STATES OF JERSEY

PARISH RATES: THE STATES' LIABILITY

Lodged au Greffe on 20th March 2013
by the Connétable of St. Helier

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

(a) to endorse proposals 1 and 2 contained in the Report by the Working Party set up by the Minister for Treasury and Resources, included as an Appendix to the proposition 'Parish Rates: the States' Liability' (P.68/2008), namely –

1. that the States, like other ratepayers, should be liable for both Parish Rates and Island Wide Rates on all their properties; and

2. that the additional cost to the States in meeting their rates liability should be contained within existing States budgets, except where such costs form part of a service whose costs are recovered in the form of charges to end users, and

(b) to request the Minister for Treasury and Resources to take the necessary steps to make available adequate funding for 2014 and 2015 from central reserves to enable rates to be paid from 2014 on 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, and to request the Council of Ministers to ensure that adequate provision is made in the next Medium Term Financial Plan to meet the cost from 2016.

CONNÉTABLE OF ST. HELIER

Connétable A.S. Crowcroft of St. Helier:
Very quickly, should the States pay rates? **[Laughter]**

Senator P.F.C. Ozouf:
Ideally, yes, because there is an unfairness ... **[Laughter]**

Hansard, 11th December 2008 (Election of Minister for Treasury and Resources)

Connétable A.S. Crowcroft of St. Helier:
In order to make a bit more space this week and having read the very disappointing comments from the Council of Ministers and from the Comité des Connétables on my amendment to the Business Plan about the States paying rates, I think it would be better for a new House to debate that as a standalone proposition and, accordingly, I would like to withdraw that from the amendments to the Business Plan this week …

Senator P.F.C. Ozouf:
May I say to the Constable that that is a welcome suggestion but what I do think is important that it would work now in order to try and find solutions co-operatively rather than having to deal with a sort of a yeah (*sic*) situation and I intend to work, if he would want to now he is re-elected, to work on that issue immediately.

Connétable A.S. Crowcroft of St. Helier:
I have been waiting for 3 years.

Hansard, 12th September 2011 (Debate on Annual Business Plan 2012 (P.123/2011))

Deputy J.A. Hilton of St. Helier:
Sir, I don't believe the Minister actually answered the question – does he believe it is fair that St. Helier ratepayers foot the bill?

Senator P.F. Ozouf (Minister for Treasury and Resources):
I think that there is a win and a lose for St. Helier. I think that St. Helier do (*sic*), as the Island's capital, do receive significant amount of rates from properties both in the commercial and residential area and they will be serving the interest of their ratepayers – but the ongoing issues of the unfair burden that exists for St. Helier does need to continue to be looked at and I've given the commitment to the Connétable that I will continue to engage.

Hansard, 19th February 2013

Introduction

In 2014 it will be 10 years since the States decided to look into the issue of whether they should pay rates. The Report of the Working Party set up by the Finance and Economics Committee appears as an Appendix to P.68/2008 (*see* Appendix 3 to this report) which was withdrawn following the lodging of my amendment to it (*see* Appendix 4 to this report). It would be good to think that the States will pay rates, as recommended by the Working Party, in 2014; but successive Ministers of the Treasury and Resources Department have proved adept in wriggling out of implementing the recommendations. I must take some responsibility for the lack of progress in this matter, having withdrawn my last iteration of the argument (P.123/2011 Amd.(7)) in the light of the negative comments from both the Council of Ministers and the Comité des Connétables. Thus I do not approach the debate on this proposition with much confidence, although I have worded the proposition in such a way as to ensure that if States' members do nothing else, they will have to come up with explicit reasons for rejecting the recommendations of the Working Party.

The main proposals, along with the reasoning behind them, are set out by the Working Party in section 4 of its report:

"**4. Working Party Proposals**

4.1 Proposal 1 – that the States, like other ratepayers, should be liable for both Parish Rates and Island Wide Rates on all their properties.

(a) The Working Party is of the opinion that this course of action is the correct one for the following reasons:

The States should pay rates on an equity basis.
The States operates as a competitor with the private sector in the provision of certain services, for example office facilities, management services, grounds maintenance etc. By not including an equivalent to the rates charge met by a private sector organisation, the States' operations are artificially subsidised.

The States should recognise the full cost of occupying property for comparative purposes.
The lack of a rates charge skews comparisons with private sector service providers and public sector bodies in the UK when benchmarking on performance indicators.

The States should recognise the full cost of occupying property to improve strategic decision making.
By not recording the full cost of occupying property, the States are hampered when making decisions on property usage.

The States should pay Parish rates to meet the cost of Parish service provision.
Parishes incur costs associated with the occupation of buildings that are normally recovered through rates. In particular, the Parish of St. Helier faces an opportunity cost of foregone rates when the States takes possession of a building that was in the private sector (e.g. Morier House), without any reduction in the Parish cost base.

The States should pay their share of the Island Wide Rate.
The States, by not contributing to the IWR, requires a higher level of contribution from the parishioners of all Parishes than would otherwise be the case. A commensurate States contribution would provide scope for a reduction in the rates demanded from all parishioners.

4.2 Proposal 2 – that the additional cost to the States in meeting their rates liability should be contained within existing States budgets, except where such costs form part of a service whose costs are recovered in the form of charges to end users.

(a) In the United Kingdom, local and national government buildings are liable for National Non-Domestic Rates, subject to mandatory or discretionary relief, and the resulting costs are born by those organisations as part of their annual budgetary requirement.

(b) The Working Party considered that, as an overriding principle, total public sector revenue take (taxation and rates) should not increase and that the States should seek to absorb the additional costs within its approved future funding envelope.

(c) The Working Party was of the view that the States contribution should not be offset by a commensurate increase in the contribution to the IWR, which would have a 'neutral' impact on States finances.

(d) Where those costs form the basis for the recharge of a service whose charge is limited to cost recovery (e.g. car parking, planning fees, etc.), such costs should be passed onto the end user to maintain a 'level playing field' position when comparing States services to comparable services provided by the private sector.

(e) The proposal will have a distributional effect between ratepayers and taxpayers but it should not increase aggregate public sector expenditure (i.e. the combined expenditure of the States and all Parishes) above that required to provide the current level of services.

(f) The Working Party did, however, acknowledge that each Parish has the autonomy to determine whether the States contribution was reflected in full as a reduction in rates charged to parishioners or employed to provide additional services. Ultimately, this would be for the relevant Parish Assembly to decide."

The Working Party's third proposal, that the transaction process must be efficient and effective, appears uncontentious and is not, therefore, included in this proposition.

Background

1. 2004

The Policy and Resources Committee was persuaded to include in the landmark Report and Proposition 'Machinery of Government: relationship between the Parishes and the Executive' (P.40/2004) the proposal to investigate the States' liability to rates. The Committee agreed to lodge an amendment to their own proposition, with the following accompanying report –

> "The report and proposition of the Policy and Resources Committee on the relationship between the Parishes and the Executive was lodged "au Greffe" on 9th March 2004. The Committee has since received valuable feedback from the Connétable of St. Helier, and as a consequence it would like to propose an amendment to part (e) of the proposition relating to the proposed review of the States land and property portfolio.
>
> In paragraph (e) it is proposed that "the Finance and Economics Committee should be charged 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". The scale of this task should not be underestimated, but the Committee accepts that it would be helpful to set a deadline for these recommendations to be placed before the Assembly.
>
> An assessment of the work involved in this review indicates that a deadline of July 2005 would be reasonable, as this will allow sufficient time for consultation with interested parties and for consideration of the various options referred to in paragraphs 65-69 of the Committee's report. It is anticipated that this will be a high-level review, during which a general assessment would be made as to the extent of the estimated States liability to rates, should the States ultimately decide to pursue this option. It is not felt that it would be appropriate at this stage for the review to make a detailed assessment of the rateable value of every States property, as this would be a costly and time-consuming exercise, and it would be premature to carry out such an exercise until such time that the States have had the opportunity to consider the recommendations of the review."

2. 2005

On 19th July 2005 the Finance and Economics Committee presented the Report 'Parish Rates: the States' liability' (R.C.56/2005) in which, although they shied away from firm recommendations, the following statements were made –

> "…the disproportionate location of States properties in St. Helier, St. Saviour and St. Peter creates significant costs for those Parishes and the Committee would like to address this issue *as a priority* (my italics)… The Committee will undertake to provide *firm recommendations* (my italics) 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* (my italics)."

