

**STATES MEMBERS: PART REIMBURSEMENT OF CLASS 2 SOCIAL SECURITY CONTRIBUTIONS**

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**Lodged au Greffe on 13th November 2001  
by the House Committee**

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**STATES OF JERSEY**

**STATES GREFFE**

180

2001

P.169

Price code: A

## PROPOSITION

### THE STATES are asked to decide whether they are of opinion -

- (a) to suspend Standing Order 44(1);
- (b) to agree that, with effect from 1st January 2002, States members who are liable to pay Class 2 social security contributions by virtue of receiving members' expense allowance and income support, should be able to apply quarterly to the Treasurer of the States for reimbursement equivalent to the secondary (employer's) element of those contributions;
- (c) to request the Finance and Economics Committee to meet the cost of the reimbursements and to request the Treasurer of the States to put in place the necessary practical arrangements.

### HOUSE COMMITTEE

Note: The Finance and Economics Committee is aware that the cost of the proposal if all 27 States members currently claiming income support are refunded Class 2 social security contributions would be approximately £50,000 a year at current rates. No provision has been made for such additional cost and, consequently, the Finance and Economics Committee is unable to support it.

## REPORT

The House Committee, in bringing this proposition, is seeking to reinstate the system of reimbursement of a sum equivalent to the employer's part of the Class 2 social security contributions to States members who are liable to pay Class 2 contributions as a result of receiving income support.

This system of reimbursement was put in place in 1995 after the States, on 12th December 1995, adopted a proposition of the House Committee (P.168/95) that a States member who was liable to pay Class 2 social security contributions should be able to apply to the Treasurer of the States for reimbursement equivalent to the secondary (employer's) element of those contributions.

The report accompanying that proposition explained that it was neither foreseen nor intended that the arrangements for financial support in force at the time should have had the effect of disadvantaging a small number of States members. The reimbursement was backdated to 1st January 1995 and at that time cost a maximum of £1,129.97 per member.

On 30th December 1997 the proposals of the independent States Members' Remuneration Board (under the chairmanship of Mr. John Averty) were presented to the States (R.C.42/97). The report recommended that there should be a 'two-tier' system of expense allowance, with a payment of £3,000 being made automatically and a further £5,000 available on proof that such sum of money had been legitimately incurred on States' business. As an ancillary matter, the Board recommended that the automatic reimbursement of the employer's element of the social security contribution should cease, and suggested that this expense should be classed as a legitimate expense that could be claimed against the £5,000 mentioned above.

The financial proposals of the Remuneration Board were the subject of a proposition presented to the States by the House Committee that was lodged on 30th December 1997 (P.207/97). Paragraph (c) of the proposition referred to the recommendation of the Board and requested the States to agree that the reimbursement of social security contributions should cease to have effect at the end of the current term of office of States members. The comment of the Finance and Economics Committee accompanying the proposition stated that the cost of reimbursement was, in 1997, £11,280.

P.207/97 was subject to considerable amendment during several debates in 1998. Senator R.J. Shenton lodged an amendment to the proposition (P.58/98) which sought *inter alia* to delete paragraph (c) to retain the reimbursement of contributions. In his accompanying report, Senator Shenton claimed that the proposed change would impose an arbitrary £1,000 a year pay-cut on those members who could least afford it. This part of Senator Shenton's amendments was defeated by 20 votes to 25. The reimbursement was therefore stopped for all members as their term of office expired and is only now available to any Senators elected in October 1996.

Notwithstanding this 1998 decision, the House Committee believes that the change has imposed an arbitrary reduction in income on those members who rely on the income support. The Committee is currently working on a comprehensive report on all aspects of members' remuneration that it intends to present to members later in the year, but it believes that this issue should be addressed in advance of that report so that the necessary system of reimbursement can be put in place for 2002.

### **Financial and manpower implications**

The Employment and Social Security Department has indicated that the maximum reimbursement necessary if the scheme were re-instated would be £1,849.20 per member at 2001 rates. The Committee is not able to know how many members would claim the reimbursement, as the income support system is subject to strict confidentiality, although the latest return from the Treasurer of the States shows that 28 members currently claim some level of income support. The Committee does not believe that there would be any significant manpower implications as there will only be a small number of claims to process each year.