

Committee: Policy and Resources Committee	Date: 16 July 2020
Subject: Financial Assistance for Members	Public
Report of: Town Clerk on Behalf of the Financial Assistance Working Party	For Decision
Report Author: Angela Roach – Director of Members Services	

Summary

1. In March 2018, as part of its work to enhance the diversity of the Court and its desire *to ensure that prospective candidates for election to the Court of Common Council are not deterred from standing for election for any reason, including any prohibitive cost.* the Policy and Resources Committee created the Members Financial Assistance Working Party (MFAWP) to review the Members Financial Loss Scheme (FLS) and examine what additional assistance could be given to Members to support them in conducting their duties as elected Members and report back.
2. Since then Working Party has met on a number of occasions. It quickly concluded that the FLS was not equipped to achieve what was originally intended. To assist the Grand Committee with its deliberations and possible decision on the way forward, several, alternative options to the Scheme were examined. This resulted in the Working Party firmly confirming its preference for the provision of an annual, flat rate, allowance based on the City Corporation's rate for inner-London Weighting (£6,710.04 as of 1 July 2020) for its employees, together with the following:-
 - a. expenses associated with travel, subsistence and caring responsibilities (childcare and dependent adults) being retained as separate payments;
 - b. a payment of £500 being made available to Members to cover the cost of formal clothing following election or re-election;
 - c. the City Corporation meeting the reasonable costs of venue hire for Ward surgeries;
3. In the lead up to finalising its recommendations, a number of meetings were held with the City Corporation's tax adviser in order to understand the tax and National Insurance Contribution (NIC) implications and to ascertain whether there would be any impact on the benefits in kind available to Members and officers, such as the provision of accommodation; consideration was also given to the level of payment and to whether it should be claimable on a voluntary basis; and the views of the Independent Panel for London Boroughs (the body responsible for recommending what payments should be for London councillors) and the Resource Allocation Sub-Committee were also sought whilst various options were being assessed.

Recommendation(s)

Members are asked to note the findings of the Working Party to date and to agree the following:-

1. the introduction of an annual, flat rate, allowance based on the City Corporation's rate for inner-London Weighting (currently £6,710.04), payable to all Members and that it be effective from April 2021, together with the following:-
 - expenses associated with travel, subsistence and caring responsibilities (childcare and dependent adults) being retained as separate payments;
 - a payment of £500 being made available to Members to cover the cost of formal clothing following election or re-election; and
 - the City Corporation meeting the reasonable costs of venue hire for Ward surgeries;
2. the tax and NIC on benefits in kind and the clothing allowance (which would be become liable as a result of the introduction of an allowance) be met by the City Corporation, subject to the implications of the proposal being examined and to approval of the quantum of that liability once it was known.
3. the introduction of a Special Responsibility Allowance be revisited by the Working Party following the conclusion of the Fundamental Review and the Governance Review.
4. the approval of the Court of Common Council be sought accordingly.

Main Report

Background

1. Since 2011 the issue of Member remuneration and the merits of the current Member Financial Loss Scheme (FLS) has been considered on several occasions. In January 2018, as part of the Committee's work to enhance the diversity of the Court, a survey of all Members of the Court was undertaken on the two main issues which arose out of the debate at that time, the payment of Members and possible changes to the timing of meetings. Whilst the results of the survey favoured no change, Members were keen for the issue of remuneration to be kept as an on-going debate and asked that, as a minimum, a further comprehensive review should be undertaken before the next election.
2. Notwithstanding the fact that Members favoured no change on remuneration, at its meeting in March 2018 it was suggested by the Town Clerk that an independent review of the FLS should be undertaken to ensure that it was fit for purpose. However, whilst a

number of Members supported this, the Committee concluded that an internal working party should be created to review the Scheme and to also examine what additional assistance could be given to Members to support them in conducting their duties as elected Members, rather than it being carried out independently. The Members Financial Assistance Working Party (MFAWP) was subsequently created in May 2018. A Members Diversity Working Party (MDWP) was also created at that time, placing the previous informal Members Diversity Working Group on a more formal footing.

