

Report of: The Meeting of the Independent Remuneration Panel of Blackpool Council

To: Blackpool Council

Level of allowance for members of the proposed Shareholder Advisory Board

1.0 Introduction and Background

- 1.1 Panel members met ahead of the Council meeting on 20 September 2017 in view of the proposals to establish a Shareholder Advisory Board.
- 1.2 The meeting took place on 8 September 2017 and comprised:
Mr Peter Whitehead (Chairman of the Panel)
Mrs Helen Hockenhull
Mr Greg Molyneux
Mr Tony Mozley
- 1.3 Also in attendance were:
Mr Mark Towers, Monitoring Officer
Mrs Lorraine Hurst, Deputy Monitoring Officer
- 1.4 The Panel considered an allowance to be paid to the Chairman and members of the Shareholder Advisory Board, should the Council be minded to agree to the proposed arrangements.

2.0 Considerations

- 2.1 The Panel was aware that the Council wholly owns a number of companies, which carry out important functional and commercial activities, such as transport, housing, entertainment and leisure facilities. Previously, the Panel has recommended levels of remuneration for non-executive directors serving on these companies.
- 2.2 It was reported that the Council had identified a "democratic deficit" in terms of managing and overseeing its various shareholdings and that at the full Council meeting on 20 September 2017, members would be considering a report on proposed arrangements for a Shareholder Advisory Board (a draft copy was provided to the Panel members). This would be in the form of a politically balanced committee of the Council, with a proposed membership of four elected members (three Labour members and one conservative member), which would both supersede and consolidate all existing arrangements.
- 2.3 The Panel noted that the Advisory Board would have strategic oversight and guidance of the wholly owned companies, for example in receiving the business plans, considering the financial position of the company and the company group, and advising on matters of common interest across the group, with recommendations as appropriate to the Council's Executive, which would continue to exercise the

shareholder decision making function.

2.4 It was reported that external legal advice had been sought on the potential options for strategic oversight of the companies, which had included:

- a shareholder advisory committee (which was the recommended option)
- a group holding company (although due to provisions of the Transport Act 1985, this would preclude Blackpool Transport Services from the arrangement and was therefore not being put forward as the preferred option)

2.5 In clarifying the role of the Advisory Board, the Panel was assured that the legal advice which had been taken regarding the proposals had covered a number of issues and for example members would not act as 'shadow directors' of the individual companies, nor play any role in the direct decision making of those companies. The intention was to provide strategic oversight and guidance on the part of the Shareholder, a role, which was already identified in the articles of association and other governance documents but due to reasons stated in the draft report to be submitted to Council had not fully taken place for nearly 12 months.

3.0 Benchmarking information

3.1 The Panel was aware that there was very little information in relation to similar arrangements in other Councils in terms of overseeing wholly owned companies, as there were few Councils who had as many companies as Blackpool. In the two examples that existed in the North West, one authority had established a separate holding company, although another was seeking to establish similar arrangements to those proposed by Blackpool Council.

3.2 Members of the Panel also noted that in terms of the Council's governance structure, the roles and responsibilities of the proposed Advisory Board were relatively unique and were not readily comparable with those of other Council committees. Members also noted that in Council committees, a special responsibility allowance was paid only to the Chairman and Vice-Chairman.

3.3 In considering the role that the Advisory Board would undertake, the Panel felt that the only comparator, in terms of recognition of the role and time commitment of members, was those of non-executive directors of Council owned companies, in that Advisory Board members would act 'over and above' duties as Council members on other committees. The Panel noted that the level of allowance for the Chairman of a company was £3,500 and other non-executive directors were £1,750 and considered that this would initially provide an appropriate baseline for any proposed allowance.

4.0 Treatment of allowances

4.1 As a formal committee of the Council, any allowances for the Advisory Board would be included in the Council's Members' Allowances Scheme. Panel members were

aware the current Scheme only permitted one special responsibility allowance to be paid. The Panel considered that an exception ought to be made to the current Members Allowance scheme, so that members of the Shareholder Advisory Board could receive an allowance in addition to one other special responsibility allowance in recognition of the role, over and above current committee arrangements.

- 4.2 However, given that the role was new and relatively unique, the Panel did not consider it appropriate for any allowance to be uprated each year, unlike other special responsibility allowances. Instead, members felt it appropriate for the allowance to be reviewed in approximately twelve months' time and at the same as those for non-executive directors of Council-owned companies.

5.0 Recommendations to Blackpool Council

- 5.1 That should the Council approve the proposals for the establishment of the Shareholder Advisory Board, the special responsibility allowance for the Chairman should be set at £3,500 per annum and £1,750 for other members.
- 5.2 That the Members Allowances Scheme should be amended in order to allow members of the Shareholder Advisory Panel to receive the allowance referred to 5.1 above, in addition to one other special responsibility allowance.
- 5.3 That the payments be reviewed in line with those for non-executive directors of the Council's wholly owned companies and therefore the annual uprate (the National Joint Council for Local Government Pay award) would not apply. (This review to take place in the autumn of 2018).

Mr Peter Whitehead (Chairman of the Panel)
Mrs Helen Hockenhull
Mr Greg Molyneux
Mr Tony Mozley