

WARWICKSHIRE COUNTY COUNCIL REVIEW OF INDEXATION FOR THE MEMBERS' ALLOWANCE SCHEME

REPORT OF THE INDEPENDENT REMUNERATION PANEL

1. BACKGROUND

- 1.1 The Local Government Act 2000 and the Local Authorities (Members' Allowances) (England) Regulations 2003 (as amended), requires all local authorities to review their allowances schemes and to appoint independent remuneration panels to consider and make recommendations on changes to member allowances schemes.
- 1.2 In May 2021, Warwickshire County Council requested that an Independent Review Panel (IRP) be appointed to carry out a review of members allowances. Dr Peter Bebbington, Ms Margo Key and James Morgan were appointed to the Panel and the Panel appointed Mr James Morgan as Chair.
- 1.3 The Panel's report and recommendations was considered at Full Council on 17 May 2022. The Independent Remuneration Panel recommended a rise of circa 6% to the basic members allowance then paid within Warwickshire, leading to a proposed basic allowance of £10,590. Members chose not to take the full recommended amount, instead opting for an uplift to the basic allowance to £10,075 (circa 1.65%).
- 1.4 The Panel had also recommended that allowances be indexed annually at a rate equivalent to the National Joint Council for Local Government Services (NJC) pay award. The approved scheme adopted this proposed model of indexation.
- 1.5 Applying the 2022/23 NJC pay award to members' allowances is not possible in the way envisaged by the Members Allowances Scheme, as the award for 2022/23 was a 'flat rate' of £1,925 for all staff rather than a percentage increase pay award. Therefore, the Panel was tasked with considering what approach should be taken to indexation in 2022/23 and in subsequent years in the event that future pay awards were made as a 'flat rate'.

2. CONTEXT AND ANALYSIS

- 2.1 In carrying out this review, the Panel made the following observations and considerations:-
- 2.1.1 The Panel noted that the 'flat rate' award of £1,925 averages out to around 7% across the NJC pay spine for employees with the 'flat rate' seeing those at the bottom of the spine (the lowest paid) receive a 10.5% increase with those at the top, 4.04%. It was also noted that in Warwickshire County Council, the flat rate £1,925 award equated to an average 6% increase (including 'Hay' grades). The Panel welcomed the ethos behind the structuring of the NJC pay award which gives those on lower incomes a higher percentage increase than those paid at the top of the scale.
- 2.1.2 The Panel reflected on their previous recommendations which had been based on a formula related to the national median wage. The Panel noted that as at 14 February 2023, national median weekly pay had increased to £640, up from £601 in May 2022. The Panel considers that this is somewhat reflective of the rate of inflation and validates the comments that were made in the previous report that allowances need to increase if they are to provide reasonable recompense and keep pace with statistical neighbours. If the formula the Panel used to make its calculations in 2021 was applied to the current national median weekly wage, this would result in a basic allowance of £11,094 which is an increase of 10.11% on the current basic allowance of £10,075. When compared to the structuring of the NJC pay award for 2022/23, this percentage increase does not fall far short of the equivalent percentage increase for the lowest paid (10.5%).
- 2.1.3 The Panel had listened to the debate at Full Council on 17 May 2022 and noted that the economic challenges identified at that time were ongoing. The Panel also noted the comments that were made during the debate that the level of allowances proposed was considered too high. The Panel considered, therefore, that an increase as set out in paragraph 2.1.2 would be considered unpalatable and considered alternatives.
- 2.1.4 During their deliberations, the Panel were conscious that there is not a spinal point pay scale for Members Allowances as is the case for employees and calculations for the basic and special responsibility allowances are formulated based on a variety of factors including the public service principle, level of responsibility and the time it is envisaged individuals are required to spend on fulfilling the roles.
- 2.1.5 The Panel continued to be mindful of the Fair Remuneration Principle, noting that remuneration should not be an incentive for service as a councillor, nor should the lack of remuneration be a barrier. However, the Panel also support the notion that it is important that the basic allowance should

encourage people from a wide range of backgrounds and with a wide range of skills to serve as local councillors and remain of the view that remuneration should be comparable to those of near neighbours.

- 2.1.6 The Panel noted that the Council’s near neighbours had not yet published the recommendations of their Panels in terms of indexation for 2022/23 and there were relatively few examples from other Councils to enable comparisons to be drawn.
- 2.1.7 The Panel understand the definition of Indexation to be “adjusting a price, wage or other value based upon the change in another price or composite indicator of prices/values”¹.
- 2.1.8 Taking these points into account, the Panel recommend that the ethos behind the 2022/23 NJC Award is generally applied to Members Allowances.
- 2.1.9 In drafting this final report and recommendations, the Panel have taken into consideration the feedback and queries of officers.

