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**Report of Corporate Management Team**

**Paul Darby, Corporate Director of Resources**

**Electoral division affected:**

Countywide

**Purpose of the Report**

- 1 To advise Council on the outcome of the review of the Members' Allowances Scheme by the Independent Remuneration Panel for 2023/24, and to ask Council to agree a scheme of allowances for 2022/23, taking into account the views of the Panel.

**Executive summary**

- 2 The Council is required to have a scheme which makes provisions for the payment of allowances and expenses to elected members. The scheme must be reviewed at least once every four years by an Independent Remuneration Panel. The custom and practice has been for the IRP to meet and consider the Council's scheme on an annual basis.
- 3 The Council must have regard to any recommendations of the Independent Remuneration Panel (IRP), when approving any changes to the scheme council, although it is not bound by its recommendations and can choose to implement revised arrangements.
- 4 The IRP met on 30 January 2023 to consider the scheme for 2023/24. The Council's cross party Constitution Working Group (CWG) met to consider the IRP's representations on 20 February 2023. This report sets out the outcome of those meetings and relevant matters for Council to consider.

**Recommendation**

- 5 The Council is asked to consider the recommendations of the Independent Remuneration Panel for the Members' Allowances Scheme for 2023/24 agree:

That the Members Allowances Scheme will remain unchanged for 2023/24 and 2024/25;

- (i) That a fundamental review of the Members Allowances Scheme take place in summer of 2024 to inform the scheme for 2025/26 and beyond, which will coincide with implementation of the Local Government Boundary Review recommendations; and
- (ii) That the IRP be consulted on a revised Members' Allowances Scheme for 2025/26 to reflect the new Council size and electoral division boundaries to be presented to Council for approval in due course.

## Background

- 6 All local authorities are required to have a scheme which makes provision for the payment of a range of allowances and expenses to elected members. Each local authority must appoint an Independent Remuneration Panel (IRP) to review the scheme and make any representations on allowances, including the amounts payable. The statutory requirement is that an IRP reviews the scheme at least once every four years. In Durham we have engaged the views of an IRP on an annual basis. When approving any changes to its Scheme, the Council must have regard to the IRPs recommendations, though it is not bound by its recommendations and can choose to implement revised arrangements.
- 7 The last changes made to the Member Allowance Scheme were for the year 2014/15. At that time, the IRP recommended a 1% increase to the basic allowance. Council considered that recommendation and decided not to introduce an increase. However, when Council set its budget for 2014/15 it agreed to reduce the Members Mileage Allowance to 0.45p per mile in line with HMRC rate. This is the only change to the scheme since it was adopted in 2009.
- 8 In 2020, Council asked that the Head of Legal and Democratic Services write to the Secretary of State to request that the arrangements for agreeing Members Allowances are reviewed with a suggestion that the models adopted in Wales or Scotland could be considered for England. The response received stated that there were no plans to change the arrangements for setting Members Allowance Schemes in England and therefore this remains a matter for determination locally. The response also stated that while the recommendations of the IRP do not have to be followed in every detail, they should be followed unless there is a good reason not to in a particular case.
- 9 In a separate report to the Council meeting in January 2021, the council agreed to adopt a parental leave policy for members. This was subsequently included as part of the Members Allowance Scheme.
- 10 In considering IRP recommendations for increases in recent years, members have been mindful of the impact on the councils budgets (modest that they would be in reality), the context in terms of agreeing to increase their allowances when service reductions and redundancies are being implemented and of the benchmarking data which shows that the basic allowances currently paid, albeit unchanged since LGR in 2009, are not an outlier when compared to other councils in our region and of a similar size. Members have been keen to express that this in no way seeks to undermine the views of the IRP.

- 11 In reviewing the scheme for 2022/23, the IRP met in November 2021 and considered all of the information provided. It agreed to recommend an increase to the Basic Allowance for 2022/23 of 2%. In coming to this decision, the Panel referred to their recommendation made the previous year for an increase of 0.7% which was directly related to the CPI. Between September 2020 and September 2021 CPI had increased by 2.9% and was potentially going to increase further, and a recent announcement by the Chancellor at the spending review showed an expectation of inflation to average around 4% next year. A 2% increase to the Basic Allowance, which was less than the CPI and RPI inflation rates, was therefore considered appropriate at the time.
- 12 Council considered the IRPs recommendations at its meeting on 26 January 2022 and agreed that following a change in the council's administration and groups, that the specific amounts paid to group leaders be removed from the annex.
- 13 Council also voted not to accept the IRP recommendation of an increase of 2% in respect of the Basic Allowance. As in previous years' discussions, members were mindful of the impact on the councils budgets (modest that they would be in reality), the context in terms of agreeing to increase their allowances when service reductions and redundancies are being implemented and of the benchmarking data which showed that the basic allowances currently paid, albeit unchanged since LGR in 2009, are not an outlier when compared to other councils in our region and of a similar size.

