

**A Review of Members' Allowances and Expenses for  
Isle of Wight Council**

**Fifth report of the Independent Remuneration Panel**

**August 2006**

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## FOREWORD

This is the fifth Report of the Isle of Wight Independent Remuneration Panel to make recommendations on allowances and expenses for Members of the authority. This current study reports the Panel's findings within the terms of reference provided by the Council in autumn 2005, following our in-depth investigation over the intervening period.

Three sets of underpinning principles have guided our work. First, we have carried out our investigation taking account of and building on the findings of these earlier reports. These have provided a solid foundation upon which to base this present study. However, the contexts in which these reports were written have changed and these changing contexts are reflected in the commentary and recommendations made in this report.

Second, we have aimed to produce a final report that is independent in its analysis, evidence-based in its methodology and robust in its outcomes. It is independent in that the members of the Panel have come to their task without any preconceptions about its possible outcomes. It is evidence-based in that our study is founded on the collection, analysis and review of a series of objective data, drawn from a variety of sources and interests. It is robust in its analysis in that during our investigation sometimes differing viewpoints have been put forward, noted and openly debated. In this way, we have been able to come to a collective, consensual judgement of what has been presented to us.

Third, the Panel has sought to produce a number of recommendations for a new system of allowances and expenses directed at satisfying four key criteria:

- They are simple to understand, so that there will be clarity of what is to be paid to Members and what these allowances are to cover.
- They are justifiable, so that they will meet standards of equity and fairness.
- They are transparent, so that they will be open and everyone will know what is being paid to Members.
- They are affordable, so that they will be efficient and cost-effective to the Council and community it represents.

Nevertheless, this has been a difficult Report to conclude, largely because of the requirement in our terms of reference for the Panel to produce a Scheme of Allowances and Expenses resulting in a 2.5 per cent reduction in the Council's expenditure in real terms over five years.

Also in coming to our conclusions and recommendations, we have had to try and balance a number of competing and sometimes contradictory claims made and evidence given to us by our respondents and from our research. These include:

- some Members wanting allowances to be increased on the grounds of greater workloads and professionalism

- expectations of the community wanting ‘value for money’ in the provision of local services
- local awareness of the Island’s lower than average levels of household income
- the Council’s aim to be a high performing, cost-effective Council and one of the most frugal unitary Councils in the country
- the Council’s target of a 2.5 per cent reduction in its expenditure in real terms over five years.

In making our recommendations, we have taken all these viewpoints into account. In our view, we have produced a balanced Report, one that is fit for purpose and one with a set of recommendations that go some way to meeting at least some of the needs of all the stakeholders with interests in Members’ allowances and expenses. In this way, our Report provides a clear way forward for the Council to reform its current members’ Scheme to the benefit of all concerned. Whilst acknowledging that the Council can make its own decision on this matter, we hope that the Council accepts our recommendations as a complete package.

To conclude, in carrying out our task, the Panel would like to thank all those elected Members and members of the public who responded so willingly and openly to our request for information in the questionnaire we distributed and to those individuals who agreed to take part in follow-up interviews. We would also like to thank the responsible officer, Mr Chris Mathews, Programme Lead – External Governance, for facilitating our investigatory work, Ms Emma Woodmore, Assistant Electoral Services Officer, for administrative support, and Ms Pam Stamps, Policy Officer, for preparing and analysing the questionnaire.

*Professor David Farnham*  
*Chair of the Isle of Wight Independent Remuneration Panel*

## EXECUTIVE SUMMARY

1. The Panel recommends that the current structure of Basic Allowances and Special Responsibility Allowances is retained by the Council.
2. The Panel recommends that all allowances should be up-rated by the CPI index every 1 April for the next four years.
3. The Panel recommends that the Council dispenses with the requirement for Members to submit monthly travel claims for on Island travel and disperses the amount previously spent on Island travel and subsistence amongst all Members on a formula based on miles from home to County Hall and post held by the Member.
4. The Panel recommends that the Council introduces a "Performance Related" element in allowances around the corporate performance of the Council, as determined externally.
5. The Panel recommends that the Council introduces an individual "Performance Monitoring" element to replace the existing one.

## **INTRODUCTION AND BACKGROUND TO THE REVIEW**

1. This is the fifth Report from the Independent Remuneration Panel (IRP), the previous ones having been considered by Council in 2001, 2003, 2004 and March this year. The first two reports were under the Chairmanship of Dr Declan Hall and the latter under the Chairmanship of Professor David Farnham. The membership of the Panel has changed on three occasions.
2. Under the Local Authorities (Members' Allowances) (England) Regulations 2003 (and subsequent amendment to these regulations (SI 1022 and SI 1692), all authorities have to establish an Independent Remuneration Panel to make recommendations to the Council on Members' allowances. The Council needs to have regard to the recommendations of the Panel but can substitute its own decisions. It is crucial to recognise this, as the existing "Members Allowances Scheme" (as set out in the Council's Constitution) has been developed over the last five years, with not all the recommendations of previous Panels having been adopted.