3. In terms of the timing of meetings it was noted that a committee could, if it chose, agree to alter the time of its meetings and therefore no further action was needed. This was an issue that was also examined later that year by the MDWP and it too noted that committees already had the ability to alter the timing of meetings.
4. The composition of the MFAWP's was agreed as follows:
 - The Chair of the Policy and Resources Committee (Chair of the WP)
 - A Deputy Chairman or one of the Vice Chairs of the Policy Committee. Tom Sleigh agreed to serve.
 - The Chairman and Deputy Chairman of the Finance Committee;
 - The Chairman of the General Purposes Committee of the Court of Alderman or his/her representative. Alderman Sir David Wotton agreed to serve.
 - The Chief Commoner for the time being, with the Chief Commoner Designate invited to observe prior to taking over in April;
 - The Town Clerk; and
 - two Members appointed by the Policy and Resources Committee from the wider Court. Sophie Fernandes and Mr William Upton were appointed.
5. Over the course of 2019 the MFAWP met on several occasions to consider the merits of the FLS and what additional assistance could be given to Members to support them in conducting their duties as requested by the Committee.

Members' Financial Loss Scheme (FLS)

7. The FLS was introduced in 2006. A copy of the current scheme can be accessed via the link below.

<https://www.cityoflondon.gov.uk/about-the-city/how-we-make-decisions/Documents/members-financial-loss-scheme.pdf>
8. The underlying principle of the Scheme is that Members should not suffer any financial loss as a result of their civic duties. The Scheme, therefore, exists to assist those Members who can demonstrate that they had suffered loss of earnings as a result of the time they allocated to the City Corporation. Members who had suffered the loss of social security benefits are also entitled to apply.
9. The Scheme is based on a system operated by the Courts Service for magistrates, whereby Members must establish that the loss or additional expenditure they had incurred was as a direct result of their civic duties. It includes a recognised income threshold above which payments for financial loss will not be paid. This is set at the upper earnings level for National Insurance purposes at £50,000.

10. The Scheme incorporates separate daily rates of payment for financial loss sustained for duties of up to two, four and eight-hour durations. The maximum claimable period per week is eight hours. Payments are increased in May each year in line with the magistrates' scheme and the rates apply until the Scheme is amended or replaced.

11. The daily rates of payment for financial loss currently applicable are as follows:-

Gross Rate – Self-employed Members	£
Up to two hours	29.15
Up to four hours	58.29
Up to eight hours	116.58
Net Rate – Other Members	£
Up to two hours	23.32
Up to four hours	46.63
Up to eight hours	93.27

12. Since its introduction, 14 years ago, less than ten Members have applied to the Scheme. Consequently, detailed consideration was given to whether the FLS could be enhanced, for example:-

- should it be extended by relaxing the income threshold to £55k or £60k (the national salary quoted by the ONS is approx. £48k). This could be linked to some form of indexation to ensure that it keeps pace with inflation etc. Increasing the threshold would mean that potentially more Members would become eligible to claim.
- should it be made more generous. The various rates of payment could be increased by say 10, 15 or 20%. However, increasing the rates would not mean that more Members would become eligible to claim. It would simply mean that the payments received would be greater. Taking the top of the range rate (up to eight hours) a 10% increase would equate to £128.23 for self-employed and £102.59 for other Members and a 20% increase would be £139.88 for self-employed and £111.91 for other Members.

13. Notwithstanding this, your WP concluded that the FLS was currently not fit for purpose. Amongst other things, it felt that:

- the application process was awkward and, to some extent, embarrassing for those applying;
- the narrative and title of the scheme focused on hardship rather than having a more positive tone i.e. assistance or an allowance to enable Members to carry out their duties;
- the definitions in the earnings section of the Scheme needed to be reworded or removed altogether;

- an alternative scheme was needed with consideration being given to one simple flat rate allowance for all Members or one which acknowledged the special role of chairmanships and/or the level of the work of a particular committee;
- consideration should be given to whether an alternative scheme should include an element for the cost of dress or whether this should be dealt with via a separate annual payment;
- financial assistance should be available to assist with the cost of ward surgeries, providing this was capped, consideration should be given to Wards holding joint surgeries (pairing) and the purpose of ward surgeries being clearly defined.

