

5 March 2008

DC 07/08
IMM 06/08

To: ALL CHAIRS OF IMBs

c.c. Clerks
Governors, Directors and Centre Managers
National Tutors
National Council

Dear Chair

REVIEW OF FINANCIAL LOSS ALLOWANCE (FLA).

Following a recent review of the Financial Loss Allowance (FLA) by the National Council to determine whether the current system is reasonable and is fully understood, a number of changes are to be implemented. The conclusions of this review and the proposed changes are set out below. All changes will come into effect from 1 April 2008.

- Definition of FLA – this is clarified below.
- A full day/½ day system of claiming will be replaced by a maximum per hour rate of £13.25 for those self employed and £10.70 for those employed
- Number of hours claimable by Chairs to increase from 144 to 200 per annum
- Role of the Chair
- New model FLA accountant's letter to be in use
- Compensation for accountant's expenses in relation to model FLA letter
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Definition of FLA

2. There appears to be confusion as to when IMB members are entitled to claim FLA, caused in part by a conflict between the current paragraph 35 of the finance manual and paragraph 47 (2).

3. The revised definition of the circumstances in which FLA applies is set out below:

“The assumption upon which Boards are established is that members are volunteering their spare time to carry out their IMB duties. Members are expected, wherever possible, to rearrange their normal work to accommodate their duties, and Boards should in turn try to organise themselves to minimise the financial loss incurred by one or more members. However, it is accepted that there may be occasions where incurring an actual loss of earnings is unavoidable, and it is for such occasions that FLA is designed.”

This definition will be included in the next revision of the Finance Manual.

4. In other words FLA is not a right, but is available in exceptional circumstances where a loss of earnings is actually incurred and can not be avoided.

Replacement of the full/half day system

5. The current method of paying FLA by half or full day amounts is based on the system for magistrates who are mainly bound to sittings rather than the more nebulous IMB work. Members who have incurred an actual financial loss of up to 4 hours are currently entitled to a half day FLA and over 4 hours to a full day. This is to be replaced by a new system where FLA is paid by the hour. The maximum per hour rate is set at £13.25 for self employed and £10.70 for employed members.

Maximum number of claimable hours

6. The maximum number of FLA claimable hours is currently set at 100 hours per annum for members and 144 for Chairs.

7. It is recognised, however, that there are now increasing demands on the role of the Chair of an IMB, which make it more difficult for them to rearrange their work commitments. Consequently, the maximum claimable hours for Chairs is raised to 200 hours per annum with effect from 1 April 2008.

Role of Chair

8. We have been informed that some Chairs are not aware that some of their members are claiming FLA. Chairs are reminded therefore that, as part of their remit, and their responsibility for the Board's budget, they must become aware of any member claiming FLA and be satisfied that it is claimed properly and within the definition of paragraphs 3 and 4 above. The matter can not be left to Board clerks alone.

Model accountants letter for self employed claimants

9. Where a self employed person is claiming loss of earnings there has been a requirement that their accountant provides a letter modelled on that included in the Finance Manual. This is however a rough guide as to what is

needed rather than a template for all the necessary information, and there have been some letters that clearly have not set out all the information needed. The template attached at Annex A to this letter contains nothing new, but sets it out in a completion box style. The accountant's letter also

emphasises that the member is schedule D (self employed) taxable. This letter must be renewed annually and a copy sent to the Secretariat. Letters signed by anyone other than an accountant are not acceptable for self employed FLA claims.

Reclaiming the cost of the accountants letter.

10. The policy on reclaiming the cost of an accountant's fee for authorising the member's circumstances has now been clarified, and members can reclaim up to £75 towards the cost of any accountant's fees in relation to their FLA letter. Any such claim should be on the same form as local expenses and should be receipted.

11. Any enquiries about the content of this letter should be directed to Rodney Bowles on 020 7035 2257 or e-mail Rodney.Bowles@justice.gsi.gov.uk, or Kevin Jones on 020 7035 2256 or e-mail Kevin.Jones3@justice.gsi.gov.uk.

Yours faithfully

Norman McLean
Head of IMB Secretariat

ANNEX A

FORM FOR COMPLETION BY AN ACCOUNTANT FOR IMB MEMBERS CLAIMING FLA AS A SELF EMPLOYED PERSON

Name of Board Member	
Their Business Name & Address	
Type of Business	
Average Hourly rate	
Normal Business days & hours	

I
The above named board member is self-employed and I, as a professional accountant, can vouch that he or she is taxed under Schedule D.

Name of Accountant	
Accountants Business Name & Address	
Signature	
Date	

It is a requirement that all self-employed board members claiming FLA must have a qualified accountant complete this form each year before making any FLA claims.