
Report to
Council

8th December, 2009

Report of Director of Customer and Workforce Services

Title

SPECIAL RESPONSIBILITY ALLOWANCES FOR THE CHAIR AND DEPUTY CHAIR OF THE CITY COUNCIL'S AUDIT COMMITTEE

1 Purpose of the Report

- 1.1 This report requests the City Council to consider the recommendations contained in the attached report of the Independent Remuneration Panel (IRP) on the Special Responsibility Allowances for the Chair and Deputy Chair of the City Council's Audit Committee.

2 Recommendations

That the City Council consider and determine each of the following recommendations of the Independent Remuneration Panel:-

- 2.1 That the positions of Chair and Deputy Chair of Coventry City Council's Audit Committee should attract Special Responsibility Allowances.
- 2.2 That the Special Responsibility Allowance for the Chair of the Audit Committee be set at £6,204 pa.
- 2.3 That the Special Responsibility Allowance for the Deputy Chair of the Audit Committee be set at £2,484 pa.
- 2.4 That the payment of these Special Responsibility Allowances be backdated to the beginning of the 2009/10 Municipal year and be subject to the same index linking mechanism as may be applied to other allowances.
- 2.5 That the City Council considers constituting a standing Independent Remuneration Panel with membership on a fixed term basis.
- 2.6 That the City Council consider undertaking, at an appropriate time, a full review of its Members' Allowances scheme.

3 Information/Background

- 3.1 The Annual Meeting of the City Council on 20th May, 2009, resolved that up to 5 persons be appointed by the Director of Customer and Workforce Services, after consultation with the Group Leaders, to an IRP.
- 3.2 The Panel was subsequently appointed and comprised:-
 Stephen Banbury, CEO Voluntary Action Coventry
 Louise Bennett, CEO Coventry and Warwickshire Chamber of Commerce
 Jeanne Jenner, CEO Coventry Arts and Media
- 3.3 The City Council at the same meeting also appointed an Audit Committee for the first time and the Independent Remuneration Panel considered the Special Responsibility Allowances for the Chair and Deputy Chair of that Committee.
- 3.4 The work of the IRP was facilitated by Stephen Hind, a consultant with the West Midlands Leaders Board (the regional local government organisation) who had experience in working with Members' Allowances schemes.

4 Proposal and Other Option(s) to be Considered

- 4.1 The Panel have met and set out a series of recommendations in relation to the Special Responsibility Allowances for the Chair and Deputy Chair of the Audit Committee. The recommendations are detailed in the attached report.

5 Other specific implications

	Implications (See below)	No Implications
Best Value		✓
Children and Young People		✓
Climate Change and Sustainable Development		✓
Comparable Benchmark Data		✓
Corporate Parenting		✓
Coventry Sustainable Community Plan		✓
Crime and Disorder		✓
Equal Opportunities		✓
Finance	✓	
Health and Safety		✓
Human Resources		✓
Human Rights Act		✓
Impact on Partner Organisations		✓
Information and Communications Technology		✓
Legal Implications	✓	

	Implications (See below)	No Implications
Neighbourhood Management		✓
Property Implications		✓
Race Equality Scheme		✓
Risk Management		✓
Trade Union Consultation		✓
Voluntary Sector – The Coventry Compact		✓

5.1 Finance Implications

The current cost of implementing the proposal would be £8,688 p.a. and can be met from within the existing Members' Allowances budget.

5.2 Legal Implications

It is permissible to amend the Members' Allowance Scheme and the contents of the report accords with the requirements of Section 18 and 190 of the Local Government and Housing Act 1989 and the Local Authorities (Members' Allowance) (England) Regulations 2003.

6 Monitoring

- 6.1 There is a legislative requirement for Members' Allowances to be reviewed at least once every four years.

7 Timescale and expected outcomes

- 7.1 The City Council will consider the recommendations on the 8th December, 2009.

- 7.2 The proposed amendments would update the current Members' Allowances Scheme.

	Yes	No
Key Decision		✓
Scrutiny Consideration (if yes, which Scrutiny meeting and date)		✓
Council Consideration (if yes, date of Council meeting)	✓ 8th December, 2009	

List of background papers

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Papers open to Public Inspection

Description of paper

Location

None

APPENDIX

COVENTRY CITY COUNCIL

REPORT OF THE INDEPENDENT REMUNERATION PANEL, OCTOBER 2009

SPECIAL RESPONSIBILITY ALLOWANCES FOR THE CHAIR AND DEPUTY CHAIR OF THE CITY COUNCIL'S AUDIT COMMITTEE

The Coventry City Council Independent Remuneration Panel

1. The membership of this, the fourth Independent Remuneration Panel [IRP – the Panel] appointed by the City Council, is:-
Stephen Banbury, CEO Voluntary Action Coventry
Louise Bennett, CEO Coventry and Warwickshire Chamber of Commerce
Jeanne Jenner, CEO Coventry Arts and Media
2. The work of the IRP has been facilitated by **Stephen Hind**, a consultant with the West Midlands Leaders Board (the regional local government organisation) who has experience in members' allowances schemes.

