

Report of the Independent Remuneration Panel on the review of Members' Allowances for Hastings Borough Council – November 2014

1. Introduction

- 1.1 This report has been prepared by the Independent Remuneration Panel, established by the Council in May 2010, in accordance with the provisions of the Local Authorities (Members' Allowances) (England) Regulations 2003 (as amended).
- 1.2 The report sets out the Panel's findings in respect of the annual index for uplifting the Allowances paid to elected Members. Under the Local Authorities (Members' Allowances) (England) Regulations 2003 Regulation 10 (5) the Local Authority must not rely on the annual index that it uses for longer than a period of four years before seeking a further recommendation from the Independent Remuneration Panel.
- 1.3 The report also deals with various other matters in addition to Members' Allowances which are subject to annual or periodic updating.

2. The Independent Remuneration Panel

- 2.1 The Independent Remuneration Panel has the following membership:

Grahame Handley – retired Local Government Chief Executive (Chairman)
John Marsh – Accountant and former Local Authority Director
Deborah Robinson – retired NHS Employee Services Advisor

- 2.2 The regulations require a minimum of three members to constitute an Independent Remuneration Panel.

3. Terms of Reference

- 3.1 The Council have required the Panel to review only the annual updating mechanism, and specifically to:
 - consider the position with other similar local authorities.
 - interview the Leader and Opposition Leader and one other non cabinet member to receive views on the index.
 - draft a report with these findings and associated recommendations.
 - complete the review report by the end of October 2014. (By agreement with the Panel the deadline was extended to end of November 2014).

4. The Principles adopted by the Panel

- 4.1 In the 2004 Independent Remuneration Panel's Report the then Panel adopted the overall objective that the Scheme of Allowances should be "simple, fair and easy to administer"

4.2 The new Panel established in 2010 agreed that this overall objective was still appropriate but that it should amplify that objective by adopting a number of key principles and these were:

- The allowances should take account, as far as possible, of the time commitment given by Members in fulfilling their roles and responsibilities.
- The scheme should ensure, as far as practical, that as wide a range of people as possible should be able to stand for election and that they should not be financially penalised in doing so.
- An element of Members' time in terms of their work as a Councillor should be treated as voluntary, which should not be remunerated.
- The levels of the allowances should not be treated as salary but are an "allowance".
- The assumption that all Members will participate as fully as possible in Council business and play an active part in their wards and that the importance of these two roles should be reflected in the level of the Basic Allowance.
- The Special Responsibility Allowance payments should be banded to reflect both the time commitment and the workload of the identified special responsibilities.
- Members should be recompensed for specific costs and expenses incurred in carrying out their duties.
- The scheme should recognise the complex and often balanced political control of the Council, which has been subject to relatively frequent change given the two-yearly electoral cycle adopted by the Council.
- The scheme should anticipate a number of possible structures which might be adopted by the Council and which would avoid the necessity for comprehensive reviews on a very regular basis.
- The reviewed scheme should take account of payments included in the current scheme and any changes which might be recommended should be balanced with the interests of Council Tax payers in the Borough.

4.3 The background to the current review is one of continuing extreme financial difficulty for all Local Authorities, including Hastings Borough Council. Based on what is known at present, all Local Authorities will be facing further cuts for the next financial year (2015-2016) and a sustained period of reduced financial resources for the foreseeable future. This factor has been taken into account by the Panel.

4.4 In advance of the publication of the next Comprehensive Spending Review by Government the detailed consequences for Local Government are not known. Moreover, only when details of the Grant Settlements for future years are fixed, will the specific impact of public expenditure restraint on Hastings Borough Council be known.

5. The Panel's Work

5.1 The Panel have considered a range of background information which has included:

- 1 Information from the other Local Authorities in East Sussex
- 2 Information on a sample of Local Authorities in the South East
- 3 Its own professional judgement as to what is appropriate and which will minimise the cost of reviewing Members Allowances in future.

5.2 The Panel have established that the other Local Authorities in East Sussex have the following annual review mechanisms in place.

East Sussex County Council – annually in line with the percentage increase in the salaries of managers who are on locally negotiated pay.

Eastbourne BC – all allowances in the scheme, with the exception of travel allowances, shall be updated annually in line with the Retail Price Index (the annual percentage rate as published for the preceding February on 1 April).

Lewes DC – annually in line with the increase awarded to staff

Rother DC – reviewed annually by the IRP.

Wealden DC – reviewed annually by the IRP.

5.3 From the sample survey of 36 Local Authorities in the South East based on the position reported to Council or other information on the Council's website the following summarises the position:

20 Councils link the index to staff pay, the great majority to the National Joint Council (NJC) rate or in a very small number of instances local pay. All seem to have implemented 1% in the current year in line with the NJC settlement.

3 Councils use RPI

13 Councils have no formal updating mechanism

From the above sample nearly 2/3 have an annual updating mechanism and of those that use an annual updating index over 80% use staff pay linked directly, and in the odd case indirectly, to the National Joint Council (NJC) salary increase.

5.4 From the above information it is clear that the mechanisms used by the other Councils in East Sussex, are not typical, if the wider sample is more representative of the approach adopted by the majority of Local Authorities which the Panel believes is the case.

5.5 From the sample of Local Authorities in the South East there is clearly a very limited number using either the retail Price Index or the Consumer Price Index. The Panel cannot see that this mechanism has any special logic which would suggest that the Panel should recommend it be adopted by Hastings BC.

5.6 From the sample of Local Authorities, including all the Councils in East Sussex, clearly a significant number of Local Authorities have no formal mechanism for updating allowances and this either results in allowances being frozen or the Independent Remuneration Panel being required to meet each year and devise an appropriate change on a year by year basis.

