

**STATES MEMBERS' REMUNERATION**

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**Lodged au Greffe on 10th December 2002  
by the Privileges and Procedures Committee**

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**STATES OF JERSEY**

**STATES GREFFE**

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## PROPOSITION

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

- (a) to agree that the present arrangements regarding the provision of a means tested minimum income and an expenses allowance to elected members of the States shall be replaced with a new remuneration scheme available to all elected members, and that under the new scheme -
  - (i) all elected members of the States shall, on application to the Treasurer of the States and irrespective of income from any other source, be entitled to receive remuneration up to a maximum of £41,000 per annum;
  - (ii) payments shall be made to elected members monthly in arrears;
  - (iii) the amount of annual remuneration shall be increased on 1st January 2004, and on 1st January in each year thereafter, in accordance with the increase in the Jersey Retail Prices Index as at the end of the previous year and the Finance and Economics Committee shall report the amount annually to the States;
  - (iv) the Privileges and Procedures Committee shall, in addition to the provisions in sub-paragraph (iii) above, undertake a triennial review of the amount of annual remuneration and shall report to the States with recommendations;
  - (v) Elected States members who are liable to pay Class 2 social security contributions by virtue of receiving remuneration under the scheme shall be able to apply quarterly to the Treasurer of the States for reimbursement equivalent to the secondary (employer's) element of those contributions;
- (b) to request the Privileges and Procedures Committee, in consultation with the Finance and Economics Committee, to take the necessary steps to bring operation into the new scheme as soon as practicable.

### PRIVILEGES AND PROCEDURES COMMITTEE

Note: The Finance and Economics Committee commented that the estimated cost of these proposals is approximately £1 million and represents a significant sum for which no allowance has been provided in the 2003 Cash Limits as proposed by the States in the Resource Plan.

Should the States agree to these proposals the Finance and Economics Committee would have to recommend a £1.039 million allocation from the General Reserve in 2003 and request that a first charge on the additional funds available in the prioritisation exercise for 2004.

# REPORT

## 1 Introduction

1.1 The Privileges and Procedures Committee is required by its terms of reference, as agreed by the States in adopting P.23/2002, as amended, on 26th March 2002, to bring forward proposals -

*“on the remuneration and expenses provision for elected members of the States, including roles such as ministers, chairmen of scrutiny committees, assistant ministers and others”.*

## 2 Core issues

2.1 Deciding the appropriate remuneration level for the elected members of a legislature is always problematic because there is no other occupation that can offer a useful basis for comparison. The work of a representative is unique. This makes the matter of remuneration and expenses for elected States members one of the most difficult and controversial subjects that the Privileges and Procedures Committee is required to consider in accordance with its terms of reference. There are clearly a wide range of strongly held views amongst both members and those outside the States. The Committee has noted that, since giving an indication of its initial thinking on this matter, there has been considerable comment in the local media, and from the public, on the draft proposals, some of which has been extremely critical.

2.2 The Privileges and Procedures Committee therefore believes it is important to recall that the principle of making available a minimum income to elected members, to ensure that no-one is prevented from standing for the States for financial reasons, has been accepted by the States for many years. The Committee hopes that no-one would suggest that this fundamental principle should, at this point, be brought into question.

2.3 At election time each candidate places their manifesto before the electorate, meets electors and explains their policies. In a democracy the electors have the opportunity to make their choice based on their opinion of the policies and ability of the candidates.

2.4 The Committee considers that it would be of much greater concern if, in the absence of a fair remuneration system, the only persons able to put themselves forward for election were those with sufficient income from other sources. This would clearly cause an imbalance in representation and would lead to a situation where certain sectors of Island life were totally unrepresented in the Assembly. This could include single parents and disabled persons. Granting suitable remuneration to elected States members would enable a greater number of candidates to stand, resulting ultimately in an Assembly that in its variety and balance is truly representative of the people of Jersey.

2.5 In attempting to bring forward proposals on the remuneration and expenses available to elected members, and proposals concerning how such payments should be determined, the Committee has taken the view that, despite the controversial nature of the subject, it must base its decisions solely on what, after careful consideration, it genuinely believes is the fairest and most appropriate system.

