

## **Independent Review of Members' Allowances 2012**

### **Purpose of report**

For decision.

### **Summary**

In May 2012, following changes to the appointment of Lead Member Peers and the decision to create a new Finance Panel and Audit Committee, the LGA Leadership Board invited LGA President Lord Best to convene the Independent Remuneration Panel to recommend appropriate levels of remuneration. Given that remuneration of the Chairman and Group Leaders had not been independently reviewed since 2008, the Panel was also invited to review these positions.

The Panel is chaired by Lord Best and made up of:

- Dame Mavis McDonald
- Ted Cattle
- Chris Stephens

A summary of the Panel's deliberations and recommendations is set out in the **attached** report. Lord Best will attend the Board meeting to present the Panel's recommendations.

### **Recommendation**

That the LGA Leadership Board notes the conclusions and recommendations of the Independent Remuneration Panel, set out in paragraph 23, for agreement by the Executive on 12 July.

### **Action**

Officers to make amendments to the LGA Scheme of Allowances in line with the LGA Executive's decision on 12 July.

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## **Independent Review of Members' Remuneration 2012**

### **Background**

1. The Independent Remuneration Panel met on Wednesday 20 June 2012 to consider the remuneration of the Lead Member Peers, the LGA Chairman and Group Leaders, the Finance Panel and the Audit Committee.
2. During the course of their deliberations, the Panel received oral evidence from:
  - 2.1. Sir Merrick Cockell, Chairman LGA;
  - 2.2. Carolyn Downs, Chief Executive;
  - 2.3. Mark Edgell, Principal Adviser;
  - 2.4. Gerald Vernon-Jackson, Liberal Democrat Group Leader;
  - 2.5. Gary Porter, Conservative Group Leader.
3. They also received written evidence from:
  - 3.1. David Sparks OBE, Labour Group Leader;
  - 3.2. Marianne Overton, Independent Group Leader.

### **Issue 1 – Reimbursement of Lead Member Peers**

4. National and Regional Lead Member Peers are currently salaried employees, whose contracts will come to an end on 31 July 2012. At that point they will cease to be employees of the LGA and will instead become political appointments, which will come into effect from 1 September.

**The Independent Panel was invited to determine an appropriate level of Special Responsibility Allowance for National and Regional Lead Member Peers.**

5. The Independent Panel heard that the current breakdown of Lead Peer days across the four Groups had developed historically and been agreed for 2012/13. However they felt that for transparency and to reflect the differing numbers of members to be supported by each Group, the LGA should consider reviewing the allocation of hours between the Groups annually and adjusting them to reflect proportionality.
6. The Independent Panel accepted that, within their total number of lead peer days, each Group should have the flexibility to allocate to individual Lead Peers as they saw fit. But the Panel also felt that to ensure fairness and transparency,

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the selection panel for Lead Independent Peers should include the Chief Executive.

7. The Independent Panel felt that where possible Groups should allocate the total number of days between peers at the start of the year. However, if Groups preferred to allocate on an ongoing basis, the Chief Executive should review those allocations on a quarterly basis.
8. On that basis the Panel were willing to recommend a flexible Special Responsibility Allowance (SRA) based on a day rate of £300, which they felt offered good value for money and was broadly in line with SRAs paid to other political appointments.

**Issue 2 – Finance Panel**

9. The LGA Finance Panel will come into effect from 1 September 2012. It will lead on all matters relating to local government finance policy. Like the Resources Panel, the Panel will report to the LGA Executive and its chair will have a place on the Executive.

**The Independent Panel was invited to consider an appropriate level of remuneration for the Finance Panel**

10. The Independent Panel considered the respective roles of the Finance Panel and the Resources Panel. They concluded that given the comparable time expectation, responsibilities and complexities of roles, SRAs paid to members of the Finance Panel should be the same as those paid to members of the Resources Panel.

**Issue 3 – Audit Committee**

11. The LGA Audit Committee will come into effect from 1 September **2012**. It will comprise four members – one from each Group. Its role is to monitor the integrity of the financial statements of the LGA and its associated organisations, and oversee their internal control and risk management systems. The Committee is expected to meet to a maximum of three times a year.

**The Independent Panel was invited to consider an appropriate level of remuneration for the Audit Committee**

12. The Independent Panel considered the role and the relatively low anticipated time commitment for the four members who would make up the panel. In view of this, the Panel concluded that a day rate might be more appropriate than an SRA. They felt that the current day rate of £300 paid to accredited peers was

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reasonable. A normal maximum number of days should be established on an annual basis.

