

## BOROUGH OF KETTERING

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<b>Report Originator</b>	Sue Lyons Head of Democratic & Legal Services	<i>Fwd Plan Ref No: A011/040</i>	
<b>Wards Affected</b>	All	25th April 2012	
<b>Title</b>	<b>REPORT OF INDEPENDENT REVIEW PANEL – MEMBERS' ALLOWANCES: ADOPTION OF A NEW SCHEME OF MEMBERS' ALLOWANCES</b>		

**1. PURPOSE OF REPORT**

For Council to consider the findings of the Independent Review Panel and adopt a new Scheme of Members' Allowances.

**2. INFORMATION**

- 2.1 The Council is required to conduct a regular review of its members' allowances scheme. The current scheme of members' allowances was approved in June 2007, following the receipt of recommendations from the Independent Review Panel on Members' Allowances (IRP).
- 2.2 The composition of the IRP and the briefing pack was agreed by the Council's Standards Committee at its meeting on 30th January 2012. Copies of the briefing pack were subsequently sent to all members, together with a letter inviting them to make representations to the Panel either in writing or by personal appointment on the day of the meeting.

The panel's members were:-

Professor Steve Leach (Emeritus Professor of Local Government at De Montfort University, Leicester) who chaired the panel.

Ms Sue Watts (Business Development Manager of Northamptonshire Age UK)

Mr James Wright (Partner at Quality Solicitors, Wilson Browne LLP)

- 2.3 The IRP met on the 24th February 2012 and a copy of its subsequent report and recommendations are attached as Appendix "A" to this report.
- 2.4 The Council is required to adopt a scheme of Members' Allowances that adequately supports Councillors in fulfilling the Council's priorities and provides the best possible opportunity for any resident who is qualified to become a local councillor to stand for election and serve. The Local Authorities (Members'

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Allowances) (England) Regulations 2001 require councils to establish and maintain an independent remuneration panel to provide the local authority with advice on its scheme and the amounts to be paid. Local authorities must have regard to this advice.

2.5 The Independent Review Panel were asked to consider the following matters:-

a) Members Allowances

- ◆ Basic Allowances
- ◆ Special Responsibility Allowances
- ◆ Eligibility for the Local Government Pension Scheme
- ◆ The Ward Initiatives Fund
- ◆ Travel and Other Allowances
- ◆ Childcare and Dependent Carer's Allowances

b) Mayoral Allowances

2.6 The Research and Development Committee considered the recommendations of the Independent Panel at its meeting held on 21st March 2012. The comments of the Committee are attached at Appendix 'C'.

2.7 The Executive Committee considered the recommendations of the Independent Panel, together with the comments made by the Research and Development Committee, at its meeting on 4th April 2010 and resolved that:-

*"(i) the Independent Review Panel's report be accepted in full and the recommendations contained at 7.5 of the report be endorsed by the Executive Committee and forwarded to full Council on 25th April 2012 for decision."*

2.8 In its report, the IRP makes reference to the likely impact of the Localism Act 2011 on the work of ward councillors. It recommends that a further review of Members' Allowances be undertaken in two years' time when the impacts of the Act will have become more open to assessment.

### **3. CONSULTATION AND CUSTOMER IMPACT**

3.1 The Briefing pack that was used by the review panel was circulated to all members and senior officers of the Council.

3.2 All members and senior officers were notified of the date when the review panel was to meet and invited to make oral or written representations. A number of members took advantage of this.

3.3 In accordance with the Regulations, a public notice of the Panel's recommendations appeared in the local press on 19th March 2012.

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**4. POLICY IMPLICATIONS**

The terms of reference of the IRP included consideration of barriers to becoming councillors for different sections of the community and accordingly is in line with the Council's existing equal opportunities policies.