### **Terms of reference**

3. The original Terms of Reference for the Panel by the Council are set out in Appendix 1. However, before the Panel's first meeting, an addendum to its terms of reference (Appendix 2) was issued to deal with Special Responsibility Allowances for certain posts that needed to be undertaken before the end of the financial year 2005/06. Accordingly, the Panel produced an Interim Report (Appendix 3) which was considered by Council at its meeting on 15 March 2006.
4. For this Report it is important to note that the Panel's terms of reference used the 2004/05 budget as a "baseline".
5. The Panel was asked to produce a Scheme that gave a 2.5 per cent reduction in the Council's expenditure in real terms over five years. This is a reduction to £530,759, based on 2004/05 figures or a total reduction of 12.5 per cent. This has proved a challenging target for the Panel to achieve, particularly as this is higher than the current inflationary figure of two per cent and given recent changes to the levels of and number of SRAs made by Council since our Interim Report. In this report the Panel has assumed, as this 2.5 per cent target is the same as that required for all local authorities under the generic "Gershon" review, that the rules apply to this exercise as well. Therefore some of the savings might accrue from "efficiency" savings (i.e. doing more with the same) rather than all from true "cash" savings.
6. The members of the Panel are: Professor David Farnham (Chairman), Mr Peter Savory, Mr Lou Brennen and Mr Richard Key, all of whom live on the Island. All Panel members were finally appointed on 8 February

2006. The Panel met for the first time on 27 February and held ten working meetings between February and July.

## **Methodology**

7. At its first meeting the Panel agreed the following methodology for conducting its evidence-based inquiry:
  - reviewing background information and identifying benchmarking data
  - surveying Members, key officers and members of the public (this was to be a qualitative rather than a quantitative exercise)
  - interviewing a range of Members, officers and members of the public
  - reviewing written and oral evidence and benchmarking data
  - determining its recommendations.
8. Following a detailed briefing at its first meeting the Panel then spent its next meeting on 3 March considering the evidence presented (including interviews with a range of Members) so as to prepare its Interim Report for the 15 March Council Meeting. After the completion of this report the Panel then spent the rest of its time considering and preparing this report.

### The background information considered

9. At its first meeting the Panel considered the following background material:
  - a briefing note prepared by then Assistant Chief Executive in consultation with the Leader of the Council
  - the current (as at February 2006) Members Allowances' Scheme
  - a copy of *Aim High* as adopted by the Council in November 2005, which is subject to continuous review, and is the Council's core Corporate Plan until May 2009
  - copies of the last two reports from the previous Remuneration Panel (Dr Declan Hall chaired the one that produced the October 2003 report and Professor David Farnham chaired the second). The Council did not adopt (in either case) all the recommendations and substituted alternatives for some of those made
  - Member job profiles
  - the Isle of Wight Council governance structure
  - a spreadsheet showing the breakdown of the range of payments under the various scheme regimes over the last three years.

### The survey

10. The aims of the survey, undertaken via a questionnaire, were to enable as wide a range of people as possible to submit their views to the Panel

about Members' allowances and expenses and to identify individuals willing to be interviewed by the Panel so that all views could be considered.

11. The questionnaire that the Panel prepared (Appendix 4) was circulated to all elected and Co-opted Members of the Council and 100 members (chosen at random) on the Council's database of people who were willing to participate in such surveys. The questionnaire was also placed on the Council's web site.
12. Although the number of responses to the questionnaire was a little disappointing, this was more or less in line with the expected responses from those sent out. The numbers returned are indicated below, with the percentages of that group responding:
  - 24 (50%) from elected Members
  - 7 (35%) from Co-opted Members
  - 12 (12%) from members of the public.

#### The benchmarking exercise

13. The Panel considered a range of benchmarking data, including those covering the Basic Allowance and Special Responsibility Allowances paid by a range of Authorities. It became apparent from such benchmarking that it was difficult to draw definitive comparisons for the following reasons:
  - differences between the functions of the various authorities (unitary, county, district and metropolitan authorities)
  - the fact that the Isle of Wight is the only "County" unitary authority and is also the only unitary body which is a fire authority
  - the many different ways that other authorities are structured politically, for example those with directly elected mayors, most authorities having a number of scrutiny committees and few having commissions.
14. Consequently whilst it is important to be aware of the above differences, the Panel thought it more useful to consider the following benchmarking data because these appeared to have more relevance to the Isle of Wight situation:
  - population served
  - average earnings per head of population
  - number of Members
  - level of Basic Allowance
  - Leader's Special Responsibility Allowance.
15. The Panel then decided only to use data from the following groups of authorities:



- unitary authorities in South East of England
  - authorities that were the Isle of Wight's "nearest neighbours" as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA).
16. Using the above definitions the following Authorities were used for the final benchmarking data:
- South East unitaries: Bracknell Forest, Brighton & Hove, Medway, Milton Keynes, Portsmouth, Reading, Slough, Southampton, West Berkshire, Windsor & Maidenhead, Wokingham
  - CIPFA "nearest neighbours": Darlington, North Tyneside, Calderdale, Blackpool, Wirral, Herefordshire, East Riding York, Sefton, North Somerset, Bournemouth, Bath and North East Somerset, Poole, Southend, Torbay.
17. All the above Councils' web sites were inspected for the information requested, although for some this was not available. A detailed list of the information provided (including the travel and subsistence rates for some) are shown in Appendices 5 and 6.

