

## **KETTERING BOROUGH COUNCIL**

### **REVIEW OF MEMBERS ALLOWANCES**

#### **REPORT OF THE INDEPENDENT REVIEW PANEL**

(1) Introduction : The Context of the Review

- 1.1 In February 2012, the Kettering Independent Review Panel (IRP) on members' allowances was re-convened at the request of the council. Its membership now comprises Steve Leach (Emeritus Professor of Local Government, at De Montfort University, Leicester (who chairs the panel)), Sue Watts, Business Development Director of Northamptonshire Age UK and James Wright, a partner in the local law firm, Quality Solicitors Wilson Browne LLP.
- 1.2 The panel held a meeting on February 24 at the Borough Council offices. It received verbal evidence from 4 councillors, and written evidence from one other. Interviews also took place with a deputy chief executive and the head of democratic and legal services. The panel was assured that all councillors had had the opportunity to make representations. It also studied carefully the content of the briefing pack provided by the council, which proved extremely helpful in steering the panel's discussions. It gratefully acknowledges support provided by democratic services staff in organising the meeting and responding to the panel's requests for information.
- 1.3 It was made clear to the panel (Briefing Pack para 3.5) that although the council will need to take account of its financial position in considering the

implementations of the panel's recommendations, it wanted the panel to 'consider a scheme only against the objectives of the review'. The panel followed this guidance, although it was only too aware of the financial context in which all councils, including Kettering BC, are currently operating. At various points in the report, therefore, the panel has indicated how it considers the council might respond to its recommendations if it decided on a standstill budget for members' allowances.

- 1.4 The panel reviewed the principles underlying the member allowances scheme in Kettering (first set out in its 2003 report) and felt that all were still appropriate, and that no changes were needed. It placed particular emphasis on the importance of ensuring that as wide a range of individuals as possible should be encouraged to stand for election as councillors. It also noted that, compared with equivalent positions in other public sector bodies, the importance of councillors' work, and the level of responsibility involved, were not adequately acknowledged in terms of the level of allowances paid. However in the current financial circumstances it would be unrealistic to seek to deal with this anomaly.

(2) The Basic Allowance

- 2.1 The basic allowance in Kettering BC currently stands at £4,856. This is slightly above the average for other Northants district councils, although less than that at Northampton (£6,692). It partly reflects the recent reduction in the size of the council (since 2007) which was the main justification for the increase recommended by the panel in 2007.

- 2.2 The panel learned that the vast majority of members now used their own laptops, rather than take advantage of the council scheme of provision. As a result, the costs of administering and monitoring the council scheme do not constitute an efficient use of resources. The panel supported the view that members should use their basic allowance to provide their own IT (as appropriate), but that the current budget for the council scheme should be re-allocated to the 'basic allowances' budget, which would involve no **additional** overall budget for basic allowances. The panel were provided with a 'best estimate' of £5,000 for the cost of the council scheme. The re-allocation of this sum would result in an increase in the basic allowance of £137, raising it to £4,993.
- 2.3 However, the panel was also aware of the likely impact of the Localism Act on the work of ward councillors. Although the impact was only just beginning to be felt, there seems little doubt that local responsibilities and time commitment would quickly mount up. In these circumstances the panel felt that it was right to recommend a modest increase (5%) in the basic allowance, in addition to the incorporation of savings which would result from the cessation of the council scheme. It therefore recommends an additional increase of £243 (5% of £4,856) which would result in a basic allowance of £5,236.
- 2.4 This increase would also respond to a concern expressed to the panel by one member that the discontinuation of the employment of two political assistants in 2008 had involved a reduction in valued support, in a way which increased time commitment (or so this councillor felt).

2.5 The panel acknowledges that in the current economic climate, the council may choose not to implement this proposal (although it sees no reason why it should not adopt the proposed increase to £4,993, given that it does not involve an additional cost). The panel would understand and sympathise with this decision. But it feels its proposal (£5,236) is right in principle, and responds to the guidance in its brief (3.5).

2.6 The panel also felt that it would be appropriate to reassess the adequacy of the basic allowance in two years time, when the impacts of the Localism Act on the work of ward councillors would have become more open to assessment.

(3) The Executive

3.1 There is no doubt that the allocation of new responsibilities to local councils, for example in relation to Benefits, Public Health and Housing, will increase the responsibilities of the executive, in addition to the growing demands of partnership working of various kinds. Indeed the impact of these changes are already being felt. The panel considered that although it was difficult to quantify or predict the scale of the impact, it should be recognised and responded to in the SRAs allocated to the executive. The panel felt that in principle an increase of 10% in the overall SRA allocation to the executive was justified. As with the basic allowance, there was a similar need to review the scale of the impact in a couple of years, when it would be more capable of assessment. The panel was also aware that the council might reasonably wish to forego an increase of this nature, in the financial context in which it operates.

