

By: The Member Remuneration Panel

To: County Council – 17 September 2015

Subject: Members' Allowance Scheme

Summary: This report sets out the views of the independent Member Remuneration Panel, who have reviewed the Members' Allowance Scheme following the County Council's request on 21 May 2015 that the Panel give consideration to recommending a mechanism for the Members' Allowances Scheme to be index-linked with effect from 1 April 2016.

1. Introduction

- (1) Following the County Council's request on 21 May 2015 that the Panel give consideration to recommending a mechanism for the Members' Allowances Scheme to be index-linked with effect from 1 April 2016, the Panel met on 30 July 2016.
- (2) The Panel had already considered the issue very thoroughly before reaching its conclusions and the recommendations contained in its report to the County Council in May.
- (3) The Panel would like to place on record that as 'lay people' it takes great care and diligence on behalf of the residents of Kent in conducting its role as an independent Panel for Member Remuneration.

2. Background

- (1) In view of the County Council's request, the Panel would wish to remind the County Council of the work undertaken to formulate its conclusions and recommendations.
- (2) Before submitting the Panel report to the County Council in May, the Panel interviewed each Group Leader individually to seek their views on the appropriateness of the Members' Allowances Scheme, both in terms of the Basic Allowance paid to all elected Members and the Special Responsibility Allowances (SRAs).
- (3) The Panel was specifically asked to consider whether the level of allowances was appropriate and whether allowances should rise annually in line with an appropriate index. The Panel noted the background to recent changes to the scheme as follows:

"In 2011 the County Council agreed to make voluntary reductions to both the basic and Special Responsibility Allowances (SRAs) of 1.5% and 2.66% respectively, as a contribution to revenue budget reductions. The Panel noted that these reduced allowances were still being paid, which had resulted in a reduction in the total cost of the Members' Allowances Scheme of £80,000 per year."

- (4) The Panel recognises that the County Council no longer has a “cost of living” increase for staff pay. All pay increases are dependent on performance. The “pot” used to pay performance awards is usually around 2.5% of the total pay bill, with those assessed as achieving the required standard receiving an award of around 2% (higher for those assessed as performing above the required standard or outstanding). The pay scales are uplifted each year, usually by around half the value of “achieving” i.e. around 1%, although this depends on what can be afforded within the budget.
- (5) The Office for National Statistics also produces statistics on wage increases. The average public sector increase excluding bonuses is currently 1%.
- (6) The Panel noted that a number of other local authorities linked their Members Allowance Scheme to an index, for example Consumer Price Index (CPI) Retail Price Index (RPI) or staff pay.
- (7) In preparing its report to the County Council in May, the Panel commissioned research into allowance schemes at other local authorities, including the County Council’s statistical neighbours, to compare the amount paid to Members as a Basic Allowance and as SRAs.
- (8) The Panel also asked for research to be conducted into the changes in Her Majesty’s Revenue and Customs (HMRC) personal income tax levels during the period 1 April 2008 to 31 March 2015, to establish what impact these changes had on personal disposable income during this period. The Panel acknowledged that every elected Member’s individual circumstances are personal to them, but in real terms there had been changes to the tax threshold before basic rate income tax is paid which in practice will have been of benefit to the majority (if not all) elected Members.
- (9) Throughout their deliberations, the Panel has been mindful of the potential public perception that surrounds allowances and expenses payable from taxpayers’ money to elected Members in a period of austerity.

3. Conclusions

- (1) The Panel has reconsidered all the information it had to formulate its report to the County Council in May, including additional information made available to the Panel from:
 - (a) Other local authorities;
 - (b) Further detail on the Average Weekly earnings published by the Office for National Statistics (paragraph 2(5) above);
 - (c) Further detail on the use of CPI as an index in the preparation of the County Council budget;

- (d) Further detail on the Total Contribution Pay scheme for rewarding staff within the County Council; and
 - (e) The recent announcement that Members of Parliament had been awarded over a 10% increase raising the salary for a backbench Member of Parliament to £74,000.
- (2) The Panel was unanimous in agreeing to reaffirm its view that the existing Members' Allowances Scheme was intended to cover the full four-year term from May 2013 to May 2017 and, therefore, any index-linking mechanism should only be introduced for the new Council in May 2017 and not before.
- (3) The Panel reached this conclusion based on evidence from other local authorities and the annual surveys from South East Employers and other organisations, which confirmed that Kent County Council's Basic Allowance and SRAs remain in the upper 10% of all local authorities across England.
- (4) The Panel also considered the fact that the Basic Allowance several years ago included £1,000 for each Member to provide their own IT equipment, which was replaced by direct KCC provision some years later but without a proportionate reduction in the Basic Allowance, which had in the Panel's opinion been a contributory factor in the level of the Basic Allowance remaining as one of the highest in the country.
- (5) The Panel reaffirmed its view that a link to staff pay was the most logical index to apply to the Members' Allowance Scheme. The Panel considered the County Council's scheme of 'Total Contribution Pay' for rewarding staff based on their performance and noted the percentage increase that staff had received based on the performance level of 'achieving' in each year since 2012.
- (6) Because of the voluntary nature of the role of an elected Member, the Panel is of the opinion that 4/5ths of the percentage increase for 'achieving' (in accordance with the Total Contribution Pay Scheme) should be applied to the Members' Allowance Scheme from May 2017 for both the Basic Allowance and SRAs.
- (7) The Panel is of the firm opinion that the Members' Allowances Scheme adopted by Kent County Council for the four-year period from May 2013 to May 2017 should remain in place for the full term, but that the Scheme applicable from May 2017 to May 2021 should include provision for index-linking the level of both the Basic Allowance and SRAs, with the mechanism being 4/5ths of the percentage for the 'achieving' level within the County Council's Total Contribution Pay scheme for KCC staff each year.

Mr J Ogden
Chairman

Mrs S Addis

Mr S Wiggett