#### Interviews

18. The Panel held interviews with 11 individuals on 18 May. These people were Members of the majority group, opposition Members, a member of the Standards Committee, and members of the public (see Appendix 7).
19. For each of these interviews a number of issues was addressed and discussed. These are attached in Appendix 8.

## THE PANEL'S FINDINGS

### From the survey

20. A summary of the results from the completed questionnaires is to be found in Appendix 9. The essential data abstracted from the questionnaires identified by the Panel are:
- There appeared to be a lack of clarity about what Members' remuneration was or what it was for. Was it an 'allowance' in compensation for undertaking public work or was it a 'salary' or a reward for work being done?
  - There was clear divergence between elected Members viewing current allowances as being too low and the public viewing them as being either "about right" or a little on the high side.
  - In terms of justifying the allowances being paid, there were lots of references to time and commitment but little reference to public service to the community.
  - There was some awareness of relatively low average wages on the Island.
  - Reference was made by some respondents for the need for Members to be examples of financial restraint.
  - There was general agreement for the need to benchmark Members' allowances against those of other authorities.
  - On the indexation of allowances, both Members and the public preferred using the Consumer Price Index (CPI) rather than the 'going rate' for local authority staff in National Joint Council (NJC) for Local Government Services.
  - Few respondents felt that allowances should be linked to individual performance, particularly given the democratic accountability of Members.
  - All respondents suggested that expenses should be on a "claim as you go" basis.
  - None of the respondents was able to make a link between Member allowances and corporate objectives and allowances, nor with the Nolan Principles of Public Life.

### From the benchmarking data

21. A variety of data from South East unitary authorities and "Nearest Neighbours" was obtained. This data included population size, rates for Basic Allowances and the Leader's Allowance (see Appendix 5). This exercise provided a range of data to work with. However, for further detailed analysis the Panel decided to focus on the six following authorities (in addition to the Isle of Wight) as being relatively close in terms of their population size: Reading, Windsor & Maidenhead, Blackpool, Poole, Torbay, and West Berkshire.

22. For these seven authorities, Basic Allowances ranged from £3244 pa to £7916 pa, with the Isle of Wight in the mid-range of £6090 pa as shown in Figure 1.

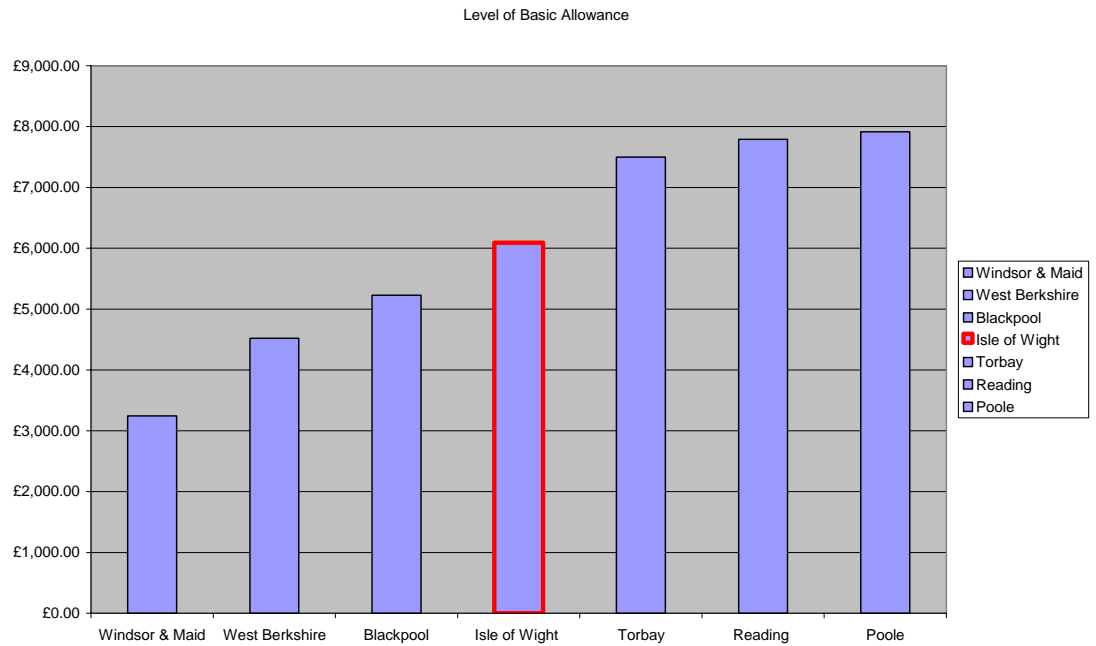


Figure 1: level of basic allowances in seven unitary authorities

23. In terms of Special Responsibility Allowances for leaders, these ranged from £7376 pa to £50000 pa (although this was for Torbay which has a directly Elected Mayor and is very different in its governance structure), with the Isle of Wight again in the middle at £18246 pa, as shown in Figure 2.