14. In reaching its conclusion, the WP also noted that one of the recommendations the Members Diversity Working Party presented to the Policy Committee in December 2018 was that, notwithstanding previous discussions, the issue of payment should be re-examined with the sole aim of furthering the City Corporation's diversity and inclusion agenda. The Members Diversity Working Party felt that it was invidious to ask Members to consider and comment on a situation that would affect them financially and therefore it was strongly of the view that the issue should be the subject of an independent review. In considering the matter at that time, the Policy Committee observed that the issue had been discussed on several occasions and that Members had only recently agreed that year not to re-open the issue for the time being. The Grand Committee was also of the view that the recommendation to appoint an external reviewer to look at the matter did not imply an immediate review, but rather suggested that the review should be conducted by an independent party when it was next due to be considered.
15. Having agreed that the current FLS was not equipped to achieve what was originally intended, rather than simply reporting that it was not fit for purpose, the WP was keen to present the Policy Committee with an alternative option to assist it in making an informed decision on the way forward.
16. As part of its deliberations it was noted that whilst Members can be paid, the work undertaken by some City Corporation committees was not eligible for payment legally (see para 17). Notwithstanding this, the WP looked at the payment Schemes operated at the House of Lords, the Local Government Association, London Councils and the payments made at the City of Westminster. It also rehearsed some of the facts which had been presented to all Members of the Court when considering payments previously, namely:-

Can Members be lawfully remunerated: yes, the City Corporation can lawfully pay allowances to its Members.

What is the likely cost: This would be dependent on the Scheme chosen.

Did being paid encourage candidates to stand: 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 non-payment acted as a deterrent. Its introduction would therefore demonstrate further

the City Corporation's commitment to enhancing the diversity of the Court and making it more inclusive. This view is supported by the MFAWP as well the Members Diversity Working Party.

External Perception: Notwithstanding the view that the absence of payment might deter people from standing for office, it had previously been argued that conversely, its absence had proved 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 the role is purely voluntary. Your Working Party was of the view that whilst the "voluntary factor" had, historically, been a key characteristic of the Corporation, this was no longer the case and it was increasingly at odds with current norms. That said, previous assertions that the introduction of an allowance could have a negative impact on the City Corporation's claim for "uniqueness" was accepted. It was also felt that there may also be the risk of a negative reaction to the City Corporation paying its Members at a time of reduced public spending and service reduction.

The current COVID-19 emergency whilst not a factor until recently, might give cause for further concern.

Could remuneration call into question the number of elected Members: The City Corporation has a 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 the FLS: There are alternatives, amongst other things consideration could be given to an expense-based payment by introducing a modest annual sum in recompense for costs incurred or an allowance based on either a flat rate, a qualifying day rate, an hourly attendance rate or the membership of a committee. Rates would need to be set by Members and consideration given to whether any form of capping should be applied to keep costs reasonable.

What might payment mean for current benefits in kind: it was acknowledged that if an allowance was introduced it might have an impact on existing privileges or benefits such as the subsidies offered by Guildhall Club and overnight accommodation.

Would remuneration be taxable: The Chamberlain had advised previously that there would be tax implications for Members if an allowance was paid and therefore the City Corporation's external tax adviser should be consulted on the matter. The outcome of this is presented in more detail in paragraphs 33-35 of this report.

Alternative Payment Schemes

17. The WP acknowledged that the City Corporation was not merely a local authority, but rather an institution with local authority functions. When considering alternative schemes, it accepted that it was important to be mindful of the hybrid nature of the organisation. City Corporation Members serve on a number of governing bodies where they are either trustees or governors or both. Trustees can only be paid if the constitution of the trust permits it and School Governors are not paid. A number of the committee/Boards appointed by the Court oversee activities which are not local

authority functions. This made the introduction of payments more complicated, particularly when comparing it to the payments made to Members in other local authorities.