## 3 History

3.1 The Privileges and Procedures Committee is grateful for the work undertaken by the former House Committee Remuneration Sub-Committee which published its consultation document on 25th September 2001 (R.C.33/2001). The Working Party considered the entire ‘package’ of remuneration and expense allowance, following the House Committee’s opinion that remuneration for elected States members required review as part of the wider overview of States members’ facilities, irrespective of the future structure of the Island’s government, as known at the time.

3.2 Research was carried out into the history of States members’ remuneration, a scheme for which was first established in 1969. Detailed comparisons with a large number of other jurisdictions were drawn, and a set of consultative proposals were put forward highlighting the following issues -

- that the work of an elected States member could no longer be regarded as a part-time ‘amateur’ pursuit;
- that whilst there was a long tradition of honorary service in the Island, there was also the need to provide support for elected members to devote themselves entirely to their political duties;
- Jersey was unique in discriminating with the means-tested system;

- a basic salary should be made available to all elected members;
- elected members should be treated as ‘employed’ for social security purposes;
- the provision of a resettlement amount;
- the provision of some form of pension arrangement; and
- there should be no change to the present expense allowance, although this was linked to the provision of States members’ facilities.

3.3 The House Committee considered the responses to R.C.33/2001, and the Privileges and Procedures Committee has taken account of the views expressed when formulating its recommendations. The Committee is aware that as the reforms to the Machinery of Government progress, it will acquire a “working knowledge” of the departments and scrutiny committees. This knowledge will inform future decisions. However, it is already clear that the historical “amateur-politician” image is no longer appropriate or relevant.

3.4 The Privileges and Procedures Committee concurs with the views expressed in R.C.33/2001, that the present means tested system of income support should be replaced by a basic remuneration available to all elected members, irrespective of income from outside sources.

#### **4. Sensitivities**

4.1 The Committee is conscious of the sensitivities surrounding this recommendation and aware that the concept of honorary service remains an important one in the Island, not just in the political environment. The Committee fully accepts that some elected members would have no wish to accept any remuneration for the service they give to the States and therefore, there would be no obligation for members to receive it if they did not wish to. Nevertheless, the Privileges and Procedures Committee shares the view of the former House Committee Remuneration Sub-Committee that it is quite unfair that elected members of the States, who have outside sources of income beyond the current minimum allowable amount, should be precluded from receiving adequate compensation for the many hours they spend on their States duties. The Committee’s view is that elected members would claim the amount that they felt was appropriate to compensate them for the work they undertook for the States, up to the maximum allowable.

4.2 The Privileges and Procedures Committee would reiterate that the present means tested system, as examined in R.C.33/2001, appears to be totally unique amongst the various jurisdictions examined by the Working Party including Guernsey and the Isle of Man, where comparisons are perhaps more appropriate than against larger jurisdictions such as the U.K. Parliament at Westminster.

4.3 The Committee has formed the view that suitable remuneration would also provide a means of compensation for elected members, to enable them to plan and save for their own futures, in a similar way that they advocate policies relating to prudent future financial planning for all citizens, for the benefit of the Island and its community.

#### **5 Level of remuneration**

5.1 The Privileges and Procedures Committee has given careful consideration to the level at which the basic remuneration should be fixed - this is clearly a difficult and sensitive issue. Elected members pay should not be so little as to deter suitable candidates, oblige elected members to obtain further income elsewhere, or to be ridiculous in comparison to what elected members could earn elsewhere. In addition, elected members pay should not be so much as to be unacceptable to an informed public, or to make it the sole attraction of seeking office.

5.2 The Committee is sensitive therefore, to ensuring that the level of remuneration is appropriate, given the extremities outlined in paragraph 5.1 above.

5.3 The right of the States to determine its own elected members’ remuneration must be set within the wider political and economic context. Traditionally the status of the representative has been judged in terms of public service rather than financial reward. Status and privilege, however, cannot be quantified in exact monetary terms. Nor can anyone pinpoint exactly where being held in public esteem compensates for a low salary.

5.4 While the recommendations made in later paragraphs of this report may give the appearance of setting an inflationary example, in reality this is highly unlikely. Inflation is caused by a combination of many factors, such as rising interest rates, the value of sterling, raw commodity prices overseas etc. To hold a rise in elected members’ pay

alone as contributory to inflation would be a failure to acknowledge the complexity of modern economics.