#### **IRP Considerations for 2023/24**

- 14 The IRP met on 30 January 2023. The Members of the Panel are Joyce Drummond-Hill, Alan Fletcher, Steve Lowthian, Ray Morris, and Ian Youll. Three members of the Panel met, with apologies received from two members.
- 15 The Panel were advised that there had been no changes to the Council's Committee Structures during this municipal year. In preparation for this IRP meeting, Members were asked to express views or make submissions to be considered by the IRP. Seven members (compared to three responses in 2021) provided the following responses, which are summarised as follows:
  - Being a councillor is more than a hobby. It's a job. It requires being contactable around the clock, being on constant call outs, and being available for meetings every day of the week. Whether that's meetings with residents, officers, or official meetings of the

council. Given the cost of living pressures, it is not possible for one to be a councillor without a second job. So, it's impossible to commit as much time as is required to do the job properly and efficiently. Durham County Councillor allowances have remained unchanged for a number of years now, despite inflationary pressures on our finances. For that reason, I would urge for an increase to be recommended.

- The members allowance hasn't increased since LGR in 2009. During this time both public and private sector pay has increased significantly. Inflation is now running at 10% and over the course of the last 13 years, had the allowance increased by inflation it would now be £19,464. The current £13,300 is significantly below the minimum living wage rate for 2023 of £10.42 per hour. The current hourly allowance for a councillor based on a 35 hour week, calculated at the time of LGR is now £7.30. At £10.42 per hour the annual allowance would now be £18,964. Previously councillors have decided not to approve a pay rise each year, not because the increase wasn't justified but because of public perception. It is not justifiable for the councillors allowance to be frozen due to politics as this is dissuading people from becoming councillors. Particularly those without significant alternative sources of income. The independent remuneration panel should propose an increase in the members allowance based on what is considered equitable, and not consider the political pressure on councillors in voting for their own allowance rate.
- Three Members felt that the current Members' Allowance should remain unchanged. Of those three Members, one Member recognised that Members' were not immune from financial pressures and felt that Members' should be standing with employees of the council and prioritising staff pay rises ahead of their own and could not see any logic in increasing Members' allowances at the present time. Another Member cited the cost of living crisis and the current financial situation as reasons for it not being appropriate to consider any increase in allowances.
- One Member commented that they have never advocated an increase in allowances, however, with the increase in living costs many current Councillors and those aspiring to be Councillor in the future will be wondering if they can afford to be a councillor. We need to have the best/most suitable people to be councillors not just people who can afford to do so.
- On recommendation of the leadership, Council has not implemented recommended increases in the past. The Member

hoped that this will not deter the panel from its important work. Council leadership should allow members a free vote on the issue. Consequently, there has been no increase since 2009. Durham County Council has now slipped down the regional league table, and if you consider pounds per elector, Durham is well down the table. The allowance which was substantial in 2009 has now eroded massively due to inflation.

- Whilst all parties were able to find candidates in recent elections, the candidates increasingly came from a narrow band of early retired people as those of working age cannot afford to give up the hours necessary to do the job of Councillor. The Member felt that the allowance must be sufficient to achieve diversity in representation
- Staff have annual pay awards and the Member felt that the same should apply.
- A Member proposed that a Group Leader's allowance should be paid in addition to other special responsibility allowances as it was a separate and distinct role that continues if the Group Leader holds another appointment.

- 16 The Panel also considered updated benchmarking information received from other authorities in the region and from comparator authorities as to their existing schemes and any proposed changes to their Member Allowance schemes next year. This showed that of the eleven other councils in the North East, four increased the allowances in 2022/23 and seven did not. The average basic allowance paid in 2022/23 (excluding Durham) is £9,602. This can be found in Appendix 3.
- 17 Appendix 5 provides updated comparisons with other Unitary Authorities which have similar population size. The benchmarking information shows that the lowest cost per head for similar population size is £2.99p, based on a population of 357,394. The highest cost per head is £3.94, based on a population size of 510,333. Durham has the second highest cost per head at £3.72, with a population size of 527,035.
- 18 The IRP noted that Cornwall Council were due to meet to consider a recommendation from their IRP, which would increase the basic allowance of £15,130 to £17,681 from May 2023 by way of indexation of the Basic Allowance for 2022-23 by 4.04% with this proposed to be backdated to 1 April 2022. The proposal was also that the Basic Allowance for the year 1 April 2023 – 31 March 2024

is to be indexed with the previous year officer pay award, i.e. 4.04%; and the future award be based on the previous year's agreement. Other factors behind the recommended increase relate an increase in the reported average weekly hours worked by Members and an increase in the average local salary.

