

COUNCIL

Report title	REPORT OF THE INDEPENDENT PANEL ON MEMBERS' REMUNERATION 2018
Chief Executive or Director	Strategic Director of Finance, Governance and Support
Date	16 May 2018
Purpose of the report	To present to Council the recommendations of the Independent Panel on Members' Remuneration.
Summary of the report	Members' Allowances are reviewed by the panel annually, however there is an expectation that a full and robust review is undertaken every four years which encompasses the amount of allowances paid and the mechanisms by which they are assigned. The panel undertook a full review in March & April 2018 and this report identifies what the panel members considered and provides recommendations for consideration by Council on the Members Scheme of Allowances mechanism for the next four years.
If this is a confidential report, which exemption(s) from the Schedule 12a of the Local Government Act 1972 applies?	No.
Decision(s) asked for	For the Council to accept or reject the recommendations of the Independent Panel.
Impact of decision(s)	Potential budget pressure of approximately £40,000 over four years.

What is the purpose of this report?

To present to Council the recommendations of the Independent Panel on Members' Remuneration.

Why is this report necessary?

The Council are required under The Local Authorities (Members' Allowances) (England) Regulations 2003 to publish a Members Scheme of Allowances on an annual basis. The Council also undertakes a full and robust review every four years.

Panel Membership

1. The Panel meets on an annual basis to review the Members' Scheme of Allowances. It was felt that there were some limitations in the size of the current panel membership for arranging meetings and more flexibility was required. The Panel determined that it was important to increase the diversity of experience and membership of the Panel and that approaches should be made with external organisations such as Teesside University, the Chamber of Commerce, MVDA, in order to attract new members to this important role.
2. Since these approaches were made two new Panel members have been appointed and have contributed to the latest review of Members' Allowances.

Review

3. The panel were informed that while Members' allowances are reviewed by the panel annually, there is an expectation that a full and robust review is undertaken every four years which encompasses the amount of allowances paid and the mechanisms by which they are assigned. The full review was expected to take place in March and April 2018 for consideration at the council's Annual general meeting due to take place on 16 May 2018.
4. It was also explained that in a report produced in 2002 by the Independent Panel a recommended basic allowance of £7,500 was to be achieved by "staging" increases over two financial years. It was noted that the proposed basic rate of £7,500 remained unachieved in 2018.

Allowances

5. The Panel were advised that when considering allowances they may wish to have regard for the current economic conditions for local authorities; recent pay settlements for MBC employees; does the level of remuneration reflect the responsibilities and commitment expected of Councillors and are they set at levels which also recognise the well- established principle of voluntary unpaid public service.
6. In determining the rate of Special Responsibility Allowances the Council previously agreed to use a banding scheme index model, based on multiples of the Basic Allowance. The Members Scheme of Allowances is to be fully reviewed every four years and due for full review in 2018. In conducting the review, the panel examined the levels of the Basic and Special Responsibility Allowances.
7. The Panel were provided with background information which included the current cost of Members Allowances to the Council, meeting statistics, executive portfolio's, an overview of all roles currently receiving an SRA and comparator information for other local and Mayoral authorities in order to the assist the Panel with their deliberations. All elected members were also invited to put written representations to the Panel. Representations were received from:

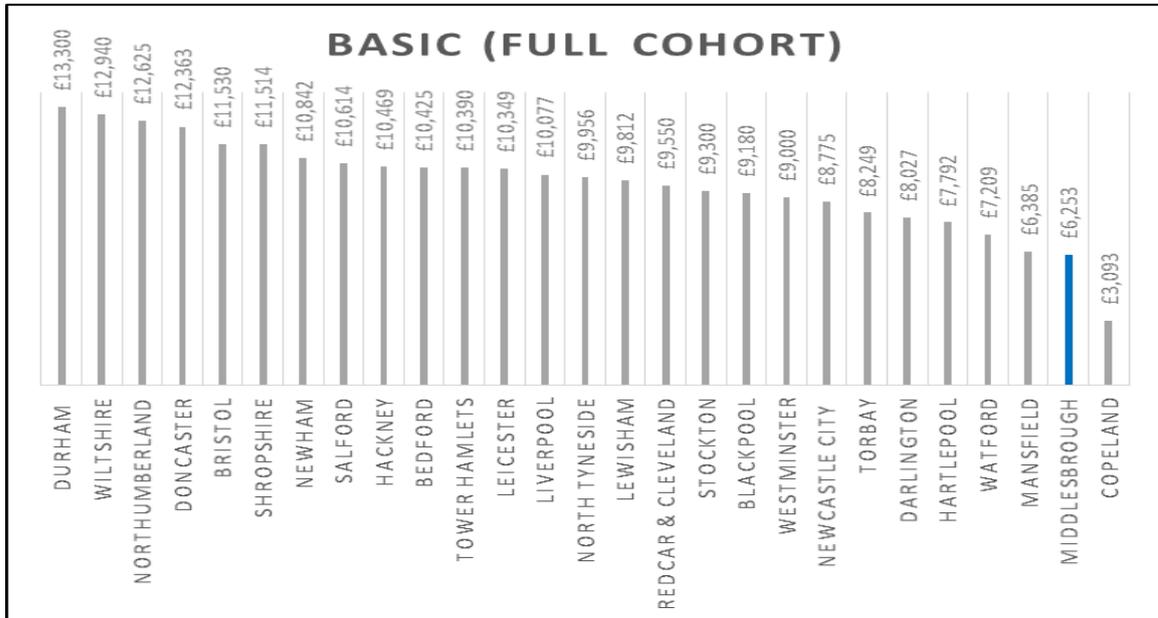
- a. Cllr Denise Rooney
 - b. Cllr Bob Brady
 - c. Cllr Joan McTigue
8. The panel were provided with information in relation to a range of other Council's Scheme of Allowances (a total of 27) including local, Mayoral were and Leader and Cabinet models were examined to ascertain what allowances were paid to Members for the different roles they carried out.
 9. The full cohort were contacted regarding their scheme of allowances and asked about their respective methods of allocating allowances (11 responding directly). There are various means Councils use to allocate allowances and generally these can be grouped into 'Multiplier' and 'Attendance' systems, with approximately half of the cohort using Multiplier systems and tend to use the basic rate and multiply this depending on role. For example in Middlesbrough, that uses the Multiplier system, the Mayor receives 10x the basic rate whereas an Executive Member receives 2x the basic rate. Attendance systems, however, allocate allowances based on attendance at committee meetings.
 10. It was noted that it is not possible to do comparator on an exact like for like basis, as each authority has a different political structure and committee/panel make-up, however they roles were examined on a best fit basis.
 11. During the meetings the Panel were also provided with an overview of each of the roles currently receiving an SRA, statistical information regarding the number of Committee meetings held in Middlesbrough. In order to help inform their deliberations they were also shown electronic diaries of some of those elected members to give examples of the level of time and commitment required in those roles.
 12. The Panel considered the current allowances using the current index scheme, and determined that some changes were required to ensure Members' remuneration continues to be fit-for purpose. These changes are discussed in further details below.

Basic

13. At the annual panel meeting in 2016 the Panel recommended that the basis for determining allowances should remain the same and allowances should increase in line with any staff salary increases, should they occur.
14. In May 2016 the Council accepted the Panel's recommendations. In June 2016 the Council agreed a two year deal with a staff increase of an average of 1% for 2016/7 (£6191) and a further 1% for 2017/8 (£6253).
15. When reviewing the basic allowances the Panel had regard for the current economic climate and examined comparative allowances in both elected Mayoral

authorities and authorities with traditional Leader / Cabinet models of governance. These comparators were examined nationally, regionally and locally.

