

## REPORT OF STANDARDS COMMITTEE

(Meeting held 26 September 2003)

### 1. MEMBERS' ALLOWANCES – TRAVEL AND SUBSISTENCE (Minute No. 27) (Agenda Report A)

The Committee has considered a report from the Independent Remuneration Panel with regard to travel and subsistence allowances. All members of the Council were invited to attend the Committee's meeting and have received a full copy of the agenda for the meeting and of the Panel's report.

New regulations (the Local Authorities (Members' Allowances) (England) Regulations 2003) require, for the first time, local authorities and certain other bodies to obtain recommendations from their Independent Remuneration Panels before fixing travel and subsistence allowances for their members. Decisions on the future payment of travel and subsistence allowances, following consideration of recommendations from the Independent Panel, must be taken by 31 December 2003. The need for the Panel to report on basic and special responsibility allowances has been in place for two years, but this is the first time recommendations in regard to travel and subsistence have been required.

Members will know that "lump sum" travel allowances are currently paid to members. The Panel's main recommendation was that this "lump sum" allowance be replaced by a system involving claims by members for actual journeys travelled. The Committee spent some time considering this issue and supports the Panel's recommendation. In doing so, the Committee was aware that the current arrangements are popular with some members as members do not have to claim for the payment of their allowances. However, they were mindful of the disadvantages of the current arrangements which include:

(a) Because the lump sum allowance is not reimbursive or based on actual journeys travelled, Councillors are liable to tax on their travel allowances. In addition, National Insurance contributions are payable by both the Council (as "employer") and the Councillor (as "employee") where the total amount payable to the Councillor by the Council exceeds £385 per month, where Councillors are:

- female councillors – below age 60; and
- male councillors – below age 65

Since the recent increase in members' allowances that were backdated to 1 May 2003, National Insurance contributions are now payable on the travel allowances payable to 59 of the 60 members (if they are under 60/65). Contributions are at the rate of 11% for the "employee" and 12.8% for the "employer". It is estimated that the cost to the Council is £2,000 - £3,000 per year;

(b) Although Councillors are able to claim tax relief from Inland Revenue if they maintain details of and make returns on actual journeys travelled on Council business, it appears that not many members do this. These members are seeing their travel allowances being eroded –

- for those members subject to tax at the basic rate, by 33% (22% tax and 11% national insurance);
- for members subject to tax at the higher rate, by 51% (40% tax and 11% national insurance)

The Independent Panel considered this level of deduction from members' travel allowances unreasonable. Members' basic and special responsibility allowances are subject to a one-third deduction for the "voluntary element". The Panel considers that deduction appropriate, but that the travel element of the allowances should not be subject to further deductions;

- (c) The current lump sum allowance is calculated on the presumption that members will attend 80% of meetings of Committees, Panels, etc, of which they are members. (80% is the average attendance by all members at all formal meetings of the Authority.) Those members who attend more than 80% are being insufficiently recompensed for their journeys, while those who attend fewer than 80% are receiving payment for journeys they are not making;
- (d) The savings in administrative time that were achieved when the lump sum allowance was introduced have been lost over recent years. The Committee heard that the introduction of the new decision-making arrangements have been accompanied by regular changes to Committee and Panel memberships, representation on outside bodies and members' roles generally. These regular changes necessitate changes to the lump sum travel allowances and are having to be administered by higher graded employees than would be responsible for the processing of claims.

For the above reasons, the Committee shares the Panel's view that payment for actual journeys made is the most fair and transparent way forward, both from the point of view of -

- (a) the member, who will be properly reimbursed for journeys undertaken on Council business, and
- (b) the Council taxpayer, to whom it will be clear that members receive payment for journeys undertaken.

No additional administrative costs will be involved, provided members clearly understand the duties for which claims may be submitted and maintain their own records of meetings and other events attended. However, frequent requests for assistance from officers in submitting claims will mean that the scheme will be more resource-intensive to administer. The Panel recommended, and the Committee endorses, that a simple on-line claims form should be devised which will enable members to complete and submit claims on-line. Members who wish to submit paper claims forms will be able to do so.

With regard to the mileage rate, the Panel had recommended that this be fixed at 40p per mile, which was the Inland Revenue's approved mileage allowance payment (AMAP) - the maximum that may be paid without incurring tax liability. However, as it was intended to link subsistence payments to the rates payable to District Council employees (see below), the Committee considers that the mileage rates should also be linked to those payable to employees. The Committee is of the view that the appropriate rate for vehicles would be that applicable to casual users with the lowest category cc motor vehicle. This is currently 36.4p per mile. The mileage rate at present paid to members is 34.6p/mile.

The Regulations provide that travel and subsistence allowances may be paid only for certain classes of duties, set out in the regulations. Those applicable to District Councils are set out in paragraphs (a)–(f) of Appendix 1 to this report. The regulations also enable the Council to define other duties associated with the discharge of the functions of the authority in respect of which allowances may be paid. The Independent Remuneration Panel did not make specific recommendations on the duties to be included within this definition as it had not had an opportunity to explore the issue with members of the Council. The Committee has, however, considered the matter in some detail and recommends that those duties set out in paragraphs (g)–(m) of Appendix 1 be also regarded as “approved” duties for the purpose of payment of travel and subsistence allowances. The Panel stressed the importance of clearly defining the duties in respect of which claims may be made, in order to ease the administration of the system, and the list at Appendix 1 attempts to do this.

With regard to subsistence allowances, the Committee was happy to support the Panel's recommendation that subsistence rates payable to members be the same as those applicable to employees, and adjusted annually in accordance with any amendments to employee rates.

