STATES OF JERSEY

DRAFT BUDGET STATEMENT 2018 (P.90/2017): AMENDMENT (P.90/2017 Amd.) – AMENDMENT

Lodged au Greffe on 21st November 2017
by the Comité des Connétables

STATES GREFFE

DRAFT BUDGET STATEMENT 2018 (P.90/2017): AMENDMENT (P.90/2017 Amd.) – AMENDMENT

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(1) In the second line of the proposed additional wording, for the figure "£978,000" substitute the figure "£1,894,000".

(2) In the sixth line and in the penultimate line, delete the word "Parish".

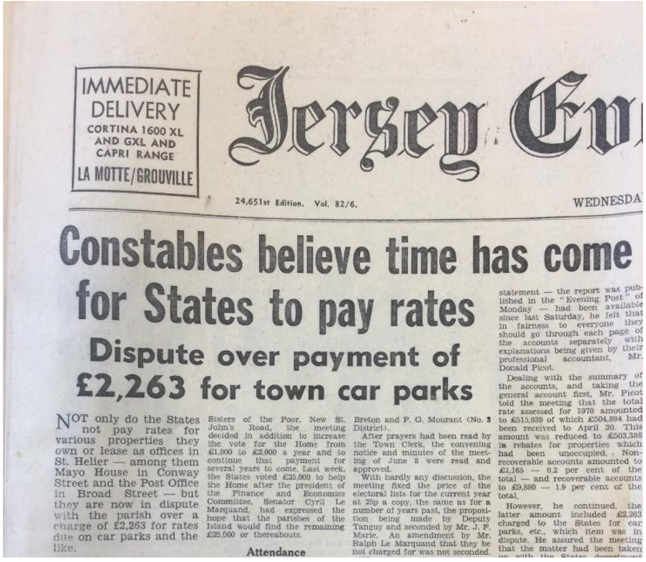
COMITÉ DES CONNÉTABLES

Note: The additional wording at the end of paragraph (b) would then read –

"except that the Council of Ministers and the Minister for Treasury and Resources are requested either (a) to allocate the required sum of £1,894,000 to the Department for Infrastructure from Contingency in 2018, or (b) to prioritise the provision of that sum to the Department for Infrastructure from available underspends at the end of 2017, and carried forward to 2018, in order to provide for the payment of Rates on States' properties to the Parishes, as agreed in the current Strategic Plan and the Medium Term Financial Plan, and that the allocation for the payment of Rates by the States as part of the Central Growth proposals in the 2019 Budget and beyond be reinstated;".

REPORT

The headline – from July 1971.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WEDNESDA

Constables believe time has come for States to pay rates

Dispute over payment of £2,263 for town car parks

NOT only do the States not pay rates for various properties they own or lease as offices in St. Helier — among them Mayo House in Conway Street and the Post Office in Broad Street — but they are now in dispute with the parish over a charge of £2,263 for rates due on car parks and the like.

Sisters of the Poor, New St. John's Road, the meeting decided in addition to increase the vote for the Home from £1,000 to £2,000 a year and to continue that payment for several years to come. Last week, the States voted £25,000 to help the Home after the president of the Finance and Economics Committee, Senator Cyril Le Marquand, had expressed the hope that the parishes of the Island would find the remaining £25,000 or thereabouts.

Attendance

Breton and P. G. Mourant (No. 3 District).

After prayers had been read by the Town Clerk, the convening notice and minutes of the meeting of June 8 were read and approved.

With hardly any discussion, the meeting fixed the price of the electoral lists for the current year at 25p a copy, the same as for a number of years past, the proposition being made by Deputy Tanguy and seconded by Mr. J. F. Marie. An amendment by Mr. Ralph Le Marquand that they be not charged for was not seconded.

statement — the report was published in the "Evening Post" of Monday — had been available since last Saturday, he felt that in fairness to everyone they should go through each page of the accounts separately with explanations being given by their professional accountant, Mr. Donald Picot.

