

## **Title of report: Councillors Allowance Scheme**

**Meeting: Council**

**Meeting date: Friday 28 May 2021**

**Report by: The Monitoring Officer;**

### **Classification**

Open

### **Decision type**

This is not an executive decision

### **Wards affected**

(All Wards);

### **Purpose**

To approve the Herefordshire councillors allowances scheme having regard to the recommendations of the council's independent remuneration panel (IRP). The council must have regard to the report when making or amending the allowances scheme.

### **Recommendation(s)**

**That:**

- a) having regard to the recommendations of the independent remuneration panel, council adopts a scheme of basic and special responsibility allowances as set out in appendix G;**
- b) a two step mandatory training element be maintained in relation to the basic allowance;**
- c) basic and special responsibility allowances be updated annually in line with the national joint council for local government services pay award for a period of not more than four years; and**
- d) the current schemes of travel and subsistence, and childcare and dependants' carers' allowances be retained with a requirement that expenses must be claimed within 12 months of being incurred.**

## Alternative options

1. The council may wish to suggest an alternative scheme to those proposed by the IRP to the basic and special responsibility allowances. A number of alternative options have been offered at Appendix G (and are summarised in para. 11), but it is for councillors to debate and determine their preferred way forward.
2. The council can decide to accept the IRP recommendations in full or in part and or such allowances scheme as it sees fit, subject to possible referral back to the panel in relation to any matters on which the panel has not made a recommendation. The council has historically relied on an index for the annual adjustment of allowances. Regulations state that where a council does rely on an index, it must not do so for more than four years before seeking a further recommendation from the independent remuneration panel on the application of the scheme.
3. Council could agree to:
  - a. the adoption of a different index – this is not recommended because other indices do not provide a natural link to local government pay restraints.
  - b. no index link at all – this is not recommended because it would require an annual assessment of the allowance levels in place of the automatic adjustment.

## Key considerations

4. To comply with the requirement that, under the Local Authorities (Members' Allowances) (England) Regulations 2003, before amending its councillors' allowances scheme, the council must have regard to the recommendations made in relation to it by an IRP.
5. The council is required to establish and maintain an IRP to make recommendations on the scheme of allowances for members. The council is also required to publish details of the panel's recommendations and the main features of any scheme that the council adopts.
6. The IRP have concluded their review and have produced the attached report (see appendix A). The monitoring officer is grateful to the panel members for the work they have undertaken.
7. The IRP agreed the following principles to underpin their review:
  - a. The basic allowance should encourage people from a wide range of backgrounds and with a wide range of skills to serve as local councillors.
  - b. Those who participate in and contribute to the democratic process should not suffer unreasonable financial disadvantage.
  - c. Councillors should be compensated for their work and the compensation should have regard to the full range of commitment and complexity of their roles.
  - d. The system should be transparent, simple to operate and understandable.
  - e. The system should not encourage the proliferation of meetings or provoke councillors into spending more time on council business than is necessary. And,
  - f. The level of remuneration should relate to a commonly accepted benchmark.
8. The main differences between the allowances recommended by the panel and those contained within the current scheme are:

- a. The method of calculation for the basic allowance has historically been an estimated monthly average hours worked of 90, less a public service discount of 33.3% (50% for the basic rate if mandatory training has not been completed), multiplied by the Herefordshire median hourly earnings confirmed by the Office for National Statistics (ONS), multiplied by 12 (months). The Panel have retained this formula applying a 33% discount owing to the fact that all members have completed their mandatory training.
- b. The Panel did not use the estimated monthly average hours figure of 90, instead opting to use the results from the members survey to provide a monthly average of hours worked by Herefordshire Councillors of 71.5 hours per month. The Panel noted the wide variation in hours worked by councillors – with a significant number of councillors working substantially more hours a months the mean average figure.
- c. After discussion and review, the Panel considered the annual survey of hours and earnings – as the ‘rate’ to apply to the calculation – this presented two hourly rate figures for Herefordshire – as follows:
  - i. The hourly rates for 2020 from the where they live data presented an hourly rate of £14.54p
  - ii. The hourly rates for 2020 from the where they work data presented an hourly rate of £14.96p

The Panel noted that both of these rates were lower, in real terms, than the hourly rate used in the previous IRP. The last IRP considerations noted that the rate of £15.72, used in the last IRP report, *sat between HC8 SCP35 and SCP36 and was not out of line with officer pay*. The Panel noted that the mean hourly figure, within this current HC8 range, for 2020 was £16.44p. Given that the Basic Allowance has, like officers pay, over the last four years increased by National Joint Council (NJC) uplift rates, the Panel felt that the hourly rate paid to officers (at the HC8 mid-point equivalent) was an appropriate figure to apply to their calculations to instead adopting the Herefordshire mean hourly earnings provisionally issued by ONS.

