

MILTON KEYNES COUNCIL - REPORT OF THE INDEPENDENT PANEL ON MEMBERS' ALLOWANCES: MARCH 2014

Introduction.

1. The Independent Panel on Members' Allowances met on Tuesday 18th February and Friday 7th March to make recommendations about the allowances to be paid to elected members. The Local Authorities (Members' Allowances) (England) Regulations 2003 requires councils to establish and maintain an Independent Remuneration Panel. The Council's existing scheme was approved by Council in 2009 and the Panel's most recent work was in 2010 when it was tasked with reviewing the Special Responsibility Allowances (SRAs). It is for each local authority to decide its scheme and the amounts to be paid under that scheme but the Panel provides advice on the amounts to be paid and the Council must have regard to this advice. The Panel comprised:

Don Latham, Private Local Government Consultant (Chair)
John Moffoot, former Assistant Director Democratic Services
Julie Mills, Principal at MK College
Ruth Stone, Director of Community Action MK
Paul Griffiths, Chief Executive MK Chamber of Commerce
Helen Davies, Resident of MK

2. The Panel was made aware that the Council currently faces a significant budget shortfall and that in a time of austerity it is vital to ensure that public money is well spent and that all allowances are justified and merited. We noted that in line with staff pay there has been no increase in allowances in 2010/11/12 and only 1% in 2013. Nevertheless the Panel recognises that the allowances awarded to Members of Milton Keynes Council are above average when compared to other similar Councils and that the number of Councillors is being increased from 51 to 57 from May 2014 as recommended by the Local Government Boundary Commission for England.

3. Given the financial situation being faced by the Council the Panels overarching discussion was about the appropriateness of recommending an increase, albeit a small one, at a time when frontline services are being cut. The level of allowances did not appear to be a barrier to recruiting councillors but time commitment was the prime argument presented for increasing allowances. This is exacerbated by the specific structure and chair/vice chair scheme operated, through choice, by councillors. Caseload/constituency work was not presented to us as the real issue. Members seemed much more concerned about the workload linked to committees and other formal meetings. Nevertheless the overall financial package is being stretched by £60,000 (8.4%) on the appointment of 6 additional members and we considered, but have not recommended, that this be absorbed by reducing the Basic Allowance to £9,000 so that there would be no overall increase in the members' allowances budget.

4. The Panel considered the published material and comparisons with other Councils similar to Milton Keynes Council concerning remuneration of councillors. We were made aware of the National Census of Local Authority Councillors and also took into consideration the requirements of Government Regulations on Member Allowances. For reasons set out in our report we consider that the existing scheme is soundly structured and consider that the Basic Allowance and Special Responsibility Allowances (SRAs) are set at an appropriate level so would not recommend new allowances being introduced other than to provide an extra £60,000 required to fund the additional six Councillors

5. The Panel reviewed the National Census of Local Authority Councillors 2010 and noted that

Councillors have various roles and work to carry out. Also councils have different decision making structures. The census information was considered in the changing context in which local government works, with economic and social pressures, and a growing public scrutiny in a time of austerity. There is now an increasing focus on councillors as community leaders and the main findings of the census showed that councillors as individuals are dedicated people who devote a great deal of their own time to serving their communities. Councillors spend on average 23 hours per week on Council business and this is consistent with surveys previously undertaken in both 2004 and 2006. The Panel believes that the situation in Milton Keynes Council reflects this national position.

6. The Panel would especially like to record its thanks to June Allen, Corporate Leadership Team Support Manager, who supported the Panel throughout the review; also to the Leader of the Council, Group Leaders and other Members who presented their views verbally or in writing to the Panel. Careful consideration was given to all the points raised.

7. In the light of the information provided by members the Panel discussed four options:

a) That there be no increase in the Council budget for Member allowances in 2014/15 and that the additional cost of six additional members be absorbed by a reduction in existing allowances and that the workload of members be reduced by a streamlining of the democratic process.

b) That the existing scheme be updated from April by the increase in the NJC pay award. (This is the approved Index used in the existing scheme of allowances). Councillors expressed the view that particularly in the financial circumstances being faced by the Council that it would not be acceptable to increase allowances at a rate in excess of that applied to staff pay.

c) That after years of indexing, the scheme be consolidated (Appendix 1) by rounding up allowances and simplifying expenses in a way to ensure control, ease administration and encourage transparency. Expressing the levels of SRAs in a way which makes their basis more evident may encourage future evaluation of performance for which, the Panel were pleased to note, job descriptions are already in place.

d) **That the new Council, to be elected in May, be encouraged to make urgent changes in the democratic process to reduce demands on Members' time** which was the prime argument presented to us for increasing allowances. This streamlining may well include Scrutiny. We consider this to be an early essential to avoid the Council falling back into existing patterns and make desired changes more difficult to achieve. The Panel did consider a reduction in allowances as a result of streamlining the democratic decision making process which could greatly reduce the demands on members' time. It could also be argued that six additional councillors will decrease workload for the extant 51 – an 11% increase in headcount with no increase in workload.

Panel Recommendations.

8. In the light of evidence examined and the input of Members **the Panel recommends that the existing Scheme be updated in April by the consolidation recommended in our report (Appendix 1) and that £60,000 be added to the budget to fund six new councillors.**

Consolidated (updated) Scheme.

