

## **APPENDIX 3**

### **LONDON BOROUGH OF LEWISHAM**

#### **Scheme for Basic, Special Responsibility and other Allowances**

#### **Report of Sir Rodney Brooke CBE**

1. **Introduction.** The Local Authorities (Members' Allowances) (England) Regulations 2003 ('the Regulations') provide for the making of allowances to councillors. They require each local authority to make a scheme for the payment of a basic allowance and, if the Authority intends to make such payments, to make provision also for the payment of special responsibility (SRA), travelling and subsistence and co-optees' allowances. Before a local authority makes or amends a scheme it must have regard to the recommendations of an independent remuneration panel. Among other provisions, the Regulations authorise the establishment by the Association of London Government (now *London Councils*) of an Independent Remuneration Panel ('the London-wide Panel') to make recommendations in respect of the members' allowances payable by London boroughs. Such a Panel was established and now comprises myself (Chair), Steve Bundred and Anne Watts CBE. It reported in 2001, 2003, 2006 and 2010. It updated its recommendations in a report of June 2014. As was the case in 2010, I have been asked by the Council to advise on how the London-wide Panel's recommendations (which allow considerable flexibility in special responsibility allowances having regard to different managerial systems in each London borough) can be adapted for the Council's scheme on members' allowances.
2. The London-wide Panel is emphatic that the quality of local democracy depends on the ability of councils to attract able people to serve as councillors. The Government-appointed Councillors' Commission took the view (which the London Panel quotes in its 2014 report) that 'Allowances should be set at a level that enables people to undertake the role of councillor while not acting as an incentive to do so. Allowances are not shown by polls to be something which influences councillors to take on the role, though they are instrumental in making it possible for some people to do so. If it is important that there are no financial incentives to being a councillor, it is equally important that there should not be a financial disincentive.' The Panel

points out that ‘it is clearly desirable that service as a councillor is not confined to those with independent means.’

3. In order to enable a wider group of people to serve as councillors, the Regulations allow service as a councillor to be pensionable on the recommendation of the independent remuneration panel. The London-wide Panel so recommended and Lewisham Council decided that councillors should be able to opt to join the local government pension scheme. In the 2014 Budget this possibility was removed not only for councillors, but also for elected mayors (including the Mayor of London) and members of the Greater London Assembly. Councillor Sir Merrick Cockell, then Chairman of the Local Government Association and former Chair of *London Councils*, condemned the move, saying “it is fundamentally about undermining the role of a councillor and undermining the role of local democracy...Fair remuneration is important so that people from all walks of life can afford to stand for office. Otherwise we risk local government becoming the exclusive preserve of a privileged few who have the luxury of time and money to spare”. Councillors give substantial time to service in local government and lose the opportunity to contribute to a pension scheme elsewhere. The London-wide Panel condemned the Government’s decision. It is nevertheless now the position that Lewisham councillors can no longer contribute to the local government pension scheme.
4. Over the years of its existence, the recommendations of the London-wide Panel have led to a considerable (and desirable) convergence of the quantum of allowances across London, particularly in respect of the Basic Allowance. However, in its 2010 report the London-wide Panel , conscious of the strains on public funds then current, recognised that then was not the time to recommend an increase in allowances (other than updating for inflation over the previous four years). Since 2010 the pressure on public funding has increased substantially: since that date Lewisham Council has been constrained to cut £82 million from its revenue budget of just over £1bn. It faces the Government expectation that a further £95 million must be cut over the next four years. It must do so at a time when the demand for public services is increasing, most notably from the growing number of old people and the corresponding increase in demand for social care. As the London-wide Panel pointed out in its 2014 report, ‘the strain on and competition for resources increase the demands made on elected members’. Nevertheless, now is clearly not the time to propose substantial increases in members’ allowances, even though such increases might be desirable in the long-term interests of local democracy.
5. The Regulations specifically allow annual updating by reference to a specific indicator (such as the increase in the annual local government pay settlement) for up to four years. Following the recommendations of the London Panel and the Council’s own Panel (which operated until 2008) members’ allowances

were updated annually in accordance with the rate by which local government pay settlement salaries were increased in the preceding year. In the 2008-09 municipal year the Council decided to freeze allowances. The allowances were again frozen for the 2009-10 municipal year. The increases in allowances foregone were 2.45% for 2008-09 and 1% for 2009-10. In 2013-14 there was a 1% local government pay settlement. The 2014 Report of the London-wide Panel updated the quantum of the allowances it recommended accordingly.