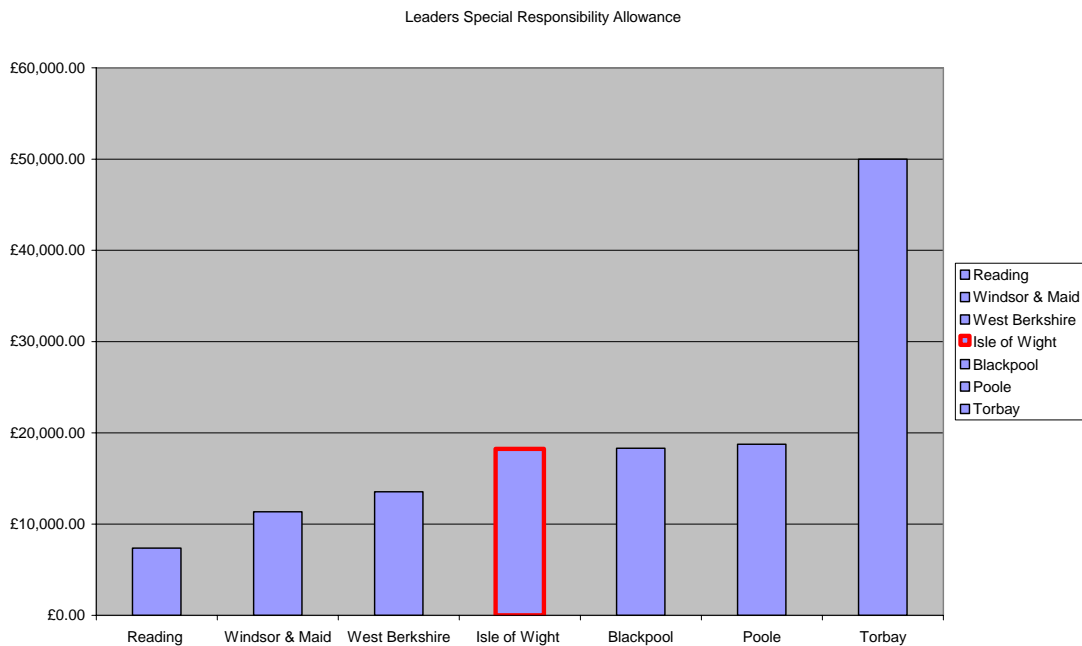


Figure 2: leaders' special responsibility allowance in seven unitary authorities

24. Data was also obtained on average earnings in these seven areas. These ranged from £16016 pa at Torbay to £30752 at Windsor and Maidenhead, with the Island second lowest at £16588. Calculations were then made on the Basic Allowance as a percentage of average earnings in each case. These ranged from 10.55 per cent in Windsor and Maidenhead to 46.83 per cent in Torbay. The Isle of Wight was at the top of the middle range at just over 35 per cent, as shown in Figure 3.

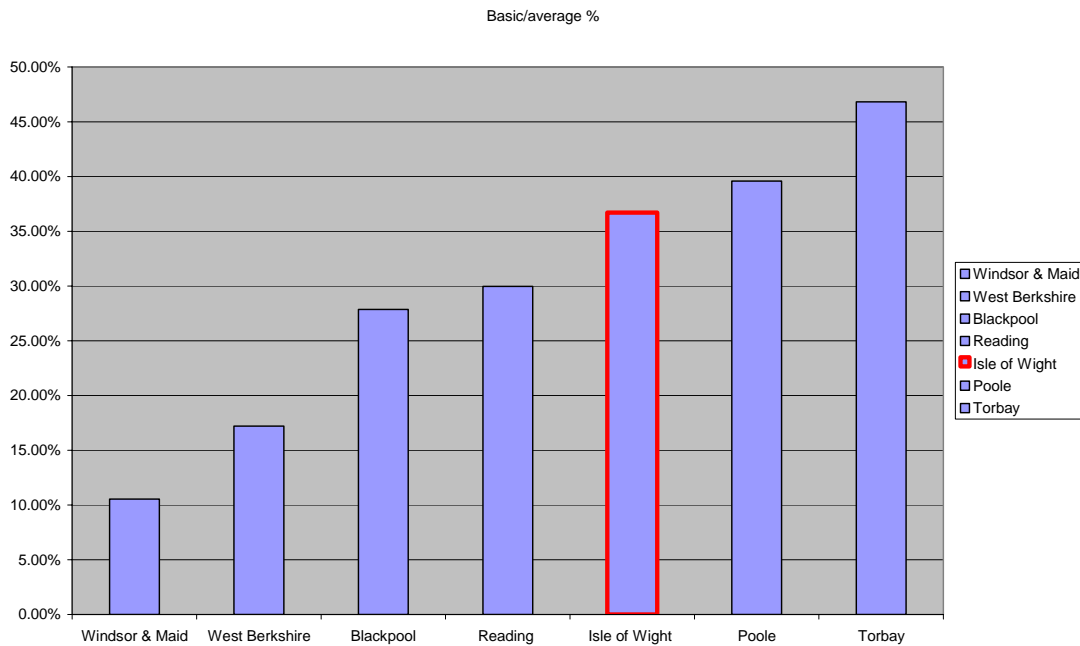


Figure 3: basic allowances as a percentage of average earnings in seven unitary authorities

25. Calculations were also made of the Basic Allowance as a percentage of the Leader's Allowance in each of these unitary authorities. These ranged from 15 per cent in Torbay to 105.64 per cent in Reading. For the Isle of Wight the ratio was 31.83 per cent, which was in the mid-range, as shown in Figure 4.