3. 2006

In Question Time in January 2006, the then Minister for Treasury and Resources, Senator T.A. Le Sueur, gave assurances (*see* Appendix 1 to this report) that this matter would be progressed, and he agreed that it would be advisable to set up a working group to pursue this matter further if 'firm recommendations' were to be made the following year. During the debate on the Strategic Plan in June, the Minister repeated his assurance (*see* Appendix 2 to this report). A Working Party was set up under the Chairmanship of the then Assistant Minister for Treasury and Resources (Deputy J.A.N. Le Fondré of St. Lawrence), with the following terms of reference –

- (to establish) whether there is merit in the States paying Parish and Island-Wide rates, or some equivalent payment, in respect of its properties;
- if so, what the financial impacts would be on the States;
- if the States should seek to defray these and, if so, how this could be achieved;
- the options for defraying these costs and the impact on parishes, ratepayers and/or taxpayers.

4. 2007

The Working Party concluded its work in August and concluded that the States should pay rates on its property, but no action was taken by the Council of Ministers to bring the matter forward for debate or to make provision for the States paying rates in the 2008 Business Plan.

5. 2008

On 13th May 2008, the Minister for Treasury and Resources lodged 'Parish Rates: the States' liability' (P.68/2008), (*see* Appendix 3 to this report) including the Working Party's report as an Appendix. Whilst accepting the Working Party's recommendation that the States should pay rates, I believe that the Minister's proposal was designed to achieve precisely the opposite. I lodged an amendment (*see* Appendix 4 to this report) explaining why this was so, seeking to steer the proposition back to the Working Party's recommendations, commenting that 'among the hundreds of propositions put forward in the 10 years of my membership of the States, P.68/2008 must rank as among the most half-hearted and doomed to failure.' I was not wide of the mark as Senator T.A. Le Sueur withdrew P.68/2008 on 1st July 2008 and took no further interest in the subject. When I raised the matter during the debate on a vote of no confidence in the Council of Ministers during the same Sitting, the Chief Minister of the day, Senator F.H. Walker, who also cut his teeth as a States Member as a Deputy of St. Helier, was clearly not minded to address the matter either (*see* Appendix 5 to this report).

Following the elections, a second Council of Ministers was formed at the end of the year and I just managed to squeeze in the question to Senator P.F.C. Ozouf which is reproduced at the start of this report. He was duly elected to take over as Minister for Treasury and Resources from Senator T.A. Le Sueur, with responsibilities which

included tackling the 'unfairness' he acknowledges on Hansard, and bringing forward the Working Party's recommendations for debate and implementation.

6. 2011

With no apparent interest being forthcoming from the Council of Ministers in addressing the issues which had been so pressing for the Policy and Resources Committee in 2004, I lodged an amendment to the 'Draft Annual Business Plan 2012' (P.123/2011) seeking a debate on the principles investigated by the States' Working Party and inclusion of a sum sufficient to meet the States' liability to rates. This included a summary of the Working Party's recommendations and reiterated the analysis I had given in my amendment to P.68/2008, showing how it was 'designed to fail'. The comments presented by both the Council of Ministers and the Comité des Connétables, were discouraging to say the least.

The Council of Ministers repeated the argument made in P.68/2008 that the States could not afford to meet their liabilities in respect of rates; they obviously did not take me seriously when I had suggested that if the States decided that they simply could not afford to pay the rates which the Working Party set up by the States advised were due, owners of businesses in Jersey (some of which provide services in competition with the States) could reasonably protest at unfair competition, while individuals struggling to make ends meet in the current economic climate might declare that they could not afford to pay rates either!

Indeed, the Council of Ministers repeated most of the points which I had anticipated and refuted in the report to my proposition, making me question whether they had read it properly. They concluded with an invitation for me to 'identify the real cost of servicing States properties … 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.' This new suggestion from the Council, that what is required is merely a repayment of servicing costs, is particularly fatuous, and shows no effort to 'engage' with the Working Party's recommendations. It can be likened to a local business proprietor asking a parish authority to work out the cost of parochial services to that particular business in order that they could pay that bill rather than meet their liability to Parish and Island Wide rates.

The Comité's brief comments expressed concern that 'ultimately the public will pay' and expressed concerns about the potential impact on Parish rates, even though my amendment to the Business Plan specifically designed to prevent the Minister for Treasury and Resources from attempting to claw back the payment from the parishes. As to whether the public will pay, were this proposition to be adopted and the recommendations of the States' Working Party finally implemented, there would be a number of possible consequences, a rise in taxation being the last resort. It is a characteristic of the Council that the spectre of higher taxes should be used to dodge the issue of achieving fairness but as the Working Party's report points out, the first action that would follow acceptance of liability to rates would be the more efficient use of land and buildings; where States departments believe they cannot make sufficient savings to meet their liability to rates on their land and buildings, they will have to make more efficient use of the same, including disposing of property that is actually surplus to requirements – as would be the case for any ordinary property owner.

If indeed the Minister for Treasury and Resources felt that there was no other option than to put up taxes in order for States departments to pay their rates bills, this would be fairer than the current system of depriving certain parishes of the rates income which is due to them; furthermore, taxation levels are based on the individual's ability to pay, which rates bills are not.

7. 2013

Attention to the unfair position of St. Helier ratepayers was brought into sharp focus earlier this year when a St. Helier parish assembly voted more than a million pounds to fund the construction of new public toilet facilities in the town centre. Notwithstanding the support that was given for the investment, parishioners voiced their disapproval of such expenditure on amenities for general use for which no contribution from the public purse could be expected, and, moreover, they expressed their discontent that St. Helier ratepayers are expected to fund such facilities which are funded out of taxation elsewhere in the Island. This led to a question being put to the Minister for Treasury and Resources on 19th February. The Minister's replies suggest that nearly a decade after the States agreed to tackle the unfairness of the position of St. Helier, and 5 years after the publication of a States-commissioned report recommending that the States pay rates, we are no further towards either objective, with the Minister suggesting that he is waiting for the Parish of St. Helier to 'engage' in discussions! He also referred to the transfer of welfare payments to the States and the introduction of the Island Wide Rate, which addressed a different source of inequity than that created by the States not paying rates.

The effect of this proposition is that the States will debate their Working Party's report for the first time and, if its 2 main recommendations are approved, that –

- the States will have to pay both Parish and Island-Wide Rates;
- the States will be unable to simply claw back via the Parishes a commensurate amount to offset Parish Rates, but States departments will have instead to make efficiency savings, increase fees where services are provided, and, where necessary, seek increased revenue budgets;
- the States will have to pay their rates bills from 2014, in common with the rest of the Island's businesses and householders.

Financial and manpower implications

There are no manpower implications in this amendment. The financial implications were estimated by the Treasury Department to be £1,840,000 for 2013, and would be a similar sum in 2014 (uprated as appropriate for inflation).

APPENDIX 1

States' Questions: 31st January 2006

2.1 Connétable A.S. Crowcroft of St. Helier of the Minister for Treasury and Resources regarding progress with the States paying Parish Rates on property in public ownership:
In R.C.56/2005 regarding "*Parish Rates: the States' liability*", the former Finance and Economics and Committee identified that: "there is a strong argument that the States should pay rates", there was an unfair burden on several Parishes at the present time, and that the issue should be addressed as a priority with "firm recommendations" being made in 2006; would the Minister indicate what progress, if any, is being made?

Senator T.A. Le Sueur (The Minister for Treasury and Resources):
I am not sure where the Constable has found the reference to firm recommendations being made in 2006. I have searched R.C.56 and can only find a reference in the concluding paragraph to an anticipated date of 2007 for such recommendations to be presented. However, by way of reassurance, I can confirm that it is still my intention to bring forward firm recommendations at that time on the possibility of the States paying rates on its properties. If they read elsewhere, Members will find in the executive summary, the words: "In the interests of fairness and transparency, the Finance and Commerce Committee supports the argument of the States being rateable on all its properties. In recognition of the inequity caused by the current exemption and the severe financial constraints placed by the States, the Committee puts forward its preferred option for funding this potential liability. The Committee believes it would be unwise for the States to make a firm recommendation with regard to funding until the economic impact on the fiscal strategy are clearer and the Island-wide rate debated, accepted and implemented. The Committee would like to issue this R.C. as a preliminary consultation document in respect of the way forward." I remain of that opinion. At the present time, while the Island-wide rate has been debated and accepted, its effects, particularly on businesses, have not yet been fully evaluated. Similarly, aspects of the fiscal strategy remain under review. By the end of this year, there should be much greater clarity in both these areas enabling proposals to be considered in light of full information. In conclusion, I reaffirm my support of the conclusions of R.C.56/2005 and it is my intention to bring recommendations as stated in 2007.

