



AUDIT COMMITTEE REPORT

Report Title	Councillor Allowances and Expenses
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	25 July 2011
Policy Document:	None
Directorate:	Chief Executive's Office
Accountable Cabinet Member:	Cllr Michael Hill

1. Purpose

1.1 Audit Committee to note the outcome of a review conducted by Management Board to consider the cost of councillor allowances and expenses and officer time taken to process expenses claims in order to identify if any changes to the process should be recommended.

2. Recommendations

2.1 To note outcome of the Management Board review in that no changes should be made to the current scheme for paying expenses claims.

3. Issues and Choices

3.1 Report Background

3.1.1 As part of the Council's Members' Allowances Scheme, elected councillors are paid an annual Basic Allowance. Additional payments called Special Responsibility Allowances are also paid to councillors that hold other positions in the Council.

3.1.2 At a meeting of Full Council in May 2011 Councillors agreed to an allowance freeze for 4 years.

3.1.3 Travel and subsistence expenses are payable to councillors for attendance at committee meetings, training, conferences and other meetings that are approved and in accordance with the constitution. The rates of payment used

are the same that apply to all employees of Northampton Borough Council under the Council's Staff Travel and Subsistence Scheme.

- 3.1.4 Expenses claims are processed by councillors submitting claim forms with relevant receipts to the Chief Executive's Office for processing and authorisation. Challenges arising out of the validity and appropriateness of claims are referred to the Democratic and Chief Executive Services Manager if unresolved. The approved claims are then submitted to the payroll section for payment.
- 3.1.5 The topic of Members Expenses was discussed at Audit Committee on 21 March 2011. Reference was made to a decision of Full Council in October 2008 when the recommendations of the Remuneration Panel to introduce a flat allowance to compensate Councillors for travelling and subsistence expenses arising out of recognised duties was considered and turned down.
- 3.1.6 Audit Committee Members noted that "they would welcome better guidance on the allowance scheme. Members also commented that if Councillors had more knowledge of Members Expenses and were given an option to 'opt out' Members might be in a position to reconsider an optional basic allowance for travel within the Borough, particularly if this would be a more cost effective exercise taking into account the amount of officer time used to process allowances."
- 3.1.7 Audit Committee requested that a review of the policy be carried out, giving special consideration to the allowances claimed by Councillors and the officer time taken to process them and resolved:
 - a. That the cost of Member allowances and officer time taken to process, be considered and reviewed with a report of the outcome taken to Management Board; and
 - b. That the outcome be brought to a future Committee for noting.

3.2 Issues

- 3.2.1 Among the known issues and problems arising out of the current approach are the following
 - a. Not all councillors submit claims for expenses.
 - b. Not all mileage claims are submitted with receipts. When receipts are included in relation to mileage claims, the Council is able to reclaim VAT back.
 - c. There can sometimes be a lack of clarity on what expenses are allowed, for example, attendance to certain events can be purely a political activity which is not undertaken on behalf of the Council or claims made for expenses incurred by other persons.
 - d. Some claims are not made within the month in which they were incurred and the delay can result in longer processing time and potential challenges more difficult due to poorer recollection.

- 3.2.2 In 2009/10 the sum of £2545.20 was paid to 11 Councillors for travel and subsistence expenses. (This indicates that 36 Councillors did not either submit a claim or incur allowable expenses).
- 3.2.3 In 2010/11 the sum of £3257.55 was paid to 12 Councillors (This indicates that 35 Councillors did not either submit a claim or incur allowable expenses). The average amount paid to Councillors who made a claim was £271.42.
- 3.2.4 Approving claims for payment can take approximately 5 minutes each. 121 claims were processed during 2010/11 equating to around 10 hours of officer time. Payroll time spent on Councillor payments (including allowances) has been estimated to take 1 day per month.
- 3.2.5 The October 2008 review of the Remuneration Panel proposed the introduction of a flat amount of £650 (as at 2008) payable to all Councillors. In 2010/11 (with zero indexation) the scheme would have cost £30,550.00.
- 3.2.6 In 2010/11 only two Councillors made claims for expenses that exceeded £650 pa (the flat figure proposed in 2008). All the rest were for significantly lower amounts.
- 3.2.7 In 2010/11 the average claim was £271.42 pa. If all 47 Councillors had claimed the average amount, this would have cost £12,756.74 (less than half than would have been paid under a flat payment scheme).
- 3.2.8 Under the current scheme not all Councillors are repaid expenses duly incurred, although this is an option available to all, in accordance with the rules.
- 3.2.9 Last year only a handful of claims needed to be escalated for clarification.

3.3 Choices (Options)

- 3.3.1 The options considered by the Management Board were to:
- a. Do nothing - The current scheme allows for Councillors not to be out of pocket when they incur approved expenses on behalf of the Council.
 - b. Re-consideration of the scheme as recommended by the 5th Report of the Remuneration Panel - The adoption of this scheme would need to be approved by Council. Having only just agreed an allowance freeze for 4 years this could be seen as inconsistent policy, it would also incur Remuneration Panel costs and would necessitate additional budget to be approved. There may be a perception that some Councillors may receive payments for expenses not actually incurred and that the allowance scheme has already been designed to compensate Councillors for their roles.
 - c. Keep the current scheme as is but introduce clarification - Ensure clear guidelines are available, continue to monitor any problems or issues and publicise the scheme to maximise take-up.

- 3.3.2 In view of the significant potential costs which would be incurred following a scheme change, Management Board supported the continuation of the current scheme for expenses.
- 3.3.3 In response to comments raised by the Audit Committee about the lack of guidance provided to councillors on the current scheme, Management Board supported the improvements that had been in preparation for the Councillor Induction in May 2011 to provide clear guidance for new and returning councillors on this matter. Information was provided in the Councillor Welcome Pack and is also available online at www.northampton.gov.uk/councillorallowances.
- 3.3.4 Councillor payments will continue to be published annually on the Council's Website and this will give the Democratic and Chief Executive Services Manager an opportunity to annually review whether the current process continues to be the most appropriate for the Council.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The decision was taken to retain the current policy and therefore there are no changes.

4.2 Resources and Risk

- 4.2.1 The decision was taken to retain the current policy and therefore there are no changes identified.

4.3 Legal

The decision to retain the current policy has no legal implications.

4.4 Equality

- 4.4.1 All councillors retain the right to claim expenses duly incurred in accordance with the rules and therefore the decision to retain the current policy has no implications on equality.

4.5 Consultees (Internal and External)

- 4.5.1 The officers that administer the process for claiming expenses were consulted with during the review, as well as the council's Management Board.

4.6 Other Implications

- 4.6.1 There are no other implications.

5. Background Papers

- 5.1 None

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