3.2 The impact of a 10% increase would be to increase the overall SRA allocation (leader plus deputy plus 'executive pool') to the executive from £49,790 to £54,769. Applied on a pro-rata basis, this increase would result in the following individual allocations.

Leader	£13,003
Deputy Leader	£ 9,752
Other executive members	£ 4,564 (each)

3.3 The current leader's SRA is lower than in several comparable authorities (including Corby) and the proposed increase is justified, in the light of the increasingly high profile of council leadership. The increase in the SRA of other executive members would result in an SRA which remains below average for comparable authorities (although less so). This discrepancy, can be partly justified by the fact that, unlike many other authorities, executive members in Kettering BC do not hold individual decision-making responsibilities.

3.4 However, the panel has one modification to this pro-rata outcome to suggest. It was made aware of the existence within the executive of a triumvirate comprising the leader (strategy and external networking), the deputy leader (HR and communication) and the executive member with responsibility for finance. The view was expressed to the panel that the responsibilities of the third member of the triumvirate were greater than those of other executive members. The panel accepted that, particularly in the current financial circumstances, this was a justifiable view. It therefore felt that there was a case for reflecting this situation in an enhanced SRA for the executive member (finance). The panel felt that the fairest way of responding to the situation was

to redistribute the increased SRAs for deputy leader and executive member in such a way that, whereas a differential between the former and the latter was maintained, the particular significance of the executive finance role was also recognised. If the SRA for the executive finance role were raised by 33% (of the proposed increased executive rate) to £6,086 and the SRA for the deputy leader revised to £8,220, the panel felt that this was the right order of the adjustment required. However if the council wished to opt for a different kind of redistribution of SRAs within the executive, the panel would find that acceptable. It is the principle of an increased SRA to acknowledge the enhanced responsibilities of the executive member (finance) which is important.

- 3.5 The panel was asked in its briefing pack what its views were about whether an increase or decrease in the size of the executive should result in an increase or decrease in the overall budget for the executive, or whether the increase/decrease should continue to be shared. It is clear that the latter option is the right one.
- 3.6 If the SRAs for leader and executive members were to be increased by 10%, it would on the criteria of fairness, be appropriate to introduce a similar level of increase for the leader and deputy leader of the opposition, whose workload in the scrutiny of executive proposals and actions will increase on an equivalent basis. The panel recommends therefore that the SRAs for the leader of the opposition group be increased from £5,911 to £6,502, and that of his deputy from £1,295 to £1,425.

(4) Committee Chairs

- 4.1 The panel learned of the time-consuming and demanding nature of the work of the Planning (Development Control) Committee. The view was expressed that the nature of the responsibilities involved were not adequately acknowledged in the SRA allocated to the role. It agreed with this view. The SRA involved is significantly below the average for comparable authorities, and the workload of the Planning Committee has since the last IRP review been increased as a result of the discontinuation of the two planning sub-committees. The panel felt that there was a case for doubling the SRA for the Chair of the Planning Committee from £2,589 to £5,178.
- 4.2 The case for increases in the SRAs of other Committee Chairs is less strong. No argument was presented to the panel that SRAs should be awarded for the chairs of the Scrutiny Committees, the Planning Policy Committee or the Standards Committee. There was a view that the SRA for the Chair of the Licensing Committee (particularly in relation to his or her role as Chair of the Sub-Committees involved) was on the low side. The panel felt that the case for a substantial increase was less strong in relation to Licensing, and that at most it should be half of the increase recommended for the Chair of Planning (i.e. £1,295). There is no case (on the basis of representations made to the panel) for increases in any of the other Committee Chair SRAs).
- 4.3 The panel also felt that there was no case for the introduction of SRAs for vice-chairs of any of the committees concerned. Currently there are 16 SRAs allocated to Kettering BC members (the Standards Committee Chair is appropriately held by a non-council member), which is 45% of the total council membership. Governmental guidance indicates that that not more than

one third of council members should qualify for SRAs (although Kettering BC is a small council).

- 4.4 The panel also felt that the role of chairs of the three geographic forums did not justify an SRA. In some authorities SRAs are allocated to this role. However this tends to happen when the forums have a budget to allocate, which is not the case in Kettering. The panel did, however feel that the geographic forums were a valuable initiative.
- 4.5 The panel was aware of the uncertainty surrounding the role of the Standards Committee. It saw no reason to recommend changes in the current chair's SRA, but felt it was important to review this allocation in a couple of years time, when the nature of the changes involved was clearer.