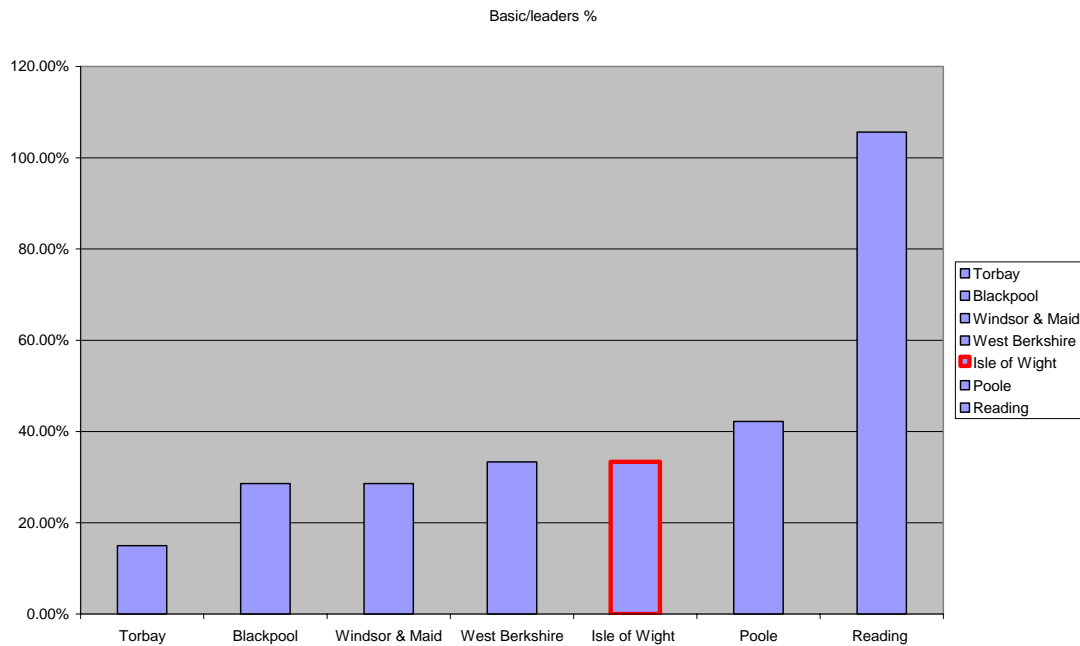


Figure 4: basic allowances as a percentage of the leader's special responsibility in seven unitary authorities

#### From the interviews

26. Feedback from the interviews generally reflected feedback from the questionnaires, albeit with some significant differences as shown below:
- There appeared to be a lack of clarity about what Members' remuneration was being paid for. Was it an "allowance" or a "salary"?
  - There was clear divergence between elected Members viewing current allowances as being too low and the public viewing them as being either "about right" or a little on the high side.
  - In terms of justifying the allowances, lots of references were made to time and commitment but there was also clear reference to the Public Service Ethos and linking this to some form of "discount" on the allowances received.
  - There was some awareness of relative low wages on the Island and their significance for determining levels of Member allowances.
  - Reference was made by some respondents for the need for Members to be examples of financial restraint and selflessness.
  - There was general agreement for the need to benchmark allowances against other authorities but also to have clear regard to the special nature of the Isle of Wight economy and community.
  - On indexing allowances, Members felt increases should be linked to the NJC for Local Government Services, whereas the public preferred reference to the Consumer Price Index (CPI).
  - Although recognising the issue of the democratic accountability of Members, all interviewees suggested that there should be some linking of allowances with performance. The general view was that

this link should be with corporate performance. This contrasts with the survey responses.

- All respondents supported expenses on a “claim as you go” basis, although on further discussion some respondents thought alternative models could be used.
- It was noted that some of the Member interviewees declared that they did not claim expenses for Council business.

## ANALYSIS

27. Following the Panel's review of the documentation, questionnaire data and interview data, a number of key issues relating to its terms of reference emerged. Twelve issues are outlined below. In some cases it was clear that a number of ambiguities and contradictions were apparent within the data set collected.

### The nature of allowances

28. It was clear that opinion was divided about what the allowances paid to Members were for. Some respondents, particularly some Members, saw it as a salary or replacement for a salary. Other Members and members of the public saw allowances as compensation for out of pocket expenses and some compensatory payment for loss of time for Members in generating personal income streams and doing other things in their life. However, in the Panel's view, a substantial proportion of Members' time is freely given as a contribution to public service, which is very much in line with current Government guidance on the issue.

### The changing role of elected Members

29. It was generally agreed by elected Members that their role in local authorities has become more professionalised in recent years. Council business was becoming more complex and government regulation more pervasive. The Panel gained the impression that present Members considered themselves more professional and modern in their thinking and practices compared with Members in the past. There are clear legislative changes (i.e. Corporate Parenting) supporting this view.
30. There was some evidence presented to the Panel suggesting that whilst the Members' basic role is to represent their constituents, Members do appear to be giving extra time and efforts in the conduct of wider Council business.
31. The Panel is of the view, however, that this may be over exaggerated by Members and that some "role inflation" may be taking place. This is unsurprising, given Members' desire to serve the Council and the Island to their maximum efforts. The Panel also noted that this increased professionalisation applied equally to all Members and not just those with an SRA, so any increases attributable to this must be for all Members.

