficiency savings.

APPENDIX 1E

FEES AND CHARGES 2001/02

Any Corporate Services fees and charges will increase by the average inflation rate for the service concerned.

APPENDIX 1F

**PROPOSED CAPITAL PROGRAMME 2001/02 – 2003/04
CORPORATE SERVICES**

Scheme	Total Scheme Cost £'000	2001/02 £'000	2002/03 £'000	2003/04 £'000	Subsequent Years £'000
<u>County Funded Schemes</u>					
Financial Systems Review	2,290	1,830	460	-	-
Telecoms:					
Data Networking	1,372	175	447	170	
Internet capacity enhancements	150		60	40	
Replacement of redundant LAN equipment	321	75	296		
Workwise – network enhancements	242	19	65		
Council Chamber Amplification System	35	35			
Business Continuity Planning	150	150		-	-
Total County Funded	4,560	2,284	1,328	210	-

Note: Supporting business cases for any of the above schemes can be obtained from Lindsey McLeod (01992 555387)

APPENDIX 2

HERTFORDSHIRE COUNTY COUNCIL

Report of the Independent Panel on Members' Allowances January 2001

Introduction.

1. The Independent Panel comprised:

Greg Grant, Regional Secretary, UNISON.
Don Latham (Chairman), Private Local Government Consultant.
Peter Setterfield, Chairman, Magistrates Courts Committee.

2. The Panel was supported throughout the review by Ron Coxall, Assistant County Secretary. We would like to record our thanks to him together with the Group Leaders and Councillor David Kerr, who offered personal evidence in response to our questions.
3. We noted that this is the second independent report on member allowances to be presented to the Council and applaud the approach, which has been adopted by a growing number of Councils, in seeking this independent analysis on such a sensitive and important issue.
4. The Council has the opportunity, following our review, to approve a scheme of allowances which promotes a proper level of recompense for the roles that councillors perform whilst recognising that a high voluntary service element will remain. We believe that the recommended scheme could help to encourage new candidates to stand for election to the Council.

The Mechanics of Review.

5. The Council did not prescribe detailed terms of reference for the review. Because of the tight timetable the Panel did considerable preparation work which enabled the formal review to be completed in two sessions. Two members had experience of other similar reviews which greatly assisted the Panel in the preparation of this report.
6. We have examined the published material from national bodies and other Councils concerning remuneration of councillors including independent studies undertaken for other authorities. Evidence from bench marking with the non-elected public sector has provided some useful comparisons on remuneration, role and responsibility levels.
7. We have taken into account that the reasons for having a scheme of members' allowances is to make sure that personal financial constraints are not a bar to holding office, and to recompense members for the work they do as councillors.

We have also taken into account the Council's new constitution, political structure and the regulatory context in which the authority operates.

Summary of findings.

8. The Panel's recommendations are as follows:

- That the basic allowance be set at £6,800 per annum (currently £3,566)
- That the attendance allowance of £20 per day, payable for Casework Appointments & Appeals Committee and Social Services Complaints Panel, be abolished.
- That consideration should be given to the introduction of some form of appraisal system.
- That a revised, and restricted, range of special responsibility allowances (SRAs) be introduced as set out in paragraph 31 to replace the 'Group Allocation' system previously used by the Council.
- That members should be restricted to one SRA.
- That a separate report be made to Council on the provision of support services for members and in particular the need for administrative /research support for Group Leaders.
- That reimbursement of telephone and fax expenses should be discontinued in the light of the proposed significant increase in the basic allowance and the need to streamline the administration of the scheme.
- That travel expenses should continue to be paid at the highest rate permitted by the scheme but that Categories C and F should no longer apply.
- That member development should continue to be given a high priority and that the development and training programme be supported by a training budget for members set at 5% of the allowances total.
- That political groups should have regard to the need to achieve a more demographically balanced representation of the community.
- That the Panel's proposals be implemented in full.

General Commentary and Findings.

9. The legal framework for members' allowances is contained in the Local Government (Members' Allowances) Regulations 1991, as amended by similar Regulations in 1995. These Regulations removed many of the restrictions on local authorities in devising their allowances schemes. There is no longer a ceiling value to the overall scheme.
10. The Panel has sought to be objective in its approach to the review. In particular, we have kept in mind the key function which councillors perform in protecting and enhancing local democracy, by providing representation on issues of local concern, and ensuring that the Council remains, at all times, accountable to the local community, which it serves. The key principle we have adopted is the need for councillors to come from as wide a range of backgrounds as possible, in order to secure this democratic representation.