3. RECOMMENDATIONS

BASIC ALLOWANCE

- 3.1 When the Panel met in 2021/22 their recommendation for the basic allowance was based on a formula that took account of the time spent on council activities together with a reduction for the public service principle (ie the notion that councillors should volunteer a proportion of their time without remuneration).
- 3.2 Applying a similar formula to the NJC flat rate award for 2022/23 would result in an increase on basic allowance of £641.70 (6.3%). This is slightly higher than the average percentage increase in pay for employees of Warwickshire County Council (6%) and the Panel considered that a smaller increase was more appropriate. **An increase of £600 (5.96%) is therefore recommended for the basic allowance.**

NJC Flat rate award for staff	x	Percentage reduction for part-time hours	x	Percentage reduction for public service principle	=	Increase to basic allowance
1925		0.5		0.6667		641.70 (6.3%) 600.00 (5.96%)

	Current - Approved	Proposed % increase	Equivalent to an increase of	Proposed allowance for
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¹ Investopedia (2021) Indexation Explained: Meaning and Examples. Available at: <https://www.investopedia.com/terms/i/indexation.asp>

	May 22- for 21/22		£	2022/23 £
Basic Allowance	10075	5.96	600	10675

3.3 The Panel considered that this should be the primary focus for indexation and influenced their subsequent discussions relating to special responsibility allowances. The basic allowance is paid to all councillors and represents the largest proportion of the budget (circa 72%). The Panel therefore concluded that that no other allowances should receive an increase that equated to more than the flat rate of £600.

SPECIAL RESPONSIBILITY ALLOWANCES

3.4 In recommending Special Responsibility Allowances, the Panel particularly considered comments made during the debate at Full Council on 17 May 2022 relating to the economic challenges facing the nation and the views expressed on the Panel's proposed level of allowances, together with the ethos of the NJC pay award. The Panel were conscious that there is not a spinal pointed pay scale for Members, as is the case for employees, and that some Members receive only one allowance (the basic allowance), whilst others receive an additional special responsibility allowance.

3.5 The Panel also considered that in many instances, Members were unlikely to spend more time on their special responsibilities than they do on the role of Councillor for their division and the factor of 'time spent' influenced the rationale behind the recommendations for special responsibility allowances.

3.6 The Panel concluded that increases to special responsibility allowances should be proportional to the increase to the basic allowance. The recommendations are set out below.

The Executive

3.6.1 Since the Executive accounts for the highest proportion of the allowances budget after the basic allowance, and considering the responsibility and expenditure of time that is required by individuals fulfilling these roles, the Panel **recommend** that these allowances are increased by a percentage equivalent to the maximum allowable under the calculation at paragraph 3.2:

Allowance	Current - Approved May 22- for 21/22	Proposed % increase	Equivalent to an increase of £	Proposed allowance for 2022/23 £	Overall percentage increase when added to basic allowance %
Leader of the Council	25235	2.38	600	25835	3.40
Cabinet Member	11252	5.33	600	11852	5.66
Deputy Leader of the Council	15140	3.96	600	15740	4.76

3.6.2 This recommendation ensures that those receiving the highest allowances overall receive a smaller overall percentage increase than those receiving only the basic allowance, which aligns with the ethos of the NJC pay award.

Committee Chairs and Vice Chairs

3.6.3 The Panel **recommend** that a sliding scale of proportionate increase based on the time the Panel considers is reasonably spent on the role, should apply to these allowances as set out below:

Allowance	Current - Approved May 22- for 21/22	Proposed % increase	Equivalent to an increase of £	Proposed allowance for 2022/23 £	Overall percentage increase when added to basic allowance %
Chair of the Council	6046	6.62	400	6446	6.20
Overview and Scrutiny Committee Chair	6046	6.62	400	6446	6.20
Regulatory Committee Chair	6046	6.62	400	6446	6.20
Audit and Standards Committee Chair	4699	6.38	300	4999	6.09
Pension Fund Investment Sub-Committee Chair	4699	6.38	300	4999	6.09
Chair of Warwickshire Police and Crime Panel (when the Chair is a nominated County Councillor representative on the Panel)	3199	6.25	200	3399	6.03
Vice-Chair of the Council	3025	6.61	200	3225	6.11
Regulatory Committee Vice-chair	3053	6.55	200	3253	6.09
Overview and Scrutiny Committee Vice-Chair	3053	6.55	200	3253	6.09

Leaders and Deputy Leaders of the Opposition Groups

3.6.4 The Panel **recommend** the following increases to allowances, again reflecting views regarding the time spent:

Allowance	Current - Approved May 22- for 21/22	Proposed % increase	Equivalent to an increase of £	Proposed allowance for 2022/23 £	Overall percentage increase when added to basic allowance %
Leader of an Opposition Group	8757	6.00	525	9282	5.97
Deputy Leader of an Opposition Group	5238	6.20%	325	5563	6.04

Adoption and Fostering Panel Members

3.6.5 The Panel considered the importance of these roles in terms of corporate parenting and the pressures on safeguarding from the national context. The Panel also note that these roles are the lowest paid in the allowances scheme

and **recommend**, in the spirit of the NJC pay award, that these allowances receive a relatively high percentage increase (9.38%).

