

**HERTFORDSHIRE
COUNTY
COUNCIL**

**REPORT OF THE INDEPENDENT
PANEL ON MEMBERS'
ALLOWANCES**

JANUARY 2002

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Introduction

1. The Independent Panel comprised:

Don Latham (Chairman)
Greg Grant
Margaret Jarvis
David Thomas

2. Ron Coxall, Assistant County Secretary, supported the Panel throughout the review. We would like to record our thanks to him together with the Leader, Councillor Robert Ellis and other Group Leaders, Councillors Bob Mays and Chris White, who made representations and offered information in response to our questions. The Panel was saddened by the news of the recent sudden death of a member of the Panel, Peter Setterfield. Peter had played a vital part in the production of the January 2001 report, and his contribution to the work of the panel is gratefully acknowledged.

The Mechanics of Review

3. The Council did not suggest terms of reference for the review. With two new members of the Panel we concentrated on updating and refining the existing scheme. Next year there should be more time to undertake a more detailed review. Nevertheless two members had experience of other similar reviews and this greatly assisted the Panel in the preparation of this report.
4. The Local Government Act 2000 provides for reforms to the regime of allowances for elected members, in particular for the establishment and maintenance of independent remuneration panels, the abolition of attendance allowances, the provision of pensions to elected members and the local determination of travel allowances. These pension issues are currently out for consultation and are not matters for the Panel to consider at this stage.
5. We were made aware of the published material from national bodies and other councils similar to Hertfordshire County Council 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. We have taken into account that the reasons for having a scheme of members' allowances is to seek to ensure 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 guidance issued by the DETR in April 2001.

Summary of Findings

6. The Panel's recommendations are as follows:
- That the basic allowance be set at £7,200 per annum (currently £6,800)
 - That consideration should continue to be given to the introduction of some form of appraisal/self assessment process.
 - That a revised range of special responsibility allowances (SRAs) be introduced as set out in paragraph 19.
 - That members should continue to be restricted to one SRA.
 - That travel expenses should continue to be paid at the highest rate permitted by the scheme.

General Commentary and Findings

7. The panel was made aware that some other panels have recommended the introduction of appraisal and even the withholding of part of the basic allowance should attendance and performance be below expectation. We make no such recommendation but wish to emphasise that the more adequate remuneration of councillors needs to be accompanied by an approach in which competency is clearly encouraged as a basic principle and taken into account in appointments to particular posts. There needs to be an environment in which members recognise the need to review and appraise their performance. This is part of the wider accountability of local government. Adequate recompense for the work demands an open and professional approach to the task.
8. We are aware of the difficulties of this and would give priority to the identification of members' training needs. The Council having adopted the IDeA Charter for member development has this in hand. A next stage could be the development of a simple appraisal/self assessment process. The Panel would wish to give this further consideration to this next year having obtained evidence of 'good practice' being developed by other authorities.

Basic allowance (BA)

9. A recent IDeA survey states that - 'It has been shown that on average backbenchers spend 57 hours per month on council business, but compensated for only 38 hours, suggesting that 33% of their time is given voluntarily. The time that other councillors with greater responsibility put in is considerably greater'. The Panel decided to assume 60 hours per month, of which one third would be voluntary i.e. payment based on 40 hours per month. We also took into consideration that a number of members hold positions outside the County Council for which allowances are paid.
10. This approach has been adopted by a number of Panels including for the Association of London Government. 'A move to a cabinet model and away from committee attendance has the capacity to reduce a backbenchers' time commitment by 40%.' This 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 decided to adopt the same principle and have taken the Local Government Association's daily rate of £106.80 (Feb.2001). This is based on a benchmark national (male) median white-collar wage of £26,700. (A figure of £106.80 a day was calculated on the assumption of 250 working days per year.) We have assumed inflation of 3% and that the daily rate will be £110 in February 2002. The calculation is as follows: -

£ 110 divided by 7.4 hours x 40 x 12 = £7,135, say, £7,200

11. The Panel recommends that the Basic Allowance should be set at £7,200 (i.e. £600 per month) but that next year consideration should again be given 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 is more than 8% higher than the average which could result in an allowance of £7,800. The Panel is aware that the cost of living argument has been used for example to support a higher basic allowance for members of Surrey County Council.

