

Committee(s) Civic Affairs Sub (Policy and Resources) Committee	Date: 17 May 2022
Subject: Members Financial Support Policy: Update on Implementation	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	3
Does this proposal require extra revenue and/or capital spending?	N/A
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Town Clerk	For Information
Report author: Greg Moore, Assistant Town Clerk	

Summary

In July 2020, the Policy and Resources Committee gave support, in principle, to the introduction of an annual, flat rate, allowance based on the City Corporation's rate for inner-London Weighting, which would be easy to claim and would only create a potential tax liability for Members who received the payment. It was envisaged that any new scheme would recompense Members for the duties they undertake on behalf of the City Corporation and that it would enable those who chose not to claim from the scheme to also maintain their status as volunteers. This followed on from the Committee's aspirations to enhance the diversity of the Court of Common Council and to ensure that prospective candidates for election to the Court are not deterred from standing for election for any reason, including any prohibitive cost.

Work was subsequently undertaken by the City Corporation's tax adviser, RSM, in consultation with the Members' Financial Assistance Working Party (MFAWP). This, ultimately, resulted in proposals to update the existing Members' Financial Loss Scheme (FLS) and include an element where all Members can claim for the duties they perform if they choose, with only those Members who subsequently benefitted from the scheme being liable for tax.

This new scheme was approved by the Court of Common Council in July 2021 and implemented from October of that year. The scheme is administered by an external third party to validate the applications received and provide the City Corporation with confirmation that a payment should be made.

Two quarters have now passed since the introduction of the Scheme. This report provides an update on take-up so far (57 registrations and a peak of 47 claims), feedback on implementation (both from a Member and administrator perspective, and sets out next steps.

Recommendations

The Committee is asked to note the contents of this report and provide any additional feedback or commentary in relation to the operation of the Scheme.

Main Report

Background

1. The Policy and Resources Committee was keen to enhance the diversity of the Court of Common Council and to ensure that prospective candidates for election to the Court are not deterred from standing for election for any reason, including any prohibitive cost.
2. In keeping with this (and in line with recommendations of the Members' Diversity Working Party and the Tackling Racism Taskforce), the Committee gave support, in principle, to the introduction of an annual, flat rate, allowance based on the City Corporation's rate for inner-London Weighting, which would be easy to claim and would only create a potential tax liability for Members who received the payment. It was envisaged that any new scheme would recompense Members for the duties they undertake on behalf of the City Corporation and that it would enable those who chose not to claim from the scheme to also maintain their status as volunteers.
3. Activity was subsequently undertaken by the City Corporation's tax adviser, RSM, to work through potential tax and National Insurance implications of any scheme.
4. Given previous concerns about the narrative and title of the previous Financial Loss scheme, which focussed on hardship rather than having a more positive tone, the revised scheme has been renamed the Members Financial Support Policy (MFSP). The Policy has been separated into two parts. It retains the actual Financial Loss Scheme (FLS) element that has been in place since 2006 and now it includes a completely new section, the Extended Member Support Scheme (EMSS). It is the EMSS, which enables all Members to benefit if they choose, providing they meet the criteria. Entitlement to receive payment is not automatic and only arises once an application has been approved. Consideration was given to whether claims should be made on an annual basis; the Court determined that Members should have the ability to claim on a quarterly basis.
5. The sum of the maximum annual amount claimable has been set at £7,500 (up from £6,710.04, the London Weighting figure envisaged initially). This figure takes into account the cost of clothing required for City Corporation business and, in particular, its civic events. This follows HMRC's view that meeting the cost of clothing would create tax and National Insurance Contribution (NIC) charges.
6. The new MFSP as approved by the Court can be found [here](#).

Current Position and Issues of Note

7. The new Scheme has been in operation now for two full quarters. A total of 57 Members have registered for the Scheme, with 38 claims made in the first quarter (Oct – Dec 2021) and 47 made in the second quarter (Jan – March 2022). Feedback has been almost universally positive, with any negative feedback being limited to tech-related issues in submitting the claim forms.
8. In keeping with the Court's desire for anonymity, claims are processed by a third-party (RSM) which receives and verifies claims forms. Payments are then administered by the City's Payroll team.

