

The Remuneration of Councillors in London 2010

Report of the Independent Panel



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Report of the independent panel

Introduction

The Local Authorities (Members' Allowances) (England) Regulations 2003 authorises the establishment by the Association of London Government (now London Councils) of an Independent Remuneration Panel to make recommendations in respect of the members' allowances payable by London boroughs. Such a panel was established and reported in 2001, 2003 and 2006. It has been re-constituted and now comprises Sir Rodney Brooke CBE (Chair), Professor Drew Stevenson and Anne Watts CBE.

The regulations require a review of the scheme every four years as a minimum. The current panel has therefore completed a review of remuneration for councillors in London. We present our findings and recommendations here.

As a preparation for our work, we issued a questionnaire to all the London boroughs, exploring views about the operation of the current scheme and the ways in which members engage with their communities. We are grateful for the feedback, which confirms that the existing London scheme of members' allowances is still fit for purpose, with some adjustments to take into account changed circumstances. We make recommendations accordingly.

Public expectations

The feedback also confirms national research which demonstrates that the demands made of councillors continue to increase, as does the time commitment expected from them. There is more partnership working. Elected members must find different ways of engaging with communities they represent. Emails have greatly increased not only the accessibility of councillors, but also the pressures upon them. A more demanding electorate expects immediate responses from its councillors. Unsurprisingly, political parties report that it is increasingly difficult to find able people who are available and willing to serve as councillors.

As the government-appointed Councillors Commission observed in 2007, following the report of Sir Michael Lyons: "There is a strong view that councillors generally are poorly rewarded for the work that they do". The commission took the view (which we share) that: "Allowances should be set at a level that enables people to undertake the role of councillor while not acting as an incentive to do so. Allowances are not shown by polls to be something which influences councillors to take on the role though they are instrumental in making it possible for some people to do so. If it is important that there are no financial incentives to being a councillor, it is equally important that there should not be a financial disincentive." Members' allowances are important in enabling a wider body of people to serve as councillors.

We are emphatic that the quality of local democracy depends on the ability of councils to attract able people to serve as councillors. High performing councils have high performing members. While financial reward is not and should not be the main motivation for service as a councillor, the time demands made on councillors require the payment of reasonable remuneration if able or capable or talented people are enabled to serve as councillors. Having that in mind, we very much hope that London Councils will again endorse our recommendations.

The current political and financial climate

However, we are acutely conscious of the present strains on public funds. Though the work of councillors constantly expands, we recognise that this is not the time to recommend an increase in allowances. Other than continuing provision for annual adjustments in accordance with the annual local government pay settlement, we therefore make no recommendations for increasing the levels of allowance recommended in our previous reports. As the Councillors Commission pointed out, the recommendations of the London panel have led to substantial convergence of members' allowances across

London (the Councillors Commission recommended a similar system for the country as a whole.) Following our recommendations, there is now considerable congruity in the basic allowance made by London boroughs. But most London authorities have not adopted our recommendations in their totality. While acknowledging the current financial stringency, we hope that circumstances will permit further convergence. We continue to believe that the allowances we recommend are entirely appropriate and commensurate with the substantial responsibilities borne by those who serve local government across the capital.

The problems or vagaries (some are issues within the system itself) of parliamentary expenses have caused anger and concern among the public, together with scepticism of the integrity of their elected representatives. However, we should like to put on record that the expenses code contained in our recommendations does not permit any of the problems which have bedevilled parliament. The relatively rare problems of members' expenses encountered in local government are not due to problems within the system.

We are conscious that there is a disappointing lack of public understanding of the role of councillors, of their work and of their fundamental part in the governance of a democratic society. We believe that some of the responsibility for this failure rests with the councils and councillors themselves. The government white paper *Communities in Control* (2008) recognises councils' position as the hub of local democracy and encourages a range of actions, including better information for residents, engaging young people and giving practical support to councillors as part of the new duty to promote democracy. London Councils' *Be a Councillor* campaign, which has now been adopted nationally, has helped attract a broader range of candidates for the London elections in May 2010.

