

Committee: <b>Policy &amp; Resources</b>	Date: <b>5 July 2012</b>
Subject: <b>Remuneration of Members</b>	Public
Report of: <b>Town Clerk</b>	For Decision
<p style="text-align: center;"><b><u>Summary</u></b></p> <ol style="list-style-type: none"> <li>1. At your meeting in March 2012, you agreed to seek the views of all Members of the Court, to establish whether the issue of Members' remuneration and allowances should be considered further at this stage. A letter was sent to all Members at the end of March together with a paper setting out the background and key issues.</li> <li>2. All Members were surveyed and 80 responses received. 64 Members were not supportive and felt that the matter should be dropped. 16 Members were of the view that the matter should be considered further. It should be noted that, whilst some Members clearly indicated that they were not in favour, some commented on some form of payment and this is dealt with further in the main report.</li> <li>3. Nevertheless there was overwhelming support for the matter to be dropped.</li> </ol> <p><b>Recommendation:</b></p> <ol style="list-style-type: none"> <li>4. Your instructions are now sought on how to proceed.</li> </ol>	

## **Main Report**

### **Background**

5. As part of the governance review conducted last year an undertaking was given to examine options for the introduction of an allowance or remuneration scheme for Members. Since then the issue has been considered by the Resource Allocation Sub-Committee and the Grand Committee.
6. Historically, Members have undertaken their responsibilities on a voluntary basis for no financial reward and, with the exception of travel expenses for City Corporation business, Members are not reimbursed for any incidental expenses. The City Corporation is the only local authority in England and Wales that makes no payment to its elected Members for the public service they provide.
7. The main driver for considering whether a system of allowances or remuneration should be introduced has been concern that people may be deterred or excluded from standing for election, or deterred or excluded

from participating more fully once elected, due to the effect their civic life might have on their career/income. As mentioned on previous occasions there is a risk that not remunerating Members could mean that the City Corporation is less representative than it could be of the diverse City that it serves. Some Members of working age are self-employed or have to take unpaid leave from their place of work, resulting in a genuine and significant loss of income. Such a loss, it is felt, deters some Members of working age from taking on a more active role.

### **Current Position and the Results of the Survey**

8. Given the views expressed at an informal meeting of Members in February it was agreed that the views of all Members should be sought in order to establish whether the issue of Members' remuneration and allowances should be considered further at this stage.
9. Your Chairman subsequently wrote to all Members about the matter at the end of March and a paper setting out the background and key issues was also provided. A copy of the letter is attached at Appendix A. To ensure that a maximum number of responses were received, Members were also sent a reminder about the issue and given a deadline of 21 May for the submission of responses.
10. Eighty Members responded and the results were as follows:-

No further consideration/Yes consider the matter further	Number	% of respondents
No	64	80%
Yes	16	20%

11. It should be noted that whilst the majority of Members indicated that they were not in favour, some in that category expressed the following views:-
  - 13 Members felt that given current financial constraints and the austerity measures which had been put in place such a move could damage the City Corporation's reputation;
  - 9 Members felt that there should be some form of expenses scheme for those on lower incomes and those experiencing hardship;
  - 5 Members were of the view that Members should be able to claim their travel expenses from home to Guildhall as well as from Guildhall to other City Corporation meetings; and
  - 3 stated that whilst they were not supportive, the issue of remuneration should nevertheless be revisited periodically.

12. Of the sixteen Members who were supportive of the matter being considered further, one or two made observations as follows:-

- 4 Members felt that the introduction of an allowance would ensure that people are not deterred from standing for election to the Court of Common Council and that it would enable the City Corporation to become more representative of its community;
- 3 Members commented that it would be open to Members to opt in or out of any scheme introduced so those who were not in favour could opt out; and
- 2 Members felt that consideration should be given to an allowance based scheme rather than expenses.

### **Options**

13. The views of Members are now sought on the how this matter should be progressed in the light of the responses received from the 80 Members of the Court who responded to the Survey.

14. To assist in this process, set out below are several options for consideration:

- **No further Action.**
- **Enhancing the Members' Financial Loss Scheme** – A Members' Financial Loss Scheme was introduced in 2006 for members who have suffered financial loss/hardship as a consequence of undertaking their civic duties. The scheme is funded by City's Cash as, unlike other local authorities, the City Corporation does not have the power to pay allowances using the City Fund. The Financial Loss Scheme is based on a scheme operated by the Courts Service for magistrates, with the inclusion of a recognised income criterion governing eligibility. Since its introduction, only three Members have applied for payments. Some Members have commented that the existing financial loss scheme should be made more generous which could be done by relaxing the income threshold and/or increasing the payments for financial loss.
- **The Introduction of an Allowance Scheme** - the payment of allowances elsewhere in local government is in accordance with statute, the main features of which are as follows:-
  - a) a basic allowance is payable to all councillors as recognition for the time they give and to cover their expenses in that role; and

- b) in addition to the basic allowance, a special responsibility allowance (SRA) is payable to certain councillors (eg. Leader, Deputy Leader, Cabinet members, chairmen of certain committees, Opposition group leaders) to reflect their special responsibilities.

