

MILTON KEYNES COUNCIL – REVIEW OF MEMBERS’ ALLOWANCES

1 Introduction: The Context of the Review.

1.1 In July 2006, the independent members allowances review panel was reconvened.

The panel now consists of Steve Leach, Professor of Local Government at De Montfort University, Leicester (who chaired the panel), Rev. Dr James Cassidy, Parish Priest of St Augustines RC Church, Heelands, Mike Geddes, formerly Executive director of the Milton Keynes Economic Partnership, Ken Howells, a local businessman and David Manuel a retired High Court Family Welfare Officer. Steve Leach had also chaired the previous review panels (2001 and 2003). Rev. Dr James Cassidy had been a member of the 2003 review panel. The three other panel members were operating in this capacity for the first time. There was thus a good blend of continuity and change within the panel membership. All the panel members, apart from the chair, are resident in Milton Keynes.

1.2 The terms of reference of the panel are set out in Appendix 1. The panel met on three occasions (8 June 2006; 28 June 2006 and 6 September 2006). At the first two meetings the panel considered oral and written evidence from a total of 9 councillors. It had a helpful briefing from the Head of Democratic Services, and also considered data concerning allowances paid in comparable authorities in the South-East region. The panel is grateful to all those who provided evidence, and to John Moffoot and Liz Richardson for organising and facilitating its meetings.

1.3 The earlier panel reports set out a series of principles which underpinned the panel's recommendations. They are reproduced in Appendix 2. In its 2003 report, the panel paid particular attention to the desirability of encouraging recruitment from a wider variety of backgrounds. It was encouraged to learn that this time the political parties did not express the same degree of concern about this problem. There was no sense of a crisis of recruitment, although no-one claimed that there was the degree of competition for candidatures which they would like. The panel, although continuing to support this principle, concluded that it should not be given the priority which was accorded in 2003.

1.4 As in 2003, the panel recognised that Milton Keynes did present something of a special case amongst unitary authorities. Although its current population is close to the average for unitary authorities, its level of projected growth over the next two decades is unique amongst such authorities. The challenges of facilitating and responding to this level of growth will place demands on all councillors in Milton Keynes over and above those normally associated with being a member of a unitary authority. The panel was also aware of the extent to which Milton Keynes Council operated through a range of different partnerships, and how this way of working involved additional time-commitments and responsibilities, particularly for cabinet members, which would not necessarily be found to the same degree elsewhere.

1.5 Part of the panel's remit was to review the scheme of town and parish council allowances it had recommended in 2003. It decided it was not in a position to carry out this task, until it had been provided with a range of information

(including the results of a recent consultation exercise with town and parish councils). Accordingly this topic will be the subject of a supplementary panel report, hopefully by the end of 2006.

Section 2 : Recommendations

2.1 The panel received a range of different views from members about appropriate levels and distribution of allowances. In one case a strong argument was made that no special responsibility allowances (SRAs) should be paid. In others the argument was that a higher level of SRAs, to acknowledge the time-commitment and responsibility levels, particularly of cabinet posts, should be recommended. However the panel sensed in most cases, a reasonable level of acceptance that the current levels of the basic allowance and the SRAs were appropriate (although there were some proposals for marginal change between the different allowance categories).

2.2 This view – that the current levels of allowances are appropriate and do not require major changes – is one which the panel considered carefully and with which it ultimately agreed. It recognised that the 2003 panel had made recommendations for significant increases in the basic allowance and all the SRAs (except that of the leader). It was aware that the council did not in 2003 implement these recommendations (as is its right). However in 2005, with a few minor amendments the council did agree to implement these recommendations. Thus the present scheme of allowances is one which closely reflects the 2003 panel's recommendations.

2.3 These recommendations had dealt with some of the discrepancies that existed in the Milton Keynes Council system, when it was compared with other similar authorities. The current panel was clear that there was no case in 2006 for a further substantive increase in allowances. It acknowledged that a balance had to be found between the higher level of payments that are made to people with similar positions of responsibility in the private sector (or, indeed, many QUANGOS and other public sector organisations), and the fact that the voluntary public service principle should remain one of the key considerations in considering allowances for councillors. It acknowledged that this ‘balancing act’ means that, apart from the leader, no other cabinet member is likely to receive a ‘salary equivalent’. The panel also felt that it would be difficult to justify a substantive increase to the council tax payers of Milton Keynes (although that is ultimately a political judgement). Accordingly, its first recommendation is that **the overall level of expenditure on members allowances recommended by the panel should be no higher, in real terms, than the current level.**