11. The Panel was clear that any more adequate remuneration of councillors needs to be accompanied by an environment in which members accept the need to review and appraise their performance. We recognise the difficulties in this, but nevertheless recommend that consideration should be given to the introduction of some form of appraisal system.
12. The Panel believe that the model we recommend is in line with the good practice principles outlined by the Audit Commission and the Government's expressed desire to modernise local government representation, including the recruitment of younger councillors and representatives of minority groups. It underlines the need for a streamlined democratic process which releases members' time to undertake their representational and scrutiny role including greater public consultation and participation.

Equal Opportunity and Employment Issues.

13. The Panel had only sufficient information on which to make the following general comments. The advantage of local discretion is that it enables councils to develop schemes that reflect the diversity of local circumstances and structures. It enables allowances to be set at a local level which will attract members across a broad section of the local community, and which reflects the size and complexity of functions and democratic process.
14. Research shows there is an increasing proportion of women in leadership positions - although surprisingly only 25% of the total make up of members. In Hertfordshire County Council the proportion is 28%. In some councils there is a disproportionate number of councillors from lower income groups, not working or from the older age groups. Nationally 35% of councillors are retired and in Hertfordshire the average age of councillors is 61. There are only four councillors under 40. The Panel would like to see a strengthening of the representative nature of the Council membership.
15. The allowance scheme should assist a balanced representation of the community. Certainty of the allowance paid has clear advantages in recruitment and for those on benefits. But, even more important, is the time commitment which can automatically preclude many potential working members from coming forward or continuing. The Panel noted that the most common reasons for standing down are time commitments and family responsibilities.
16. Unless the workload is made realistic the result is that many people are automatically precluded from standing for office. There may also be a case for helping potential councillors, possibly through training or workshops, so that for example, women, who are under-represented, are encouraged to come forward for election. We suggest 'open days' for prospective councillors and the development of a mentoring scheme for newly elected members. We recommend that political groups should have regard to the need to achieve a more demographically balanced representation of the community.

Our Views on Allowances.

17. Legislation only prescribes that there shall be a basic allowance, and that it shall be paid to all councillors at the same amount. The Panel recommends that the Council should abolish attendance allowances currently being paid for Casework Appointments & Appeals Committee and Social Services Complaints Panel.
18. The purpose of an allowance scheme should not be to encourage members to attend meetings. Where the attendance allowance has been abolished there has been no evidence of members failing to attend. The most frequent comparison made by members is with the £5140 paid to a non-executive Director of a Health Trust or Health Authority. This, of course, is a single payment made only to a small number of Directors who may also chair committees, attend Primary Care Groups and represent the Trust/Authority to other organisations, with no additional recompense.
19. In practice, we consider that councillors who take on a greater level of responsibility and workload are better recompensed by an appropriate level of Special Responsibility Allowance. Under the cabinet based model the balance of responsibility is unlikely to be in the hands of more than one third of the councillors. Anything beyond that looks top heavy. The recently published report for Welsh Authorities recommends a maximum of one third of the council or twenty, whichever is the lower, and the Panel recommend this should be applied by Hertfordshire County Council. We believe that back bench members should be the significant majority if the new process is to work effectively. It does require a complete change of culture, which may be difficult for some long established members to accept.

Basic allowance.

20. Research undertaken by Professor Ken Young and Nirmala Rio of Queen Mary and Westfield College, based on a survey of more than 1600 councillors shows that, in terms of their pattern of time allocation, all councillors are undertaking essentially the same job, and the thing they rank most highly is the representational role. This will include:-
 - representing constituents' views at meetings of the Council and, as appropriate, on other organisations
 - ensuring that individual problems which have not been dealt with by the normal procedure are dealt with satisfactorily
 - holding community meetings and consultations
 - dealing with correspondence and obtaining information
 - meeting with the Chief Executive and other officers to make them aware of local concerns
 - acting as the representative on another body, requiring briefing and reporting back to council.
21. The research evidence shows that councillors spend, on average, 74 hours a month on council business and that the majority give first or second preference to their representational role. The Panel believes this is best recognised through the payment of a realistic basic allowance.