9. The Panel's recommendations for consolidation (the third option) are as follows :

- That £60,000 be added to the Budget to fund six new Councillors
- That the Basic Allowance be set at £10,000 for 2014 - 15. (Appendix 2)
- That SRAs be updated and expressed as a % of the Basic Allowance. (Appendix 3)
- The Civic Allowances paid to the Mayor be set at £11,000 and Deputy Mayor £5,500.
- That Members should continue to be restricted to one SRA.
- That the Co-opted Members allowance be set at £640.
- That the SRA for Chair of Budget Review be reduced by £868 to bring it into line with Chair of Audit Committee.
- That no changes be made to other aspects of the existing scheme other than for indexing where appropriate.
- That the Council takes appropriate action on the results of the current Government/Treasury consultation exercise on pensions - which is anticipated to happen in 2014. (Appendix 4)
- That the costs of telephone and broadband be met by Members from their Basic Allowance from 1st April 2014.
- That the consolidated Basic and SRA allowances remain unchanged i.e. not indexed for three years until the Panel meets again.
- That the new Council, to be elected in May, be encouraged to make urgent changes in the democratic process to reduce demands on Members' time.

Basic Allowance.

10. **The Panel recommends that the Basic Allowance (including inflation) be set at £10,000 for 2014/2015.** (See Appendix 2) It was suggested by the Labour Group that if some 'disentanglement' between remuneration and expenses could be made and discussed with HMRC that this could be helpful to members. The Panel takes the view that allowances compensate for expenses and are not intended to be a form of salary. (See Appendix 4). This would be a matter for the Council to discuss with HMRC.

11. Members of Milton Keynes Council also receive reimbursement of telephone and broadband costs at a current annual cost of £7,700. We recommend that the Council streamlines the administration of the scheme, reduces costs and makes it more transparent by withdrawing this additional support with Members meeting these costs directly from their Basic Allowance from 1st April 2014. We were made aware, during our Member consultation that this could create problems for some low income earning Members but we believe with the Council under pressure to reduce costs of administration it should take this step that would also bring it into line with best practice. It would save costs and simplify administration.

Special Responsibility Allowances.

12. The Council also pays Special Responsibility Allowances to those councillors it considers to have *significant, additional responsibilities* over and above the generally accepted duties of a councillor. These special responsibilities are related to the discharge of the Council's functions.

13. The most significant is the Leader of the Council and the Panel recommend that the allowance be increased by £668 to £30,000 (3 x basic allowance). The Panel considered the current practice

of ring-fencing a total sum for the Cabinet, which is distributed per Cabinet Member. This has the benefit of enabling the Leader to determine the Cabinet structure without increasing the cost. The Cabinet Members are currently being paid £10,647, a total of £74,529 and the Panel recommends that this be rounded to and capped at £77,000. If the current Cabinet structure continues, the SRA per Cabinet Member, excluding the Leader, would be £11,000.

14. We were requested by a number of Members to consider additional SRAs but the Panel were totally agreed that there should be no additional SRAs. The Regulations make it clear that only *significant additional responsibilities* should be recognised and only a *minority of members* should receive an SRA. Our recommendations would result in 39% of the new Council receiving a SRA which would be in line with good practice. A case was made by a number of members for the introduction of SRAs for Vice Chairs. The reasons the Panel would not support this are set out in Appendix 5. We do recommend that the SRA for Chair of Budget Review be reduced by £868 to bring it into line with Chair of Audit Committee.

15. We believe that SRAs are soundly structured but recommend that the use of the Basic Allowance as a bench mark for SRA calculations should be made explicit and that figures should be rounded as after a time of indexing they appear to have a degree of accuracy that cannot be justified. In other words we can re-establish a fresh baseline for the scheme which we believe, based on the work of previous Panels, establishes SRAs at an appropriate level.

16. It was suggested that consideration should be given to a "*de minimus*" payment for Group Leaders and the Panel recommend this should be £2,480 (i.e., £620 per Member for a notional minimum of 4 Members). The full details of our recommended changes are set out in Appendix 3. This would produce an increase, including inflation, of £2,583 (1.2%) on the SRA budget of £211,713.

17. The Panel recommends, in line with current practice, that Members should continue to be restricted to one SRA. We do not support arguments for exceptions to this rule and we would not recommend the practice of transferability of allowances.

Co-opted Members of Committees

18. Persons co-opted to serve on Committees, Sub Committees or Panels, and who have voting rights, receive an allowance currently £634. This is paid in 12 equal, monthly instalments and will be liable for tax and National Insurance. All co-optees are eligible for travel and subsistence at the Members' rate when carrying out the duties for which they are co-opted. If the co-opted person ceases to serve the Council reserves the right to recover any overpayments of this allowance. **The Panel recommends that the Co-opted Members' allowance be increased to £640.**

Civic Allowances.

19. Currently the Mayor of Milton Keynes receives a civic allowance of £10,647 per annum, in line with that paid to Cabinet Members, paid in two equal instalments of £5,323 in May and November. The Deputy Mayor receives a civic allowance of 50% of the Mayor's allowance, i.e. £5,324 per annum, payable in two equal instalments of £2,662 in May and November. As part of a local agreement with HM Inspector of Taxes, these civic allowances are not liable for tax or National insurance contributions. In the event of a Mayor or Deputy Mayor ceasing to hold office the Council reserves the right to recover any overpayments of the Civic Allowance.

The Panel is recommending that Cabinet SRAs be increased to £11,000 and if this increase were also applied to Civic Allowances there would be a budget increase of £529 (3%). **The Panel recommends that the allowances paid to the Mayor be increased to £11,000 and Deputy Mayor to £5,500.**

Travel and Subsistence.