- 5.5 The Committee is aware that it achieves little to continually discuss the relative worth of elected States members, regurgitating the same arguments in the States Assembly. However, the Committee feels that as a political issue, elected members' remuneration must remain in the political domain of the Chamber.
- 5.6 What is required is a simple mechanism, whereby the value of elected members' remuneration can be maintained from one year to the next and thus avoid frequent discussion of increases and other adjustments on a yearly basis. The Committee believes there is merit in applying annual increases based on the Retail Price Index, as a mechanism to ensuring that elected States members' remuneration does not fall significantly out of step with public sector pay settlements. This would apply in the January of each year based on the Retail Price Index as at December in the previous year. These rates would be reviewed triennially by the Privileges and Procedures Committee to ensure that they remained at a fair and reasonable level.
- 5.7 While the Committee does not deny that the work of an elected States member is unique, nor argue that the job content of an elected States member and a civil servant are the same, the Committee nevertheless feel that members would be interested to know of the civil service grades that compare with the proposed amount, which at current levels, would be between £36,873 (Grade 11/0) and £41,076 (Grade 11/3)<sup>[1]</sup>. As set out later in this report, the Committee's favoured option would be for remuneration at the top end of that range. This corresponds to the remuneration paid to 'middle managers' in the civil service and is believed to strike the appropriate balance in relation to the two extremes referred to in paragraph 5.1.
- 5.8 Jersey's current mechanism for means tested remuneration for its politicians is unique and does not feature in other parliamentary jurisdictions. Elected members can, at the time of writing, claim income support and expenses allowance up to a maximum of £36,974, and the proposals contained in this report, allowing for the balance of elected States members who currently do and those who do not claim income support/expenses, are unlikely to yield any radical change in the cost of remuneration in the future. Providing suitable remuneration would, thus, encourage States members' to come from all walks of life, rather than be narrowly representative of the electorate. Given the need that the majority of elected States members have to maintain commitments and responsibilities outside the Assembly and their States work, (such as mortgages and families), it is perhaps even more important to attract and retain as broad a membership as possible to the States.

## **6 Positions of greater responsibility**

- 6.1 Given the implementation procedures currently in hand regarding the proposed ministerial form of government for Jersey, and that such information was not known at the time the former House Committee submitted R.C.33/2001 to the States, the Privileges and Procedures Committee, in its First Report, proposed to make available limited additional remuneration, over and above the basic amount, to those elected States members with additional responsibilities. This was suggested as follows -

Chief Minister -	additional 50% of basic remuneration;
Minister/President of PPC/Chairmen of Scrutiny Committees -	additional 15% of basic remuneration.

It was also suggested that the States may consider providing members of Scrutiny Committees and Assistant Ministers with additional remuneration of 10%. However, due to the uncertainty of the potential workload and levels of responsibility of the respective positions, the Committee wish to defer the question of additional remuneration until more is known of the future roles within the Assembly. For this reason, the States are not being asked to consider this issue as part of this proposition.

## **7 Pensions**

- 7.1 The Privileges and Procedures Committee has considered carefully the recommendation of the House Committee Remuneration Sub-Committee, that a pension scheme should be established for elected members of the States. Although such schemes are common in almost every other legislature, the Privileges and Procedures Committee believes that the expense and complex administration in establishing such a scheme could not currently be justified in Jersey. Although it is obviously appropriate for elected members who remain in the States for the majority of their working life to make adequate pension provision, the Committee is of the view that it is preferable for elected members to make their own arrangements and believes that this will be more feasible if the basic remuneration is

increased to the level suggested in this report.

7.2 Elected members would not be provided with an employers' contribution towards pension arrangements, which, by comparison with a Grade 11/3 civil service officer, would amount to a sum of £ 6,227 per annum.

## 8. Social Security

8.1 The Committee considers that the present system of reimbursement of a sum equivalent to the employer's social security contributions, reinstated in 2001, works well and should continue. For the avoidance of doubt, the Committee would point out that elected members remain responsible for the payment of the employee's contribution if they are liable to make contributions.

## 9. Expenses

9.1 There is, at present, no accurate information available about the total 'cost' to an individual as a result of being an elected member of the States. In addition, it is apparent that this cost will vary greatly depending on the member's individual circumstances. Some members rent office accommodation to use in connection with their States' duties, others employ full or part-time secretarial support and some need to meet the cost of child care in order to attend to their States' duties. Others may already have access to office accommodation or simply work from home. The Committee researched average costs and discovered that office space costs between £15 and £25 per square foot (source Simon Buckley at Healey & Baker), hiring a secretary costs between £15,000 and £20,000 per annum (members often share the services of a secretary) depending on their skills and role (source: Recruitment Limited and Excel Recruitment) and childcare can cost from £4/hr to £8/hr depending on the age of the child and the qualifications of the child minder (source: Susan Kemp, Jersey Childcare Trust).

