

RENEWING LOCAL DEMOCRACY

**REPORT OF THE COUNCILLORS'
REMUNERATION PROGRESS
GROUP**

Preface

1. Pay for politicians inevitably attracts considerable interest. Attempts to change familiar arrangements are likely to attract as much criticism as they will praise. Even so, it is right that councillors should be part of a transparent and modern system of remuneration which adequately recompenses them for the role they carry out on behalf of their constituents, and their wider community. There has been a failure over a number of years to achieve a satisfactory resolution. New arrangements for councillors' remuneration are long overdue. The role of a councillor has changed and has become more complex since the present system was put in place.

2. The Councillors' Remuneration Progress Group has considered a range of options concerning remuneration, pensions, and severance payments and has narrowed these down to some preferred options. We have not made recommendations about the *level* of payments which might form part of a new structure. That is an issue which the Scottish Local Authorities' Remuneration Committee, Scottish Executive Ministers and, ultimately, the Scottish Parliament will have to determine. While there is a public service aspect of being a councillor, that does not mean councillors should not be adequately paid for the work they do. It is therefore important to stress that many of our recommendations are based on a premise that all councillors will be entitled to a satisfactory basic salary.

3. I am grateful to my colleagues on the Group for the time given to this work, and the knowledge and experience they have shared. The Group is also grateful to those who have given their views at meetings or in writing.

4. This report is presented to the Minister for Finance and Public Services at the Scottish Executive, but we hope the Scottish Local Authorities Remuneration Committee will also find our work helpful.

John Sewel
September 2004

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Summary of our views

Salary

- In considering a basic salary for all councillors we would encourage the Scottish Local Authorities Remuneration Committee to commission independent job sizing work on the role of a councillor to assess the weight of responsibility it carries, and to provide a firm basis for that Committee's recommendations.
- Councillors with significant additional responsibilities should receive an enhanced salary, but the number should be limited by allocating a specific number of points to each local authority as outlined in Chapter 2

Allowances

- The basic allowance and present arrangements for special responsibility allowances should be abolished.
- Subsistence allowances should not be available for attendance at meetings in council offices.
- Overnight subsistence should reimburse actual costs incurred rather than provide a flat-rate payment.
- Attendance allowances should be abolished.
- Travel and subsistence arrangements and rates should be similar to those in place for local authority staff.
- The Scottish Executive should consider whether the regulations which require information about councillors' allowances to be published can be improved.

Pensions

- The scheme for councillors should be a defined benefit scheme similar to that for local government employees. The scheme should be a final salary scheme which takes into account a councillor's basic salary and any enhanced salary received for carrying out special responsibilities. The two elements should be treated separately.

Severance

- The severance scheme should be proportionate to total length of cumulative service. It should recognise long service and should not encourage newly elected councillors to leave. We believe the scheme should be linked to the basic salary figure for all councillors rather than using arbitrary amounts.

Scottish Local Authorities Remuneration Committee

- We do not believe serving councillors should be appointed to SLARC. We also consider it important that at least one member of SLARC has a background in, or detailed knowledge of, pension arrangements. We recognise that SLARC will need to follow any directions issued by Ministers but we strongly believe it should start its work by commissioning an independent study of the weight of responsibilities held by a councillor.

Timescale

- Although the next local government elections are not due to take place until 2007, it is important that serving and potential councillors are aware well before that date of what the new arrangements will be. In particular it is important that details of the severance scheme and new salary arrangements are known by the end of 2005, particularly to enable councillors take an informed decision about whether they wish to stand again.

Chapter one - Introduction

Remit and Membership

1.1 In July 2003, the Scottish Executive established three working groups to examine practical issues related to the Local Governance (Scotland) Bill. These working groups mirrored the key elements of the Bill: the Single Transferable Vote system of election, councillors' remuneration, and widening access to council membership. The groups were given a lifespan of around one year in which to carry out their work and report to Ministers.

1.2 The Councillors' Remuneration Progress Group started its work in September 2004. Our remit was:

to consider options for councillors' remuneration, and the associated costs, to consider the practical implications of giving councillors access to a pension scheme, and to consider the remit of the Remuneration Committee which the Local Governance (Scotland) Act will establish, and the skills and experience needed by its members.

1.3 Membership of the Group was:

Lord Sewel, CBE, Chairman
Tom Aitchison, Society of Local Authority Chief Executives
Ralph Garden, Scottish Public Pensions Agency
Professor Michael Horsman, former Director, Office of Manpower Economics
Sarah Morrell, Scottish Executive
Ruth Simpson, National Association of Councillors
Pat Watters, Convention of Scottish Local Authorities

The Group was supported in its work by:

Gary Cox, Secretary
Michael Cutts, Secretariat
Maria Melrose, Secretariat

The approach we have taken

1.4 Our approach has been in line with the Scottish Executive's policy proposals, some of which stem directly from the recommendations of other independent groups which have considered issues around councillors' remuneration before us. In carrying out our work, we have been clear that:

- The options we produce should be fair, transparent and capable of being applied consistently across the country.
- Proposals will need to be flexible enough to take account of current and future differences in the degree of responsibility which councillors undertake, including how this might be reflected in a limited number of additional payments for those councillors with greater responsibilities.

Background to our work

1.5 In considering the question of councillors' remuneration, we have had regard to the work which has been done by others in this area in recent years. The McIntosh Commission first considered remuneration in 1999. It recommended that a pay and conditions package should be drawn up for the approval of the Parliament, to be implemented on completion of councils' internal reviews of their policy development and decision-making processes. The McIntosh Commission also recommended that remuneration for councillors should in future be subject to independent review.

1.6 Following their consideration of the McIntosh Commission's report, Ministers asked the Kerley Group to advise on an appropriate system of remuneration for councillors, taking account of available resources. That Group's report included various recommendations including the level of basic salary that should be paid, and arrangements for those councillors with significant additional responsibilities.

1.7 Since then, the McIntosh Commission's recommendation that remuneration for councillors should be subject to independent review is being implemented with the establishment of the Scottish Local Authorities Remuneration Committee, under the provisions of the Local Governance (Scotland) Act 2004.

Chapter two – current position and future developments

Scotland's councillors

2.1 Local government affects everyone. Many of the day to day services we take for granted are the responsibility of local authorities. Improvements in many public services and the development of new services are a direct result of decisions taken in Scotland's council chambers. Local authorities are becoming more sophisticated in the way they work and how they deliver services. They now work in partnership with other bodies to provide joined-up services. They strive to provide services in new ways that respond to the needs of the service user. Modern local authorities are major multi-million pound operations which must work to the highest standards of efficiency and transparency. Scotland's councils are responsible for a budget of around £15bn and employ around 300,000 people. They are no longer the 'town councils' or 'corporations' of the past. This means the role of a councillor has changed and developed over the years.

2.2 Councillors not only respond to the needs of individual constituents and represent the views of their ward as a whole, but take important policy and financial decisions which affect the wider local authority area.

2.3 For most councillors, ward work will follow a broadly similar pattern, comprising 'surgeries' where constituents can seek advice or support from their councillor, and a range of meetings with community councils, school boards and various other local groups.

2.4 Ward work can be a time-consuming and demanding part of councillors' duties. Most councillors hold regular surgeries which are invariably held in the evenings or at weekends to make them more accessible to constituents. Many councillors also make themselves available 'out of hours' and it is not uncommon for councillors to be called very late at night by constituents seeking action or advice on one issue or another. There is an expectation among community councils, school boards, and other local groups that the local councillors will attend their meetings. Again these generally take place in the evenings. These issues are relevant not only to remuneration for councillors, but also to the widening access agenda which is being considered by the Widening Access to Council Membership Progress Group.

2.5 The other main aspect of the councillor role is the contribution to the policy development and decision making processes of the local authority. This typically involves membership of committees, sub-committees, working groups and attendance at other meetings, primarily held in the council headquarters, but also in various locations around a council area. Councillors also need to attend meetings with various other bodies, trusts, and partnerships. Time is also needed to prepare for such meetings. The frequency with which these meetings recur varies from council to council, as does the time of the day they are held, but the common practice is for most of these formal meetings to take place during the normal working day.

2.6 The role of a councillor has expanded in recent years, through the advent of community planning and an increased emphasis on partnership working which demands more cross-cutting working between the local authority and other bodies. This means many councillors are required to be engaged across a number of demanding and time-consuming activities outwith their ward and the council itself.

