

Extract from minutes of -

STRATEGIC POLICY AND RESOURCES COMMITTEE

22nd MAY, 2009

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**“Democratic Services and Governance**

**Consultation on Severance Arrangements for Councillors**

The Committee considered the undernoted report in relation to the Department of the Environment’s consultation paper on severance arrangements for Councillors:

**‘Purpose of Report**

To submit for the consideration of the Committee a report regarding the consultation document which has been issued by the Department of the Environment entitled ‘Severance Arrangements for Councillors’.

**Summary of the Consultation Document**

Under the Review of Public Administration, the Executive has proposed severance arrangements as a way of recognising the contribution which long serving Councillors who choose to stand down have made to their local area and to Northern Ireland as a whole. It is also one of the preliminary steps for the reorganisation of Local Government in 2011.

The consultation document puts forward a number of options for possible severance arrangements, including the calculation of the amount of money which could be paid to an individual Councillor, the timing of any scheme and how the associated costs should be met.

**Calculation of Award**

The Department has set out two options for how severance might be calculated. These are:

- a set amount for each year of service as a Councillor

severance could be calculated at a set amount per year, with a possible maximum period of qualifying service. The examples given are £1,000 per year up to a maximum qualifying period of either 36 years (setting a cap of £36,000) or up to a maximum period of 25 years (£25,000) or a maximum period of 20 years (£20,000).

- level of award grouped by a number of bands according to length of service the level of the award could be determined under a banding system. The example given is Councillors who have served between eight and 10 years would receive £10,000, Councillors who have served more than 10 years but under 15 years would be awarded £15,000 and Councillors who have spent more than 15 years in Local Government would receive £20,000.

#### Meeting the Costs of the Awards

Again two options are suggested by the Department for meeting the costs involved. The first option is that, given that the reorganisation of Local Government is a Central Government initiative, the cost should be met by Central Government. The second option is that Local Government should meet the costs as severance payments are essentially recognition of long service by locally-elected representatives.

#### Timing of the Scheme

The Department has identified three possible options for the introduction of the scheme. These are:

- in January 2010
- in January 2011 prior to the Local Government Elections
- at the end of the current Local Government term in 2011.

#### Eligibility

The consultation document proposes that MLAs, MPs, MEPs and Members of the House of Lords be not eligible for severance. This has been the approach adopted by the Welsh and Scottish devolved administrations.

The consultation document also asks whether:

- next of kin should receive severance if a Councillor who has applied for payment under the scheme dies before the award is paid; and
- Councillors who receive severance but return to Local Government at a future date should be required to repay in full the amount paid.

#### Previous Response

As Members are aware, the issue of severance arrangements for Councillors has been highlighted on numerous occasions by the Council, most recently in September 2006 following the publication of a report compiled by the Councillors' Remuneration Working Group. That Group had been tasked with making recommendations to the then Minister with responsibility for the Department of the Environment regarding the future remuneration of Councillors in Northern Ireland.

In relation to severance payments specifically the report suggested that:

- only Councillors who have served more than one term should be eligible for severance;
- should a Councillor apply for severance and subsequently put his/her name forward as a candidate for the following Local Government elections the application for severance would be invalidated;
- if an individual received a severance payment and was subsequently elected as a Councillor, he/she should be required to repay the full sum before taking up office;
- there should be a provision to allow the severance to be paid to the Councillors' next of kin in the event that he/she died between applying for the scheme and payment being made; and
- Councillors who are also members of the Northern Ireland Assembly, the UK Parliament or the European Parliament would not be eligible for severance.

The Council welcomed the recommendations made by the Group with regard to severance payments. However, during evidence sessions arranged by the Working Group the Council had in its representation argued that any severance scheme should be on-going rather than a one-off as had been the case in other jurisdictions in the United Kingdom and the Republic of Ireland.

### Key Issues

#### Calculation of Award

It is accepted that a severance scheme which provides for a set amount per year of service is primarily to recognise the contribution to public life which Councillors have made through the dedication and commitment they have shown to their constituents and Local Government. That being the case it is appropriate that the maximum qualifying period of service should be set at 38 years, this being the maximum entitlement a Councillor could attain if the period of service is calculated from the 1973 Local Government Elections. Capping the severance at a lower number of years would in fact mean that those Councillors with the longest service would receive a lower payment per year than other Members, in essence disadvantaging financially those very Members which the scheme sets out to recognise. The overall cost of applying a maximum qualifying period of 38 years, given the relatively few Members who will have this length of service, is negligible. However, for a Member who has completed nine Council terms, it would mean the difference between receiving £1,000 per year of service as opposed to the significantly lower amount of £526 per year if the maximum qualifying period were restricted to 20 years. This would clearly be inequitable and would work against the principle of the Scheme.

