East Dean & Friston
Parish Council

Date: 05 March 2020

Title: Report Item 8c – Members' Allowances

By: K Larkin (Parish Clerk)

Purpose: Members Allowances

Recommendations: Members are asked to agree the payment procedures and consider whether additional eligibility criteria should be imposed on the payments.

Purpose of Report

1. The purpose of this report is to set out details of the Member allowance scheme, the tax implications on Members and the eligibility criteria to be applied for payments of the allowances to be made.

Background

2. The council has resolved [Minute C.156 – January 2020] that the allowances recommended by the Local Independent Remuneration Panel for 2020/21 should be payable to its elected members. Regulation 32 enables members to notify in writing to the clerk that they do not wish to claim all or any part of the allowance. The amount of the allowance is £167 per annum per elected councillor, or £288 for the Chair.

3. The allowance is a figure that is calculated to cover the expenses that are normally associated with the basic duties of being a local councillor. The purpose is also not to reimburse councillors for specific expenses: travelling and subsistence allowances are treated separately.

4. A councillor claiming the allowance will need to provide all the normal payroll details, including their NI number, and complete an HMRC Starter Checklist form. Payments will be taxed at the basic rate until HMRC provide a proper tax code

5. Advice from NALC is that when paying parish basic allowances to elected members, local councils are obliged to deduct income tax, and to treat councillors as any other employee, even though the allowance is not a salary.

Payment Procedures

6. For those electing to receive their allowance, we suggest that the allowance is paid retrospectively in two instalments, half in September and half in the following March. This approach is common with other local councils in the Wealden District. Payslips will be provided, as well as P60s at the end of the tax year.

7. Any member paying tax at 20% would receive a net amount of £66.80 twice yearly, or £115.20 for the Chair.

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Allocating the Allowance to Donations

8. The Lead Member for Finance has advised that where members wish to allocate their allowance to Donations this may, in effect, be them taking their allowance, as the money is drawn down and tax will need to be accounted for. It will therefore technically be taxable prior to being paid into the Donations fund.

Eligibility Criteria

9. The Regulations do not set out any eligibility criteria for claiming the allowance, other than ceasing to qualify as an elected member by reason of non-attendance for a period of six months. Attendance at committee meetings does count towards a member's overall attendance record.

10. We are recommending that for a Member to be eligible for their allowance, they must:

- not be a co-opted member
- not cease to qualify as a Member by way of non-attendance

11. Members may wish to consider adding further eligibility criteria for example attendance at a minimum number of meetings during the six months preceding the payment dates in September and March.

Financial Implications

12. The Medium Term Financial Plan includes £1,585 per annum to cover the Members Allowances. It is currently noted that there are two co-opted Members who are not entitled to receive these allowances releasing £334 to cover additional payroll costs.

13. There will be additional payroll administration incurred to accommodate the additional "employees" of the Council, but no extra cost should arise from this. There will be an obligation to pay Employer's National Insurance Contributions in relation to this remuneration, depending on individual circumstances. Payments will, however, fall below the threshold at which pension contributions should be paid by the council.

Procurement Implications

14. None.

REPORT ENDS