# ANNUAL REPORT OF THE INDEPENDENT REMUNERATION PANEL

# 2010-11

# BIRMINGHAM CITY COUNCIL

The Independent Remuneration Panel has met regularly from September 2010 until March 2011.

The Panel would like to thank all those Councillors and Officers for their valuable contributions. In total, 31 oral and written representations were received from Councillors and senior officers.

This year's review was, once again, carried out during the ongoing very difficult economic climate and uncertainty. The Independent Remuneration Panel is very mindful of the fragility of the current economic situation, and the ever increasing pressures on the public purse following this year's comprehensive spending review and budget settlements. It is forecast that the financial pressures will continue across the public sector over the next three years, or so. Elected representatives have to take tough decisions about services and their future delivery with shrinking budgets. The Council will become a smaller organisation in the future and services are being rationalised.

The current economic climate has focussed the public's attention on current levels of senior officer salaries and Councillors' allowances and expenditure across the country. Openness, transparency and accountability must be at the forefront of Councillors' allowances.

Nationally, the picture across Local Authorities in terms of Councillors' allowances remains fairly static.

However, the size of some Council Memberships is under consideration with some Local Authorities already having declared that they are reducing the number of Councillors. Other Local Authorities face uncertainty about their future operating governance model. The 12 largest cities, including Birmingham, will be holding an elected Mayoral Referendum in 2012. The current Localism Bill sets out proposals for a 'shadow' elected Mayor to be in place in 2012 prior to the outcome of elections.

The Localisation Bill could introduce a return to the former Committee system for decision making, which, again, would mean a review of the allowances scheme.

In addition, the Panel has taken account of the Council's review of its devolution model introduced in 2003 together with the consequential impact of Government proposals for future service delivery on the role of the Constituency Chairman.

Times are hard on many local communities and public services. Consequently, as the public purse is continually being adjusted downwards, and given the potential changes to the Council's future governance model, the Panel is recommending that all Councillors' allowances in 2011-12 – Basic and Special Responsibility – remain frozen at current levels.

Finally, in accordance with the decision of the Council's Business Management Committee of 12 March 2010, the Panel has commenced a root and branch review of the current Allowances Scheme. Early views are included in this report. It is intended that the review of Councillors' allowances will resume in the autumn 2011. The Panel will consider the overall size of a future scheme as well as the distribution of Special Responsibility Allowances. A re-examination of the definition and application of the significant additional responsibilities' criteria required for the award of a Special Responsibility Allowance will be an important element of the ongoing review.

**Sandra Cooper**
**Chairman**

March 2011

## RECOMMENDATIONS

1. The current Allowances Scheme remains unchanged over the next 12 to 18 months to allow for the many likely changes arising from Government legislation, such as an elected Mayor, and public sector financial settlements.

2. The cost of Councillors' allowances must be contained within the current envelope of expenditure.

3. The Consumer Price Index (CPI) is not applied to the 2011-12 City Councillors' allowances.

4. The Basic Allowance (BA) remains unchanged at £16,267 for the forthcoming year – 2011-12.

5. The Special Responsibility Allowances (SRA) remain unchanged from their current rates for the forthcoming year – 2011-12 save for those in recommendations 6 and 7 below.

6. A Special Responsibility Allowance is granted to the Deputy Leader of the Majority Group in a Coalition Administration, with the cost contained within the existing budget thereby ensuring no increase to the current level of expenditure.

7. In recognition of the serious situation within Children's Social Care Services, a temporary Special Responsibility Allowance is granted to the Executive Member for Children's Social Care, with the cost contained within the existing budget thereby ensuring no increase to the current level of expenditure.

8. Other allowances available to Councillors should continue to be linked to the Council-wide scheme.

9. The Panel continues its root and branch review of Councillors' allowances in 2011-12 including the overall size of the scheme and the future distribution and levels of Special Responsibility Allowances.

## ALLOWANCES

In determining its recommendations the Panel has worked consistently within the requirements of the Local Government Act 2000 and the accompanying Guidance and Regulations on members' allowances. The principles of the Birmingham Councillors' Allowances Scheme are set out in Appendix 2 to the report. The key factors which the Panel take into account are:-

1. The promotion of a healthy democracy by the removal of financial disadvantage as a barrier to people from a wide range of backgrounds and a wide range of skills standing for election or serving as Councillors.

