

AMENDMENT OF MEMBERS' ALLOWANCES SCHEME – SPECIAL RESPONSIBILITY ALLOWANCE FOR CHAIRMAN OF AUDIT COMMITTEE

1. INTRODUCTION

- 1.1 Allowances paid to members of the Council are set out in the members' allowances scheme. Councils are required to make a scheme of allowances paid to members of the authority by 1 April each year. The scheme may be amended at any time during the year. The scheme currently in force is available to view at: newforest.gov.uk/media/adobe/a/n/chapter_29.pdf
- 1.2 Before making or amending a scheme of allowances, the Council must receive a recommendation from its independent remuneration panel.

2. PROPOSED AMENDMENT – ALLOWANCE FOR CHAIRMAN OF AUDIT COMMITTEE

- 2.1 As a result of the changes to the ethical and probity regime introduced by the Government earlier in the year, the Council decided to abolish its Standards Committee with effect from 30 June 2012. New arrangements for dealing with members' ethics and probity, and a number of other functions previously within the Standards Committee's terms of reference, were agreed and implemented with effect from 1 July 2012. These included the establishment of an Audit Committee.
- 2.2 The Audit Committee's terms of reference include functions previously assigned to the former Final Accounts Committee (which, along with the Standards Committee, has been abolished), and the governance functions previously dealt with by the Standards Committee.
- 2.3 The Council's Independent Remuneration Panel has been asked to make a recommendation as to whether a special responsibility allowance is appropriate for the Chairman of the Audit Committee, and, if so, at what level. The Panel's report is attached as Appendix 1.

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- 2.4 It will be noted that the Panel is recommending a special responsibility allowance of £1,917 per annum for the Chairman of the Audit Committee, backdated to 1 July 2012, the date on which the Committee came into being. The Panel has experienced some difficulty in evaluating the role as it is a new one, and there is no experience of the actual time input of the Chairman. However, their recommendation is based on an estimate of the time required based on Committee's terms of reference, and also its level of responsibility, particularly in regard to approval of the Council's final accounts. The Panel has said that it would like to revisit the level of allowance when there is some experience of its operation. Councils are required to receive recommendations from their Independent Remuneration Panels at least every four years, and, as the next four-yearly review is to take place at the end of 2013, the Panel will re-evaluate the role then.

3. FINANCIAL IMPLICATIONS

- 3.1 The budget for Members' Allowances (including the ICT allowance) is £437,060. Paying an allowance to the Chairman of the Audit Committee will not increase the members' allowances budget overall because the co-optees' allowances previously paid to the Parish and Independent Members of the Standards Committee and the special responsibility allowances to the Chairmen of the Standards Committee and the Consideration and Hearings Sub-Committee have been discontinued.
- 3.2 The cost of the Panel preparing and submitting its report will be approximately £400. This will be met from within existing budgets.

4. ENVIRONMENTAL AND CRIME & DISORDER IMPLICATIONS

- 4.1 There are none.

5. PORTFOLIO HOLDER'S COMMENTS

- 5.1 The Portfolio Holder supports the recommendations in the report and welcomes the opportunity to review the allowance further in the future.

6. RECOMMENDATION

- 6.1 That it be recommended to the Council that the Members' Allowance Scheme be amended to include a special responsibility allowance of £1,917 to the Chairman of the Audit Committee (based on a time input of 1.5 days per month), backdated to 1 July 2012.
- 6.2 That the co-optees' allowances to the independent and parish council members, and the special responsibility allowances for the Chairman and the Chairman of the Consideration and Hearings Sub-Committee of the Standards Committee, be abolished.
- 6.3 That it be noted that the Independent Remuneration Panel will re-examine the level of the special responsibility allowance to the Chairman of the Audit Committee when next it undertakes the required four-yearly review of the Council's Members' Allowances Scheme, at the end of 2013.

Further information:

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Background Papers;

Members' Allowances Scheme

A Review of the Chair of Audit

For

New Forest District Council

A Supplementary Report

By the

The Independent Remuneration Panel

September 2012

Introduction: Remit of Supplementary Report – SRA for the Chair of Audit

1. The Independent Remuneration Panel (the Panel) for New Forest District Council was asked to provide a recommendation to the Council on whether the Chair of the new Audit Committee should be eligible for an SRA and if so at what level such an SRA should be paid. This report sets out the deliberations and findings of the Panel regarding the above terms of reference.