2.1.1 The Connétable of St. Helier:
I apologise for the typo. It is, indeed, 2007 and it should have been in the question. Notwithstanding that, if the Minister is to bring forward firm recommendations next year and given that the conclusion promises preliminary consultation, would it not be advisable for the Minister to invite Members of the Committee of Constables and other interested parties to form a working group this year in order that firm recommendations can be brought forward next year?

Senator T.A. Le Sueur:
Yes, Sir, I am perfectly happy to meet with the Comité of Connétables but perhaps that would be premature at this stage until the clear impact and the effect of the non domestic rate has been evaluated by them.

2.1.2 The Connétable of St. Helier:
Sorry, Sir, clarification. I did ask whether the Minister would be prepared to form a working group involving the Committee of Constables so that firm recommendations could be brought forward next year.

Senator T.A. Le Sueur:
I think it is more than a Comité of Connétables, so as the report suggested there are also matters of fiscal implication and economic implication. I would be happy to form a working group which would include the Connétables but other people would also be needed on that group as well.

APPENDIX 2

Debate on States' Strategic Plan 2006 – 2011 (P.40/2006): 22nd June 2006

1.12 The Greffier of the States (in the Chair):
I put the amendment, so those Members in favour of adopting it as amended kindly show. Against? The amendment is adopted as amended. We come now to the second amendment in the name of the *Connétable* of St. Helier. I will ask the Greffier to read that amendment.

The Deputy Greffier of the States:
After the word "appendix" insert the words: "Accept that (1) in commitment 6 outcome 6.1 after action 6.1.3 insert the following actions. 6.1.4 bring forward firm recommendations on the possibility of the States paying rates on its properties in 2006."

1.12.1 The Connétable of St. Helier:
Members will be delighted to learn that we are not to have this evening, or we do not need to have this evening, a debate about the States paying rates. We possibly could even finish the strategic plan this evening perhaps because of that. I see that Senator Ozouf has brought in a glass of water and he will not need it because the Council of Ministers has proposed an amendment and I understand that certain comfort is to be given to me by the Minister of Treasury and Resources that we are indeed, as said in the Finance and Economic Committee's paper last year, going to have firm recommendations in 2007 for the States to pay rates on its properties. My request for a working group to be set up to progress that is to be taken forward this year. So, I am happy. My only concern really is that in the comment on this second amendment lodged by the Council of Ministers they say that the solution to the problem, and it clearly does present a problem, has got to be cost neutral to the tax payer, and I do not think it is right at this stage that we prejudge the outcome of that study. Who knows what solutions the study is going to come up with? But having said that, Sir, I am pleased that we seem to have reached an accord and I propose the amendment.

The Greffier of the States (in the Chair):
Is the amendment seconded? **[Seconded]** There is an amendment in the name of the Council of Ministers. The Greffier will read that amendment.

The Deputy Greffier of the States:
In the proposed new action 6.1.4 before the words "in 2006" substitute the words "by 2007".

1.12.2 Senator T.A. Le Sueur:
This is really an obligation to be placed on the Treasury and Resources Minister and so I am happy to speak to it. I am grateful for the Connétable of St. Helier and the position that operates between these benches and his benches which enables me to deal with this fairly quickly. I said in answer to him earlier that I would be setting up a working group once the full impact of the new rates law had been assessed. The Connétable of St. Ouen yesterday gave details of the breakdown of the rating assessment and I confirm now for the benefit of the doubt of the Connétable or anybody else that I will now be setting up that working group within the next 3 months with the aim that we will, in fact with the commitment, that we will be able to come back by 2007 with firm recommendations. I underline that is an undertaking

which I am happy to give. The Connétable is happy to accept that undertaking and on that basis I would like to propose the amendment.

The Greffier of the States (in the Chair):
Is the amendment seconded? **[Seconded]** Does any Member wish to speak on the amendment to the Council of Ministers? Deputy Breckon.

1.12.3 Deputy A. Breckon:
I would be delighted if the Minister of Treasury and Resources could tell me the difference between in 2006 which is the end of the year, I would presume, and by 2007. Could you tell me what the difference is?

1.12.4 Senator T.A. Le Sueur:
By 2007, it is vague and it does not say by what date in 2007. However, I think the spirit of this is we are going to go on ahead with it as quickly as possible. I maintain the amendment.

1.13 The Greffier of the States (in the Chair):
I put the amendment to the Council of Ministers. Those Members in favour of adopting it, kindly show. Any against? The amendment is adopted. Does any Member wish to speak on the amendment of the Connétable as amended? If not I will put that amendment as amended. Those Members in favour of adopting it, kindly show. Any against? That amendment is adopted as amended.

APPENDIX 3

STATES OF JERSEY

PARISH RATES: THE STATES' LIABILITY

Lodged au Greffe on 13th May 2008
by the Minister for Treasury and Resources

STATES GREFFE

2008 Price code: C P.68

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

to meet the cost of Parish Rates on public 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, and to increase the contribution by Parishes to the Island-Wide Rate by a commensurate sum, with effect from 2010.

MINISTER FOR TREASURY AND RESOURCES

REPORT

Background

Proposition P.40/2004: 'Machinery of Government: Relationship between the Parishes and the Executive' required, amongst other things, the (then) Finance and Economics Committee 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".

The Finance and Economics Committee duly undertook the review (reported in R.56/2005), but did not consider it appropriate to make firm recommendations, "...until the economic effects of the Fiscal Strategy are clearer and the Island-Wide Rate debated, accepted and implemented."

The Connétable of St. Helier proposed an amendment (No. 2) to P.40/2006: 'Strategic Plan 2006 – 2011', requesting the Minister for Treasury and Resources to "bring forward firm recommendations on the possibility of the States paying rates on its properties in 2006".

The Minister for Treasury and Resources confirmed that a working group would be set up with a commitment that firm recommendations will be produced in 2007 [Jersey Hansard, 22nd June 2006 – reference 1.12.2].

A Working Party was set up under the Chairmanship of the Assistant Minister (Deputy Le Fondré), comprising (initially) –

Connétable Crowcroft	St. Helier
Connétable Yates	St. Martin
Mr. C. Spears	Chamber of Commerce
Mr. D. Levitt	Rates Assessor

which met on three occasions –

- 30th October 2006;
- 11th December 2006 (where Mr. R. Shead represented the Chamber of Commerce and Mr. A. Pemberton, Finance Director for the Parish of St. Helier);
- 20th April 2007 (Mr. A. Pemberton attended; apologies were received from the Chamber of Commerce from whom a written submission was received);

and considered a number of draft reports, responding by e-mail and in writing.

The Working Party approved the report (tabled under separate cover attached as Appendix A), with final approval being received on 8th February 2008.

The terms of reference for the Working Party were agreed as follows:

To consider and make recommendations as appropriate on the following items –

- whether there is merit in the States paying Parish and Island-Wide rates, or some equivalent payment, in respect of its properties;
- if so, what the financial impacts would be on the States;

- if the States should seek to defray these and, if so, how this could be achieved;
- the options for defraying these costs and the impact on parishes, ratepayers and/or taxpayers.

The Working Party recognised that a consensus may not be reached as to the recommended way forward.

The Minister for Treasury and Resources determined that to satisfy the amendment to the Strategic Plan, referred to above, a Report and Proposition should be prepared for lodging contemporaneously with the report of the Working Party.

Working Party Rationale

The Working Party, having considered carefully a number of options, agreed that the States should, like other ratepayers, be liable for Parish and Island-Wide Rates (IWR) on all their properties.

The Working Party is of the opinion that this course of action is the correct one for the following reasons –

(a) The States should pay rates on an equity basis

The States operates as a competitor with the private sector in the provision of certain services, for example office Facilities Management services, grounds maintenance, etc. By not including an equivalent to the rates charge met by a private sector organisation, the States' operations are artificially subsidised.

(b) The States should recognise the full cost of occupying property for comparative purposes

The lack of a rates charge skews comparisons with private sector service providers and public sector bodies in the UK when benchmarking on performance indicators.