Allowance	Current - Approved May 22- for 21/22	Proposed % increase	Equivalent to an increase of £	Proposed allowance for 2022/23 £	Overall percentage increase when added to basic allowance %
Adoption Panel Member (County Councillor)	1066	9.38	100	1166	6.28
Fostering Panel Member (County Councillor)	1066	9.38	100	1166	6.28

Co-Optee

3.6.6 The Panel recognises the valuable contribution that co-optees make but also that the allowance payable is among the lowest in the scheme and **recommend** that the increase should be similar to that received by Adoption and Fostering Panel Members, albeit that this results in a lower percentage increase (7.92%).

Allowance	Current - Approved May 22- for 21/22	Proposed % increase	Equivalent to an increase of £	Proposed allowance for 2022/23 £
Co-Optee	1263	7.92	100	1363

SPOKESPERSONS POTS

3.7 The Panel notes that the adopted scheme continues to apportion a pot of funding to the Conservative Group Leader (£14,000) and to each Opposition Group Leader (£1,000 per member for the Labour, Liberal Democrat and Green Groups).

3.8 The Panel continue to hold the views previously reported to Council. The Panel views as set out in its previous report are repeated below for clarity:

- a) **The Panel considered the provision in the scheme for the Conservative, Labour and Liberal Democrat Groups to allocate SRAs to members of their group from a pot based on the size of the group (£14,000 for the Conservative Group and £1,000 per member for the Labour and Liberal Democrat Groups).**
- b) **It is noted that the groups have used these ‘pots’ to provide SRAs to their spokespersons on overview and scrutiny committees and also for additional roles identified by the group leaders (eg Cabinet support roles). The Panel also note the value that the group leaders place on this allocation.**
- c) **The Panel consider that the application of these pots has led to there**

being an arbitrary division of the funds. The Panel do not consider that there is clarity, transparency or consistency to the role of group spokesperson, or to the remuneration the role receives. The Panel, therefore, echo the views of its predecessor Panel in 2018 that these pots should be removed from the scheme. Specifically defined roles should be assessed by the Panel as to whether the roles should attract a special responsibility allowance and at what level.

- d) Additionally, the Panel note that the allocation of allowances from the group spokesperson pots increases the number of special responsibility allowances payable under the scheme. This results in Warwickshire having a comparatively higher number of allowances than neighbouring comparator authorities. Legislation does not limit the number of special responsibility allowances, but the Panel do not consider that the position reflects the spirit of the government's guidance on member allowances (paragraphs 56 and 57):

“56. The 1991 Regulations do not limit the number of special responsibility allowances which may be paid, nor do the regulations prohibit the payment of more than one special responsibility allowance to any one member.

57. However, these are important considerations for local authorities. If the majority of members of a council receive a special responsibility allowance the local electorate may rightly question whether this was justified. Local authorities will wish to consider very carefully the additional roles of members and the significance of these roles, both in terms of responsibility and real time commitment before deciding which will warrant the payment of a special responsibility allowance”.

Level of SRAs in neighbouring authorities as percentage of their total council membership

Number of SRAs expressed as a % of Total Councillors			
Authority	Number of Councillors	SRAs	% of Councillors with an SRA
Derbyshire	64	31	48
Gloucestershire	53	26	26
Leicestershire	55	39	39
Oxfordshire	63	34	34
Staffordshire	62	44	44
Worcestershire	57	28	28
Warwickshire	57	43	75

This table details the total number of SRAs available and not necessarily the number of SRAs claimed.

- e) The Panel, therefore, recommend that all group spokesperson pots cease from 17 May 2022.
- f) The Panel believe that removal of the group spokesperson pots will

also partially mitigate against the overall budgetary impact of the increases proposed elsewhere in this report, especially the increase to the Basic Allowance.

- 3.9 However, as the pots have been retained in the scheme, the Panel **recommend** that the pots should remain a fixed allocation to which indexation does not apply.

BACKDATING

- 3.10 The Panel **recommend** that the uplift is backdated to the commencement of the 2022/23 municipal year.

FUTURE INDEXATION

- 3.11 The Panel **recommend** that in the event that future NJC pay awards are made as a flat rate increase (rather than a percentage increase applicable to all salaries), the formula set out at paragraph 3.2 is applied and the proportional allocation as set out in paragraphs 3.4-3.6 above should apply, with no increase applied to Spokesperson Pots.

4. CONCLUSION

- 4.1 The Panel continue to recognise the commitment that all councillors make to public service upon their election and note that whilst it can be a tremendously rewarding role, those who step up to serve should not be out of pocket for the expenses they incur in conducting council business and that they should also be reasonably remunerated for their time.
- 4.2 The Panel also recognise that the allowance scheme is a matter for the Council to decide upon, having regard to this report. This underlines the democratic and transparent nature of the process. The Panel's report provides an independent perspective on the issue of indexation which the councillors themselves must debate, accept, amend or reject.

James Morgan (Panel Chair)
Peter Bebbington
Margo Key