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**INDEPENDENT REMUNERATION PANEL REPORT TO  
EAST HERTFORDSHIRE DISTRICT COUNCIL – FEBRUARY 2015**

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**RECOMMENDATIONS FOR MEMBERS' ALLOWANCES FOR 2015/16**

- 1.0 Preliminary
- 1.1 The Independent Remuneration Panel (IRP), established by East Herts District Council (the Council) under the provisions of the Local Authorities (Members' Allowances) (England) Regulations 2003, has undertaken a review of the Members' Allowances Scheme.
- 1.2 The regulations require 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*".
- 1.3 This report has been prepared in accordance with those regulations to enable the Council to meet its statutory responsibilities when reviewing or amending its Scheme of Allowances for 2015/16.
- 1.4 The scope of the review was to determine what changes, if any, needed to be recommended to the current Members' Allowances scheme which includes:
- (a) the councillors' basic allowance;
  - (b) the special responsibility allowance (SRA) (paid to councillors who have extra responsibilities, e.g. executive members or committee chairmen);
  - (c) child care and dependant care allowances;
  - (d) travel and subsistence payments and the circumstances under which they are paid, and
  - (e) whether councillors should be able to opt into the Local Government Pension Scheme.

## ESSENTIAL REFERENCE PAPER 'B'

- 1.5 Presently, the political composition of the Council is 46 Conservatives, 2 Liberal Democrats and 2 Independents.
- 1.6 The political structure and the roles of councillors are unchanged since the last review.
- 1.7 The IRP met on 2 October, 28 October 2014 and 29 January 2015 to conduct its review.
- 1.8 The following evidence was considered:
- (a) interview (28.10.14) with the Leader of the Council in which he referred to the changing work load of ward councillors with greater devolution to English councils and new challenges posed by housing growth and the health agenda - the Health and Wellbeing Panel may be promoted to a full Scrutiny Committee - reflected in the findings of the LGA census 2013 on the average number of hours per week spent by councillors on council business;
- (b) financial picture for the Council from 2014/15 to 2018/19: Briefing Note (21.10.14) prepared by the Director of Finance and Support Services confirming that the Council has a healthy reserves position, but that, although 'further announcements will be made in December 2014 that should confirm funding levels for 2015/16 and give indications on future direction of travel . . given the General Election that will be held in May 2015, there is added risks and uncertainties about the exact level of funding we will receive';
- (c) responses (13 of 50) to the Council questionnaire ('EHC questionnaire') to all members – October, the main findings of which were:
- Members spend an average of 17½ hours per week on Council work;
  - The Members' Allowances Scheme was not a relevant consideration in deciding whether or not to become a councillor;
  - Of the 13 responses received, 4 members wished to see the re-instatement of part or all of the 2010/11 cut in basic allowance, 2 wished the allowance to be increased in line with the Retail Price Index, 4 wished allowance to be

increased in line with staff pay awards and 3 were ambiguous; generally, the level of basic allowance is considered to be satisfactory.

- Overall, the level of Special Responsibility Allowances, travel and subsistence allowances and Dependants' and Child Care allowance are considered satisfactory, though there should be a differentiation in the maximum hourly rate claimable for specialist care for a dependant and that for childcare.

(d) the new policy requiring members to access ICT systems using their own equipment from May 2015 and improved ICT support arrangements for members. Given that most members already use their own laptops, tablets and smart phones for personal purposes as well as to connect to the Council's email and services, these changes would seem unlikely to result in an additional cost to members – indeed members will benefit from the ICT Services members' support scheme;

(e) a summary of allowances paid to Council members for the six years from 2008/09 to 2013/14 (see Appendix II);

(f) benchmark data on a basic and special responsibility allowances (see Appendix III) for the ten Hertfordshire borough/district councils;

(g) report (July 2013) of the Independent Review Panel on Members' Allowances: Hertsmere Borough Council, the background section of which report is reproduced (see 3.0 below) with which the IRP concurs.