Dealing with the summary of the accounts, and taking the general account first, Mr. Picot told the meeting that the total rate assessed for 1970 amounted to £515,939 of which £504,894 had been received to April 30. This amount was reduced to £503,385 in rebates for properties which had been unoccupied. Non-recoverable accounts amounted to £1,165 — 0.2 per cent of the total — and recoverable accounts to £9,880 — 1.9 per cent of the total.

However, he continued, the latter amount included £2,263 charged to the States for car parks, etc., which item was in dispute. He assured the meeting that the matter had been taken

2002–2005

The report of a Steering Group in 2002 and 2003 noted (see P.40/2004: *Machinery of Government: relationship between the Parishes and the Executive*, paragraphs 65 and 66) –

> *"The issue of whether the States should pay rates on all its land and property has been considered on several occasions over the last 20 years."*

The Steering Group estimated that the States did not pay rates in relation to about 67% of its land and property portfolio (but was St. Helier's biggest ratepayer, paying in the region of £400,000 in 2002) and went on to recommend –

> *"The States should pay rates on all its land and property. An exercise should be carried out to estimate the rateable values of all the States owned/occupied land and property for which rates are currently not paid."*

The (then) Finance and Economics Committee was required to "... undertake a review of the States' land and property portfolio in order to bring recommendations to the States regarding the States' liability to rates" (P.40/2004).

The Finance and Economics Committee duly undertook the review, which was reported in R.56/2005: *Parish Rates – the States' liability*. The Executive Summary set out –

- *In the interests of achieving fairness and transparency within the rates system, the Finance and Economics Committee supports the argument for the States being rateable on all its properties.*

- *The Finance and Economics Committee also appreciates the inequity caused by the current exemption, particularly within the Parishes of St. Helier, St. Saviour and St. Peter, and will seek to address this in any future proposition.*

- *If the States were to pay Parish Rates on all of its property, the additional cost to the States would be £1.5 million based on 2003/04 rates, and estimated to be £2.2 million from 2006/07 after the inception of the Island-Wide Rate.*

The Minister for Treasury and Resources set up a Working Party to examine issues relating to the States' liability to rates on their properties, and its report is in the Appendix to *Parish Rates – the States' liability* (P.68/2008).The Conclusions and Recommendations are –

"*5.1 The Working Party concludes that the current position of the States not having a general liability for rates on their buildings is unsatisfactory and should not persist.*

5.2 It recommends that that the States should, like other ratepayers, be liable for Parish Rates and Island Wide Rates on all their properties.

5.3 The Working Party is firmly of the opinion that the States should seek to absorb the additional cost of meeting their rates liabilities from within existing budget allocations, except where such costs form part of a charge that is recovered by end users of services.

5.4 The Working Party does not consider the associated administrative cost to be excessive but believes that the transaction process should be streamlined to minimise both Parish and States' resources in order that it is both efficient and effective. In order to avoid duplication of effort, and subject to States approval, such additional work should be undertaken in conjunction with proposals to implement an internal rent charging mechanism.

5.5 The difficulties associated with absorbing the additional unbudgeted costs should not delay implementation of the Working Party's recommendations."

It is absolutely clear that the various reviews concluded that the States should pay both the parish rate and the Island-wide rate.

2015–2017

In the debate on the Draft Strategic Plan 2015 – 2018 (P.27/2015), the States Assembly overwhelmingly supported the Connétable of St. Helier's amendment (P.27/2015 Amd.(7)) that the States should "*provide in the next Medium Term Financial Plan for the payment of rates on States' properties*". In its comments on the amendment (P.27/2015 Amd.(7)Com.), the Council of Ministers agreed to this, should the amendment be accepted.

