

Consultation: Taxpayer-funded pensions for councillors and other elected local office holders

Draft Response

Councillor Pensions
Department for Communities and Local Government
Zone 5/F5 Eland House
Bressenden Place
LONDON
SW1E 5DU

19 June 2013

Dear Sirs,

Re: Taxpayer-funded pensions for councillors and other elected local office holders

London Borough of Hillingdon Pensions Committee would like to express their thanks to the Department for Communities and Local Government for the opportunity to respond to the consultation on 'Taxpayer-funded pensions for councillors and other elected local office holders'.

This response addresses the three specific questions asked and expands on the reasoning behind Hillingdon's stance. However, Hillingdon would like to place on record its disappointment with the inaccurate and misleading title of this consultation. Access to the LGPS for Councillors is not taxpayer funded, rather it is subsidised by the taxpayer, as it is for employee members of the scheme. The consultation goes on to refer to Councillors being members of a scheme designed for employees. Whilst the original scheme may have been designed for employees, the specific section to which Councillors contribute is separate from the employees section and has a different benefit regime. It is unfortunate that the tone of this consultation has been shaped by these inaccuracies.

In response to the three specific questions raised, London Borough of Hillingdon responds as follows:

Question 1: Taking account of the issues raised in this consultation document and any other considerations, what option do you prefer and why?

London Borough of Hillingdon firmly supports no change to the current access rights of elected Councillors to the Local Government Pension Scheme and therefore support Option C.

Section 18(3A) of the Local Government and Housing Act 1989 and the Local Authority (Members' Allowances) (England) Regulations 2003 first gave access to the LGPS to Councillors. The Independent Panel for Remuneration of Councillors in London supported access to the LGPS and recommended that the scheme be open to all Councillors under the age of 70. (The Independent Panel reinforced their view in their latest report in April 2010.) Within Hillingdon, the Hillingdon Member's Allowances Scheme was updated to include access to the LGPS for Councillors at Council on 4 December 2003, which allowed access from 1 April 2004 to any Councillor who elected to join the scheme. Currently, within Hillingdon, 25 of the 65 Councillors are active members of the scheme.

One of the original reasons for giving access to the LGPS for Councillors was to make it more financially viable for a broader range of people to be encouraged to enter into local politics and to stand for election to local councils. Also with the ever broadening remit of local authorities, the skills and knowledge base needed to undertake the role of a councillor is ever increasing. As a result, it is increasingly difficult to hold special responsibility posts as a councillor and continue in full time employment. The assistance offered through membership of the LGPS goes a small way to compensate for loss of 'employment' pensions whilst undertaking civic duties. In Hillingdon, the take up has been relatively small and mainly by those who have reduced their external working hours to enable them to focus on their local authority work. The overall financial impact of Councillors' pension liabilities is very small in the Hillingdon Fund, to the extent that it is not appropriate to value separately. Hillingdon would dispute the argument that access to the scheme by Councillors has any significant impact on either the affordability or the sustainability of the scheme.

Further, Hillingdon would dispute the view that Councillors allowances have become a form of salary and have had a negative effect on local democracy and the independence of Councillors to represent their communities. Many Hillingdon Councillors are highly educated, professional people, who suffer significant reductions in their income to serve the local population and membership of the LGPS would not be a factor in their decision to stand for election.

Question 2: Do you have any alternative proposals on Councillors and other elected office holders access to the Scheme?

As London Borough of Hillingdon support the continuation of the existing arrangements, they do not propose any alternative.

Question 3: If Councillors continue to have access, do you agree with the proposed change in contribution rate? If not, what contribution rate would you recommend?

London Borough of Hillingdon supports equity and consistency in any approach to pension schemes and would therefore agree with the proposed change in contribution rate. As employees are subject to tiered contribution rates, it is fair that Councillors should be subject to the same approach rather than to retain a flat 6% contribution rate.

The approach by Central Government to this consultation is very inconsistent. The consultation says that Councillors and other directly elected local office holders should not continue to have access to the LGPS, but they immediately qualify this statement by saying that Police and Crime Commissioners – directly elected local office holders – should not be subject to this consultation. Similarly, they express the wish that the Mayor of London and Assembly Members of the Greater London Authority should not have access to the LGPS, but this does not preclude the GLA from then making alternative pension provision for them, which would continue to be taxpayer subsidised and by the tax payers of London Borough of Hillingdon.

Hillingdon are considering the legal position should government go for option A and whether the General Powers set out in the Localism Act 2011 allow councils to set up alternative pension provision by either paying into NEST (the national employer savings trust) or set up its own scheme for councillors through an insurance company or similar and will be working closely with the Local Government Association on this issue. Whilst these powers are very new and relatively untested, the Government should not legislate in a way which will constrain local authorities from using their powers to introduce alternative pension arrangements.

London Borough of Hillingdon would ask that this response is considered seriously and that its views are taken into account when reaching a final decision. The Council looks forward to receiving the results of this consultation in the hope that the status quo will be maintained.

Yours faithfully,

Cllr Philip Corthorne
Chairman Pensions Committee on behalf of and with the agreement of the
Pensions Committee of the London Borough of Hillingdon