## 2.0 Allowances

2.1 There is a statutory requirement for all councillors to be paid a Basic Allowance. This allowance is intended to recognise the time commitment of all councillors including inevitable calls on their time such as council/committee meetings, constituent business, working with constituent groups and attendance at political group meetings. It is also intended to cover incidental costs such as the use of a member's home. SRAs are payable to those councillors who have significant additional responsibilities.

- 2.2 The Department for Communities and Local Government (December 2012) declared that “Councillors should be volunteers, not the bankrolled staff of the municipal state”. Many people who care for the communities in which they live (Scout or Guides leaders, school governors, parish councillors, sports team organisers and many others) have been voluntarily giving of their time and skills for years.
- 2.3 On the other hand, Clive Betts MP, Chair of the Communities and Local Government Committee (February 2013) said that “If councillors are to be unpaid volunteers, the pool (of potential councillors) is going to be even smaller. It is clear that remuneration, along with time commitment and the attitude of employers, is one of the key barriers preventing people standing for election. People are put off becoming councillors because the money does not adequately compensate them for the work involved, and, in the case of councillors in employment, they may lose more from taking time off work than they receive in allowances. As localism, with increased local responsibilities, makes the job more complex and demanding, the workload on a councillor will become greater and the case for appropriate allowances stronger.”
- 2.4 Those in favour of increasing the allowance say that better remuneration would help to make the role more accessible to a wider (and younger) pool of talent, whilst those opposed feel that, with local government needing to adapt to budget cuts of close to a third, increasing the amount of money due to elected councillors cannot be justified.
- 2.5 In 2013/14 the total cost of the scheme for all allowances at the Council was £383,749.33. This figure includes all basic and special responsibility allowances paid, as well as travel and subsistence and the consolidation within the Basic Allowance of the IT expense payment (£424/year per member); it does not include employer’s NI contributions.
- 3.0 Background
- 3.1 National research demonstrates that the demands made of councillors continue to increase, as does the time commitment expected from them. There is more partnership working. Elected members must find different ways of engaging with communities

they represent. The new localism agenda has had an impact on councillors' workloads and ward councillors face new challenges from housing growth and the health agenda. Emails have greatly increased not only the accessibility of councillors, but also the pressures upon them. A more demanding electorate expects immediate responses from its councillors. It is difficult to combine senior responsibility on a council with a 'normal' job.

Unsurprisingly, political parties report that it is increasingly difficult to find able people who are available and willing to serve as councillors. There is a general shortage of young people among councillors.

- 3.2 As the Government-appointed Councillors' Commission observed in 2007, following the report of Sir Michael Lyons, 'there is a strong view that councillors generally are poorly rewarded for the work that they do'. The Commission took the view (which we share) that 'allowances should be set at a level that enables people to undertake the role of councillor while not acting as an incentive to do so. Allowances are not shown by polls to be something which influences councillors to take on the role, though they are instrumental in making it possible for some people to do so. If it is important that there are no financial incentives to being a councillor, it is equally important that there should not be a financial disincentive. 'Members' allowances are important in enabling a wider body of people to serve as councillors.'
- 3.3 High performing councils have high performing members and the quality of local democracy depends on the ability of councils to attract able people to serve as councillors. While financial reward is not and should not be the main motivation for service as a councillor, the time demands made on councillors require the payment of reasonable remuneration if able, capable and talented people are enabled to serve as councillors.
- 3.4 Members' allowances are by no means commensurate with the responsibilities which they involve and the hours which they require: they are considerably discounted for the public service element of the job.
- 4.0 Basic allowance
- 4.1 Extracts from guidance produced by the Department for Communities and Local Government on this issue include:

*“10. The basic allowance is intended to recognise the time commitment of all councillors, including such inevitable calls on their time as meetings with officers and constituents and attendance at political group meetings. It is also intended to cover incidental costs such as the use of their homes.*

*68. It is important that some element of the work of members continues to be voluntary – that some hours are not remunerated. This must be balanced against the need to ensure that financial loss is not suffered by elected members, and further to ensure that, despite the input required, people are encouraged to come forward as elected members and that their service to the community is retained.”*

4.1.1 The Basic Allowance in East Herts was cut for 2010/11 by 10% (£528) from £5,274 (the average of the basic allowance for the three years 2007/08, 2008/09 and 2009/10) and was maintained at this lower level for each of the 3 years to 2013/14 (subject to the consolidation into the basic allowance of the IT contribution (£35/month)). The IRP recommended, and members accepted the recommendation, to increase the basic allowance by 1% to £5,218 for 2014/15.