### The Professionalisation of Members' roles and the Public Service Ethos

32. All Member interviewees agreed that they wanted to be Councillors in order to serve their communities and, linked to paragraph 30 above, Members wanted to bring a greater degree of professionalisation to their work. This is very commendable but it potentially conflicts with the Public Service Ethos where engagement in public life is undertaken in order to promote good, efficient and effective public services, which in turn results

in personal satisfaction, or intrinsic rewards, for Members serving the public and meeting its needs. However, some respondents to the questionnaires in particular seemed unable to identify the role of a Councillor with Nolan's Seven Principles of Public Life.

#### The local political context

33. Having questioned Members and members of the public, it was clear from respondents that the Isle of Wight Council's business takes place in a distinctive local, political context. This was reflected in the term used by one respondent as the "Gold fish bowl" effect. What goes on politically is widely open to public scrutiny and is observed, and often criticised, by members of the community. Indeed, the Island has a number of particular features geographically and politically: it is an Island with clear geographic boundaries, is relatively small in size and has a single community identity. The Panel believes that these special features should be important factors in determining its recommendations.
34. Evidence collected by the Panel also demonstrated objectively that the Island is a low earnings economy. The Panel considers that this and the factors outlined in para. 33 above must be taken into account in making its recommendations in this Report.

#### Level of allowances

35. Evidence from Members clearly demonstrated that they believed Members' allowances are currently too low. Evidence from the public, on the other hand, was contradictory to this viewpoint. Members of the public suggested that allowances were currently "about right" or slightly on the high side.

#### The relationship between allowances

36. There seemed to be a general consensus that the relationship between the Basic Allowance and all Special Responsibility Allowances was broadly correct. This view was confirmed by some of the benchmarking data collected by the Panel. No evidence was submitted to change the Panel's view from its last Interim Report on the various levels of SRAs, particularly regarding the Council's decisions during the preparation of this Report relating to the level of SRA for Cabinet Secretaries, the Chair of the Scrutiny Committee and the establishment of Champions.

#### How to increase allowances

37. The general opinion here among both Members and the public was that the Consumer Price Index (CPI), which government uses for its inflation target, is the appropriate one to be applied in increasing Member allowances.



### How to benchmark allowances: using national data or taking account of local interests?

38. This issue is linked to paras 33, 34 and 36 above. The key point is should allowances be benchmarked with national indicators or local ones? There was a degree of consensus that there needs to be a balance between national and local interests. However, Members generally supported the balance to be weighted in favour of the national one, whilst members of the public generally supported the balance being in favour of the local one. Again, in the Panel's view, the Goldfish bowl effect has to be taken into account here.

### Measuring and assessing Member performance

39. This is an extremely difficult and contentious issue. Diverse opinions were expressed about the management of Member performance, ranging from leaving it to the ballot box every four years to using a detailed individual appraisal system. A more radical and emerging view was that Members' allowances could be linked in some way to overall corporate performance of the Council, as measured by external bodies.

### Expenses

40. Almost without exception, all respondents to the questionnaires favoured the current "claim as you go" basis for dealing with expenses. Expenses in this context comprise two elements, first, mileage based on distance from Members' home to County Hall and, second, subsistence paid to Members on Council business.
41. During the interviews, however, when a more detailed examination was made, a number of interviewees suggested "a lump sum" basis could be used. This could be based on the distance from home of office holders to County Hall. It was also thought that such an approach may make more efficient use of Council and Member resources.

### Simplification of Member allowances and expenses

42. Having taken evidence from both Members and members of the public, the Panel concluded that the structure of current allowances and expenses is unnecessarily complicated, bureaucratic and cost laden. The reason for this appears to be largely historical, since they have developed on an incremental and piecemeal basis over some years. The Panel concluded that there was a case here for radical reform.

### Co-optees' allowances

43. There was some evidence provided to the Panel that the current Co-optees allowances needed review. The point was made in evidence that Co-optees to the Scrutiny Committee, for example, are undertaking the same role as elected Members at this meeting, although not the

“representing their constituency” element. For the Standards Committee, it was suggested that the Chairman should receive a Special Responsibility Allowance reflecting the responsibility and time commitment required to ensure that its business was conducted effectively.

## RECOMMENDATIONS

44. The Panel makes 12 recommendations deriving out of its Terms of Reference as set out in Appendix 1. Most importantly, its work has been conducted within the requirement to reduce the total cost of Members' allowances and expenses in real terms to the public purse against a base line of the cost in 2004/05 to the projected cost in 2009/10. These recommendations are aimed at ensuring that the average reduction on a year-to-year basis amounts to a yearly reduction of 2.5 per cent per annum and does not result in a general increase to the authority. In monetary terms, this is a reduction from £606,582 in 2004/05 to £530,759 for 2009/10, although this sum will be up-rated for inflation.
45. These recommendations have also taken account of the Council's request to achieve the following objectives in concluding the Panel's Report:
  - to incentivise Members to reduce non-cash costs of facilitating Member activity such as printing, word processing, etc
  - to incentivise a reduction in the environmental impact of Member activity, for example, travel, paper and IT consumables
  - to incentivise Members to concentrate on the strategic improvement of the performance of the Council
  - to enable and encourage the role of elected Members as community leaders
  - to ensure the retention of existing Members in their elected role and to attract a diversity of Members in the future
  - to include the independent chairman and members of the Standards Committee and co-opted members of the Scrutiny Committee and one of the Policy Commissions within the scheme.