2.7. There has been debate about the time-commitment required of a councillor. We do not dispute the fact that being a councillor *is* a time-consuming role, but we recognise that the time required varies from councillor to councillor. For example, an individual could be carrying out his or her councillor role very effectively and diligently, but could be doing so while holding other responsibilities, whether in employment, as a carer, engaged in voluntary service etc. Such a councillor may be spending relatively few hours in carrying out their council duties, but may still be giving excellent service to their constituents, and providing high quality input at council meetings. We do not believe the 'part-time' nature of such a councillor's role should be viewed negatively. Indeed the internal structures and organisation of local authorities should be such as to enable a part-time councillor to make a full and satisfying contribution.

2.8 Conversely a councillor who has no other responsibilities may feel the need to attend the council headquarters most working days and let workload expand to fill the time available, but in doing so may not provide a good service to constituents, or participate effectively in the work of the council.

2.9 The time commitment required of a councillor, and the weight of responsibility carried, depends upon whether that councillor holds a position of responsibility in the policy development and decision making structures of the council. Although there are certain core responsibilities which all councillors have, many have additional responsibilities through holding chairmanship of various council committees, holding ceremonial positions such as Provost or Lord Provost, or holding significant additional responsibilities as Leader of a council. We recognise that such positions carry a heavy weight of responsibility and can be very time-consuming for the councillors who hold them. We also recognise that many councillors, particularly in the Highlands and Islands, must travel long distances to attend council meetings which adds greatly to the time needed to carry out their responsibilities effectively. Timing and frequency of council meetings and other business is another relevant factor with most councils trying to streamline business in a way that reduces the amount of time councillors need to spend in the council headquarters. Information technology allows councillors to carry out their business in more efficient ways, but it also makes it easier for the public to contact their councillor thus increasing the size of councillors' postbags.

2.10 We therefore believe that adding up the number of hours currently worked is too simplistic a measure when determining remuneration and we discuss this further in Chapter 3.

2.11 The Scottish Executive intends that the new arrangements for the remuneration of councillors should be introduced around the time of the next elections, along with other changes stemming from the Local Governance (Scotland) Act 2004. We note that there is a strong view in local government that the process

of devising and implementing the new arrangements is taking too long, and that they should be introduced before 2007 where possible.

Current and future arrangements for Councillors' Allowances

2.12 The current system of remuneration for councillors comprises various allowances, in particular basic and Special Responsibility Allowances (SRAs). All councillors receive a basic allowance, the rate for which is set by an order of the Scottish Parliament and varies depending upon the population of the council area. The current maximum allowable rates of basic allowance (as of May 2004) are £6,102 for councillors in areas with a population below 100,000; £6,712 for councillors in areas with a population from 100,000 to 150,000; and £7,321 for councillors in areas with a population over 150,000. It should be noted that not all councils pay the maximum amount allowable, so some councillors' basic allowance will be below the £6-7k figure.

2.13 Many councillors also receive SRAs for carrying out duties which are considered to be over and above the standard councillor role. SRAs are set by individual councils and are paid to those councillors they consider to have additional responsibilities, for example, the Leader or Convener of the council, Convener and Vice Convener of a Committee, Lord Provost or Provost, Leaders of the main opposition party etc. Around two thirds of Scotland's councillors receive an SRA. These rates are determined by councils and vary from a few thousand pounds to almost £35,000.

2.14 Councillors are also entitled to various other allowances, primarily intended to reimburse costs incurred while carrying out official business, for example, travel and subsistence allowances, telephone allowances, civic allowances for formal dress etc.

2.15 The Renewing Local Democracy Working Group found that there were a number of weaknesses with the current arrangements, in particular, relatively routine responsibilities often attracted an SRA, and responsibilities attracting SRAs were very wide, as was the level of SRA payments. This has led to a complicated scheme that is poorly understood. There is also an inconsistency in the application of SRAs across councils – ranging from councils where one third of councillors received an SRA to others where all councillors received an SRA.

2.16 It is generally accepted that these arrangements are in need of modernisation. There is widespread agreement that the current basic allowance is too low and does not reflect adequately the duties carried out by councillors. Similarly, the system of Special Responsibility Allowances does not recognise the weight of responsibilities carried by many councillors, in particular leaders of some major councils. The fact that some councils pay an SRA to most councillors, and in some cases all councillors, suggests that SRAs are being used as a mechanism for topping up the basic allowance, rather than always being used for the purpose for which they were originally intended.

2.17 Councillors should not be directly involved in setting the level of their own remuneration. New arrangements for councillors' remuneration will therefore flow from the work of the Scottish Local Authorities Remuneration Committee, which is

being established under the provisions of the Local Governance (Scotland) Act 2004. That Committee will consider remuneration for councillors, including pension arrangements, and arrangements for the severance scheme available to councillors choosing to stand down at the next election. The Committee will make recommendations as to the levels of remuneration that councillors should receive. The establishment of the Committee moves discussion and decisions about levels of remuneration away from those who will benefit from the new arrangements, to a separate Committee, established by statute, and comprising members appointed by open competition through the public appointments process.

Future developments

2.18 Perhaps the biggest change affecting councillors in the near future is the introduction of the Single Transferable Vote system of election. New arrangements for councillors' remuneration, such as how to remunerate those councillors with significant additional responsibilities, will need to be sufficiently flexible to allow councils to respond to any new ways of working that may be required post-2007.

2.19 The widening access to council membership agenda is also relevant to our work. Available evidence suggests that councillors are not primarily motivated by the level and type of remuneration available to them, but there is no real way of knowing whether the current system of remuneration discourages some people from standing for election. It is clear however, that many councillors are finding it increasingly difficult to combine their role as a councillor with other activities, such as employment, childcare or other caring responsibilities. We recognise that the Widening Access to Council Membership Progress Group considers securing an adequate basic salary a means to widening access.

Chapter three - salary arrangements and allowances

General Principles

3.1 The Scottish Executive's White Paper *Renewing Local Democracy – the Next Steps* (March 2002) set out the key factors of which Scottish Executive Ministers wished to take account in bringing forward proposals for change. These were:

- Encouraging the widest possible range of people to serve as councillors;
- Recognising that people will have diverse personal circumstances;
- Removing any inappropriate barriers to serving as a councillor;
- Ensuring that councillors were representative of the communities they serve; and
- Allowing for progression to enable councillors to assume more responsibilities over time.

3.2 In addition, there were a number of other, specific factors of which Ministers wished to take account in considering possible options for councillors' remuneration. These were:

- That any system of remuneration should be fair, transparent and applied consistently across Scotland;
- That any system of remuneration should be sufficiently flexible to take account of the different roles councillors undertake, including the varying time commitments required of them; and
- That the remuneration available should support councillors while carrying out the valuable role which they play in their communities and enable them to realise their full potential, and to progress through the ranks of council membership if they choose to do so.

Starting point for our work

3.3 The Scottish Executive's policy is that the current system of basic allowances and special responsibility allowances should be replaced by a new system of remuneration supplemented by a limited number of payments to reflect members' additional responsibilities. In considering potential new arrangements we have not given detailed costings for any of our recommendations. This is because we do not think it is appropriate to pre-empt the work of the Scottish Local Authorities Remuneration Committee by speculating on what level of remuneration would be appropriate.

3.4 We have also had regard to the position of the Convention of Scottish Local Authorities which has argued that arrangements for councillors should be similar to those for Members of the Scottish Parliament (MSPs), and a basic salary for councillors' should be linked to that for MSPs.

Basic salary

3.5 There is general agreement within local government, the Scottish Parliament, and the Scottish Executive that every councillor should be entitled to a basic salary for the work they do. We do not dispute that. There is a strong body of opinion that the current basic allowance is too low. Responses to the Executive's consultation papers, evidence to the Parliament during the passage of the Local Governance (Scotland) Bill, and the views expressed to the Group support that view.

3.6 It is also important to note that a low basic allowance does nothing to encourage more people to consider standing for election as a councillor. Although financial reward is unlikely to be the prime factor which motivates people to stand for election, local government can only be a realistic option for a wider cross-section of the community if there is a reasonable basic salary available.