16. The Panel found that the basic allowance in Middlesbrough was considerably lower than the majority of other authorities (see table below). The average for Mayoral authorities basic allowances was £9251 with the Teesside average being £8184. As SRA's are also currently based on a multiplier of the basic allowance the Panel felt the level of the basic allowance should also be considered in greater detail in this review.



17. After reviewing comparator data and listening to representations made by Members the panel felt Middlesbrough's basic allowance has become de-aligned from its local neighbours and other similar authorities. To redress this the basic allowance should be increased to the average basic allowances paid by other Teesside authorities. Consequently, the panel recommends the basic allowance be increased from £6253 to £8184 per year, phased in over a four year period.
18. In April 2018, in general, staff were awarded a 2% pay increase which also increased the basic allowance to £6378 per member
19. Based on the new proposed model the overall cost to the Council for basic allowances would increase from £299,766 to £384,648 over the four year period. See appendix 1
20. The panel are keen to stress they are sensitive to wider economic and social considerations and recommend the above increase be introduced over a four year period. The first year increase should start from 1 April 2018.
21. The Panel maintained its recommendation that the basic allowance should continue to 'shadow' staff pay increase awards going forward.

Special Responsibility Allowances (SRA)

22. The Panel were advised that the 'Guidance on Consolidated Regulations for Local Authority Allowances' states that SRAs should only be paid when Councillors have "significant additional responsibilities" over and above the generally accepted

responsibilities of a Councillor.

23. The panel were advised that the current method of determining Special Responsibility Allowances was based on a 'multiplier', using the basic allowance as a base then multiplying it by a factor ranging from 0.5 to 10, depending on the role. The variables used to determine the multiplier factors, such as levels of responsibility, were created in 2003 and were considered to be still valid.
24. The Panel were also advised that the Mayor had not indicated that there were plans to change the Executive portfolio's and therefore did not envisage any significant changes to levels of responsibility or in the number of Executive Members appointed.
25. When considering the roles identified in the scheme of allowances that attracted a special responsibility allowance, the Panel also considered the representations submitted.
26. Some comments suggested an increase in the level of the SRA for specific committees, namely the Licensing Committee, to reflect increased workloads and numbers of committees held. However, the Panel were keen to express that when considering SRAs that they look at a role in its entirety and that an allowance was not solely based on the number of meetings held/attended. For example; they would take into consideration the depth and range of the portfolio; the level of responsibility; policy development; work with senior officers; level of accountability and decision making and the time commitment required. For Overview and Scrutiny other commitments were also considered, i.e. researching topics, site visits, external meetings with contributors to panels, effective challenge and the coordination and selection of topics for review and Call in's etc.,
27. In their deliberation the Panel can only take into account the level of responsibility and commitment required for the role, they cannot take into account personal perceptions of those making representations of a person appointed to a post and therefore these have not been taken into consideration.
28. With regard to the Mayor the Panel examined the responsibilities of the Mayor and considered comparators with other Mayoral authorities and found that the allowance to the Mayor of Middlesbrough to be slightly below the average of other Mayoral authorities. It was also felt that regardless of the population or the size of an authority, the time, commitment and responsibilities of an elected Mayor are comparable.
29. In their deliberations the panel were very keen to express their concern about the possible impact of increasing the basic rate of allowance in relation to SRAs using the current index, "multiplier" model. Using this model, increasing the basic would increase SRA's above an acceptable level and place an unreasonable demand on council budgets during this time of austerity. The panel also considered how such changes to allowances may be perceived by both the Council and the wider community.
30. The panel felt those roles attracting an SRA were all still relevant, recognising the time commitment and responsibilities involved. It was also recognised that,

generally, the rates afforded to special responsibility allowances in Middlesbrough were comparatively higher than other Local Authorities but still believed the amounts were not unreasonable, based on the above. Nevertheless, the panel felt that despite this, the levels of Special responsibility Allowances should be reduced as a consequence of increases to the Basic Allowance.