Transparency and accountability

The electorate should be clear what it can expect from its councillors. There should be clarity about their role. Not all councils have adopted a job description for councillors (as proposed in our 2006 report and repeated at appendix B of this report) and we again urge all councils to do so. As we recommended in 2006,

such a job description should be used as the basis for reporting by members on their activities on behalf of their electorate. Electors could then see from the reports of the councillors themselves the services which their councillors have provided to them and the efforts made on their behalf. Our 2006 report included examples of such reports, now widely used and, indeed, mandatory in a number of authorities.

A number of authorities have set up appraisal systems for councillors. We commend this initiative and believe that it should be widely adopted.

Most councillors are diligent and conscientious. However the only statutory requirement on a councillor is to attend a meeting every six months. Where members are unable, without reasonable cause, adequately to discharge their duties as a councillor, we recommend that they should not claim the basic allowance. In most cases the political parties will be able to take action in respect of councillors who are substantially failing in their duties. We believe that councillors should be regularly appraised against the job description we recommend. The electorate should recognise failure to perform if councillors do not make a public report of their activities as we recommend. But we believe that the current legislative requirement which requires a councillor to attend only one meeting every six months should be tightened, ideally by general legislation or, failing that, by the next London Government Bill.

New executive arrangements

Under the Local Government and Public Health Act 2007, the 'strong leader' system is to be introduced. Under the terms of the act, in local authorities that have not opted for the elected mayor, a councillor is elected as leader for a four-year term following the whole council elections (though the council is able to remove the incumbent). The leader appoints the cabinet and deputy leader and decides how executive functions are discharged. We have considered whether the introduction of the new system warrants an increase in band four, the band allocated to the role of leader, comparing the role with that of elected mayor. However we believe that there is a clear distinction between

the role of strong leader and that of the elected mayor. The latter is directly elected by the electorate as a whole. The strong leader holds office at the pleasure of the council and can be removed by the council. We believe that the distinction is paramount. We do not believe that the new role warrants an increase in the allowance we recommend under band four, but we will keep the issue under review as the role develops.

Our comments on the points raised

The consultation raised a number of queries which we address below before making our recommendations. We also set out our new recommendations to be set alongside those in the previous reports of the panel.

The use of the panel's scheme

Although a number of councils said that they did not systematically apply the panel's recommendations, it seemed clear they did employ the recommended bands, in most cases within the range recommended, but in some cases modifying the amounts recommended. This seems entirely reasonable given the variation in size and complexity of issues facing different boroughs. There has been an overall convergence of allowances and a substantial convergence on the basic allowance, although the upper limit has not risen in real terms over the past two years.

Payments for directly elected mayors

It was suggested that a local authority directly elected mayor should receive the equivalent of a minister of state's salary (£144,520). However the Mayor of London receives the equivalent sum (£143,911) and (particularly in the present climate) it is difficult to argue that a local authority directly elected mayor should receive the same as the Mayor of London. We have not felt able to accept the proposal.

Special Responsibility Allowances (SRAs) with different levels of commitment

It has been suggested that different portfolios may have different weights of responsibility justifying different allowances. We believe that the range of recommended allowances within bands one, two and three allow recognition of

the different weights of portfolios where this is appropriate. The statutory government guidance recommends that not more than 50 per cent of councillors should receive a special responsibility allowance. In practice this limit is regularly exceeded. Since it was promulgated in 2003, councils have acquired additional functions. New roles have been prescribed for councillors. Councils may wish to structure their organisations in different ways. Councils with a smaller number of members may exceed the limit for logistical reasons. They may wish to exceed the limit in order to provide development posts for newer councillors. While we support the concept that that an SRA should only reflect special responsibilities, we do not believe that the limit should be applied rigidly.

Sickness, maternity and paternity leave

This issue has been raised again with us. We adhere to the recommendation in our 2006 report, namely that councils should make arrangements in their allowances schemes to allow the continuance of special responsibility allowances in the case of sickness, maternity and paternity leave in the same terms that the council's employees enjoy such benefits (that is to say, they follow the same policies).

