**HERTSMERE BOROUGH COUNCIL**

**Report of the Independent Review Panel on Members’ Allowances**

**July 2013**

**Introduction**

1.1 The Local Authorities (Members’ Allowances) (England) Regulations 2003 require each local authority to establish an Independent Review Panel to advise the Council on its scheme of members’ allowances, having regard to the Regulations and the Government’s statutory guidance. Before making or amending a scheme the Council must have regard to the advice of the Panel. No payment may be made to Council members otherwise than in accordance with the Council’s Scheme.

1.2 Hertsmere Borough Council was formed on 1 April 1974 by a merger of Bushey Urban District, Potters Bar Urban District, Elstree Rural District and part of Watford Rural District. It has a population of just over 100,000. Its main communities are Elstree, Borehamwood, Bushey, Potters Bar and Radlett. It is one of ten district councils in the County of Hertfordshire, though Hertsmere is a very untypical district. Although its area is predominantly rural, it shares a boundary with the London Boroughs of Enfield, Barnet and Harrow. Its contiguous areas experience some of the characteristics of those London boroughs. Propinquity brings with it metropolitan problems: cost of living pressures and difficulties in staff recruitment and retention. Elstree and Borehamwood are in Zone 6 of the London Transport area.

1.3 The Council’s net budget requirement is £12.5m. Its grant from central Government was reduced in 2011-12 by £1.134m; in 2012-3 by £867k; and in 2013-14 by £612k. These financial settlements have obliged the Council to make substantial reductions in its spending, reductions which it has tackled with vigour. It is a well-run authority and in its latest survey registered public satisfaction of 91%. It has a well-developed member training programme and an informal ‘appraisal’ system for members, who have a comprehensive role description. Through a Board of councillors, it owns and operates one of the famous Elstree Studios, which brings to the Borough not only kudos and employment but also income of well over £1m pa, revenue which has mitigated the severity of the recent financial settlements faced by the authority.

1.4 In accordance with the Regulations, the Council considered the advice of an Independent Review Panel before setting its current scheme of members’ allowances in 2008. Again after seeking the advice of the Independent Review Panel, the scheme was slightly amended in 2012. On 27 February 2013 the Council resolved that the current members’ allowances scheme should continue to be applied at 2012-13 levels pending reconsideration by a new Independent Review Panel. The Council appointed as its new Independent Review Panel the members of the Independent Review Panel for the 32 London boroughs. The Panel consists of Sir Rodney Brooke CBE DL (Chair), Professor Drew Stevenson OBE and Anne Watts CBE.

1.5 In considering the scheme of members’ allowances in Hertsmere, the Panel met Councillors Bright (Leader), Cohen (Portfolio holder for planning, localism and member review), Ms Gilligan (Chairman of the Licensing Committee), Ms Harrison (Leader of the Labour Group) and Ms Swallow (Chairman of the Personnel Committee). We express our gratitude to the members for their time and for their helpful and open responses to our questions. We particularly thank Mr Paul Hughes, the Council’s Democratic Services Manager, for his constant advice and for arranging our visit to the authority. Made available to us were details of the allowances paid to members of other Hertfordshire district authorities, the Hertfordshire County Council and the London Boroughs of Barnet, Enfield and Harrow. Members of the Panel are also aware of members’ allowances paid in other areas. We were also given details of the Council’s revenue budget, the frequency and length of Executive and Committee meetings, the expenses claimed by members for the years 2010-11, 2011-12 and 2012-13, the allocation of functions to portfolio holders, the Council’s role description for councillors and the relevant Council minutes and reports. Though greatly assisted by Mr Hughes and the councillors, the conclusions of the Panel are nevertheless entirely its own.

**Background**

2.1 National research 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. The new localism agenda has had an impact on councillors’ workloads. 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. A councillor can easily spend 80-90 hours a month or more on council responsibilities. It is difficult to combine senior responsibility on a council with a ‘normal’ job. Unsurprisingly, political parties report that it is increasingly difficult to find able people who are available and willing to serve as councillors. There is a general shortage of young people among councillors.

2.2 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.

2.3 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, capable and talented people are enabled to serve as councillors.