2. The maintenance of an ethic of voluntary public service and the need to reflect this within the Basic Allowance (BA) paid to all Councillors and the Co-opted allowance paid to non-elected members.

3. Councillors generally should not expect nor receive a full-time salary.

4. The reality that some Councillors will be expected to take on significant additional responsibilities that will require a near full time commitment to the detriment or limitation of other career activities. Special Responsibility Allowances (SRAs) may therefore be paid to those Members of the Council who have significant additional responsibilities over and above generally accepted duties of a Councillor.

### INDICES

When determining Councillors' allowances, the Independent Remuneration Panel has always taken the view that there is a distinction between the roles of elected Members and officers and that this should be reflected in their remuneration. Therefore, the Panel has always recommended that wage rate indicators or comparators should not be related to local authority pay scales or jobs. In 2007-8 the index applied to City Councillors' allowances changed to the Consumer Price Index (CPI).

However, due to the very difficult economic situation, the Panel has recommended over the past two years, and it has been agreed by the Council, to set aside the CPI index, and for all allowances to be frozen at their current levels. Given the continuing very challenging financial circumstances and ever increasing pressures on the public purse, the Panel considers that there is no point in recommending an index for 2011-12. The situation will be kept under regular review.

Therefore, the Panel is **recommending** no indexation thereby freezing all Councillors' allowances – Basic and Special Responsibility - at current rates for the forthcoming year – 2011-12.

## BASIC ALLOWANCE (BA)

The BA paid to Birmingham City Councillors remains the highest in the United Kingdom. It is currently set at £16,267 and based on a weekly time commitment of 26 hours. The BA remunerates all Councillors for their formal governance responsibilities, and not their community representational role. This year's survey of Councillors produced 15 responses with the majority indicating that they felt that the BA is set at the correct level. This was also confirmed by the majority who attended the Panel meetings.

Some responses indicated that the current scheme did not reflect the increase in time commitment required to undertake the role of Councillor. Reasons given included an increase in the number of meetings Councillors are required to attend; the impact of the devolution/localisation initiative; as well as an increase in the amount of casework.

Some Councillors expressed the view that the role was so busy that maintaining a full-time job was very difficult and any opportunities for career promotion had to be put on hold.

Other responses indicated that the current Allowances Scheme reflected fairly and accurately current demands. One or two responses stated that Councillors should receive no remuneration at all!

The Panel is **recommending** that the Basic Allowance remains unchanged at £16,267 for 2011-12.

## SPECIAL RESPONSIBILITY ALLOWANCES (SRAs)

An SRA must reflect the added responsibility of the position. All SRAs are included in the root and branch review.

At the Council's Annual General Meeting in May 2010, two new Councillor positions were introduced into the governance structures:

- Deputy Group Leader (Conservative)
- Executive Member for Children's Social Care.

On 10 September 2010 the Chairman of the Panel wrote to the Chief Executive regarding the two new positions.

With regards to the Deputy Group Leader, the Panel accepts that, in principle, provision exists with the current allowances scheme for an SRA to be awarded.

With regards to the Executive Member, the Panel agreed to consider the supporting evidence for this new role and its responsibilities. Its potential impact on other SRA positions would be taken into account as part of the root and branch review.

Due to increasing constraints on the public purse, SRAs may be adjusted as a consequence of the root and branch review.

During the current review, a number of other roles and their required levels of commitment and responsibility have been drawn to the Panel's attention. These include:

- The current level of SRA for the **Constituency Chairman's** role and responsibilities taking into account that the Chairman has responsibility for Constituency budgets amounting to some £10million. This financial management element of the role has become increasingly important in today's financial climate.

Evidence has indicated that appropriate training for newly appointed Constituency Chairmen is required to address the skills and knowledge to undertake effectively this growing role and increasing front line community responsibilities.

- The **Chairman of an Overview and Scrutiny Committee** has a statutory role within the Council's governance framework. However, the Panel recognises that the responsibilities of the role differs from other decision-making posts awarded an SRA in the current Scheme.

- The **Chairman of a Licensing Sub-Committee** has responsibility for quasi-judicial decision-making involving taxi licensing, licensed premises and so on. A case was put forward for this role to be recognised by an SRA.

The Panel is **recommending** that these will be considered in detail as part of the root and branch review.

In addition, the Panel has again received representations in respect of the roles of **Members of the Planning and Licensing Committees** and **Adoption and Fostering Panels**.