3.7 The Group considered the Convention of Scottish Local Authorities' (CoSLA) response to the Scottish Executive's consultation paper *Renewing Local Democracy – The next steps*. Although this did not amount to a complete salary scheme, CoSLA provided detailed views on remuneration issues, following an assessment of the 'job-size' of the 'basic councillor' role. CoSLA suggested that consideration could then be given to the level of remuneration that would typically be applied in the public sector. Key points in CoSLA's findings were:

- The current system of allowances should be replaced with a standard basic salary for all councillors, with one or more higher levels for councillors with significant additional responsibilities.
- The Kerley recommendation of a basic salary of £12,000 did not reflect the level of responsibility carried by councillors.
- CoSLA's job-sizing exercise suggested that appropriate points of reference would be professional, managerial and senior technical posts within a local authority context.
- Typically posts such as Accountant, Solicitor and Engineer would merit salary levels within the pay range £22,000 to £28,000.
- The top scale within the local authority administrative and professional salary range would typically be applied to a range of senior officer-based posts, first level managerial and senior technical posts was £21,536 to £23,459
- The average weekly gross pay for full time employees within Scotland taken from the New Earnings Survey in 2001 was £404.50 which, on an annual basis, was £21,034.

3.8 CoSLA concluded that its analysis of the role being carried out by councillors had shown:

- The role, functions and responsibilities of councillors compared in job size at least to that of professional, managerial and senior technical jobs within local government.
- Taking account of time commitments and the nature of the demands made in comparison with MSPs and other public sector roles, a salary at least between £21,000 and £24,000 would be appropriate.
- Further consideration needed to be given to the level of salary, however, their exercise had demonstrated that fixing a councillor's salary to a minimum of 50% of that of an MSP would not be unreasonable.
- Councillors' salaries should be linked directly to those of MSPs, and an MSP's salary provided an appropriate comparator for councillors with the highest level of responsibilities.
- Final decisions should be taken following a robust and realistic assessment of the responsibilities of the councillor, and the Scottish Local Authorities Remuneration Committee should have regard to a percentage relationship with an MSP's salary for fixing the salary of a backbench councillor.

3.9 We also considered arrangements for members of the Greater London Authority (GLA). The remuneration scheme for Assembly members, the Deputy Mayor and Mayor was decided as a result of a review by the Senior Salaries Review Body (SSRB) in May 2002. The SSRB concluded after considering evidence that the role of Assembly Member was essentially full-time and carried out job-weighting exercises on the role of Assembly Member, Deputy Mayor and Mayor comparing their roles to that of members of the Scottish Parliament, House of Commons, and Welsh Assembly.

3.10 As a result of this, a basic salary level was recommended for each post in the Assembly. Consideration was given to granting extra payments to Assembly Members who took on additional responsibilities such as chairing committees. The formal position of the GLA was that they did not want differences in responsibility to be reflected in differences in pay for members, as this was considered to be divisive and would undermine the collegiate nature of the Assembly. Pay is uprated each year by the same percentage as the average of the movements on mid-points of the Senior Civil Service pay bands below Permanent Secretary. The current salary for Assembly members is £45,950.

3.11 We are aware that various figures have been cited as the 'going rate' for being a councillor. Although consideration of the level of remuneration is for the Scottish Local Authorities Remuneration Committee to consider, we have inevitably touched upon the level of basic salary in our discussions, particularly in light of views expressed by those who spoke to the group. Our consideration of these views, our knowledge of the role and responsibilities of councillors, and our knowledge of the

weight of responsibilities held by councillors has led us to the view that a basic salary in the region of £20,000 would not be unreasonable. Compared to the average of the current rates for basic allowances, a basic salary at this level would represent a total increase in expenditure of somewhere in the region of £18m when national insurance contributions are added. We would however stress that, in making its recommendations, we believe that the Scottish Local Authorities Remuneration Committee should base its views on independent job-sizing work which assesses the role of a councillor and the weight of responsibilities it carries. We would also encourage the Scottish Local Authorities Remuneration Committee to have regard to existing evidence on the role of a councillor, such as the report "Scotland's Councillors, 2003" produced jointly by CoSLA and the Scottish Executive. We would further encourage the Committee to have regard to the public acceptability of the recommendations it makes.

3.12 We have heard that the basic salary for councillors should be linked to the salary structure for MSPs to provide a simple mechanism for uprating salaries. CoSLA has also argued that there should be parity between the terms and conditions available for councillors, and the terms and conditions for MSPs because both are democratically elected and have similar responsibilities in terms of responding to the needs of their constituents. We have no difficulty with the salary being linked to an existing structure, but one difficulty in doing so would be the need to ensure that the link could be broken if there was a significant change in the weight of responsibilities held by councillors or MSPs, or both. We would therefore not favour a linkage which was permanent or difficult to break.

3.13 We would advise against any link to the salary scale for council chief executives. This is because councillors are involved in setting the level of remuneration for Chief Executives, so any increase granted to a Chief Executive would automatically increase the rate for councillors by the same percentage. We believe this sits uncomfortably with the policy reasons for establishing the Scottish Local Authorities Remuneration Committee – that councillors should not be involved in determining their own salary.

3.14 If the Scottish Local Authorities Remuneration Committee recommends that there should be a link to an existing structure, we believe there should be a straightforward mechanism to change or break that link if the Committee considers it appropriate to do so. The main issue however seems to be at which point on any existing salary scale any link should be made and that would be a matter for the Scottish Local Authorities Remuneration Committee to consider.

3.15 There are of course other ways in which a basic salary for councillors could be updated and we would encourage the Scottish Local Authorities Remuneration Committee to consider these – for example, the Committee itself may be directed to keep the basic salary under review and recommend changes as and when it considers appropriate.

Our view:

Although CoSLA's response to the White Paper did not amount to a detailed salary scheme, we consider there to be some points that are fundamentally correct and that could be included in any model recommended to Ministers.

Leaving aside suggested salary levels which are outwith our remit, we agree with CoSLA's view that decisions should be taken following a robust and realistic assessment of the responsibilities of a councillor. In that regard, we believe such work should be carried out independently and not by local authorities themselves, and that the weight of responsibilities attached to a role should take precedence over the number of hours given to a role.

We also note CoSLA's view that remuneration for councillors, once set, should be linked to remuneration for MSPs. As indicated in paragraphs 3.12 to 3.14, we believe this is an option the Scottish Local Authorities Remuneration Committee should consider.

The Greater London Assembly scheme is not flexible enough to be rolled out to Scottish local government. We do, however, note that salary levels were determined by an independent job-weighting exercise and that all members, with the exception of the Mayor and Deputy Mayor, receive the same level of remuneration.

In considering a basic salary for all councillors we would encourage the Scottish Local Authorities Remuneration Committee to commission independent job-sizing work on the role of a councillor to assess the weight of responsibility it carries, and to provide a firm basis for that Committee's recommendations.

Councillors with significant additional responsibilities

3.16 Beyond a basic salary for all councillors, we have considered how to remunerate those roles which carry significant additional responsibilities. In devising a scheme we have considered:

- the recommendations of the report of the Renewing Local Democracy Working Group (June 2000) which included a basic salary for councillors, a limited number of posts in each council attracting an enhanced salary to recognise significant additional responsibilities, and a salary structure for leaders and civic heads.
- the key points from CoSLA's response to the Scottish Executive's White Paper *Renewing Local Democracy – the next steps* which suggested a broad salary scale for councillors based on job-sizing work carried out by local authorities' personnel staff.
- Arrangements for members of the Scottish Parliament and Ministers in the Scottish Executive, members of the House of Commons and Ministers in the United Kingdom Government, the Greater London Authority, the Welsh Assembly, the Northern Ireland Assembly, English councils, and Welsh councils.

Schemes we have considered

3.17 We have considered a number of different schemes which would allow councillors with significant additional responsibilities to be remunerated adequately for the responsibilities they hold. While we acknowledge that there are positive aspects of each scheme, we believe our preferred option strikes the right balance between allowing councils to determine which posts should attract an enhanced salary, not allowing all councillors to receive an enhanced salary, and avoiding a myriad of different rates for councillors with additional responsibilities.

3.18 The schemes we have considered are:

The Kerley Group scheme

3.19 We have revisited the scheme proposed by the Renewing Local Democracy Working Group (the Kerley Group) in June 2000. The Kerley Group recommended a 4-tier approach, where all councillors would be paid a basic salary, and councillors with significant additional responsibilities, civic heads, and council leaders would be paid higher salaries. In relation to the numbers of councillors with significant additional responsibilities, the Kerley Group suggested the number of such posts that should exist in each council. In relation to leaders and civic heads, the Kerley Group suggested salary rates on a sliding scale related to the financial turnover and population of councils. Outline role descriptions were also included in the report.

3.20 The Kerley Group's recommendations were to an extent based on an assumption that many councils would move to an executive/cabinet structure, which suggested that fewer promoted posts would be needed when compared to a

traditional committee structure. In fact only a small number of councils have chosen to move to a cabinet structure.

