

## **REMUNERATION OF BOARD MEMBERS**

Report of the Finance Director & Company Secretary

### **1. SUMMARY**

- 1.1 Board remuneration levels have not been changed in a decade since being introduced in 2011. In 2019 the Governance Committee suggested a review should be held once the Council had concluded their own review of Councillor allowances. This has now been concluded and it is therefore the right time to consider this matter further.

### **2. RECOMMENDATION**

- 2.1 To recommend to the Council the adoption of Option C for future remuneration of Board Members, with a link to local government pay awards. This award to be backdated to April 2021 once the pay award for this year is settled.

### **3. REASON(S) FOR RECOMMENDATION**

- 3.1 The Council has now resolved its own remuneration of Councillors and the Board's own remuneration has remained unaltered since 2011 and is now overdue a review. The Council would have to approve any change to the scheme and an increase in line with Councillors' own review would be consistent.

### **4. MATTER FOR CONSIDERATION**

- 4.1 Allowances for Board Members in 'office' positions – that is Chair, Vice Chair, Chairs of Operational Board, Audit Committee and Governance Committee – were last reviewed at this Committee in April 2019 and at that time continued to be frozen in line with the Council's policy at the time. As any change to allowances have to be approved by the Council, it was felt inappropriate to suggest change at a time when the Council had a freeze in place. As a result, the Board determined to "defer consideration of Board Members allowances until the Council has determined it's policy for Elected Members allowances".
- 4.2 At its meeting in July 2021, the Council approved an increase in allowances for Councillors, fulfilling the condition above. It is therefore timely to consider this matter further.
- 4.3 The Memorandum of Association of Derby Homes states that:
  - 4.3.1 No Board Member or Committee Member shall be appointed to any office of the Organisation paid by salary or fees or receive any remuneration or other benefit or money or money's worth from the Organisation PROVIDED THAT nothing herein shall prevent any payment in good faith by the Organisation:-

- 4.3.2 (1) of reasonable and proper remuneration (including pensions, contributory pension payments, payment of premiums to pension policies and terminal grants and gratuities) to any officer or employee of the Organisation (not being a Board Member or Committee Member) in return for any services rendered to the Organisation;
- 4.3.3 (2) of fees, remuneration or other benefit in money or money's worth to a company of which a Board Member or Committee Member may be a member holding not more than 2% of the share capital of the company;
- 4.3.4 (3) to any Board Member or any Committee Member (for the avoidance of doubt, in each case in their capacity as a Board Member or Committee Member), **of reasonable out-of-pocket expenses and in the case of Board Members such other sums as may be determined by the Organisation in compliance with the Articles of Association and with the approval of the City Council** PROVIDED THAT no sum shall be paid to a Board Member or Committee Member who is an elected member of the City Council in excess of that permitted by the Order and PROVIDED FURTHER THAT in making any payment under this Clause 6(3) the Organisation shall have regard to any guidance issued by the Department of Communities and Local Government;
- 4.3.5 Under Item (3) therefore both out of pocket expenses for all Committee members of the company, and for Board Members only further sums can be paid as determined by the company as long as the Council approves the scheme.
- 4.3.6 Article 27 sets out further rules on this issue:
27. Board Members and Committee Members may be paid all travelling, hotel, and other expenses reasonably and properly incurred by them in connection with their attendance at meetings of the Board or committees of the Board or general meetings or otherwise in connection with the discharge of their duties and in the case of Board Members such other sums as may be determined by the City Council PROVIDED THAT:
- 4.3.7 (1) the Board shall take relevant independent advice prior to authorising payments to Board Members or Committee Members, for example (without limitation) through a remuneration committee, an independent adviser or by using published guidance and industry norms;
- 4.3.8 (2) no sum shall be paid to a Board Member or Committee Member who is an elected member of the City Council in excess of that permitted by the Local Authorities (Companies) Order 1995; and
- 4.3.9 (3) in making any payment under this Article 27 the Organisation shall have regard to any guidance issued by the Department for Communities and Local Government.
- 4.4 It is appropriate therefore for this Committee to make recommendations to the Council on this matter so that they can determine whether to approve a change as set out above. In reaching a conclusion it will be appropriate to consider reasonable comparators and the Council's own resolution of similar issues recently.
- 4.5 The current rates paid to Board Members are as follows and have remained the same in cash terms since 2011:
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|--------------------|--------|
| Chair              | £8,700 |
| Vice Chair         | £4,000 |
| Chair of Committee | £3,200 |