20. The Panel fully endorses the Council's existing arrangements for travel and subsistence. Reimbursement to councillors for travel and subsistence is paid at the current rates agreed by the National Joint Council (NJC) for the reimbursement of Council officers. In some instances Mileage claims may be liable for tax and National Insurance contributions. Councillors are reimbursed the full cost of travel by the most appropriate means of transport at standard class rates whilst carrying out Approved Duties, provided a valid receipt (bus ticket etc) is produced to substantiate the claim. All reasonable claims for subsistence are paid for carrying out Approved Duties and as there is no profit element in the payment of subsistence, this allowance is not subject to tax or National Insurance contributions.

Child Care and Dependent Carer's Allowance.

21. The Panel recommends that the scheme should continue unchanged except that for child care the minimum wage rate applicable to the age of the carer should be updated to October 2013 wage rates, and should continue to be adjusted to meet any future changes in the applicable minimum wage:

£6.31 per hour (21 years and over)

£5.03 per hour (18 -20 year olds)

£3.72 per hour (for workers under 18 who are above compulsory school leaving age)

Some Members suggested that the Council should adopt the Living Wage but the Panel received no evidence that the allowance set at the present level discourages people standing.

Claimable Allowances.

22. The Panel noted and endorsed the Council's current scheme. There is a 3 month time limit for submitting claims i.e. Child Care and Dependent Carers Allowance and Travel and Subsistence Allowances. Any claims made outside of this limit will only be paid in exceptional circumstances with the approval of the Service Manager, Legal and Democratic Services and the Service Manager Audit and Risk Management.

Dual Authority roles.

23. The Panel notes the Council's decision that Councillors should not receive an allowance for more than one authority (e.g. Fire Authority) for the same duties. The Panel support the continuation of this position.

Forgoing Allowances.

24. A councillor may forgo all or part of any allowances to which he or she is entitled, provided he or she has given notice in writing to the Service Manager, Legal and Democratic Services.

Suspension and Withholding Allowances.

25. The Panel confirms the existing arrangements. In the event of a councillor being suspended from duty following an investigation by the Council's Standards Committee allowances will not be paid to the councillor concerned during the period of suspension. If necessary, a pro rata calculation will be made based on the number of days in the Council year concerned to determine if an adjustment for under or overpayment needs to be made to ensure that the correct amount is withheld during the suspension period. The Council should reserve the right to recover any overpayments.

Approved Duties.

26. The Panel endorses the list of 'Approved Duties' under the regulations and note that these include attendance at conferences, seminars and other Member Development and training events as approved by the Council or Service Manager, Legal and Democratic Services. The Panel was mindful of the training costs of a new Council with the prospect of many new Councillors and for Member Development training being a priority. We understand that appropriate budget provision has been made. We also discussed how appraisal of performance could play an important role in a situation where Members work under great pressures.

We noted that attendance at casework surgeries organised at advertised times and venues within the Member's own ward is an Approved Duty. The Panel considered recommending that this cost should in future be incurred as part of the Basic Allowance. However, in the light of the answers to our questions by Members and the low cost, we are not recommending change. We do not agree with the request that general casework should be included. We considered other issues raised by the Leader of the Council but we do not propose changes to Approved Duties.

Indexing.

27. The Panel considered recommending that the NJC award for staff pay should continue to be used as the basis for updating allowances but that having set a new baseline for allowances in our report we recommend that there should be no indexation for three years of the Basic Allowance and SRAs until the Panel meets again. But we recommend that the Dependent Carer's allowance should continue to be indexed to the maximum hourly rates for minimum wage for age of carer/average hourly cost of Milton Keynes Council. Travel and Subsistence allowances should be paid at the same rates and conditions applicable to Officer and HMRC rates where applicable.

Pensions.

28. All Councillors are eligible to join the Local Government Pension Scheme. Both Basic Allowance and Special Responsibility Allowance will be taken into account when calculating pension entitlement. The Panel noted that on 19th December 2012 the Local Government Minister, Mike Brandon Lewis, made a statement to the House of Commons setting out the Department's intention to remove access for councillors to the LGPS in England from April 2014 (Appendix 4) and that a separate paper be issued as part of the planned consultation on the wider reform of the LGPS - which is anticipated to be completed in 2014.

Basic Allowance

1. The Statutory Guidance is very specific on the questions a Panel must consider when arriving at the recommended Basic Allowance:

'Having established what Councillors do, and the hours which are devoted to these tasks the local authorities will need to take a view on the rate at which, and the number of hours for which, Councillors ought to be remunerated.'

2. The underlying approach in setting the recommended Basic Allowance is based on the above statutory guidance as published by the Department for Communities and Local Government (DCLG), par.67. As a result, the Panel is under a duty to arrive at answers for the following three variables when setting and recommending an appropriate Basic Allowance:

- a) Time required to fulfil roles of ordinary Members
- b) The voluntary principle, the notion that part of the time put in by a Member in their back bench roles should be unremunerated, often known as the Public Service Discount (PSD)
- c) The worth of a backbench Member's time, or rate of remuneration.

3. **Time required to fulfil back bench roles = 140 days annual equivalent.** The 2003 Panel acknowledged that the role of the back bench councillor was at least 60 hours per month, or at least 90 - 95 days per year. The 2010 Improvement and Development Agency (IDeA) census of Councillors shows that Councillors not in senior positions put in at least 23 hours per week, but that includes all types of councils. The Panel has translated this research by the IDeA into just over half a working week, or equivalent of 140 days per year.