**5. USE OF RESOURCES**

**Financial**

- 5.1 Although the terms of reference of the Independent Review Panel excluded the Panel from considering the financial implications, the Council will need to be aware of (and consider) the budgetary implications when making their decision about the scheme.
- 5.2 The financial implications are outlined in Table 1 and 2 and are set out in more detail in Appendix B. The analysis is based on the two sets of recommendations that the IRP outlined in their report, namely those in sections 7.5 and 7.6.
- 5.3 When discussing the report of the IRP, the Executive Committee specifically discussed the Panel's recommendations in relation to the Mayor's / Deputy Mayor's Allowances as contained in section 5 of the report and reflected in recommendations 12 and 13 of both sections 7.5 and 7.6. Whilst recommending to the Council that the Panel's recommendations were approved, the Executive were also informed that further work would be undertaken to identify a simple option to deal with the changed taxation position of these specific allowances should members wish to consider implementing such a change.
- 5.4 Having further considered the Panel's report and sought advice from the tax office, the suggestion to directly recompense the Mayor / Deputy Mayor for their personal tax liabilities is not an option that is recommended to the Council. However, should Members have sympathy with this issue there are two options the Council may wish to consider;
- a) The first option would be to make no adjustment to the Mayoral Allowances in relation to taxation issues – in effect each post holder would still be able to apply to the tax office for a dispensation and deal with their personal tax affairs independently.
  - b) The second option (which should be considered as mutually exclusive to the first option) would be to effectively 'gross up' the Mayoral allowances so that the real cash value of the allowance effectively reverts back to a similar position to previously. To achieve this, the Mayoral Allowances could simply be 'grossed up' by say the basic rate of tax (20%) and then the individuals who occupy the positions would be responsible for their own tax liabilities.

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Such an approach would have the benefit of keeping the system simple and in addition not having a system that might pay different amounts depending on an individual's personal tax position.

5.5 The following table compares the current budget provision with the possible cost of the scheme under the different options outlined in the IRP report;

<b>Table 1 – Members Allowances</b>	Current Budget Provision	Members Allowances (as set out in section 7.6 of IRP)	Members Allowances (as set out in section 7.5 of IRP)
Members Allowances	£247,356	£252,288	£270,523
Members Pension Scheme 'cost range'	£0	£0 – £31,346	£0 - £33,534
<b>Budget Increase Range (£ and %)</b>		<b>£4,932 - £36,278 (2.0% - 14.7%)</b>	<b>£23,167 - £56,701 (9.4% - 22.9%)</b>

<b>Table 2 – Mayoral Allowances</b>	Current Budget Provision	Mayoral Allowances (as set out in section 7.5 and 7.6 of IRP)	Mayoral Allowances as set out in IRP report plus 20% adjustment to reflect taxation changes *
Mayoral Allowances	£8,118	£8,930	£10,553
<b>Budgetary Increase (£ and %)</b>		<b>£812 (10.0%)</b>	<b>£2,435 (30.0%)</b>

*\* to reflect the comments / suggestions made in paragraph 5.4 of this report*

5.6 Table 1 and Table 2 outline the financial implications of the Independent Review Panel's report. By reference to the tables it can be seen that if recommendation

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7.5 of the IRP is approved by Council, it could require a budget increase of up to £59,136. If recommendation 7.6 of the IRP were approved it would require a budget increase of up to £38,713. Whatever decision is taken by the Council, any resultant increase in the budgets for Members Allowances and Mayoral Allowances will result in the on-going revenue savings target for 2012/13 being increased by that amount. The savings target for 2012/13 currently stands at £1.3m.

- 5.7 Members should also note recommendation 18 of section 7.5 and 7.6 of the IRP report. The Panel have recommended that allowances should continue to have an annual cost of living increase applied in line with the practice that has been ongoing for many years. The increase to be applied continues to be that aligned to changes in the national pay award for local government employees (at a specific spinal column point). The changes suggested in the IRP report are quite separate to the annual cost of living increase continuing to be applied to the allowances.

#### **Constitutional**

- 5.8 The Council's Constitution requires that proposed changes to the Constitution (of which the Scheme of Members' Allowances is part) are adopted by Council.

#### **6. RECOMMENDATIONS**

that :-

- (i) Council consider the comments of the Research and Development Committee (attached as Appendix 'C'), the recommendation of the Executive Committee, as outlined in paragraph 2.7 of this report, and the recommendations of the Independent Review Panel (Members' Allowances), and adopt a new Scheme of Members' Allowances;
- (ii) That depending on the outcome of recommendation (i) the revenue budget for Members and Mayoral Allowances be amended accordingly;
- (iii) A further review of Members' Allowances be undertaken in 2014 when the impacts of the Localism Act 2011 are more open to assessment.

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## Background Papers:

**Title of Document:** Independent Review Panel  
Briefing Pack

**Date:** February 2012

**Contact Officer:** Anne Ireson  
01536 534398

## Previous Reports/Minutes:

**Ref:** Standards Committee  
**Date:** 30.1.12

**R & D Committee**  
**Date:** 21.3.12

**Executive Committee**  
**Date:** 4.4.12