

# **PART 6**

## **MEMBERS' ALLOWANCE SCHEME**

## **1. MEMBERS' ALLOWANCES SCHEME – 2005/2006**

- 1.1 The Local Government and Housing Act 1989, Local Authorities (Members' Allowances) Regulations 1991 and the Local Authorities (Members' Allowances) (Amendment) Regulations 1995, and the Local Authorities (Members' Allowances) (England) Regulations 2001 require authorities to make a scheme for the payment of allowances to Councillors.

Before making, amending or reworking its allowances scheme, the Council is required by virtue of Regulation 3 of the 2001 Regulations to have regard to the recommendations of an Independent Remuneration Panel. The Council is not, however, bound to adopt all or any of the Panel's recommendations provided it has given them due consideration and is satisfied that it has justifiable reasons for not doing so.

Government Regulations do not limit the amount that can be paid under allowances schemes. This Council's total budget including oncosts for Members' Allowances for 2005/2006 is £1,064,000.

Any Member may by notice in writing to the Chief Executive, elect to forego any part of entitlement to an allowance under the scheme.

- 1.2 In March 1999 the Council agreed to move to a new Members' Allowances Scheme based on the model recommended by the independent panel report commissioned by the Association of London Government. This resulted in three bands for the payment of Special Responsibility Allowances (SRA) to certain Councillors, together with the payment of a basic allowance to all Councillors.
- 1.3 The Council agreed to adopt the new scheme with the recommended levels of payment for Basic and SRA, but to phase in full payment over four years with the maximum payable in 2002/2003.
- 1.4 The Policy Committee on 30<sup>th</sup> March 2000 amended the bandings for SRA to include two new bands.
- 1.5 The Corporate Services Committee on 28<sup>th</sup> May 2003 adopted the recommendations of the Association of London Government's Independent Panel's Second Report into Members' Allowances. The Committee on 31<sup>st</sup> July 2003 and Council on 16<sup>th</sup> September 2003 agreed further changes to the scheme following a further Independent Panel report relating to members being able to join the Local Government Pension Scheme and that the allowances be upgraded annually with reference to the annual Local Government Pay settlement.
- 1.6 The Scheme will be submitted to budget Council each year for approval.

### **Withdrawal of Allowances**

- 1.7 If the Standards Committee or the National Standards Board fully or partially suspend a member because of a breach of the Code of Conduct, the matter will be referred to the Corporate Services Committee which may, if it considers it appropriate, suspend the payment of some or all of that members' allowance during the period of suspension.

The scheme as approved provides for the following:

(a) **Basic Allowance**

A Basic Allowance payable equally to each Member for the financial year 2005/2006 is £9,192. (This is paid on a monthly basis rather than as a lump sum).

(b) **Special Responsibility Allowance**

Local authorities may make provision within the scheme for the payment of Special Responsibility Allowance and, if so, include a list of posts and the amount of SRA payable. This allowance is paid in addition to the Basic Allowance to those Members considered to bear additional responsibilities. Holders who are entitled to SRA for the period they hold the post must fall into one or more of the following groups.

- Acting as leader or deputy leader of a political group within the authority;
- Presiding at meetings of a committee or a sub-committee of the authority, or a joint committee of the authority and one or more other authorities, or a sub-committee of such a joint committee;
- Representing the authority at meetings of, or arranged by, any other body;
- Membership of a committee or a sub-committee of the authority which meets with exceptional frequency or for exceptionally long periods;
- Acting as the spokesman of a political group on a committee or sub-committee of the authority;
- Such other activities in relation to the discharge of the authority's functions as require of the member an amount of time and effort equal to or greater than would be required by any one of the above activities.

Where an SRA is paid and Members of the authority are divided into at least two political groups, SRA will be paid to at least one Councillor who is not a member of the controlling group provided that Member has a special responsibility as defined above.

No Councillor may receive more than one SRA.

The list of Special Responsibility Allowances is set out in **Appendix A**.

Special Responsibility Allowance and Basic Allowance will be paid pro rata to Councillors whose term of office begins or ends part way through the financial year. Similarly, if the scheme is amended so as to affect entitlement, the Allowance will be paid pro rata.