4. **Public Service Discount: = 30%.** The previous Panel made the assumption that anything over 60 hours per month was the voluntary element or public service. However the common discount applied to English authorities is around 30%. In other words, of the 142 days expected time input, one third has been determined as public service, say 42 days, with 98 being left as the remunerated time.

5. **Rate for the job = £102 per day.** The Local Government Association no longer provides advice on a recommended daily session rate. The annual average wage/salary in the UK is £26,500 which the Panel have translated into £102 per day.

6. Thus, following the statutory guidance with the variables outlined above produces the following Basic Allowance:

- Time for the job: 140 equivalent days per year
- Public Service 30% (42 days)
- Rate for the job £102 per day

98 remunerated days x £102 = £9,996 say £10,000 Basic Allowance 2014 - 2015.

7. This is paid in 12 equal instalments and is subject to both tax and National Insurance contributions where applicable. If a councillor ceases to be a councillor before the end of his or her term of office, payment of the allowance ceases and a pro rata calculation is made to ensure that the councillor receives the right amount of allowance. The Council reserves the right to recover any overpayments of Basic Allowance.

8. The Basic Allowance is intended to recognise the time commitment of all councillors, including such inevitable calls on their time at meetings with officers and constituents and attendance at political group meetings. It is also intended to cover incidental costs, such as the use of their homes for council business.

Special Responsibility Allowances

The Panel believes that SRAs are soundly structured but recommend, in line with good practice, that the use of the Basic Allowance as a bench mark for SRA calculations be made explicit and that figures should be rounded as, after a time of indexing, they appear to have a degree of accuracy that cannot be justified. We did not have evidence to justify a significant increase or proposal for change in the existing scheme. We do recommend that the SRA for Chair of Budget Review be reduced by £1,000 to bring it into line with Chair of Audit Committee. What is set out below is a fresh baseline for the scheme which we believe, based on the work of previous Panels, sets SRAs at an appropriate level.

	Current £	Revised £	+/- £
Leader of the Council (300% basic allowance)	29,332	30,000	668+
Main Opposition Group Leader - per Group Member (16) (£614 increased to £620)	9,824	9,920	96+
Smaller Opposition Group Leader - per Group Member (15) (£614 increased to £620)	9,210	9,300	90+
Cabinet Members (7) - (Pool Cap of £77,000) (110% basic allowance)	10,647	11,000	2,471+
Chair of Development Control Committee (80% basic allowance)	8,051	8,000	51-
Chair of Licensing & Regulation Committees (80% basic allowance)	8,051	8,000	51-
Chair of Overview & Scrutiny Management Committee (75% basic allowance)	7,368	7,500	132+
Chair of Budget Review Group (55% basic allowance)	6,368	5,500	868-
Chair of Audit Committee (55% basic allowance)	5,368	5,500	132+
Chair of Overview & Scrutiny Select Committee (5) (45% basic allowance)	4,549	4,500	245-
Chair of Executive Scrutiny Panel (45% basic allowance)	4,368	4,500	132+
Chair of Standards Committee (30% basic allowance)	2,933	3,000	77+

This would increase the SRA budget (including inflation) of £211,713 by £2,583 (1.2%).

Written Ministerial statement of 19 December 2012 on Councillors Pensions.

On 12 September 2001, the then Department for Transport, Local Government and the Regions announced plans to give taxpayer - funded pensions to councillors, through access to the LGPS. The proposals came into force in 2003. The Councillors' Commission report of the last administration noted that 912 councillors in England had joined that pension scheme by 2004. A Taxpayers' Alliance survey in February 2009, across the whole United Kingdom, found that 3,527 councillors had pensions as of 2007 to 2008; a further survey in January 2012 found that figure had increased to 4,548 councillors by 2010 to 2011. The trend is clear.

Abolition of taxpayer-funded pensions

Ministers in this government take a fundamentally different view from the last administration. We do not believe that taxpayer-funded pensions are justified. Councillors are volunteers undertaking public service; they are not and should not be employees of the council and on the municipal payroll. They are not professional, full-time politicians, nor should they be encouraged to become so. Councillors do not receive a salary; rather, they receive allowances to compensate for their out-of-pocket expenses. Yet following changes made by the last administration, allowances have slowly become a form of salary, a situation worsened by the state-funded pensions. This is a corrosive influence on local democracy and independent thought, blurring the distinction between council staff and councillors. Every bit of the public sector needs to do its bit to help pay off the deficit inherited from the last administration. Local government grants are being reduced. Ministers have cut and then frozen their salaries. Public sector pensions, including parliamentary pensions, are being reformed to reduce the burden on taxpayers. It is only right that councillors do their bit as well. We do not believe that an occupational pension scheme intended for employees, and paid for by taxpayers, is an appropriate vehicle for councillors.

Existing pension rights

Subject to consultation, we propose that there will be no access for councillors to the LGPS in England from April 2014. In the interests of fairness, those councillors already in the scheme would have their accrued rights up to April 2014 fully protected, but would not be able to accrue any further benefits after that date in the existing scheme. This will not prevent councillors contributing to a personal pension: if they put aside part of their (taxable) allowances into such a pension, then that is a matter for them; they will continue to receive income tax relief like any ordinary member of the population, subject to the prevailing tax rules. Although central records on councillors' participation in the scheme are not held by my department, initial rough estimates suggest that this could save £7 million a year in taxpayers' money. There is absolutely no case for increasing councillor allowances to compensate. Instead, councils may want to consider earlier, voluntary closure of the scheme to their councillors as a sensible saving.

