STATES OF JERSEY

DRAFT ANNUAL BUSINESS PLAN 2012 (P.123/2011): SEVENTH AMENDMENT (P.123/2011 Amd.(7)) – COMMENTS

Presented to the States on 12th September 2011
by the Council of Ministers

STATES GREFFE

COMMENTS

The Council of Ministers opposes this Amendment.

The Connétable of St. Helier proposes that the indicative total of net revenue expenditure shall be increased in 2013 by £1,840,000 and by a similar sum in 2014 (uprated as appropriate for inflation) to fund the introduction of the payment of rates on all public land and buildings (which are currently exempt from both foncier and occupier rates in accordance with Articles 17 and 18 (respectively) of the Rates (Jersey) Law 2005), without seeking to recover such payment from the Parishes.

Comments

The Council of Ministers is committed to delivering £65 million of CSR savings. This is already proving challenging with States decisions to defer significant savings, as in P.72/2011 – Grant aided Schools: grants. This Business Plan debate also contains a large number of proposals to either defer or reinstate departments' proposed savings. In the case of this Amendment and a number of others, the proposal is actually to increase States expenditure.

The Council of Ministers and the States Assembly committed to deliver £65 million savings by 2013 and agreed to total States spending limits that would deliver that level of saving in the 2011 Budget last December.

The Council of Ministers has no other option but to oppose this Amendment, and encourages all States members to reject this Amendment and others which seek to increase States expenditure or reinstate/defer savings proposals from departments.

The Connétable of St. Helier makes the point that addressing "the position of St. Helier" was one of the objectives of P.40/2004 – Machinery of Government: relationship between the Parishes and the Executive. However, the Connétable does not recognise the significant progress that has been made. There have been a number of issues resolved in recent years which have addressed inequities in current arrangements between parishes and with the States, most noticeably the new arrangements for Parish Welfare and Income Support. These have seen a financial burden moved from the urban parishes, most noticeably St. Helier, and transferred to the States, and it could be said equalised from rural parishes. The increased costs have been seen in significant increases required in Income Support.

A similar benefit, principally to St. Helier, would accrue with the Connétable of St. Helier's proposed Amendment (P.123/2011 Amd.(7)). Whilst the Council of Ministers broadly supports the equity standpoint, such are the significant pressures on public finances it is not feasible to absorb the additional cost within already pressured States spending limits or finances generally.

There is a significant differential when considering which Parishes benefit the most from the proposed change, as the following table (Figure 1) shows.

Figure 1 shows that £884,000 of the additional rates payable would be retained by the Parishes, with the balance of £995,000 being paid in Island-wide Rate to the Parishes, which is then paid over as a contribution to States incomes.

Figure 1 – Impact of charging rates on States Properties

Parish	Domestc and Non- Domestic		
	Parish Rate	Island Wide Rate	Total
Grouville	£ 3,600	£ 5,700	£ 9,300
St Brelade	£ 43,400	£ 46,600	£ 90,000
St Clement	£ 15,000	£ 20,800	£ 35,900
St Helier	£ 608,400	£ 643,100	£ 1,251,600
St John (2010)	£ 3,400	£ 4,100	£ 7,600
St Lawrence	£ 4,200	£ 6,200	£ 10,500
St Martin	£ 7,500	£ 7,500	£ 15,000
St Mary	£ 2,500	£ 2,700	£ 5,300
St Ouen	£ 7,500	£ 6,500	£ 14,000
St Peter	£ 36,000	£ 38,300	£ 74,200
St Saviour	£ 144,300	£ 164,800	£ 309,200
Trinity	£ 7,900	£ 8,100	£ 16,000
TOTAL	£ 883,900	£ 954,500	£ 1,838,400
Parish	£ 883,900	£ -	£ 883,900
IWR	£ -	£ 954,500	£ 954,500
	£ 883,900	£ 954,500	£ 1,838,400

As the majority of public buildings are located in the Parish of St. Helier, by far the largest payment would be made to that Parish. This is estimated at some £1.25 million of the total, of which some £608,000 would be retained by the Parish, the balance being paid in Island-wide Rate.

Rates payable to St. Saviour would amount to some £309,000, of which £144,000 would be retained by the Parish and £165,000 ultimately going into States incomes via the Island-wide Rate. Apart from St. Brelade and St. Peter, the impact on the remaining Parishes is fairly minor.

It is suggested that the cost of servicing States properties and the surrounding parish infrastructure falls disproportionately on the St. Helier ratepayers. However, there are a number of counter-arguments to this position –

- The Parish of St. Helier is the home of the majority of commercial and retail activity in the Island and receives substantial rate income from these premises. The co-location of States buildings provides a level of footfall that supports these commercial enterprises.
- The majority of States properties house departments that provide public services. They are not commercial activities, and the additional cost may require further savings to be effected by those services to remain in a 'cost-neutral' position.
- The States does pay rates on some properties, it is only exempt on property that it owns and for which is used for a public purpose. The States paid rates of £240,000 in 2010. In addition, rates of some £530,000 were paid in respect of social Housing stock.
- The Parish already budgets for these costs within its base budget position, with the costs currently being met by ratepayers.

There is clearly no provision included in States' spending proposals to meet the additional £1.84 million increase in States net revenue expenditure associated with the proposals from 2013. Furthermore, against the backdrop of £65 million CSR savings and tax increases required as part of the recent Fiscal Strategy, it is a difficult time to consider further financial pressures on States finances.

If the Connétable's Amendment were successful, the Minister for Treasury and Resources would have to consider what measures would be appropriate to propose to balance the effect on States finances. The financial implication would be a worsening of the States finances from 2013 of £0.88 million. This represents the increased expenditure of £1.84 million associated with departments' expenditure on rates of States properties, less the associated increase in Island-wide Rate proposed by the Connétable of St. Helier's Amendment, which is estimated to generate £0.96 million and which, once collected by the Parishes, would be paid over to the States as income. The net effect is therefore a reduction in States finances of £0.88 million from 2013.

The options to recover £0.88 million are unlikely to include further savings. The Council of Ministers is committed to delivering £65 million of CSR savings, and this is already proving difficult with a States decision to defer significant savings in P.72/2011 – Fee-paying schools – grants. The Amendments proposed by States members to this Business Plan also contain a large number of proposals to either defer or reinstate departments' proposed savings or, in the case of this Amendment and a number of others, to actually increase States expenditure.

The Minister for Treasury and Resources would therefore have to consider what measures to propose in the 2013 Budget to offset the worsening of States finances by £0.88 million as a result of this Amendment being successful.

In opposing this Amendment, the Council of Ministers would encourage the Connétable to enter discussions with the Minister for Treasury and Resources as to the real cost of servicing States properties. This would provide an opportunity to identify the real cost to the urban parishes and bring forward proposals as part of the Medium Term Financial Plan process for funding in 2013.

Financial Implications

The financial implication of the Amendment from the Connétable of St. Helier would be a worsening of the States finances from 2013 of £0.88 million. This represents the increased expenditure of £1.84 million associated with departments' expenditure on rates of States properties, less the associated increase in Island-wide Rate proposed by the Connétable of St. Helier's Amendment, which is estimated to generate £0.96 million and which, once collected by the Parishes, would be paid over to the States as income.

If the States is of opinion to agree that States should pay rates on all properties, the Minister for Treasury and Resources would have to consider what measures would be appropriate to propose in the 2013 Budget to balance the effect on States finances.

Statement under Standing Order 37A [Presentation of comment relating to a proposition]

The Council of Ministers was unable to approve the comments before the deadline as a result of the States Sitting beginning on Monday 12th September.