22. The Panel were much impressed with work undertaken for the Association of London Government. 'A move to a cabinet model and away from committee attendance has the capacity to reduce a back benchers time commitment by 40%.' The report also proposes that there should be a significant voluntary element (say 20 hours a month) and that 'a remuneration scheme should seek to reflect no more than 40 hours effective work per month.' The Panel having considered the options decided to adopt the same principle and have taken the Local Government Association's daily rate of £105.10, as recommended in Feb 2000. This is based on a bench mark national (male) median white-collar wage of £26,275. (A figure of £105.10 a day was calculated on the assumption of 250 working days per year.) The calculation is as follows:-

£ 105.10 divided by 7.4 hours x 40 x 12 = £6817 say £6800

23. The Panel recommends that the basic allowance should be set at £6,800 but that a future Panel should give consideration to a higher cost of living allowance. We were made aware that the Government recognises this for certain services by giving an 'area cost allowance.' We understand that the median (male) white-collar wage in Hertfordshire (April 99) was £28,530 which, using the same basis of calculation as above, would result in an allowance of £7,400. The Panel is aware that the high cost of living argument has been used to support a basic allowance of £7,500 for members of Surrey County Council.
24. 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 would be subject to agreement of 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.

Special Responsibility Allowances.

25. The most important first step is setting allowances for the leader. Although not requiring professional qualifications the range of skills required is considerable. We have proposed an allowance equivalent to three times the basic allowance i.e. £20,400 and the Cabinet member who normally deputises for the leader £15,300 (75%).
26. The Panel is recommending that Cabinet members who carry major portfolio responsibility should have an SRA equal to twice the basic allowance - £13,600 and those with minor portfolios equal to basic allowance - £6,800.
27. We believe the Scrutiny role will be key to the success of the new structure and process and we have recognised this in our proposals with a recommended allowance for Chairman of Select Committees of an SRA equal to the basic allowance - £6800. The Panel would not normally recommend payments to Vice-Chairman but was much impressed by the intention to involve the opposition groups in the leadership of the Select Committee process. On this understanding,

and because we believe this is establishing a model of 'best practice,' we recommend a payment to Vice-Chairman of £3,400.

28. The Council has regulatory responsibilities and the Panel recommends an allowance equal to 50% of the basic allowance -£3,400 - should be paid to the Chairman of Development Control Committee and the Audit Committee. We note that a Standards Committee will have an independent Chairman.
29. The Panel wish to endorse the importance of the representational role of the Chairman and Vice Chairman of the Council and have recommend allowances equal to the basic allowance - £6,800 and £1,700 (25%), respectively.
30. We believe SRA's should be restricted to a minority of councillors. (Ideally a third of the Council or twenty whichever is the lower). Appropriate allowances should be paid to leaders of other political groups. We have calculated these using twice the basic allowance, divided by the number in the largest group, and then multiplied by the numbers in each group, as follows :-

$$\frac{\pounds 13,600}{40} \times 40 = \pounds 13,600 \text{ Conservative}$$

$$\frac{\pounds 13,600}{40} \times 27 = \pounds 9,180 \text{ Labour}$$

$$\frac{\pounds 13,600}{40} \times 8 = \pounds 2,720 \text{ Liberal Democrat}$$

In practice we recognise that group leaders would be obtaining their SRA as Leader or, for example, Chairman or Vice-Chairman of a Select Committee. The Higher allowance would be taken so there is likely to be little additional cost (say £2,720) arising from this recommendation. But it provides a minimum level 'safety net' for leaders.

31. Twenty-six SRA's are proposed, as a maximum, which represents 33.8% of the Council. The full list of recommended allowances is as follows:

	Total Cost £	SRA £	Individual £
Basic Allowance (£6800 x 77 Members)	523600	-	6800
Leader (£6800 basic x 3)	20400	20400	27200
Cabinet Member - who normally deputises (£20,400 x 75%)	15300	15300	22100
Cabinet Members- with major portfolios (£6800 basic x 2 x 5 Members)	68000	13600	20400
Cabinet Members - with minor portfolios (£6800 basic x 3 Members)	20400	6800	13600
Chairmen of Select Committees (£6800 basic x 5 Chairman)	34000	6800	13600
Vice-Chairmen of Select Committees (£6800 basic x 50% x 5 Vice-Chairmen)	17000	3400	10200
Chairman Development Control Committee (£6800 basic x 50%)	3400	3400	10200
Chairman of the Audit Committee (£6800 basic x 50%)	3400	3400	10200
Chairman of County Council (£6800 basic)	6800	6800	13600
Vice Chairman of County Council (£6800 x 25%)	1700	1700	8500
Leaders of opposition groups (2) (Labour £9180: LD. £2720)	9180 2720	9180 2720	15980 9520
Chairman of Standards Committee (Independent - voluntary)	-	-	-
Total expenditure	<u>£725900</u>		