Membership of a committee or sub-committee which meets with exceptional frequency/membership of an adoption panel

We are clear that the basic allowance is intended to cover the usual duties of councillors, including normal participation in committees and panels. But in order to clarify the recommendation, we recommend that the categories of special responsibility allowance payable under band one include membership of committees, sub-committees and adoption panels where membership requires attendance with exceptional frequency or for exceptionally long periods. It is for the authority to judge whether such duties impose sufficient additional demands on a member as to warrant the payment of a special responsibility allowance.

The Local Authorities (Members' Allowances) (England) Regulations 2003 include among the roles which might warrant a special responsibility allowance: "Acting as a member of

a committee or sub-committee of the authority which meets with exceptional frequency or for exceptionally long periods"; and "Acting as a member of an adoption panel". One authority has asked us to consider such memberships as meriting a special responsibility allowance, since they can impose on participating councillors time demands substantially greater than the time demands made of other councillors.

In respect of quasi-judicial work, recommendation 18 in our 2006 report proposed that where there is a sufficiently heavy workload of quasi-judicial hearings there should be a payment based on the allowances recommended for co-optees as a special quasi-judicial allowance to all members of that panel. We continue to believe that this is an appropriate measure.

Resettlement payments for councillors

In our 2006 report we said that we would recommend that some full-time members should receive resettlement payments if they lost their seats at an election. The Councillors Commission accepted the recommendation. So did the government in its response to the report of the Councillors Commission:

*"Those who become an elected mayor, leader or executive member have a greater time commitment than ordinary councillors. These roles can become full-time positions and form a significant part of their income. We therefore recognise the short-term financial problems they might face if they lose their executive position after an election. This financial uncertainty may discourage talented people from taking on these roles. As such we will seek to introduce legislation which would enable authorities to follow recommendations of their independent panel, and introduce schemes for payments on loss of office after an election."*¹

Though the legislation was introduced, it was subsequently withdrawn. We continue to hope that government will re-visit the issue. We believe that it is important in enabling councillors to forsake their careers in order to assume a leading role on their council.

Payments to members of the standards committee

One council considered there to be a strong case to extend the current panel recommendations on the payment of allowances beyond the chair of standards committee, to all independent members of the committee. They argue that:

- The role of independent members of the standards committee is more extensive than that of co-opted members on other committees. This is both because of the quasi-judicial nature of their new work under the local complaints process, as well as the likelihood of a number of additional meetings they need to attend.
- Because of the above, independent members also need to attend additional training and keep more abreast of advice and developments.
- A flat rate allowance should be considered for all independent members of the standards committee, to replace the currently recommended rate of £240 (updated in line with local government pay increases) per meeting for the chair only.
- A higher allowance for the chair and vice chair should be considered because of the new roles of chairs of the standards (assessment), standards (review) and standards (hearings) sub-committees).

We entirely agree that there should be an annual flat rate both for chair and members of the standards committee. The 2006 panel report related the proposed allowances to the number of anticipated meetings because of the widely varying jurisdiction and practice of standards committees. The intention was and is that there should be an estimate of the number of meetings anticipated, which should be used as a multiplier of the co-optees' allowances proposed (now £256 for the chair and £127 for other members), giving an annual co-optees' allowance. We believe that the co-optees' allowance for the chair of the standards committee of £256 per meeting recommended in the 2006 report (as updated as above) continues to be reasonable. For other members the panel's 2006 report recommended a rate which is now £127 per meeting.

¹ Paragraph 59 *The Government Response to the Councillors Commission* 2008

We appreciate that the jurisdiction of standards committees has been substantially increased since 2006 and that this will have had an effect on the number of meetings. However, there continues to be a substantial difference between authorities in the regularity of standards committee meetings and, on balance, we believe that the present formula continues to be appropriate. Bearing in mind the procedural requirements now imposed on standards committees in considering individual complaints, we are not convinced that there is a general case for an allowance for vice chair greater than the £127 per meeting recommended for the 'ordinary' member.