31. A number of options were considered when exploring possible reductions, for example reducing all SRAs by 1/8th and making increases to the basic allowance cost neutral. All options considered, however, were discussed with the intention of spreading the reduction over a four year period.
32. The panel were also sensitive to the fact that a reduction to the SRAs must be seen as restorative and not punitive in nature.
33. The panel were aware that due to the 'multiplier' system any increases to the basic allowance would, by default, increase the levels of SRA accordingly. Consequently, the Panel felt in order to achieve balance between increasing the basic allowance, there should be mitigating action to redress imbalances and to try and ease the potential pressure on the public purse, and agreed there should be a reduction in the levels of SRA afforded. After considering a number of options the panel decided that a 14% reduction should be applied to all SRAs and phased in over a period of 4 years.
34. In recommending reductions to the SRAs the panel recognise this would break the multiplier system and felt that whilst the imbalance is being addressed the Council's current index model should be suspended. The panel also recommended that during this period any future staff pay awards should not be applied to SRAs, including the most recent staff pay award for 2018/19. Year one reductions to SRA's should start take effect from 1 April 2018. The panel were aware that would require careful monitoring as to not create a further imbalance to SRA's and therefore recommended that they review the situation after 2 years.
35. The panel recognise the valued work and commitment provided by all members. By decreasing them by 14% the overall costs to the Council for SRAs will decrease from £287,637 to £247,368. Details of this can be seen at Appendix 2.

Travel & Subsistence

36. A representation was made to abolish in authority travel claims. The Panel considered that the legislation allowed for travel and that it was important not to disenfranchise members. It also recognised that recent changes to the scheme meant that claims made were not excessive and therefore no changes were recommended
37. The Panel considered the rates for mileage that are currently based on the inland revenue national rates i.e. 45p per mile; and subsistence in line with those paid to staff. The Panel recommended no change.
38. The Panel agreed that Co-Opted Members should be allowed to make claims for allowances based on the fact that they are acting voluntarily and that the current

£10 per meeting rate remained reasonable and that no changes should be made.

Dependent Carers Allowance

39. Members can claim an allowance for dependents that they care for (adults or children). This is to allow their attendance at Council meetings. This rate of allowance is currently based on the national living wage and limited to 7 hours per week. The Panel recommended no change

Pensions

40. The 'Scheme of Allowances' sets out which Members of the authority are to be entitled to pensions In accordance with a scheme made under Section 7 of the Superannuation Act 1972.

41. In making that provision an authority may only include someone who has first been recommended by the Independent Panel. The current position is that no members receive a pension. The Panel considered comparative schemes in other authorities; the possible costs and the fact that no representations were made to alter this position, therefore no changes are recommended.

What decision(s) are being asked for?

42. The recommendations of the Panel for 2018 – 2019 are as follows:

- I. Increases to Basic Allowances should be reflective of staff pay awards both for the financial year 2018/19 and going forward.
- II. That the basic rate of allowance for Councillors be increased to match the Teesside average for that payment, namely from £6387 to £8184
- III. That the increase in the basic rate of allowance be introduced over a 4 year period.
- IV. That the rate of Special Responsibility Allowance be decreased by 14% over a four year period.
- V. The multiplier system be suspended for a period of 4 years with a view to reviewing this after 2 years.

Why is this being recommended?

43. To reflect the level of work, time and commitment of the role of Councillor and to provide a reasoned approach to the impact the recommendations will have to the Council.

Other potential decisions and why these have not been recommended

44. Not Applicable

Impact(s) of recommended decision(s)

Legal

45. Not applicable

Financial

46. A budget pressure of approximately £40,000 will be faced by the Council because of the above recommendations of increasing the Basic Allowance (approximate additional £84,000) and reducing the Special Responsibility Allowances (approximate reduction of £40,000).

