

Independent Remuneration Panel Review of Members' Allowances – final report

Purpose of Report

For decision

Summary

The last review of members' remuneration was carried out in 2009. It included:

1. The introduction of role descriptions for all members on the LG Group's boards and panels
2. Revisions to the scheme of allowances
3. The extension of the scheme to cover all LG Group governance structures

The revised scheme came into effect on 1 September 2009.

From 1 September 2010, new governance arrangements were introduced across the LG Group. On 17 March 2011, the LG Group Executive invited Lord Best to reconvene the Independent Remuneration Panel to review the Scheme of Members' Allowances and report back to the Group Executive in July 2011. This report, which will be presented by Lord Best, sets out the conclusions and recommendations of that panel.

Recommendations

The Executive are invited to consider the report of the Independent Remuneration Panel and to endorse recommendations 1-5 set out in the report.

Action

Officers to update the current scheme of allowances for implementation from 1 September 2011.

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Independent Remuneration Panel Review of Members' Allowances – final report

Conclusions & Recommendations of the Independent Remuneration Panel

Introduction

1. In February 2009, as LGA President, I convened an independent Remuneration Panel to undertake an objective and transparent review of the LGA's scheme for Members' allowances and expenses. Our recommendations were all adopted by the LGA Executive and, with one exception mentioned below, were implemented from September 2009.
2. Two years later I was asked to reconvene the Panel and to review our earlier conclusions and recommendations. This we did in June and July in 2011 and this paper represents our findings.

Key Conclusions

3. The Panel revisited its over-arching conclusions in relation to the current arrangements for payments to Local Government Group Members: first, we noted that levels have not been increased since 2009 despite the extension of responsibilities for senior post holders following the integration within the Local Government Group of the Improvement and Development Agency and other parts of the previous LGA family. We concluded that these levels of remuneration for post holders are not excessive, either in comparison with comparable positions within individual local authorities or with comparable positions in statutory and non-governmental public bodies. We found the level of allowances for all post holders to be fair and reasonable.
4. Second, in relation to expenses – which have caused so much difficulty amongst Members of Parliament – we found the system to be disciplined, properly accounted for, and with sensible constraints. We do not feel the level of expenses should give rise to public criticism or concern. Our detailed conclusions and recommendations are set out in the following paragraphs.

Detailed Recommendations

5. The Panel concluded that the existing levels of remuneration, including allowances to the senior elected positions (**Appendix 1**), and the wider framework governing payment, were broadly right, subject to further consideration of five areas:-
 - 5.1 the balance between payment of allowances and reimbursement of expenses
 - 5.2 the remuneration of LGA deputy chairmen who do not have any additional responsibilities

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- 5.3 penalties for non-attendance at meeting
- 5.4 introduction of an annual review for all remunerated members
- 5.5 the basis for the payment of expenses

Issue 1 - Balance of allowance and expenses

- 6. The LG Group pays allowances to most members of its main governance structures but expenses are paid only to the LGA Leadership Board and chairs of boards. The regional and SIG representatives on the Executive receive expenses but no allowance. All other members are expected to reclaim expenses from their home authorities.
- 7. An increasing number of councils are challenging this policy and several have refused to reimburse expenses, especially where a member is not on the majority group. The Panel felt that this threatened a fundamental principle of the LGA - that members from any party and any part of the country should have equal opportunity to participate in its work.
- 8. The Panel recognised that if the LGG paid all remunerated Members their expenses - relieving Councils of this responsibility - the extra cost could not be afforded within the LGG budget for all payments to Members. To accommodate this extra spending, the Panel explored the consequences on levels of allowances of "top-slicing" a fixed amount from every allowance. Based on the data provided to us (**Appendix 2**), it appears that the cost of all paying expenses could be found by reducing every paid Member's allowance by about £500p.a. (with the exception of the Fire Committee where allowances are only £1016p.a.)
- 9. While we do not regard current levels of allowances as excessive, we can see that an across-the-board reduction of £500 p.a. would keep total Member remuneration costs within the budget and we recommend the LGG Board gives due consideration to this proposal."

Recommendation 1

That the LG Group Executive considers reducing all allowances (with the exception of members of the Fire Services Management Committee) by approximately £500, in order to pay travel expenses to all remunerated members.

Issue 2 - Remuneration of Deputy Chairs

- 10. In the past, deputy chairs of the LGA also held an additional remunerated role with the LG Group. For this reason, the Independent Panel did not establish an appropriate level of allowance for the post of deputy chair.

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11. This has now changed with the enlarged LGA Leadership Board, with three of the six deputies having no additional role. In the absence of an independently assessed level of allowance, an allowance equal to that of a deputy chair of a programme board has been paid during 2010/11.
12. The Panel has reviewed this and believes that given the limited involvement of deputy chairs in LGA business outside formal meetings of the Leadership Board and Executive, the allowance for a deputy chair with no other role within the Group should be set at £5,181.

Recommendation 2

That the rate of allowance for deputy chairs of the LGA with no additional role in the LG Group should be £5181

Issue 3 - Penalties for non-attendance

13. The current policy on non attendance (Scheme of Allowance clause 13) states “Responsibility Allowances may be withdrawn permanently or temporarily if a councillor, without good reason or the express consent of the chairman, misses three successive meetings or takes no part in LG Group activities for a period of 6 months, whichever comes first”
14. The Panel felt that, given the importance of members’ active participation, the current policy was not strong enough. We did accept however that attendance by video or telephone conference constitutes legitimate attendance, and that absence due to attendance at council meetings, sickness or bereavement would be considered good reason.