Having given detailed consideration in previous reviews, the Panel remains of the view that the Basic Allowance is set at an appropriate level to allow for a Councillor's membership of all Council Committees. The Panel is therefore **not recommending** additional payments to cover these roles at present. However, these will be reconsidered as part of the wider root and branch review.

## OTHER ALLOWANCES – TRAVEL, CARERS', SUBSISTENCE

The Panel understands that the Council has recently completed a review of all allowances paid to its staff.

On 14 February 2011, the Cabinet agreed that car allowances are to be amended to reflect the HM Revenue and Customs recommended rates.

Therefore the Panel is **recommending** that these allowances available to Councillors should continue to be linked to the relevant Council-wide scheme and adjusted accordingly.

## 'SUPPLEMENTARY SRA'

As part of last year's review the Panel made the following recommendation, which was accepted by the Council:

'Any Councillor who serves on the Board of a non-statutory body and receives a payment for the same, and who, at the same time, is in receipt of an SRA, should forego any payment for the same.'

The Panel had intended that such a 'claw back' measure would rebalance the remuneration already paid for by the taxpayer to those Councillors who receive an SRA in recognition of their Council role involving significant additional time and responsibilities. It had been the original intention of the Panel, when recommending such a measure, that any monies received, as a consequence of such appointments, should be paid back into Council funds and used towards the provision of services for the benefit of the local taxpayer.

## ROOT AND BRANCH REVIEW - PROGRESS

In accordance with the decision of the Council's Business Management Committee of 12 March 2010, the Panel's has commenced a fundamental review of the current Allowances Scheme. The Panel has received a number of suggestions for the shape of a future Scheme.

A basic flat rate allowance must be paid to all Councillors. The current level of Basic Allowance will be included as part of the review.

The Panel is undertaking the review against a very challenging economic situation and increasing pressures on the public purse. However, the Panel does not intend to increase the financial burden to the Council and local tax payer, and any future proposals will be contained within current budgets.

The review will also consider a number of specific roles mentioned in an earlier section of this report. Any future scheme could, for example, see the introduction of a wider range of SRAs allocated to reflect changing roles, responsibilities and commitments.

In addition, early views suggest that a training allowance for Councillors could be introduced within the Scheme to recognise commitment to development.

The Panel certainly concurs that a targeted induction for newly elected Constituency Chairmen should be introduced to address the skills and knowledge required to undertake this growing role and increasing front line responsibilities.

Given the changing landscape of Local Government together with the ongoing financial challenges the review of Councillors' allowances will resume in the autumn 2011. The Panel will be considering the overall size of a future scheme as well as the distribution of Special Responsibility Allowances. A re-examination of the definition and application of the significant additional responsibilities' criteria required for the award of a Special Responsibility Allowance will be an important element of the review.

March 2011

**APPENDIX 1**

## PROPOSED MEMBERS' ALLOWANCE RATES (from 1 April 2011)

| **BASIC ALLOWANCE** (per annum unless otherwise stated) | **£** |
|---|---|
| **Baseline per Day Rate** | **132.93** |
| **Basic Allowance** | **16,267.00** |
| Time Element | 15,552.00 |
| Additional Expenses Element | 715.00 |

| **SPECIAL RESPONSIBILITY ALLOWANCES** (per annum unless otherwise stated) | **£** |
|---|---|
| **Baseline per Week Rate** | **1,075.91** |
| **The Executive (Leader and Cabinet)** | |
| Leader of the Council | 55,947.00 |
| Deputy Leader of the Council | 41,960.00 |
| Cabinet Member | 31,330.00 |
| Executive Member for Children's Social Care | 20,887.00 |
| **Local Executive** | |
| Chairman of a Constituency Committee | 4,196.00 |
| **Overview and Scrutiny Committees** | |
| Chairman of Co-ordinating Overview & Scrutiny Committee | 21,931.00 |
| Chairman of an Overview & Scrutiny Committee | 14,099.00 |
| Chairman of an Overview & Scrutiny Sub Committee | 6,288.00 |
| **Regulatory Committees** | |
| Chairman of the Planning Committee | 16,448.00 |
| Chairman of the Licensing Committee | 14,099.00 |
| Chairman of the Public Protection Committee | 14,099.00 |
| Chairman of the Personnel Appeals Committee | 11,749.00 |
| Chairman of the Audit Committee | 6,288.00 |
| **Opposition Groups** | |
| Leader of the Largest Qualifying Opposition Group * | 14,099.00 |
| Deputy Leader of the Largest Qualifying Opposition Group * | 7,273.00 |
| Lead Opposition Spokesperson ('Shadow' Cabinet Member) | 2,909.00 |
| Leader of Other Qualifying Opposition Group * | 5,874.00 |
| Deputy Leader of Other Qualifying Opposition Group * | 2,350.00 |
| (* A Qualifying Opposition Group is one with a minimum of 6 Councillors) | |
| **Coalition Arrangements** | |
| Deputy Leader of the majority Group in a coalition administration | 3,632.00 |
| Deputy Leader of the minority Group in a coalition administration | 3,632.00 |