- 19 Further data detailed in Appendix 4 shows the cost of neighbouring authorities Members Allowances Schemes for 2021/22 and the cost of the Schemes per head of population. Durham has the highest population of all North East Authorities (533,149) and ranks alongside both Middlesbrough and Stockton-on-Tees in terms of allowance per head (£3.68). The next lowest cost per head is Newcastle (£2.99) based on a population of 306,824. The highest cost per head is Gateshead (£5.84) with a population of 201,950. Northumberland has the nearest population size to Durham 323,820 (209,329 less) which equates to £4.28 per head.
- 20 Durham had the highest scheme cost for 2021/22 behind Northumberland and Gateshead. However, Durham has 126 Councillors (59 more Councillors than Northumberland and 60 more than Gateshead). Durham ranked 7/11 for Special Responsibility Allowances (£275,188) paid out in 2021/22. The highest being Gateshead at £403,387 and lowest being North Tyneside at £106,671.
- 21 Additional information was also provided from a research question circulated by SIGOMA (Special Interest Group of Municipal Authorities) which is one of the largest interest groups within the LGA (Local Government Association). The question related to whether authorities had arrangements in place to the increase Members Allowances by the same percentage as the NJC pay agreement for officers. At the time of the benchmarking exercise there was no percentage increase under NJC this time, authorities who increased allowances in this way were looking at what percentage to apply as it had appeared that some authorities were applying an average percentage. Questions were asked of authorities as to how the average percentage had been calculated. The responses can be found in Appendix 6 to the report.
- 22 The Panel were informed of the ongoing Local Government Boundary Review being conducted by the Local Government Boundary Commission for England which is due to conclude in September 2023 and the Commission's recommendation to reduce the Council size of Durham from 126 Councillors to 98 councillors, a reduction of 28 councillors.

- 23 The IRP will be consulted on the review of the Members' Allowances Scheme at the appropriate time.
- 24 The Panel took into consideration all of the information provided, and resolved by a majority decision to recommend no increase to Basic Allowances for the Members Allowances Scheme for 2023/24. They also recommended that serious consideration be given to redrawing and recalibrating the scheme to be applied in 2025/26 to coincide with the implementation of the Boundary Commission changes.
- 25 Comments from the Panel included:
- Councillors were not immune to current high rate of inflation and the cost of living crisis. Whether the Council would agree any increase was irrelevant to the work of the Panel. An increase of 4.5% should be recommended considering the current cost of living crisis;
  - Councillors are paid an allowance and not a salary. There should be no expectation that the allowance should increase in line with inflation;
  - Feedback from a number of Councillors has indicated that that there should be no increase and it was noted that there had been a low number of responses, suggesting this was not a major issue;
  - The implementation of the outcome of the Local Government Boundary Review would be a significant milestone and provide the next opportune moment to fully review the Scheme;
  - The Basic Allowance had not increased since being introduced at Local Government Reorganisation and generally it would be fair to recommend an increase in line with some sort of metric. However, benchmarking data reflected that the Basic Allowance remained competitive when compared to other local authorities;
  - The proposed reduction in Council size would potentially result in Councillors taking on more responsibilities;
  - Given the current level of Basic Allowance in Durham remained high in comparison to other authorities and given the significant budgetary pressures facing the Council, there appeared to be no demand or desire for an increase; and



- Councillors may not seek an increase as this presented them with the dilemma of voting for their own increase when their electorate was struggling with other pressures such as the cost of living crisis

### **Constitution Working Group**

- 26 Constitution Working Group (CWG) met on 20 February 2023 and discussed the IRP deliberations and the benchmarking undertaken. CWG were in agreement that the existing scheme should remain unchanged in 2023/24 and 2024/25 and that a fundamental review should be undertaken in the summer of 2024. This review would inform the scheme for 2025/26 and beyond, to coincide with implementation of the Local Government Boundary Review recommendations.
- 27 Accordingly, the review would consider the new Council size and roles and responsibilities for Members following the Local Government Boundary Commission Review, due to take effect from May 2025.
- 28 CWG noted that the IRP would be required to make recommendations in relation to the new scheme, which Council will be required to take account of when agreeing the new scheme, in advance of the elections in May 2025.
- 29 CWG also proposed that on approval of the scheme for 2025/26, the Council should agree that the scheme be reviewed every four years in accordance with the legislation rather than annually as has been the practice to date. This proposal will be considered by Council when it considers the revised scheme for 2025/26.