(c) **Dependent Carers' Allowance**

A Dependent Carers' Allowance is payable to Councillors who, in order to undertake their duties as a Councillor, incur costs in arranging care for dependent relatives living with them. Dependent relatives are defined as children under the age of 14, elderly, disabled or invalid (temporarily or permanently) relatives who

cannot be left alone. Payments will not normally be made to carers who are family members or persons resident at the Councillors' home.

The Carers' Allowance also includes costs associated with councillors who themselves need the help of a carer in order for them to fulfil their duties as a councillor.

The maximum rate for this allowance is £8.00 per hour to meet, or contribute towards the actual costs incurred in arranging care. The maximum period from which any one claim can be made is the duration of the meeting itself, plus £4.00 as a contribution towards travelling time to and from the meeting venue.

## **2. TRAVELLING AND SUBSISTENCE ALLOWANCES**

- 2.1 Travel expenses can be claimed to cover the cost of travelling to and from approved duties/conferences **outside** the borough. The amount claimed depends on the means of travel i.e.

Public transport	-	actual fare
Own vehicle	-	schedule of rates set by Central Government

Subsistence allowance is a 'meals' allowance for approved duties lasting 4 or more hours, again payable by a schedule of rates set by Central Government. Copies of these rates and the list of approved duties is set out in **Appendix B and C**.

## **3. BROADBAND EXPENSES**

- 3.1 The Scheme provides for the payment of the one-off connection charge to Broadband plus the monthly broadband rental up to the value of £25 per month.

## **4. PAYMENTS FOR OTHER BODIES**

The Local Government Association have their own Members' Allowances Scheme payable to those Members' of Executive and Scrutiny bodies of the Association. The London Fire and Emergency Planning Authority also have their own separate scheme.

## **5. CLAIMING THE ALLOWANCES**

- 5.1 Basic and Special Responsibility Allowances are paid automatically, once bank details, National Insurance, date of birth and home address are forwarded to the Director of Finance; all others are claimed by means of the appropriate forms, samples of which are attached at **Appendix D**.
- 5.2 Payments via the payroll system are made on a regular monthly cycle direct to your bank or building society account with a payslip being sent to you at the same time. Travel and Subsistence (if taxable are paid through the payroll) otherwise they are paid by means of a cheque sent to your home address. Telephone and Dependent Carers' Allowances are paid through the payroll.

- 5.3 You should submit your claims for Travel, Subsistence and Dependent Carers' Allowance within **two** months of the duty undertaken.

Receipts **must** accompany all expenses claims.

## **6. RATES PAYABLE**

- 6.1 The rates for each allowance change from time to time, generally with effect from 1<sup>st</sup> April each year. The Schedule of Rates for travel and subsistence, is set by the Government.

## **7. TAXATION**

Basic, Special Responsibility, Dependent Carers' Allowances and telephone expenses are taxable and the Director of Finance will deduct and account for tax as directed by the Inspector of Taxes. Members will receive an annual certificate of tax deducted, at the end of each tax year, or on leaving office.

Business travel is not treated as earnings and is not taxable. Business travel means travel from place of work to place of work. For a councillor, place of work is defined as the Town Hall, any Council building, any place visited in your capacity as a councillor and your home, but **not** your place of normal paid employment.

## **8. NATIONAL INSURANCE CONTRIBUTIONS**

Local authority councillors are elected office holders and they are treated as employed earners for benefit purposes. Members' Basic Allowance, Special Responsibilities Allowance and Dependent Carers Allowance are, accordingly, taxable under Schedule E and count as income liable for deduction of Class 1 national insurance contributions. Payment towards expenses actually incurred in carrying out employment, for example travelling expenses, do not count as income and do not give rise to a liability for class 1 NI contributions.

Class 1 national insurance contributions do not have to be paid if you are above pension age. You will need to give your employer a certificate of age exemption (available on application to the Department of Work & Pensions.) If you have more than one employer, you will need a certificate of age exemption for each.

Class 1 contributions are also not payable if your earnings from employment do not exceed the employee's earnings threshold. From April 6<sup>th</sup> 2005, that threshold is £94.

If, in addition to your office as an elected member, you do paid work for another employer, you will have to pay class 1 national insurance contributions in respect of each employment where the earnings exceed the earnings threshold. If the earnings in each employment are low and do not exceed the threshold, you will not have to pay class 1 contributions at all.