Tax

The issue of tax has also been raised with us. Specifically there is a request that HM Revenue & Customs (HMRC) should increase the allowance claimable for using home as an office and stop the taxation of child care allowances. The Councillors Commission also recommended that, where a council pays for travelling and subsistence within council boundaries as a lump sum or as an identifiable sum factored into the basic allowance (as is the recommendation of this panel), then the payment should be free from tax and national insurance liability up to a nationally set minimum. Where specific claims for travel are authorised, then the Councillors Commission also recommended that councillors should be able to claim mileage rates up to officer casual user rate with no tax liability.

We entirely concur with these suggestions. We are aware that in different tax areas there are substantial differences in the treatment of councillors' allowances. National consistency based on an understanding of the role of councillors would be enormously helpful. The treatment by HMRC of MPs' expenses is a useful precedent. Experience has not made us optimistic that rationalisation and a sensible approach can be achieved, but it is a matter which could be helpfully pursued at national level by the Local Government Association or at London level by London Councils.

Recommendations

1. We believe that the scheme of allowances that the panel recommended in 2001, updated in line with local government pay awards, is still appropriate. At appendix A we set out the five bands of responsibility with updated figures for the basic allowance and for the five bands.
2. We continue to believe that the roles identified in the 2006 report as attaching to the bands are still, in general terms, appropriate. Consultation has suggested other roles, but most are covered by the 2006 recommendations. We have added to the role descriptions in band one 'community leaders' and 'leaders of a specific major project'. We appreciate that such responsibilities can provide development opportunities for the leaders of the future and are analogous to other responsibilities within band one. We also recommend the inclusion of 'acting as a member of a committee or sub-committee which meets with exceptional frequency or for exceptionally long periods' and 'acting as a member of an adoption panel where membership requires attendance with exceptional frequency or for exceptionally long periods'.
3. With changes in local government structure and organisation, we accept that some cabinet roles may be more demanding than others. Although it may be sensible for many councils to remunerate cabinet members at the same level, we believe that there is sufficient width in band three to permit councils to recognise different levels of responsibility within the cabinet where this is appropriate.
4. In return for the levels of remuneration which we propose, it is important that councillors account publicly for their activities. We believe that:
 - a. role descriptions should be developed for councillors for all their areas of work;
 - b. the role descriptions should be placed on council websites;
 - c. members should report publicly on their activity through a variety of channels as illustrated in the main report; and
 - d. councils should consider the introduction of an appraisal system for members.
5. Councillors who, without reasonable cause, fail to discharge their duties should not claim the basic allowance. We believe that the legislation requiring only an attendance at a council meeting every six months should be tightened.
6. We endorse the recommendations of the 2006 report in relation to the chair and members of the standards committee.
7. We reiterate our view that only one SRA should be paid to a councillor in respect of duties with the same authority.

8. Although councillors are not employees, we believe that it is reasonable that their special responsibility allowances should not cease in case of sickness, maternity and paternity leave in the same way that employees enjoy such entitlements. We continue to recommend that councils should be able to make arrangements in their schemes in appropriate circumstances to enable this to happen.
9. We continue to recommend that the allowances we recommend should be updated annually in accordance with the headline figure in the annual local government pay settlement. We appreciate that Regulation 10(1) of the Local Authorities (Members' Allowances) (England) Regulations 2003 appears to require re-adoption of the scheme at the start of each municipal year. However Regulation 10(4) provides that the scheme will not be deemed amended by virtue only of adjustment of the scheme through indexation. If there is no other change a re-adoption can be achieved by a simple resolution.
10. While we continue to believe that intra-borough travel should be part of the basic allowance, we recognise that there are circumstances where it may be appropriate for a scheme to provide payment for the cost of transport e.g. journeys home after late meetings and for people with disabilities. In the case of dispute, we believe that the standards committee could adjudicate.
11. We strongly believe that there is need for rationalisation in the tax treatment of expenses borne by councillors and recommend that the Local Government Association be asked to pursue that at the national level, or failing that, London Councils attempt to achieve rationalisation on behalf of London.
12. We have consistently recommended that eligible councillors should be eligible for admission to the local government pension scheme and we continue to urge that councils should give their members this opportunity.