Special Responsibility Allowances

12. The most important first step is setting allowances for the leader. We have proposed, as with the present scheme, an allowance equivalent to three times the basic allowance i.e. £21,600 and for the Cabinet member who normally deputises for the leader an allowance of £16,200 (75%).
13. The Panel is recommending that Cabinet members who carry major portfolio responsibility should continue to have an SRA equal to twice the basic allowance - £14,400 and those with minor portfolios equal to basic allowance - £7,200.
14. We believe the Scrutiny role is a key to the success of the new process and we have recognised this in our proposals with a recommended allowance for Chairman of Scrutiny Committees of an SRA equal to the basic allowance - £7200. It is a matter for the Council but it is our view that it would considerably strengthen the scrutiny process if these were chaired by the opposition.
15. The Panel was informed of the intention to create Cabinet Panels. We recommend that the former payments of SRAs to the five Vice Chairmen of Select Committees should cease and be replaced by SRA payments to the Chairmen of the six Cabinet Panels, who will carry significant responsibilities and workload. These we identify as Achievement, Resources, and Strategy under the Children, Schools and Families Portfolio; Structure Plan and Transport under the Environment Portfolio; Property under the Resources Portfolio. We recommend a payment equal to basic allowance of £7,200.
16. The Council has regulatory responsibilities and the Panel recommends an allowance equal to 50% of the basic allowance - £3,600 - should be paid to the Chairman of Development Control Committee and the Audit Committee. We note that a Standards Committee has an independent Chairman.

17. 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 - £7,200 and £1,800 (25%), respectively.
18. We believe SRA's should be restricted to a minority of councillors. 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: -

| | | |
|----------------------------------|---------|------------------|
| $\frac{£14,400}{40} \times 40 =$ | £14,400 | Conservative |
| $\frac{£14,400}{40} \times 27 =$ | £9,720 | Labour |
| $\frac{£14,400}{40} \times 10 =$ | £3,600 | Liberal Democrat |

In practice, we recognise that group leaders could be obtaining their SRA as Leader or, for example, Chairman of a Scrutiny Committee or Audit Committee. The higher allowance would be taken so there is likely to be little additional cost (say, £2,520) arising from this recommendation. But it provides a minimum level 'safety net' for Leaders.

19. Twenty-seven SRA's are proposed, as a maximum, which represents 35% of the Council. The full list of recommended allowances is as follows:

| | <u>Total Cost</u> | <u>SRA</u> | <u>Individual</u> |
|---|-----------------------|------------|-------------------|
| | £ | £ | £ |
| Basic Allowance (£7,200 x 77 Members) | 554,400 | - | 7,200 |
| Leader (7,200 basic x 3) | 21,600 | 21,600 | 28,800 |
| Cabinet Member who normally deputises (21,600 x 75%) | 16,200 | 16,200 | 23,400 |
| Cabinet Members with major portfolios (£7,200 basic x 2 x 4 Members) | 57,600 | 14,400 | 21,600 |
| Cabinet Members with minor portfolios (£7,200 basic x 4 Members) | 28,800 | 7,200 | 14,400 |
| Chairmen of Scrutiny Committees (£7,200 basics x 5 Chairmen) | 36,000 | 7,200 | 14,400 |
| Chairmen of Cabinet Panels (£7,200 basic x 6 Chairmen) | 43,200 | 7,200 | 14,400 |
| Chairman Dev. Control Committee (7,200 basic x 50%) | 3,600 | 3,600 | 10,800 |
| Chairman of Audit Committee (£7,200 Basic x 50%) | 3,600 | 3,600 | 10,800 |
| Chairman of County Council (7,200 basic) | 7,200 | 7,200 | 14,400 |
| Vice-Chairman of County Council (£7,200 basic x 25%) | 1,800 | 1,800 | 9,000 |
| Leaders of Opposition Groups (2) | 9,720 | 9,720 | 16,920 |
| (Labour £9,720; Lib.Dem. £3,600) | 3,600 | 3,600 | 10,800 |
| Chairman of Standards Committee (Independent - voluntary) | - | - | - |
| Total Expenditure | <u>787,320</u> | | |

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

| | £ |
|--------------------|---------------|
| Leader's allowance | 21,600 |
| Basic allowance | 7,200 |
| | <u>28,800</u> |

We believe this would provide minimum recompense for the Leader of a County Council with a population of one million and a budget of £850 million. Members of the Cabinet with major portfolios would receive £21,600 (inc their BA).

Implementation and Costs

21. The full year budget for existing BAs and SRAs is £725,900. The increase recommended is £61,420 (8.46%). Members' allowances as a whole would still represent only 0.01% of the overall Council budget.

Updating

22. The Panel has made a recommendation based on the median white-collar wage as notified by the LGA and has updated this by 3% in anticipation of the figure to be notified in February 2002. (Also see paragraph 10.)

Travel and Subsistence

23. In the past these have been fixed by the Secretary of State and reviewed from time to time. However, the Government is currently consulting on a proposal to devolve responsibility to each local authority. The Panel could in future have a significant role in making recommendations on travel and subsistence to the Council. In the meantime we recommend that that travel expenses should continue to be paid at the highest level permitted by the existing scheme.

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