18. Notwithstanding this, a number of options for providing a more accessible payment scheme have been considered as part of the process, including those applied in London local authorities. These were as follows:-
19. **Local Authority Payments** – these payments (which accord with statute), include a basic allowance to all councillors in recognition of the time they give and to cover any expenses incurred, together with a special responsibility allowance (SRA) to certain councillors (e.g. Leader, Deputy Leader, Cabinet members, Chairmen of certain committees, Opposition Group Leaders) to reflect their special responsibilities. SRA payments cover five bands, ranging between £2,582 - £9,397 for Members falling within band one (i.e. the chair of sub-committees or the vice chair of a service, regulatory or scrutiny committee) rising to a set salary of £85,162 for a directly elected Mayor.
20. Whilst MFAWP felt that it made sense for SRAs to be paid to chairmanships which did not enable the postholder to retain a full-time job such as the Chairs of Policy and Resources, Finance and Planning and Transportation, it was of the view that, in the first instance, it should focus on making financial assistance available to all Members. It was also mindful that the outcome of the Fundamental Review and the Governance Review had yet to be determined and therefore it was felt prudent to park consideration of SRAs until the outcome of these two comprehensive reviews had been settled.
21. London Councils Independent Panel for London Boroughs (IPLB) is the body responsible for recommending what payments should be for London councillors. It currently recommends a basic annual allowance payment of up to £11,045. The allowance includes out of pocket expenses such as local travel costs but not travel more widely. It is for individual councils to decide where to pitch the allowances. For your information, the Panel's latest report (2018) can be accessed via the following link:-

<https://www.londoncouncils.gov.uk/who-we-are/about-us/financial-information/leadership-and-expenses/remuneration-councillors-london>
22. The introduction of a scheme of this nature for the City Corporation if pitched at the maximum basic allowance of £11,045 with full take-up would cost £1,380,625.
23. **Fixed annual attendance and expenses-based allowance** - i.e. a flat rate determined by Members which covered the cost of travel, constituency work and clothing. If this were set at, for example, the lowest level recommended by the IPLB for SRA's in band one i.e.£2,582, this would equate to an annual cost of £322,750. A rate set at £5,519 (the amount payable to the chairs of London Councils Audit Committee, Capital Ambitions Board and its Whips) would equate to £689,875. A rate set at the highest recommended SRA level in band one, £9,397 would cost £1,174,625.

24. **Attendance Allowance Base on a day rate** - an attendance allowance based on a qualifying day rate such as that in operation at the House of Lords or the Local Government Association, at rates of approximately £300 or a reduced rate of £150 was considered. Assuming these payments were capped at attendance of no more than four grand committees, a Member serving on the Policy, Planning and Establishment Committees, for example would have been required to attend 34 meetings in 2019. Assuming each meeting qualifies for the day rate of £300 this would equate to £10,200 for the year or £5,100 when using the reduced rate. The rate would need to be determined by Members.
25. **Attendance Allowance Base on an hourly rate** – consideration was given to an allowance based on an hourly attendance rate, with the maximum claimable again being set at meetings of no more than four committees. It was noted that this would need careful management due to the cycle of some committee meetings as this can range between every three weeks, monthly, six weekly and quarterly. The rate would need to be determined by Members and a decision would also need to be taken on whether attendance at Sub-Committees and working party meetings should be in addition to the cap.
26. **Attendance Allowance Base on Committee membership** - capped at no more than four committees, in introducing this option, consideration would need to be given to applying a flat rate or whether rates should vary and be determined by the level or seniority of a committee. The WP felt that this application could give rise to debate on seniority and there could also be other unintended consequences.
27. **Annual Allowance Based on a Flat rate** - another option considered was to simply introduce an expenses-based payment as recompense for the work, time and costs Members incur whilst undertaking their civic duties. This was the MFAWP preferred option and having considered the different levels at which this could be pitched, it was felt that the payment should be based on the City Corporation's rate of inner-London Weighting for employees (currently £6,710.04).
28. For ease a comparative table summarising the potential cost of the above-mentioned options is set out below:-