| | |
|---|---|
| **Political Group Secretaries** | 2,421.00 |

| **CO-OPTEE ALLOWANCES (per annum)** | **£** |
|---|---|
| Chairman of the Standards Committee | 1000.00 |
| Member of an Overview & Scrutiny Committee | 831.00 |
| Member of the Standards Committee | 557.00 |

| **CARERS`ALLOWANCES** | **£** |
|---|---|
| Independent care - hourly rate of | 5.93 |
| Professional care with supporting documentation - hourly rate of | 7.62 |

**TRAVEL ALLOWANCES AND SUBSISTENCE EXPENSES**

Car, Motorcycle and Bicycle Allowance Rates are set in line with those paid to officers of the authority.

The benchmark rates for Day and Overnight Subsistence Allowances are set in line with those paid to officers of the authority or the inflation factor in the council's budget.

**Car Mileage Rates**

| | |
|---|---|
| First 10,000 business miles in tax year | 40p per mile |
| Each business mile over 10,000 in tax year | 25p per mile |

If car mileage is claimed for travel outside the West Midlands area, the payment will be the lesser of the value of the actual mileage claimed or the peak time standard rail fare.

| | |
|---|---|
| **Motorcycle Mileage Rates** | 24p per mile |
| **Bicycle Mileage Rates** | 20p per mile |

**Other Travel Expenses**

| | |
|---|---|
| Rail Travel (supporting receipt required) | Standard Class Fare |
| Taxi, Tube and Bus Fares, Car Parking, Toll Charges (Supporting receipts if possible) | Actual Cost |

If a travel pass is provided by the Council the recipient must make a contribution of 40% towards the total cost met by the Council. The recipient also forgoes the right to claim for travel allowances or expenses for duties undertaken in the area covered by the pass or to make use of transport services provided directly by the Council (other than the standard Chauffeur Service), unless the relevant travel service is not available, or there are health and safety grounds.

| **Benchmark Day Subsistence** (excluding VAT) | **£** |
|---|---|
| Breakfast | 4.48 |
| Lunch | 6.17 |
| Tea | 2.43 |
| Evening Meal | 7.64 |

| **Benchmark Overnight Subsistence** (excluding VAT) | |
|---|---|
| In London | 97.09 |
| Other locations outside London | 85.13 |

The reasonable cost of meals taken, overnight accommodation and minor associated out-of-pocket expenses will be reimbursed, **subject to the provision of supporting receipts**. The validity of claims made will be judged against where the meal was taken or where the stay occurred, the total time spent on the duty and the relevant benchmark subsistence value.

**Appendix 2**

# Principles for the Councillors' Allowances Scheme

## Background

The Panel felt that there should be a set of principles that can be used as a logical, transparent and robust framework for the City Council's Members Allowances Scheme.

The Panel agreed that the following set of principles should continue to underpin any Scheme adopted by the Council.

## Scheme Objectives

- Promote a healthy democracy by removal of financial disadvantage as a barrier to people from a wide range of backgrounds and with a wide range of skills standing for election or serving as Councillors.

- Reflect and support the operation of the new political arrangements introduced by Councils under the Local Government Act 2000 whilst excluding any payment for solely party political activity.

- Recognise the role that Co-opted Members play in the operation of the Council.

## Basis of Scheme

- Maintain the ethic of voluntary public service and reflect this within the Basic Allowance paid to all Councillors and the Co-opted Allowance paid to non-elected members.

- Councillors generally should not expect nor receive a full-time salary.

- Reflect a reality that some Councillors will be expected to take on significant additional responsibilities that will require a near full time commitment to the detriment or limitation of other career activity.

- All Councillors should have the right to opt to join the Local Government Pension Scheme.