Sir Rodney Brooke CBE DL
Professor Drew Stevenson OBE
Anne Watts CBE

London
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Appendix A

Basic allowance £10,597

Special responsibilities – beyond the basic allowance

The case for special allowances

The reasons for payment of additional special responsibility allowances should be clearly set out in local allowances schemes. Special allowances should come into play only in positions where there are significant differences in the time requirements and levels of responsibility from those generally expected of a councillor.

Calculation of special allowances

The proposed amounts for each band are a percentage of the figure suggested for a council leader depending upon levels of responsibility of the roles undertaken and are explained below. We believe that the SRA, which the previous panel recommended for the leader of a London council (updated), continues to be appropriate.

Categories of special allowances

The regulations specify the following categories of responsibility for which special responsibility allowances may be paid:

- Members of the executive where the authority is operating executive arrangements
- Acting as leader or deputy leader of a political group within the authority
- Presiding at meetings of a committee or sub-committee of the authority, or a joint committee of the authority and one or more other authorities, or a sub-committee of such a joint committee
- Representing the authority at meetings of, or arranged by, any other body
- Membership of a committee or sub-committee of the authority which meets with exceptional frequency or for exceptionally long periods
- Acting as spokesperson of a political group on a committee or sub-committee of the authority
- Membership of an adoption panel
- Membership of a licensing or regulatory committee
- Such other activities in relation to the discharge of the authority's functions as require of the member an amount of time and effort equal to or greater than would be required of him by any one of the activities mentioned above, whether or not that activity is specified in the scheme.

Local discretion

It is for the councils locally to decide how to allocate their councillors between the different bands, having regard to our recommendations and how to set the specific remuneration within the band. They must have regard to our recommendations. We believe these should have the merits of being easy to apply, easy to adapt, easy to explain and understand, and easy to administer.

BAND ONE

The posts we envisage falling within band one include:

- Vice chair of a service, regulatory or scrutiny committee
- Chair of sub-committee
- Leader of second or smaller opposition group
- Service spokesperson for first opposition group
- Group secretary (or equivalent) of majority group
- First opposition group whip (in respect of council business)
- Vice chair of council business
- Chairs, vice chairs, area committees and forums or community leaders
- Cabinet assistant
- Leadership of a strategic major topic

Acting as a member of a committee or sub-committee which meets with exceptional frequency or for exceptionally long periods

Acting as a member of an adoption panel where membership requires attendance with exceptional frequency or for exceptionally long periods

Leadership of a specific major project.

Remuneration

We propose that band one special responsibility allowances should be on a sliding scale of between 20 – 30 per cent of the remuneration package for a council leader.

This would be made up as follows:

Basic allowance:	£10,597
Band one allowance:	£2,368 to £8,852
Total:	12,965 to £19,449

BAND TWO

The types of office we contemplate being within band two are:

Lead member in scrutiny arrangements, such as chair of a scrutiny panel

Representative on key outside body

Chair of major regulatory committee e.g. planning

Chair of council business (civic mayor)

Leader of principal opposition group

Majority party chief whip (in respect of council business).

Remuneration

We propose that band two allowances should be on a sliding scale between 40 – 60 per cent, pro rata of the remuneration package for a council leader.

This is made up as follows:

Basic allowance	£10,597
Band two allowances:	£15,333 to £28,298
Total:	£25,930 to £38,895

BAND THREE

We see this band as appropriate to the following posts:

Cabinet member

Chair of the main overview or scrutiny committee

Deputy leader of the council

Remuneration:

We propose that band three allowances should be between 70 – 80 per cent pro rata of the remuneration package for a council leader.

This is made up as follows:

Basic allowance:	£10,597
Band three allowance:	£34,780 to £41,262
Total:	£45,377 to £51,859

BAND FOUR

Leader of cabinet, including a strong leader.