If, on the other hand, your earnings from the additional sources of employment are high, you could find that you are paying substantial class 1 national insurance contributions. The Inland Revenue National Insurance Contributions Office can, however, make arrangements to ensure that you do not pay more than the

maximum level of class 1 contributions in any year. You should contact your nearest Inland Revenue National Insurance Contributions Office.

If self-employed, and your earnings from self-employment are above the small earnings exception limit, you will have to pay class 2 national insurance contributions in addition to any Class 1 contributions deducted from your Members allowance(s).

Some married women or widows, who were eligible on or before April 5<sup>th</sup> 1977 to opt for paying a reduced rate of national insurance contribution, also do not have to pay the full rate of class 1 contributions. Many have lost their entitlement to a reduced rate of contributions because of changes in personal circumstances. If you are paying reduced contributions, take advice. Your entitlement to benefits is affected by your rate of contribution and, if the reduced rate is being applied incorrectly, the Inland Revenue may ask you to make good any missing payments.

## **9. BENEFITS**

Most benefits have rules that give special treatment both to work carried out as an elected councillor and to the Members allowances received. The special rules are intended to ensure that people claiming benefits are not discouraged from carrying out public duties.

Although local authority councillors are treated as employed earners for benefit purposes, any council business undertaken as a councillor does not attract the usual penalties associated with working while claiming. Your hours of work will be ignored for income support and job seeker's allowance. However, you can elect to have your hours of work as a councillor taken into account if choosing to claim in-work benefits, such as working families tax credit or disabled person's tax credit. This flexibility in choosing which benefits to claim can result in elected members facing complex decisions about how they may be better off.

Hours of work, as an elected councillor, can include all official council business, travel to and from home when engaged on council business, time spent at home reading and preparing for council meetings and work undertaken on behalf of constituents. Work does not include purely party political activities.

The special benefit rules applying to councillors provide significant advantages, but they can make it difficult to know if you are claiming the right benefits for your circumstances. The following brief summary is only a general guide to the main factors affecting benefits for elected Members. Advice should be sought in individual cases.

### **Members of working age who are unfit for work**

If you are claiming benefit as a person incapable of work, duties undertaken as a councillor are ignored, except for statutory sick pay and industrial injuries scheme purposes.

Members' allowances still count as earnings, however, and these may affect both means tested benefits (such as income support and housing benefit) and also contribution based benefits, such as incapacity benefit. Expenses arising from your council duties, unless reimbursed by the Council, should be deducted from the Members' allowance before any reduction in benefit is calculated. (Different rules on deduction of expenses apply to Working Tax Credit and Child Tax Credit).

### **Members of working age who are unemployed**

If claiming job-seeker's allowance, whether income-based or contribution-based, activity undertaken as a councillor is not treated as remunerative work and does not exclude you from benefit. You still have to be available for work, actively looking for work and keeping to the terms of your jobseeker's agreement.

Members' allowances count as earnings both for income-based and contribution-based job seeker's allowance and these earnings may also affect means tested benefits, such as council tax benefit or housing benefit. Expenses arising from your council duties, unless reimbursed by the Council, should be deducted from the Members' allowance before any reduction in benefit is calculated. (Different rules on deduction of expenses apply to Working Tax Credit and Child Tax Credit).

### **Members over retirement age**

Work as a councillor and the allowances paid to you will not affect your right to your own retirement pension, or the amount paid to you. It can, however, affect means tested benefits such as income support and housing benefit. Expenses arising from your council duties, unless reimbursed by the Council, should be deducted from the Members' allowance before any reduction in these benefits is calculated. (Different rules on deduction of expenses apply to Working Tax Credit and Child Tax Credit).

### **Couples**

Married couples, or a man and woman living together as wife and husband, have their joint incomes, including Members' allowances, taken into account in working out entitlement to means tested benefits. Additionally, if you live in such a couple, and your partner claims an additional amount of a contribution-based benefit for you as a dependent, then your Member's allowances may affect that additional payment.

### **Your Duty to Disclose**

It is a condition of most benefits that you disclose details of work and earnings. Failure to make an effective disclosure may result in an overpayment of benefit or criminal proceedings.