### Modernisation and Members' allowances

46. This evidence-based investigation has lead the Panel to conclude that a modernisation of the expenses paid to Members is a key to providing greater efficiency within the Council, benefit to Members and allowing a more rational and simplified system of allowances and expenses to be paid to Members.
47. The rationale for this is that the current system of "claim as you go" for expenses is expensive and inefficient to the Council. This is due to the bureaucratic activity required in making, authorising and paying monthly claims.
48. Given the current political and financial contexts of the Council, any new system of allowances and expenses should in the Panel's view satisfy four criteria:

- be simple to understand, so that there will be clarity at the beginning of the term of office what is to be paid to Members and what it is to cover
- be justifiable, so that it will meet standards of equity and fairness
- be transparent, so that it will be open and everyone will know what is being paid to Members
- be affordable, so that it will be efficient and cost-effective to the Council.

### Recommendation 1

49. THAT the Council takes a radical step away from the “claim as you go” basis for “on-Island” expenses and moves the money used to an annual lump sum for expenses to be paid to all Members. This will increase the amount of total allowances paid to Members but reduce the overall cost to the authority. This incentivises a reduction in the environmental impact of Member activity by discouraging unnecessary car use for Council business.
50. THAT there is no longer provision for the payment of mileage or subsistence for any Member conducting on-Island Council business. The removal of administering this task is estimated to save 588 “Member hours” a year and 96 “officer hours” a year. Using the “nominal” hourly rate for Members of £15.61 per hour. This is based on the assumption that of the two days work generally required one is provided as part of the public service element. Therefore the hourly rate is £6090 divided by 52 divided by 7.5 hours and the true officer charge-out rate. This gives an ongoing opportunity of efficiency savings of £11,962 pa, enabling this sum to be used for other purposes by Members and officers. As this is an efficiency saving, we further recommend that the amount realised is used in meeting the Panel’s overall target cost reductions for the 2009/10 financial year.
51. THAT all off-Island Expenses for Members on Council business are paid in line with existing arrangements, with the proviso that all such claims are supported by written evidence of the expenditure incurred.
52. THAT the “lump sum” expenses, which Members may choose to receive, is calculated as follows:

Factor A – distance from Members home to County Hall – 3 bands:  
 Band 1 – less than 3 miles, Band 2 – between 3 and 8 miles, and  
 Band 3 – more than 8 miles.

Factor B – type of office held – 4 bands: Band 1 – frontline member (without an SRA); Band 2 – Leader of group with 4 or more members, Vice Chairman of the Council; Band 3 – Chairman of Council, Regulatory Committee Chair and Vice Chairs, Chair of Audit and Performance Committee; Band 4 – other SRA holders.

The two factors are added together to give a “Factor” for each member. All the factors are added together and this is then divided by the money spent of mileage and subsistence (on Island) in 2005/06 (first year of current administration less an amount for the employers NI contributions) – this gives an “Amount Factor”. The “Factor” and “Amount Factor” are multiplied together to give the total “Expenses Sum”.

Detailed workings and the amount for each member is at Appendix 10.

### Recommendation 2

53. THAT on the basis of recommendation 1, the benchmarking data, feedback from Members and the public, and the Council’s objective of financial frugality, the basic allowance is increased in line with inflation during the current financial year and backdated to 1 April 2006.
54. THAT the expenses “lump sum” (as set out in recommendation 1) is added to the Basic Allowance and paid (pro rata) with effect from 1 October 2006, since current expenses claims will have been made for the period April-September 2006.

### Recommendation 3

55. THAT in line with recommendation 2 the following offices are paid Special Responsibility Allowances as set out below, these having been increased in line with inflation with effect from 1 April 2006 (i.e. two per cent as per para 59).

<b>Office Holder</b>	<b>Special Responsibility Allowance £ pa</b>	<b>Factor of Basic</b>
Leader	18610	See below*
Cabinet Member	9316	1.5
Cabinet Secretary	6211**	1
Chairman of the Council	6211	1
Vice Chairman of the Council	3105	0.5
Commissioner	6211	1
Scrutiny Committee Chairman	6211**	1.5
Regulatory Committee Chairman	6211	1
Vice Chairman of Regulatory (Licensing)	1552	0.25
Vice Chairman of Regulatory (HR & Miscellaneous)	1552	0.25
Audit and Performance Committee Chairman	1552	0.25
Leaders of Groups with four or more members	1552	0.25

*\* With the exception of the Leader, all the above are based on fractions of the Basic Allowance*

*\*\* Lower than current payments (see para 36)*

#### Recommendation 4

56. THAT the following Co-optees be paid the allowances as set out below, these having been increased in line with inflation with effect from 1 April 2006.
- Chairman of the Standards Committee £3105 pa, based on Chairman of the Regulatory Committee with a 50 per cent reduction, as there is no “democratic” element
  - full-time Co-optees on the Scrutiny Committee £1552 pa, based on a quarter of the Basic Allowance to reflect no constituency element and Members usually on more than one Committee
  - Education Co-optees £776 pa, based on that for normal Co-optees of the Scrutiny Committee but further discounted as they only need to attend for educational matters
  - Independent Members of the Standards Committee £286, based on a “nominal” hourly rate for members of £15.61 per hour discounted by 50 per cent for no constituency element and six meetings a year of three hours each.

