

**TONBRIDGE & MALLING BOROUGH COUNCIL**

**GENERAL PURPOSES COMMITTEE**

**9 April 2013**

**Joint Report of the Chief Executive and Director of Finance and Transformation**

**Part 1- Public**

**Matters for Recommendation to Council**

**1 INDEPENDENT REMUNERATION PANEL – MEMBERS’ ALLOWANCES**

**The report sets out a review undertaken by the Independent Remuneration Panel on Members’ Allowances. Members are reminded that the law requires that no changes to the Scheme of Members’ Allowances can be made until the report of the IRP has been considered. The Council is not obliged to adopt the recommendations of the IRP but it is obliged to publish in local newspapers what the IRP recommended and what the Council determined.**

**Members will see from the IRP’s report that the ‘outcome’ of the review, if adopted, would represent growth to the budget. Members have expressed strong views throughout the Budget cycle that there should be ‘no growth’ at all in this budget, and therefore an alternative proposal is put forward which encompasses the principles of the IRP’s review but result in a position of saving rather than growth. In terms of our Medium Term Financial Strategy, the alternative proposal could offer SAVINGS in excess of £50,000.**

**Members of the Committee are asked to consider both the independent report of the IRP and our suggested alternative proposal which offers the ability to REDUCE the budget for Allowances, and make appropriate recommendations to Full Council on 16 April.**

**1.1 Introduction**

**1.1.1 A report has been received from the Joint Independent Remuneration Panel (IRP) following its fundamental review of Members’ Allowances. The IRP, whose panel members are independent members of the community, serves the three West Kent Authorities – Tonbridge & Malling, Tunbridge Wells and Sevenoaks.**

**1.1.2 Members may recall that the last major review of allowances took place during 2008/09, and the recommendations were considered by the Full Council at a special meeting on 20 January 2009. Although the recommendations of the IRP were generally accepted at that time, in recognition of the Council’s difficult**

budgetary situation, it was agreed that the recommended allowances should be phased in over a period of four years.

- 1.1.3 In reality, the recommended allowances have never been fully phased in as Members will be aware that allowances have been 'frozen' since 2010 in response to general public sector pay constraint.

## 1.2 2012/13 Review – Summary

- 1.2.1 The IRP's latest Report is attached at **[Annex 1]** to this report. Rather than take the recommendations direct to Full Council as has been the practice in the past, in liaison with the Leader and Cabinet Member for Finance, we felt it would be helpful to bring this to General Purposes Committee for initial discussion, before being considered by the Full Council on 16 April.

- 1.2.2 The report makes the recommendations for increases to the level of annual allowances and those appointments that should attract special responsibility allowances.

- 1.2.3 The IRP's report is comprehensive and sets out the 'rationale' for the recommendations made. In arriving at the recommendations, the following set of 'core principles' were adopted by the IRP :

- 1) To remove, where possible, financial barriers to becoming a councillor;
- 2) To reflect the time commitment and potential loss of earning potential for councillors;
- 3) To recognise the increasing levels of responsibility and accountability;
- 4) To retain a significant element of 'public service' contribution;
- 5) To benchmark against other Kent and SE councils;
- 6) To recommend allowances based on objective data with a logical structure.

- 1.2.4 In summary, **the key recommendations of the Independent Remuneration Panel** are as follows:

- 1) The Basic Allowance payable to all Members should increase to £5,836 per annum ;
- 2) The structure of Special Responsibility Allowances (SRAs) should be simplified by using a 'factor approach'. SRAs currently cover all positions from Cabinet Member through to Vice-chairmanships of Committees or Boards. Further detail on the IRP's recommendation are set out later;
- 3) Members should not receive more than one SRA;

- 4) The allowance structure for Group leaders should be amended (see paragraphs 1.3.3 and 1.3.4);
- 5) Vice-chairmanship allowances should cease, with the exception of Area Planning committees which should be reviewed further;
- 6) Carers allowances should increase to a maximum rate of £6.19 for general childcare, and £16.00 for dependent carers;
- 7) Consideration should be given to aligning mileage rates with the HMRC maximum tax-free allowance rates; and
- 8) Pensions should not be offered to councillors (as is currently the adopted practice at T&MBC).