However, the Medium Term Financial Plan Addition for 2017 – 2019 (P.68/2016 as amended following debate at the States Sitting 26th to 30th September 2016) refers only to Parish rates –

> "*In accepting the Connétable of St. Helier's Amendment 7(6) to the Strategic Plan, the Council of Ministers agreed to provide in the MTFP 2016–2019 for the payment of Parish rates on States properties and the additional income required to fund this payment.*"

The *Draft Budget Statement 2017* (P.109/2016 as amended) and the *Draft Finance (2017 Budget) (Jersey) Law 201-* (P.113/2016) proposed the payment of parish rates only on States property.

The comments of the Comité des Connétables (P.113/2016 Com.) summarised that, with the exception of the Connétable of St. Helier, all the Connétables "*are therefore of the opinion that leaving a partial exemption from the IWR for the States, on property which is owned or occupied and used exclusively for a public purpose, does not satisfactorily address the primary goal of the States paying rates on an equity basis;*".

The States rejected the amendments in the *Draft Finance (2017 Budget) (Jersey) Law 201-* which would have removed the exemption from the States paying parish rates in the Rates (Jersey) Law 2005. But it subsequently approved the proposition of the Connétable of St. Helier (P.12/2017: *Parish Rates: payment by the States of Jersey*) that the Minister for Treasury and Resources should consult on, and bring forward for debate, proposals for the payment of Parish rates by the States in 2018.

The Minister consulted with the Comité at a meeting on 18th September 2017 on proposed amendments which will require the States to pay parish rates (but not the Island-wide rate) from general taxation. Following the meeting, the Comité Chairman wrote to the Minister –

> "*Removing the exemption on States property from only the parish rate will mean ratepayers continue to subsidise taxpayers as the States avoids payment of the island-wide rate on part of its property portfolio. It is difficult to justify this on the grounds of circular payments as these already exist – I would refer to the comments presented to the States (P.113/2016 Com. Draft Finance (2017 Budget) (Jersey) Law 201- (P.113/2016): Comments) where, on page 5, you will read:*
>
> > *"… in 2003 the Steering Group estimated the States did not pay [rates] on about 67% – so it did pay on 33%."*
>
> *and*
>
> > *"In 2016 the States will have paid circa £113k in rates (this is Parish and IWR) across all parishes and the parishes will have paid circa £66k. Prior to the incorporation of the Ports of Jersey, and to the Housing Department becoming Andium Homes Limited, the rates paid were significantly higher. The Housing Department paid approximately £330,000 in rates to St. Helier alone in 2014, and the harbours and airport liability was circa £60,000 in St. Helier and St. Peter."*
>
> *In conclusion, the Committee pointed out that a significant amount of States land and property has, in recent years, been transferred to other bodies which are now liable to pay rates (for example Jersey Post, JT, the harbours and airport). The land and property owned or occupied by the States which remains exempt from rates relates mainly to administrative offices including the States Chamber and Royal Court, to health and to education premises and the majority of the Connétables are of the opinion these should not be rated.*"

It was for these reasons and others that, with the exception of the Connétable of St. Helier, the Connétables were not supportive of the revised proposals.

Most recently, the States adopted the proposition: *States of Jersey Budget 2017: allocation to the Parishes of funds set aside for the payment of rates on States' properties* (P.81/2017)" and requested the Minister for Treasury and Resources to transfer £899,960.48 to the parishes by way of *ex gratia* payments.

The States Assembly has committed to paying rates – both parish and Island-wide – as reported in R.C.56/2005 *Parish Rates – the States' liability*, paragraph 8.

> *"The Committee will undertake to provide firm recommendations with regard to the States Rates Liability when the Island-Wide Rate has been introduced and assessed and the economic effects of the Fiscal Strategy are more clear. The Committee anticipates that this will be possible during 2007."*

Cost to States of paying rates

Having considered the principles of the States paying rates, let us now consider what that cost might be.

The mechanism by which the parish rate per quarter is calculated is clearly set out in the Rates (Jersey) Law 2005.