#### Recommendation 5

57. THAT a dependants’ carers allowance is paid, based upon the Council’s Dependant Carers’ Allowance scheme which has been designed to enable a wider range of candidates to stand for and remain on the Council. The Local Government Act 2000 explicitly clarifies the right of local authorities to pay a Dependant Carers’ Allowance which Members can claim for care of their dependents, whilst on official Council business.
58. THAT the scheme applies where:
- a Member has a dependant child living with them under the age of 14
  - Member cares for a dependant elderly or disabled person

The rate that a Member can claim for child care is the actual expenditure incurred up to a maximum of £4.81 per hour. This is the rate paid by the Local Government Association (LGA), which reviews its rates annually and therefore the amount quoted is subject to change.

The rate that a Member can claim for dependents who are elderly or disabled is £10.00 per hour, which is the rate paid by the Isle of Wight Council Social Services Department under their Direct Payment Scheme. Social Services review their rates annually and therefore the amount quoted is subject to change.

#### Recommendation 6

59. THAT the CPI is used for increasing allowances on 1 April each year during the lifetime of the scheme (i.e. to 31 March 2010). This is in accord with the majority view of respondents and is the same inflationary measure generally used by the Council for budgeting purposes. For April 2006 the figure was 2.0 per cent.

#### Recommendation 7

60. THAT there is an additional radical element for adjusting the Basic Allowance of Members that is related to corporate performance of the Council and that the measure used is the current Comprehensive Performance Assessment (CPA) awarded to the Council, taking the base line of two stars. Any increased star rating will increase the Basic Allowance paid to each Member by £500 per year per additional star awarded. Conversely, any reduction in star rating will result in a decrease in the Basic Allowance paid to each member by £500 per year per star reduced. Any additional expenditure is to be funded from increases in funds available to the Council as a result of an improved star rating.

#### Recommendation 8

61. THAT it is acknowledged that individual Member performance is best measured by the ballot box but that a system of individual accountability is introduced whereby existing "attendance related" reports for each Member is replaced by the requirement for each Member to produce an annual report (no more than 300 words) covering what they have achieved, what they hope to achieve in the following year, and what they have been unable to achieve in the current year. This annual report is to be prepared for the period to 30 November in each year.

#### Recommendation 9

62. THAT the Independent Remuneration Panel will receive all such reports as part of its annual review of the Allowances Scheme in December in each year. This will enable the Panel to make its annual report to the Council for any adjustments necessary in time for budget deliberations in February.

#### Recommendation 10

63. THAT all Members who are eligible to join the Local Government Pension Scheme are enabled to do so and that the Pension Scheme applies to both Basic Allowance and Special Responsibility Allowance.

### Recommendation 11

64. THAT, since all the above changes produce a spend of £580,590 in 2009/10 (ignoring inflation), which is short of the target set by the Council of £530,759, the following measures are phased in over the next five years to achieve this target:

- removal of the Council funding of all mobile phone costs for Members, who should still receive Council-provided mobile phones, and hence benefit from the buying power of the Council, but that all costs (handset, line rental and call charges) are paid for by Members. This brings the use of Council mobile phones into line with the use of Member's own landline phones
- SRAs are reduced by a total of 31.68 per cent over the five year period, roughly 6.34 per cent per annum reduction. It is noted that the Basic Allowance is increased because of the Expenses sum and that the element of increased professionalisation applies to all Members.

### Recommendation 12

65. THAT all the above recommendations are included in the proposed revised "Members' Allowances Scheme" as set out in Appendix 11 and that this replaces the Scheme as currently set out in the Council's current constitution.



## **APPENDICES**

Appendix 1: Panel's Terms of Reference – available on the Council's web site from this link:

Appendix 2: Panel's Addendum to the Terms of Reference – available on the Council's web site from this link:

Appendix 3: Panel's Interim Report - available on the Council's web site from this link:

Appendix 4: Questionnaire - available on the Council's web site from this link:

Appendix 5: Benchmarking Data (Members Allowances) - available on the Council's web site from this link:

Appendix 6: Benchmarking Data (Travel and Subsistence) - available on the Council's web site from this link:

Appendix 7: List of those interviewed - available on the Council's web site from this link:

Appendix 8: Issues addressed at the interviews - available on the Council's web site from this link:

Appendix 9: Summary of the results of the questionnaire - available on the Council's web site from this link:

Appendix 10: Lump sum for expenses workings - available on the Council's web site from this link:

Appendix 11: Recommended "Members Allowances Scheme" – attached to this document.