

Committee(s) Policy and Resources Committee Court of Common Council	Date: 26 September 2024 10 October 2024
Subject: Member Financial Support Policy - Uplift	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	Diverse engaged communities
Does this proposal require extra revenue and/or capital spending?	Y
If so, how much?	Up to £185k
What is the source of Funding?	City Fund / City Estate (provision made within 24/25 budgets)
Has this Funding Source been agreed with the Chamberlain's Department?	Y
Report of: Town Clerk	For Decision
Report author: Ben Dunleavy	

Summary

In July 2021, the Court of Common Council approved a series of recommendations on Member allowances, updating the former Financial Loss Scheme to the Members' Financial Support Policy (MFSP). The policy is divided into two parts, retaining the previous scheme allowing claims for financial loss, and introducing a new section called the Extended Member Support Scheme (EMSS). The new section enabled Members to claim for duties undertaken, with a maximum limit of £7,500. This amount has not changed since the introduction of the policy and as part of a related piece on Special Responsibility Allowances, the Civic Affairs Sub-Committee asked officers to pursue changes to the MFSP, with regards to both the financial loss scheme and the EMSS.

The Sub-Committee instructed officers to explore the application of an inflationary uplift, on the basis of the Consumer Price Index, to a figure of £9,000, which is set out in this report. This report also seeks to address an anomaly in the MFSP with regards to maternity claims, and to clarify the terminology used when distinguishing between the two different parts of the scheme.

Recommendations

That Members recommend to the Court of Common Council:

- i) That an inflationary uplift should be applied to the Extended Member Support Scheme element of the Member Financial Support Policy, on the basis of the Consumer Price Index, to update the current allocation to £9,000;
- ii) Whether to apply any uplift from the start of the next financial year or backdate to any previous point;
- iii) That the Chamberlain be authorised to apply inflationary uplifts on an annual basis going forward, subject to an annual review of the financial position through the relevant Committees; and
- iv) That the Town Clerk be authorised to make such changes as required to allow the schemes to allow Members to claim under both the Member Financial Support Policy and the Carer / Childcare element of the Financial Loss Scheme.

Main Report

Background

1. In July 2021, the Court of Common Council introduced a new Members' Financial Support Policy ('the Policy'). This followed work on enhancing the diversity of the Court of Common Council and aiming to ensure that prospective candidates for election to the Court were not deterred from standing for election for any reason, including prohibitive cost.
2. The Policy is divided into two parts. The first part retained the previous Financial Loss Scheme, initially introduced in 2006. This scheme was introduced to provide a means of addressing the situation where a Member demonstrably suffers a loss of earnings¹ and, as a result, is likely to incur hardship by virtue of undertaking their civic duties; however, this Scheme had almost never been claimed against, which Members felt may have been due to potential embarrassment around making a claim.
3. The second part, the EMSS, was introduced as a response to the Corporation'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. This was a view shared by the then Members Diversity Working Party and more recently by the Tackling Racism Taskforce. It is available to any elected Member of the Court of Aldermen and Court of Common Council.

Current position

4. In 2024, during the course of exploring the potential introduction of a Special Responsibility Allowance, it was noted that there had been no uplift in the amount that Members could claim since the introduction of the policy. This was despite the significant rise in inflation over the three-year period, along with other cost of living issues.
5. Noting that the MFSP was introduced with the intention of ensuring that the financial costs of serving as a Member did not dissuade prospective candidates from standing for office, it was considered prudent to consider the merits of applying a discretionary uplift.
6. One aspect that emerged as part of the process was a suggestion that the basic allowance for Members should be explored as a means of ensuring the original intent to remove barriers to access has not lapsed. This is particularly relevant given that the level of allowances for Members has not been addressed since their introduction in 2021, when they were set at a maximum of £7500. This figure was originally based on the then inner-London Weighting figure of £6710.04, adjusted to £7500 to consider some of the additional costs required of Members for the City Corporation's civic events. The figure was also considered in the context of not wishing to create an unintentional tax liability for Members in respect of National Insurance Contribution thresholds.
7. The Sub-Committee considered various mechanisms which could be explored to achieve this. In summary, these were:

¹ Earnings are defined under paragraph 3.4.2 of the [Members Financial Support Policy](#)

- a. **Link to staff pay:** One potential option was to link any uplifts to the MFSP to annual increases in staff pay, as the current sum is based on the inner-London Weighting figure applied to staff salaries. It was noted that the increase in staff salaries since the introduction of the MFSP, in percentage terms, if applied to the MFSP, would have equated to a generally equivalent sum to the recommended £9,000 uplift. However, Members noted that there was a risk that linking the payments in such a way could conflate the perception of Members as being employees. There is an important distinction to be between allowances and salary and the voluntary status of Members: that status comes with conditions that support various applicable tax exemptions. Equally, Members ultimately determine the level of staff salary increases and thus there would be a very material risk that a member of the public might perceive there to be a direct pecuniary interest of Members in receipt of the MFSP payments in making staff salary decisions.
 - b. **Inflationary Link:** Another potential mechanism for uplifting allowances would be to link them directly to inflation, such as through the Consumer Price Index or Retail Price Index. Using Consumer Price Index (CPI) inflation data from the Office for National Statistics from 1988 onward, the £7500 figure set in 2021 would now equate to c.£9000. There was general support for the application of an inflationary uplift on an annual basis, to be managed by the Chamberlain, with a view to ensuring that the sum remained in keeping with costs incurred by elected councillors in performing their duties.
8. The Civic Affairs Sub-Committee was supportive of Option B above; however, in order to ensure that other relevant factors (such as affordability) were taken into account and that the overall position was kept under review, it was felt that the implementation of any proposed uplift should be subject to a report submitted to the relevant committee(s).
 9. In considering uplifts to the Member Financial Support Policy, it is important to bear in mind that there is a threshold beyond which national insurance will be deducted. The current monthly threshold is £1,048, meaning an annual threshold of £12,576.
- Member Financial Support Policy – loss of financial earnings
10. Given the link discussed between the potential loss of earnings that an individual serving in one of the more time-intensive roles might suffer, your Civic Affairs Sub-Committee also considered whether there should be changes to the element of the Member Financial Support Policy relating to financial loss.
 11. It was noted that no Members had claimed on the financial loss scheme since the revised policy was agreed in 2021, which called into question its efficacy or appropriateness. It was suggested that a review of the financial loss element of the scheme, substantively associated with its promotion and awareness in the first instance, might merit further exploration in due course, as a further means of ensuring that any potential candidate for office was not precluded from service on an economic basis.
 12. Additionally, during the course of work being undertaken on the MFSP, it has been drawn to the attention of officers that there is a particular anomaly in the way in which the two parts of the City's Policy are set out, whereby anyone in receipt of the