> Parish ratepayers set a budget for the next year of £X.
>
> There are y quarters assessed for rates.
>
> The rate per quarter which the ratepayers must agree to fund the budget they have set is £X/y quarters (expressed as pence per quarter).

In setting the 2017 rates, the parishes could not include the States' quarters as the exemption in law continued. The *ex gratia* payments to parishes recently agreed by the States, mentioned above, is based on the estimated rateable quarters for States' property at the 2017 parish rate.

But had the States' quarters been included in the calculation, the parish rate per quarter could have reduced (assuming the budget remained unchanged). For example, the rateable quarters for St. Helier and St. Saviour would have each increased by approximately 10%; and by 5% for St. Brelade (with smaller increases for other parishes, most being 1% or less). The rate per quarter paid by all ratepayers could have reduced by a commensurate figure.

As would be expected, those parishes with most States property should benefit from the greatest reduction in rate.

The Island-wide rate is calculated in a different way.

> The Annual Island-wide Rate Figure ("AIRF") for the previous year is amended by the March retail price index.

The Rates (Apportionment) (Jersey) Regulations 2006 specify that 55% of the AIRF is met from domestic rate and 45% from non-domestic rate.

The number of domestic and non-domestic quarters assessed in all parishes is totalled.

The domestic (D) rate per quarter is £AIRF x 55% / D quarters (expressed as pence per quarter).

The non-domestic (ND) rate per quarter is £AIRF x 45% / ND quarters (expressed as pence per quarter).

The calculation for 2017 is summarised below:

Calculation of D and ND rates for 2017				
2017 AIRF is	**£12,427,030**			
	% from	**£ of AIRF**	**Rate (pence per quarter)**	**No. quarters (million)**
domestic rate	55	6,834,867	0.71	962
non-domestic rate	45	5,592,163	1.23	458
total	**100**	**£12,427,030**		

With the addition of the States' quarters (assuming that the States' properties which will no longer be exempt are all non-domestic), the calculation would be as follows –

Calculation of D and ND rates for 2017 including States ND quarters				
2017 AIRF is	**£12,427,030**			
	% from	**£ of AIRF**	**Rate (pence per quarter)**	**No. quarters (million)**
domestic rate	55	6,834,867	0.71	962
non-domestic rate	45	5,592,163	1.03	547
total	**100**	**£12,427,030**		

Whilst the domestic rate would remain the same, there would be a significant decrease in the non-domestic rate from 1.23 to 1.03 pence per quarter. The States' liability, at 1.03 pence per quarter, is estimated to be £916,000.

For the purposes of estimating the States' total liability for parish and Island-wide rates (and excluding the current rates already paid in respect of property which is not currently exempt[1]) the following have been used –

[1] Exemption from rates only applies to property owned or occupied by a public authority and used exclusively for a public purpose; the States therefore already pays parish and Island-wide rates on some of the property it owns and/or occupies.

Parish rate (estimate in P.90/2017 Amd.)		£978,000
Island-wide rate (estimate as above)		£916,000
	Total:	£1,894,000

A table showing the parish and Island-wide rates in recent years is attached at the **Appendix**.

Conclusion

The rate per quarter for ratepayers of urban parishes tended to be higher in previous years when the parishes funded native welfare, prior to the introduction of Income Support in January 2008. This is no longer the situation, as shown in the table below, which compares the 2003 parish rate per quarter with that in 2017 (to which is added either the domestic (D) or non-domestic (ND) IWR).