- d. The Panel have maintained the previous process to rate the roles that may be eligible for a special responsibility allowance (SRA), having regard to the consultation they undertook with all elected councillors. Having rated the roles the panel adopted a multiplier approach based on the basic allowance.

9. The Panel concluded that the formula for calculating the Basic Allowance should be: 71.5 monthly average hours less a public services discount of 33.3% multiplied by the mean HC8 officers hourly rate multiplied by 12 (months). As follows:

$$((71.5 - 33.3\%) \times £16.44) \times 12 = £9,394.28$$

10. In applying this calculation to both the Basic Allowance and the multiplier calculation applied to Special Responsibility Allowances – The Panel are recommending the following:

	Current allowance rates	New calculated figures applying IRP recommended rate
Basic Allowance	£7,935.00	£9,394.28
Leaders SRA	£31,741.00	£32,879.98
Cabinet Members	£13,887.00	£16,439.99
Cabinet Support	Unchanged - an allowance of up to 50% of the band 2 allowance	
Chairperson of the council	£9,920.00	£11,273.14

Chairpersons of Scrutiny	£9,920.00	£11,273.14
Chairperson of the Planning and regulatory Committee	£9,920.00	£11,273.14
Chairperson of Licensing Sub-Committee	£5,951.00	£7,045.71
Chairperson of A+G	£5,951.00	£7,045.71
Member of the adoption panel	£5,951.00	£7,045.71
Group Leader	No change to the allowance rate, but decreasing the threshold from 5 group members or more to 3 members or more.	

11. Given that the recommendations of the IRP result in an new budget requirement, of approximately £145k., a range of alternative options have been provided in appendix G. The basis for each of these alternative options is as follows:
12. The full year effect of the recommendations of the IRP would equate to an unfunded budget pressure in the region of £145k, a range of alternative options have been provided in appendix G. The basis for each of these alternative options is as follows:
- a. **Option 1: Council could accept the recommendation in full, but look to deliver the full increase incrementally over a four year period and accept the recommendation to continue to link the annual uplift to the NJC.** This would allow Herefordshire Council to elevate its position, in comparison to its cohort benchmark authorities, over a four year period. This would result in an in year unfunded budget pressure in 2021/22 of £37k
  - b. **Option 2: Council accept the recommendation in full, but defer the new allowance scheme to begin in 2023/24 (following all-out local elections)** to deliver the new increase. This would allow Herefordshire Council to elevate its position, in comparison to its cohort benchmark authorities, by 1 April, 2023. This has the desired intention that those considering standing for election have certainty about the level of remuneration they may expect if successfully elected. The budget implications of this option would be picked up as part of the 2023/24 budget setting process.
  - c. **Option 3: Council accept the recommendation in full, but defer the new allowances scheme to begin in 2022/23 to deliver the full increase.** This would allow Herefordshire Council to elevate its position, in comparison to its cohort benchmark authorities, by 1 April, 2022. The budget implications of this option would be dealt would be picked up as part of the 2022/23 budget setting process.
  - d. **Option 4: Council accepts the IRP recommendation but instead opts to apply a different hourly rate to the IRPs calculation.**
    - i. **Scenario 1:** Council chooses to use the hourly rates for 2020 from the ONS 'where they live data' using that hourly rate of £14.54p as the basis of a revised calculation. All other elements of the IRPs recommendations/calculations staying the same. This reduces the increase of the basic allowance to £8,308. The unfunded budget pressure for 2021/22 would be in the order of £25k.
    - ii. **Scenario 2:** Council chooses to use the hourly rates for 2020 from the ONS 'where they work data' using that hourly rate of £14.96p as the basis of a revised calculation. All other elements of the IRPs recommendations and calculations staying the same. This reduces the increase of the basic allowance

to £8,548. The unfunded budget pressure for 2021/22 would be in the order of £44k.

e. **Option 5: Council simply rejects the IRP recommendations around the basic and special responsibility allowance, adopts the existing scheme and adopts the annual uplift link to the NJC.** This would maintain the status quo. No new or unanticipated budget requirements would be created. But it would fail to address the central principles that the IRP were asked to address.