Scope and Approach

3. The IRP was required to consider and make recommendations on Special Responsibility Allowances (SRAs) for the posts of Chair and Deputy Chair of the newly established Audit Committee of the Council.
4. The Panel was briefed on the following matters:-
 - The Local Authorities (Members' Allowances) (England) Regulations [the 2003 Regulations] and the role of IRPs
 - Coventry CC's member structure and current scheme of allowances
 - Previous IRPs' considerations on the allowances structure
5. The Panel also received the following information in support of their deliberations:-
 - The proposal by the City Council to establish a stand alone Audit Committee
 - CIPFA (Chartered Institute of Public Finance and Accountancy) guidance on Audit Committees
 - The report to the City Council on interim SRAs for the Chair and Deputy Chair of the Audit Committee [withdrawn to allow consideration by the IRP]
 - The benchmarking exercise undertaken by authority officers into audit committee arrangements with a number of comparator authorities
 - Additional benchmarking information in relation to the same comparator authorities

Comments on Process

6. This Panel views it unfortunate that the matter of Audit Committee SRAs was considered in the public domain, even on an interim basis, without the prior consideration of an IRP. In the event of agreement with the proposed interim SRAs there is the potential perception that the IRP is merely 'rubber stamping' the authority view. Conversely alternative recommendations by the IRP might be perceived as a criticism of the methodology used by the authority. Neither situation would be intended.
7. The independence of the IRP and the public perception of that independence is critical to its role and it is important therefore that nothing is done, even inadvertently, to compromise that role.

8. It is suggested that a better arrangement would be if the City Council took the step of appointing a Panel for a fixed period, rather than on an as and when required basis, as has been the practice at Coventry CC. The Guidance to the 2003 Regulations suggests "*local authorities may wish to consider appointing members of the panel for a term of office of several years, perhaps 3-5 years*". A standing IRP could be convened at relatively short notice. It would also have the benefit of increased effectiveness as its knowledge and understanding of members' allowances increased.

The Case for Audit Committee SRAs

9. The City Council decided not to determine interim SRAs for the Chair and Deputy Chair of the Audit Committee, instead referring the matter for consideration by the IRP.
10. The Panel therefore started from the position of determining whether or not any Audit SRAs at all were merited. The 2003 Regulations allows SRAs to be paid "*...to those members of the council who have significant additional responsibilities over and above the generally accepted duties of a councillor*"
11. In March 2009 the City Council amended its constitution to provide for a 'stand alone' Audit Committee of the Council, replacing the arrangement where an audit sub-group formed part of the remit of one of the Council's Scrutiny Boards. That audit work had not attracted SRAs outside of those paid to the Chair and Deputy Chair of that Board.
12. The decision to create a separate Committee was considerably influenced by CIPFA guidance which encourages authorities to raise the profile and priority of the audit function at member level in order to reflect good governance arrangements. The Panel does acknowledge the importance of this function, not only to the authority but to the public interest. The committee will oversee the internal audit arrangements, including scrutinising and monitoring risk management and anti-corruption and anti-fraud strategies; also to monitor expenditure programmes across the authority and correlate internal and external audit issues.
13. It is also noted that, to underpin its independence from other functions, the committee reports directly to the full council, its members cannot be Cabinet Members and its Chair and Deputy Chair also may not be a Chair or Deputy Chair of Scrutiny Boards. The Chair and Deputy Chair of the committee will require particular skills and knowledge relating to financial, risk control and corporate governance issues facing local government and the council specifically.
14. The Panel therefore finds that the positions of Chair and Deputy Chair of Coventry City Council's Audit Committee do merit the payment of SRAs.

The Value of Audit SRAs

15. The Panel had the benefit of the benchmarking exercise undertaken which established that the average SRA for a Chair of an Audit Committee in the eight comparator authorities, which had Audit Committee functions broadly comparable to Coventry CC's, and which paid an SRA, was £6,370 pa.
16. However, because the range of SRA payments to Audit Committee Chairs in those comparator authorities was so wide (£3,000 to £13,000) the Panel felt that alone this was insufficient information for their purposes. Therefore the benchmarking exercise was extended to examine the 'rankings' of the Audit SRAs, ie the relative positions, within those eight comparator authorities. This is set out in the appendix to this report.
17. From this data the following was noted in relation to Audit Chair SRAs:-
 - None is ranked at cabinet level or above