2.4 In relation to the relative levels of allowances (within a ‘no overall change’ constraint) the panel listened with interest to the following arguments:

- ❖ that the basic allowances should be increased (at the expense of SRAs), in particular to recognise the enhanced role for the front-line councillor likely to be introduced in the forthcoming Local Government White Paper
- ❖ that the allowances to the opposition group leaders should be increased in the light of the ‘no overall control’ political situation which resulted from the 2006 election in Milton Keynes

- ❖ that the allowances to cabinet members should be increased, given the key role which they all played (including significant involvement in partnership working)
- ❖ that the justification for the level of SRAs to the overview and scrutiny process should be reviewed in the light of new ‘no overall control’ political circumstances (but that the practice of allocating small SRAs to party spokespersons should be continued*)
- ❖ that allowances for vice chairs of committees should be considered
- ❖ that allowances for members involved in appeals panels (of various kinds) should be considered

The panel’s responses to these arguments are discussed in sequence below.

The basic allowance

2.5 The basic allowance – currently £9,148 – is the second highest figure amongst the 12 unitary authorities in the South Eastern Region. Only in Brighton and Hove is it higher. It is difficult to forecast what the implication of the White Paper (and subsequent Act) is likely to be until it is published, and the time-scale means that its provisions may not be implemented until late 2007/early 2008. The panel felt that in these circumstances it would not be justified to increase the level of the basic allowance (to do so would imply, in the light of Recommendation 1, a decrease in the overall total of SRAs). Thus its second recommendation is that **the basic allowance in Milton Keynes Council should remain unchanged** (although it should continue to be subject to annual index-linked increases).

* This practice was not supported in 2003 panel report

2.6 The panel was also of the view that whereas the basic allowance was primarily a response to the constituency role of all members, it should also cover other duties (overview and scrutiny and regulatory committees) **including** minor positions of responsibility on such bodies.

Opposition group leaders

2.7 There is no doubt that the move to a ‘no overall control’ situation in Milton Keynes has increased the influence of both opposition groups. The Liberal Democrats who hold all the cabinet positions cannot ensure that those proposals which need council approved necessarily receive it (as a result of the fact they do not enjoy a majority on the council). As a result they will often need to negotiate or seek the approval of the other party groups. As we understand it, the mechanism of the ‘leaders meeting’ has been strengthened to provide a forum for such deliberations. As a result, above and beyond the responsibilities of leading a party group per se, there is now an added responsibility for opposition leaders of contributing indirectly to decisions which affect the future of the borough. In these circumstances, the panel felt that **the SRAs for both opposition party leaders should be increased**. The SRAs involved should continue to reflect the relative numerical strength of the groups concerned. The level of the increase, and where the equivalent saving should be made will be discussed below.

2.8 Cabinet members

The particularly demanding nature of the role of cabinet member, in the light of the growth agenda and partnership – orientation of Milton Keynes Council has already been noted (see 1.4 above). In this context, the gap between the Leader’s SRA and that paid to other cabinet members should be noted. Currently the

leader's SRA is £27,769, which is the highest of all the 12 SE Unitary Authorities (the average leaders SRA within this group is £17,500). In Milton Keynes, the leader's allowance is almost three times that of other cabinet members, whereas the ratio in the other comparator authorities is close to 1:2. It was not clear to the panel that this differential could be justified, given the general agreement about the considerable and growing demands on all cabinet members (including, of course, the leader).

2.9 In the panel's view, **there is a case for the re-adjustment of the respective SRAs of the council leader and cabinet members in favour of the latter.** Whether this adjustment involves a redistribution within the cabinet itself, or involves changes in non-cabinet SRAs is considered in 2.17 below.

Overview and scrutiny

2.10 In principle overview and scrutiny is a crucial element in sustaining democracy and accountability, under the terms of the Local Government Act 2000, and for this reason, chairs of Overview and Scrutiny Committees merit a significant SRA. Normal practice amongst the 12 South-East Regional unitaries is to set SRA for Scrutiny chairs at around half the SRA for cabinet members (averages of £4,800 and £8,700 respectively). The current SRAs in Milton Keynes Council match this ratio, and are slightly above these average figures.

2.11 As noted earlier, the move to a 'no overall control situation' in Milton Keynes has had a major effect on the decision-making processes of the authority, and has extended the ambit of overview and scrutiny into the leaders' meeting,

where opposition leaders in effect scrutinise the key proposals of the minority Liberal Democrat minority administration in a way which, in a majority-controlled authority, would be done elsewhere, principally in the overview and scrutiny committees. That is not to say that such committees do not play this role in Milton Keynes; rather that there is an additional (and arguably more powerful) mechanism for scrutiny.