9.2 The Privileges and Procedures Committee is not able to make firm recommendations on the matter of expenses until the issue of facilities for elected members is concluded. The Committee considers both issues to be closely linked, as elected States members might avoid certain expenses if improved facilities were made available. For example, the cost of renting office accommodation could be avoided if such accommodation was provided elsewhere for use.

9.3 Other matters referred to in paragraph 9.2, such as secretarial support, might fall outside this general view, although it may attract further consideration should such support in some form be provided at a future date.

9.4 The Committee has formed the opinion that it would be inappropriate to establish a complex and potentially bureaucratic system, requiring elected members to account formally and fully for every item of expense, as is the case in many other jurisdictions. With improved facilities and the suggested remuneration level, it is possible for elected members to regulate their own level of expenses within the overall maximum payable.

9.5 The Committee has been advised by the Comptroller of Income Tax that the total remuneration payment referred to earlier would be treated as taxable income, but elected members would be able to make a formal claim to the Comptroller in respect of any expenses incurred in the performance of their duties. The procedure for making claims is by way of a completed annual income tax return. Members should note that, whilst there is no percentage limit on income that could be claimed on expenses, elected members can only claim expenses which are wholly or exclusively incurred in relation to their duties and work as an elected States member. These expenses could include secretarial support, office rental, transport, certain clothing and telephone.

## 10. Funding

10.1 If the proposal to introduce revised remuneration finds approval with States members, and assuming that it is envisaged that such payment is to include provision for elected members themselves to meet their own expenses and pension arrangements, the Privileges and Procedures Committee is, as stated earlier, minded that the remuneration should be in the region of £41,000.

10.2 Details of potential expenditure associated with elected States members' income and expense allowance for 2002 and 2003 are as follows -

		£
<u>2002</u>		
Maximum Expense Allowance claimable	=	9,277
Minimum Income Support claimable (max)	=	27,697

Total maximum claimable = 36,974

Based on all 53 elected members claiming:

Total expense allowance = 491,681

Total minimum income support = 1,467,941

Total payments for 2002 = 1,959,622

2003

Maximum Expense Allowance claimable = 9,667

Minimum Income Support claimable (max) = 28,722

Total maximum claimable = 38,389

Based on all 53 elected members claiming:

Total expense allowance = 512,351

Total minimum income support = 1,522,266

Total payments for 2003 = 2,034,617

There are, in addition, Social Security payments for the year 2002 estimated in the sum of **£23,000**.

*(Note: Figures for 2003 are based on increases over the 2002 figures of 4.2% for the expense allowance and 3.7% for Income Support.)*

- 10.3 If the proposal to provide entitled remuneration for all elected States members at a single level of £ 41,000 is adopted, this would amount to the potential annual sum of **£2,173,000**. This equates to a total shortfall of £ 138,383 in the potential amount payable under the existing scheme.

While this figure cannot accurately be determined, as it is difficult to predict the number of elected States members who would actually claim the full remuneration (not all members claim income support at present), the calculation assumes that the elected membership of the States remains at 53 in total and that all elected members would claim the full amount, which is, in practice, probably unlikely.

- 10.4 It is intended that such monies would be paid on a monthly basis, and not on a quarterly in advance basis as currently provided in accordance with an Act of the States dated 14th July 1998. Remuneration would be set up and administered through States central payroll.

## **11 Financial and manpower implications**

- 11.1 Any financial implications imposed as a result of the States approving a new remuneration entitlement for elected members, would be subject to the necessary funds being identified by the Finance and Economics Committee and it is only correct to point out that no additional sums have been earmarked within the proposed 2003 cash limits for this purpose.

- 11.2 This proposition has no implications for the manpower resources of the States.

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<sup>[1]</sup> It should be noted that the figures given in the Privileges and Procedures Committee's First Report presented to the States on 22nd October 2002 were prepared before the results of the 2002-3 civil service pay review were known and the figures in this report and proposition reflect the revised figures.