Whilst the cost to the Council Tax payer of the schemes run in other authorities varies considerably, the City Corporation has more elected Members than any other authority, more than double the number of members of most authorities. This legislation does not apply to the City and, as stated above, the City Corporation does not have the power to pay allowances using the City Fund. If an allowance scheme is introduced, it would be funded from City's Cash. Previous views have been that if the City Corporation was minded to consider the introduction of an allowance scheme it should incorporate an income threshold with the allowance being paid only to those with income below a certain level. The aim would be to assist those on low or no incomes to participate more easily. However it was acknowledged that such a scheme would be complex to operate.

- **Expenses-based option**

Members have also considered taking an expenses-based approach to provide recompense for the key expenses (travel, constituency work and clothing allowance) which Members incur in undertaking their civic duties. The view was that this would recognise the important principle that City of London Members, unlike councillors elsewhere, did not receive remuneration in the form of an allowance or salary.

It should be noted that any allowance or expense would be fully taxable and there would be a cost implication in administering such a system.

## **Conclusion**

15. Based on the results of the survey your instructions are sought on how to proceed.

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## **Chairman of the Policy and Resources Committee**

Stuart Fraser

To: All Members of the Court of Common Council

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**Date 26 March 2012**

Dear Colleague

One of the subjects raised as part of the Governance Review was the possible introduction of a remuneration or allowance scheme for Members. At the time, the Court was advised that a number of ideas were being considered and that further separate written consultation would be carried out with Members.

The issue was raised at a private Members' meeting on 9 February 2012. Following that, the Policy & Resources Committee considered the matter further and it has been agreed that I should write to all Members of the Court.

Having read the enclosed paper which sets out the key issues, we would like your views on whether an allowance/expenses scheme for Members should be considered further at this stage, deferred until Autumn 2012 or dropped altogether. You can email your views on this issue to [angela.roach@cityoflondon.gov.uk](mailto:angela.roach@cityoflondon.gov.uk)

Yours sincerely

A handwritten signature in black ink, appearing to read 'Stuart Fraser', written in a cursive style.

## **The Introduction of Allowances/Remuneration for Elected Members**

### **Introduction**

1. This paper looks at the implications and appropriateness of introducing a system of allowances/remuneration for elected Members. It comments on the pros and cons of paying an allowance and looks at potential options if Members were minded to pursue a scheme.

### **Background**

2. Historically, the City's elected Members have undertaken their responsibilities on a voluntary basis for no financial reward. Neither do they receive reimbursement for incidental expenses nor, other than in exceptional circumstances, travel expenses.

### **Current Position**

3. The power to pay allowances using the City Fund, as it exists elsewhere in local government, does not extend to the City of London. The City Corporation consequently makes no payment to its elected Members for the public service they make.
4. As Members are aware, the City Corporation is a diverse organisation that undertakes a range of functions including a considerable number of non-local authority activities such as those funded from City's Cash. We cannot, therefore, be compared directly to a 'typical' local authority. Having said that, in addition to councils, most other public bodies, including NHS trusts and police and fire authorities, pay allowances.
5. The restrictions that apply to the City Fund do not apply to City's Cash.

### **Members' Financial Loss Scheme**

6. In 2006 the Court introduced a scheme funded by City's Cash, for Members who have suffered financial loss/hardship as a consequence of undertaking their civic duties.
7. The Members' Financial Loss Scheme is based on that operated by the Courts Service for magistrates, with the inclusion of a recognised income criterion governing eligibility.
8. Since its introduction, only two Members have applied for payments.

### **Allowances/Remuneration in Local Government**

9. The payment of allowances elsewhere in local government is in accordance with statute, the main features of which are as follows:-

- a basic allowance is payable to all councillors as recognition for the time they give and to cover their expenses in that role
- in addition to the basic allowance, a special responsibility allowance (SRA) is payable to certain councillors (eg. Leader, Deputy Leader, Cabinet members, chairmen of certain committees, Opposition group leaders) to reflect their special responsibilities

### **London Authorities - Level of Allowances**

10. The level of allowances paid to members of London local authorities is based on recommendations made by an Independent Panel. For 2011/12 the allowances recommended by the Panel for London boroughs are as follows:-

	<b>£pa</b>
Basic Allowance	10,597
SRAs	
Leader	54,227
Cabinet Member	34,780 to 41,262
Chair of Overview & Scrutiny	34,780 to 41,262
Chair of a major regulatory committee eg. Planning	15,333 to 28,298

*NB. It is for individual councils to decide where to pitch the allowances within the recommended parameters.*

11. Whilst the cost to the Council Tax payer of the schemes run in other authorities varies considerably, the City of London Corporation has more elected Members than any other authority, more than double the number of members of most London Boroughs. This would have cost implications were a scheme to be introduced.
12. Using the 2011/12 London Councils recommendations:-
- application of the basic allowance to the 125 Members of the Court of Common Council would, with full take up, cost £1,324,625.
  - the likely cost of applying an SRA to the City Corporation would be in the £300,000 - £400,000 range.