Civic duty

Eligibility regulations for the LGPS are overseen by my department. Although this is a centrally mandated change (as was its original introduction), we believe these reforms will assist localism and local democracy by encouraging a greater separation between councillors and officers. Robust local scrutiny of council spending requires councillors to be substantively independent of means and of thought from the body they are overseeing. Civic duty should not be bought. We do not believe it will have any detrimental effect on people choosing to become councillors. The best thing we can do to encourage more people to take part in municipal public life is to decentralise power to local communities so being a councillor is a meaningful and rewarding role.

Elected mayors

We recognise that there is a greater expectation that an elected mayor is a full-time position. We therefore propose to consult on allowing elected mayors to remain in the scheme as a voluntary option (but not as an expectation), subject to local scrutiny, challenge and determination. The salaries of the mayor of London, members of the Greater London Assembly and police and crime commissioners will remain pensionable.

Timing

Statutory consultation is required and will commence in due course, as part of the planned consultation on the wider reform of the LGPS. We will consult with the Welsh Assembly government in respect of access to the LGPS for councillors in Wales.

As a former councillor myself, I would like to pay tribute to their often unsung and on-going work in standing up for their local residents. We hope these reforms will further strengthen the integrity and independence of councillors and increase the respect within their communities for the voluntary work they undertake as champions of the people.

Vice Chair Allowances

1) A number of Councillors including the Leader and in particular the Labour Group, in a written submission, made the argument for payment of Vice Chairs as follows:

'For some years now, it has been the practice of the Council to have two Vice-Chairs of each Select Committee, one each from the parties not holding the Chair. This, we feel, can ensure cross-party buy-in to the Select Committee process, a factor that we think is specifically important for the Administration Party. The effectiveness of the scrutiny system relies on effective planning meetings, which involves the vice chairs every bit as much as the Chair. This is not an assertion we make wildly - the planning meetings are documented and I am sure agendas, and notes, will be made available to the Panel by Officers. It has been said, perhaps with some justification that the only thing the Chair does which the Vice-Chairs don't, is to chair the meetings. We feel that this situation should again be reflected in the Allowance system, as it was for some years in the past.

We feel there is a particular injustice with respects the Vice-Chairs of the Licensing and Regulatory Committees. Here also, the bi-party arrangement re Vice Chairs operates. The Vice-Chairs are constitutionally required to chair hearings panels in the absence of the Chair. They frequently do this and we can supply supporting evidence if this is required. There must be an injustice here and we invite the Panel to consider it.'

2. There are a number of reasons why the Panel would not support in principle the payment of SRAs to Vice Chairs.

Basic Allowance. Setting the Basic Allowance at an above average rate of £10,000 implies that the whole membership is widely engaged in the work of the Council. For some members fulfilment, satisfaction, training and experience can be gained through a vice chair role. For others it may be joint working, task and finish groups, working with other agencies or a priority for community engagement. The Basic Allowance set at this level assumes all those activities are covered. Some Councils will have a lower Basic Allowance and more Members on SRAs. But it is regarded as bad practice to pay the majority of members a SRA.

Significant Additional responsibilities over and above the generally accepted duties of a councillor is the clear guidance of the Regulations. The Panel has an obligation to take heed of the New Constitutions: Guidance on Regulation for Local Authority Allowances, republished by the Department for Communities and Local Government on 5th May 2006.

Can a small allowance - even if it were allowed to be taken out of the Chair's allowance - be an indicator of significant additional responsibilities? The Panel was informed that for this reason it was, in the experience of the Chairman, common for Panels not to recommend such payments. The Panel were made aware of the challenge that had been made previously to such payments and the response of the District Auditor. We were aware of the legal arguments but our decision is based solely on the merits of the case and the principle of keeping SRA payments to the minimum (1/3rd) in line with best practice.

Minimum number of Councillors should be receiving a SRA. If the majority of members of a council receive a SRA the local electorate may rightly question whether this was justified. Indeed this was questioned on the audit of another authority on the Audit of Accounts and the District Auditor supported the member of the public in their challenge and the allowances were withdrawn.

The current scheme provides for 22 allowances in a membership of 51 shortly to increase to 57 (39%). Vice chair allowances would have the potential to double the number of SRAs being paid. The reality is that 6 should be a maximum additional allowances to keep within the spirit of the Regulations. If they are small they can be challenged and they would add to the overall budget cost in a time of austerity when staff and services are being reduced.

Cost of politics is a matter of concern to the Panel. Recognising the challenges of being in a 'hung council' we do not believe that the additional costs of being in that position should fall on the community. We believe that political balance can be achieved without it having to be built in at Vice Chair level. We would much prefer to have a realistic Basic Allowance. Indeed, with the 'non-political' roles of the Regulatory Committees, it could be seen to be more above politics not to have politically defined Vice Chairs. We were pleased to note that the Overview and Scrutiny Panels were chaired by members of the minority parties. Sometimes the hidden agenda may be to find ways of financially rewarding those members of minority groups who are not the Administration. The move to vice chair allowances can be used as a mechanism to get the majority of members on a SRA. This can be the 'hidden agenda' but we believe is not the case in Milton Keynes where there is a history of parties working together for the benefit of the community.

Summary

The arguments against making provision for SRAs for Vice Chairs have been set out clearly by previous Panels and we concur with their views. We strongly believe that the existing scheme provides allowances at the right level and would not recommend a proliferation of smaller SRAs. In the end this is a matter for the Council to determine but the Panel would strongly recommend against such a move.