3.21 The Kerley Group noted that their role description for councillors included some responsibilities, for example, chairing a working group or area committee that may currently attract an SRA. The Group believed that it was more realistic and equitable to reflect these responsibilities in the role description for councillors, and for the level of remuneration to reflect properly all of those responsibilities.

3.22 Although many councillors currently in receipt of SRAs would, under the Kerley Group's proposals, fall into the lower (councillor) category, the Kerley Group recognised that there would remain a small minority of councillors in each council that would have *significant* additional responsibilities which would merit an enhanced salary. The Kerley Group noted that the organisational demands of each council were such that it was likely that a core minimum of 7 councillors would be required to take on significant additional responsibilities. While larger councils may have shared this load among more councillors, the Kerley Group did not believe this should involve a much larger group of councillors, and suggested, in the largest councils, up to 10 councillors may be required to take on these roles.

3.23 The Kerley Group recognised that in many respects the role of all council leaders across Scotland was the same, but the weight of their responsibilities varied. Councils were therefore grouped into bands in line with those already devised for Chief Executive's salaries. These reflected both the financial turnover and the population of councils.

Our view:

We do not consider the Kerley Group's scheme to be a viable option because the number of promoted posts that are permissible in individual local authorities is too restrictive given the differences in sizes and structures in operation, and we do not believe it would be possible to manage effectively the business of a council with so few posts at levels beyond those councillors in receipt of a basic salary.

We also noted that while the Kerley Group's scheme had some merit in relation to councils that adopted a cabinet structure, it would prove difficult to implement in councils that retained a committee structure.

We therefore decided that the Kerley Group's scheme, as set out or modified, was not an option that should be considered further.

Arrangements for Members of the Scottish Parliament and Ministers in the Scottish Executive.

3.24 We also considered the arrangements that are in place for Members of the Scottish Parliament and Ministers in the Scottish Executive. The provisions in relation to MSPs were originally set out in an order made by the UK Parliament under The Scotland Act 1998. Under this scheme, salaries are updated annually from 1 April using a formula relating to senior civil service salary increases. This

remained in force until 1 April 2002 when the Scottish Parliament's own arrangement, conferring the function of setting salaries on the Scottish Parliament Corporate Body came into effect.

3.25 The key points of the current arrangements for MSPs are:

- MSP's salaries are set at 87.5% of MP's salaries.
- Ministers and officeholders receive a further salary.
- MSP's salaries are reviewed on 1 April of each year to maintain those salaries at 87.5% of the salary payable to members of the House of Commons.

Our view:

The salary structure for Members of the Scottish Parliament is simple but only allows for 3 tiers of promoted post i.e. Deputy Minister (and deputy Presiding Officers), Minister (and Presiding Officer) and First Minister.

We do not consider that such a scheme would be flexible enough to be rolled out to local government given the diverse size of local authorities and the range of responsibilities carried out by councillors. We note the linkage to an existing salary scale (Members of the House of Commons) and have discussed this in more detail earlier in this chapter.

We also noted that arrangements for the House of Commons and UK Government and the Welsh and Northern Ireland Assemblies were broadly similar to those for MSPs.

Population based scheme

3.26 We also considered schemes based on the population of local authority area. The first population scheme we considered groups councillors with additional responsibilities, including council leaders, into 5 bands determined by the population of the council area. This allows for the fact that similar posts in different local authorities carry different levels of responsibility.

3.27 Councillors' salaries would be linked to an existing salary structure with rates for each Band being a percentage of the salary under that structure. An example of this scheme is outlined in Annex A. In that example we have shown the link as a percentage of an MSP's salary, but there are other salary structures which might also be considered. Alternatively a salary structure may be devised through an independent job evaluation of, e.g. council leaders' roles, with the other roles in a council flowing from that. Regardless of which link was chosen, the percentage appropriate to each Band would need to be considered by the Scottish Local Authorities Remuneration Committee.

3.28 The lack of a restriction on the number of posts which can attract an enhanced salary means that the scheme can work easily in any structure or any size of council. It does however appear that having only one rate for councillors with additional responsibilities would create an *implied* restriction on the number of posts that could

attract an enhanced salary. It would be very difficult for councils to justify paying the same enhanced rate to all councillors with additional responsibilities, and in this respect the scheme offers councils very limited flexibility.

3.29 We considered that there were positive aspects of a population-based scheme and scope to refine further these proposed arrangements. Therefore we have devised a scheme which is intended to offer councils flexibility in the way they can remunerate those councillors with significant additional responsibilities but does not allow all councillors to receive an enhanced payment. The scheme comprises 5 tiers of councillor: the Leader; 3 intermediate levels of councillor with significant additional responsibilities; and councillors. A broad outline of the structure would be:

Level A	Leader
Level B	Head of multiple or otherwise particularly demanding functions in a large council
Level C	Head of function in a large council or head of multiple function in a medium council
Level D	Head of function in a small council or deputy head of function in any structure where that carried substantial executive responsibilities
Level E	“Basic” councillor

3.30 The descriptions for each level are for guidance only as individual local authorities would decide which posts were appropriate to which level. We have not defined ‘large’, ‘medium’, and ‘small’ councils because the scheme is self-limiting. This will be explained in later paragraphs.

3.31 For councillors with significant additional responsibilities, the scheme involves allocating a number of ‘structure points’ to each local authority. These points are then divided out amongst councillors with additional responsibilities in whatever way the local authority considers appropriate. The council would draw up and publish its own structure in which individual posts would be allocated a number of points, up to, but not exceeding, the total allocation of points for that local authority. The local authority would not need to use all the points available if it felt able to function effectively using part of its allocation.

Allocating points to councils

3.32 We have considered how best to allocate points to councils. We first examined the scheme using the number of councillors as a guide. This allowed the system to work in smaller councils but meant that it would be overly generous in some larger councils. Given the difficulties with a simple one to one ratio we also considered a points structure with a one to one (or more) ratio for smaller councils, scaled down for those with larger numbers of councillors. This could have meant councils with around 30 councillors would get a 1:1 allocation, with a greater proportion for smaller councils, and a lower proportion for larger councils. Given these difficulties

we considered the population of the council area to be a better guide for allocating points to councils and have placed councils in one of 8 bands determined by population. These bandings are shown in the table below. If this scheme is adopted we believe the allocation of points should be reviewed every 10 years to allow modifications to be made in light of population change.

Band	Council	Population	Points
1 - Population 500,001 +	Glasgow	577,350	90
2 – Population 400,001 to 500,000	Edinburgh	448,080	80
3 – Population 300,001 to 400,000	Fife North Lanarkshire South Lanarkshire	350,700 321,360 301,110	70
4 – Population 200,001 to 300,000	Aberdeenshire Aberdeen City Highland	227,280 209,270 208,140	60
5 – Population 150,001 to 200,000	Renfrewshire West Lothian	171,940 159,960	50
6 – Population 100,001 to 150,000	Dumf & Galloway Falkirk Dundee North Ayrshire Perth & Kinross East Ayrshire South Ayrshire Angus Scottish Borders East Dunbartonshire	147,310 145,568 144,180 135,650 135,160 119,740 111,670 108,130 107,400 107,310	40
7 – Population from 50,001 to 100,000	West Dunbartonshire Argyll & Bute East Lothian East Renfrewshire Moray Stirling Inverclyde Midlothian	92,830 91,080 90,750 89,680 86,740 86,150 83,500 80,500	30
8 – Population up to 50,000	Clackmannanshire Eilean Siar Shetland Islands Orkney Islands	47,980 26,200 21,940 19,210	20

3.33 The upper population figure in each band from band 8 to band 5 increases by 50,000 persons per band. Thereafter, the upper population figure increases by 100,000 persons per band from band 3 to band 1. This is because setting all bands at 50,000 intervals would mean that there would be 3 redundant bands into which no councils would fall – (between 250,001 and 300,000, 450,001 to 500,000, and 500,001 to 550,000).

3.34 While having redundant bands does not at first seem to be a difficulty, it does create problems when determining a sliding scale of points: having vacant bands would mean that, e.g. Glasgow would have an overly generous allocation in comparison to Edinburgh and, arguably, Fife would have an overly generous allocation in comparison to North Lanarkshire. Having larger bands at the top would also allow for population growth in these areas, whereas having empty bands may mean that the number of points allocated to each council would need to be changed more often.