(c) The States should recognise the full cost of occupying property to improve strategic decision making

By not recording the full cost of occupying property, the States are hampered when making decisions on property usage.

(d) The States should pay rates to meet the cost of parish service provision and the Island-Wide Rate

Parishes incur costs associated with the occupation of buildings that are normally recovered through rates. In particular, the Parish of St. Helier faces an opportunity cost of foregone rates when the States takes possession of a building that was in the private sector (e.g. Morier House), without any reduction in the Parish cost base.

A similar argument can be made in respect of the States not contributing to the IWR, which results in parishioners' contributions being higher than would otherwise be the case.

Counter position

Charging rates on States properties achieves no net efficiency gain to the wider public sector and has a marginal increase in overall administration costs. In the vast majority of cases the taxpayer and ratepayer are one and the same, so all things being equal there is a broadly net nil impact on the individual member of the public.

The current funding pressures identified to the Council of Ministers suggest that there is little scope to absorb a cost increase estimated at £1.65 million without impacting on service provision.

Assuming a compensatory taxation measure is required to offset the impact, there will be a relative benefit to St. Helier ratepayers/taxpayers combined costs and a relative dis-benefit to other parish ratepayers/taxpayers costs. It is difficult to see how such a measure improves equity between these two groups.

The States continues to invest heavily in the Parish of St. Helier. The most obvious example being the funding of reclamation sites resulting in new developments that yield a rates return to the parish that would not otherwise exist.

In addition to direct investment, the presence of government departments in St. Helier provides a significant increase in town centre trade, which drives the local business base, enabling a higher level of rates take from small businesses than would otherwise be the case.

Cost to the States and Resource Impact

On the basis that the States contribution added to the parishioner's contribution (including the IWR element) amounts to the current total rates yield, the cost to the States will be in the order of £1.65 million per annum at a 2006 cost base.

The vast majority of the States contribution (around £1.1 million or 66%, depending on the method of apportionment adopted) will be received by the Parish of St. Helier, with a further £287,500 (17%) received by St. Saviour. No other parish would benefit by more than £100,000.

The Working Party considered that, as an overriding principle, total public sector revenue take (taxation and rates) should not increase. Application of rates to States properties would have a distributional effect but should not increase aggregate public sector expenditure above that required to provide the current level of services. However, it was recognised that each parish has the autonomy to determine whether the States contribution was reflected in full as a reduction in parish rates or employed to provide additional services.

In practice, individual parishes may seek to pass on some or none of the 'windfall' savings to ratepayers. If a commensurate saving is not made in States expenditure, this proposal could result in a marginal increase in public expenditure.

The Working Party considered that the States should seek to absorb the additional costs within its approved future funding envelope.

Proposal

The Minister broadly supports the Working Party's argument for the States to pay parish rates on its properties on an equity basis, but does not consider it feasible to absorb the cost within already pressured States spending limits.

The Minister also does not consider it efficient to raise additional tax to provide a rebate to ratepayers – the effect of which is distributional but has no overall benefit to the population as a whole.

The Minister, therefore, proposes a 'budget neutral' approach whereby the additional cost to the States of meeting Parish rates be offset by an equal increase in the contribution by all Parishes to the Island-Wide Rate (IWR), through an increase in the IWR levy.

The States would have to approve an amendment to the Rates (Jersey) Law 2005 to enable an increase in the IWR by more than the relevant RPI uplift. Should the States support the proposal, law drafting time will be sought either in 2008 or 2009, to enact the law change from January 2010.

If the proposal is accepted, the States will pay rates on its properties in full from 2010, subject to receiving a commensurate transfer from parishes into the IWR fund

Financial and manpower implications

The proposal will result in an increase in States spending estimated at £1.65 million and, if the proposal is approved the increased spending will need to be proposed in next year's Business Plan. Overall, the impact on the States financial position is neutral as the proposal requires an equivalent increase in States revenues from the Island-Wide Rate.

There will also be a resource implication for both the States and individual parishes in developing and implementing a single, simplified system of recharging. No detailed work has yet been undertaken to determine the likely one-off and ongoing resource implications, but these are not expected to be onerous.

There are no additional manpower implications arising from this proposal.

APPENDIX

REPORT OF THE WORKING PARTY TO EXAMINE ISSUES RELATING TO THE STATES' LIABILITY TO RATES ON THEIR PROPERTIES

Background

1.1 Proposition P.40/2004: 'Machinery of Government: Relationship between the Parishes and the Executive' required, amongst other things, the (then) Finance and Economics Committee 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"*.

1.2 The Finance and Economics Committee duly undertook the review (reported in R.56/2005), but did not consider it appropriate to make firm recommendations, "...until the economic effects of the Fiscal Strategy are clearer and the Island-Wide Rate debated, accepted and implemented."

1.3 In response to an amendment to the Strategic Plan 2006 – 2011 tabled by the Connétable of St. Helier (attached as **Appendix A**), on 22nd June 2006, the Minister for Treasury and Resources confirmed that a working group would be set up with a commitment that firm recommendations will be produced in 2007. [Jersey Hansard, 22nd June 2006 – reference 1.12.2 *et seq.* – extract attached as **Appendix B**.]

1.4 A Working Party was established and met for the first time in October 2006.

1.5 This report represents the findings and proposals of the Working Party

2. Working Party Composition and Terms of Reference

2.1 A Working Party was established under the Chairmanship of the Assistant Minister, Treasury and Resources, Deputy John Le Fondré, comprising:

Connétable Crowcroft	St. Helier
Connétable Yates	St. Martin
Mr. C. Spears	Chamber of Commerce
Mr. D. Levitt	Rates Assessor

2.2 The Working Party met on three occasions –

- 30th October 2006
- 11th December 2006 (where Mr. R. Shead represented the Chamber of Commerce and Mr. A. Pemberton, Finance Director for the Parish of St. Helier).
- 20th April 2007 (Mr. A. Pemberton attended; apologies were received from the Chamber of Commerce from whom a written submission was received).

2.3 The terms of reference for the Working Party were agreed as follows –

To consider and make recommendations as appropriate on the following items:

- *whether there is merit in the States paying Parish and Island Wide rates, or some equivalent payment, in respect of its properties;*
- *if so, what the financial impacts would be on the States;*
- *if the States should seek to defray these and, if so, how this could be achieved;*
- *the options for defraying these costs and the impact on Parishes, ratepayers and/or taxpayers.*

2.4 The working party recognised that a consensus might not be reached as to the recommended way forward.

3. Current Position and Summary Impact of Change

3.1 The States do not normally pay either occupier or foncier rates on their operational properties.

3.2 Public buildings are exempt from both foncier and occupier rates in accordance with Articles 17 and 18 respectively of the Rates (Jersey) Law 2005.

3.3 The States do pay rates on properties where a third party is either owner or occupier.

3.4 If the States were to pay Parish Rates there would be more quarters in every Parish. This would mean that a Parish could –

- Lower the rate per quarter and raise the same amount as before;
- Keep the level of rate the same and raise more revenue, or;
- A combination of the above.

3.5 If the States were to pay Island-Wide Rates (IWR) there would be more Non-domestic quarters throughout the Island. This would make it possible to reduce the IWR payable on Domestic quarters, or Non-domestic quarters, or on both.

3.6 However, the impact would depend upon the proportion of the Annual Island Wide Rates Figure (AIWRF) to be met from the Domestic or the Non-domestic IWR as set out in Regulations made by the States as recommended by the Connétables.

3.7 Such a reduction would be outside the control of individual Parishes. Any reduction in Non-domestic or Domestic IWR would apply equally across the Island.

4. Working Party Proposals

4.1 Proposal 1 – that the States, like other ratepayers, should be liable for both Parish Rates and Island Wide Rates on all their properties.

(a) The Working Party is of the opinion that this course of action is the correct one for the following reasons:

- **The States should pay rates on an equity basis.**

The States operates as a competitor with the private sector in the provision of certain services, for example office facilities, management services, grounds maintenance etc. By not including an equivalent to the rates charge met by a private sector organisation, the States' operations are artificially subsidised.

- **The States should recognise the full cost of occupying property for comparative purposes.**

The lack of a rates charge skews comparisons with private sector service providers and public sector bodies in the UK when benchmarking on performance indicators.

- **The States should recognise the full cost of occupying property to improve strategic decision making.**

By not recording the full cost of occupying property, the States are hampered when making decisions on property usage.