Option	Individual Payments	Total Cost with full take up
Adoption of the London Local Government basic Allowance as recommended by the IPLB	£11,045	• £1,380,625
Fixed annual attendance and expenses-based allowance using different levels within the Band 1 range of payment recommended by the IPLB	<ul style="list-style-type: none"> • £2,582 • £5,519 • £9,397 	<ul style="list-style-type: none"> • £322,750 • £689,875 • £1,174,625

Attendance Allowance based on a £300 day rate and the half day rate of £150 (i.e. the rates paid at the House of Lords) – assuming 34 meetings days per year	<ul style="list-style-type: none"> • £10,200 • £5,100 	<ul style="list-style-type: none"> • £1,275,000 • £637,500
Attendance Allowance Base on an hourly rate	Dependent on the rate determined by Members.	
Attendance Allowance Base on Committee membership	Dependent on the rate determined by Members and the number of meetings this would apply to.	
Annual, flat rate, allowance based on the City Corporation's rate of inner-London Weighting	£6710.04	<ul style="list-style-type: none"> • £838,755

Other considerations

29. Whatever payment is introduced, it was accepted that consideration would need to be given to whether existing privileges or benefits should 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.
30. It was important to be clear on the tax implications if an allowance was paid, particularly for the posts of Chief Commoner or Chair of Policy as they are provided with flats and therefore the views of the City Corporation's Tax Advisor should be sought.
31. The cost of administering a scheme would need to be factored in. Depending on the favoured course of action it could require additional staff resources to administer it.
32. Taking everything into account, the MFAWP supported for the following:-
 - a. the introduction of an annual, flat rate, allowance based on the City Corporation's rate of inner-London Weighting (currently £6710.04), payable to all Members and to be effective from April 2021, together with the following:-
 - expenses associated with travel, subsistence and caring responsibilities (childcare and dependent adults) being retained as separate payments;
 - a payment of £500 being made available to Members to cover the cost of formal clothing following election or re-election; and

- reasonable costs of venue hire for Ward surgeries;
- b. the tax and NIC liability on the various benefits in kind offered to Members and officers be met by the City Corporation, subject to the approval of the quantum of that liability once it was known.
- c. the introduction of a Special Responsibility Allowance be revisited by the Working Party following the conclusion of the Fundamental Review and the Governance Review.

RSM Tax Advisers

33. The City Corporation's tax advisers, RSM, were invited to attend a number of meetings to provide advice and address any questions on the introduction of an allowance and the impact on the benefits in kind currently received by Members and officers.
34. In short RSM confirmed that if such an allowance were introduced Members would no longer be regarded as holding a voluntary office, but instead as office holders or employees, and that the allowance would be regarded as employment income and would be taxable and liable to employees' Class 1 NIC. Furthermore, any chargeable benefits in kind (such as committee lunches) would also then be taxable. The City Corporation (subject to NIC thresholds) would also need to pay employer's NIC on the allowance and any chargeable benefits in kind. The City Corporation would be required to operate PAYE on the allowance and to satisfy its other employment tax obligations in respect of other benefits in kind (for example, reporting chargeable benefits on the relevant annual forms, increasing levels of administration. It was acknowledged that, in certain circumstances, tax could be back dated and that there could be implications on tax paid by employees. Given these circumstances RSM advised that it might be more advantageous to maintain the Members Financial Loss Scheme. RSM felt that the WP should reconsider the FLS as an option in terms of extending the Scheme and how it was structured. RSM subsequently commented as follows:-

Further to our meeting, and as agreed, below is a note on financial loss payments.

To very briefly recap, if COL vote to pay an allowance to all members, that allowance would be taxable on all members regardless of whether it is actually paid to each member. This is because of the tax rules for when officeholders are deemed to be entitled to, and so taxable on, such payments.

