

## DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT

### Local Government Pension Scheme

**The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Brandon Lewis):** 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 Local Government Pension Scheme.

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 2007-08; a further survey in January 2012 found that figure had increased to 4,548 councillors by 2010-11. The trend is clear.

#### *Abolition of taxpayer-funded pensions*

Ministers in this Government take a fundamentally different view to 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 dependent 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 Local Government Pension Scheme 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 Local Government Pension Scheme 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 Local Government Pension Scheme. We will consult with the Welsh Assembly Government in respect of access to the Local Government Pension Scheme for councillors in Wales.

As a former councillor myself, I would like to pay tribute to their often unsung and ongoing 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.