2.12 The panel also noted that the machinery for overview and scrutiny in Milton Keynes was on the elaborate side, compared with other authorities. There are four policy development committees, three scrutiny panels, dealing with the executive, health, and external issues respectively, and a separate audit committee. A view was expressed to us that the executive scrutiny panel had relatively little business to deal with (given the existence of the leaders' group), and from the experience of other authorities, the duties of the Audit Committee are not likely to be particularly arduous.

2.13 In these circumstances, we think there is a case for reducing the overall level of SRA for the overview and scrutiny function. This could be done in two ways; either by eliminating the SRAs to the spokespersons on these committees (which is our preference – see 2.14 and 2.15 below) or by reducing the SRAs of chairs and spokespersons proportionately.

2.14 The reason for recommending the former option is as follows. There are 51 members of Milton Keynes Council, and 34 positions which qualify for SRAs. Thus assuming no multiple position holding, **two thirds** of all councillors in

Milton Keynes qualify for an SRA. This is an extremely high proportion. Government guidance issued four years ago, indicated that normally, not more than **one-third** of councillors should be eligible for an SRA.

2.15 Secondly, the panel acknowledges that there are in Milton Keynes Council, as in all authorities, a range of positions of minor (though not unimportant) responsibility, e.g. vice-chairs of committees, chairs of appeals panels etc. It could be argued that group spokespersons on policy development or scrutiny committees fall within this category. It could further be argued (see 2.6 above) that such positions of minor responsibility should be regarded as one possible element of the pattern of activities of all councillors and should be covered by the Basic Allowance, particularly where (as in Milton Keynes) this is set at a realistic level. The alternative approach - allocating SRAs to all or many of these minor positions – will inevitably leads to a disproportionately high number of SRAs, as it has in Milton Keynes.

2.16 In this context, the panel was not sympathetic to arguments for introducing SRAs for vice chairs of regulatory committees, nor for membership of appeals panels. To do so would add further to the number of SRAs in Milton Keynes (would there be any councillor without one?) and would also add to the total allowances budget. Neither of these outcomes seems to us to be desirable.

2.17 Drawing together these different observations and recommendations, regarding SRAs, the panel puts forward the following proposals.

- (1) The SRA currently allocated to the Chair of the Business Management Group (£3,055) (now discontinued) should be transferred to the Chair of the Audit Committee.
- (2) The SRA for the leader should be held at its current level, but that the SRAs for the other seven cabinet members should be increased by 20% (from £9,801 to £11,761) (total cost £13,720).
- (3) The SRA for the leader of the larger opposition party should be increased by 20% (from £7,024 to £8,429) (total cost £1,405).
- (4) The SRA for the leader of the smaller opposition party should be increased by 20% (from £6,522 to £7,866) (total cost £1,344).
- (5) The SRAs for the chairs of the eight policy and scrutiny committees be held at their current level, but that the SRAs for the group spokespersons of these committees be discontinued. (total saving £20,336).

Table 1 sets out comparison between the current allowances and the panel's proposals.

2.18 The overall impact of these proposed changes would be cost-neutral (in fact there would be a small overall reduction of £3,867). However they would involve a number of adjustments which would respond to legitimate concerns expressed by those whom the panel interviewed and recognised by the panel itself.

Table 1

Comparison between existing allowances and panel's recommendations

| | Current Allowance | Recommendation |
|---|-------------------|----------------|
| Basic Allowance | 9148 | 9148 |
| Leaders Allowance | 27769 | 27769 |
| Opposition Group leader (Labour) | 7024 | 8429 |
| Opposition Group leader (Conservative) | 6522 | 7866 |
| Cabinet Members | 9801 | 11761 |
| Chairs of Policy and Scrutiny Committees | 5082 | 5082 |
| Chair of Development Control Committee | 7623 | 7623 |
| Chair of Licensing and Regulation Committee | 7623 | 7623 |
| Chair of Audit Committee | | 3055 |
| Chair of Business Management Group | 3055 | discontinue |
| Overview and Scrutiny Representative | 1271 | discontinue |

3 Other issues

3.1 Many of the other recommendations which the panel addressed in 2003 have since been implemented and the 2006 panel was happy that the current arrangements in respect of pensions entitlement, childcare and dependent carers allowances, travel and subsistence, backdating, suspension and the mayoral allowance should continue.

3.2 The panel received a number of representations from councillors regarding different aspects of allowances/expenses payments.