(5) Mayoral Allowances

- 5.1 The panel was asked to review the adequacy of the allowances paid to the mayor and deputy mayor of Kettering. The current levels (£6,823 and £1,295 respectively) have remained unchanged for the past ten years, and in addition, these allowances became liable to income tax a few years ago, when previously income tax had not been deducted. This means that the real value of the allowances have diminished in two ways; first in that they have not kept up with inflation; and second, because of the liability for income tax (which in one recent example has reduced the real value of the allowance by 20%).
- 5.2 The panel agreed that this anomaly needed to be rectified. It recommends first of all that the current mayoral and deputy mayoral allowances be increased by 10% to £7,505 and £1,425 respectively. This increase will not of course cover the impact of inflation over a 10 year period. However the panel felt it would



be inappropriate to recommend a large increase in the current financial situation. Also, mayoral allowances in Kettering are above average in relation to comparable authorities (although it is fair to say that Kettering places a greater than average emphasis on the importance of the mayor's role as civic head). To deal with the income tax issues, the panel felt that rather than further increase the mayoral allowance to cover the deduction of income tax, it would be better to introduce a provision whereby at the end of the municipal year, the outgoing mayor and deputy were reimbursed a sum equivalent to any amount of income tax which had been deducted. This provision would allow for the fact that different mayors may experience different levels of income tax deduction, depending on their financial circumstances. It would be unfair if in one year a mayor experienced only a small deduction from an (enhanced) mayoral allowance, whilst in another, a more substantial deduction was experienced.

- 5.3 The panel recognised that the division of responsibilities between mayor and deputy mayor in any one year was subject to variation. It would be helpful if there were a facility for redistributing allowances between the two positions – for example in circumstances where the mayor was ill or indisposed for a significant length of time, and the deputy's duties increased as a result. The monitoring officer could act as a reference point in such circumstances.
- 5.4 It was noted that the current level of the Civic Expenses budget (£5,799) was felt to be adequate.
- 5.5 The panel's recommendations regarding mayoral allowances fall outside the matters which they are formally required to consider. Thus any increases

involved should not be included in an assessment of the overall impact of proposed changes in the members' allowances budget.

(6) Other Issues

6.1 In its helpful briefing pack, the panel was asked to express a view about a number of other issues, namely eligibility for the Local Government Pension Scheme, the operation of the Ward Initiatives Fund, members' travel allowances, childcare and dependent carers allowances and whether only one SRA should be payable to any member. It responds to these requests below.

6.2 Eligibility for the Local Government Pension Scheme

In its 2007 report, the panel recommended that the scheme of pensions eligibility should be introduced for all council allowances, not least as a potential incentive to encourage a wider range of candidates for council office, adding that

‘the current take-up is likely to be limited, but the principle of trying to attract a wider range of would-be councillors is an important one’.

6.3 This recommendation was rejected by the council. However the panel's belief that a scheme should be introduced has not changed, for the reason set out above, and it reiterates its recommendation.

6.4 Ward Initiatives Fund

The budget allocation to the Ward Initiatives Fund is technically outside the remit of the panel's responsibilities. However the panel's view was that this continued to be a valuable initiative, and was one which was very much in the

spirit of the provisions of the Localism Act. The panel also felt that there were adequate safeguards to prevent abuse of the resources concerned for electoral proposes. In the absence of any evidence to the contrary, it saw no reason to suggest changes to the current allocation of £624 per member.

#### 6.5 Travel and Other Allowances

No representations were received about any of the allowances included in the Kettering Scheme (travel, subsistence, childcare and dependent carers etc). The panel regard them as in line with allowances paid in other authorities, and is happy that they should be confirmed, with one minor exception. £7 per hour is unlikely to be adequate in relation to daytime charges for childcare nor certain types of specialised disablement care. A degree of flexibility should be introduced, to enable the council to pay actual costs incurred, if the circumstances justified this.

#### 6.6 One SRA Per Member Only?

In Kettering, as in most authorities, the principle of paying one SRA only to any member who holds more than one position which qualifies for an SRA has been adopted. In its 2007 report, the panel made an exception in relation to the deputy opposition leader (3.3 of its report). On further reflection, the panel has now moved towards an agnostic position on the subject. It could see advantages and disadvantages of the current limit to one SRA. It provided a safeguard to a councillor receiving more than the leader, as a result of holding two SRA-related posts. On the other hand, there is a logic in the view that if a councillor is carrying out two SRA-related responsibilities, he or she should be

recompensed accordingly. The panel concluded that if the council wished to change the 'one SRA only per councillor' it would have no objection, (so long as the leader's SRAs were not exceeded). For example, if it were decided that the executive member for planning should also chair the Planning Policy Committee (which would be not unreasonable) the two SRA principle might be appropriate.

