

Review of Financial Support for County Councillors

**Report of the Independent Remuneration Panel
Commissioned by Worcestershire County Council**

April 2007

Section One

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Section Two

Membership of the Panel

2.1 The Independent Remuneration Panel comprises the following Members:-

Professor Michael Clarke	Vice-Principal and Pro Vice-Chancellor – University of Birmingham (Chairman)
Jacqui Cravos	Former Chairman – Worcestershire Health Authority
Christine Jones	Chief Executive – Herefordshire and Worcestershire Chamber of Commerce (until 31 March 2007)
Richard Quallington	Chief Executive – Community First

2.2 Administrative support was provided by John Jordan, Democratic Services Manager, Corporate Services Directorate.

Section Three

Introduction

- 3.1 Our last report was considered by the Council in May 2006. This report concentrated predominantly on issues which had been raised by the Council as part of its consideration of earlier reports we had produced.
- 3.2 Our May 2006 report brought forward recommendations on the following issues:-
- Payment of a Special Responsibility Allowance to the Vice-Chairman of the Council;
 - The basis on which Special Responsibility Allowances currently payable to party group leaders were calculated;
 - Whether a Special Responsibility Allowance should be payable to all party group leaders regardless of group size;
 - Admission of Councillors into the Local Government Pension Scheme; and
 - Transparency and Tax Efficiency of the current Allowances Scheme.
- 3.3 Whilst accepting our recommendations the Council did ask that we further review a number of our conclusions. We have always been keen to keep all our conclusions under review as we recognise that changes both locally and nationally frequently impact on the role and responsibilities of Councillors.
- 3.4 We have therefore welcomed the opportunity to undertake this further work.
- 3.5 We have met on two further occasions and have sought the advice of the Council's Financial and Pensions Experts. Additionally, we have also given the Chief Executive and party group leaders the opportunity to bring forward any matters to our attention.
- 3.6 As a result, two relatively minor queries were raised and responses have been provided to the Members concerned.

Section Four

Issues Being Considered

- **Admission of Councillors into the Local Government Pension Scheme (LGPS).**

4.1 In considering our recommendations in May 2006 that Councillors not be admitted into the Local Government Pension Scheme (LGPS), the Council expressed some concern that future recruitment and retention of dedicated members would be made more difficult. It was suggested that this could be revisited by the Panel in future as suggested in Paragraph 5.1 of our report. There was general agreement from the Council that the matter should be considered at the next Annual Meeting of the Council in the light of the anticipated White Paper.

4.2 In making our previous recommendations there have been a number issues influenced our thoughts.

- For the first time there appeared to be a clear desire on the part of the majority of respondents to a member questionnaire to consider admission to the LGPS;
- There was work going on nationally on the issue of Pensions for Councillors and detailed consideration should be given to the issue in the light of this work;
- We have undertaken research and have had the benefit of detailed advice from the Council's Pensions expert. It is clear from this research that for the majority of members, admission to the LGPS is likely to be of minimal financial value;
- We have been aware that the Local Government White Paper may also bring forward proposals which may impact on the role of councillors;
- We are conscious that Local Government Pension issues generally were attracting a high profile due to changes being contemplated to the LGPS;
- Our over-riding concern, however, has been that any recommendation to admit councillors into the LGPS would, alongside the levels of allowances already payable be seen as a further (and possibly final) erosion of the voluntary principle which underpins Local Authority Membership. Additionally such a recommendation may be seen as divisive and may further confuse the distinctive roles of officers and members.

4.3 In undertaking our latest work we have revisited our previous considerations. Many of them are still relevant.

4.4 The advice provided to us continues to show that admission to the LGPS is likely to be of minimal financial value to Individual Councillors. In this report we have included examples to support our view. Clearly, however, this is only one factor. The other factor which needs to be considered is the overall cost of admission to

the Council. Our illustrations also therefore include the cost to the Council via the employer's contribution which are not insignificant.

- 4.5 Eligibility is also a factor to be borne in mind. The age profile of Councillors has changed since the 2005 elections but even now 23% of Councillors would be prevented from joining the LGPS as they are over 70 years of age. A further 11% are aged between 65 and 70.
- 4.6 As an illustration the following calculations show the benefit which existing eligible Councillors would receive based on four years council membership for the period 1 April 2005 to 31 March 2009.

Band	Basic All £	SRA £	Career Av Pay £	Cllr Cont. @ 6% P A £	Employer's cont. @ 9.9% P A £	Annual Pension £	Retirement Grant £
	8,397		8,397	504	831	420	1,260
1	8,397	28,928	37,325	2,240	3,695	1,866	5,599
2	8,397	15,360	23,757	1,425	2,352	1,188	3,564
3	8,397	9,062	17,459	1,048	1,728	873	2,619
4	8,397	5,427	13,824	829	1,369	691	2,074