- **The States should pay Parish rates to meet the cost of Parish service provision.**

Parishes incur costs associated with the occupation of buildings that are normally recovered through rates. In particular, the Parish of St. Helier faces an opportunity cost of foregone rates when the States takes possession of a building that was in the private sector (e.g. Morier House), without any reduction in the Parish cost base.

- **The States should pay their share of the Island Wide Rate.**

The States, by not contributing to the IWR, requires a higher level of contribution from the parishioners of all Parishes than would otherwise be the case. A commensurate States contribution would provide scope for a reduction in the rates demanded from all parishioners.

4.2 Proposal 2 – that the additional cost to the States in meeting their rates liability should be contained within existing States budgets, except where such costs form part of a service whose costs are recovered in the form of charges to end users.

(a) In the United Kingdom, local and national government buildings are liable for National Non-Domestic Rates, subject to mandatory or discretionary relief, and the resulting costs are born by those organisations as part of their annual budgetary requirement.

(b) The Working Party considered that, as an overriding principle, total public sector revenue take (taxation and rates) should not increase and that the States should seek to absorb the additional costs within its approved future funding envelope.

(c) The Working Party was of the view that the States contribution should not be offset by a commensurate increase in the contribution to the IWR, which would have a 'neutral' impact on States finances.

(d) Where those costs form the basis for the recharge of a service whose charge is limited to cost recovery (e.g. car parking, planning fees, etc.), such costs should be passed onto the end user to maintain a 'level playing field' position when comparing States services to comparable services provided by the private sector.

(e) The proposal will have a distributional effect between ratepayers and taxpayers but it should not increase aggregate public sector expenditure (i.e. the combined expenditure of the States and all Parishes) above that required to provide the current level of services.

(f) The Working Party did, however, acknowledge that each Parish has the autonomy to determine whether the States contribution was reflected in full as a reduction in rates charged to parishioners or employed to provide additional services. Ultimately, this would be for the relevant Parish Assembly to decide.

(g) The net total additional cost to the States will be in the order of £1.65 million per annum at a 2006 cost base. This sum reflects the adjustment required to contributions by all ratepayers (including the States) to achieve the existing total rates yield.

(h) The vast majority of the States contribution to Parish rates (around £568,000) will be received by the Parish of St. Helier, with a further £120,000 received by St. Saviour. No other Parish would receive more than £38,000.

(i) On the 2006 rates base data, the estimated impact across Parishes of the States paying Parish rates is as follows –

Table 1
Estimated Indicative States Contribution to Parish Rates by Parish

Parish	Parish Rates (£)
Grouville	4,070
St. Brelade	37,720
St. Clement	14,470
St. Helier	567,725
St. John	2,765
St. Lawrence	4,195
St. Martin	6,435
St. Mary	2,540
St Ouen	7,200
St Peter	29,785
St Saviour	119,975
Trinity	7,730
Estimated States Contribution to Parish Rates	**804,610**

Note:
This table shows what the position would have been in 2006 if the States had paid Parish Rates on all its properties (excluding any contribution in respect of IWR).

This illustration should not be regarded as a prediction of the specific benefits to Ratepayers or Parishes if the States were to pay Rates.

(j) Parishioners would also benefit by not having to contribute a total of £845,390 to the IWR fund.

(k) Thus, as noted above, the amount payable by the States in respect of Parish Rates is estimated to be £805,000. The States would also have to pay an estimated £845,000 for its IWR contribution, resulting in a total cost of £1,650,000 based upon the 2006 rates base data.

(l) The above estimate assumes that the overall Parish revenue requirement and contribution to the IWR fund will remain constant, as there is no increase in their operating costs, and the States contribution results in a pro-rata reduction to all ratepayers (including the States).

(m) Further detailed work is required to analyse the split between ministerial departments, however, departments that have 'property hungry' services, such as Health, Education and Transport and Technical Services, will bear the vast majority of the costs, either directly or through a recharge from Property Holdings.

(n) The Working Party recognises the competing financial pressures within the States. The cost of implementing these proposals is not included in the current States forward financial forecast, but the Working Party considers that this should not, in itself, be a reason to delay implementation.

4.3 Proposal 3 – that the transaction process must be efficient and effective.

(a) The Working Party considers that the transaction process should have the following characteristics –

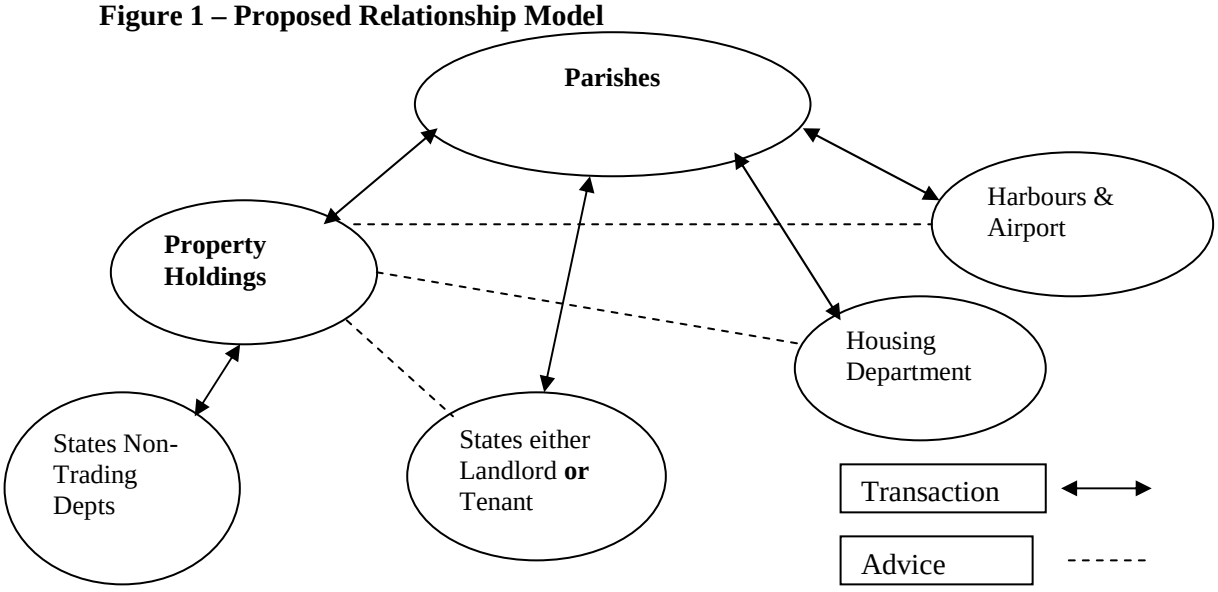
- it must be simple to understand and operate;
- ongoing resource implications must be minimised for both the States and Parishes. It was recognised that the cost to set up the system would need to be quantified;
- the cost of implementation attributable to the Parishes should be allocated pro-rata to the respective Parish share of the States' contribution;
- once the basis for liability in terms of quarters has been established the schedule would only be updated for material changes (i.e. acquisition or disposal and significant change of use or size);
- to minimise resources and provide data assurance, data transfer between Parishes and the States should ideally be by standardised electronic media;
- Property Holdings will be the single interface with Parishes for all rates issues where the States are both owner and occupier.

(b) As part of its normal activity, Property Holdings will capture and record electronically material changes to the States property portfolio. If a common electronic data transfer media can be introduced it is considered that the cost of operating the billing process will not be significant for either the States or individual Parishes.

(c) To achieve the objectives detailed in the rationale, costs should be allocated to the occupiers of buildings. In practice, the foncier and occupiers' rates would be allocated either directly, as a charge to occupiers, or indirectly through an internal rental system.

(d) The proposed relationship structure is illustrated in Figure 1, below –

Figure 1 – Proposed Relationship Model



(e) For properties managed by Property Holdings, where the States is both owner and occupier there will be a single invoice from each Parish to cover both foncier and occupiers' rates. Property Holdings will work with Parishes to determine how this can be achieved using the existing Parish billing process.

(f) Property Holdings will pay the Parish rates demand on behalf of States non-trading departments and recharge internally within the States to the relevant budget holders, either directly or through the proposed internal rents system.

(g) Separate billing and administration by Property Holdings will continue as at present where a third party is involved (i.e. where the States is either Landlord or Tenant).