**REPORT BY
THE MILTON KEYNES COUNCIL
INDEPENDENT REMUNERATION PANEL**

**An Independent Review of Members' Allowances
January 2018**

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Executive Summary

Milton Keynes Council's Independent Remuneration Panel has been asked to prepare this report in order to help the Council fulfil its statutory duty to review its scheme of allowances at regular intervals.

The Panel took account of a range of information prior to formulating their recommendations. This included information on the governance arrangements and structures of the Council, the views of councillors – via both face-to-face interviews, written submissions and a short survey – relevant benchmarking data, the economic and financial climate within which the Council operates and the desire to encourage citizens to participate in local democracy. The Panel also considered the statutory framework for members' allowances, including the relevant statutory instruments and the guidance issued by the Department for Communities and Local Government.

The Panel took particular care to try to balance the need to ensure that citizens are able to participate in local democracy by standing for election against the reality of the prevailing financial climate. In doing so, the Panel have based their recommendations upon the existing scheme of allowances but have made a small number of recommendations in order to address the issues that they perceive to exist within the scheme.

In terms of the basic allowance, the Panel have also taken into consideration the increasing workloads of councillors and the demands in representing citizens and participating in decision making in one of the most dynamic and fastest-growing areas of the United Kingdom. While councillors expressed a general level of satisfaction with the level of the basic allowance, the Panel were conscious of the fact that the amount is not index linked and has therefore not changed for some time. The Panel hope that their recommendations will address this issue.

The Panel have given equally careful consideration to the special responsibility allowances payable to councillors who undertake additional duties, many of which are equivalent to a demanding full-time job. The Panel heard a range of views on these allowances, which they took account of alongside benchmarking data from other comparable authorities and the particular governance structures and political landscape at Milton Keynes Council. The Panel have taken the decision to leave this section of the scheme largely untouched, but have made some recommendations for the Council to consider. The first is the introduction of an index to ensure allowances keep pace with the rising cost of living. The second is the introduction of an allowance for the Deputy Leader of the Council as Milton Keynes is almost unique in not recognising this position within its scheme of allowances.

The Panel would like to thank all of the councillors who took part in the review by answering the many questions that the Panel posed. The Panel believes that these recommendations, if adopted, will result in a scheme of allowances that is fair, transparent and affordable. The Panel hope that the Council will approve these recommendations.

Introduction

- 1.1 The Council is required to make a scheme of allowances for its councillors in accordance with the Local Authorities (Members' Allowances) (England) Regulation 2003. The process for making and reviewing such a scheme is regulated so that the public can have confidence in the independence, openness and accountability of the process involved. The process requires that the Council must establish an independent remuneration panel and, before making or amending its scheme of allowances, must have regard to the views of the Panel.
- 1.2 This report presents the recommendations of the Independent Remuneration Panel to the Council for consideration and approval.

The Panel

- 2.1 In accordance with the Council's constitution, the current Panel was appointed following a recruitment process established by the Council. The Panel comprises the following members:
 - Ms Ruby Parmar. Ruby is the Senior Partner at PricewaterhouseCoopers' Milton Keynes Office. Ruby also sits on the Board of Trustees of the Magic Bus India Foundation, a charity dedicated to providing children living in poverty the opportunity to shape their future.
 - Ms Jan Flawn CBE. Jan is the founder and Chair of PJ Care, a leading Milton Keynes-based provider of specialist neurological care and neuro rehabilitation for people with progressive or acquired neurological conditions.
 - Mr Stewart Bailey. Stewart is Managing Director of Virtual Viewing, a company specialising in computer generated work aimed at inspiring inward investment and interest in construction and design projects.The Panel was assisted in their deliberations by Paul Hanson, Democratic Services Manager from the LGSS Northamptonshire office.

Terms of Reference for the Review

- 3.1 The Panel's terms of reference were based on the relevant statutory instrument (Members Allowances (England) Regulations 2003), as well as guidance issued by the Department for Communities and Local Government (New Council Constitutions: Guidance on Regulation for Local Authority Allowances). It should be noted that the Panel is required to take these documents into account when preparing recommendations on the Council's scheme of allowances.
- 3.2 In line with the statutory requirements relating to schemes, the Panel's agreed terms of reference were as follows:
 - To determine the amount of basic allowance that should be payable to councillors;

- To determine the responsibilities or duties which should lead to the payment of a special responsibility allowance and the amount of such allowances;
- To determine the duties for which a travelling and subsistence allowance can be paid and the amount of such allowances;
- Whether the Council's allowances scheme should include an allowance in respect of the expenses of arranging for the care of children and dependants and the amount of this allowance and the means by which it should be determined; and
- Whether annual adjustments of allowance levels should be made by reference to an index, and, if so, for how long such a measure should run.

3.3 The Panel also agreed the following set of broad principles within which the review of allowances was undertaken:

- In line with the statutory guidance, the Panel took into account the principle that an element of the role of councillor must be voluntary, but that should not mean that councillors should suffer significant financial loss as a result of undertaking the role;
- Allowances should not be designed to reward councillors, but neither should the level of allowances prohibit individuals from considering standing for election; and
- The Panel were mindful that a reasonable percentage of councillors that should be eligible to receive a Special Responsibility Allowance.

The Evidence Considered

4.1 The Panel considered a range of qualitative and quantitative evidence, as well as benchmarking data. In the area of basic and special responsibility allowances, the Panel attributed greatest weight to the written and verbal testimony of councillors.

