

**Open Report on behalf of Tony McArdle, Chief Executive**

Report to:	<b>County Council</b>
Date:	<b>21 May 2010</b>
Subject:	<b>Review of the Lincolnshire County Council Members' Allowances Scheme</b>

**Summary:**

This report seeks to inform councillors of the recommended changes to the Lincolnshire County Council Members' Allowances Scheme, following a fundamental review of the Scheme by the Independent Remuneration Panel.

**Recommendation(s):**

1. That the County Council considers the recommendations of the Independent Remuneration Panel and decides which, if any, to approve.
2. That, subject to 1 above, the County Council makes the necessary amendments to the Council's Constitution.

**1. Background**

1.1 The County Council's Independent Remuneration Panel (IRP) has carried out a fundamental review of the Council's Members' Allowances Scheme.

1.2 To inform that review the Panel has considered a number of factors, including Government guidance and comparative figures paid by neighbouring authorities.

1.3 The Panel also invited County Councillors to attend informal discussions/interviews about the current Members' Allowances Scheme. Comments made by County Councillors during those discussions have been taken into account by Panel members when arriving at their final recommendations in this report.

1.4 Members will recall that a decision was taken by Council last year to freeze the Basic and Special Responsibility Allowances, rather than increase them in line with the Consumer Price Index (CPI), as had previously been agreed. The £21,412 saving was donated to the Samaritans charity in recognition of its work supporting people affected by the downturn in the economy.

1.5 At its meeting on 9 February 2010 the IRP considered a report by the Council's Democratic Support Manager, which provided an overview of the issues raised during informal interviews and discussions with County Councillors held on 19 and 20 January 2010 in relation to the Council's Members' Allowances Scheme. A total of 26 councillors had taken part in the process.

1.6 It was felt that the current Basic Allowance of £7,914 per annum was not high enough to attract young people, or those in employment, to stand as county councillors.

#### **Panel Recommendation 1**

**The Panel noted that the Basic Allowance paid to councillors by neighbouring authorities was higher. On the understanding that there is a desire to attract councillors from a wider range of candidates, including younger people and those in employment, the Panel recommends that the Council increases the Basic Allowance to £10,000 per councillor per year.**

1.7 The majority of Councillors interviewed were aware that there would be tax and national insurance implications if the current HM Revenues and Customs agreed car mileage rate of 40p per mile was increased. It was a common view that the cost of running a motor vehicle and the rise in fuel costs over the past four years was not sufficiently remunerated by the current rates within the scheme and most expressed a willingness to pay the additional tax and National Insurance contributions.

#### **Panel Recommendation 2**

**The Panel was of the view that there may be some councillors who would not wish to pay the additional tax and National Insurance contributions. The Panel therefore recommends a rate of 50p per mile for councillors, with councillors given the option of remaining on the existing tax-free mileage rate of 40p per mile. The Panel was also of the view that Councillors who lived furthest away from County Offices should not be penalised by the rate falling to 25p per mile after reaching the threshold of 10,000 miles. It therefore follows that councillors who have opted for the 50p rate will be paying tax and National Insurance contributions on an extra 25p per mile after 10,000 miles.**

#### **Panel Recommendation 3**

**In addition the Panel agreed to recommend an increase to 30p per mile for motorcycles, but provide the same opportunity to remain on the existing tax-free mileage rate of 24p if they so wished.**

1.8 During the informal discussions with councillors issues were raised regarding Special Responsibility Allowances (SRAs) and the Panel questioned councillors about their differing roles and responsibilities.

1.9 The Panel agreed to recommend the SRAs detailed in Appendix A to this report. The Panel's recommendations include:

- Increasing the SRA of the Leader of the Council from £19,770 per annum to £25,000 per annum. The Panel felt this would reflect the almost full-time nature of the workload and bring Lincolnshire more into line with neighbouring authorities.
- Increasing the SRA of the Deputy Leaders of the Council from £13,848 per annum to £17,500 per annum for the same reasons as above.
- Introducing an SRA of £9,000 per annum for the Leader of the Opposition. The Panel felt this would illustrate the importance it attached to holding the Executive to account.
- Increasing the SRA of the Chairman of Health Scrutiny Committee for Lincolnshire from £7,914 per annum to £10,500 per annum. The Panel felt this would reflect the differences between this and the Council's other Scrutiny Committees (elects its own chairman, can refer matters to the Secretary of State etc).
- Increasing the SRA of the Vice-Chairman of Health Scrutiny Committee for Lincolnshire from £2,640 per annum to £3,500 per annum for the same reasons as above.
- Increasing the SRA of Executive Support Councillors from £6,609 per annum to £7,000 per annum.
- Increasing the SRA of Shadow Executive Members from £798 per annum to £1,000 per annum.
- Increasing the total amount of Group Leaders' SRAs from £12,869 per annum to £16,250 (divided in relation to the number of members in each political group).
- Increasing the SRA of Executive Councillors from £11,868 per annum to £15,000 per annum. The Panel felt this would reflect the workload and responsibilities of this post
- Increasing the SRA of the Chief Whip from £7,914 per annum to £9,000 per annum
- Increasing the SRA of the Chairman of Overview and Scrutiny Management Committee from £9,888 per annum to £12,000 per annum

#### **Panel Recommendation 4**

**That the Council approves the Schedule of Allowances attached as Appendix A to this report to take effect from 1 April 2010.**

1.10 In addition, the Panel was of the view that councillors who took part in scrutiny reviews on Task and Finish Groups should be allowed a one-off payment of £250 for the extra work involved in this role.

