

## **Gedling Borough Council**

### **Remuneration Panel**

**22 September 2014**

## **Report of the cross-party Member Steering Group on progress on Strategic review of Member Allowance Scheme**

### **1. Introduction and Background**

The Panel will recall that the Council resolved in 2012 to carry out a strategic review of the Council's member allowance scheme following completion of the Local Government Boundary Commission for England's (LGBCE) review of the Borough Council's electoral boundaries.

The LGBCE's work is now complete and the Borough Council elected in May 2015 will have 41 members representing 19 wards.

A cross-party working group has been established to carry out the strategic review of the members' allowance scheme. The working group is the same one which has overseen the council's input into the LGBCE boundary review. It includes the Group Leaders of all three parties; the Deputy Leader; and three other members. It has operated with a very high degree of consensus throughout the review process.

The working group has begun work on the strategic review. In doing so, it has had regard to the Panel's expressed view that it would wish to have a role in considering proposals for future remuneration of members put forward but that, to retain its independent role, the Panel did not feel it would be appropriate for it to be involved in the detailed development of such proposals.

The working group is giving full consideration to the principles the Panel urged it to bear in mind when carrying out the review, as set out in the Panel's report to Council of December 2013. It is also considering specific points with regard to Special Responsibility Allowances for the Leader and Deputy Leader of the Council and for Committee Chairs raised by the Panel in its reports and recommendations over the past three years.

### **2. Progress and Options for Basic Allowances**

#### **2.1 – Introduction**

The Working Group has considered a number of options for future Basic Allowances.

It has done this having regard to the 18% reduction in the number of elected members to 41 as a result of the LGBCE review. This is likely to result in an increased casework load for each councillor since they will each be representing a greater number of electors.

However, the Working Group is also fully aware that it is working against the backdrop of continued challenging financial circumstances for local authorities, including for the Borough Council, and of continued financial uncertainty for many residents in spite of the recent economic upturn.

The Panel has revisited the report of the original Gedling Borough Independent Remuneration Panel from 2001 and has confirmed its continued support for the broad principles set out in that report at the time. It has also made reference to the models referred to in that report.

## **2.2 – Current Basic Allowance and future options**

The current Basic Allowance paid to all members is £3,685.68. The current annual budget for basic allowances (assuming full take up by all members) is £184,284.

Against that backdrop, three options for the Basic Allowance from 2015/16 have been developed for the Panel's consideration.

- **Option A – A 1% year on year increase on basic allowances<sup>1</sup> from 2008/09 (the last year in which the allowance was increased)**

This would result in a new basic allowance of £3,951.50 and would represent a 7.2% increase in the basic allowance. The total annual spend on basic allowances would be £162,011.50, based on 41 members claiming the full amount. This would represent a saving on the current budget for basic allowances of £22,272.50 or 12%.

- **Option B - A model based on the principles set out in the 2001 report i.e. based on 15 hours/month paid at the rate of the current white collar average salary**

The issue here is definition of the average “white collar” salary. In 2001, the Panel used a figure of £15/hour which, in retrospect, looks generous as a baseline.

Looking at 2013/14 data, the average administrative salary in Notts is £17,000 pa. This works out at £8.81/hr.<sup>2</sup>, well below the figure used by the Panel in 2001 in cash terms.

If the 2013/14 average salary for an advisor/technician in Notts of £27,000 is used, then the hourly rate works out at £14/hour, also below the 2001 figure in cash terms.

Using the 2013/14 average salary for a manager in the East Midlands<sup>3</sup> of £38,000, the hourly rate works out at £19.69/hour. This is probably the closest comparator of

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<sup>1</sup> Compounded i.e. 1% is calculated of 1% of the year-on-year amount, not 1% every year of the 2008/9 amount

<sup>2</sup> Hourly rates calculated as Salary/52.14 weeks/37 hours in all cases

the three examined to the work of an elected member. Using the 2001 panel's calculations of a monthly payable workload of 15 hours/month, the annual basic allowance would be £3,544.20. This would represent a 4% reduction in the basic allowances, resulting in an annual spend of £145,312, reduced by £38,972. While an increase in allowances may be controversial politically, it is not felt either that a reduction would be expected.