3.35 We believe that rates for Leaders should follow a similar pattern, so in larger councils, Leaders may attract 4, 5 or more points, but in smaller councils may attract only 2 or 3 points. The only limits on how many points might be allocated to a Leader would be in ensuring that sufficient points remained for the other roles which carried significant additional responsibilities. We assume that all councils will wish to ensure that the rate for the Leader is at a level higher than the next tier of councillors with additional responsibilities, for example, Committee Conveners, Provosts and Lord Provosts. This would ensure that the Leader is clearly seen as the member with whom overall responsibility lies.

3.36 We have considered a number of ways in which points could be allocated to each council in a way that would make the system work equally well in Glasgow as it would in Orkney, and vice versa. Tying the number of points directly to the population of the council area (or average population of the council areas in a particular band) would seem to give larger councils too many points in relation to others. In some cases, this would allow larger councils to pay an enhanced salary to almost all councillors which we do not consider acceptable if there is an adequate basic salary for all. Conversely, it would severely restrict the ability of councils in Band 8 to pay enhanced salaries to more than a few councillors. That may mean that it would be difficult for councils to get councillors to take on some additional responsibilities.

3.37 An alternative approach contains an arbitrary element but maintains the principles of the scheme by allowing councils flexibility to determine how they wish to allocate points to posts, but not allowing all councillors to receive an enhanced salary. The difficult aspect is to determine how many points should be allocated to each council without knowing what the monetary value of a point might be, but we can go a considerable way using the broad job bandings at the beginning of this chapter.

3.38 As shown in the table at the end of this Chapter, we have looked at the structures of the smallest councils and consider that 20 points would be sufficient to allow them to function effectively. This would allow these councils to allocate 3 points to the Leader, and then have a further 8 councillors on 2 points, and 1

councillor on 1 point (or fewer councillors on 2 points and more councillors on 1 point) We have then worked up the number of points in increments of 10, up to Glasgow with a total of 90 points. Again, this would seem to give Glasgow enough flexibility to reward adequately its Leader and councillors with significant additional responsibilities, including the Lord Provost.

3.39 We believe that there may be a need to examine further the effect these arrangements have on Highland council. We believe that there are real challenges in delivering and managing services in an area which covers one third of the land mass of Scotland and operates a decentralised decision-making structure. There is an argument that the number of points allocated to Highland council should be increased beyond the number to which the population of the area would entitle it and we would invite the Scottish Local Authorities Remuneration Committee to consider this in more detail.

3.40 If the Scottish Local Authorities Remuneration Committee was minded to make a special allowance for Highland, we recognise that other councils may argue that they too have 'special circumstances' which would merit them being considered for more favourable arrangements. Such special circumstances may be on the grounds of sparsity, deprivation, their political management structure, or other reasons. If this scheme is adopted by the Scottish Local Authorities Remuneration Committee, we would discourage that Committee from moving away from the points structure set out in the table above in respect of councils other than Highland.

Leader of opposition

3.41 Where a non-administration political group secures a level of representation above a defined threshold (e.g. 20-30%) the local authority shall be obliged to make available from their points allocation an enhanced salary to the leader of the main opposition party at a level equivalent to the highest salary paid to an administration member, not including the leader, deputy leader, or provost. This would mean in practice that the leader of the opposition should receive a salary equal to that of a Convener of a major council committee.

Hypothetical Examples

3.42 By way of illustration we will assume that a fictitious council has 14 Committees – 10 departmental or cross-cutting subject committees, 3 regulatory committees and 1 scrutiny committee. Each has a convener and deputy convener. In addition there are a number of councillors with other responsibilities such as chairing working groups, area forums, etc.

3.43 That council has a population of 175,000 and is therefore allocated 50 structure points. The council could choose to give additional payments to all conveners and deputy conveners of Committees. It would therefore have 14xC posts and 14xD posts in that council, using 42 points. This would mean the council had 7 points left to allocate to the Leader of the council and any other councillors with significant additional responsibilities.

3.44 Alternatively that council may decide that a deputy convener is not required for all 14 Committees, or that the role does not carry significant additional responsibilities, and use the remaining points to reward other councillors who have additional responsibilities outwith the Committee structure, or pay the Leader a higher salary with the remaining points. The Council could also leave some points unallocated in case they needed to establish a new committee or make some other change to their structures.

3.45 Instead of a committee structure, the council may have an 8 person executive/cabinet and decide that those councillors should be at Level B (8xB posts). The council may have a further 8xC posts covering functions which do not fall within the remit of the Cabinet. The Council would then have 10 points remaining and may use these for other councillors with significant additional responsibilities, by having a Leader with 5 points, and five further posts at Level D (one point).

Our view:

This scheme offers councils flexibility around how to reward those councillors who have significant responsibilities beyond the role which can be expected of a councillor. Each council would need to decide how best to use the points to remunerate adequately those councillors who hold significant additional responsibilities in the council. A council would have to assess how many posts it needed to carry out the council's functions effectively and at what level these posts should be. Under this scheme it would be less likely that councillors with *minor* additional responsibilities would receive a payment over and above the basic councillors' salary which means some minor responsibilities would need to be taken on by councillors in receipt of a basic salary. If the basic salary is set at an adequate level, we do not consider that unreasonable. In developing this scheme we have had discussions with officers at a number of councils of various sizes and structures who generally agreed that the scheme would work in their areas.

In summary, this scheme:

1. Would retain flexibility for councils to decide which posts should attract a higher salary.
2. Would introduce different levels for middle-ranking councillors with additional responsibilities.
3. Would limit the scope for enhanced salaries being given to councillors with minor additional responsibilities.
4. Would allow for the fact that similar posts in different local authorities carry different levels of responsibility.
5. Would retain the principle that the Scottish Local Authorities Remuneration Committee should recommend the rates which additional responsibilities should attract.

Allowances

3.46 In addition to basic and special responsibility allowances, councillors are currently entitled to other allowances, in particular, travel and subsistence allowances. Most councils pay subsistence allowances to councillors when they attend the council headquarters for council and committee meetings. Councillors are also eligible to claim travel allowances for travel to meetings and other travel in connection with council business. Rates for allowances are either set nationally through secondary legislation, follow central guidance, or are set by individual local authorities using other schemes, for example Inland Revenue rates, as a guide.

3.47 We will not go through every allowance that may be payable to councillors, but we believe that there should be a general principle, assuming all councillors receive an adequate basic salary in the future, that allowances and expenses should reimburse councillors for expenditure incurred, but should not be, nor seen to be, a way in which to top up a basic allowance or salary. We also note arrangements for councillors are mostly different to those for local authority staff. Sometimes these arrangements are more generous or less generous for councillors than they are for staff. We believe there is an argument for simplifying travel and subsistence arrangements by requiring councillors to follow the same scheme that a local authority has in place for officers receiving a similar level of basic salary, with rates following guideline amounts set by the Inland Revenue.

Subsistence

3.48 If councillors are in receipt of an adequate basic salary, we do not believe there is a need to pay subsistence allowances for attendance at the council headquarters or at any other venue for council meetings. Some councils provide working lunches when council business runs through lunchtime etc. Where they do not, a councillor may purchase lunch, as members of staff are expected to do. We therefore recommend that daily subsistence allowances such as breakfast, lunch, tea, and dinner allowances, or those set by the number of hours in attendance at council offices should no longer be available.

3.49 There is of course a need to pay subsistence when official business takes councillors away from the council headquarters or other council venues, for example, when attending conferences or meetings in other parts of the country. We do not believe this should be a flat-rate payment, made regardless of how much expense is actually incurred. We recommend that councillors should be reimbursed the receipted costs of expenditure incurred for bed and breakfast, and an evening meal where appropriate. This will ensure that councillors are reimbursed for legitimate expenses but avoids any 'profit' element where, for example, a councillor chooses to stay with a friend or relative but claim a rate intended to cover hotel costs. We recognise that councillors who stay with friends or relatives may incur incidental costs and believe a small allowance should still be paid to a councillor in place of reimbursement for hotel costs incurred. We would further recommend that an upper limit for hotel costs should be set for at a level considered reasonable by the Scottish Local Authorities Remuneration Committee.

Attendance allowance

3.50 Attendance allowances were intended to recompense councillors for the time they spent on council business. Attendance allowances are rarely paid by local authorities, if at all, and we see no reason why they should be permitted if councillors are in receipt of an adequate basic salary. We therefore recommend that the attendance allowance should be abolished.

