

Allowances/Remuneration for Elected Members – A Paper

1. The Policy & Resources Committee asked for a factual note to be circulated to Members identifying key issues/questions concerning the possible remuneration of Members. It should be noted that this paper does not represent an exhaustive list of issues to take into account and is not intended to reach any conclusions. A decision on remuneration is a matter entirely for Members. Some of the key areas of focus are set out below:-

Can Members be lawfully remunerated?

2. The City Corporation can lawfully pay allowances to its Members.

What is the likely cost?

3. The City of London Corporation is not a local authority; rather it is an institution with local authority functions. Any discussion about the potential remuneration of Members must therefore ensure a suitable standard of comparison with external grant giving bodies, conservators of public open spaces and suchlike and governors of schools.

4. Bearing in mind that Members are unremunerated in the City Corporation it is difficult to assess what the cost might be. However, allowances paid in local authorities (which accord with statute), have the following features:-

- a basic allowance to all councillors in recognition of the time they give and to cover their expenses in that role
- in addition to the basic allowance, a special responsibility allowance (SRA) to certain councillors (eg. Leader, Deputy Leader, Cabinet members, Chairmen of certain committees, Opposition Group Leaders) to reflect their special responsibilities

5. For 2014/15 the allowances recommended by an independent panel for London boroughs were as follows:-

Payments	£pa
Basic Allowance	Up to 10,703
Special Responsibility Allowance	
Leader	54,769
Cabinet Member	35,128 to 41,675
Chair of Overview & Scrutiny	35,128 to 41,675
Chair of a major regulatory committee eg. Planning	15,486 to 28,581

NB: Each leader and cabinet member receives the basic rate (BA) plus their Special Responsibility Allowance (SRA) and the total amount paid by each authority also includes any expenses claimed. It is for individual councils to decide where to pitch the allowances within the recommended parameters

6. The introduction of such a scheme for the City Corporation based on the levels of remuneration paid in London boroughs would have the following cost implications:-

- applying the maximum basic allowance of £10,703 to the 125 Members of the Court of Common Council would, with full take-up, cost £1,337,875.
- The cost of applying an SRA is dependent on which positions the special allowance would apply to and where it would be pitched.

7. For illustrative purposes only, if the allowances used in say, the City of Westminster, were applied to the City Corporation the cost of remunerating for example the Chairmen of the Policy and Resources, Planning and Transportation and Finance Committees and the Chief Commoner would be as follows:-

Portfolio	Type of Payment	Payment	
Chairman of Policy	BA SRA Leader	9,000 35,000	
		Sub-total	44,000
Chairman of Finance	BA SRA Cabinet	9,000 10,000	
Chairman of Planning	BA SRA Cabinet	9,000 10,000	
Chief Commoner	BA SRA Cabinet	9,000 10,000	
		Sub-total	57,000
Remaining Members of the Court	BA	9,000 x 121	
		Sub-total	1,089,000
		Total	1,190,000

NB: Members would need to determine which posts would be eligible for SRA payments.

8. If it were decided that the allowance should be pitched at the maximum the overall cost would increase to £1,504,575.

9. The actual administration of a scheme would also have an impact on resources. It could be high maintenance and would probably require additional staff to administer it.

Does being unremunerated deter candidates from standing?

10. It has been argued that by not paying elected Members (or paying expenses), some people may feel unable to stand for election due to the impact this would have on their career or their income and that it acts as a deterrent. Remuneration could also demonstrate further the City Corporation's commitment to enhancing the diversity of the Court of Common Council.

External Perception

11. Members may consider it helpful in discussions with Government and other key external players to be able to assert that the contribution made by City Corporation Members is at no cost to the public purse and that role is purely voluntary. The introduction of remuneration might also have a negative impact on the City Corporation's claim for "uniqueness" i.e. it will no longer be able to maintain that it is different to local authorities.

12. There may also be some risk of a negative reaction to the City Corporation paying its Members at a time of reduced public spending and service reduction.

Could remuneration call into question the number of elected Members?

13. The City Corporation has high number of elected Members and, therefore, the cost of payment would be considerable. This could bring into question why so many Members are needed to serve such a small area.

Are there alternatives to remuneration?

14. One option would be an expenses-based payment to recompense Members for costs incurred in undertaking their duties. For example, this could be set at a modest sum of say £2,000 per annum which, with full take-up, would cost £250,000. Accepting such a payment could be optional.

What might remuneration mean for other benefits enjoyed by Members?

15. Members should consider whether, if remuneration was introduced, existing privileges or benefits would be maintained. These include the provision of free committee lunches, a subsidised Guildhall Club facility, subsidised overnight accommodation and the provision of events of hospitality such as committee dinners etc.

Would remuneration be a taxable?

16. The Chamberlain has advised that there could be tax implications for Members if an allowance was paid. This would need to be considered in more detail with advice from the Chamberlain if remuneration was supported.

17. Specifically, as Members of the City of London Corporation are currently unremunerated, they are treated by HMRC as "unpaid office holders". Certain

benefits that would normally be treated as subject to tax are not taxable to unpaid office holders. If Members are remunerated in excess of £8,500, all the said benefits become taxable. Benefits may include Guildhall Club, accommodation, IT equipment, hospitality, travel and parking. If Members decide to pursue the remuneration option, the Chamberlain will commission a report from its specialist tax advisors to advise Members of the potential tax implications.

Is the existing Financial Loss Allowance Scheme fit for purpose?

18. The City Corporation currently maintains a financial loss allowance scheme to *“provide a means of addressing the situation where a Member demonstrably suffers financial loss and, as a result, is likely to incur hardship by virtue of undertaking his/her civic duties.”* Details of the scheme can be found here:

<http://www.cityoflondon.gov.uk/about-the-city/how-we-work/corporate-governance/Documents/Members-Financial-Loss-Scheme.pdf>

19. The scheme is based on that currently in place for magistrates and since its inception in 2006, the scheme has been used rarely. As a result, Members have questioned whether it is fit for purpose.

20. One option would be for the scheme to be reviewed independently.