
STATES OF JERSEY



STATES MEMBERS' REMUNERATION REVIEW BODY: RECOMMENDATIONS FOR NOVEMBER 2014 TO MAY 2018

Presented to the States on 26th August 2014
by the Privileges and Procedures Committee

STATES GREFFE

CHAIRMAN'S FOREWORD

The Privileges and Procedures Committee is pleased to present to the States the recommendations of the States Members' Remuneration Review Body (SMRRB) for the lifetime of the next Assembly, namely November 2014 to May 2018.

The terms of reference of the SMRRB require the Review Body to present its recommendations to PPC and the Committee is then obliged to present the recommendations to the States forthwith.

The revised Terms of Reference agreed by the States in June 2012 for SMRRB state –

“10. The Review Body's recommendations on the actual level of remuneration and expenses payable to elected members shall be implemented automatically unless a proposition seeking a debate on the recommendations is lodged 'au Greffe' within one month of the date of presentation.”

PPC is again grateful to the members of the SMRRB for the work that they do on an honorary basis to reach their recommendations. I would like to play particular tribute to the Chairman, Mr. Julian Rogers, whose term of office will come to an end this Autumn. Mr. Rogers has been Chairman of the Review Body since it was first established in 2004, and he has dedicated many hours to the difficult task of assessing the correct level of remuneration for members and chaired the SMRRB very successfully for 10 years.

The Committee also wishes to extend its thanks to everyone who contributed to the public consultation that was undertaken by the Review Body in June 2014.

Deputy J.M. Maçon of St. Saviour
Chairman, Privileges and Procedures Committee

STATES MEMBERS' REMUNERATION REVIEW BODY

RECOMMENDATIONS FOR November 2014 to May 2018

Summary of conclusions and recommendations with regard to remuneration (including expenses)

The Review Body recommends –

- No change in States members' total remuneration and expenses (currently £42,600 and £4,000 respectively) for the period November 2014 to May 2018, but with the abolition of the current distinction between the 2 elements and with remuneration for elected members being defined instead as a single figure of £46,600 for the life of the next Assembly. Nevertheless, notwithstanding this recommendation, the Review Body will conduct annual reviews of remuneration each Autumn during the 3½ year life of the next Assembly to ensure that this amount remains appropriate and the Review Body will then make further recommendations for each calendar year between 2016 and 2018 if considered appropriate;
- The abolition of the £600 IT allowance that has been payable to members on request for 2014 with IT costs for members in future being met instead from their £46,600 remuneration payment;
- The introduction of pension arrangements for States members, including matched contributions from the States, from 1st January 2016 to coincide with the introduction of the Medium Term Financial Plan 2016 to 2019.

In addition, the Review Body intends to conduct a detailed review during 2015 of the remuneration arrangements for States members, with a view to recommending an appropriate future pay framework for members.

Basic remuneration

As in previous recent years, the Review Body has sought to strike a balance between the competing requirements in its terms of reference that it must have particular regard to, but not be bound by, “the principles that the level of remuneration available to elected members should be sufficient to ensure that no person is precluded from serving as a member of the States by reason of insufficient income and that all elected members should be able to enjoy a reasonable standard of living” whilst also having particular regard to, but not being bound by, “the economic and fiscal situation prevailing in Jersey, any budgetary restraints on the States of Jersey and the States’ inflation target, if any, for the period under review”.

The Review Body has taken particular note of the financial forecasts contained in the Draft Budget Statement 2015 which was published in July ([P.129/2014](#)) which show, *inter alia*, a difficult fiscal situation for Jersey and also indicate that there will be a requirement for all States departments to find savings for 2015. In the light of the recently published Budget information, the Review Body anticipates that there is likely to be considerable pressure to contain increases in public sector pay in the coming years. Information received by the Review Body indicates that there also remain a number of private sector employers who are still considering no pay increases or limited pay increases for 2015. The Review Body has also taken account of the Average Earnings Index published on 20th August 2014 and notes that the current weekly remuneration of States members, some £896, places them just below the average weekly earnings for financial services and the public sector (see Figure 7 in the Average Earnings report) which are the highest paid groups, and places members well above the average for all sectors of £670. The average salary in the Private sector, excluding the Finance and Public Sectors sector, would be £530 per week.

Having taken account of these and other factors, and having considered the responses to its Consultation Document issued in June 2014, the Review Body has concluded that the current total remuneration package of £46,600 remains an appropriate figure for the lifetime of the next States Assembly.

Expenses

The recommendation to integrate the former expenses allowance with basic remuneration was arrived at from 2 perspectives. First, from our understanding that, while most States members tend to treat their basic salary and allowance for expenses as income, their individual requirements differ widely. Secondly, many of the consultation responses suggest that since States members are technically self-employed persons, then their expenses should be treated on the same basis as everyone else in that situation.

At present, States members receive an annual expenses allowance of £4,000 and any claim for tax relief for this amount or less is accepted without detailed receipts by the Comptroller of Taxes. Where a claim for tax relief exceeds £4,000, detailed receipts are required for the overall amount. This arrangement has evolved from

the time when all elected representatives received an expenses allowance and the remainder of their remuneration was means-tested.

The manner in which the Comptroller will decide to treat expenses incurred by States members in the future is outside the remit of the Review Body and entirely a matter for the Taxes Office.