### **The Pros and Cons**

13. The main driver for having a system of allowances is concern that, as things stand, people may be deterred or excluded from standing for election, or deterred or excluded from participating more fully once elected, due to the effect their civic life might have on their career or income. There is a risk that not remunerating Members could mean that the

City Corporation is less representative than it could be of the diverse City that it serves. As to the existing membership, there is a school of thought amongst some Members that whilst there are some who are well off, and a few who are wealthy, the majority are of more modest means. Some Members of working age are self-employed or have to take unpaid leave from their place of work, resulting in a genuine and significant loss of income. Such a loss, it is felt, deters some Members of working age from taking on a more active role.

14. The workload and demands being placed upon some Members in respect of their time commitment to City Corporation business is increasing particularly for the Chairmen of Committees. An example is the position of the Chairman of the Police Committee which has been highlighted recently. The current Chairman estimates that he spends two full days each week on police authority activities which would clearly have a significant impact on a person's ability to earn an income.
15. The City Corporation is not an ordinary local authority and, as stated above, is excluded by legislation from the allowance schemes employed elsewhere. Any scheme introduced by the City Corporation would, therefore, need to be bespoke and funded from City's Cash. In the current atmosphere surrounding expenses paid to holders of public office, public reaction to City of London Members introducing a scheme to remunerate themselves would need careful handling.
16. Regard would also need to be had to the implications of such expenditure at a time when resources are under pressure, and services have been cut.
17. That said, it is important to be sure that people are not excluded from offering themselves for public office, and/or making a full contribution once they have been elected, as a direct result of loss of income or career impairment. The availability of an allowance should better ensure that a wide spread of individuals are able to get involved in community leadership and in the running of local services.

#### **Alternative allowance schemes**

18. In setting the level of any allowance three considerations are relevant:-
  - the City is not just another local authority; it is a unique organisation that has many roles in addition to that of a local authority, all of which involve input by elected Members;
  - the introduction of a system of local authority allowances across the City's functions is likely to lead to the inference that all the City's functions are characterised as those of a local authority, which of course they are not;



- the existence of the local authority allowance system means that some of the support provided to Corporation Members, which exists precisely because they receive no remuneration, is not available elsewhere (eg. Members enjoy more substantial subsidised private dining arrangements than in many places, as well as subsidised overnight accommodation and invitations to official functions.)

### **An allowance scheme for all Members**

19. Two illustrative variations of an allowance scheme are set out below:-

- a) Replicating the arrangements for London boroughs, eg £50,000 for Chairman of Policy, £15,000 - £35,000 for Chairmen of some Committees and £10,000 as a basic allowance for all members; or
- b) Recognising the points in paragraph 18 lower levels of allowances, eg:
  - 50%: £25,000, £7,500 - £17,500 and £5,000 or
  - 25%: £12,500, £3,750 - £8,750 and £2,500

The actual figures to be paid would be recommended to Common Council by an independent remuneration panel appointed for that purpose, thus avoiding Members feeling conflicted by determining their own remuneration.

### **An allowance for Members on low incomes**

20. A variation on this option would be the introduction of an allowance scheme that incorporates an income threshold. That is the allowances would be paid only to those with income below a certain level. The aim would be to assist those on low or no incomes to participate more easily. This would be relying largely on self-certification.

### **An enhanced expenses scheme**

21. Members might also wish to consider an alternative, expenses-based approach to provide recompense for the key expenses (such as travel, constituency work and clothing allowance) they incur in undertaking their civic duties, whilst maintaining what is recognised as the important principle that City of London Members, unlike councillors elsewhere, do not receive remuneration in the form of an allowance or salary. Expenses could range from a maximum claim in any one year of say, £2,000 per Member. This allowance could be increased for Chairmen of committees who are likely to devote more time City Corporation business and could range from £3,000-4,000 each year, depending on the level of anticipated demand and the expected time commitment.

### **An Enhanced financial loss scheme**

22. Another option would be to make the existing financial loss scheme more generous. This could be done by relaxing the current income threshold of £42,484 and/or increasing the payments for financial loss.

### **Financial Implications**

23. The extent of the financial implications of any scheme would depend entirely on the type of scheme that Members select and the options set out above give an idea of the sort of sums that might be involved.
24. Similarly, the cost of administration would also depend on the type of scheme chosen by Members. Generally, an allowance scheme would be less expensive to administer than one based on paying expenses, because there could be greater reliance placed on self-certification rather than the more detailed verification likely to be needed to pay expenses that have been incurred.
25. Finally, generally any allowance paid to Members would be subject to tax whereas the payment of expenses incurred would not.

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