4.1.2 The present report of the IRP undertakes further to review this figure and how it is calculated.

#### 4.2 Hourly rate basis:

4.2.1 It is difficult to assess the number of hours members spend on council business as the workload of members varies considerably. The average hours per week spent on Council and political business by a ward member disclosed by the responses to the EHC questionnaire is 17½ hours.

4.2.2 In the LGA census 2013, which surveyed councillors in England, councillors (around 40% responded) reported spending an average of 25.1 hours per week\*\* on council and group/ party business (compared to between 22.0 hours and 22.7 hours in 2004–2010). When broken down, it can be seen that councillors spent the majority of this time on council business (20.8 hours on average) and a much smaller proportion of time on group/party business (4.3 hours on average); councillors in ‘shire districts’

such as East Herts spend an average of 20.6 hours a week on Council and political business. (\*\* Over half of those who responded to the census held leading responsibilities (e.g. leader, deputy leader, executive member, chairman of major committees) which may attract an SRA in addition to a basic allowance; the average of 25.1 hours per week becomes an average of 28.0 hours per week for those with one or more leading positions and 21.5 hours per week for those without.)

#### 4.3 Benchmarking basis:

4.3.1 As identified by the external auditors (2008/09), benchmarking should be one of the pieces of information used in reviewing the level of members' allowances. Benchmark data (Appendix III) relating to members' allowances in the 10 borough/district councils in Hertfordshire shows basic allowances for 2013/14 ranging from £4,500 (North Herts) to £7,209 (Watford), with an average of £5,449. The basic allowance payable to East Herts (the largest district geographically, with the third largest population) councillors (£5,218) is below this average.

#### 4.4 Review of Basic Allowance

4.4.1 In reviewing what level of Basic Allowance should be recommended to the members for 2015/16, the IRP considered whether there should be:

- 'no change';
- an increase of 1.5% (£78), being the assumption in the Council's Medium Term Financial Plan;
- an increase in line with the staff pay award to those on SCP11 and above agreed by the National Joint Council on 14 November 2014 at 2.2% (£114) with effect from January 2015;
- an increase in line with the rise in the 12-month Retail Price Index for December 2014 of 1.6% (£83);
- reinstatement of one quarter part of the £528 cut in the Basic Allowance in 2010/11, an increase of £134 (2.6%).

4.4.2 The IRP are conscious of the fact that just 13 of 50 members responded to the EHC survey and that, while it may be assumed that the responders are all ward members without Special

Responsibilities, this has not been specifically stated. Thus it is unclear how representative of the whole Council are the findings.

5.0 Special Responsibility Allowances

5.1 There are a number of approaches to calculating SRAs and, according to the paper by the Councillors' Commission on Members' Remuneration (2007), the 'multiplier approach' is the most popular. This formulaic approach is at times criticised as introducing an element of undue and artificial rigidity into the system, but this method has the advantage of being understandable, simple and transparent. The IRP continues to recommend the adoption of the 'multiplier approach'. In assessing the multiplier that should be applied to calculate the SRAs, the IRP has had regard to the leadership skills required and the time commitment necessary effectively to provide such leadership, as well as appropriate benchmarking against other authorities.

6.0 Childcare and Dependant Care Allowances

6.1 A care allowance is payable to any member who incurs expenditure on the care of young children and/or dependant relatives in order to perform their duties as a councillor.

6.2 The following amounts may be claimed for councillors attending approved duties:

- (a) childcare - maximum of £9 per hour, and
- (b) dependant care - maximum of £9 per hour.

6.3 Specialist care for a dependant is known to be more expensive than childcare, and, since 86% of the respondents to the EHC survey consider that there should be a differentiation in the maximum hourly rates claimable, the IRP propose that the dependant care allowance be increased to £10.15 per hour, or the sum paid, whichever is the lesser.