EMSS is not entitled to claim for childcare or carer costs associated with undertaking their duties, as the provision for making such claims was left in section 1 of the Policy (and it is not permissible to claim from both parts).

13. This broad position is inconsistent with that adopted by some other local authorities as well as the general principle of encouraging those with caring responsibilities to be able to participate in public life. In some other authorities, notwithstanding the differences in overall allowance positions, individuals can claim back such costs whilst also receiving their basic allowance. It is self-evident that requiring those with caring responsibilities to expend their allowance on these costs would disadvantage them compared to colleagues without caring responsibilities; therefore, in the interests of ensuring equality of opportunity, an adjustment to the approach should be considered.
14. Officers have explored the implications of making an adjustment to the Policy so as to provide for the opportunity to address this discrepancy, with particular consideration given to any potential detriment to the voluntary status of Members and any tax implications. In short, allowing claims under both elements is possible without impacting the voluntary status; however, the implication is that any payments would not be “tax efficient” and so the individual may be liable to pay higher rates of taxation. Given the personal and individual nature of tax considerations, taking into account each Member’s own circumstances and income, it would be a matter for individual Members to assess and determine the impact to themselves should they wish to claim in these circumstances; nevertheless, it is suggested that provision should be made within the Policy to provide for the possibility of an individual being permitted to claim.

Next Steps

15. As covered at paragraph 8, the Sub-Committee supported the recommendation that the EMSS should be uplifted in line with the Consumer Price Index. £7,500, the maximum amount that Members can currently claim and which was set in July 2021, would now be worth c.£9,000.
16. It is therefore recommended that the scheme should be uplifted to £9,000 per annum. Furthermore, to avoid the need for further reports to be submitted through Committees to the Court of Common Council, it is recommended that the Chamberlain should be authorised to make inflationary uplifts on an annual basis, subject to an annual review of the financial position presented to the appropriate committee(s).
17. It is also recommended that, to address the position with claims for childcare, the Town Clerk be authorised to make such changes as required to allow the schemes to be adapted to allow Members to claim under both the Member Financial Support Policy and the Carer / Childcare element of the Financial Loss Scheme.

Corporate and Strategic Implications

Financial Implications

18. Following the recommendations of the Independent Review, the Chamberlain has made provision of £800k within the budgeting cycle for possible increases to

Member allowances. This amount is therefore available to be used against the recommended uplift to Member allowances.

19. The Employee National Insurance Contribution threshold is £1,048 per month. Members will not have to make NIC payments if the allowance received from a scheme is less than this amount. The current figure of £7,500 is £625.00 a year; the proposed annual maximum of £9,000 means that Members will be able to claim for a maximum of £750 a month, under the NIC threshold.

Legal implications

20. An 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 (as outlined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2021).
21. Any tax implications arising from individual Members' decisions to make claims against elements of the Financial Loss Scheme are the responsibility of individual Members.

Equality implications

22. 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 (i.e., age, disability, gender transition, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex and sex orientation) 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 to encourage people with certain protected characteristics to participate in public life or in other activities where their participation is disproportionately low. The premise that inadequate remuneration could serve as a potential barrier to participation in public life was accepted by the Court in commissioning the work on Member allowances, and an assessment of the people with protected characteristics was undertaken prior to approval of the Members Financial Support Policy, and the premise was accepted by the Court in introducing the Policy.
23. By seeking to address the changed economic circumstances since the original implementation of the MFSP, and by resolving the anomalous position regarding maternity claims, the proposals support the original objective of aiming to remove any obstacles which may deter prospective candidates for standing for election to the Court

Conclusion

24. The Member Financial Support Policy was introduced in 2021 to address the diversity of the Court by ensuring that any financial obstacles which might deter prospective candidates to stand for election were addressed. The figure not having been updated since its introduction, it is proposed to uplift the maximum claimable amount in line with inflation to ensure that principle remains adhered, along with addressing an anomaly concerning maternity claims.

Appendices

Appendix 1 – Extract from the draft minutes of the Civic Affairs Sub-Committee meeting of 24 July 2024

Background Papers

Members' Financial Support Policy – Court of Common Council – July 2021

Special Responsibility Allowance – Civic Affairs Sub-Committee – July 2024

Ben Dunleavy

Governance and Member Services Manager

Governance and Member Services Team

Ben.dunleavy@cityoflondon.gov.uk