2.4 Members’ allowances are by no means commensurate with the responsibilities which they involve and the hours which they require: they are considerably discounted for the public service element of the job. However, while appreciating that the cost of members’ allowances is by no means excessive in relation to the responsibilities of the Council and its members, both the Panel and the Council recognise the severe financial climate affecting local authorities and Hertsmere in particular. Though the current Members’ Allowances Scheme does not over-reward Hertsmere councillors, the Panel had the clear view that an increase in members’ allowances would be unacceptable.

2.5 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. We are anxious that there should be no such problems in members’ expenses in local government.

**Basic Allowance**

3 The basic allowance is linked to the pay award for the Council’s staff. In the last 11 years it has risen by 16%. It has been frozen in its amount for four years and eroded by inflation. It is now £5,385.The basic allowance is not out of line with comparable councils and is far from excessive, given the workload of ‘ordinary’ councillors. We do not recommend any change to the basic allowance.

**Special Responsibility Allowances**

4.1 The former Panel attempted to impose a formulaic approach to special responsibility allowances, ultimately proposing that the Leader of the Council should have an allowance 3.5 times the basic allowance; Executive Members 2 times the basic allowance; the Chairman of the Overview and Performance Committee 1.2 times the basic allowance; the Chairman of the Planning Committee 0.9 times the basic allowance; the Chairman of the Scrutiny Committee 0.6 times the basic allowance; and other chairmen 0.3 times the basic allowance. However, at the time when the former Panel devised these formulae, the Leader and the members of the Executive were already receiving an amount greater than the yield from these multiples. The former Panel therefore proposed that their levels be frozen until ‘normal’ increases in the basic allowance enabled the formulae to be applied. If the differences between the actual amount and the formulaic calculation were not eroded by those ‘normal’ increases by May 2013, then the Panel proposed that the amounts be adjusted to the formulaic amount. In the event, the freezing of the basic allowance has prevented the erosion of the difference. The special responsibility allowance received by the Leader is £22,580; the formulaic amount calculated by the Panel is £18,476. The special responsibility allowance received by the Executive members is £12,924; the formulaic amount calculated by the Panel is £10,588. These amounts have not changed since 2006-7 and have risen by only 3% since 2002-03.

4.2 We understand the desire of the former Panel to impose some logic into the differentials by the introduction of the formulae. But we believe that they introduce an element of undue and artificial rigidity into the system. The special responsibility allowances paid in Hertsmere are substantially lower than the special responsibility allowances paid in the adjacent London boroughs: these are larger authorities and enjoy more extensive functions. We accept that the levels of the special responsibility allowances paid to the Leader and (to a lesser extent) the members of the Executive are rather greater than those paid in comparable authorities in Hertfordshire. However, in Hertsmere the Leader, unusually, holds a portfolio, giving the role a higher workload. On balance we believe that the amounts paid in Hertsmere are justified by the metropolitan pressures on the borough and, specifically, the authority’s unique responsibility for the Elstree Studios. The Board which runs the enterprise consists of councillors and is chaired by the Leader of the Council. Only a nominal payment is made to the councillors for this responsibility. It is fair to say that had they constituted a commercial Board, running a business generating profits of well over £1m pa, then the Directors’ fees would substantially exceed the special responsibility allowances paid by the Council. We believe that these factors justify the special responsibility allowances paid and recommend no change in them at the present time, though we believe that they would benefit from re-examination in more flexible financial times.

**Travel and Subsistence**

5.1 Members of the Executive are not allowed to claim the costs of travel and subsistence in respect of their Executive duties within the borough. With that exception, councillors are allowed to claim the costs of travel and subsistence for their Council duties within the borough, but only a minority do so. Their total claims for in-borough travel and subsistence are not expected to exceed £2,000. Hertsmere is relatively small in area: less than ten miles by seven miles. We have considered the possibility of adding a supplement of £50 to the Basic Allowance to replace the option of claiming for travel and subsistence within the Borough. This would save officer time in checking claims; save member time in preparing them; and eliminate the possibility of mistake or fraud. However, such a change would result in financial loss to those members who do claim and bring undeserved financial advantage to members who do not claim and may live in the immediate proximity of the Council Offices. For that reason we feel unable to recommend this change.