9. In order to make a claim, Members need only complete a short form, confirming the quarter they are claiming for and a committee meeting which they have attended as a Member in the period. However, there have been some issues where Members have had difficulties sending forms and so have sent emails instead, which then causes some confusion with the third-party operator. Officers propose to explore with the third-party operator the creation of embedded forms within emails, to make the claim process smoother and more consistent for both parties.
10. There have also been several instances of claims being made well past the deadlines or, in some instances, for preceding quarters. This is understandable as the new system becomes embedded and most Members claim for the first time (particularly given the third-party interaction), so a pragmatic approach to claims is being taken for the current period. Continued communication and reminder emails to mitigate against this will be important; however, the Sub-Committee may need to consider a position in due course as to when cut-offs should be implemented, given the potential budgetary implications should retrospective claims be made across different budget years.

Next Steps and Areas of Exploration

11. As well as the aforementioned work around communications and improving the claims form, it should be noted that support was previously expressed to the potential for Special Responsibility Allowances (SRAs) being introduced in due course, once the City-wide elections had taken place.
12. At Appendix 1 is the latest independent report from London Councils on the Remuneration of Councillors, which may be of interest. Clearly, the position of the Corporation is not directly analogous to a normal Local Authority and so careful consideration will be necessary in respect of identifying which positions, and to what level, remuneration should be applicable. For instance, Bridge House Estates is not able to contribute to costs as this would effectively be a trustee benefit, and the general position in charity law is that trustees may be reimbursed proper expenses incurred in running a charity but may not be remunerated for acting as trustee (unless expressly authorised, which is unusual). This point also applies to the City Corporation's sundry charitable funds. Work will be necessary to understand the legal and tax implications of any potential proposals, and Members may also wish to consider using an independent panel to make recommendations in that context.
13. One other area in which further work is now necessary is in respect of overnight accommodation (i.e., rooms not amounting to *living* accommodation, which are owned by the Corporation), attributable to an employee's or officeholder's (which would include paid Members) attendance at their permanent place of work. This is taxable and liable to NIC as earnings from the employment/office; however, there is an exception to this, where the employee reimburses the marginal cost of its provision. Further work is being undertaken to establish the marginal cost of providing a room to ensure, for example, that the maintenance costs are included in the rates charged.

Financial Implications

14. Payments under the EMSS in recognition of the time spent and the duties performed are subject to Income Tax and NIC as employment income with the rates being

dependent on the Members individual circumstances. Given that payment of an allowance and provision of benefits in kind attracts tax and NIC, Members have a personal responsibility to ensure that they comply with any HMRC requirements and may wish to take advice from them or their own tax adviser on the impact of any payment received.

15. The costs of administering the scheme and payments made to Members are funded from a mixture of City Fund and City's Cash, based on a suitable, allocation criteria, e.g., Committee/Board time, employer's pensions contributions or on the basis on which we split corporate departmental time. Provision is made for this within the annual budget setting process.

Legal Implications

16. The City Corporation is able to use the general power of competence under s.1 of the Localism Act 2011 to fund any proposed payments using City Fund. It can also use its private funds i.e., City's Cash for the same purpose. An assistance scheme provided by the authority itself is not a disclosable pecuniary interest.

Equality Impact Assessment and Public Sector Equality Duty

17. Under the Equality Act 2010, all public bodies have a duty to ensure that when exercising their functions they have due regard to the need to advance equality of opportunity between people who share a protected characteristic and to 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.
18. An assessment of the people with protected characteristics was undertaken prior to the Scheme's approval (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 current FLS is unlikely to be great for people in these groups with higher earnings, there is likely to be a more 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.

Conclusion

19. The revised MFSP has now been in place for two quarters and feedback to-date suggests it is working well. Registration and claim numbers have risen each quarter and, as the Scheme becomes embedded and more widely known, it is likely that claim levels will increase and stabilise. Work is now needed in relation to SRAs and queries around tax implications, for Members' further consideration.

Appendices

- Appendix 1 – [Remuneration of Councillors in London 2022](#)

Contacts:

Greg Moore

Assistant Town Clerk

E: gregory.moore@cityoflondon.gov.uk