The total budget for members' travel allowances is £27,840. It is extremely difficult to estimate the effect of the Committee's recommendations on this budget. The classes of duties recommended by the Committee to qualify for the payment of travel and subsistence allowances (set out in Appendix 1) are significantly wider than those included in the current “lump sum” allowances. However, expenditure will depend on the diligence with which members claim and for this reason the Committee has not recommended that additional budget provision be made at this stage. Instead, the Committee recommends that the position be kept under review for the first few months of 2004, and that any potential additional expenditure be brought to the attention of the Committee. The Committee could then either request additional budget provision or take the costs into account when making recommendations for the scheme to apply from 1 May 2004.

**RECOMMENDED:**

- (a) ***That the Council's allowances scheme be amended with effect on 1 January 2004 to provide for members to submit claims for mileage actually incurred on the “approved duties” set out in Appendix 1 to this report;***

- (b) ***That the mileage rates applied be the same as those for casual vehicle user employees of New Forest District Council, and, for vehicles, be based on the rate for the lowest cc of motor vehicle. The current rates are:***

<b><i>Motor Vehicles</i></b>	<b><i>36.4p per mile</i></b>
<b><i>Motor Cycles</i></b>	<b><i>16.5p per mile</i></b>
<b><i>Bicycles</i></b>	<b><i>5p per mile</i></b>

- (c) ***That the Allowances Scheme make provision for the annual adjustment of these allowances, with effect from 1 April each year, by any adjustments to the employee travel rates;***
- (d) ***That where members travel together on approved journeys, the member using his/her motor vehicle be entitled to an additional allowance of 2p per mile per member passenger;***
- (e) ***Where public transport is used, the most cost-effective method of travel, making use of “special offer” rates where possible, must be used. The cost of standard rate only will generally be reimbursed. Exceptional payments may be authorised by the Chief Executive;***
- (f) ***Taxis may be used only in special circumstances and should have the prior approval of the Chief Executive, the Head of Legal and Democratic Services or the Democratic Services Manager;***
- (g) ***That the subsistence rates payable to Councillors and co-opted members be the same as those applicable to NFDC employees and as updated from time to time. The current rates are (maximum amounts, with all claims being accompanied by receipts):***

<b><i>Breakfast</i></b>	<b><i>£5.00</i></b>
<b><i>Lunch</i></b>	<b><i>£6.80</i></b>
<b><i>Tea</i></b>	<b><i>£2.70</i></b>
<b><i>Evening Meal</i></b>	<b><i>£8.50</i></b>
<b><i>Overnight Accommodation</i></b>	<b><i>Actual and necessary cost</i></b>

- (h) ***That subsistence allowances be payable in respect of those duties defined as “approved duties” in Appendix 1 to this report; where refreshments are not provided as part of the meeting/function attended;***
- (i) ***That subsistence allowances be restricted to the lower of the amounts set out in (g) above or the amount of expenditure actually incurred;***
- (j) ***That the meal allowances be payable only in cases where a member is engaged on Council business which involves his/her absence from home or his/her normal place of work for a period exceeding four hours;***

- (k) *That expenditure on members' travel allowances be monitored for the first few months of the change to the claims system, and that any significant increases in expenditure be reported to the Committee for consideration with the review of the Scheme to apply from May 2004.***

**CLLR D B TIPP**

# APPENDIX 1

## APPROVED DUTIES FOR THE PAYMENT OF TRAVEL AND SUBSISTENCE ALLOWANCES

- (a) *Attendance at a meeting of the Authority or of any Committee or Sub-Committee of the Authority, or of any other body to which the Authority makes appointments or nominations, or of any Committee or Sub-Committee of such a body;*
- (b) *The attendance at any other meeting, the holding of which is authorised by the Authority, or a Committee or Sub-Committee of the Authority, or a joint committee of the Authority and one or more Local Authority within the meaning of Section 270(1) of the Local Government Act 1972, or a Sub-Committee of such a Joint Committee provided that:*
  - (i) *where the Authority is divided into two or more political groups, it is a meeting to which members of at least two such groups have been invited;*  
*or*
  - (ii) *if the Authority is not so divided, it is a meeting to which at least two members of the Authority have been invited*
- (c) *The attendance at a meeting of any Association of Authorities of which the Authority is a member;*
- (d) *The attendance at a meeting of the Executive or a meeting of any of its Committees;*
- (e) *The attendance at the opening of tender documents, where the attendance of a member has been specifically requested by the Chief Executive, a Director or a Head of Service;*
- (f) *The performance of any duty in connection with the discharge of any function of the Authority conferred by or under any enactment and empowering or requiring the Authority to inspect or authorise the inspection of premises;*
- (g) *Portfolio holders', Review Panel and Committee Chairmen's visits to Council venues, partner organisations or appropriate sites on issues directly related to their portfolios or the work of the Panel/Committee;*
- (h) *Journeys by Review Panel or Committee members working on projects assigned to them by the Panel or Committee;*
- (i) *Journeys to planning or similar enquiries, or court proceedings, where the member is appearing to give evidence for the Council;*
- (j) *Journeys made by the political group leaders in their roles as group leaders;*
- (k) *Journeys to approved training sessions, conferences and courses ("approved" for this purpose will mean a session arranged by the Council or in respect of which the Council is bearing the cost)*

- (l) In appropriate circumstances, journeys made for the purpose of resolving constituents' problems;***
- (m) Attendance at meetings of parish or town councils in the member's role as a District Councillor (except where the member is also attending as a parish/town councillor);***

***provided in all cases that the journeys are necessary for the carrying out of a duty which has been assigned to a member, either generally or specifically.***