### **Conclusions**

- 30 As the report sets out, there have been no increases to the Members Basic Allowances since the Member Allowance Scheme was introduced in 2009. Whilst the IRP has periodically recommended that the basic allowance is increased, Council has voted not to accept these recommendations.
- 31 The Council is required to review its Member Allowance Scheme at least once every four years. It has been the Council's custom and practice to review the scheme annually. In light of the recommendations from the IRP and feedback from CWG, Council is asked to consider agreeing to the Members Allowance Scheme remaining unchanged for 2023/24 and 2024/25 and that the scheme is reviewed to take account

of the anticipated change in Council size, which will be implemented from May 2025.

### **Background papers**

None

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## **Appendix 1: Implications**

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### **Legal Implications**

The Local Authorities (Members' Allowances) Regulations (England) Regulations 2003 (as amended) require the Council to review members allowances at least once every four years for the purpose of agreeing how it will index link its scheme of allowances. Before any amendments to the Scheme are made, the County Council must have regard to the recommendations made by the IRP and determine whether and how these are implemented.

### **Finance**

There are 126 members and a basic allowance of £13,300 is paid to each. There are also special responsibility allowances for members taking on additional responsibility for example, cabinet or chairing roles and these are set out in the scheme. The total budget for members allowances, including special responsibility allowances in 2022/23 is £2,040,571.

### **Consultation**

Members were invited to submit representations for consideration by the IRP. The views of the IRP, together with benchmarking information has been considered by the Constitution Working Group.

### **Equality and Diversity / Public Sector Equality Duty**

None specific within this report.

### **Climate Change**

None specific within this report.

### **Human Rights**

None specific within this report.

### **Crime and Disorder**

None specific within this report.

### **Staffing**

None specific within this report.

### **Accommodation**

None specific within this report.

**Risk**

None specific within this report.

**Procurement**

None specific within this report.

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## **Appendix 2: Members' Allowances Scheme 2022/23**

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Please see attached.

**Appendix 3: Basic Allowances - councils in the region**

<b>Authority</b>	<b>Basic Allowance per member 21/22 £</b>	<b>Basic Allowance per member 22/23 £</b>	<b>Basic Allowance per member 23/24 £</b>
Darlington	8,188	8,188	IRP not due to meet until next year - last met in 2019. Scheme is linked to the NJC pay award for staff but Council agreed not to increase this for 2022/23
Durham	13,300	13,300	TBD
Gateshead	11,279	11,477	No response
Middlesbrough	6,955	7,608	IRP not met yet to consider scheme for next year
Newcastle	9,200	9,200	IRP to meet early 2023. Not linked to NJC award.
North Tyneside	10,643	10,829	The Panel recommends that the Members' Allowances Scheme for 2023/24 remain unchanged and the allowance increase be in line with the median pay point of the annual pay award for employees working under the National Joint Council for Local Government Services National Agreement on Pay and Conditions of Service – Council voted for no increase

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**Appendix 3: Basic Allowances - councils in the region**

<b>Authority</b>	<b>Basic Allowance per member 21/22 £</b>	<b>Basic Allowance per member 22/23 £</b>	<b>Basic Allowance per member 23/24 £</b>
Northumberland	13,329	13,329	No, Northumberland's Panel has not met yet as we have been in the process of appointing some new members. Hopefully, it will meet in January.
Redcar and Cleveland	9,549	9,549	No response
South Tyneside	7,667	8,167	No response
Stockton-on-Tees	9,300	9,300	Last did a review in 2021 and no plans to review it on an annual basis
Sunderland	8,369	8,369	To Council 25 January – recommend increase to 8,995

**Appendix 4: Cost of neighbouring authorities Members Allowances Schemes for 2021/22 and the cost of the Schemes per head of population**