**Data Protection Fee**

5.2 Similarly we believe that the Data Protection Fee of £35 and the special parking permit valued at £15 should also be incorporated in the supplement to the Basic Allowance to reduce complexity and increase transparency.

**Broadband Costs**

5.3 Members are entitled to claim for broadband costs, though fewer than half do so. Recently members have been issued with IPads. With that in mind, we believe that the right to claim broadband costs should be discontinued.

**Structural Changes**

6.1 The way in which the Council conducts its business is a matter for the Council, not for us. However, we were asked to consider whether economies could be made by changes in the structure. The way in which the Council organises its business has a fundamental effect on the cost of Members’ Allowances. The Council has already made economies by, for example, merging three Planning Committees and reducing the number of Overview Committees from three to two. We believe that the Council should consider whether other committees could be merged – specifically the Audit and Standards Committees; and the two Overview Committees. We considered also the possibility of merging Planning with Licensing but, given the workload of the former committee, felt that it would be unreasonable.

6.2 With the sanction of the Electoral Commission, there could be savings from adjustments in the democratic process, eg switching to four-yearly elections; and by a reduction in the number of councillors. We appreciate that these proposals (especially the reduction in the number of councillors) are, if they were accepted, not capable of implementation in the short term.

**Management**

7 Overall we were deeply impressed by the Council’s commitment to member training and management. We encourage development of its systems. Specifically, we believe that the informal appraisal system should be formalised; that the Council should conduct a skills audit of portfolio holders so that their training needs can be identified; and that role descriptions should be prepared for portfolio holders and committee chairmen.

**Accountability**

8 We believe that the role descriptions for councillors could provide a base for regular reporting on their activities to their electors and to the borough. We believe that councillors should see such reports as a way of broadcasting the extensive range of tasks and duties which they undertake on behalf of their electorate We would like them to give an account of the services they have provided to their constituents; what their objectives have been; and their success in achieving them; as well as some record of their general industry.

**Updating**

9. The Members’ Allowances Scheme makes no provision for annual updating of basic, special responsibility, co-optees’ and dependants’ carers’ allowances. Given the freeze on local government pay for the last three years, increases would not have happened. But these highly abnormal conditions should not apply in the future. We believe that the basic, special responsibility, co-optees’ and dependants’ carers’ (children) allowances should be tied to the headline pay increase negotiated through the National Joint Committee for Local Government Employees (or equivalent); the annual updating of dependants’ (other than children) carers’ allowance should be in line with the rate paid by the County Council’s Department of Adult Social Care; and travel and subsistence allowances should be updated annually in accordance with the rates claimable by officers. The indexation is recommended to continue for four years (the maximum period allowed by Regulation 10(5) of the Local Authority (Members’ Allowances) (England) Regulations 2003) or until an earlier review by the Independent Review Panel.

**Implementation**

10.1 We recommend that these proposals be implemented with effect from the 2013 Annual General Meeting of the Council.

**SUMMARY OF RECOMMENDATIONS**

1. **The basic and special responsibility allowances should remain unchanged.**
2. **The system of special responsibility allowances expressed as multiples of the basic allowance should be discontinued.**
3. **The Data Protection Fee of £35 and the special parking permit valued at £15 should be incorporated in supplement to the Basic Allowance.**
4. **The right to claim broadband costs should be discontinued.**
5. **The Council should consider structural changes to improve efficiency and save costs;**
6. **The informal appraisal system should be formalised; the Council should conduct a skills audit of portfolio holders so that their training needs can be identified; and role descriptions should be prepared for portfolio holders and committee chairmen.**
7. **Members should report regularly to their constituents on their activities.**
8. **For four years the basic, special responsibility, co-optees’ and dependants’ carers’ (children) allowances should be updated annually in accordance with the headline pay increase negotiated through the National Joint Committee for Local Government Employees (or equivalent); the dependants’ (other than children) carers’ allowance should be updated annually in line with the rate paid by the County Council’s Department of Adult Social Care; and travel and subsistence allowances should be updated annually in accordance with the rates claimable by officers. The indexation should continue for four years**

**Rodney Brooke**

**Drew Stevenson**

**Anne Watts**

**July 2013**