13. Under section 30 and 31 of the Localism Act 2011 ('the Act'), members have a pecuniary interest discussion of this item as basic allowances are required to be paid to all members. Members nominated to posts attracting an SRA have a further pecuniary interest. As a result the members may not participate in any discussion or vote on the matter.
14. The monitoring officer, having received a written request on behalf of all members affected by the preceding paragraph, has granted a dispensation to all members.
15. The dispensation is granted under section 33 (2)(a) of the Act, as it is considered that without the dispensations the number of persons prohibited by section 31(4) from participating in the item in question would be so great a proportion of the members of Council as to impede the transaction of the business. This dispensation is from both section 31(4)(a) and section 31(4)(b) of the Act.
16. Those members affected may therefore participate in the discussion and vote on all of the recommendations.

## Community impact

17. Consideration of members' allowances needs to take account of the current financial climate. The independent remuneration panel members are independent of the council and represent the wider interests of the county. The adoption and publication of a scheme of allowances ensures there is transparency regarding the remuneration of elected members.

## Environmental Impact

There are no direct environmental impacts linked with this decision.

## Equality duty

18. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

19. The Equality Act 2010 established a positive obligation on local authorities to promote equality and to reduce discrimination in relation to any of the nine 'protected characteristics' (age; disability; gender reassignment; pregnancy and maternity; marriage and civil partnership; race; religion or belief; sex; and sexual orientation). In particular, the council must have 'due regard' to the public sector equality duty when taking any decisions on service changes.
20. In support of delivery of the public sector equality duty the current childcare and dependants' carers' allowance scheme already seeks to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it. Further, the Independent Remuneration Panel recommendations are underpinned by seeking to ensure that its recommended basic allowance should encourage people from a wide range of backgrounds and with a wide range of skills to serve as local councillors. And that those who participate in and contribute to the democratic process should not suffer unreasonable financial disadvantage.
21. The stated principles that underpinned the work of the IRP were as follows:
  - a. The basic allowance should encourage people from a wide range of backgrounds and with a wide range of skills to serve as local councillors
  - b. Those who participate in, and contribute to, the democratic process should not suffer unreasonable financial disadvantage
  - c. Councillors should be compensated for their work and the compensation should have regard to the full range of commitment and complexity of their roles
  - d. The system should be transparent, simple to operate and understand
  - e. The system should not encourage the proliferation of meetings or provoke councillors into spending more time on council business than is necessary.
  - f. The level of remuneration should relate to a commonly accepted benchmark

## **Resource implications**

22. The budget for members' allowances for 2020/21 is £674k made up of £450k for the basic allowance (inclusive of National Insurance payments) and £224k for special responsibility allowances.
23. The budget for 2021/22 was set before the IRP had concluded their work and made their recommendations. As detailed in the report if Council agrees to implement some or all of the recommendations this will lead to an unfunded budget pressure for 2021/22. Any pressures for subsequent years will be picked up as part of the Councils annual budget setting process.

## **Legal implications**

24. In order to comply with the Local Authorities (Members' Allowances) (England) Regulations 2003, it is necessary for council to have regard to the IRP recommendations.

## **Risk management**

Risk / opportunity	Mitigation
If allowances are not established in an open and transparent way the reputation of the council and public service in general may be brought into disrepute.	The IRP recommendations will be debated, openly, in public. Councillors will determine whether or not to accept the proposed allowances schemes. The accepted schemes will be published and open to all to review.
Failure to appropriately remunerate elected members for the responsibilities they take on and the expenses they incur may act as a disincentive to stand for public office.	The IRP recommendations are set out to mitigate this risk. It is for Councillors to determine whether or not to accept the proposed allowances schemes.

## Consultees

The report of the IRP sets out what consultation was undertaken to inform their recommendations.

Political group leaders and the Chairman have been consulted directly.

## Appendices

- Appendix A - The Report of the Herefordshire Independent Remuneration Panel, 13 May 2021
- Appendix B - Independent Remuneration Panel – Members Survey, April 2021
- Appendix C - Independent Remuneration Panel - follow up enquiry, 26 April to 6 May 2021
- Appendix D – Benchmarking Data
- Appendix E – IRP RATE Review
- Appendix F – Hourly Earnings Survey, ONS – NOMIS Labour Market Data
- Appendix G – Alternative options paper

## Background papers

None Identified.