STATES OF JERSEY

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PROVISION OF EXTRA FUNDING FOR NATIVE WELFARE (P.138/2005): COMMENTS

Presented to the States on 19th July 2005
by the Finance and Economics Committee

STATES GREFFE

COMMENTS

The Finance and Economics Committee recognises the inequality faced by the urban Parishes with regard to their welfare costs and has consistently supported the proposals of the Policy and Resources Committee in this regard, despite the significant ongoing financial burden that these policies will bring to the States with effect from May 2006.

The Committee is in favour of the equalisation of the native welfare burden across the Parishes, which the Island-Wide Rate will deliver, thus reducing the unfair burden on, in particular the domestic ratepayers of the urban Parishes. Under the current proposal, ratepayers will be protected from the continued rise in welfare and residential care costs.

The Committee has sought to limit the exposure of the Parishes to increases in welfare expenditure in the interim period by providing the Parishes with funding for the growth in welfare costs from 2003/04 to 2004/05. In the financial year 2004/05 this cost of £920,000 was met by the General Reserve.

This year the Committee has also offered a sum of £1.1 million for the 2005/06 Parish year, which is estimated to be sufficient to cap the liability of the Parishes to their 2004/05 costs.

The Committee considers it appropriate that Parish rates should bear some growth in welfare costs leading up to the transfer of the welfare burden. If they did not, the increase required in rates at the inception of the Island-Wide Rate in 2006 would be significantly larger, and may in turn jeopardise its introduction.

The Connétables’ proposal, if approved would mean that Parishes have not borne even an R.P.I. increase to their welfare costs for two years, and is estimated to require an increase in total rate take of 16% in the 2006/07 Parish year.

This increase is more significant when the effects of the introduction of the commercial rate are considered. If it is assumed that the commercial rate will be twice that of the domestic in making up the Island Wide Rate, then it can be demonstrated that this proposal will require an average 2006/07 commercial rate to be 40% higher than rates paid in 2005/06.

Furthermore the Committee is mindful of the finite funds remaining in the General Reserve, to the extent that probable calls on the Reserve currently outweigh the funds available. If this Proposition is approved, the States’ ability to fund unbudgeted expenditure will be weakened. If the General Reserve will have been exhausted this will, inevitably, lead to an increased pressure on Committees’ existing budgets.