#### **Panel Recommendation 5**

**That the Council introduces a one-off payment of £250 in its Members Allowances Scheme for councillors taking part in scrutiny reviews on Task and Finish Groups.**

1.11 Reference was also made to those councillors who had 'special interests' and represented the Council at regional and national events. It was recommended that these councillors should be designated as

spokespersons in that particular field, (i.e Sparsity or Rural Affairs) and awarded an SRA of £1,250 per annum for this work.

#### **Panel Recommendation 6**

**That Council introduces an SRA of £1,250 per annum for spokespersons in special areas of interest.**

1.12 Some councillors had complained to the Panel that they felt there was a lack of flexibility in the current scheme. Examples were given of where efforts had been made to save the Council money when holding meetings with officers, but this had resulted in the councillor falling outside the scope of reimbursement of travel and subsistence expenses. The Panel agreed that councillors should not be penalised for trying to save the Council money and that the Scheme needed to reflect that. Councillors may feel that the existing first paragraph of Schedule 4 is sufficient to cover this point:

**“This Schedule sets out a range of circumstances which are approved for the purposes of claiming travel and subsistence allowances at rates set out in Schedule 3. The *Assistant Chief Executive* shall be empowered to approve additions to this Schedule. Such approvals can be of a permanent or temporary nature and will cover both the meeting, function, etc concerned and the identity of potential attendees. The *Head of Democratic Services* and *Mouchel Revenue Services* to be notified of any such additions.”**

However it might be considered prudent to make it clear that approval should be sought prior to the meeting taking place.

1.13 The Panel agreed to a number of changes to the wording of the existing scheme to reflect changes since the last review. The new proposed scheme is attached at Appendix B with suggested changes highlighted in bold italic. Irrespective of its view on the Panel recommendations 1-6 above, the Council is asked to approve the necessary amendments to the wording of the scheme.

#### **Panel Recommendation 7**

**That Council approves the necessary amendments to the Members’ Allowances Scheme highlighted in bold italic in Appendix B.**

1.14 The Panel took the view that until the next fundamental review of the Members’ Allowances Scheme in four years time any annual increase or decrease of the allowances should be based on the Consumer Price Index (CPI) at that time.

#### **Panel Recommendation 8**

**That Council agrees that any annual increase or decrease in the Members’ Allowances over the next four years should be based on the Consumer Price Index (CPI) at that time.**

1.15 The proposed Basic Allowance of £10,000 represents an increase of 26%, which would mean an estimated total Basic Allowance in 2010/2011 of £770,632, a

rise of £159,019 on the total Basic Allowances for 2009/2010 of £611,613 (see table 1).

Table 1 (Basic Allowance)

Year	total
2009/2010	£611,613
2010/2011	estimated £770,632
Increase	£159,019 (26%)

An increase by the latest CPI figure (3.4%) will see the total Basic Allowances rise from £611,613 to £632,408.

1.16 The current Special Responsibility Allowances totalled £341,409 in 2009/2010. This will rise to anything from £358,479 to £443,832, depending on the average increase being anything from 5% to 30%. It should be pointed out that the actual annual cost of the Scheme is usually less than the potential cost, due to the fact that councillors are only entitled to one SRA (i.e. a councillor could only claim an SRA for chairing a scrutiny committee, despite being a member of the Shadow Executive, or a Group Leader). An increase by the CPI figure will see the total SRAs rise to £353,017.

1.17 The effect of the recommended increases in the mileage allowances is difficult to quantify, but this should be offset to a degree by the Council's programme of New Ways of Working (increase in use of telephone/video conferencing etc). There will be extra employers' National Insurance contributions to consider if the mileage rates are increased.

## 2. Conclusion

The Council, when making changes to its Members' Allowances Scheme must take into account the recommendations of its Independent Remuneration Panel. The Panel has carried out a thorough review of the Scheme and based its recommendations on national guidance, allowances of comparative neighbouring authorities and discussions with users of the Scheme.

## 3. Legal Comments:

Local authorities may pay allowances and expenses. The adoption of a Members' Allowance Scheme is the responsibility of the full Council under the Constitution. The Council must have regard to the recommendations of the Independent Remuneration Panel and should provide full reasons and rationale in order to support the making of an informed decision on this Report. The Council will need to comply with the Local Authorities (Members Allowances) (England) Regulations 2003

## 4. Resources Comments:

It is not possible to quantify precisely the additional costs of the adoption of the revised set of allowances recommended by the Independent Remuneration Panel as it is dependent on a range of variables that cannot be determined at

this time (eg. which councillors will undertake particular roles, what choices individual councillors might choose to exercise in terms of their level of allowances). However, the additional cost is likely to be in the order of £250,000 in a full year, for which no budget provision exists in 2010/11 or beyond. Funding will therefore have to be sought in 2010/11 from the in year contingency provision of £2m with funding beyond 2010/11 being considered as part of the budget setting process for future years.

## 5. Consultation

### a) Has Local Member Been Consulted?

n/a

### b) Has Executive Councillor Been Consulted?

n/a

### c) Scrutiny Comments

n/a

### d) Policy Proofing Actions Required

n/a

## 6. Appendices

These are listed below and attached at the back of the report	
Appendix A	Schedule of Special Responsibility Allowances recommended by the Independent Remuneration Panel
Appendix B	Proposed Members' Allowances Scheme, with changes highlighted in bold italic
Appendix C	Comparative figures illustrating basic allowances paid by neighbouring authorities

## 7. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Report to Council 18 September 2009	Democratic Services, Lincolnshire County Council

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