4.2 Benchmarking evidence was considered, however, the Panel had to be cautious in the application of this data. This was because the data, while helpful in determining the relative position of allowances paid by Milton Keynes Council in comparison to other comparable (statistical nearest neighbour) authorities, the data does not reveal the reasons for any discrepancies, nor the detail of the range of responsibilities covered by each post.

4.3 The Panel issued an open invitation to all councillors to meet with them and share their views. Individual interviews were conducted with ten councillors over the course of the review, representing all of the political groups on the Council. A simple questionnaire was also circulated at the Panel's request and nine responses were received. A range of opinions were heard, relating not just to allowances but also to the nature of the role of councillor, the time commitment involved and other forms of support that are available to councillors. Input was received from councillors who were employed, self-employed and retired.

4.4 There was a general consensus that the current rate of basic allowance is broadly sufficient, but some concerns were expressed about the lack of any form of indexation within the scheme and the long-term effect this could have on the viability of allowances. The Panel

felt that the basic allowance must be set at a level that allows councillors to make the not-inconsiderable time commitment required in order to fulfil their roles effectively, particularly now given the rapid growth within the Milton Keynes area.

- 4.5 On the issue of special responsibility allowances, a diverse range of opinions were expressed. There was a broad consensus on the level of allowances attached to such roles as group leaders and committee chairs, but rather less consensus about roles such as committee vice-chairs. The Panel took careful account of this information and used benchmarking data to determine how such roles were treated in other comparable authorities.
- 4.6 In terms of the expenses that may be claimed in the course of carrying out their roles, councillors were generally satisfied with the arrangements in place. Some small changes to the scheme were suggested, however, and the Panel has made recommendations based on their own views as to the fairness and transparency of this aspect of the scheme.
- 4.7 Some councillors expressed the view that a form of means testing could be used to ensure that the budget for allowances is apportioned efficiently. The Panel noted this issue but were mindful of the fact that the legislative framework which underpins local authority allowances provides no freedom to do this.
- 4.8 The Panel noted that most formal committee meetings take place in the evenings in order to make the best use of councillors' time and reduce the impact on those councillors who are in paid employment. The Panel welcomed the efforts made by the Council but felt that the Council could, and should, do more to support councillors who are also employed, particularly where they undertake additional roles within the Council.
- 4.9 In formulating recommendations about the special responsibility allowances within the new scheme, the Panel sought to examine the nature of the roles undertaken by councillors and determine the position of each role within the hierarchy of allowances. This approach was based on the principles that underpin every review of allowances and takes into account factors such as
- The level of decision making responsibility associated with each role;
 - Other responsibilities associated with each role (such as responsibility for chairing a committee, and attendance at outside meetings associated with the role);
 - The time requirement of each role; and
 - Any other specialist skills, knowledge or other factors needed to be able to carry out each role effectively.

The Panel's Conclusions and Recommendations

- 5.1 In undertaking their review, the Panel were mindful of the fact that their recommendations would be subject to considerable internal and external scrutiny and would have to be supported by the evidence considered. The Panel also considered whether the current

financial and economic climate should inform their recommendations. The Panel took the view that this was an important factor and the public would rightly expect it to form part of the Panel's considerations. The Panel also felt, however, that it had to be balanced against other factors such as the need to encourage democratic diversity and participation in local democracy.

5.2 The councillors whose views were provided to the Panel represented a range of backgrounds, including employed, self-employed and retired members. The Panel took the view that no-one should be prevented from undertaking the role of councillor as a result of their personal circumstances. Having considered the range of information presented to them, they took the view that while there is evidence to suggest that allowances play a part in this issue, factors such as the time commitment required of councillors also has a direct bearing. The Panel have sought to make recommendations that will enable a diverse range of citizens are able to consider standing for election.

The Basic Allowance

6.1 The Panel considered a range of evidence and opinion about the basic allowance. The Panel felt that, although there was general satisfaction with the level of basic allowance currently paid to councillors, care needed to be taken to ensure that the allowance properly covers the costs associated with undertaking the role of councillor, particularly for councillors in full or part-time employment who may need to take unpaid leave and experience a corresponding loss of pensionable pay in order to undertake their role. The Panel were also cognisant of the additional workloads placed on all councillors as a result of the rapid growth taking place in Milton Keynes and the increasing complexity of the role as a result of this.

6.2 The Panel feel that the basic allowance should be seen as covering the reasonable costs associated with holding the office of councillor. In light of the above, the Panel recommend that the basic allowance should be set at £10,500 per year from 1 April 2018

6.3 The Panel also recommend that the basic allowance should increase by 2% every year from 1 April 2019 for a period of four years. This increase is the same as that recently announced for local government staff. The Panel feels that this recommendation will address a shortcoming of the Council's current scheme of allowances in a sensible and sustainable way.

Special Responsibility Allowances

7.1 On the subject of special responsibility allowances (SRAs), the Panel heard a wide range of views on the different roles that are necessary in order to facilitate the operation of the new governance arrangements. In some cases the message was fairly clear and consistent, while in other cases – such as committee vice chairs - there was far less consensus.

7.2 The Panel reviewed each role individually, using the evidence supplied by councillors, as well as written material supplied by the Council, as the basis for evaluating each role and determining an appropriate allowance.