(h) The Working Party noted that eight Parishes run their rates on the ITEX system and four Parishes on the Cronus system, but proposals to standardise on a single platform were currently being considered.

(i) Should the proposals of the Working Party be adopted, a detailed project plan that includes financial and other resource requirements will need to be compiled.

5. Conclusions and Recommendations

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.

5.6 Other than the matters outlined above, the Working Party also considered the following, which it felt to be outside its terms of reference, but were worthy of further consideration by the relevant body –

- All Parish properties should be liable for both Parish rates and IWR;
- There appeared to be potential for utilising the apportionment of the IWR between domestic and non-domestic ratepayers as a fiscal strategy device. It appeared possible that such a solution could (by increasing the proportion payable for non-domestic (i.e. mainly corporate) rates, and decreasing the proportion payable for domestic (i.e. mainly individual) rates), be used as a variation on the so-called 'Blampied' proposals, although was unlikely to result in significant revenue being raised.

STATES OF JERSEY

STRATEGIC PLAN 2006 TO 2011 (P.40/2006): SECOND AMENDMENT

Presented to the States on 19th May 2006
by the Connétable of St. Helier

STATES GREFFE

2006 Price code: C P.40 Amd.(2)

STRATEGIC PLAN 2006 TO 2011 (P.40/2006): SECOND AMENDMENT

After the word "Appendix" *insert the words –*

", except that,

(1) in Commitment Six, Outcome 6.1, after Action 6.1.3 insert the following action –

6.1.4 Bring forward firm recommendations on the possibility of the States paying rates on its properties in 2006 (T&R)".

CONNÉTABLE OF ST. HELIER

REPORT

In 2004 I persuaded the Policy and Resources Committee to include in the landmark Report and Proposition 'Machinery of Government: Relationship between the Parishes and the Executive' (P.40/2004) the proposal to investigate the States' liability to rates (Appendix 1); the Committee agreed to lodge an amendment to their own proposition, which was subsequently accepted when P.40 was debated on 25th May 2004, that they should conclude their investigations by July 2005. The Finance and Economics Committee duly produced a report 'Parish Rates: the States' liability' (R.C.56/2005 – attached as Appendix 2) in which, although they shied away from firm recommendations, they did conclude that –

> *… the disproportionate location of States properties in St. Helier, St. Saviour and St. Peter creates significant costs for those Parishes and the Committee would like to address this issue as a priority … 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.*

On two occasions during Question Time earlier this year (Appendix 3) I sought assurances from the Minister of Treasury and Resources that this matter would be progressed and he agreed that it would be advisable to set up a working group to pursue this matter further if 'firm recommendations' were to be made next year.

This amendment seeks to ensure that the Council of Ministers gives this overdue matter the priority it deserves. There are no financial or manpower implications arising from the amendment.

APPENDIX 1

The report and proposition of the Policy and Resources Committee on the relationship between the Parishes and the Executive was lodged "au Greffe" on 9th March 2004. The Committee has since received valuable feedback from the Connétable of St. Helier, and as a consequence it would like to propose an amendment to part (e) of the proposition relating to the proposed review of the States land and property portfolio.

In paragraph (e) it is proposed that *"the Finance and Economics Committee should be charged 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"*. The scale of this task should not be underestimated, but the Committee accepts that it would be helpful to set a deadline for these recommendations to be placed before the Assembly.

An assessment of the work involved in this review indicates that a deadline of July 2005 would be reasonable, as this will allow sufficient time for consultation with interested parties and for consideration of the various options referred to in paragraphs 65-69 of the Committee's report. It is anticipated that this will be a high-level review, during which a general assessment would be made as to the extent of the estimated States liability to rates, should the States ultimately decide to pursue this option. It is not felt that it would be appropriate at this stage for the review to make a detailed assessment of the rateable value of every States property, as this would be a costly and time-consuming exercise, and it would be premature to carry out such an exercise until such time that the States have had the opportunity to consider the recommendations of the review.

APPENDIX 2

PARISH RATES: THE STATES' LIABILITY

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

REPORT

1. Purpose of this Report

P.40/2004: Relationship between the Parishes and the Executive charges the Finance and Economics Committee to undertake a high level review of the States land and property portfolio in order to bring recommendations to the States regarding the States' liability to Parish rates.

The Committee set its scope for the review as follows –

(a) To consult with the Comité des Connétables with regard to their expectations as to a suitable rating structure for States properties,

(b) To compare the current practice of other jurisdictions such as England and Guernsey,

(c) To consider and recommend which properties are appropriate for rating,

(d) To obtain a high level estimate of the annual financial liability to Parish Rates arising from all States Property,

(e) To calculate the ongoing administration resources required both for the States and the Parishes of any given proposal, and

(f) To bring recommendations to the States regarding the States' liability to Parish rates.

The findings from these objectives are detailed in the paragraphs below.

2. Executive Summary

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.

In recognition of the inequity caused by the current exemption and the severe financial constraints faced by the States, the Committee puts

forward its preferred option for funding its potential liability through the Island-Wide Rate system (detailed in Chapter 7).

The Committee believes it unwise to make a firm recommendation with regard to funding its potential liability until the economic effects of the Fiscal Strategy are clearer and the Island-Wide Rate debated, accepted and implemented. However the Committee would like to issue this R.C. as a preliminary consultation document in respect of the way forward.

3. Consultation

To assist in the process of assessing the States' rates liability, the Finance and Economics Committee requested of the Environment and Public Services Committee that its Department of Property Services consult upon the technical aspects of the review. The Comité des Connétables subsequently established a small steering group of Parish Rate Assessors to work with the Department of Property Services in this regard.

This process was extremely useful in providing the opportunity for consultation and negotiation as to how each type of property is to be rated and the appropriate rateable value for the various properties in the portfolio.

The opportunity was also taken to use data and valuations provided by Drivers Jonas, Chartered Surveyors, which were gathered during its work on an asset valuation of properties in the administration of Jersey Harbours.

All other measurement and valuation of property has been undertaken by the Department of Property Services.

The view of the Assessors Steering Group was that the liability for rates should in the main be dictated by both the Rates Law and the current practice in respect of all other property within the Island, i.e. that the same principles must be applied to States' property as are currently applied to rateable property in private sector ownership.

The view of the Assessors Steering Group was that there should be very few exemptions if the current practice in assessing liability for payment of rates is applied.

Exemptions which have been considered appropriate to date include religious establishments, the crematorium, sea walls, promenades, footpaths, bridleways, seating areas, traffic islands, the cenotaph and natural open land areas such as the headlands (Les Landes, Blanche Banques, etc.). No recommendations have been made in respect of the Bellozanne complex pending further research.

4. Comparisons with other jurisdictions

Some research has been undertaken into the U.K. and Guernsey rating systems; however it is apparent that both these systems are complex, have developed on the basis of local and historic factors, and are themselves under review. They are not therefore considered indicative of a preferred solution or best practice.

The Jersey Parish system has no direct equivalent in the U.K. Where Parishes exist in the U.K., their expenditure obligations are much lighter than those of a Jersey Parish. U.K. Parishes collect their income from a precept on local government council tax.

Central and local U.K. government are rated on all property. The collection of local government council tax is passed to central government and reallocated back to local government on a needs basis.

Mandatory relief from Council Tax is limited to religious establishments and buildings used by registered charity organizations. Local authorities have the ability to reduce or waive non domestic rates on other buildings occupied for non profit making purposes.

With regards to Guernsey, the Cadastre Committee is the rating authority for all property. All property is assessed and a rateable value is calculated in accordance with the current assessment rules. Some property is rated at zero or a very nominal figure, as a consequence little or no tax is presently collectable by the cadastre or the parishes.

The Cadastre law provides for a few exceptions –

(a) Real property that is used exclusively as a place of public worship,

(b) Real property that is used as a cemetery for the internment of human remains,

(c) Public highways repairable in whole or part by the States of Guernsey.

The Cadastre, on behalf of the Treasury collects the tax on rateable values (TRV) from the owners of property except for those listed above. Property owned by the States of Guernsey is subject to the payment of TRV, occupiers rates and where applicable refuse rates. Currently, there appears to be a sizeable amount of States owned land that has a rateable value of nil and therefore no taxation is payable.

The parishes collect their parochial occupiers and refuse rates based on the rateable values on all property as set by the Cadastre. To that extent, Parishes only benefit from States property rates that have a higher than nil rateable value.