A severance scheme based on a set amount for each year of service as an Elected Representative is transparent, easily understood and therefore is likely to be perceived by the general public as a fair means of recognising long service.

### Eligibility

It would be more appropriate for the minimum term to be served by a Member before he/she would become eligible for severance to be at least two Council terms, since this would be more acceptable to the general public in terms of the definition of long service.

### Exclusion of MLAs, MPs, MEPs and Members of The House of Lords

Members of the House of Lords, at the end of their service in Parliament, receive no resettlement grant nor do they have any pension entitlement. It would therefore be inequitable to exclude them from a severance scheme purely on the basis that they currently serve in another tier of Government. The House of Lords is not an elected Body and it would be unfair to exclude persons appointed to it since they are still representing their constituents yet do not receive any recompense other than a daily allowance for attending the Lords.

Furthermore, given that the underlying principle of a severance scheme is to recognise the long and valuable service given by Members to Local Government, it would be unfair not to include those MLAs, MPs, and MEPs who have contributed to public service and simply penalise them for moving on to a higher elected Body. However, the basis of their entitlement to an award should be calculated only on those years of Local Government service which they have acquired prior to their election to another tier of Government.

### Meeting the costs of the Scheme

The cost should be met by Central Government. In both Scotland and Wales the costs of the schemes were borne by the devolved administrations. Given that the review of Public Administration and the reorganisation of Local Government is an initiative which is being undertaken by the Northern Ireland Assembly, it would seem reasonable that the costs associated with the introduction of a severance scheme as part of the overall reorganisation should be met by Central Government.

### Timing of the Scheme

It is considered that the scheme should be implemented from January 2010, but with appropriate legislation being enacted to prevent by-elections having to be held to fill vacancies which may arise as a result of Members opting to take severance. Implementing the scheme from January 2010 would also help ensure that new Councillors would gain valuable experience of Local Government in preparation for Councils' assuming additional powers in 2011. In addition, this lead-in time would allow capacity-building issues for new Members to be addressed in a structured and comprehensive manner, thereby helping to ensure a smooth and efficient transition to the new Local Government structures. A phased approach will help reduce the impact of losing experienced Councillors and an introduction of the Scheme to apply during the period from January 2010 until the date of the Local Government elections in May 2011 would be essential.

The second option, to introduce the scheme in January 2011, could potentially result in some Councils trying to conduct their business with a significantly reduced number of Members during the last months of the Council term. This scenario could also be potentially very disruptive to the efficient running of Councils as well as being highly disruptive in Belfast to the operation of proportionality arrangements.

The third option, of implementing the scheme at the end of the Local Government term in 2011, is the least favourable in that in the crucial period leading up to the full implementation of the Review of Public Administration it may result in Councils being faced with working through a complex transition process with retiring Members who may have a peripheral interest only in the restructuring of Local Government and the additional powers which Councils will assume.

### Consultation with The National Association Of Councillors (Northern Ireland Region)

The Council has in the past liaised closely with the National Association of Councillors in all matters relating to Councillors' interests and particularly remuneration and severance. I have spoken to the Secretary of the National Association of Councillors (Northern Ireland Region), Councillor Ronnie Ferguson, regarding the consultation document and specifically the proposals being suggested which it is felt would enhance the scheme and ensure that it is equitable and does not disadvantage any long serving Member of Local Government. Councillor Ferguson has indicated that the National Association of Councillors response to the consultation document will mirror the response being made by Belfast City Council.

### **Recommendations**

It is recommended that the Committee agrees to:

1. A set amount of £1,000 per year being payable up to a maximum of 38 years;
2. eligibility for severance being restricted to Members who have served a minimum of two Council terms;
3. the inclusion of Members of the House of Lords in the severance scheme and also the inclusion of MLAs, MPs, and MEPs but on the basis that their entitlement to an award would be calculated only on those years of Local Government service which they have acquired prior to their election to another tier of Government;
4. the next of kin of a Member being entitled to severance in the event that a Councillor dies after applying for severance but before the payment has been made;
5. a recipient of severance having to repay it in full in the event that they return subsequently to serve in Local Government before a period of two Council terms has elapsed;
6. Central Government being responsible for meeting the costs associated with the introduction of a severance scheme;
7. introducing the scheme to apply during the period from January, 2010 until the date of the Local Government elections in May, 2011, providing that the necessary legislation on co-option is implemented; and
8. the attached response to the consultation document (Appendix 1) being approved and submitted to the Department of the Environment.

### **Decision Tracking**

Following approval at Council in June the Head of Committee and Members' Services will submit the Council's response to the Department of the Environment.