5.7 If this approach were to be adopted by the Council then it would have less certainty about the outcome each year, which would not help longer term budget planning and secondly incurs costs each year associated with the operation of the Panel. For these reasons the Panel does not recommend it be adopted by the Council.

5.8 Hastings BC currently update Member Allowances in line with the National award for staff salaries as recommended by the National Joint Council (NJC) which is in

accord with the majority of Local Authorities which use an annual updating mechanism.

5.9 The Panel have also held interviews with:

Leader of the Council – Councillor Jeremy Birch
Leader of the Opposition Group – Councillor Matthew Lock
Non Cabinet Member – Councillor Richard Street

and the following officers:

Director of Corporate Resources – Neil Dart
Head of Corporate Resources – Jane Hartnell

5.10 Both Members and Officers favoured a formal updating mechanism rather than devising something each year through an assessment by the Panel. Also, Members thought it most appropriate that Allowances were linked to the annual change in officers' salaries as recommended by the NJC and did not believe any other mechanism, such as the RPI or CPI had the same degree of logic.

5.11 The Panel's conclusion is that there should be an annual updating mechanism and this should be linked to the uplift in officers' salaries for the period 2015-2016 to 2018-2019.

6. Annual Review Mechanism (Index)

6.1 It was necessary for the Panel in 2010 to select a mechanism for determining the annual adjustment to the Members' Allowances. The Panel believed that the most appropriate mechanism should be the annual adjustment to Local Government Officers' salaries as determined by the National Joint Council.

6.2 The Panel in 2010 recognised the then difficult budget position of the Council and envisaged that there would be no adjustments to the Members' Allowance Scheme for 2011-2012 and 2012-13. The following annual adjustments to the adopted Members Allowance Scheme were applied in

2011-12	0%
2012-13	0%
2013-14	0%
2014-15	1%

6.3 The Panel see no reason to recommend any other annual adjustment mechanism as more appropriate than the annual adjustment to Local Government Officers' salaries as determined by the National Joint Council. Therefore, the Panel recommend that this should continue to be the mechanism for the annual index to be applied to Members' Allowances, accepting that this has meant that there has been no increase in Members Allowances for some years in the past and could be the case in the future.

7. Other Allowances

7.1 The Panel in 2010 made recommendations in relation to:

Travelling and Subsistence Allowances
Dependants` Carers` and Child Care Allowances

- 7.2 In respect of Travelling Allowances, the Panel in 2010, recommended that the HM Revenue and Customs specified mileage rates for cars and motor cycles to be paid and at the time any revisions were made by HM Revenue and Customs these be revised in accordance with any changes in the HM Revenue and Customs rates.
- 7.3 The Panel reaffirms that this should continue to be the mechanism for uplifting Travelling Expenses.
- 7.4 In respect of Subsistence Allowances, the Panel in 2010 recommended that these should be paid up to the maximum rates, as set out for NJC officers and these be revised in accordance with any changes to these rates.
- 7.5 The Panel reaffirms that this should continue to be the mechanism for uplifting Subsistence Allowances.
- 7.6 In respect of the Dependants` Carers` and Child Care Allowances, the Panel recommended that these should be based on the actual costs incurred while undertaking an approved duty up to the maximum Statutory Minimum Wage hourly rate, including up to one hour in total travelling to and from the place at which the approved duty takes place, subject to an upper limit of £600 per Member per year.
- 7.7 Hasting BC has made a major commitment to the Living Wage over the period since the Panel reported last in 2010. It seems appropriate to the Panel that the Dependants` Carers` and Child Care Allowances rate should be linked to this rather than the Statutory Minimum Wage. The Panel also considered the upper limit of £600. Although there has been very limited take up of this since 2010 no elected Member or potential Member should be restricted in carrying out their duties and it seems unreasonable to limit any call on this Allowance by an individual Member. In the situation that a Member called on this allowance twice per month then it is likely that the upper limit as currently set would be breached. In such a situation it would be inappropriate to restrict the ability of an elected Member to carry out his or her duties by such an upper limit and therefore the Panel recommend that the upper limit be removed.
- 7.8 The Panel therefore recommend that the Dependants` Carers` and Child Care Allowances should be based on the actual costs incurred while undertaking an approved duty up to the Living Wage hourly rate, including up to one hour maximum in total travelling to and from the place at which the approved duty takes place and there should be no upper limit.

8 Recommendations

- 8.1 Within the overall framework, as recommended by the Panel and adopted by the Council in 2010, the Panel now make the following specific recommendations in relation to the annual uplifting for the next four years.
1. The Panel RECOMMEND that the annual adjustment of the Members` Allowances should continue to be the same as the annual adjustment to the Officers` salaries as determined by the National Joint Council (NJC) Scheme.

2 The Panel RECOMMEND that in respect of travelling the HM Revenue and Customs specified mileage rates for cars and motor cycles be paid and that at the time any revisions are made by HM Revenue and Customs then the revised rates be implemented.

3 The Panel RECOMMEND that the Subsistence Allowances should be paid up to the maximum rates as set out for NJC Officers and that these be revised in future in accordance with any changes to these rates.

4 The Panel RECOMMEND that the Dependants` Carers` and Child Care Allowances be based on the actual cost incurred whilst undertaking an approved duty up to the Living Wage hourly rate and that this continue to be the basis for the adjustment mechanism with no upper limit to the amount payable to any individual Member for each year.

Grahame Handley
John Marsh
Deborah Robinson

November 2014