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17 February 2012

TAX ARRANGEMENTS OF PUBLIC SECTOR APPOINTMENTS

As you will be aware, a recent case has highlighted concerns about the tax arrangements of public sector appointments, particularly where arrangements could be perceived as seeking to minimise tax payments by individuals. As the Chief Secretary to the Treasury has made clear, the Government is committed to tackling all forms of tax avoidance.

Departmental public spending encompassing the appointment of senior civil servants is audited against the Treasury's *Managing Public Money* guidance. That document makes it clear that public sector organisations should avoid using tax advisers or tax avoidance schemes as any apparent savings can only be made at the expense of other taxpayers or other parts of the public sector.

The Chief Secretary has asked the Treasury Officer of Accounts to remind accounting officers across Whitehall that all appointments should, in line with this existing guidance, consider the wider cost of lost revenue to the Exchequer when considering value for money.

In addition, the Chief Secretary has requested that all government departments carry out an investigation by the end of March. As part of this, any department that identifies appointments that do not provide value for money are asked to seek to unwind those arrangements as quickly as is compatible with securing good value for public money. Finally, the Chief Secretary has asked officials to review urgently the appropriateness of allowing public sector appointees to be paid through this mechanism.

As you will agree, the public have a right to expect that their interests are being protected when appointments, particularly senior appointments, are made. Clearly, local authorities are each an individual employer in their own right and make appointments in the light of their local circumstances. While local authorities are not directly covered by *Managing Public Money* guidance, you will wish to consider the Government's policy and approach on this matter and how the Local Government Association can encourage the sector to similarly follow the principles.

Of course this follows existing work the Government has done to increase accountability and transparency on senior pay in local authorities.

The pay accountability measures in the Localism Act require authorities to publish pay policy statements. We have today published a final version of the guidance on these measures. This makes clear that authorities should actively review their approach to the terms of remuneration for their senior appointments, particularly where arrangements exist which could be perceived as seeking to minimise tax payments. In addition, authorities should develop, and include within their pay policy statements, a local policy on the use of such arrangements within their workforces. Elected councillors must approve the first pay policy statements by 31 March 2012.

The Code of Recommended Practice for Local Authorities on Data Transparency requires councils to publish all spending on goods and services, including payments to contractors, over £500, as well as senior salaries over £58,200. Payments made to senior staff via consultancies should thus already be fully open to scrutiny. In the next update to the Code, we will make this explicit.

A handwritten signature in grey ink, appearing to read 'Eric Pickles', with a stylized flourish below the name.

THE RT HON ERIC PICKLES MP