32. The Panel recommends, in line with best practice, that an individual councillor should be restricted from claiming more than one SRA. Under our scheme the Leader would receive:

	£
Leader's allowance	20400
Basic allowance	6800
	<u>£27200</u>

We believe this would provide minimum recompense for the Leader of a County Council with a population of one million and a gross budget of £700 million. Members of the Cabinet with major portfolios would receive £20,400.

Implementation and costs

33. The annual budget of the existing scheme is £422,380. There will be some savings to offset against the increase arising from our recommendations on travel and other costs which are referred to later in the report. Members' allowances would represent 0.01% of the overall Council budget and the Panel strongly recommend that our proposals be implemented in full to coincide with the

introduction of the major change in the way the Council is run. This change process will require a significant change of culture and demands the commitment of the whole Council to ensure success.

Updating

34. It would be good practice in a new scheme to agree how the allowances will be updated. As the Panel has made a recommendation based on the median white-collar wage, the Council should update the allowances each year in line with the median white collar wage, as notified by the LGA. (Also see paragraph 23)

Support services for members.

35. Although not a main subject of our report, the Panel has noted the need for a continuous review of member support services. We were pleased to be informed that the Council has already adopted the charter for member development recently launched by the Improvement and Development Agency. This calls upon chief executives and leaders of all political groups to sign up to the following eight points:-

- set up ‘individual learning accounts’ for members, with a minimum of five days training and development each year
- develop a member development programme which ensures councillors can carry out their community, executive and scrutiny roles
- ensure that all councillors know of the development opportunities
- identify individual councillor’s requirements
- provide adequate resources to meet development needs
- provide suitable allowances and support for councillors with family responsibilities
- submit the programme to external scrutiny and share good practice
- examine each year the demands that are being placed on councillors, so as to encourage more people with family or work commitments to put themselves forward for election.

The Panel were made aware of the excellent progress being made by the Council and that, for example, a personal training log is being established for each member. We believe that member development should continue to be given a high priority and that the development and training programme be supported by a realistic budget set at 5% of the allowances total i.e. £37,000.

36. The Audit Commission recommends that every Council should prepare some comparative costing of the democratic system and providing support for councillors to build up their representational role. Such comparisons would help councillors decide how resources to support their role can best be deployed. Members may have to agree to spend more on their support and information needs but this should result in better policy formulation and improved decision-making, with consequential benefit to the community. The Panel noted that all councillors are on E Mail and that support services are kept under constant review. We recommend that a separate report be made to Council on the support

services for members and in particular the need for administrative/research support for Group Leaders.

Travel and subsistence.

37. We have taken such allowances, as part of the overall scheme, to be within our brief to consider. We note these are fixed by the Secretary of State and reviewed from time to time. We believe that there will be savings because of the streamlining of the democratic process. The Panel recommend that travel expenses should continue to be paid at the highest level permitted by the scheme but that Categories C and F should no longer apply.

Conference Attendance.

38. Payment in respect of attendance at conferences remains under the separate system instituted by Section 175 of the Local Government and Housing Act 1989. We have noted the procedures adopted by the Council to authorise and control such costs and recommend they should be part of an ongoing review of 'approved duties.' Attendance allowance is not paid.

Telephone and Fax Expenses.

39. The Panel noted the current scheme of quarterly payments to members. The Panel recommends this be discontinued in the light of the proposed significant increase in the basic allowance and the need to streamline the administration of the scheme.

Care Allowance.

40. The Panel fully endorses the approach adopted by the Council in having a carers' allowance which is in accord with 'best practice.' The scheme provides practical evidence that the Council does not wish to preclude anyone from membership.

Renunciation.

41. The Panel noted that a councillor may, by notice in writing, elect to forgo any part of his/her entitlement to an allowance. Allowances paid, or available to councillors on income related benefits are offset against benefits received.

Conclusions.

42. The Panel are of the unanimous view that our recommendations represent the most appropriate approach for Hertfordshire County Council.