Childcare allowances

3.51 We recognise that childcare is an issue for a number of councillors and the Widening Access to Council Membership Progress Group may make recommendations in this area. Again, assuming that councillors receive an adequate basic salary, we do not believe arrangements for councillors should be any more or less generous than those in place for others in receipt of a similar salary. We therefore do not believe that councillors should be entitled to a childcare allowance, although if arrangements are put in place for council staff in the future, councillors should also be able to benefit from those arrangements.

Civic allowances

3.52 We are aware that some councils pay a “Civic Allowance”, primarily to Provosts and Lord Provosts, but in some cases also to Leaders. This allowance is intended to allow these postholders to buy formal dress and incur other such expenditure necessary to allow them to carry out their role in a fitting manner. We believe these allowances should continue to be available and should not form part of a local authority’s allocation of points.

Our view:

We would in particular comment that “attendance allowances” should no longer be available for attendance at the council headquarters. Meal allowances or arrangements whereby meals are charged against councillors expenses should no longer be available, and all travel and subsistence arrangements should be the same as those which apply to local authority staff. We would argue that these allowances should be offset by an increased basic salary, and that councillors should not receive allowances which are more generous than those that are available for council staff.

Annual Return to the press

3.53 In accordance with the Local Authorities Allowances Regulations 1995 councils must publish annually a record of payments made, in accordance with any scheme made pursuant to these regulations. Typically, these records are published in the local press and give details of basic and special responsibility allowances and travel and subsistence costs associated with council business. This gives the impression that councillors are profiting from receipt of much of these funds, when they are in fact simply being re-imbursed for routine travel costs incurred while carrying out their role.

3.54 The Group strongly believes information about councillors' allowances and expenses should be freely available and notes that some councils already publish such information on their websites. Freedom of Information legislation also means that in future such information must be made available to anyone who requests it.

Our view:

The current arrangements lead to information being published which can be seen as misleading and gives the public the impression that councillors are in receipt of more money than they actually are. We would encourage the Scottish Executive to consider whether the regulations which require information about councillors' allowances to be published can be improved.

Chapter four - Pension arrangements

Introduction

4.1 There are currently no arrangements for pensions for councillors. Councillors who wish to make pension provision must make private arrangements, using part of their basic and special responsibility allowances, or use private funds.

4.2 We have looked at the pension scheme for local government staff – the Local Government Pension Scheme (LGPS), the modified English Councillors version of the LGPS and the Scottish Parliamentary Pension Scheme (SPPS) (which is based upon the Westminster Pensions Scheme as at May 1999). These are described in Annexes B, C and D, with a Premium version of the Civil Service Scheme at Annex E. It should be noted that the LGPS is a typical public sector scheme and the SPPS considerably more generous.

Main options

4.3 The main options for councillors are described in the paragraphs below. The level of generosity will be a matter for the Scottish Local Authorities Remuneration Committee. One proposition is to have a scheme at the same level as LGPS, but we are aware that some have argued for a level comparable to the Scottish Parliament scheme. Detailed costings have not been done but the average annual contributions for the LGPS is of the order 14% employer with a 6% member contribution: the Scottish Parliament scheme has a contribution rate about 25% higher in total.

Defined Contribution (DC) Scheme

4.4 One option is a DC scheme investing a fixed percentage of the salary income of councillors to build up an individual fund which can be used to secure pension benefits at retirement. A variant is to offer an employer contribution of a multiple of the councillor contribution up to a 6% councillor contribution maximum. Different percentages by age will probably fall foul of age discrimination rules. The mechanism would most likely be a stakeholder pension, invested by an insurance company or similar. DC schemes are apparently simple, clear and easy to administer but councillors will be unable to predict accurately their retirement benefits, the amount of their fund at retirement will depend on their own investment choices and they will be subject to the vagaries of the annuity market when they come to buy a pension. Such schemes have a fixed cost which is known at the outset and should be on average as generous as any DB scheme as long as a similar level of contribution is made. However, they leave the member dependent on market conditions, which means that members with similar careers can receive significantly different pensions.

Defined Benefit Scheme

4.5 The other main approach and the one that is used overwhelmingly in the public sector is the defined benefit scheme where the pension and related benefits received is set by a formula usually linked to salary and service. Such schemes provide a much more predictable benefit which would be guaranteed by the Council;

the main disadvantage is that the cost to the employer can only be estimated as it depends on the actual future payments made and the council may therefore have to make unpredicted additional contributions at a later date. The scheme for Local Government staff is a Defined Benefit scheme.

4.6 When pensions were introduced for councillors in England and Wales, the Local Government staff scheme was chosen with two changes. A revalued 'average salary' formula was used which, among other effects, deals effectively with the dual remuneration effect where councillors will often have longer periods as a basic member mixed with shorter spells in posts of responsibility. Secondly, the normal retirement date was set at 70.

Consideration

4.7 We considered whether we should recommend either a formula-based approach or a money purchase one. Good arguments can be made either way. England and Wales opted for the former and council officers' benefits are on that basis; so, other things being broadly equal, there is a consistency argument which we considered important. This question should not however be confused with the generosity question below – a similar employer contribution should be made on either basis.

4.8 If we opted for a formula-based approach, we also considered what it should be. We could see no good reasons for departing from the structure of the scheme for local government staff. We do not see much justification for higher pension age introduced in England and Wales as this does not sit well with the need to encourage a wider range of people to seek office, and the dual remuneration issues would seem better handled by a mechanism treating service as a councillor and service receiving enhanced payment separately as in the Scottish Parliament scheme.

4.9 We also welcome the probability that, by the time the arrangements are introduced, amendments should have been made to the LGPS which will remove age limits that might impact adversely on older councillors. We believe that all councillors should be eligible for pension on all their future service as a councillor and that all councillors should also be able to make additional contributions on a commercial basis in the same way as any other member. If the anticipated changes to LGPS are not in place by the time a pension scheme is introduced then special arrangements should be made to achieve these objectives.

4.10 We also considered how generous benefits should be. Although this is a matter for the Scottish Local Authorities Remuneration Committee, the range seemed to lie between the level of the adjusted form of the LGPS adopted in England and Wales and the much more generous (fiftieths) original form of the Parliamentary schemes. The improvements recently introduced at Westminster should not set a precedent as they are intended to be at the cost of the MPs. This has been partially implemented with a rise in contributions to 9%.

4.11 It seems best to approach this question directly rather than in association with other questions. The differences between LGPS and SPPS are both of the degree of generosity and of structure and these are essentially independent issues.

Our view:

We believe the pension scheme for councillors should be a defined benefit scheme similar to that for local government employees. The scheme should be a final salary scheme which takes into account a councillor's basic salary and any enhanced salary received for carrying out special responsibilities. The two elements should be treated separately. We also considered pension age and did not see any reason to depart from the arrangements for council staff.

Chapter five – severance arrangements

Introduction

5.1 In line with the Scottish Executive's policy position, our remit was to make proposals for a one-off severance scheme to apply to serving councillors who choose not stand at the next local government elections. This is intended to recompense long-serving councillors who do not wish to take part in the new arrangements which the Local Governance (Scotland) Act 2004 will introduce, and who will therefore not benefit from the new remuneration and pension arrangements being proposed. We note that there is a wide body of opinion which believes that the severance scheme should have been extended to those who stand at the next election and are not elected; but we recognise that this is not permitted under the Act. We also note that there is a view that a severance scheme should be available at all elections rather than only those due in 2007.

Background

5.2 The only direct precedent in the UK was a severance scheme for councillors in Wales which provided a benefit of £1,000 for each year's service as a councillor, with a maximum of £20,000 for councillors who did not stand again at the 2004 elections.

5.3 The Group also noted:

- MPs and MSPs receive a resettlement grant of 25% of their annual salary on either not standing again or losing at election.
- There is UK statutory redundancy legislation, which provides for compulsory minimum payments when a person is made redundant from a paid post.
- There is a local government scheme providing higher than the statutory minimum payments on redundancy.

Fundamental questions

5.4 The Group approached the issue of severance payments from first principles. The first question we discussed was the shape payments should take. The most sensible options were (a) a flat rate payment or (b) a payment proportionate to length of service (like the Welsh scheme). A proportionate scheme with a maximum and/or a minimum would provide a compromise between the two approaches. This would give a scale of the form X plus Y times the number of years service as a councillor with perhaps a maximum number of years to count. Some implications of the differing approaches are listed below.