**Issue 4 – Reimbursement of Chairman and Vice Chairmen (Group Leaders)**

13. SRAs of the Chairman and Vice Chairmen of the Association were last reviewed in 2008. At the time, the LGA decided that
  - 13.1. The time commitment of the Chairman was between 3-4 days per week, which averaged out at 3.5 days per week.
  - 13.2. To avoid potential conflicts of interest, the Chairman and Vice Chairmen (Group Leaders) could not be employed as salaried Lead Member Peers or act as remunerated peers. Some participation in peer challenge was included in the stated responsibilities of those roles.

**The Independent Panel was invited to review the current SRAs for the Chairman and Vice Chairmen of the Association and make recommendations to the Executive.**

14. The Panel noted that the allowances of the Chairman and Vice Chairmen (Group Leaders) had been frozen for the third year running in line with staff salaries and felt that this demonstrated a commitment to fairness and value for money.

**Chairman**

15. The Panel considered the time commitment required from the Chairman of the Association. They felt that 3.5 days per week represented the minimum required but that given the demands it was potentially a near full time role. They felt however that as all LGA remunerated members must be serving councillors, at least half one day per week should be reserved for the basic ward councillor role.
16. The Panel felt that if a Chairman was leader of a council, or held any other demanding role – for example a cabinet member - or if their attendance at Smith Square required a lengthy commute, it was unlikely that they would have the time to commit to more than 3.5 days per week.
17. The Panel felt that in principle, the Chairmen of the LGA could be given the choice to opt to work **either 3.5 or 4.5 days per week** (but no other variation). However to provide independent scrutiny, the President committed to convene the Independent Panel annually to agree the

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Chairman's hours, taking into account the other roles they might hold and other practical arrangements.

18. The Panel felt that the current level of reimbursement of £54,482 based on 3.5 days per week was reasonable. If the Chairman opted to increase to 4.5 days per week, then a pro rata remuneration would be £70,048. The Panel saw this as reasonable to reflect the additional hours.
19. The Panel did not feel that it would be appropriate for the Chairman to undertake any additional remunerated peer work - this should continue to be included within the Chairman's role description.

**Vice Chairmen (Group Leaders)**

20. The Panel reviewed the current SRAs of the LGA Vice Chairmen and felt that they were fair and reasonable.
21. After lengthy consideration, the Panel concluded that Vice Chairmen should be allowed to undertake some remunerated peer work in addition to their 2.5 days per week as a Vice Chairman and any other roles they might hold. However, given demands on time and potential conflicts of interest, this should not exceed 10 days additional work in any one year.
22. To ensure full transparency, the Panel felt that any payments made to Vice Chairmen for peer work should be published on the LGA website alongside their SRAs. Further, to avoid conflict of interest, the Vice Chairmen should take no part in the decision to allocate work to themselves and a clear process must first be established to manage this, with the Chief Executive reviewing all allocations on a quarterly basis.

**Conclusions and recommendations**

23. The conclusions and recommendations of the Independent Remuneration Panel are set out below.
  - 23.1. That the SRA for the Lead and Regional peers should be based on a day rate of £300, which the Panel felt provided good value for money.
  - 23.2. That the four Groups should have the flexibility to allocate their total days to meet the particular needs of the Group, but that the Chief Executive should be asked to review total allocations quarterly.
  - 23.3. That the LGA should review the allocation of days across the four groups annually and adjust to reflect the political proportionality of the LGA.

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- 23.4. That the SRA for the new Finance Panel should reflect the SRA paid to members of the Resources Panel.
- 23.5. That the four members of the Audit Committee should be paid a day rate of £300 a day, for a maximum of three meetings per annum.
- 23.6. That the SRAs for the Chairman and Group Leaders were reasonable and should continue to be linked to staff negotiated increases.
- 23.7. That, given the demands of the role, there was a case for the Chairman's days to increase from 3.5 to 4.5 per week if they had the time available. In that case the SRA should be increased pro-rata from £54,482 to £70,048.
- 23.8. If the LGA wished to proceed on this basis, and if the individual elected for 4.5 days per week, then the Independent Panel should be convened annually to scrutinise the chairman's ability to fulfil the higher commitment.
- 23.9. That the Vice Chairmen (but not the Chairman) should be allowed to undertake additional paid peer work to a maximum of 10 days per year.
- 23.10. That where a member received payment for peer work alongside an SRA both should be presented together on the LGA website.
- 23.11. That the Vice Chairmen should take no part in the allocation of work to themselves.