7.3 Leader of the Council, Deputy Leader of the Council and Cabinet Members

7.3.1 In the case of the Leader, Deputy Leader and Cabinet, the Panel were satisfied that councillors undertaking these roles continue to take on very significant decision making and other responsibilities. These include holding senior officers to account, negotiating with Government representatives and other external agencies and, in the case of the Leader, setting priorities for other decision makers and representing Milton Keynes at an international level. It was clear to the Panel that these roles also require a substantial time commitment. The Panel is satisfied that the allowance for both the Leader and members of the Cabinet are appropriate and should not be changed.

7.3.2 The Panel were, however, greatly concerned that the role of Deputy Leader is not recognised within Milton Keynes Council's scheme of allowances. The Panel have no doubt that the role of Deputy Leader is an important one which, by definition, is more onerous than that of Cabinet Member. The Panel also noted that Milton Keynes Council is the only one of the nearest neighbour authorities not to recognise the role of Deputy Leader within its scheme of allowances.

7.3.3 The Panel therefore recommend the following allowances:

Leader of the Council	£30,000
Deputy Leader of the Council	£15,000
Cabinet Member	£11,000

7.3.4 Additionally, the Panel could see no practical value in the application of a cap on the total cost of cabinet positions, particularly given the limitation on the size of the Cabinet prescribed by statute and the fact that no similar cap is in place for other positions such as scrutiny committee chairs. The Panel therefore recommend that the cap be removed from the scheme of allowances.

7.4 Overview and Scrutiny Committees

7.4.1 Unlike the Cabinet, roles associated with overview and scrutiny (Chair of Scrutiny Management Committee and Chairs of Scrutiny Committees) are not associated with significant decision making responsibility. The Panel felt that this continues to be an important distinction which must be taken into account. Nevertheless, the Panel acknowledge that scrutiny plays an important part in the governance of the Council, particularly at a time of significant challenge. It is clear to the Panel that the councillors responsible for leading the scrutiny function take on significant

responsibility in terms of holding decision makers (i.e. the Cabinet) and senior officers to account. The Panel acknowledges that chairing a scrutiny committee can be a time consuming role.

7.4.2 The Panel recommends no changes to the existing allowances:

Chair of Scrutiny Management Committee	£7,500
Chair of Scrutiny Committee	£4,500
Chair of Task and Finish Groups (pro-rata)	£4,500

7.5 Other Committees

7.5.1 The Panel acknowledged that chairing other committees (Licensing and Regulatory, Development Control, Audit Committee, Standards Committee and RegenerationMK Committee) are notable roles. The Panel are clear that councillors undertaking these roles are expected to carry out their duties diligently, but also acknowledged that the time commitment and level of subject matter knowledge required varied between committees.

7.5.2 The Panel heard a range of views about the role of vice chairs of these committees. Some councillors felt that vice chairs undertake an important and onerous role, while others felt that vice chairmanship of a committee is a developmental role which may be undertaken in preparation for a more onerous role in the future. The Panel considered this issue carefully but ultimately decided that, given the number of councillors who are already eligible to receive a special responsibility allowance, these roles do not merit an allowance

7.5.3 The Panel agreed that the allowances provided within the current scheme, and the relative hierarchy of roles, is correct. The Panel therefore recommend the following allowances:

Licensing and Regulatory Committee Chair	£8,000
Development Control Committee Chair	£8,000
Audit Committee Chair	£5,500
Standards Committee Chair	£3,000
RegenerationMK Committee Chair	£3,000

7.6 Opposition Group Leaders

7.6.1 The Panel felt that councillors undertaking the role of group leader undertake a responsible and demanding job, particularly given the current and historical political makeup of the Council.

7.6.2 The Panel recommend the following allowances:

Main Opposition Group Leader	£620 per group member
Smaller Opposition Group Leader	£620 per group member

7.7 Civic Allowances

7.7.1 Although civic allowances do not strictly form part of the Panel's remit, as they are included within the scheme of allowances the Panel saw fit to include these roles within their recommendations. The Panel recommend no changes to these allowances:

Mayor	£11,000
Deputy Mayor	£5,500

7.8 Indexation

7.8.1 The Panel considered the need to put in place a form of indexation for special responsibility allowances in order to ensure that the level of compensation provided to councillors who undertake these important roles does not fall behind the cost of living. The Panel discussed this point in depth and resolved to recommend that special responsibility allowances should increase by 2% every year from 1 April 2018 for a period of four years. It should be noted that one member of the Panel felt it was more appropriate to defer the introduction of this indexation until April 2019, for reasons of affordability. The remaining two members of the Panel, however, felt that this issue needed to be addressed immediately. This indexation should also apply to civic allowances.

Other allowances and expenses

8.1 The Panel considered and reviewed all of the other allowances and expenses under their terms of reference (set out in section 3). They have decided to make the following recommendations:

- The dependents' and carers' allowance should be retained at the present rate (living wage in respect of child care, £10 per hour or Milton Keynes Council Home Help rate in respect of care for adults);
- The amounts payable for travel expenses should continue to be paid at the same rates as those paid to officers;
- The amounts payable for subsistence expenses should continue to be paid at the current rates; and

- The amounts payable to co-opted members should continue to be paid at the current rates.
- The Panel have recommended small clarifications to the list of approved duties for which expenses can be claimed.

Other recommendations

9.1 The Panel heard much about the difficulties of balancing the demands associated with the role of councillor with employment and family life. The Panel were concerned to hear about the impact that this has on councillors, particularly when deciding whether to take on additional roles or even whether to re-stand for election once election.

9.2 The Panel therefore recommends that the Council should investigate ways of helping councillors manage their work-life balance effectively. This should extend to providing information about employment rights for councillors who are employed, as well as providing employers with information about the benefits of employing councillors.