6. **Basic Allowance.** The current Basic Allowance, claimable by all councillors, remains £9,812, frozen at 2008-9 levels. The London-wide Panel's 2014 recommendation for the Basic Allowance is £10,703. In 2010 I recommended an increase in the Basic Allowance to the then recommended Greater London level of £10,597, provided that the Council agreed that it should cover travel and subsistence within the Borough. The Council did agree that the Lewisham Basic Allowance should include travel within the Borough and subsistence within the Greater London area, but did not increase the Basic Allowance. Councillors are now financially disadvantaged by the end of their right to contribute to the Local Government Pension Scheme. The consequential saving to the Council is approximately £110,000. As well as losing their entitlement to pensions, Lewisham councillors, unlike employees, have had no increase in their allowances since 2007-08. I am acutely conscious of the severe financial strain on the Council's finances but bearing in mind the financial loss suffered by the withdrawal of the right to pensions and the consequential saving to the Council, I recommend that the Basic Allowance be increased to the general London level of £10,703. Councillors have voluntarily frozen allowances at their level seven years ago. My recommendation will do no more than allow them to catch up with the pay increases enjoyed by employees; bring them into line with other London boroughs; and do something to mitigate the loss suffered by their loss of pension rights.
7. **Allowances for Mayor.** The Mayor is not eligible to receive the Basic Allowance and currently receives total remuneration of £77,722. The London-wide Panel's recommendation for the SRA receivable by an elected mayor is £81,839. In 2010 I recommended that the Mayor's SRA should increase to the London level, provided that the Mayor ceased to claim for travel and subsistence for intra-borough travel. The Mayor ceased to claim those expenses but declined to accept the increase I recommended. Since then the Mayor has had a further financial loss through the removal of his pension rights. In the interests of convergence and comparability, I recommend that the SRA for the **Mayor** be set at the London-wide level of £81,839. As with councillors, this will do no more than enable him to catch up with the pay increases enjoyed by employees and do something to compensate for the loss of pension rights.

8. **Allowances for Deputy Mayor.** As well as deputising for the Mayor, the Deputy Mayor is responsible for regeneration in the Borough. He currently receives an SRA of £40,600. As a councillor he is also entitled to the Basic Allowance of £9,812, a total of £50,412. The equivalent SRA, at the top of Band Three in the London-wide scheme, is £41,675. **I recommend** that the SRA for the **Deputy Mayor** be set at £41,675 for the same reasons which prompt my recommendations for the Mayor.
9. **Other Special Responsibility Allowances.** The eight Cabinet members (other than the Mayor and Deputy Mayor) are currently entitled to an SRA of £15,298. Under the Mayoral system as operated in Lewisham, they have no direct executive responsibilities. If a review of governance were to change those responsibilities, then the level of the SRA should be reconsidered. But having regard to their current responsibilities, I believe that an SRA within Band Two of the London-wide scheme would be appropriate. In 2010 I recommended that the SRA for Cabinet members (other than the Mayor and Deputy) should be set at £16,000. Adding the pay increase of 1% received by staff, **I recommend that the SRA for Cabinet members (other than the Mayor and Deputy) be set at £16,160.** As for all members, this amount, taken with the Basic Allowance, should incorporate the costs of travel within the Borough and subsistence within the Greater London area. The Chair of the Overview & Scrutiny Committee is currently allocated an SRA of £12,260. The London-wide Panel believes that the holder of this office has a vital democratic role in both the Cabinet and the Mayoral systems. It is through that Committee that there is the main challenge and scrutiny of the work of the Mayor or the Executive. In order to emphasise its constitutional importance, the post is often (though not invariably) held by a senior member of the main Opposition Party. The Council does not currently have an Opposition Party (other than the one Green Party member). The London-wide recommendation is for an SRA in Band Three, viz between £34,780 and £41,262, though it may well be that in practice the role in Lewisham does not warrant an SRA of that magnitude. Nevertheless I feel that the role is insufficiently rewarded for its importance. I believe that the role warrants an SRA equivalent to that of a Cabinet Member and accordingly **I recommend an SRA for the Chair of the Overview & Scrutiny Committee of £16,160** (as always to include travel within the Borough and subsistence within Greater London). The SRA set for the Chair of the Council, the six Chairs of Overview and Scrutiny Select Committees and the Chairs of the Planning and Licensing Committees is £6,130. This compares with a London-wide recommendation of a minimum of £15,333 for the roles. A rise of this magnitude would be quite inappropriate in the present climate. In 2010 I recommended that the SRAs for the Chairs of the Council, the Overview & Scrutiny Select Committees and the Planning and Licensing Committees be set at £7,000. Adding the 1% pay increase, **I recommend that the SRAs for the Chairs of the Council, the Overview & Scrutiny Select Committees and the Planning and Licensing Committees be set at £7,070.** The Chair of the Strategic Planning Committee is