Regulatory Context

2. The Panel was convened (as a virtual Panel) under *The Local Authorities (Members' Allowances) (England) Regulations 2003 (SI 1021)* (the 2003 Regulations – which replaced the 2001 Regulations). These regulations require all local authorities to set up and maintain an Independent Members' Remuneration Panel to periodically (at least every four years) review and provide advice on members' allowances. Furthermore, all councils are required to convene their Panel to provide advice on their respective members' allowances scheme whenever it seeks to amend or change their allowances scheme before the four year rule is triggered. The Council is required to 'have regard' to the Panel's recommendations before setting a new or amended Members' Allowances scheme.

3. Specifically, the Panel has been reconvened under the *2003 Regulations [19. (1)]*, (the duty to have regard to recommendations of Panels clause) which states:

Before an authority referred to in regulation 3(1) (a), (b), or (c) makes or amends a scheme, the authority shall have regard to the recommendations made in relation to it by an independent remuneration panel.

4. As the Council is seeking to amend its allowances scheme it is required to seek independent advice from the Panel in accordance with the Regulation 19.1 outlined above.

The Panel and Process

5. The Council reconvened its Panel which consisted of the following members;
 - Christine Ames, local resident and Board member of the New Forest Business Partnership
 - Mark Palmer, Development Director, South East Employers
 - Dr Declan Hall (Chair), former academic at the Institute of Local Government, now an independent consultant specialising in members' allowances and support.
6. As the Panel was being asked to consider a minor amendment to the allowances scheme it met as a "virtual" Panel. This approach is within the spirit of the 2003 Regulations, i.e., for the Panel to consider the evidence and agree its recommendations via electronic means where clarification and minor amendments are being sought that in turn do not result in significant changes on the current spend on allowances. To formally convene the Panel would not be an efficient use of Council resources. Consequently, the Panel has taken a practical approach.
7. All Panel Members were sent the relevant information on the new Audit Committee, including:
 - Current scheme of members' allowances including basis of how allowances in NFDC are arrived at
 - Terms of reference of new Audit Committee
 - Benchmarking information, insofar relevant update information is available
8. The Chair took the lead on writing of the first draft of the report for comment and further amendment by other Panel members, only when the Panel agreed on the final recommendations was the report submitted to the Council for decision.

Background

9. Under the Localism Act 2011 the Council was required by 1 July 2012 to adopt local arrangements for the discharge of its much changed Standards functions. The Council has chosen not to maintain an advisory Standards Committee and to deal with any complaints against Members through a "Monitoring Team" comprising the Council's Chief Executive, Monitoring Officer and one of the two newly-appointed "Independent Persons". If a hearing is required to hear a complaint the Council will utilise its existing Appeals Committee. Consequently, the current provision in the New Forest District Council Members' Allowances scheme for the Co-optee's Allowance (£1,316) paid to the Chair of the Standards Committee is now redundant, as is the Co-optee's Allowance (£409) paid to the Chair of the Consideration and Hearings Sub-Committee. As such, the Panel reminds the Council that these two Co-optees' Allowances should be deleted from the 2012/13 Members' Allowances scheme.
10. The corollary to the changes to the standards regime arising out of the Localism Act 2011 is that the Council has also established a new Audit Committee. The Audit Committee has taken on the functions of the now abolished Final Accounts Committee (the Chair never received an SRA - the Panel was informed that this role was never evaluated by the Independent Remuneration Panel because the Chairman was a Portfolio Holder who was ineligible to receive a further SRA); and in addition has picked up "governance" functions previously dealt with by the Standards Committee.
11. The remit of the new Audit Committee can be broken down into 3 categories, that can be summarised as follows:
 - **Accounts:** to approve Authority's statement of accounts and consider external auditor's report to those charged with governance on issues from the audit of accounts and generally review the Council's financial progress, including variances from the budget and bring any relevant findings to attention of Council, Cabinet/Member, or Overview and Scrutiny Panel as appropriate.
 - **Audit Activity:**
 - **External:** generally to consider other relevant external audit matters such as external auditor's annual letter and other relevant reports and consider annual programme of work and associated fees for external auditors
 - **Internal:** generally to consider all relevant internal audit matters such as annual report and opinion, summary of work programme (actual and proposed) for internal audit and its level of assurance vis-à-vis the Council's governance arrangements, approve strategy, plan and monitor performance and monitor effectiveness of internal audit in accordance with the Accounts and Audit Regulations 2011
 - **Regulatory Framework:** to approve the Authority's Annual Governance Statement and monitor effective development and operation of Council risk