- 4.7 Although the illustration shows that the financial benefits to individual Councillors are limited, the cumulative impact on the Council would not be insignificant. As a further illustration, if 25 Councillors were to take up membership, the employer's contribution based on an estimated rate of 9.9% in respect of the Basic Allowances alone would be in the region of £21,000 per annum for the four year period.
- 4.8 A further factor which needs to be borne in mind is that admission to the LGPS would require a 6% contribution from Councillors from the allowances they already receive. The option already exists for members to make such a contribution to a private pension scheme if they so desire.
- 4.9 We note that the level of allowances payable to Councillors in Worcestershire now compare very favourably with those payable by its nearest neighbours. We understand the Council's desire to keep expenditure at a moderate level and to date, no view has been put to us that there should be a switch from allowances to pensions.
- 4.10 We have consistently advocated that we consider that admission to the scheme would be a further erosion of the voluntary principle and may further confuse the distinctive roles of officers and members. We still see this as being a key factor in our consideration. Admission to the LGPS alongside the level of allowances currently payable to Councillors may be seen as a further step towards the creation of 'salaried councillors'. Whilst the voluntary principle remains appropriate, and we have no evidence to suggest that the Council now considers this not to be, we believe that any decision to admit Councillors into the LGPS must be considered in this context.
- 4.11 Changes in legislation allowing admission into the LGPS have been in place for a number of years now. However, practice across councils is mixed and, unlike allowances themselves, very little comparative data is available. Certainly there is

extremely limited data available at this point to enable us to explore any impact admission to the LGPS may have on the retention and recruitment of Councillors.

4.12 In advance of its arrival, there was speculation that the Local Government White Paper was going to have a significant impact on the future roles and responsibilities of Councillors. We were mindful of this when we last considered the matter. The White Paper has now been published and whilst there are undoubtedly implications for the Council, the impact on the future role and responsibilities of Councillors is relatively limited.

4.13 That is not to say that we should not continue to have regard to all work taking place in this area. We are aware that nationally there is a concern about the decreasing number of people willing to stand for election to public office. A national commission has been established to look at the role of the Councillor and what can be done to encourage people to stand and the support required once elected. Part of this work will undoubtedly include an investigation of the impact of allowances (and indeed pensions). We are aware that the Council has already responded to an initial consultation and we would urge that every opportunity be taken by the Council to continue to contribute to that debate.

4.14 As a Panel we too will wish to remain informed of the work of the Commission as the outcomes of this research are likely to help inform future allowances decisions.

4.15 The Council is half way through its life. We continue to believe that any change should be timed to coincide with the start of a new Council.

4.16 Having regard to all the information currently available to us we are still unable to recommend the admission of Councillors into the Local Government Pension Scheme at this point. However, we shall continue to research the matter in order that we are able to bring forward any appropriate recommendations in time for the life of the next Council in May 2009.

- **Transparency and Efficiency of the Current Scheme**

4.17 We are aware that some concern was expressed by the Council in May 2006 about the transparency and tax efficiency of the Allowances Scheme and as a consequence we were asked to again look at the matter.

4.18 At the same time further detailed advice was issued to Councillors in June 2006 which clarified the present position.

4.19 As requested, we have re-visited the matter. Further advice has been sought from the Council's Financial Services Directorate. Based on these discussions we have concluded that the Scheme remains both transparent and efficient.

4.20 We have sought to understand the concerns raised by Councillors. A scheme must, however, be as fair as possible for the majority. We believe that the current scheme reflects this. However, in developing an allowances scheme it is not possible to take all individual circumstances into account.

- **Annual Up-lift**

- 4.21 As the Council will be aware the level of allowances payable to Councillors is uplifted annually in line with the Retail Price Index.
- 4.22 Recent comparisons reveal that the level of allowances have risen at least in line with (and in some cases in excess of) those payable by other authorities and are now at the higher end, particularly when compared with the Council's nearest neighbours. We continue to believe that annual uplifts are an important factor in ensuring that levels payable remain comparable.
- 4.23 On 1 April 2007 the Retail Price Index was 4.8% and based on our previous recommendations, the Basic and Special Responsibility Allowances are scheduled to be uplifted by this rate with effect from 1 April 2007. We are aware that such an uplift would increase the Council's allowances budget by £35,280
- 4.24 Having previously taken the decision to bring Allowances into line with other County authorities, annual uplifts are necessary to ensure that the level of allowances payable remain comparable. However, we are mindful of the council's current budgetary situation and would not be surprised if the Council choose to limit the level of uplift for 2007/08.

- **Councillor Development and Review**

- 4.25 As part of our previous considerations we have consistently recommended that the Council give serious thought to putting arrangements in place for Councillor Development and Review.
- 4.26 We continue to believe that such arrangements are a key factor in respect of the Recruitment and Selection of Councillors and succession planning within the Council.
- 4.27 As part of our work to consider arrangements being put in place for the 2009 elections we will wish to discuss with Group Leaders progress being made in this area.

- **Future Membership of the Panel**

- 4.28 We are mindful that as a Panel we have existed for a number of years now. We brought our first report to the Council in 2000 and since that time there has only been minimal changes to our membership.
- 4.29 Whilst we continue to enjoy the work we undertake for the Council we are aware that it is good practice to periodically review our membership. We are mindful of the necessary balance between continuity and change but feel that some thought should now be given to the issue.

Section Five

Recommendations

- 5.1 In summary, we recommend that:-
- (a) Councillors not be permitted to join the Local Government Pension Scheme at this stage but that we continue to research the matter in order that we may bring forward appropriate recommendations in the context of a wider consideration of allowances more generally in time for the life of the next Council in May 2009;
 - (b) as part of our further work set out in paragraph (a) above, we explore with Group Leaders the progress being made in respect of the arrangements being put in place in respect of Councillor Development and Review;
 - (c) having revisited the transparency and efficiency of the current allowances scheme, no further action be taken at this stage but that the matter be revisited as necessary in the context of any decisions taken as part of any wider review of allowances set out in paras (a) and (b) above
 - (d) the Council confirms the extent to which it wishes to uplift the allowances payable from 1 April 2007;
 - (e) the Council considers the arrangements it wishes to put in place to review the future membership of this Panel.