6.7 Currently the basis for cost-of-living increases is the percentage increase paid to officers on spinal column points 35-40. In the current financial circumstances, this basis for updating seems entirely appropriate. If members were to receive an increase based on other criteria (e.g. retail price index) whilst officers pay remained frozen, there would be a palpable sense of unfairness.

(7) Summary of Recommendations

7.1 The first set of recommendations are those which the panel feels are appropriate in principle. Their implementation would result in a net increase in the members allowances budget of £15,577, or 6% (excluding changes in the mayoral and deputy mayoral allowances).

7.2 As noted earlier (see 1.3), the panel is well aware of the possible predisposition of the Council not to accept proposals which involve a 6% increase (or indeed any increase) in the allowances budget. If the Council were to decide on a standstill allowances budget, the panel would quite understand and support that decision. However if that were to be the case, there are two SRAs which the panel feel strongly should be increased: those of the Executive member (Finance), and the Chair of the Planning Committee

(Development Control). The increased SRAs recommended earlier (Executive member (Finance) £6,086; Chair of Planning Committee £5,178) would involve a net increase in the allowances budget of £4,516 or 1% of the total budget, which could be regarded as small enough not to contravene the standstill principle. Alternatively, a more modest increase for the Planning Chair could be funded by an acceptance of the 2007 panel's recommendation that the SRA for the Chair of the Standards Committee should be set at £1,295 (adjusted for post-2007 cost-of-living increases), which would enable his/her SRA to be increased to £3,884.

- 7.3 In the case of the Executive member (Finance), his/her increased SRA would need to be funded by a revised redistribution between the current SRAs for the Deputy Leader and Executive members. Using the 33% principle (see para 3.4), this redistribution would result in the following outcome.

SRA (Deputy Leader) £7,480

SRA (Executive member (Finance)) £5,545

- 7.4 If a different basis for revising the SRAs for these two posts were to be preferred by the Council, the panel would not object. Its concern is that the case for significant increases for the two positions, within a standstill budget, should be acknowledged and responded to.

7.5 Recommendations Based on Objectives

1. The basic allowance should be increased from £4,856 to £5,236 (including an increase of £137 per councillor contingent on the discontinuation of the council scheme of laptop provision, which would involve no net increase in costs)

2. The council leaders allowance should be increased from £11,821 to £13,003.
- 3 The deputy leaders allowance should be revised from £8,866 to £8,220 to facilitate an enhanced SRA for the executive member (finance).
- 4 The executive member (finance) should receive an SRA of £6,086.
- 5 All other executive members should receive an SRA of £4,564.
- 6 The opposition leader should receive an SRA of £6,502 and the deputy opposition leader £1,425.
- 7 The overall allowances budget proposed for the executive (£54,693) should be retained and re-allocated in the event of any increase or decrease in the size of the executive.
- 8 The SRA for the chair of the Planning Committee should be increased from £2,589 to £5,178.
- 9 The SRA for the chair of the Licensing Committee should be increased from £2,589 to £3,884.
- 10 All other chairs of Committees should continue to receive the same SRAs as at present (£2,589).
- 11 The level of the basic allowances, the SRAs for executive members and the SRA for the chair of the Standards Committee should be reviewed in 2014 when the impact of the recent legislation will have become clearer.
- 12 The mayoral allowance should be increased from £6,823 to £7,505 and that of the deputy mayor from £1,295 to £1,425.
- 13 Provisions for the repayment of income tax deducted should be made as set out in para 5.2 of this report; and flexibility over the allocation of

allowances between mayor and deputy introduced in certain circumstances (see para 5.3).

- 14 Eligibility for the Local Government Pension Scheme should be introduced in Kettering BC.
- 15 The panel supported the Ward Initiatives Fund and felt it should continue, with appropriate safeguards, with its current budgetary allocations.
- 16 The only change needed in the scheme of travel, subsistence and care allowances is the introduction of flexibility in relation to the reimbursement of real costs of child day care or disablement care, should the current rates prove inadequate.
- 17 The panel would not object if the council wished to endorse the principle that a councillor member could be eligible for more than one SRA, in appropriate circumstances.
- 18 The current basis for updating councillors allowances, linked to officer pay awards, should continue.

#### **7.6 Recommendations if a Standstill Budget Were to be Agreed by the Council**

- 1 Basic allowance to increase to £4,993 (this increase would involve no net budgeting increase – see para 2.2).
- 2 Deputy Leader's allowance to be revised to £7,480
- 3 Executive member (finance) to receive an SRA of £5, 545
- 4 Chair of Planning Committee to receive an SRA of £3,884
- 5 Chair of Standards Committee to receive an SRA of £1,295

Recommendation 7 (at the revised overall executive budget level of £49,800), 10, and 11 – 18 inclusive from the recommendations set out in 7.5 should continue to apply. Recommendations 1-6 from the list cease to apply.