



Bob Neill MP
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Sir Merrick Cockell
Chair, Local Government Association
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Dear Merrick

TAX ARRANGEMENTS OF PUBLIC SECTOR APPOINTMENTS

The Secretary of State for Communities and Local Government wrote to you on 17 February to alert you to the commencement of the Government's review into the tax arrangements of public sector appointments in those organisations covered by Treasury's *Managing Public Money* guidance.

The Government has now completed that review and has today published its findings. In addition, the Chief Secretary has announced a set of rules that will apply to all new engagements and contract renewals, as well as to existing contracts, subject to ensuring value for money for the taxpayer. These include that board members and senior officials with significant financial responsibility should be on an organisation's payroll, unless there are exceptional circumstances. A copy of the review's findings and these rules are attached.

Local authorities are not directly covered by the *Managing Public Money* guidance and were not in the scope of the recent review. However, as the Secretary of State highlighted in his letter, 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.

As you will be aware, authorities should be already looking at this issue in line with the pay accountability measures in the Localism Act and its accompanying guidance: *Openness and Accountability in Local Pay*. The guidance is clear that councils should actively review the terms of remuneration for senior appointments in their workforces, particularly where arrangements exist which could be perceived as seeking to minimise tax payments. In addition, elected councillors should approve a local policy on the use of such arrangements within their workforces. Authorities were required to have their first pay policy statements in place by 31 March 2012.

Of course, transparency and openness must be the default setting for the way councils operate, including in the way they manage their workforces. The Code of Recommended Practice for Local Authorities on Data Transparency requires councils to publish senior salaries over £58,200, as well as payments to contractors over £500. Any sole trader or body acting in a business capacity in receipt of payments of at least £500 of public money should expect such payments to be transparent. Payments made to senior staff via consultancies should already be fully open to scrutiny. The Secretary of State has indicated that the next update to the Code will make this explicit.

A handwritten signature in black ink, appearing to read 'Bob Neill', with a large, stylized initial 'B' and a long, sweeping tail.

BOB NEILL MP