### **Belfast City Council's Draft Response to the Department of the Environment Consultation Document on Severance Arrangements for Councillors**

*Question 1: Do you have any comments about the proposal to introduce a severance scheme for Councillors?*

Belfast City Council, having long lobbied for a severance scheme for Councillors, welcomes the proposal to award Members' severance payments in recognition of their long and valued service to Local Government.

***Question 2: Do you agree that MLAs, MPs, Members of the House of Lords and MEPs should not be eligible for a severance award?***

The Council believes that it would be inequitable to exclude Members of the House of Lords from the severance scheme given that at the end of their service in Parliament they receive no resettlement grant nor do they have any pension entitlement. Furthermore, given that the underlying principle of the severance scheme is to recognise the long and valuable service given by Members to Local Government, it would be unfair not to include those MLAs, MPs, and MEPs who have contributed to public service before being elected to a higher tier of Government. However, the basis of their entitlement to an award should be calculated only on those years of Local Government service which they have acquired prior to their election to another tier of Government.

***Question 3: Should the eligibility criteria include a minimum period of service? If yes, what should that period be?***

The Council is of the opinion that the eligibility criteria should include a minimum period of service. It is felt that it is appropriate for the minimum term to be served by a Member before they become eligible for severance to be at least two Council terms. A minimum of two terms is more likely to be acceptable to the general public in terms of the definition of long service and the actual costs of any scheme.

The Council is also in favour of cumulative service being applied to determine the level of award.

***Question 4: Do you agree that a provision allowing a Councillor's next of kin to receive the award should be included in the severance scheme?***

It is recognised that serving as an Elected Representative involves a significant amount of time being spent both on Council and constituency business. This commitment undoubtedly impacts on family life and therefore the Council feels that it is wholly appropriate that in the event of a Councillor dying after applying for severance but before the payment has been made the next of kin should be entitled to receive the full amount.

***Question 5: With regard to the timing of the scheme which of the three options listed below do you consider most suitable?***

***Option 1 - Introduce the scheme in January 2010***

***Option 2 - Introduce the scheme from January 2011***

***Option 3 - Introduce the scheme at the end of the Local Government term in 2011***

The Council is in favour of option one, implementing the scheme from January 2010, providing that appropriate legislation is enacted to prevent by-elections being held to fill vacancies which have arisen as the result of Members opting to take severance. Implementing the scheme from January 2010 would also help ensure that new Councillors would gain valuable experience of Local Government in preparation for Councils' assuming additional powers in 2011. In addition, this lead-in time would allow capacity-building issues for new Members to be addressed in a structured and comprehensive manner, thereby helping to ensure a smooth and efficient transition to the new Local Government structures. A phased approach will help reduce the impact of losing experienced Councillors.

The second option would potentially result in some Councils trying to conduct their business with a significantly reduced number of Members in the last months of the Council term. This scenario could also be potentially very disruptive to the efficient running of the Council as well as forcing Councils to revisit their proportionality arrangements.

The third option is the least favourable in that in the crucial period leading up to the full implementation of the Review of Public Administration it may result in Councils being faced with working through a complex transition process with retiring Members who may have a peripheral interest only in the restructuring of Local Government and the additional powers which Councils will assume.

*Question 6: Is there another more suitable time to make the scheme available?*

No.

*Question 7: Which of the two methods set out below for calculating the award do you consider most suitable?*

*Option 1 – A set amount for each year of Service as a Councillor*

*Option 2 – Level of award grouped by a number of bands according to length of service*

The Council is in favour of Option 1, with a set amount of £1,000 per year of service being awarded up to a maximum of £38,000.

*Question 8: Should there be a maximum amount for an individual award? If yes, what sum should that be?*

The Council is of the view that it is reasonable to set a maximum amount of £38,000 for an individual award. This sum, for which a relatively low number of Members will be eligible, ensures that those with the longest service are not in fact disadvantaged financially in terms of the amount which they would be entitled to for each year of service given.



***Question 9: Who do you think should meet the cost of a severance scheme?***

**Of the two options for meeting the costs of the scheme, that is, the costs should be met by Councils or by Central Government, the Council is of the opinion that the cost should be met by Central Government. In both Scotland and Wales the costs of the schemes were borne by the devolved administrations. Given that the Review of Public Administration and the reorganisation of Local Government is an initiative which is being undertaken by the Northern Ireland Assembly it would seem reasonable that the costs associated with the introduction of a severance scheme as part of the overall reorganisation should be met by Central Government.**

***Question 10: Should a recipient of an award be required to repay it in full in the event that he/she is elected or co-opted to a Council at a future date?***

**The Council is of the opinion that a recipient of an award who subsequently returns to serve in Local Government should be expected to repay the award in full unless a period of two Council terms has elapsed.'**

The Committee approved the foregoing comments as the Council's response to the consultation document."