Using the 2001 Panel's figure of £15/hour and applying the following 14 years' inflation rate<sup>4</sup> to that figure, the hourly rate would work out at £22.05/hour. Again calculating an annual allowance on the basis of a 15 hours/month paid workload, this would give a basic allowance of £3,969. This would represent an increase in the Basic Allowance of 7.7% and would result in a total annual spend on basic allowances of £162,729, a saving on the current budget of £21,555 or 11.6%.

- **Option C – An increase reflecting the pay awards for front-line staff since 2008/09**

Pay awards of 1% were made in 2009/10 and 2013/14. There were no awards in the intervening years. Pay negotiations for 2014/15 are still ongoing but it is unlikely that the final award will be less than the current 1% employers offer. The Panel may wish to note that, for the current year at least, employers are offering more for those on the lowest grades but, for the purpose of these calculations, a figure of 1% has been assumed for 2014/15.

On that basis, the new Basic Allowance would be £3,797.34 (a 3.03% rise). To avoid what would be a fairly arbitrary degree of accuracy, this has been rounded up to £3,800.

A Basic Allowance of £3,800 would result in a total annual spend of £155,800, a saving of £28,424 or 15.4%.

### **2.3 - Going Forward**

The Working Group would welcome the independent views of the Panel on the options set out above for future Basic Allowances. Any alternative options the Panel wishes to suggest would also be welcomed.

The Working Group has also given consideration to how and by whom the final decision on future Basic Allowances should be made. While it is felt appropriate for the views and experience of current serving members to inform the decision on future remuneration, it is felt that the final decision on the issue should be made by the newly elected Council. The newly elected Council would be expected to draw on the views of this Panel when making its decision.

For these reasons, the Working Group will propose the status quo for 2015/16 when it considers a schedule of members' allowances for 2015/16, while making clear its

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<sup>3</sup> No figures for Notts for this measure

<sup>4</sup> Source – "This is Money" website inflation calculator

expectation that the newly elected Council may wish to draw upon the deliberations of the Working Group and this Panel when coming to a decision on future remuneration in Summer 2015.

### **3. Special responsibility allowances**

The Working Group has started work on modelling options for Special Responsibility Allowances (SRAs) for the future.

The principle of proportionality in the approach to SRAs as advocated by the Panel over many years is supported, as is the use of ratios reflecting different degrees of responsibility, as originally set out in the 2001 report.

However, the Working Group is mindful of the experience of operating the Executive model since that report, in particular the developing roles of executive members seen during that time.

The 2001 report used the Basic Allowance as the key building block and proposed that SRAs should be based on multiples of the Basic Allowance according to levels of responsibility taken on in various roles. However, initial modelling using those ratios against the potential new levels for Basic Allowance resulted in some potentially perverse outcomes.

The Working Group is therefore exploring further alternatives, drawing on the Nottinghamshire County Council model which firmly retains the principle of proportionality in SRAs, but which uses the SRA paid to the Leader as the building block and bases other SRAs on a proportion of that figure according to different levels of responsibility. This separates the role of Leader and executive members from that of a back-bench member, recognising the very different role that each fulfil under the Executive model. It also allows for a greater degree of flexibility and granularity in SRA levels, reflecting the degree of responsibility assumed. This may be particularly relevant in addressing the Panel's concerns about SRAs for various committee chairs at its last meeting.

As with Basic Allowances, the Working Group believes that the final decision on SRAs should be made by the newly elected Council. Further work on options will be carried out by the Working Group in the New Year, with a view to options being put to the Panel for consideration in Spring/Summer 2015. In the meantime, as with Basic Allowances, the Working Group will propose the status quo for 2015/16 when it considers a schedule of members allowances for 2015/16, while making clear its expectation that the newly elected Council may wish to draw upon the deliberations of the Working Group and this Panel when coming to a decision in Summer 2015.