As we explained however, if you extended the current financial loss scheme, providing it was correctly structured, only when a claim was approved would a potential tax liability be triggered.

Below explains when such an amount might be exempt from tax and NIC however, where these conditions are not met, the amount would be liable to tax and NIC via payroll.

We note your current scheme rules are <https://www.cityoflondon.gov.uk/about-the-city/how-we-make-decisions/Documents/members-financial-loss-scheme.pdf>.

We believe it would be possible to amend the current FLA scheme, to allow for situations where individuals are able to make a claim, such as where they are unable to maintain another job due to the time commitment needed as a member of COL, which because it would not meet the tax exemption below would be liable to tax and NIC and would therefore need to be paid via payroll.

As claims would be made under set rules, via a claim system and approved on a case by case basis, (where they could also be refused) there would be no entitlement created until such time as a claim was approved, thus tax and NIC would only be due when a claim is approved (if it does not meet the exemption below).

FLA exemption section 299A of ITEPA

From 6 April 2018, the Enactment of Extra-Statutory Concessions Order 2018 (S.I. 2018/282) enacted this extra-statutory concession by introducing section 299A of ITEPA. Section 299A provides an exemption from income tax on payments of FLA if specified conditions are met.

The exemption applies where:

- a person holds a voluntary office with a relevant authority
- they carry out duties of the office in a period in which they are also employed
- the payment is made solely to compensate the person for lost employment income for the period (and accordingly does not exceed the amount of that lost income)

A person holds a voluntary office where, at the time that payment is made, they:

- are not entitled to any payment or benefit in connection with carrying out the duties of the office
- have not received any such payment or benefit
- do not expect to receive any such payment or benefit

Payments of FLA themselves and payments in respect of reasonable expenses incurred in carrying out the duties of the office are disregarded when determining whether the person is entitled to receive, has received, or expects to receive, a payment or benefit in connection with carrying out the duties of the office.

A “relevant authority” is defined by subsection (5) of section 299A and includes The Common Council of the City of London.

“Lost employment income” means the difference between:

- the amount of employment income, after deduction of tax and National Insurance contributions (NICs), that the person would have received from their employment for the period during which they carried out duties of the office, and
- the amount of employment income, after deduction of tax and NICs, that they did receive from the employment for that period

For examples of the calculation of lost employment income, see EIM01135. <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim01135>

35. Further details of RSM's advice, including the advice relating to benefits in kind, has been circulated as a separate appendix.

Way Forward

36. In reaching a conclusion the MFAWP noted the views of the tax adviser in relation to a revised FLS and the implications on benefits in kind. Notwithstanding this, the Working Party was mindful that a revised FLS would still require an application process. It was also felt that the number of Members benefiting from the Scheme would remain low as there would still be an element of embarrassment for the applicant. In addition, it would not assist in addressing the City Corporation's aim of furthering the diversity and inclusion agenda in any meaningful way. The Working Party therefore felt that, despite the tax implications, the introduction of an annual, flat rate allowance based on the City Corporation's rate of inner-London Weighting payable to all Members was the best option and should be progressed and recommended to the Policy and Resources Committee for approval.
37. The Working Party was also mindful of the tax and NIC implications on benefits in kind, such as that offered to the two Members (the Chief Commoner and the Chair of Policy) who were provided with accommodation by virtue of their roles, and the provision of a clothing allowance on election or re-election. It was felt that any tax or NIC liability relating to benefits in kind should be met by the City Corporation. The Chamberlain's office has therefore been requested to examine this as a separate exercise and to report back on the outcome of their investigations, including the quantum of the liability.