## Better Performance

- Effective support arrangements should be available to assist Councillors in their roles and to maximise the value of the time that Councillors with work and family commitments have available.

- Adequately resourced training and development opportunities should be available to Councillors that would enable them to acquire the skills and knowledge for both their current and future roles.

- The framework to support better performance should involve the publication of Job Descriptions for all roles for which allowances are paid.

- Transparent and audited performance measures should exist that are open to public scrutiny and demonstrate better performance and value for money.

## Methodology

- Recommendations of the Panel should be arrived at following a logical, impartial and transparent process that identifies roles, reasonable expectations on those roles and make use of suitable external indicators or comparators to establish the value of individual allowances.

- Wage rate Indicators or comparators should not be related to local authority pay scales or jobs so as to maintain the distinction between the roles of elected members and officers.

- Job Descriptions that clearly define the roles and responsibilities and key accountabilities for the standard role of a Councillor and for those roles for which a Special Responsibility Allowance is or might be paid should be produced as an essential requirement of any Scheme.

  Other than the annual rate review, no changes to the Scheme should be made until Job Descriptions are available.

- Basic Allowance should reflect the core time less a discount for Voluntary Public Service needed to undertake a generally accepted range of duties expected of all Councillors. It includes a recognition that all Councillors will from time to time take on additional roles that fall outside the scope of significant additional responsibilities.

- Special Responsibility Allowances recognise the level of responsibility, complexity and extent of commitment of a limited number of Councillors who are expected to undertake roles on behalf of the Council that involve **significant** additional time and responsibilities. These will be identifiable over and above the generally accepted range of duties for a Councillor that is reflected in the Basic Allowance.

- Co-opted Allowances should reflect the core time needed to serve on a Committee. It should also recognise that any additional work will be undertaken within the ethic of voluntary public service.

## Expenses

- The Council should meet a standard range of general expenses (such as telephone and home office costs) that Councillors incur directly when undertaking their role. To avoid a proliferation of claim based systems this should be done by the payment of a lump sum on top of the Basic Allowance.

- Councillors and Co-opted Members should be entitled to claim reasonable travel expenses that are necessarily and exclusively incurred in carrying out approved duties.

- Councillors and Co-opted Members should be entitled to claim reasonable subsistence expenses that are necessarily and exclusively incurred in carrying out approved duties outside the Birmingham authority area.

- Councillors should be entitled to claim for reasonable childcare and dependent carer costs that are necessarily and exclusively incurred in carrying out approved duties.

- Claims for expenses should be made on a quarterly basis. Claims outside that time limit should only be paid if there are acceptable and identifiable exceptional circumstances that prevented the claim being submitted.

## Administration and Review

- Robust administrative arrangements should minimise the potential for abuse of the system and remove the possibility of a member receiving allowances from more than one authority for the same duty.

- Appropriate allowances should be withheld where a member is suspended or partially suspended from responsibilities or duties in accordance with Part III of the Local Government Act 2000.

- The Independent Remuneration Panel should undertake an annual review of the principles, assumptions and the appropriateness of the indicators used in drawing up the scheme.

- Allowance rates should be automatically updated annually in line with selected wage indicators for Basic (Time Commitment element), Special Responsibility, Co-opted and Childcare and Dependent Carer Allowances. Comparator rates for Mileage and Day Subsistence Allowances or a local authority inflation factor for Basic Allowance (Additional Expenses element) and Overnight Subsistence Allowances will be increased in line with Officer Rates.

- Backdating of amendments to a Scheme in the relevant year should only take place if the Independent Remuneration Panel has accepted in its recommendations that the changes had already taken place.

- Allowances Scheme and records of payments should be widely published and generally available to the public.

**APPENDIX 3**

# Membership of the Independent Remuneration Panel

An Independent Remuneration Panel for Birmingham was established by the City Council at its meeting on 3 July 2001. The Panel comprises:

- 6 members selected from a public advertisement.
- 1 representative of the Trade Unions.
- Panel Members are appointed for a 3-year term of office.

The Panel is supported by an Independent Advisor.

Current membership is as follows:

**Chairman of the Panel**

Sandra Cooper, Citizen Representative, Stirchley

**Council appointees**

Stephen Shute

1 Vacancy

**Citizen Representatives**

Graham Macro, Sutton Coldfield

Subat Khan, Ward End

Michael Tye, Handsworth

**Trade Union Representative**

1 Vacancy.

March 2011