<b>Council</b>	<b>Basic Allowance per member</b>	<b>Basic Allowance Total</b>	<b>Special Responsibility Allowance Total</b>	<b>Expenses</b>	<b>Total Cost of Scheme</b>	<b>Population</b>	<b>Overall Cost per head of population</b>	<b>Cost Per head of population – Basic Allowances</b>
Darlington Borough	£8,188	£409,400	£185,905	£385	£595,690	107,402	£5.55	£3.81
Durham	£13,300	£1,667,949	£275,188	£19,222	£1,962,359	533,149	£3.68	£3.12
Gateshead	£11,477	£776,123	£403,387	£89	£1,179,599	201,950	£5.84	£3.84
Middlesbrough	£7,608	£341,223	£173,538	£4,637	£519,398	141,285	£3.68	£2.42
Newcastle	£9,200	£709,085	£199,674	£9,292	£918,051	306,824	£2.99	£2.31
North Tyneside	£10,643	£701,627	£106,671	£2,619	£810,917	208,871	£3.88	£3.36
Northumberland	£13,329	£975,904	£388,676	£19,970	£1,384,550	323,820	£4.28	£3.01
Redcar and Cleveland	£9,985	£589,433	£163,390	£1,839	£754,662	137,228	£5.50	£4.29
South Tyneside	£7,767	£408,117	£310,340	£37,881	£756,338	151,133	£5.00	£2.70
Stockton-on-Tees	£9,300	£516,300	£204,951	£4,311	£725,562	197,419	£3.68	£2.07
Sunderland	£8,369	£734,828	£364,488	£794	£1,100,110	277,846	£3.96	£2.64



**Appendix 5: Cost of comparator unitary authorities (similar population sizes) Members Allowances Schemes for 2021/22 and the cost of the Schemes per head of population**

<b>Council</b>	<b>Basic Allowance per member</b>	<b>Basic Allowance Total</b>	<b>Special Responsibility Allowance Total</b>	<b>Expenses</b>	<b>Total Cost of Scheme</b>	<b>Population</b>	<b>Overall Cost per head of population</b>	<b>Cost Per head of population – Basic Allowances</b>
Durham	£13,300	£1,667,949	£275,188	£19,222	£1,962,359	527,035	£3.72	£3.16
Cornwall	£14,870	£1,362,160	£336,641	£19,155	£1,717,956	565,968	£3.04	£2.41
Wiltshire	£15,004	£1,376,878	£617,002	£16,953	£2,010,833	510,333	£3.94	£2.70
Bristol	£14,580	£1,097,220	£371,350	£16,490	£1,485,060	467,099	£3.18	£2.35
Cheshire East	£12,351	£1,004,682	£221,749	£10,661	£1,237,092	380,694	£3.25	£2.64
Leicester	£11,473	£597,404	£388,637	£83,331	£1,069,372 NB 2020/21 figure	357,394	£2.99	£1.67
Cheshire West and Chester	£12,714	£885,050	£206,287	£1,609	£1,092,946	339,824	£3.22	£2.60

## Appendix 6: SIGOMA Benchmarking

### Members Allowances Question from another Local Authority

Our constitution states that we will increase members allowances by the same % as the NJC pay agreement. As there has been no % increase under NJC this time we are looking at what percentage to apply. Some authorities appear to be applying an average %, if this is the case for your authority how have you calculated the average %, and if it's possible to say, what is that % ?

1	We applied 6.5% being the average increase – which we calculated based on a weighted average for our mix of staff
2	We got advice from Legal and cleared with our leader for the allowances to be increased by 4.04% which was the uplift agreed for general allowances.
3	Our members allowances also increase in line with NJC pay award. As it's a flat rate across all spinal column points we modelled the impact across our workforce which came out on average at 6.8% (modelling done for budget monitoring purposes and not specifically for members allowances). Obviously the average will depend upon the makeup of individual authority workforces.
4	Our constitution says the Members allowance will go up in line with the % uplift at SCP43 - the top of the standard NJC pay chart. For 2022/23 this is a 4.04% uplift.
5	We've applied a 5.4% increase, which is based on the average percentage increase when the £1925 uplift is applied across each SCP for NJC employees. We explored several other options for applying the award, but settled on this one after consultation with our S151 officer Cabinet Member.
6	Our Members decided to forgo any increase and contribute the saving to Care Leavers.  However in terms of calculating a figure the following might be of use ...  <i>Median Percentage Increase (7%)</i> The median (i.e. mid-point average) figure of the employee percentage rise is 7%.  <i>"Allowance" Percentage Rise (4.04%)</i> The pay award includes an increase of 4.04% on all allowances "as listed in the 2021 NJC pay agreement circular dated 28 February 2022". Whilst these allowances relate specifically to employees, it is considered that this figure could be applied to Members' Allowances and still fall within the definition of "in line with" the pay award.