

**Meeting:** Council

Portfolio Area: Council

**Date:** 26<sup>th</sup> November 2003

**MEMBERS' ALLOWANCES SCHEME 2003/04 AND 2004/05**

(Chief Executive)

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**1 PURPOSE**

To consider the report of the Independent Panel, determine a new scheme of allowances and determine the pension arrangements for Members.

This report is late as the report from the Independent Panel was only recently received, and is urgent because of the need to produce a revised scheme by 31<sup>st</sup> December 2003.

**2 RECOMMENDATIONS**

That the Council consider the report of the Independent Panel and;

- determines a new scheme of allowances, a draft of which, being based on the Panel's report, is set out at Appendix A.
- determines pension arrangements to apply to Members, the recommendation from the Panel being that the pension scheme be made available to all eligible elected Members and that pensions be calculated on the basic allowance and special responsibility allowance combined and that the implementation date be 1<sup>st</sup> April 2004.

**3 BACKGROUND**

3.1 The present scheme of Members' Allowances was agreed by the Council in November 2001 but there is a new legal requirement under the Local Authorities (Members' Allowances) (England) Regulations 2003 ('the Regulations') for all English Local Authorities to make a new Scheme by 31<sup>st</sup> December 2003. The Scheme can only be made by the full Council after it has received and considered a new report from an independent panel.

3.2 The Regulations consolidate existing legislation on allowances but also introduce some important changes as follows.

3.3 Subject to the Panel's recommendations, the Council's Scheme may provide for:

- Some or all Members to join the Local Government pension scheme which will be based on either the Basic Allowance or, where applicable, the Basic Allowance and Special Responsibility Allowance paid to an individual Member.
- The rate of travel and subsistence allowances. (These rates have previously been set by the Secretary of State though the limited range of duties for which these allowances can be claimed remains unchanged)
- The payment of allowances to suspended Members
- Allowances for Co-opted Members
- The use of indexation in the setting of allowances (so that a scheme can be renewed without a new panel report)
- Potential for backdating to 1<sup>st</sup> May 2003 (or April 1st in subsequent years)

From now on, all Councils will have to formally adopt a new or unaltered scheme before the beginning of every financial year whether or not there is a Panel report.

#### **4 REASON FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS**

- 4.1 A new scheme based on the Panel's recommendations is attached at Appendix A.
- 4.2 The full report of the Independent Panel dated November 2003 is attached at Appendix B.
- 4.3 The Panel's report deals with the issue of pensions, and this requires some additional explanation as below;

The Panel's report is only concerned with two decisions relating to pensions:

- Which members should receive a pension, and
- Whether the pension should be calculated on the basic allowance or on the basic and Special Responsibility Allowances combined.

The Council will, however, be interested in the details and cost of Members' pensions which are briefly as follows:-

- (a) The pension will be based on the number of years in the Local Government Pension Scheme (LGPS) as a Councillor divided by 80 (i.e. the same mechanism as for officers) but will be based not on final salary but on career average pay (allowances).
- (b) Members who are 70 or over will not be entitled to join the Scheme.
- (c) Members will not be entitled to benefits until they have been in the Scheme for two years.
- (d) The provisions applying to officers permitting added years for compensatory lump sum termination payments will not apply to Councillor members. Obviously, there will be no redundancy for any members who fail to be re-elected.

- (e) Councillors will be entitled, if the Council gives its permission, to receive retirement benefits on or after the age of 50.
- (f) Councillors/members will be entitled to ill health benefit until the age of 70 and there will be similar benefits for spouses and children as for officers.
- (g) The contribution rates for Councillor members will be 6% of the pensionable allowance. The employers' contribution rate to the Scheme will be the same as for other scheme members as assessed by the fund actuary. (Currently this will be 18.90% of total allowance payments in 2003/04 with a stepped (planned) increase to 20.10% in 2004/05.)

The Panel's report recommends that the pension scheme be made available to all eligible elected Members, and that pensions be calculated on the basic allowance and special responsibility allowance combined. The recommended implementation date is 1<sup>st</sup> April 2004.

- 4.4 The statutory requirements to publish details of the Panel's report, the scheme itself and payments to individual members remains unchanged.
- 4.5 The report recommends that the scheme is reviewed again in 2004, which will involve another Panel report and there is no proposal for indexation of the allowances at this stage.

## 5 IMPLICATIONS

### 5.1 Financial Implications

There are three separate elements to the costs. If the recommendations of the Panel are accepted in full then the costs will be as follows:.

#### **Basic Allowances and Special Responsibility Allowances**

	2003/04	2003/04	2004/05
	Estimate	Revised	Estimate
Basic Allowances	215,950	223,310	230,260
SRA's	190,180	193,440	199,400
<b>TOTAL</b>	<b>406,130</b>	<b>416,750</b>	<b>429,660</b>

#### **Payments to Specific Co-Opted Members**

	<b>0</b>	<b>2,250</b>	<b>2,250</b>
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#### **Pensions for Members**

It is not possible to be specific about the cost of allowing Members to access the Pension scheme. The legislation indicates that the rate to be paid should be the same as for staff, currently 18.90% in 2003/04 with a stepped increase to 20.10% in 2004/05.)

The implementation date is recommended by the Panel as 1<sup>st</sup> April 2004.

The figures are as follows.