Pensions

Pensions for States members have been recommended by the Review Body previously but have not been implemented. The Review Body considers it appropriate now to press the issue by recognising pensions as deferred pay, and therefore part of a total remuneration package, and is making a firm recommendation that pension arrangements should be introduced from 1st January 2016. This date coincides with the start of the next Medium Term Financial Plan which will cover the period 2016 to 2019, and this will enable adequate provision to be made in the Plan for the cost to the States of matching pension contributions. The Review Body intends to undertake work during 2015 to develop the detail of voluntary pension arrangements which would, as previously recommended, involve the matching by the States as ‘employer’ of pension contributions made by members up to an agreed maximum amount for those members choosing to take up that opportunity. Any arrangements would need to be in line with local rule changes on pensions which are to be introduced generally.

States members are currently at a particular disadvantage in this respect as their pay is not progressive but reset for each term of office. They may leave after several terms of office, or only one, with no pension and only one month’s remuneration as a form of severance payment, and the Review Body therefore believes it is important to put in place proper pension arrangements. It is also appropriate to recognise that our recommendation that the current annual remuneration payment should not be increased from £46,600 must be seen in the context of this recommendation on pensions, as the payment by the States of matched pension contributions represents deferred pay and therefore increases in the future the overall remuneration level of elected members.

Social Security

States members are classed as self-employed. However, by concession, they are effectively treated as ‘employed’ for Social Security purposes only. Those members who would pay self-employed contributions for both themselves and a notional employer can, if they apply, receive a taxable refund equivalent to the amount that an employer would pay in respect of an employee earning the same amount as a States member.

Review of remuneration levels and pay structure

The Review Body has been in existence for 10 years and, when it was established in 2004, an existing remuneration level was already in place. Throughout the 10 year period since 2004 the Review Body has largely approached its task by assessing what annual increase, if any, has been appropriate in relation to the previous year's remuneration.

During the recent consultation exercise undertaken by the Review Body, a number of interesting and thoughtful points emerged about the matters it is charged with keeping under review. Not least, there was thoughtful commentary about the pay structure of the States as well as the level of members' remuneration under present rules. The Review Body is also conscious that 'reform' and 'modernisation' of the States remain on the agenda in one form or another, and that the fiscal position is tightening in times that continue to be challenging economically. All these factors lead the Review Body to the view that, during the next period it needs to take a fresh and thorough look not only, as usual, at the level and composition of States members' remuneration, but also at the pay structure more generally. This work will be undertaken during 2015 with a view to developing an appropriate future pay framework for elected members.

The Review Body is aware that 'an appropriate future pay framework for elected States members' is usually understood by observers, commentators and members themselves to imply (among other things) pay differences based on differing levels of responsibility, but Article 44 of the States of Jersey Law 2005 currently makes it unlawful to pay different amounts to different members (with the exception of payments for a pension scheme). The Review Body nevertheless considers that one option that needs to be considered as part of its overall review is whether a system of differential pay based on levels of responsibility would be appropriate. The Review Body is conscious that States members voted in May 2014 against repealing Article 44, but it was struck by the overwhelming view from respondents in the recent consultation that remuneration levels should **not** be the same for all elected members and that those with additional responsibilities should receive more. A review of the Hansard report from the May 2014 debate shows that some members were understandably uneasy about taking a decision to repeal Article 44 until it was clear what a system of differential pay might look like, and the Review Body considers that it is therefore appropriate for it to undertake this work to allow a future Assembly to take an informed decision on this subject.

Thanks

Thanks are due to the Greffier of the States, Michael de la Haye, O.B.E., for his own substantial administrative help and that of his Department in supporting the activities of the Review Body.

States Members' Remuneration Review Body

TERMS OF REFERENCE

1. The Review Body will make recommendations to the States, through the Privileges and Procedures Committee, on any matters relating to the remuneration and expenses of elected members as it considers appropriate.
2. The Review Body shall take any steps it considers necessary to gauge public opinion on the matters within its purview. Equally the Review Body shall seek the opinions of members of the States from time to time as it considers appropriate.
3. In forming its recommendations the Review Body will take account of any matters that it considers to be relevant and will have particular regard to, but not be bound by, the following matters –
 - (i) the principles that the level of remuneration available to elected members should be sufficient to ensure that no person is precluded from serving as a member of the States by reason of insufficient income and that all elected members should be able to enjoy a reasonable standard of living, so that the broadest spectrum of persons are able to serve as members of the Assembly;
 - (ii) the economic and fiscal situation prevailing in Jersey, any budgetary restraints on the States of Jersey and the States' inflation target, if any, for the period under review.

Membership

4. The Review Body shall consist of 5 members, none of whom shall be a member of the States.
5. The members shall be appointed for a period of 5 years and shall be eligible for re-appointment for one additional 5 year term.
6. The members shall be appointed by the Privileges and Procedures Committee following requisite consultation with the Jersey Appointments Commission. Before making any appointments, the Committee shall nevertheless be required to present a report to the States setting out the names of the proposed appointees, and the appointments shall not be confirmed by the Committee until at least 15 days after the presentation of this report.
7. The Review Body shall appoint one of its members as Chairman.
8. The quorum of the Review Body is 3.

Recommendations

9. The Review Body shall report its recommendations to the Privileges and Procedures Committee which shall present them to the States forthwith.
10. The Review Body's recommendations on the actual level of remuneration and expenses payable to elected members shall be implemented automatically unless a proposition seeking a debate on the recommendations is lodged 'au Greffe' within one month of the date of presentation.
11. The Review Body may make recommendations on other matters within its terms of reference to the Privileges and Procedures Committee but any such recommendations shall not be implemented until they have been agreed by the States.

Membership of the SMRRB

Mr. Julian Rogers (Chairman)
Mr. Brian Bullock
Mr. Maurice Dubras
Mr. John Mills, C.B.E.