You can elect not to be paid your Members allowances, but the benefits authorities are likely to treat you as possessing "notional income" equivalent to the value of the allowances you are failing to claim. Even if you elect not to claim the Members allowance(s), you are under a duty to disclose the details of the allowances you are choosing to forgo.

## **Earnings, benefits and expenses**

The basic allowance and the special responsibility allowance are both treated as earnings for benefits and Tax Credit purposes.

Travel, subsistence allowances, and the annual payments for telephone expenses and broadband connection are not earnings. If paid for expenses that are wholly, exclusively and necessarily incurred in the performance of Council duties, they are ignored.

The benefits system recognises that Members have to do a lot of work at home and that they may have additional expenses arising from the performance of their duties that are not reimbursed by the local authority. Any expenses arising wholly, exclusively and necessarily from performance of Council duties, which are not met by the Council, should be deducted from the allowances that count as earnings. Only the net figure, after the deduction of these expenses, is then treated as earnings to be taken into account. (Different rules on deduction of expenses apply to Working Tax Credit and Child Tax Credit).

Examples of such expenses may include

- Postage and stationery
- Secretarial expenses
- Clothing and footwear
- Travelling costs to and from home, or other premises, on Council business
- Subscriptions to trade unions or other political or professional bodies
- Additional costs arising from use of the home as an office, for example, heating and lighting
- Telephone charges
- Internet use

This list of work expenses is not exhaustive. You should keep a detailed record of your expenses and, where possible, retain any receipts or other proofs of expenditure. Work related expenses can be averaged over a reasonable period to give you a level of weekly expenditure to be deducted from your Members allowance(s) before any impact on your benefit income is calculated.

If you do not ask the benefits authority to review your benefit in the light of your expenses, you will be underpaid.

Net earnings, after deduction of expenses, will be taken into account for most contribution based and means tested benefits. The rules applying to each benefit are too various to summarise here. Take advice on your individual circumstances.



### **Further advice**

The manager of the welfare rights unit offers confidential benefits advice to Members on the way in which Member's allowances may affect their rights and duties under the benefit regulations. Contact Martin Baillie on extension 8620 or via e-mail : martin.baillie@islington.gov.uk.

Alternatively, you may wish to contact an organisation outside the authority, such as a citizen's advice bureau or similar body. Look up "Advice" in Yellow Pages.

#### **10. AUDIT**

All claims will be subject to review by Internal Audit and by the District Auditor.

#### **11. GENERAL**

A statutory register of all allowances paid to Members is open to inspection by any elector resident in the area. The Council are required to publish details of the Members' Allowances Scheme and of total payments made to each Member annually. This is done by means of an advertisement in the local newspaper.

This is a general and by no means exhaustive statement of the law on these matters.

For any advice in relation to the Scheme please contact:

John Lynch, Head of Scrutiny and Democratic Services, 020-7527 3002  
Sudhir Shah, Finance 020-7527 2037  
Geeta Degnarain, Payroll Manager 020-7527 2160  
Martin Baillie, Welfare Rights Manager 020-7527 4161

## SPECIAL RESPONSIBILITY ALLOWANCES 2005/06

<u>Band 4</u>	<u>Amount</u>	<u>£</u>
Leader of the Council – Councillor Steve Hitchins	47,049	
<u>Band 3</u>		
Executive Members		
Councillor Bridget Fox	34,070	
Councillor James Kempton	34,070	
Councillor George Allan	34,070	
Councillor Meral Ece	34,070	
Councillor Terry Stacy	34,070	
Councillor Arnie Gibbons	34,070	
Councillor Jyoti Vaja	34,070	
Councillor Laura Willoughby	34,070	
<u>Band 2</u>		
Chair of Overview Committee		
Councillor Keith Sharp	17,845	(Cllr. Sharp has elected not to receive any inflationary increase and therefore his payment is actually £16,500)
Chairs of Review Committees	17,845	
Councillor Marisha Ray	17,845	
Councillor Lucy Watt	17,845	
Councillor Adrian Pulham	17,845	
Chief Whip		
Councillor Stefan Kasprzyk	17,845	
<u>Band 1(a)</u>		
Leader of the Opposition		
Councillor Catherine West	14,322	
<u>Band 1</u>		
Chair of Corporate Services Committee		
Councillor Margot Dunn	5,947	
Chair of Licensing Committee		
Councillor Bruce Neave	5,947	
Chairs of Area Committees		
Councillor Euan Cameron	5,947	
Councillor Joe Trotter	5,947	
Councillor Lisa Spall	5,947	
Councillor Emma Gowers	5,947	
Opposition Whip		
Councillor Derek Sawyer	5,947	
Majority Group Chair		
Councillor Barbara Smith	5,947	
Mayor		
Councillor Jonathan Dearth	5,947	