5.5 The fundamental question is whether the scheme is intended to reward service rendered. This may be thought natural, with most redundancy payments operating on this basis. If we think of the benefit in any way as a pension substitute – a scheme will be introduced for subsequent service – then a proportionate payment is appropriate. A flat rate benefit avoids (comparatively) large payments to some and

the possibility of arguably 'trivial' payments to others. This is in a context where neither backbench councillors nor councillors with added responsibilities are currently paid.

5.6 We therefore concluded that a scheme proportionate to length of service should be introduced and that length of service should be a cumulative total rather than a period of continuous membership of a council, except where a councillor has been out of office for a period in excess of 2 full electoral cycles.

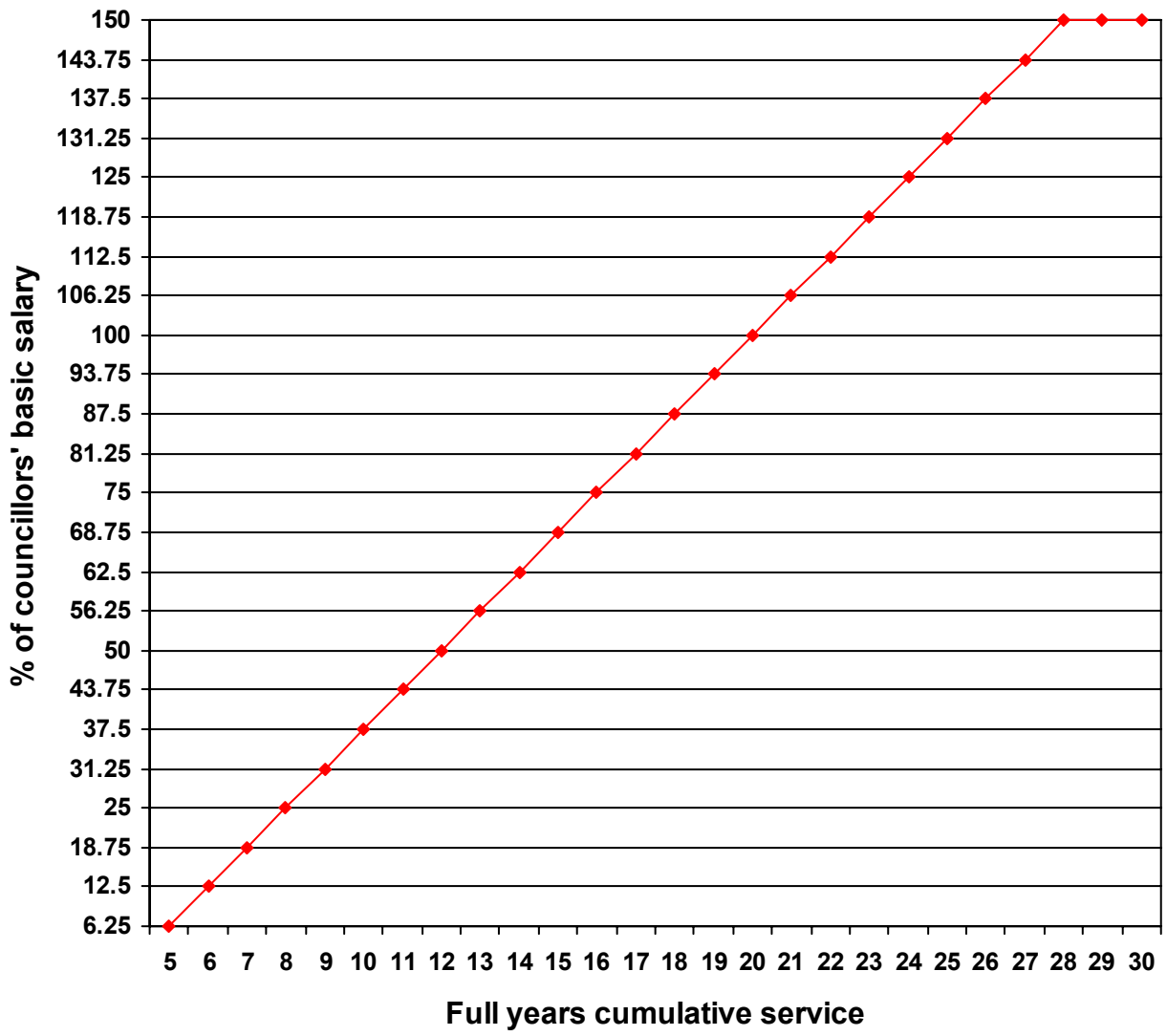
5.7 As one of the principles behind a severance scheme is to recognise long service, we do not believe the scheme should be available to councillors who will only have served one term – i.e. those who were elected for the first time at the local government elections in May 2003, or at by-elections since then. In considering the amount we were conscious that this is a matter for the Scottish Local Authorities Remuneration Committee. Given our remit, rather than answer the question with a figure or a scale, we propose that the scheme be linked to the new basis of remuneration for councillors. If the Scottish Local Authorities Remuneration Committee was to recommend a flat rate basic salary, the severance scheme would be linked to that figure. By way of illustration the entitlement might be as shown in the graph at the end of this chapter.

5.8 The percentages for each band will depend upon the figure for basic salary and these are issues for the Scottish Local Authorities Remuneration Committee.

5.9 We would also note for the avoidance of doubt that where a councillor dies in the period between formally agreeing to accept a severance payment, and the payment being made at the time of the election, the full amount should still be paid to that councillor's estate.

Our view:

The severance scheme should be proportionate to total length of service. It should recognise long service and should not encourage newly elected councillors to leave. We believe the scheme should be linked to the basic salary figure for all councillors rather than using arbitrary amounts.



Chapter six – Scottish Local Authorities Remuneration Committee

Introduction

6.1 The Local Governance (Scotland) Act 2004 makes provision for the establishment of the Scottish Local Authorities Remuneration Committee (SLARC). This Committee will make recommendations to Ministers about arrangements for councillors' remuneration, including the levels of payment that it considers appropriate.

6.2 Our task was to advise on the remit of the Remuneration Committee and the skills and experience needed by its members. In considering these issues we looked at the working methods and membership of the Senior Salaries Review Body. (SSRB)

Membership

6.3 We were interested to note that traditionally members of SSRB had no particular affiliation with any of the remit groups on whose pay they made recommendations. We understand this has been reinforced and currently no-one with a direct interest in the outcome of SSRB recommendations can be a member of SSRB. SSRB is independent of the parties whose affairs it covers, including the Government. We acknowledge that appointment to SLARC will be made through the Public Appointments Process but believe that SLARC should maintain the same principle as SSRB by not allowing individuals with a direct interest in the outcome of its work to be a member. We also note that given the nature of SLARC's work, at least one member should have a background in, or detailed knowledge of, pension arrangements.

Methodology

6.4 The SSRB takes evidence, written and oral, from parties involved in or interested in the pay of the remit groups. It is required by its terms of reference to take account of recruitment, retention and motivation issues in the remit groups and also a range of issues important to the Government e.g. Government targets and policies, the inflation target, available funds as set out in the Government's departmental expenditure limits, and a wide range of other matters including issues such as relating reward to performance, equal opportunities, legal obligations including anti-discrimination legislation, flexibility in pay systems, etc. Much of this has been added in the last few years.

6.5 The way in which SLARC operates will very much depend on directions given by Ministers but we believe very strongly that SLARC should commission an independent study of the weight of responsibilities required to carry out a councillor role effectively. We believe this is necessary to ensure that there is an unquestionable basis for its recommendations.

Our view:

We do not believe that serving councillors should be appointed to SLARC. We also consider it important that at least one member of SLARC has a background in, or detailed knowledge of, pension arrangements. We recognise that SLARC will need to follow any directions issued by Ministers but we strongly believe it should start its work by commissioning an independent study of the weight of responsibilities held by a councillor.

Annex A – First population-based scheme for councillors with additional responsibilities considered by Group

Band 1 (Councils with population over 400,000)

- Leaders of the Council and Lord Provosts F% of MSP's salary

Band 2 (Councils with populaton from 150,000 to 399,999)

- Leaders of the Council and Lord Provosts E% of MSP's salary

Band 3 (Councils with population from 100,000 to 149,999)

- Leader of the Council and Lord Provosts D% of MSP's salary
- SRA Level for Group 1 and 2 councils

Band 4 (Councils with population below 100,000)

- Leader of the Council C% of MSP's salary

Band 5

- Groups 2 and 3 provosts B% of MSP's salary
- SRA level for Group 3 and 4 councils

Band 6

- Councillor with minimal/no additional responsibilities A% of MSP's salary

By way of illustration, in a council with a population of 125,000, the Leader of that council would fall into Band 3 above and receive D% of a MSPs salary. The Provost and other councillors with additional responsibilities would fall into Band 5 and each would receive B% of an MSPs salary. All other councillors who had no additional responsibilities, or had minimal additional responsibilities, would fall into Band 6 and receive A% of an MSPs salary.