Recommendation 2

That clause 13 of the Scheme of Allowances is amended to read “Responsibility Allowances may be withdrawn permanently or temporarily if a councillor, without good reason or the express consent of the chairman, misses two successive meetings”.

Issue 4 – annual review

15. Recommendation 5 of our 2009 report stated “*The Independent Remuneration Panel recommends that the LGA considers introducing a system of performance monitoring for all remunerated positions – for example an annual 1:1 with the chairman and/or verbal reports to the Board/Panel on the activities each member has undertaken since the last meeting*”. Although the recommendation was accepted by the then LGA Executive, it has never been implemented. The Independent Panel remains committed

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to some form of annual review which, whilst remaining light touch, would form a useful part of the LGA's governance arrangements.

Recommendation 5

That the LGA commits to a system of annual review for all members who receive an allowance, through an annual 1:1 with the relevant chair.

Issue 5 - Rates of travel and subsistence reimbursement

16. Clause 22 of the Scheme of Allowances states "Wherever possible, councillors are expected to travel by public transport. Where it is necessary for a councillor to use his or her own vehicle when on an approved duty on behalf of the LG Group, mileage will be paid at the nationally agreed mileage rate for local authorities".
17. From 1 April 2011, the LG Group staff expenses scheme was changed from the national NJC scheme to the less complex HMRC scheme. In the interests of consistency and simplicity, the Panel feel that the members' scheme should be amended in the same way.

Recommendation 3

That clause 22 of the Scheme of Allowances is amended to read that "mileage will be paid at the nationally agreed HMRC mileage rate".

Conclusion

18. I must conclude with sincere thanks to Claire Holloway for her invaluable help with this exercise, with support from John Ransford and colleagues at the LGG. I must also express appreciation for the expertise and time, freely given, of my three fellow Panel Members, Dame Mavis McDonald (former Permanent Secretary at the Office of the Deputy Prime Minister), Ted Cante CBE (former Chief Executive of Nottingham City Council and of the Association of Metropolitan Authorities, now Professor of the Institute of Community Cohesion), and Craig Baker, Partner and Managing Director, the Boston Consulting Group.

Lord Best

President LGA

Chair Independent Remuneration Panel

LG Group Responsibility Allowances from 1 September 2010

Post	Allowance	Post	Allowance
LGA Office Holders/ Leadership Board		Company Boards	
Chairman of the LGA	£54,482	LG Improvement (as Improvement PB)	
Vice chair (leader of 2 nd largest group)	£37,878	Chair	£15,556
Vice chair (leader of largest group)	£32,690	Vice chair/Deputy chair	£7,778
Vice-chair (leader of 3 rd largest group)	£32,690	Member	£2,593
Vice-chair (leader of 4 th largest group)	£27,500		
Deputy chairs	£ 7,778	LG Employers (as Workforce PB)	
		Chair	£15,556
Programme Boards & Resources Panel		Vice chair/Deputy chair	£7,778
Chair	£15,556	Member	£2,593
Vice/deputy chairs	£7,778	LGIB (as European & International PB)	
Member	£2,593	Chair	£15,556
		Member	£2,593
Audit & Scrutiny Panel			
Chair	£7,778	LG Regulation	
Vice/deputy chairs	£2,593	Chair	£10,365
Member	£2,593	Vice chair/Deputy chair	£2,593
		Member	£2,593
Fire Services Management Cttee			
Chair	£10,365	Local Partnerships	
Other office-holders	£5,181	Chair	£10,365
Members	£1,096	Vice chair/Deputy chair	£2,593
		Member	£2,593
Rural and Urban Commissions			
Chair	£10,365	LG Leadership	
Vice/ Deputy Chairs	£5,181	Separate scheme	

The following are entitled to claim back for travel and subsistence expenses:

- LGA Office Holders
- Chairs of Programme Boards

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- Chairs, Vice Chairs of the Boards of the wider LG Group

In addition:

- Regional representatives and representatives of CCN, DCN and SIGOMA attending LG Group Executive meetings
- LG Group members appointed to outside bodies.
- LG Group members attending meetings as representatives of the LG Group
- Members representing the Employers at negotiations and meetings
- Member Peers undertaking work commissioned from the Group or attending training and development sessions.

Estimated cost of travel for remunerated members (based on 2010/11 membership)

Meeting	Approx. cost per year
LG Group Executive	15,100
Culture, Tourism & Sport PB	11,175
Workforce PB	14,355
Environment & Housing PB	6,055
Safer & Stronger Communities PB	4,600
Community Wellbeing PB	8,100
European & International PB	3,445
Improvement PB	5,585
Children & Young People PB	8,900
Economy & Transport PB	6,875
Audit & Scrutiny Panel	2,940
Resources Panel	2,312
Fire Commission	9,702
Rural Commission	1,090
Urban Commission	1,371
	101,605

Notes:

1. There are 180 remunerated members, 160 of whom are not currently entitled to claim expenses.
2. The estimates are based on **current** membership of boards and include cost of lead member meetings where they are held. Actual costs will vary depending on the make up of boards, where members travel from, and whether overnight stays are needed.
3. Estimates exclude cost of food and subsistence but include overnight costs where members have to travel a long distance.
4. Reducing all allowances by £500, would save £90,000. Under current membership, this would leave a £11,605 shortfall. Based on current membership, break even would require a reduction of £565 per person