**CONSOLIDATED TEXT OF THE APPENDIX TO CIRCULAR 1/86  
(2000/20001 revision)**

**PART 1**

Rates of Travelling Allowances and provisions relating thereto:

1. (1) The rate of travel by **public transport** shall not exceed the amount of the ordinary fare or any available cheap fare, and where more than one class of fare is available the rate shall be determined, in the case of travel by ship by reference to first class fares, and in any other case by reference to second class fares unless the body determines either generally or specifically, that the first class fares shall be substituted.

(2) The rate specified in the proceeding sub-paragraph may be increased by supplementary allowances not exceeding expenditure actually incurred:

(a) on Pullman car or similar supplements, reservation of seats and deposits or portage of luggage; and

(b) on sleeping accommodation engaged by the member for an overnight journey, subject, however, to reduction by one-third of any subsistence allowance payable to him/her for that night.

2. (1) The rate for travel by a member's own solo **motor cycle**, or one provided for his/her use, shall not exceed:

(a) for the use of a solo motor cycle of cylinder capacity not exceeding 150cc, 8.5 pence per mile,

(b) for use of a solo motor cycle of cylinder capacity exceeding 150cc, but not exceeding 500cc, 12.3 pence per mile,

(c) for use of a solo motor cycle of cylinder capacity exceeding 500cc, 16.5 pence per mile.

(2) The rate for travel by a member's own private **motor vehicle**, or one belonging to a member of his/her family or otherwise provided for his/her use, other than a solo motor cycle, shall not exceed:

(a) for the use of a motor vehicle of cylinder capacity

(i) not exceeding 999cc, 34.6 pence per mile;

(ii) exceeding 999cc but not exceeding 1199cc, 39.5 pence per mile;

(iii) exceeding 1199cc, 48.5 pence per mile.

(3) The rates specified in sub-paragraphs (1) and (2) may be increased:

(a) in respect of the carriage of passengers, not exceeding 4, to whom a travelling allowance would otherwise be payable under any enactment, by not more than 3.0

pence a mile for the first passenger and 2.0 pence per mile for the second and subsequent passengers;

(b) by not more than the amount of any expenditure incurred on tolls, ferries or parking fees, including overnight garaging.

(4) For the purposes of this paragraph the cylinder capacity shall be that entered in the vehicle registration book or document by the Secretary of State under the Vehicles (Excise) Act 1971.

3. The rate of travel by **taxi-cab** or cab shall not exceed:

(a) in cases of urgency or where no public transport is reasonably available, the amount of the actual fare and any reasonable gratuity paid, and

(b) in any other case, the amount of the fare for travel by appropriate public transport.

4. The rate of travel by a **hired motor vehicle** other than a taxi-cab shall not exceed the rate which would have been applicable had the vehicle belonged to the member who hired it:

Provided that where the body so approves the rate may be increased to an amount not exceeding the actual cost of hiring.

5. The rate of **travel by air** shall not exceed the rate applicable to travel by appropriate alternative means of transport together with an allowance equivalent to the amount of any saving in attendance allowance or financial loss allowance, and subsistence allowance consequent on travel by air:

Provided that where the body resolves, either generally or specifically, that the saving in time is so substantial as to justify payment of the fare for travel by air, there may be paid an amount not exceeding;

(a) the ordinary fare or any available cheap fare for travel by regular air service, or

(b) where no such service is available or in case of urgency, the fare actually paid by the member.