ANNEX B - LOCAL GOVERNMENT PENSION SCHEME (SCOTLAND)

Eligibility	Permanent employees
Member Contributions	Officers 6% of earnings Manual Workers 5% of earnings (6% for post 31/3/98 entrants)
Normal Retirement Age	Age 65 or if earlier, and a member before 1 April 1998, age 60 or later on attaining 25 years pensionable service.
Early Retirement	Retirement on the grounds of ill-health with enhanced benefits, or under other circumstances with possibly reduced benefits may also be allowed.
Pension at Retirement Age	1/80 th of pensionable remuneration for each year of pensionable service. Pensionable remuneration is normally the average remuneration in the employee's final year.
Lump Sum at Retirement Age	3/80 th of pensionable remuneration for each year of pensionable service.
Pension Increases	All pensions in payment, deferred pensions and dependants' pensions, other than benefits arising from the payment of additional voluntary contributions are increased annually. That part of pensions which is in excess of the Guaranteed Minimum Pension (GMP) is increased under the Pensions (Increases) Act. That part of the pensions which is GMP increases in accordance with Section 37A of the Pensions Act.
Death-in-Service Benefits	A lump sum benefit of two times pensionable remuneration at date of death, plus, A spouse's pension of 1/160 th of pensionable remuneration for each year of service that the employee would have been able to reckon if he/she had retired on the grounds of ill health at the date of death. (for widowers benefits, only service from 1988 can count unless the employing authority exercises its discretion to extend this to 1972), plus, Children's pensions may also be payable.
Death after Retirement Benefits	A spouse's pension equal to one half of the member's pension (but only service from April 1988 can count for widowers' benefits).
Benefits on Leaving Service	Members who leave service are entitled to either a refund of contributions, a preserved pension payable from normal retirement date, or a transfer payment to another scheme or to an insurance company.
The Scheme is contracted out of the State Second Pension.	

ANNEX C – Local Government Pension Scheme – English Councillors

Eligibility	Eligible Councillors
Member Contributions	6% of earnings
Normal Retirement Age	Age 70, or any earlier day after his or her 65 th birthday when total membership equals 40 years.
Early Retirement	Retirement on the grounds of ill-health with enhanced benefits or under other circumstances with possibly reduced benefits may also be allowed.
Pension at Retirement Age	1/80 th of career average pay for each year of service. "Pay" defined as total of basic allowance and special responsibility allowance. "Career average pay" defined as an amount equal to the total of a councillor's pay for each year or part year of active membership divided by the number of those years or part years.
Lump Sum at Retirement Age	3 x pension
Pension Increases	All pensions in payment, deferred and dependants' pensions, other than benefits arising from the payment of additional voluntary contributions, are increased annually.
Death-in-Service Benefits	A lump sum death grant of two times career average pay at date of death, plus, A spouse's pension of 1/160 th of career average pay for each year of service that the councillor would have been able to reckon if he/she had retired on the grounds of ill health at the date of death. Children's pensions may also be payable.
Death-after-Retirement Benefits	A spouse's pension equal to one half of the member's pension.
Benefits on Leaving Service	Members who leave service are entitled to either a refund of contributions, a preserved pension payable from normal retirement date, or a transfer payment to another scheme or to an insurance company.
The Scheme is contracted out of the State Second Pension.	

Annex D – Scottish Parliamentary Pension Scheme

Eligibility	Elected Members of the Scottish Parliament and Office Holders (Inc Lord Advocate & Solicitor General)
Member Contributions	6% of salary
Normal Retirement Age	Benefits payable from age 65 if no longer an MSP or office holder
Early Retirement	Retirement on the grounds of ill-health with enhanced benefits or under other circumstances with possibly reduced benefits may also be allowed.
Pension at Retirement Age	1/50 th of final salary for each year of pensionable service (pro rata for part of a year) of aggregate reckonable service.
Lump Sum at Retirement Age	You can commute part of pension in exchange for a capital lump sum of up to one and a half times final salary if you have 20 years actual reckonable service or more. A lesser capital lump sum is available where service is under 20 years.
Pension Increases	Pensions in payment are increased annually in line with the Retail Prices Index.
Death in Service Benefits	<p>A lump sum benefit payable to your nominee will be the greater of three years' final salary or your accumulated contributions in the Scheme, plus compound interest.</p> <p>A spouse's pension will be based on five eighths of either the pension you would have expected to receive at age 65, or your deferred or retirement pension.</p> <p>Children's pensions may also be payable.</p>
Death after Retirement Benefits	A spouse's pension will be based on five eighths of retirement pension.
Benefits on Leaving Service	Members who leave service are entitled to either a refund of contributions, a preserved pension payable from normal retirement date, or a transfer payment to another scheme or to an insurance company.
The Scheme is contracted out of the State Second Pension Scheme.	

Annex E - THE PREMIUM PENSION SCHEME FOR CIVIL SERVANTS

New pension age 65 Schemes may follow a similar shape but with differing contribution levels / benefit fractions.

Normal Retirement Age (NRA)	60
Pensionable Earnings (PE)	Basic pay plus allowances deemed to be pensionable
Final Pensionable Earnings (FPE)	The best of: <ul style="list-style-type: none"> <input type="checkbox"/> PE in the last 12 months <input type="checkbox"/> PE in the best of the last 4 tax years <input type="checkbox"/> (PE + pensionable bonuses) averaged over any consecutive 3 tax years in the last 13 years. PE earlier than last complete tax year adjusted by RPI to that year.
Relationship to SERPS	Contracted-Out
Members' Contributions	3½% of Pensionable Earnings
<u>Benefits on Normal Retirement</u>	
On Normal Retirement	Assuming reckonable service of N years:
Pension	$N/60 \times FPE$
On Voluntary Early Retirement	Accrued pension reduced for early payment
<u>Benefits on Ill-health retirement</u>	
If less than 2 years' service	Refund of members' contributions less employee's Contributions Equivalent Premium (CEP).
If 2 or more years' service:	
Benefits on two tiers depending on whether	
1. unlikely to work in any capacity in future	
2. likely to be able to work in some employment	
Upper tier pension	Benefits as normal retirement but based on full potential service to age 60
Lower tier pension	Benefits as normal retirement. If N is less than 10 service enhanced to the lesser of 10 years & $2 \times N$. Enhancement cannot exceed half potential service to 60.
<u>Benefits Payable on Death-in-Service</u>	
(1) Lump Sum	3 X Pensionable Earnings
(2) Partners' Pension ^(a)	37½% of members' accrued pension ^(b) with service enhanced to the lesser of double its length, an extra 10 years, and potential service to 60.
<u>Benefits Payable on Death-in-Retirement</u>	
(1) Lump Sum	Balance of 5 years' pension payments reduced by pension received to death
(2) Partner's Pension ^(a)	37½% of member's pension ^(b) except after upper tier ill-health retirement enhancement will be calculated as though member died in service on date of retirement.
<u>Benefits on Withdrawal</u>	
- Less than 2 Years' Service	Refund of member's contributions less employee's CEP
- 2 or more Years' Service	Benefits increased in deferment, payable from NRA
1. <u>Lump sums on retirement</u>	At the start of payment members may commute pension for lump sum using a conversion factor of 12:1 subject to Inland Revenue limits. Benefits for partners will be based on the pension before commutation.
<u>Increases to Pensions</u>	
- In Payment	In line with increases in RPI, on excess over Guaranteed Minimum Pension.
- In Deferment	Total pension increased in line with RPI

Notes :

- (a) Partners' benefits are paid to spouses and to those (of either sex) in a permanent relationship with the member. These benefits are payable for life.
- (b) All service counts for both members and partners' benefits.

Annex F

In carrying out its work, the Group met representatives of the following councils and organisations:

- Aberdeen City Alliance
- Aberdeen City Council
- Aberdeenshire Council
- Bieldside and Milltimer Community Council
- Federation of Small Businesses
- Highland Council
- Kemney Community Council
- Perth and Kinross Association of Voluntary Services
- Perth and Kinross Council
- The Accounts Commission

We are grateful to those who took time to give their views to the Group.