It is understood that parish authorities do not collect rates from the exempted properties or from their '*Douzaine*' rooms or parish halls and therefore do not tax themselves. There are properties, however, that are owned by the parishes which historically are subject to parochial rates. An example of this which has been identified relates to an area which is leased by one of the parishes and used as a café/restaurant.

It should be noted that the States Cadastre is currently undertaking a complete review of the methodology of rating in order to substantially simplify the process.

Parishes of Guernsey fund similar Parish services to those of Jersey, however they do not fund welfare, commercial refuse collection or road costs. **The**

combined rate income from the ten Guernsey Parishes is approximately £3 million in contrast to £20 million in Jersey.

5. Measurement and valuation of the States' potential liability

The Department of Property Services has, where possible or necessary, re-measured the larger buildings and land areas, which are in the administration of Committees of the States, to ensure consistency in accordance with rules as set out by the Royal Institution of Chartered Surveyors (RICS). Land areas have mostly been determined either from already available survey information or a computer measurement calculation method using the Environment and Public Services Geographic Information System (GIS).

Similarly, the valuation of property, both by the Department and Drivers Jonas (in the case of the Jersey Harbour properties) has been determined in accordance with the published rules of the RICS (the '*Red Book*').

Currently, the parish assessors use a variety of methods for calculating rates dependant on the type of use of the land or buildings. Buildings are measured using the gross internal area (square feet) whilst open land, farm land, playing fields, parks, reservoirs, reclamation and tipping sites, horticultural nurseries and the residual area of grounds (less footprint of building) are measured in vergées. Car parks are generally rated per parking space where spaces are marked or by area when not marked.

Slipways, lighthouses, navigation and weather radar stations, towers (such as Seymour, Icho, Janvrin's Tomb and Rocco) and other 'one-off' structures would be assessed and negotiated individually on the basis of a fixed range of quarters.

Roads could be assessed on the notional width for the particular class of road (A, B, C) multiplied by its length. A similar method is being suggested for the Railway Walk.

6. Estimate of the annual financial liability

Existing rate payments

It should be remembered that the property administering Committees of the States already pay foncier and occupier rates on housing and other leased or non-operational land and buildings.

For 2004, the rates paid by Committees to the Parishes were **£628,000.**

Potential rate payments

The calculation of the annual financial liability with all the various measures used is complex. In the case of car parks, for example, the rate assessment is not only based on measurement but also includes the nature of the parking and whether it is for staff or customers, if there is a payment charge for parking and whether it is seasonal, long-stay, short-stay or multi-storey.

Certain assumptions have been made by the Department of Property Services and a similar average area has been used in the case of pumping stations and public toilets rather than individual measurement of each.

The one exception is the 'cavern' under Fort Regent which the assessors believe has to be rated on capacity. How it is intended to identify an appropriate rate per square metre is unclear at present.

In estimating the States' annual financial liability for rates, it has been necessary to reach agreement with the Assessors Steering Group on the basis of assessment in respect of each type and use of the States property. Whilst there are some types which are still undecided, it has been possible to calculate to a reasonable accuracy the total rate which would be payable.

In summary, the following table indicates the sum payable to each parish and the estimate of the total States' annual financial liability using the individual 2004 parish rates. This is the figure in respect of the buildings currently used for a public purpose for which the States does not currently pay rates.

From the valuations undertaken by the Department of Property Services the total number of additional quarters is estimated at **87,678,146** which yields a total annual rate figure of **£1,520,000** using 2004 rates.

Using the 2004 rate figures as the model, this would indicate a total annual financial liability for all States' property in respect of both foncier and occupier parish rates of **£2,148,000.**

Summary of rateable value and rate payable for each Parish

	Additional Quarters	*Rateable value (using 2003/04 rate) (£)*	*Approximate % of Parish income*
St. Helier	55,940,000	1,032,000	11%
St. Saviour	16,690,000	284,000	13%
St. Peter	4,810,000	63,000	8%
St. Brelade	4,610,000	57,000	4%
St. Clement	1,800,000	30,000	2%
St. Martin	840,000	12,000	2%
Trinity	680,000	10,000	2%
St. Ouen	570,000	9,000	1%
Grouville	530,000	7,000	1%
St. Lawrence	540,000	7,000	1%
St. John	290,000	4,000	1%
St. Mary	210,000	3,000	1%
Public Highways	160,000	2,000	
Total	**87,680,000**	**£1,520,000**	**8%**

Note: The above charges are calculated on the basis of the 2004 Parish Rates. The 2006 rate will include parochial and Island-Wide elements and will most likely result in a higher liability, depending on the proportion of the Island-Wide income agreed by the States to be funded from the commercial sector.

If it is assumed that the Commercial Island-Wide rate will be twice that of the Domestic, the rateable value of the additional States quarters is estimated to be £2.2 million.

Ongoing administration resources

Despite a simplified rating system, States rates submissions are a continual and intensive process with many new buildings being disposed of, acquired, built, lease/tenant changes, rent review details, changes in use and appeals each year.

If it is assumed that the rate which might be charged to the States' is to be based on individual property schedule returns, valuations and assessment, there will be a requirement for at least one full time professional post (est. £60,000 per annum) allocated to the task to submit schedules, maintain computer records, deal with parish assessors and handle appeals. This assumes that valuation will be maintained on a rolling program using qualified valuation surveyors from the States' own Property Department.

A simpler and less costly alternative in terms of administration might be to agree an annual one-off payment in respect of the rates liability. This would still require manpower resource to monitor the addition of newly acquired or disposed property but at an administration level (est. £30,000 per annum).

7. Should the States and the Parishes pay rates?

The Committee accepts the principal argument for the States paying rates is to achieve fairness and transparency within the rates system. This argument is put forward on the basis that a States property, just as a Parish, commercial or domestic property, benefits from the same services that are funded by Parish Rates (i.e. welfare payments, refuse collection and lighting, etc.).

However, the argument for fairness and transparency does not support a simple blanket payment of an estimated States rate liability, and therefore regard must be taken of the administration costs of the annual rates submissions. It is estimated that this would have a cost to the States of approximately £60,000 per annum and administration consequences for Parishes.

In the past, the inclusion of Parish properties would have had no financial impact to the Parish, however the calculation of the Island-Wide rate and its subsequent payment to the States is such that the Parishes would be required to make an external transfer payment if their properties were included as rateable.

Previously, the main argument for the States not paying rates has been that the Parishes receive services from the States at nil cost, the most significant example of which being waste disposal. The Steering Group review that pre-empted P.40/2004 considered that if a future waste tax was to be introduced, in the interest of fairness and transparency, the case for the States not paying rates would be weakened.

There are no imminent plans to introduce a waste tax within either the Fiscal Strategy or the draft Waste Disposal Strategy.

The overriding economic argument as to why the States should not pay rates is strong, in that the people and businesses of Jersey will overall have to pay exactly the same additional sum in other taxes as they save in rates except there will be additional administrative costs in assessment and payment rates plus the cost collecting the replacement taxes. The distributive impact will depend on how the States decides to raise the taxes needed to fund the rate payments.

8. The precept concept

There is currently an imbalance in the distribution of non-paying States quarters within Parishes. The extent of the imbalance is estimated below by comparing the amount of non paying States quarters with the total amount of quarters a Parishes would have if these were added –

	Existing Parish Quarters	*Additional States Quarters*	*Total potential Quarters*	*% of States Quarters to potential Quarters*
St. Helier	501,280,000	55,940,000	557,220,000	10%
St. Saviour	134,080,000	16,690,000	150,770,000	11%
St. Brelade	122,840,000	4,610,000	127,450,000	4%
St. Clement	75,220,000	1,800,000	77,020,000	2%
St. Peter	58,520,000	4,810,000	63,330,000	8%
Trinity	34,740,000	680,000	35,420,000	2%
Grouville	60,820,000	530,000	61,350,000	1%
St. Ouen	43,710,000	570,000	44,280,000	1%
St. Lawrence	60,060,000	540,000	60,600,000	1%
St. Martin	42,710,000	840,000	43,550,000	2%
St. John	35,300,000	290,000	35,600,000	1%
St. Mary	19,880,000	210,000	20,090,000	1%
TOTAL	**1,189,170,000**	**87,680,000**	**1,276,850,000**	**7%**

The Committee notes that the Parishes of St. Helier, St. Saviour and St. Peter contain a large proportion of States properties, and given the nature of these properties, that these Parishes are exposed disproportionately to certain costs without the commensurate rate income from the States quarters. The Committee recognises this inequality and would wish to address it as a priority.

