

The Welland Partnership Remuneration Panel

Report to South Kesteven District Council Meeting

Interim Review of Members' Remuneration Scheme

1. Introduction

- 1.1 The Local Government (Members' Allowances) 2003 Regulations put in place a consolidated and simplified framework for allowances that covers Principal Councils and Parish and Town Councils.
- 1.2 Part 4 of the Regulations makes provision for the establishment of an Independent Panel to make recommendations concerning Allowances. The Welland Remuneration Panel – comprising John Cade (Chairman), Collette Eames, John Greenwood and Gordon Wells – is compliant with the necessary arrangements.
- 1.3 Unfortunately Collette Eames was indisposed on the day of taking evidence, but the Panel was quorate with John Cade, John Greenwood and Gordon Wells present.

2. Overview

- 2.1 We were invited to consider two areas of your Council's remuneration scheme:
 - a) Payment of travel and subsistence to members of Scrutiny and Policy Development Working Groups when the members of that Working Group represent only one Political Group
 - b) Payment of a Special Responsibility Allowance for the Chairman and Vice-Chairman of a Shareholder Committee of a Company wholly owned by the Local Authority.
- 2.2 These issues have arisen since we last reviewed Members' allowances in 2013/14.

- 2.3 Our meeting for this purpose was held at the Council offices on Friday 8th January 2016. We are very grateful to Jo Toomey, Principal Democracy Officer for her excellent support. Jo also involved John Armstrong and Richard Wyles with specific advice on a couple of topics.
- 2.4 As is our practice, we also asked that all Councillors be advised of our Interim Review and invited to make comments. Councillors Baxter, Cartwright, Cook, Evans, Smith and Wootten provided us with thoughtful and helpful emails.

3. Context

3.1 Working Groups

- 3.1.1 Your Council's current Members' allowance scheme specifies that travel and subsistence claims may only be paid for attendance at "meetings in effect 'set-up' by the Council, such as working groups provided membership includes more than one political group..."
- 3.1.2 The Council operates Executive arrangements, specifically the strong Leader and Cabinet model. The Scrutiny function is separated into two parts: a Scrutiny Committee comprising 11 members which is responsible for post-decision scrutiny and the scrutiny of external bodies, and 3 Policy Development Groups each with 7 members. These groups carry out detailed policy development work on behalf of the Cabinet in addition to any necessary pre-decision scrutiny. Both the Scrutiny Committee and the Policy Development Groups may set up Working Groups/ Task and Finish groups.
- 3.1.3 We were advised that arrangements are being refreshed and while the structure will remain the same greater emphasis is being placed on further developing the Cabinet support role with a considerable proportion of the detailed work taking place within working groups.
- 3.1.4 We understand that Working Groups vary in size and quantity – sometimes a group will set one up in a year, others will set up multiple groups.

3.1.5 Within the wording of the current remuneration scheme expenses would be payable so long as the membership of the group included representatives from more than one Political Group regardless of whether or not they attend the meeting.

3.2 Special Responsibility Allowances for Shareholder Committee Chairman and Vice-Chairman

3.2.1 At its meeting on 7 December 2015 your Cabinet made the following decision:

“Cabinet approves the formation of a local authority controlled company (LACC) as a company limited by shares. Delegated authority is given to the Strategy Director (Environment and Property) and the Strategic Resources and Well Run Council Portfolio Holder to incorporate a company wholly owned by the Council so as to allow the Council to exercise the power to trade contained within the Local Government Act 2003 and pursuant to the general power of competence in the Localism Act 2011.

Formation of the Articles of Association, Shareholder Agreement and Shareholder, the Shareholder Committee is delegated to the Strategic Director (Environment and Property) and the Strategic Resources and Well Run Council Portfolio Holder in order to provide the governance arrangements between the Council and the Company.”

3.2.2 We appreciate that the drivers behind the establishment of a Local Authority Controlled Company include the need to address the pace and direction of change being seen in the current financial climate and the impact of public expenditure reductions.

3.2.3 The report submitted to Cabinet also suggested governance structures under which the Company would operate and outlined the broad scope of service to be traded and the commercial activity to be carried out through the Company.

3.2.4 From the corporate vehicles available for the delivery of a Local Authority Controlled Company, legal advice confirmed that a company limited by shares was the most appropriate structure to

deliver the ambitions of the Council with the Council as sole shareholder.

3.2.5 The proposal is to create a generic parent company that is wholly owned by the Council with a clear commercial focus and the primary objective of generating additional income to the shareholder (i.e. the Council). Business proposals would be considered and approved by the Board of Directors in support of the overall delivery of the business plan as approved by the Shareholder Committee.

3.2.6 The LACC would be a limited company by shares with the Council retaining a 100% shareholding. All decisions regarding business development and any consideration of commercial opportunities which may arise, would be a matter for the Board of the new LACC. However, the Council, as the shareholder, would be required to approve any decisions which would have an effect on the shareholders' rights – this will normally be done at a meeting called by the Directors of the company.

3.2.7 The Council, as the sole shareholder, will also have certain powers such as removing a director from office or changing the name of the company. In general, the shareholder's main role is to ensure that the directors do not operate beyond their powers.

4. Findings

4.1 Working Groups

3.2.8 We felt that the use of Working Groups to support the work of the Scrutiny Committee and the Policy Development Groups was a good development and should be encouraged. It was recognised that with the political composition of the Council there may not always be the capacity of all Political Groups to participate in Working Groups. What is essential, however, in our view, is that they should have the opportunity to do so if they wish.

3.2.9 This requirement, it seems to us, can be met so long as any Working Group is properly established by the Scrutiny Committee or Policy Development Group all of which comprise Councillors from other than the Majority Group.

- 3.2.10 We were also asked to take a view on whether a Councillor who was asked to serve on a Working Group because of their particular knowledge/interest, but was not a member of the appointing body could also receive travel and subsistence expenses.
- 3.2.11 For the Panel, the same principle applies. Provided the offer to serve on the Working Group was made by the Scrutiny Committee or a Policy Development Group comprising Members from more than one Political Group, then travel and subsistence expenses should be permissible.
- 3.3 Special Responsibility Allowances for Shareholder Committee Chairman and Vice-Chairman
- 3.3.1 We were advised that the Articles of Association and Shareholder Agreement will set out in detail the powers and responsibilities of the Council as the sole shareholder of the Company, which will be exercised through the Shareholder Committee. Further, that it is proposed that the Shareholder Committee will be chaired by the Leader of the Council and consist of the Leader with representatives from the Executive and the Chairman of the Resources Policy Development Group.
- 3.3.2 We believe that this Committee will, in all probability, create further responsibilities but that it is premature at this stage to make an objective judgement on this.
- 3.3.3 We felt that this matter should be revisited in, say, about 9 months to 1 year's time when we will be in a better position to consider the level of probable enhanced responsibilities. If an enhanced SRA is considered appropriate this could then be backdated.
5. Recommendations
- 5.1 That travel and subsistence expenses should be met for all Councillors on Working Groups provided that they have been appointed in a properly constituted Meeting Body comprising more than one Political Group and that the membership of the Working Group is open to all Members of that Meeting Body.

- 5.2 That the same principle should apply for a Councillor invited to serve on a Working Group but not on the parent Meeting Body.
- 5.3 That, whilst recognising that the role of Chairman and Vice-Chairman of the new Shareholder Committee is likely to justify an enhanced Special Responsibility Allowance for the post holders, it is premature at this moment to take an objective judgement on the matter. The matter should be revisited when the workload and increased responsibilities are clearer.

John Cade,

Chairman, Welland Independent Remuneration Panel

16th January 2016