currently allocated an SRA at the same level as the six Chairs of the Planning and Licensing Committees. While I recognise the substantial workload of the six chairs, I believe that the responsibilities of the Chair of the Strategic Planning Committee justify a higher level of allowance, midway between that paid to the chairs of the Planning Committees and the Chair of the Overview and Scrutiny Committee. Accordingly **I recommend that the Chair of the Strategic Planning Committee should receive an SRA of £10,115**. The present Scheme provides for an SRA of £5,275 for Leaders of political Groups with 15 or more members and an SRA of £3,165 for the Chair of the Labour Group and for Leaders of Groups with fewer than 15 members. There are now on the Council no such groups other than the Labour Group. I suggest, however, that the provision for Leaders of Groups should remain in the scheme (with the SRA for the Chair of the Labour Group) and updated for inflation in the unlikely event that such groups emerge during the life of the current Council. **I recommend, therefore, that Leaders of political Groups with 15 or more members should receive an SRA of £5,328 and the Chair of the majority Group and leaders of political Groups with more than three but fewer than 15 members should receive an SRA of £3,197**. Given the present composition of the Council and the responsibilities of the post in relation to the ordering of Council business, I believe that it would also be appropriate to allocate an SRA to the Whip of the majority Group equivalent to that available to the leaders of groups with more than fifteen members. **I therefore recommend that the Whip of the majority Group should receive an SRA of £5,328**. The constitution and remit of the Standards Committee has changed in the last year. Its formal powers are more limited and it is now chaired by a member of the Council. I believe that the role clearly commands greater importance than that of the ordinary member and should be rewarded at the same level as the former co-opted Chair (updated for the pay award). **I recommend that the Chair of the Standards Committee should receive an SRA of £1,010**.

10. **Co-optees.** Co-optees on the Council's Standards Committee, Audit Panel and parent governors and diocesan representatives who sit on the Overview & Scrutiny Education Business Panel and the Children and Young People Select Committee currently receive a Co-optees' Allowance of £600. Adding the pay increase, **I recommend that co-optees should receive a Co-optees' Allowance of £606**. Unlike councillors, they should be entitled to claim for travel and subsistence within (as well as outside) the Borough.
11. **Dependants' Carers' Allowance.** The scheme currently provides for payment of a dependants' carer's allowance equivalent to the London living wage, plus travelling expenses. This is entirely appropriate: it is important that service on the Council should be made possible for those with caring responsibilities. **I recommend that the Scheme continues to make provision for payment of a dependants' carers' allowance and that in special circumstances (eg for care of a severely disabled person) the Council should reimburse a higher cost**

**where this can be justified.** In cases of dispute the Standards Committee should arbitrate.

12. **Updating.** The Regulations allow updating by reference to a formula to continue for four years without review. On the recommendation of the Independent Remuneration Panel, the Council adopted a common formula, the rate by which local government salaries were increased in the preceding year. Despite the recommendation of the Independent Remuneration Panel, the Council has frozen allowances since 2008-09. Given the current financial circumstances, the freeze is understandable. Nevertheless, I believe that members should share the same fate as staff. It is more necessary than ever that able people should not be discouraged by financial penalties from serving on the Council. I **recommend** that updating should continue for four years in accordance with the rate by which annual local government pay settlement salaries are changed in the preceding year.
13. **Date of implementation.** I **recommend** that the date of implementation of my recommendations be the commencement of the 2014-15 municipal year.
14. **Other.** The current Scheme of Allowances for the Borough is well-designed and I **recommend that it continue unchanged** except for the recommendations in this report.

## 15. Summary of Recommendations

- (a) The Basic Allowance be set at £10,703 (currently £9,812).
- (b) The following Special Responsibility Allowances should be paid:

Mayor £81,839 (currently £77,722);  
Deputy Mayor £41,675 (currently £40,600);  
Cabinet members £16,160 (currently £15,298);  
Chair of the Overview & Scrutiny Committee £16,160 (currently £12,260);  
Chair of the Council £7,070 (currently £6,130);  
Chair of the Strategic Planning Committee £10,115 (currently £6,130);  
Chairs of the Overview & Scrutiny Select Committees and the Planning and Licensing Committees £7,070 (currently £6,130);  
Leaders of Political Groups with 15 or more members £5,328 (currently £5,275);  
Chair of the majority Group and leaders of Political Groups with more than three but fewer than 15 members £3,197 (currently £3,165).  
Chair of the Standards Committee £1,010 (currently £1,000)
- (c) The Co-optees' Allowance be set at £606.
- (d) In special circumstances (eg for care of a severely disabled person) the Council should reimburse a higher rate of dependants' carers' allowance where

this can be justified. In cases of dispute the Standards Committee should arbitrate.

(e) updating of the Scheme should continue for four years in accordance with the rate by which local government salaries are changed in the preceding year.

(f) the date of implementation of my recommendations be the commencement of the 2014-15 municipal year.

(g) except for the recommendations in this report, I recommend that the current Lewisham Members' Allowances Scheme continue unchanged.

**Rodney Brooke**  
**3 September 2014**