Parish	**2003 Rate pence per quarter**	**2017 Rate pence per quarter**	**2017 total rate per quarter for domestic ratepayer (D = 0.71 pence per quarter)**	**2017 total rate per quarter for non-domestic ratepayer (ND = 1.23 pence per quarter)**
St. Ouen	2.1	1.27	1.98	2.49
St. Martin	1.9	1.22	1.93	2.45
St. Mary	1.9	1.20	1.92	2.43
St. Helier	2.65	1.15	1.86	2.38
Trinity	1.85	1.14	1.85	2.37
St. Saviour	2.2	1.04	1.75	2.27
St. John	1.6	1.00	1.71	2.23
St. Brelade	1.6	0.94	1.65	2.17
St. Clement	2.3	0.91	1.62	2.14
St. Peter	1.8	0.90	1.61	2.13
St. Lawrence	1.65	0.80	1.51	2.03
Grouville	1.9	0.76	1.47	1.99

Having made an *ex gratia* payment in respect of the parish rates for 2017, we must conclude that the States Assembly agrees that the States should pay rates on all its property, including health and education premises. The Comité's amendment, if approved, will finally achieve the payment of rates – both parish and Island-wide – on States' properties.

All other ratepayers have to pay both the parish and IWR, and the Rates Management System ("RMS") has no facility to levy only one rate. Introducing a split for one ratepayer – the States – will require amendments to RMS and cannot be justified, as it does not satisfactorily address the primary goal of the States paying rates on an equity basis.

The Comité informed both the Minister for Treasury and Resources and the Chairman of the Corporate Services Scrutiny Panel, in writing, that it has always been of the view that Connétables should not take money from ratepayers to enable States Departments to pay their rates, but rather Departments should regard rates as a utility bill and seek savings, or raise funds, to meet its liabilities. The funding should therefore come from the contingency budget or from departmental underspends.

Discussion on this subject has lasted for decades – it is time to give effect to the recommendations of previous Steering Groups and Working Parties, and for the States to pay rates, parish and Island-wide, on its property.

Financial and manpower implications

In his proposal, the Connétable of St. Helier understands that provision was made in the revenue budget for the Department of Infrastructure for the payment of rates by States' properties in 2018, but following the rejection of the proposal by the Comité des Connétables, the funds were earmarked as 'Growth Expenditure' to compensate that department for the deferral of non-domestic liquid waste charges (see note on page 96 of the Budget book).

The Connétable of St. Helier's amendment requests the relevant Ministers either to find the money needed to reinstate States' payment of rates from the contingency budget, or from departmental underspends, which are again considerable. This is based on advice from Treasury officials, and the proposition provides flexibility for the Treasury to allocate the money in the most appropriate way, after the year-end.

The exact sums will, of course, not be known until the Parishes' Assessment Committees have finished their work, and the Parish Assemblies have agreed their estimates of expenditure, but the Treasury Department estimates that the total amount payable will be approximately £978,000 for parish rates. The estimate in this report is that £916,000 will be required for Island-wide rates, making a total of £1,894,000.

As stated by the Connétable of St. Helier, there are no significant manpower requirements for the States, as the lion's share of the necessary work has already been done.

APPENDIX

Parish Rate pence per quarter	2012	2013	2014	2015	2016	2017
St. Brelade	0.90	0.90	0.90	0.91	0.92	0.94
St. Clement	0.86	0.88	0.88	0.88	0.89	0.91
Grouville	0.71	0.71	0.71	0.72	0.72	0.76
St. Helier	1.10	1.13	1.15	1.15	1.15	1.15
St. John	1.00	1.00	1.00	1.00	1.00	1.00
St. Lawrence	0.81	0.81	0.80	0.80	0.80	0.80
St. Martin	1.12	1.12	1.12	1.16	1.22	1.22
St. Mary	1.10	1.10	1.10	1.10	1.20	1.20
St. Ouen	1.30	1.30	1.30	1.30	1.29	1.27
St. Peter	1.10	1.10	1.10	1.05	1.00	0.90
St. Saviour	1.02	1.00	1.00	1.02	1.02	1.04
Trinity	1.15	1.15	1.14	1.14	1.14	1.14

Island-wide rate pence per quarter	2012	2013	2014	2015	2016	2017
Domestic	0.69	0.69	0.70	0.70	0.70	0.71
Non-domestic	1.21	1.21	1.23	1.23	1.25	1.23