The Mayor's Vision for Middlesbrough

47. Open and transparent consideration of Members' Remuneration supports all elements of the Mayor's Vision.

Policy Framework

48. The report does not impact on the Council's policy framework.

Wards

49. The report impacts on all wards equally.

Equality and Diversity

50. Not applicable

Risk

51. Not applicable

Actions to be taken to implement the decision(s)

52. The Members and Statutory Services Manager to advise payroll of any changes.

Background papers

53. None.

APPENDIX 1 – Current and Proposed Models for the Basic Allowance

Current Model			Proposal – Increase of £451 per year/ per Councillor			
	Basic Allowance to end of financial year 2017/18	Basic Allowance with 2% increase paid start of financial year 2018/19	<u>Year 1</u> April '18	<u>Year 2</u> April '19	<u>Year 3</u> April '20	<u>Year 4</u> April '21
			Additional £451	Additional £451	Additional £451	Additional £451
Amount	£6,253	£6,378	£6,830	£7,281	£7,733	£8,184
No. Councillors	47	47	47	47	47	47
Council Budget Subtotal	£293,891	£299,769	£320,989	£342,210	£363,430	£384,651
Cumulative +/- to Council Budget	£0	+ £5,878	+ £21,221	+ £42,441	+ £63,662	+ £84,882

APPENDIX 2 - Current and Proposed Models for the Special Responsibility Allowances

SRA	Current Model - SRAs paid to end of financial year 2017/18				Proposal - reduction of 14% on 2017/18 total over 4 years (Panel agreed staff pay awards should not be included in SRAs)				
	Multiplier	MBC Positions	Individual SRA upto end of financial year 2017/18	Total SRA paid upto end of financial year 2017/18	Year 1 April '18 Individual SRA with 3.5% decrease	Year 2 April '19 Individual SRA with 3.5% decrease	Year 3 April '20 Individual SRA with 3.5% decrease	Year 4 April '21 Individual SRA with 3.5% decrease	Total cost SRAs with decrease of 14% on 2017/18 total
Mayor	10	1	£62,530	£62,530	£60,341	£58,153	£55,964	£53,776	£53,776
Deputy Mayor	3	1	£18,759	£18,759	£18,102	£17,446	£16,789	£16,133	£16,133
Executive Members	2	8	£12,506	£100,048	£12,068	£11,631	£11,193	£10,755	£86,041
Chair of Overview & Scrutiny Board	2	1	£12,506	£12,506	£12,068	£11,631	£11,193	£10,755	£10,755
Chair of Licensing Committee	1.5	1	£9,380	£9,380	£9,052	£8,723	£8,395	£8,067	£8,067
Chair of Planning & Development Committee	1.5	1	£9,380	£9,380	£9,052	£8,723	£8,395	£8,067	£8,067
Chair of the Council	1	1	£6,253	£6,253	£6,034	£5,815	£5,596	£5,378	£5,378
Chair of Corporate Affairs and Audit Committee	1	1	£6,253	£6,253	£6,034	£5,815	£5,596	£5,378	£5,378
Chairs of Scrutiny Panels	1	6	£6,253	£37,518	£6,034	£5,815	£5,596	£5,378	£32,265
Chair of Standards Committee	0.5	1	£3,126	£3,126	£3,017	£2,907	£2,798	£2,688	£2,688
Chair of Staff Appeals Committee	0.5	1	£3,126	£3,126	£3,017	£2,907	£2,798	£2,688	£2,688
Chair of Teesside Pension Fund & Investment Panel	0.5	1	£3,126	£3,126	£3,017	£2,907	£2,798	£2,688	£2,688
Majority Group Leader	1.5	1	£9,380	£9,380	£9,052	£8,723	£8,395	£8,067	£8,067
Largest Minority Group Leaders - maximum x 2 providing they have 10% of Council membership (Basic Allowance x 0.5)	0.5	2	£3,126	£6,252	£3,017	£2,907	£2,798	£2,688	£5,377
Council Budget Subtotal				£287,637					£247,368
Cumulative +/- to Council Budget					-£5,800	-£11,599	-£17,399	-£23,199	-£40,269