Financial Implications

38. The payment of an allowance in recognition of the time spent and the duties performed would be subject to Income Tax and NIC as employment income with the rates being dependent on the Members individual circumstances. In order to enable appropriate deductions to be made through PAYE, Members would be required to submit information relating to their personal circumstances and would be included on the City Corporation's payroll as 'office holders' for the annual payment.
39. Apart from accommodation and the £500 to assist with clothing, subject to further consideration and final advice being provided, all other expenses may not be liable to tax and NIC. A link to the HMRC website which covers Tax treatment of Local Government Councillors and civic dignitaries and the allowances councillors might receive is set out below for your information:-

<https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim65920>

The provision of accommodation is classified as a benefit in kind so liable for taxation. The City completes a form P11D of the duties of posts such as the Chief Commoner or Chair of Policy and could consider meeting the costs of the tax liability.

If Members are supportive of an allowance this would be charged to the Guildhall Administration budget and apportioned on a fair basis between City's Fund and City's Cash.

Other Implications

40. The views of the Comptroller and City Solicitor has been sought in the preparation of this report. The Members' Allowances Regulations do not apply to the City Corporation and therefore the various restrictions and limitations within the statutory scheme for payment are not applicable. Notwithstanding this, the City Corporation is able to use the general power of competence under s.1 of the Localism Act 2011 to pay some or all of the proposed payments using City Fund should it so wish. It could also use its private capacity i.e. City's Cash for the same purpose. An allowance or assistance scheme provided by the authority itself is not a disclosable pecuniary interest and therefore there is nothing to prevent Members from speaking and voting on this proposal.

Equality Impact Assessment and Public Sector Equality Duty

41. Under the Equality Act 2010, all public bodies have a duty to ensure that when exercising their functions due regard is given to the need to:-
- *eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the 2010 Act;*
 - *advance equality of opportunity between people who share a protected characteristic and those who do not; and*
 - *foster good relations between people who share a protected characteristic and those who do not;*

In advancing equality of opportunity public bodies also need to have due regard to the need:-

- *remove or minimise disadvantages suffered by people due to their protected characteristics;*
 - *take steps to meet the needs of people with certain protected characteristics where these are different from the needs of other people; and*
 - *encourage people with certain protected characteristics to participate in public life or in other activities where their participation is disproportionately low.*
42. An assessment of the people with protected characteristics has been undertaken (i.e. age, disability, gender transition, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex and sex orientation). Whilst the impact of changes to the FLS or the proposed annual allowance would not be so great for people in these groups with higher earnings, there is likely to be a positive impact for those on lower incomes who wish to stand for civic office. It might also enable them to participate more fully once elected.

Next steps and Timetable

43. Subject to the views of Policy Committee on the way forward, a report on the proposal would be submitted to the Court of Common Council in September with the aim of the allowance becoming effective from April 2021. It is proposed that the tax or NIC relating to benefits in kind and the four yearly provision of a clothing allowance should be met by the City Corporation, the implications of this, including the quantum of the liability is being examined and will therefore be the subject of a further report to the Policy Committee in September.

Conclusion

44. In conducting its review of the FLS and what additional assistance could be given to Members to support them in conducting their duties as elected Members, the MFAWP was mindful of the Policy Committee's desire *to ensure that prospective candidates for election to the Court of Common Council are not deterred from standing for election for any reason, including any probative cost*. It also acknowledged that a lack of payment could be perceived as a barrier to widening diversity, inclusion and participation. The Working Party has concluded that the FLS Scheme is not fit for purpose. Very few Members had applied for it since its inception in 2006 and the application process was awkward, focussed on hardship and was, to an extent, embarrassing. It was felt that some of these concerns would not be alleviated with a revised scheme. Consideration was therefore given to the introduction of an alternative scheme. Having examined a number of options, the Working Party is of the view that the introduction of an annual, flat rate, allowance based on the City Corporation's rate of inner-London Weighting payable to all Members was the best option and that it should be progressed and recommended to the Policy and Resources Committee for approval. In addition, the tax and NIC implications relating to benefits in kind offered to Members and officers and the provision of a clothing allowance have been noted. The Working Party is proposing that this liability is met by the City Corporation and have asked for the implications of the proposal, including the quantum of the liability, to be examined and for the outcome to be the subject of a further report to the Policy Committee.

Background Papers:-

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