This is a full-time job, involving a high level of responsibility and now includes the exercise of executive responsibilities. It is right that it should be remunerated on a basis which compares with similar positions in the public sector, while still retaining a reflection of the voluntary character of public service. We propose that the remuneration package for a council leader under band four of our scheme should be £64,824.

This is made up as follows:

Basic allowance:	£10,597
Band four allowance:	£54,227
Total:	£64,824

BAND FIVE

Directly elected mayor

A directly elected mayor is a full-time job with a high level of responsibility and exercises executive responsibilities over a fixed electoral cycle. It is right that it should be remunerated on a basis which compares with similar positions in the public sector, while still retaining a reflection of the voluntary character of public service.

However we believe this post remains different to that of the strong leader with cabinet model. The directly elected mayor is directly elected by the electorate as a whole. The strong leader holds office at the pleasure of the council and can be removed by the council. We believe that the distinction is paramount and this should be reflected in the salary level.

We propose that a band five directly elected mayor should receive a remuneration package of 25 per cent higher than that recommended for a council leader and that it should be a salary set at **£81,029**.

Appendix B

On behalf of the community – a job profile for councillors

Purposes:

1. To participate constructively in the good governance of the area.
2. To contribute actively to the formation and scrutiny of the authority's policies, budget, strategies and service delivery.
3. To represent effectively the interests of the ward for which the councillor was elected, and deal with constituents' enquiries and representations.
4. To champion the causes which best relate to the interests and sustainability of the community and campaign for the improvement of the quality of life of the community in terms of equity, economy and environment.
5. To represent the council on an outside body, such as a charitable trust or neighbourhood association.

Key Tasks:

1. To fulfil the statutory and local determined requirements of an elected member of a local authority and the authority itself, including compliance with all relevant codes of conduct, and participation in those decisions and activities reserved to the full council (for example, setting budgets, overall priorities, strategy).
2. To participate effectively as a member of any committee or panel to which the councillor is appointed, including related responsibilities for the services falling within the committee's (or panel's) terms of reference, human resource issues, staff appointments, fees and charges, and liaison with other public bodies to promote better understanding and partnership working.
3. To participate in the activities of an outside body to which the councillor is appointed,

providing two-way communication between the organisations. Also, for the same purpose, to develop and maintain a working knowledge of the authority's policies and practices in relation to that body and of the community's needs and aspirations in respect of that body's role and functions.

4. To participate in the scrutiny or performance review of the services of the authority, including where the authority so decides, the scrutiny of policies and budget, and their effectiveness in achieving the strategic objectives of the authority.
5. To participate, as appointed, in the area and in service-based consultative processes with the community and with other organisations.
6. To represent the authority to the community, and the community to the authority, through the various forums available.
7. To develop and maintain a working knowledge of the authority's services, management arrangements, powers/duties, and constraints, and to develop good working relationships with relevant officers of the authority.
8. To develop and maintain a working knowledge of the organisations, services, activities and other factors which impact upon the community's well-being and identity.
9. To contribute constructively to open government and democratic renewal through active encouragement of the community to participate generally in the government of the area.
10. To participate in the activities of any political group of which the councillor is a member.
11. To undertake necessary training and development programmes as agreed by the authority.
12. To be accountable for his/her actions and to report regularly on them in accessible and transparent ways.

The independent panel members



Sir Rodney Brooke has a long career in local government, including as chief executive of West Yorkshire County Council, Westminster City Council and the Association of Metropolitan Authorities. He was knighted in 2007 for his contribution to public service.



Anne Watts CBE has an extensive career in equality and diversity that spans the private, voluntary and public sectors with organisations including the Open University, the Commission for Equality and Human Rights and Business in the Community. She has chaired the NHS appointments commission for the past three years.



Professor Drew Stevenson OBE is professor of regeneration at the University of East London and has been involved in London local government at a senior level for more than 20 years, including as chief executive of Newham and as policy advisor to the Mayor of London.