- management and governance, approve Council policies on Whistle blowing and Anti-Fraud and Corruption and Bribery, approve the Authority's Annual Governance Statement, and consider governance arrangements and agree necessary actions to ensure compliance with best practice, and in relation to the Council's own and other published standards and control
12. It is the statutory functions under the regulatory framework remit that have been assigned to the new Audit Committee from the old Standards Committee.
 13. The dilemma for the Panel is to accurately assess the size of the role of the Chair of Audit without actual experience of its operation. However, it is scheduled to meet at least 4 times per year – one less scheduled meeting than the old Standards Committee, although the latter always had one or two meetings per year cancelled due to lack of business. Moreover, a significant (in terms of decision making) part of the Standards remit: dealing with complaints against Members, was dealt with by the Consideration and Hearings Sub-Committee.
 14. Furthermore, it is noted the Chair of Audit is regularly paid in other councils. For instance, the South East Employers Survey on Members' Allowances (2011/12) shows that out of the 42 district councils in the south east which responded 28 remunerated their Chair of Audit, with an average SRA of £2,622. A light-touch review of allowances schemes for the 10 other Hampshire district councils show that in 2011/12 only four remunerated their Chair of Audit, at an average of £2,510. However, not all Councils have an Audit Committee – it is recommended as good practice to have one but it is not mandatory.
 15. The 2011/12 scope and levels of remuneration to other Chairs of Audit in Hampshire and south east district councils need to be placed in an evolving context. The picture for this year (2012/13) may well be different as councils, like New Forest District Council, are making their own arrangements to deal with standards. Some councils will be maintaining a non-statutory advisory Standards Committee, some will merge Standards and Audit, including going beyond the New Forest District Council model, and assign all standards functions (not otherwise assigned elsewhere by the Localism Act 2011), such as dealing with complaints against members, to such a dual committee,.
 16. Nonetheless, the scope and weighting of the extra Standards remit aside, the Audit functions of the new Audit Committee are relatively significant. The Audit Committee for New Forest District Council, unlike in all other councils, does have important powers, such as approving the Authority's statement of accounts (rather than noting and commenting) and the internal audit strategy and plan. Finally, and this is reflected in significant decision making powers, the Panel was informed that the establishment of a new Audit Committee reflects a Council priority to ensure that probity is given greater standing to meet the requirements and spirit of the Localism Act 2011.

17. On balance the Panel has taken the view that the Chair of the new Audit Committee merits an SRA and in arriving at an appropriate level has followed the methodology used in the 2009 Review by estimating the number of hours per year required to undertake the role multiplied by £12.78 (which was historically based on New Forest District Council area median hourly earnings).
18. While it is always difficult to evaluate a new role, the Panel has estimated that the time required undertaking the role of Chair of Audit will be at least 1.5 days per month, or 150 hours per year multiplied by £12.78, which equals £1,917. This time estimate includes all the duties the Chair of Audit will be required to undertake outside of the formal context of quarterly meetings, such as informal meetings and discussions, emails, and telephone calls with Officers, a plethora of reading and liaising with and seeking advice from relevant professionals as required.
19. **Therefore, the Panel recommends that the Chair of the new Audit Committee should receive an SRA of £1,917 per year, backdated to 1st July 2012.**
20. The Panel is required under the 4 year rule to take an overview of the New Forest District Council Members' Allowances scheme by the end of 2013. The Panel will specifically re-examine the role of the Chair of the Audit Committee in light of experience and make recommendations for adjustments, if any, accordingly.

Dr Declan Hall (Chair)
Mrs Christine Ames
Mark Palmer

September 2012