- None is ranked as low as, or lower than, Chairs of Standards Committees
 - All are ranked lower than the Chairs of Planning Committees
 - Four are ranked lower than, one higher than and three equal to Scrutiny Committee/Board Chairs
 - Four are ranked lower than and three are equal to Licensing Committee Chairs
18. The ranking of Audit SRAs is consistently set at fourth or fifth tier. The Panel concurs with this level of importance for this function.
19. Also from this comparative data the Coventry Scrutiny Co-ordination Committee appears to be an unusual, if not unique, function.
20. The SRA position of the Leader of the opposition Group is low compared to these other authorities.
21. This Panel was not asked to review the SRA structure of the council but needed to consider the additional Audit SRAs within the context of the current scheme. By way of observation only therefore the following points are made:-
- Various amendments to the SRA structure and values have been proposed by previous IRPs which the Council has decided either not to implement or only to partially implement.
 - The SRA structure therefore in essence remains that established nearly ten years ago. At some stage there may be benefit in a full and in depth review of the SRA structure.
22. Ultimately the ranking of the Coventry Audit Committee is a matter of local judgement. There will not be unanimity of opinion within the Council. A small sample of views from a few senior Coventry members reflected this, with a range from third rank (equal to Cabinet/Chair of Scrutiny Co-ordination Committee) to fifth rank (equal to the Opposition Group Leader SRA).
23. The current, relatively flat, Coventry SRA structure provides equality of SRAs for the Chairs of statutory/regulatory committees, other than for the Chair of the Scrutiny Co-ordination Committee and the Standards Committee.
24. The Panel's view is that, in the context of the existing scheme, it is appropriate that the SRA for the Chair of the Audit Committee is equivalent to those of the Chairs of the Scrutiny Boards and Planning and Licensing Committees ie £6,204 pa.
25. In relation to the SRA for the Deputy Chair of the Audit Committee, whilst there may be arguments for a more critical evaluation of the roles (and therefore SRA values) of all Deputy Chairs the Panel believes that, in the existing allowances scheme, to vary the current universal SRA for Deputy Chairs would be problematical. So the Panel recommends an SRA for the Deputy Chair of the Audit Committee of £2,484 pa.
26. **Recommendations**
- (a) That the positions of Chair and Deputy Chair of Coventry City Council's Audit Committee should attract Special Responsibility Allowances.
 - (b) That the Special Responsibility Allowance for the Chair of the Audit Committee be set at £6,204 pa.
 - (c) That the Special Responsibility Allowance for the Deputy Chair of the Audit Committee be set at £2,484 pa.

- (d) That the payment of these Special Responsibility Allowances be backdated to the beginning of the 2009/10 financial year and be subject to the same index linking mechanism as may be applied to other allowances.

27. Supplementary Recommendations

- (e) That the City Council consider constituting a standing Independent Remuneration Panel with membership on a fixed term basis.
- (f) That the City Council consider undertaking, at an appropriate time, a full review of its Members' Allowances Scheme.

Appendix

COVENTRY CITY COUNCIL
INDEPENDENT REMUNERATION PANEL

AUDIT COMMITTEE SRA BENCHMARKING EXERCISE

	Coventry	Kensington & Chelsea	Dudley	Derby	Bolton	Milton Keynes	W'hampton	Walsall	Sandwell
	SRA (Rank)	SRA (Rank)	SRA (Rank)	SRA (Rank)	SRA (Rank)	SRA(Rank)	SRA (Rank)	SRA (Rank)	SRA (Rank)
Leader	£22.3k (1)	£54k (1)	£19k (1)	£28.8k (1)	£28.7k (1)	£29.5k (1)	£26.2k (1)	£20k (1)	£25.3k (1)
Deputy	£16.1k (2)	£41 (2)	£9k (2)	£21.6k (2)	£17.2k (2)	-	£21.9k (2)	£8k (2)	£20.3k (2)
Cabinet Member	£9.9k (3)	£40 (3)	£5.3k (3)	£14.5k (3)	£11k (3)	£10.3k (3)	£17.5k (3)	£8k (2)	£15.2k (3)
Scrutiny Co-ord Cttee Chair	£9.9k (3)	- -	- -	- -	- -	- -	- -	- -	- -
Scrutiny Board/Cttee Chair	£6.2k (4)	£20k (4)	£3.2k (4)	£7.2k (4)	£4.7k (8)	£5.2k (5)	£17.5k (3)	£8k (2)	£8.4 (5)
Planning Cttee Chair	£6.2k (4)	£20k (4)	£5.3K (3)	£7.2k (4)	£7.3k (5)	£7.8k (4)	£17.5k (3)	£7.5k (3)	£10.1k (4)
Licensing Cttee Chair	£6.2 (4)	£20k (4)	- -	£7.2k (4)	£6.9k (6)	£7.8k (4)	£13.1k (4)	£5k (4)	£8.4k (5)
Opposition Group Leader	£3.7k (5)	£20k (4)	£3.2k (4)	£7.2k (4)	£9.5k (4)	£11.9k (2)	£17.5 (3)	£8k (2)	£8.4k (5)
Standards Cttee Chair	£2.5k (6)	£2k (6)	- -	- -	£1k (9)	£3.1k (6)	- -	- -	- -
Audit Cttee Chair	?	£5.8k (5)	£3.2k (4)	£5.4k (5)	£5.9k (7)	£5.2k (5)	£13.1k (4)	£5k (4)	£8.4k (5)

Source of information: LGA Members allowances Survey 2008