	<b>2004/05</b>
	<b>Estimate</b>
25% take-up	21,590
50% take-up	43,200
75% take-up	64,800
90% take-up	77,700

## **5.2 Legal Implications**

In making the new Scheme, the Council must have regard to the Panel's report but is not strictly obliged to follow its recommendations, although it would be advisable to have good reasons for not doing so.

Under the Local Government Act 2000, the Government has issued guidance to local authorities some of which is classed as 'statutory' and may not be disregarded although it is not prescriptive. A full copy of the Guidance is available in the Members' Library but the panel has expressly drawn the Council's attention to Secretary of State's statutory guidance on the number of Special Responsibility Allowances. (Appendix C)

## **5.3 Policy Implications**

The principal change in policy will be to determine eligibility to join the Local Government Pension scheme.

## **BACKGROUND DOCUMENTS**

- The Local Authorities (Members' Allowances) (England) Regulations 2003
- The Local Government Pension Scheme and Discretionary Compensation (Local Authority Members in England) Regulations 2003
- Guidance on Consolidated Regulations for Local Authority Allowances 2003

## **APPENDICES**

- Draft Scheme of Allowances Appendix "A"
- Extract from Guidance on Consolidated Regulations relating to SRA's Appendix "B"
- Report of the Independent Panel Appendix "C"

STEVENAGE BOROUGH COUNCIL

**DRAFT SCHEME OF ALLOWANCES BASED ON THE INDEPENDENT Panel's  
RECOMMENDATIONS**

**EFFECTIVE FROM 1<sup>st</sup> May 2003 and for 2004/05 unless amended)**

Stevenage Borough Council has made the following Members' Allowances scheme under the Local Government Act 2000 and the Local Authorities (Member's Allowances) (England) Regulations 2003.

1. This scheme may be cited as the Stevenage Borough Council Members' Allowances Scheme, and shall have effect for the current year commencing on 1<sup>st</sup> May and on the 1<sup>st</sup> April in subsequent years.
2. In this scheme,  
"Councillor" means a Member of the Stevenage Borough Council who is a Councillor;  
"year" means the period ending on 31<sup>st</sup> March 2004.
3. Basic Allowance  
A basic allowance shall be paid to each Councillor from 1<sup>st</sup> April.
4. Special Responsibility Allowances
  - 1) For each year a special responsibility allowance shall be paid to those Councillors who hold the special responsibilities in relation to the authority that are specified in the schedule to this scheme.
  - 2) Subject to paragraph 6, (part year entitlements) the amount of each such allowance shall be the amount specified against that special responsibility in that schedule.
  - 3) Members are only able to claim one SRA.
5. Renunciation  
A Councillor may by notice in writing to the Chief Executive elect to forego any part of their entitlement to an allowance under this scheme.
6. Part-year Entitlements  
Payment of Basic and Special Responsibility Allowances will be pro-rata where Councillors do not serve for a full year on the Council.
7. Payments  
Payments shall be made on a regular monthly basis. Claims for dependent carer's allowances and travel and subsistence allowance shall be made within two months of being incurred.

## 8. Suspension of Payments

The Council will withhold all allowances to any Councillor who is suspended for misconduct and will require Councillors to repay any allowance already paid during a period of suspension.

### **Basic Allowances and Special Responsibility Allowances**

Basic Allowance	Paid to All Members	£5,760
(i)	Scale I Leader of the Council	£15,050
(ii)	Scale II Cabinet – Executive Committee Members + Chair of Scrutiny Overview Committee	£9,135
(iii)	Scale III Chairs of Scrutiny/Review Panels + Chair of Planning and Development	£7,255
(iv)	Scale IV Chairs of Joint Local Committees	£4,300

### **Payment to Specific Co-opted Members**

Independent Standards Committee Chairman Honarium (1-off payment)	£1,250
Independent Standards Committee other Member Honarium (1-off payment)	£1,000

### **Carer's Allowance**

The following amounts may be claimed for Councillors attending approved duties.

Childcare	Maximum of £5.00 per hour
Dependant care	Maximum of £8.50 per hour

Payment to relatives will not be admissible and there will be a maximum allowance of 20 hours per month. Receipts will need to be provided.

### **Travel, Subsistence and Other Allowances**

The allowances for travel and subsistence will be the same as those fixed for employees of the Council from time to time. These allowances are currently under review and will be amended over the next few months.

**Extract from Guidance on Consolidated Regulations relating to SRA’s taken from “New Council Constitutions” issued by the ODPM.**

- 71.** The Regulations do not limit the number of special responsibility allowances (SRA’S) which may be paid nor do the regulations prohibit the payment of more than one SRA to any one member.
- 72.** However, these are important considerations for local authorities. If the majority of members of a council receive an SRA, the local electorate may rightly question whether this was justified. Local authorities will wish to consider very carefully the additional roles of members and the significance of these roles, both in terms of responsibility and real time commitment before deciding which will warrant the payment of an SRA.
- 73.** It does not necessarily follow that a particular responsibility, which is vested to a particular member, is a significant additional responsibility for which an SRA should be paid. Local authorities will need to consider such particular responsibilities very carefully. While such responsibilities may be unique to a particular member, it may be that all or most members have some such responsibility to varying degrees. Such duties may not lead to a significant extra workload for any one particular member above another. These sorts of responsibilities should be recognised as a time commitment to council work, which is acknowledged within the basic allowance and not responsibilities for which an SRA should be recommended.