(i) the desirability of paying ‘severance allowances’ for members who lose their seats (and hence their council allowances, including in some cases SRAs) was advocated by one councillor, who drew attention to the operation of this practice at national government level. The panel was aware that authorities were not currently legally entitled to make such payments, and did not, in any event, support the principle of such payments in a local government context.

(ii) the case for the payment of travel and childcare allowances to cover councillors’ ward work with constituents was made (i.e. the designation of such activities as ‘approved duties’). The panel does not support this argument, not least because the eligibility for such allowances would be extremely difficult to verify, and the scheme would also be complex to administer.

(iii) the panel was appraised of and recognised the unfairness of a system which does not transfer the SRA of a chair (for example) who is ill for a significant period of time to his or her deputy who acts as chair

during the period concerned. The panel felt that a minimum period of absence (3 months) should be specified after which the transfer of allowance should be retrospectively implemented. The Head of Democratic Services should act as arbiter in any disputed cases of this nature.

Index for Updating Allowances

3.3 The panel recognised that a situation in which the index-linked increases in members allowances was greater than the increases (or the basis of a different index) of financially vulnerable groups such as pensioners might reasonably be viewed as unfair by the groups concerned. If, for example, under the current arrangements the NJC staff pay award was 5%, whereas the index-linked pensioners was only 3%, that discrepancy would in the panel's view be difficult to justify. Accordingly it recommends **that the index for updating members allowances should change from its present NJC staff pay award basis to a cost-of-living basis**, given that increases in the allowances of vulnerable groups are likely to follow an index of this nature. **The criteria chosen should be whichever is the lower of two retail price indexes which respectively include and exclude property prices.**

Holding Members to Account

3.4 In its 2003 report, the panel reiterated a view expressed by its predecessors:

‘Enhanced accountability of members is particularly important in the light of the significant increases involved in the panel's recommendations. It is important that the public are able to

assess (in broad terms) the **performance** of elected members in each of the different categories, in relation to specified criteria. The panel recommends that MKBC should draw up statements of responsibilities for all council members in their representative role and for those with positions of responsibility (cabinet, overview and scrutiny, etc). These statements of responsibility could be further developed into schedules of ‘key tasks for the year’ (for executive members) and key performance indicators (e.g. attendance at meetings, numbers of constituents’ problems dealt with) for all members.’

- 3.5 It was not apparent in 2006 that this recommendation had been taken forward. The panel remains convinced that it should.

Concluding comments

- 4.1 Some of the panel’s recommendations, in particular those which deal with changes in the SRAs for opposition leaders and chairs of overview and scrutiny committees, are responses to the particular political circumstances which resulted from the 2005 local election. It follows that if those circumstances were to change – for example – at a future election, then these recommendations would need to be reconsidered.

Summary of Recommendations

- (1) The overall level of expenditure on members allowances recommended by the panel should be no higher, in real terms, than the current level.**
- (2) The basic allowance in Milton Keynes Council should remain unchanged (although it should continue to be subject to annual index-linked increases).**
- (3) Special responsibility allowances should be amended as follow:**
 - (i) That the SRA currently allocated to the Chair of the Business Management Group (£3,055) (now discontinued) should be transferred to the Chair of the Audit Committee.**
 - (ii) That the SRA for the leader should be held at its current level, but that the SRAs for the other seven cabinet members should be increased by 20% (from £9,801 to £11,761) (total cost £13,720).**
 - (iii) That the SRA for the leader of the larger opposition party should be increased by 20% (from £7,024 to £8,429 * see above) (total cost £1,405).**
 - (iv) That the SRA for the leader of the smaller opposition party should be increased by 20% (from £6,522 to £7,866) (total cost £1,344).**
 - (v) That the SRAs for the chairs of the eight policy and scrutiny committees be held at their current level, but that the SRAs for the group spokespersons or these committees be discontinued. (total saving £20,336).**
- (4) The recommendations made in the panel's 2003 report regarding other allowances and expenses are re-affirmed, with the following exceptions:**

- (i) The panel recognised the unfairness of a system which does not transfer the SRA of a chair (for example) who is ill for a significant period of time to his or her deputy who acts as chair during the period concerned. The panel felt that a minimum period of absence (3 months) should be specified after which the transfer of allowance should be retrospectively implemented. The Head of Democratic Services should act as arbiter in any disputed cases of this nature.**
- (ii) The panel recommends that the index for updating members allowances should change from its present NJC staff pay award basis to a cost-of-living basis. The criteria chosen should be whichever is the lower of two retail price indexes which respectively include and exclude property prices, and should be applied from April 2007.**
- (iii) Recommendation 21 from the panel's 2003 report concerning the strengthening of mechanism for holding members to account should be implemented, if it is has not already been done so.**