

## **EXECUTIVE NOTE**

### **THE LOCAL AUTHORITY ACCOUNTS (SCOTLAND) AMENDMENT REGULATIONS 2011**

#### **SSI 2011/64**

The above instrument is made in exercise of powers conferred by section 105(1) of the Local Government (Scotland) Act 1973. The instrument is subject to negative resolution procedure.

#### **Policy Objectives**

The Regulations will amend the Local Authority Accounts (Scotland) Regulations 1985 to require local authorities to prepare a Remuneration Report as part of their annual statutory accounts. The Remuneration Report will include information on the remuneration of the most senior officers in each authority, senior members and anyone not otherwise included in those categories whose remuneration is £150,000 or more per year. Similar information is to be disclosed for the chief executive (or equivalent) of any local authority group subsidiary body. Pension benefits and contributions to a person's pension are also to be disclosed.

This requirement will bring local authorities in Scotland in line with practice in central government and quoted companies in the private sector. Local authorities in England and Wales are already required to disclose details of senior officers' remuneration in their accounts. For reasons of transparency, it is considered desirable that similar remuneration disclosure should apply to local government in Scotland. Local authorities in Scotland are already required by statute to make an annual return on elected members' salary, allowances and expenses, which is published. There is no requirement to make a return on pension benefits. The requirement to include senior elected members in the Remuneration Report of the local authority statutory accounts reflects the role of senior members in setting the policy of a local authority.

#### **Summary of the Regulations**

The Regulations require a local authority to provide a Remuneration Report as part of the statutory accounts from 2010-11 onwards. The Report will include:

- Details of the local authority's remuneration policy for senior employees and senior councillors and details of any role the local authority has in determining the remuneration policy for a local authority subsidiary body.
- Disclosure of both the remuneration (salary, bonuses and non cash benefits) and pension benefits of senior officers, senior members, and officers whose remuneration is £150,000 or more. Senior employees are defined as being those employees who are responsible for the management of the local authority, those that hold politically restricted posts, and any employee whose remuneration is £150,000 or above. Senior councillors are those that are so determined by statute in the Local Governance (Scotland) Act 2004 Remuneration Regulations 2004.
- Disclosure of remuneration and pension benefits is also required for each Chief Executive (or equivalent) of a local authority subsidiary body and any councillors of the local authority that are remunerated by a local authority subsidiary body.
- The number of employees (including police officers) by pay band whose remuneration is £50,000 or more, in bands of £5,000.

## **Guidance**

To assist local authorities implement the changes we intend to provide guidance through a Local Government Finance Circular. This will provide further background to the requirements and include illustrations of how the data to be provided are to be presented in the Remuneration Report.

## **Consultation**

The Local Government (Scotland) Act 1973 requires consultation to be undertaken before Regulations are made under section 105 of the Act. The views of the Society of Local Authority Chief Executives (SOLACE) and the Convention of Scottish Local Authorities (COSLA) were sought and taken into account before undertaking a wider stakeholder consultation between 3 September and 20 October 2010. Those bodies consulted were:

- The 32 councils and the police and fire boards.
- Council Leaders and the National Association of Councillors
- Professional accounting bodies
- Audit Scotland
- Scottish Public Pensions Agency (SPPA) - due to their role in the regulation of local government, police and fire pension schemes in Scotland)
- Scottish Local Authority Remuneration Committee (SLARC) - who advise Scottish Ministers on salaries (including pensions), allowances and expenses paid to local authority members in Scotland).

The consultation was also published on the Scottish Government website.

In total 17 responses were received with most being in favour of the proposals for reasons of transparency. Several local authorities commented it would reduce Freedom of Information enquiries. Some reservations were raised regarding pensions' information, particularly the costs to obtain the information and whether the information would be available to meet timescales for completion of unaudited accounts (30 June). We addressed these concerns in discussions with the SPPA and Local Authority Pension Fund Managers. Pension Fund Managers advised that pensions information would be available, provided they receive early notification from local authorities of their requirements. In terms of charging for information, Glasgow Council's Fund Manager advised of a £1,000 charge per council (12 councils) and Edinburgh Council's Fund Manager of a charge of £150 per person (based on an estimated 89 persons this totals £13,350). No other Fund Manager envisaged making charges at present. These costings were based on a full pension disclosure, including the transfer value of a persons pension as at the financial year end. Pension fund managers advise that Her Majesty's Revenue and Customs (HMRC) are proposing changes to the way pension are calculated which could affect the transfer value. To allow further consideration the regulations do include a requirement to disclose pension transfer values which should reduce the cost of providing pension information.

## **Impact Assessments**

There is no equality impact as the requirement to disclosure remuneration and pensions' information applies to all senior employees and senior members as defined.

There is no financial impact on the Scottish Government or business. There is minimal financial impact on local authorities ranging from £0 to £5,000 per authority.