- 4.6 The committees are Audit, Governance and Operational Board. Councillor Board members are ineligible for these allowances as they are already covered by the Council's remuneration allowances.
- 4.7 The Council in considering allowances had regard to the Consumer Prices Index (CPI) and the Local Government pay awards since 2009, and recommended an increase to 'catch up' with pay awards (16.6%) since that point rather than CPI inflation of 27%. They also approved increasing the allowance in line with increases in local government pay awards each April.
- 4.8 In Derby Homes' case, allowances were originally set in 2011 and have not increased since. Inflation since 2011 has been 21% and pay awards 16.6% (pay having been frozen 2009-2011)
- 4.9 The National Federation of ALMOs monitors rates paid across its members and where an allowance is made, current rates (number of ALMOs paying) are:

Chair (16/30) – range £5,000 to £12,000 a year (mean £8,600, median £8,700)  
 Vice Chair or Committee Member (6/30)– range £1,000 to £5,000 (mean £3,400; median £3,400)  
 Board Members (6/30)– range £2,166 to £5,000 (mean £3,300 median £3,000)

- 4.10 There are therefore many options to consider, with at least four obvious ones:

Option A – freeze at current rates

Option B - bring in line with current NFA reported averages

Option C – follow DCC level of increases and increase allowances by 16.6% in line with Local government pay since that date

Option D – increase in line with CPI inflation since 2011

	A	B	C	D
Chair	£8,700	£8,700	£10,000	£10,500
Vice Chair	£4,000	£4,000	£4,700	£4,800
Committee Chair (+2)	£3,200	£3,400	£3,700	£3,900
Other Members (+2)	£0	£3,000	£0	£0
Overall estimated cost	£19,100	£25,500	£22,100	£23,100

- 4.11 In all cases, it is recommended that the option chosen should be linked to local government pay awards until the next review in three years' time. In the case of Option B above, the gap between the committee chair and other members appears to be very low which appears to be part of a statistical quirk as there is not a large sample and many who pay other members do not pay their committee chairs. If considered further, a larger differential should perhaps be considered to appropriately reflect the responsibility. The Board's previous position was that they did not want to offer 'other' members an allowance as – even if not taken – it would be considered as part of income in determining benefits and might therefore effectively exclude some tenants from being financially able to apply to become board members. Restricting payments to office holders was therefore felt the right balance to strike.
- 4.12 Unless Option A is taken, other options would need to be approved by the Council.

- 4.13 Option C appears to offer the right balance of maintaining a consistent approach with the Council and sustaining allowances at a reasonable level relating to the responsibility of the offices held.

## **5. OTHER OPTIONS CONSIDERED**

- 5.1 Four options are set out in the report – other combinations could be considered but would need to be justified to the Council. The recommended option is in line with the Council's independent review panel's approach accepted by the Council.

## **IMPLICATIONS**

### **6. CONSULTATION IMPLICATIONS**

- 6.1 The Council will need to be consulted on any change.

### **7. FINANCIAL AND BUSINESS PLAN IMPLICATIONS**

- 7.1 Any cost change will be minimal as set out in the report.

### **8. LEGAL AND CONFIDENTIALITY IMPLICATIONS**

- 8.1 The basis for payments is set out in the report.

### **9. COUNCIL IMPLICATIONS**

- 9.1 This is a matter which requires the approval of the Council. Approval will be sought at the next available meeting of the Council Cabinet.

### **10. EQUALITIES IMPLICATIONS**

- 10.1 The non payment of Board members without an office is intended to maintain accessibility for all tenants to Board membership as expenses only would be covered but there would be no impact on benefit payments as a consequence of Board membership.

### **11. POLICY REVIEW IMPLICATIONS**

- 11.1 This is a key policy of Derby Homes and is/will be included in the Key Policy Review Schedule. In accordance with Derby Homes Board Minute 10/51 this policy will be reviewed no later than 3 years from the date of this meeting.

The areas listed below have no implications directly arising from this report:

Personnel  
Environmental  
Risk

If Board Members or others would like to discuss this report ahead of the meeting please contact:

David Enticott / Finance Director & Company Secretary / 01332 888523 / Email  
david.enticott@derbyhomes.org

Background Information: Email from NFA on current remuneration of ALMO Boards Sept 2021  
Report to Derby City Council of the independent review panel on councillor  
remuneration and accompanying council report July 2021

Supporting Information: Previous reviews of remuneration in 2015,2018 and 2019

**This report has been approved by the following officers where there are financial or legal implications:**

<b>Finance Director &amp; Company Secretary</b>	David Enticott	5.10.2021
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