### **1.3 Rationale and Detailed Analysis of the IRP's Approach**

- 1.3.1 Members will note from the IRP's report that the allowances proposed are centred around, what they term, a 'factor approach'. Essentially, in the model, most SRAs are calculated using a 'factor' (or multiplier) of the basic allowance.
- 1.3.2 So, for example, the IRP recommends a basic allowance of £5,836. It also recommends that Area Planning Committee SRAs should have a multiplier of 1 producing an allowance of £5,836 for a chairmanship of one of those committees. Different multipliers are recommended to apply to other Committees/ Boards, and full details are set out in the IRP's report at Annex 1.
- 1.3.3 The IRP recommend a change in structure for both the Council Leader and Opposition Group Leaders allowances. In respect of the Leader's allowance it is recommended that a simple multiplier of 3 is applied to the basic allowance, rather than the more complicated 'hybrid' version at present which includes a fixed element and an amount per member. Per the IRP's report, this revised approach would produce an allowance of £17,509 based on the recommended basic allowance. This SRA is actually slightly less than the current allowance paid which, given the challenges faced by the Council at the present time and the workload it produces, seems a little anomalous.
- 1.3.4 For the Opposition Group leader, it is recommended by the IRP that the calculation is also simplified, and the current 'fixed sum' is dropped in favour of a slightly higher allowance per group member. (Members will note from the IRP report that this is suggested as a factor of 0.05 of the basic allowance producing a sum of £292 per member of the group). Based on the number of Members in the Opposition Group at present and assuming the recommended basic allowance of £5,836, the allowance for Opposition Group Leader would work out at £1,168 (i.e £292 x 4) compared to the present £2,370. Like the Leader's allowance, the result is slightly anomalous given the current challenges.

1.3.5 The final page of the IRP's report (Annex 1) sets out, for comparative purposes, the SRA allowances that would be due were the IRP's recommendations to be adopted, compared to both the 2009 recommendations and to the allowances that are currently paid. Members are reminded of our earlier comment in paragraph 1.1.3 that, although the 2009 recommendations were accepted in principle; due to budgetary constraints, these were due to have been 'phased in' over a four year period but have never been fully implemented.

1.3.6 In respect of mileage allowances, the current HMRC rates are (for the first 10,000 miles) :

- Car / Van – 45p per mile
- Motorcycle – 24p per mile
- Bicycle – 20p per mile.

For comparative purposes, the Council currently employs the NJC scheme for travel by car, which for cars with an engine size of over 1199cc, pays 65p per mile. For motorcycles and bicycles, the Council already adopts the HMRC rates as part of the Members Allowances scheme.

## 1.4 The Way Forward?

1.4.1 Members are reminded that the law requires that no changes to the Scheme of Members' Allowances can be made until the report of the IRP has been considered. The Council is not obliged to adopt the recommendations of the IRP but it is obliged to publish in local newspapers what the IRP recommended and what the Council determined.

1.4.2 We are mindful of the decision taken by Members via the 2013/14 budget cycle, that the budgetary provision for Members Allowances should be not increased beyond that in 2012/13 (Minute FP 13/003 of Finance & Property Advisory Board 9 January 2013 refers). Members are reminded that the budgetary provision for basic and special responsibility allowances made in 2013/14 is £418k.

1.4.3 The IRP's recommendations have been costed and, were they to be implemented, the total cost would breach the budgetary provision for 2013/14 by some £38k. Alongside this, we are also **acutely aware** that Members have, through various forums, **expressed the view that allowances should not generally increase** given public sector pay constraints.

1.4.4 With this in mind, we have formulated an alternative proposal which we hope captures the 'logic' and structure proposed by the IRP in calculating allowances, but at the same time takes on board the expressed views of Members about the general level of Allowances and the budgetary provision.

1.4.5 The principles adopted are:

- For 2013/14, Basic Allowance to remain at its current level of £5,076;
- SRAs are structured around a framework of multipliers in a similar manner to the recommendations of the IRP and reflecting the current challenges;
- The Opposition Group Leader's allowance retains a 'fixed' element in addition to the multiplier approach proposed by IRP to recognise the workload associated with undertaking the role; and
- The IRP's recommendations regarding Vice-chairmanships are incorporated, with the exception of the (already acknowledged) Area Planning Committees and Overview & Scrutiny Committee.

1.4.6 Our suggestions for the various SRAs, based on the above principles, are set out in (pink) **columns E and F** of **[Annex 2]**. Members will notice the multipliers we propose (column F) as well as the resultant Allowances themselves (column E).

1.4.7 For comparative purposes, **column A** (green) sets out the current Allowances for 2012/13 and **column B** (green) shows what the indicative multiplier would be if the current allowances were wholly based on this type of approach.

1.4.8 **Columns C and D** (yellow) set out the **IRP's recommendations** for the allowances (Column C) and the multipliers (column D).