7.0 Travel and Subsistence Payments

7.1 The following allowances are available:



- (a) mileage allowance to cover the cost of the use of councillor's own vehicle (motor car, bicycle) for council business;
- (b) public transport expenses (including the use of taxis for short journeys where public transport is inconvenient); and
- (c) subsistence allowances (breakfast, lunch, tea and/or evening meal and overnight accommodation) in the case of an absence from the usual place of residence.

7.2 The existing subsistence allowances, effective from 1<sup>st</sup> January 2008, are the same as those for Council employees; it is understood that there is no present intention to change these rates for 2015/16. The IRP also noted that similar fixed allowances paid by Hertfordshire County Council are each around 15% lower than those paid by the Council. Accordingly, no change is recommended by the IRP to the rates of subsistence allowances payable to councillors.

## 8.0 Local Government Pension Scheme

8.1 No Members are admitted to the Local Government Pension Scheme.

## 9.0 Considerations

9.1 In conducting its review, the IRP also took account of the following factors:

- (a) the prevailing economic climate - the Chancellor's Autumn Statement revealed that:
  - growth is weak – from 2016 onwards growth is now expected to be weaker than previously forecast;
  - the deficit is reducing slowly;
  - more cuts can be expected – Britain may be “living within its means” but this will be delivered through, in the Chancellor's words, “very substantial savings in public spending” or, in the words of tax and spending experts at the Institute for Fiscal Studies, “colossal” cuts.

- (b) the issues and deliberations of the IRP during its last review and the acceptance by the Council of the IRP's recommendations for the 2014/15 Members' Allowances Scheme;
- (c) legislative changes, particularly the provisions of the Localism Act 2011, and new challenges impacting on members' workloads;
- (d) issues concerning attracting demographically representative candidates to stand for election as councillors and also political leadership succession planning;
- (e) setting allowances at levels that reflected the time and work needed to undertake the duties and responsibilities of a member of the Council, including those roles that attract SRAs, but also recognising the interests of Council Tax payers;
- (f) previous levels of members' allowances for the Council, and
- (g) current inflation levels.

## 10.0 Conclusions

10.1 Albeit heavily discounted for the 'voluntary service principle', the IRP accepts the guidance that the basic allowance is intended to recognise the time commitment of councillors and the need to take a view on the rate at which, and the number of hours for which, councillors ought to be remunerated. However, notwithstanding the evidence:

- (a) in the LGA census 2013, supported by the Leader's comments to the IRP on 28 October 2014, of a further increase (since 2010) in the average hours spent by members on Council business, and
- (b) that Members' Allowances are by no means commensurate with the responsibilities which they involve,

the IRP has concluded that the on-going fragility of the economic recovery revealed in the Chancellor's Autumn statement precludes an increase to the basic and (therefore) Special Responsibility Allowances for East Herts Councillors in 2015/16.

- 10.2 No changes are recommended to the multipliers applied to the basic allowance, to determine the SRAs.
- 10.3 No changes are proposed to the Travel and Subsistence Allowances.
- 10.4 Recognising that specialist care for a dependant is more expensive than that for children, the IRP propose the implementation of a differentiation in the maximum hourly rates claimable for:
- childcare – maximum of £9.00 per hour (no change); and
  - dependant care – maximum of £10.15 per hour (2014/15: £9.00).
- 10.5 The schedule of proposed members' allowances recommended as payable by the IRP from 1 April 2015 is attached as Appendix I.
- 11.0 The Independent Remuneration Panel
- 11.1 The following individuals formed the IRP undertaking the review of Members' Allowances:
- Peter Boylan, Nicola Burdett, Bernard Engel, Sally Newton, Jonathan Pool (Chairman).
- 11.2 The IRP received administrative support from the Head of Democratic and Legal Support Services.
- 12.0 **Recommendation that:**

**the allowance levels within the 2014/15 scheme be retained for 2015/16 (1 April 2015 to 31 March 2016), save for amendments to the maximum hourly rates claimable for dependant care – increase to £10.15 per hour (2014/15: £9.00).**