## PART 2

### Rates of Subsistence Allowance, and provisions relating thereto

1. (1) The rate of **subsistence allowance** shall not exceed:
  - (a) In the case of an absence, not involving an absence overnight, from the usual place of residence;
    - (i) of more than 4 hours, or where the authority permits, a lesser period, before 11 a.m. (breakfast allowance), £4.92;
    - (ii) of more than 4 hours, or where the authority permits, a lesser period, including the period between 12 noon and 2 p.m. (lunch allowance), £6.77;
    - (iii) of more than 4 hours, or where the authority permits, a lesser period, including the period 3 p.m. to 6 p.m. (tea allowance), £2.67;
    - (iv) of more than 4 hours, or where the authority permits, a lesser period, ending after 7 p.m. (evening meal allowance), £8.38.
  - (b) in the case of an **absence overnight** from the usual place of residence £79.82 and for such an absence overnight in London, or for the purposes of attendance at an annual conference (including or not including an annual meeting) of the Local Government Association or such other association of bodies as the Secretaries of State may for the time being approve for the purpose<sup>1</sup>, £91.04.
2. Any rate determined under paragraph 1(b) above shall be deemed to cover a continuous period of absence of 24 hours.
3. The rates specified in paragraph 1 above shall be reduced by an appropriate amount in respect of any **meal provided free of charge** by any authorities or body in respect of the meal or the period to which the allowance relates.
4. (1) Where **main meals (i.e. breakfast, lunch or dinner) are taken on trains** during a period for which there is an entitlement to a day subsistence allowance, the reasonable cost of the meals (including VAT), may be reimbursed in full, within the limits specified below. In such circumstances, reimbursement for the reasonable cost of a meal would replace the entitlement to the day subsistence allowance for the appropriate meal period.

<sup>1</sup> The annual conferences of the following Associations are approved for these purposes: The Association of British Market Authorities, the British Resorts Association, the Council of the Local Education Authorities and the National Association of Local Councils.

- (2) The limitations on reimbursement are:
- (a) for breakfast, an absence of more than 4 hours, or where the authority permits, a lesser period, before 11 a.m.;
  - (b) for lunch, an absence of more than 4 hours, or where the authority permits, a lesser period, including the period between 12 noon and 2 p.m.;
  - (c) for dinner, absence of more than 4 hours, or where the authority permits, a lesser period, ending after 7 p.m.

**LONDON BOROUGH OF ISLINGTON MEMBERS' ALLOWANCE SCHEME  
TRAVEL AND SUBSISTENCE  
SCHEDULE OF ELIGIBLE OUTSIDE BODIES**

**NOTE: Travel and subsistence only claimable on meetings held outside the borough.**

**A**

Age Concern Greater London  
Alone in London  
Angel Town Centre Partnership Board  
Association of Direct Labour Organisations  
Association of London Government  
Association of Police Authorities

**B**

Barking/Gospel Oak Line Committee  
Business Link (London & City Partners) [w.e.f. 28.3.96]

**C**

Central London Partnership [w.e.f. 16.10.97]  
Centre for Local Economic Strategies  
Chelsea/Hackney Line Steering Group [w.e.f.23.12.96]  
City Fringe Partnership [w.e.f.20.7.96]

**E**

East London Line Extension Group

**F**

Finsbury Park Area Joint Working Party  
Finsbury Park SRB

**G**

Greater London Enterprise Board  
Greater London Employers' Association (part of the new ALG)

**H**

Health Action Zone Partnership Board

## **L**

Lee Valley Regional Park Authority  
Local Government Association  
Local Government Information Unit  
London Accident Prevention Council of the RoSPA  
London Boroughs Grants (part of the new ALG)  
London Arts Board Local Authority Forum  
London Ecology Forum  
London Fire & Emergency Planning Authority  
London Housing Unit (part of the new ALG)  
London Planning Advisory Committee  
London Research Centre Committee  
London Ecology Committee  
London & S.E. Regional Library System  
Learning Agency  
London Canals Board  
London Council for Sport & Recreation

## **N**

National Housing & Town Planning Council – London Regional Executive Committee  
North London Waste Authority

## **T**

Thames Water Regional Flood Defence Committee  
Thameslink 2000 Consortium [w.e.f.23.12.96]  
Transport Committee for London (part of the new ALG)

## **V**

Valuation & Community Charge Tribunal

## **W**

Warwick Consortium for Local Government Re-organisation