1.4.9 Members will note there is a **saving, in year**, of **circa £6k** if the alternative proposal were to be adopted. There is a greater saving in addition to this which can be released from the MTFs which is expanded upon in paragraph 1.6.3.

1.4.10 We would suggest that it is appropriate to adopt, as recommended by the IRP, the new rates for childcare and for dependent carers.

1.4.11 Members previously agreed that pensions to councillors should not be offered and, like the IRP, we would suggest that this stance is continued.

1.4.12 We have not made any recommendations regarding mileage allowances and **invite** Members to consider whether HMRC rates should be adopted for travel by car.

1.4.13 Members will also need to endorse, or otherwise, the recommendation from the IRP that only one SRA allowance is payable to a Member. (Group leaders' allowances are excluded from this recommendation).

## 1.5 Legal Implications

- 1.5.1 The Joint Independent Remuneration Panel ('the Panel') was established in November 2001 under the Local Authorities (Members' Allowances) (England) Regulations 2001. These Regulations have since been superseded by the Local Authorities (Members' Allowances) (England) Regulations 2003.
- 1.5.2 The law requires that no changes to the Scheme of Members' Allowances can be made until the report of the IRP has been considered. The Council is not obliged to adopt the recommendations of the IRP but it is obliged to publish in local newspapers what the IRP recommended and what the Council determined.

## 1.6 Financial and Value for Money Considerations

- 1.6.1 Current budgetary provision with the 2013/14 Estimates is £418k for basic and special responsibility allowances. The allowances recommended by IRP would breach this budget by circa £38k.
- 1.6.2 The alternative proposal set out in Annex 2 (column E) is well within budget, and in fact shows a saving of circa £6k against the existing provision.
- 1.6.3 **In addition**, as the current scheme allowed for 'phasing in' over a four year period, there is provision of **circa £50k** in the Medium Term Financial Strategy for the potential 'catch up' of the allowances. Should Members choose to adopt the alternative proposal or a modified version of it, that 'phasing in' provision **can be removed from the MTFS contributing to the savings target**.
- 1.6.4 The IRP has made no specific recommendation about future annual indexation, presumably on the basis that they would wish to revisit the allowances and make recommendations for 2014/15.
- 1.6.5 Members may, however, feel that if there were no significant changes in the next couple of years that would require the involvement of the Panel, it may be prudent to suggest that for 2014/15 onwards, until another fundamental review is undertaken, Allowances should, for budget purposes, expect to increase annually in line with the staff pay award.
- 1.6.6 Whole borough elections will, of course, take place in May 2015, and with a new influx of Members, it is possible that changes to the Committee /Board structure may be considered at that time. Without wishing to pre-empt anything, if Members agree, perhaps it would be helpful to advise the IRP that we would not anticipate requiring a fundamental review of the Allowances structure until 2015/16? If Members do feel that this makes sense, it would be helpful to agree a method of annual indexation in the interim along the lines we have suggested above.

## 1.7 Risk Assessment

1.7.1 The Council must consider the recommendations of the Panel and publish its decision.

1.7.2 If Members decide to recommend allowances which total a higher amount than is presently factored into the Budget, additional budget provision may need to be made. Alternatively, if Members choose to agree a lower level of allowances, this would represent a saving within the current Estimates and MTFS.

## 1.8 Equality Impact Assessment

1.8.1 See 'Screening for equality impacts' table at end of report

## 1.9 Policy Considerations

1.9.1 Human Resources

## 1.10 Recommendations

1.10.1 Members are **REQUESTED** to consider the recommendations of the IRP and the alternative proposal put forward with a view to containing the budgetary cost; and make appropriate recommendations to Full Council about:

- 1) The level of the Basic Allowance for 2013/14;
- 2) The level of appropriate Special Responsibility Allowances for 2013/14 and whether more than one SRA should be payable to an individual member (excluding group leader allowances);
- 3) The level of Childcare and Dependent Carers Allowances for 2013/14;
- 4) The level of Mileage Allowances for 2013/14;
- 5) Confirmation, or otherwise, of the previous decision that councillors should not be offered the opportunity to enter the Local Government Pension Scheme; and
- 6) The potential annual indexation of allowances should there be no requirement for a further report of the IRP in the next few years.

Background papers:

contact: Sharon Shelton

Nil

Sharon Shelton  
Director of Finance & Transformation

Julie Beilby  
Chief Executive

<b>Screening for equality impacts:</b>		
<b>Question</b>	<b>Answer</b>	<b>Explanation of impacts</b>
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	N/A	The report sets out a proposed framework for a Scheme of Allowances
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	N/A	
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		

*In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.*