The States will be aware of the current pressures on States income and expenditure, and therefore the extreme difficulties that would arise if the States were to agree that the States should pay rates.

However in recognition of the inequality created by the States' current exemption to certain rates and given the pressures on States income and expenditure the Committee considers that an appropriate future mechanism for

the equalisation of the inequality may be a precept within the Island-Wide Rate.

The precept proposal would require a future amendment to the Rates Law to the effect that the Island-Wide Rate would levy the Annual Island-Wide Rates Figure (as it currently is proposed to do) plus the amount that the States are liable for in respect of its additional rates burden.

This proposal would provide Parishes with full payment for its States quarters, and thus address the inequality faced by the Parishes of St. Helier, St. Saviour and St. Peter.

The distributive consequences of this proposal would depend on the ratio of Commercial and Domestic contribution to the Island-Wide Rate, which is yet to be decided.

It is difficult to accurately predict the distributive consequences of this proposal at this time given the uncertainties that exist within this forecast, however based on Parishes 2003/04 financial result and the assumption that Commercial Rate payers will pay 100% more Island-Wide Rate than Domestic the distributive consequences are estimated below –

	Increase/(decrease) required by Commercial Ratepayer	*Increase/(decrease) required by Domestic Ratepayer*
St. Helier	0%	(4%)
St. Clement	(1%)	(5%)
St. Saviour	6%	5%
St. Brelade	3%	1%
Grouville	5%	3%
St. Peter	4%	3%
Trinity	1%	(2%)
St. Ouen	3%	2%
St. Martin	4%	2%
St. Lawrence	6%	4%
St. John	3%	2%
St. Mary	4%	2%

Under this scenario, it is demonstrated above that ratepayers of all but the largest 2 Parishes would pay more in order to achieve equality. This is despite their Parish rate decreasing as a result of including States quarters, as the increase required in the Island-Wide Rate (to reimburse the States) would be greater.

It should be noted that the distributive consequences would change significantly under different ratios of Commercial and Domestic rates within the Island-Wide Rate. For this reason the Committee considers it unwise to release a firm proposal with regard to the funding source of the potential liability for Parish Rates, until the Island-Wide Rate has been consulted, implemented and reviewed.

8. Conclusion

The Committee accepts that in the interests of fairness and transparency there is a strong argument that the States should pay rates on its land and property.

However, it notes the additional administrative costs and burden that would be incurred by both the Parishes and the States in this regard. It further regards the economic neutrality of this calculation as pertinent in that the people and businesses of Jersey as a group will pay exactly the same additional sum in other taxes as they may save in rates.

Despite the above, the Committee concludes that the disproportionate location of States properties in St. Helier, St. Saviour and St. Peter creates significant costs for those Parishes and the Committee would like to address this issue as a priority.

Given the intense pressures on States income and expenditure yet the desire to resolve the inequity issue the Committee puts forward for preliminary consultation the proposal for funding its rates liability from a precept on the Island-Wide Rate.

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.

APPENDIX 3

States' Questions: 31st January 2006

2.1 Connétable A.S. Crowcroft of St. Helier of the Minister for Treasury and Resources regarding progress with the States paying Parish Rates on property in public ownership:

In R.C.56/2005 regarding "*Parish Rates: the States' liability*", the former Finance and Economics and Committee identified that: "there is a strong argument that the States should pay rates", there was an unfair burden on several Parishes at the present time, and that the issue should be addressed as a priority with "firm recommendations" being made in 2006; would the Minister indicate what progress, if any, is being made?

Senator T.A. Le Sueur (The Minister for Treasury and Resources):
I am not sure where the Constable has found the reference to firm recommendations being made in 2006. I have searched R.C.56 and can only find a reference in the concluding paragraph to an anticipated date of 2007 for such recommendations to be presented. However, by way of reassurance, I can confirm that it is still my intention to bring forward firm recommendations at that time on the possibility of the States paying rates on its properties. If they read elsewhere, Members will find in the executive summary, the words: "In the interests of fairness and transparency, the Finance and Commerce Committee supports the argument of the States being rateable on all its properties. In recognition of the inequity caused by the current exemption and the severe financial constraints placed by the States, the Committee puts forward its preferred option for funding this potential liability. The Committee believes it would be unwise for the States to make a firm recommendation with regard to funding until the economic impact on the fiscal strategy are clearer and the Island-wide rate debated, accepted and implemented. The Committee would like to issue this R.C. as a preliminary consultation document in respect of the way forward." I remain of that opinion. At the present time, while the Island-wide rate has been debated and accepted, its effects, particularly on businesses, have not yet been fully evaluated. Similarly, aspects of the fiscal strategy remain under review. By the end of this year, there should be much greater clarity in both these areas enabling proposals to be considered in light of full information. In conclusion, I reaffirm my support of the conclusions of R.C.56/2005 and it is my intention to bring recommendations as stated in 2007.

2.1.1 The Connétable of St. Helier:
I apologise for the typo. It is, indeed, 2007 and it should have been in the question. Notwithstanding that, if the Minister is to bring forward firm recommendations next year and given that the conclusion promises preliminary consultation, would it not be advisable for the Minister to invite Members of the Committee of Constables and other interested parties to form a working group this year in order that firm recommendations can be brought forward next year?

Senator T.A. Le Sueur:
Yes, Sir, I am perfectly happy to meet with the Comité of Connétables but perhaps that would be premature at this stage until the clear impact and the effect of the non domestic rate has been evaluated by them.

2.1.2 The Connétable of St. Helier:
Sorry, Sir, clarification. I did ask whether the Minister would be prepared to form a working group involving the Committee of Constables so that firm recommendations could be brought forward next year.

Senator T.A. Le Sueur:
I think it is more than a Comité of Connétables, so as the report suggested there are also matters of fiscal implication and economic implication. I would be happy to form a working group which would include the Connétables but other people would also be needed on that group as well.

14th MARCH 2006

Question

In his answer to an oral question on 31st January 2006, the Minister stated that he 'would be happy to form a working group which would include the Connétables' and other interested parties in order that firm recommendations could be brought forward next year in respect of the payment of rates on States-owned properties. Would the Minister indicate the progress he has made in arranging this working group?

Answer

In my answer of 31st January 2006, I did agree to form a working group to consider the issue of States properties being liable to Rates.

Once the Island Wide Rate has been implemented and its preliminary effects can be assessed I shall progress the formation of such a consultative body, but as I stated in my response of 31st January, doing so ahead of the introduction of the Island Wide Rate would be premature.

APPENDIX B

Jersey Hansard, 22nd June 2006 (Extract)

The Deputy Greffier of the States:

In the proposed new action 6.1.4 before the words "in 2006" substitute the words "by 2007".

1.12.2 Senator T.A. Le Sueur:

This is really an obligation to be placed on the Treasury and Resources Minister and so I am happy to speak to it. I am grateful for the Connétable of St. Helier and the position that operates between these benches and his benches which enables me to deal with this fairly quickly. I said in answer to him earlier that I would be setting up a working group once the full impact of the new rates law had been assessed. The Connétable of St. Ouen yesterday gave details of the breakdown of the rating assessment and I confirm now for the benefit of the doubt of the Connétable or anybody else that I will now be setting up that working group within the next 3 months with the aim that we will, in fact with the commitment, that we will be able to come back by 2007 with firm recommendations. I underline that is an undertaking which I am happy to give. The Connétable is happy to accept that undertaking and on that basis I would like to propose the amendment.

The Greffier of the States (in the Chair):

Is the amendment seconded? **[Seconded]** Does any Member wish to speak on the amendment to the Council of Ministers? Deputy Breckon.

1.12.3 Deputy A. Breckon:

I would be delighted if the Minister of Treasury and Resources could tell me the difference between in 2006 which is the end of the year, I would presume, and by 2007. Could you tell me what the difference is?

1.12.4 Senator T.A. Le Sueur:

By 2007, it is vague and it does not say by what date in 2007. However, I think the spirit of this is we are going to go on ahead with it as quickly as possible. I maintain the amendment.

1.13 The Greffier of the States (in the Chair):

I put the amendment to the Council of Ministers. Those Members in favour of adopting it, kindly show. Any against? The amendment is adopted.

STATES OF JERSEY

PARISH RATES: THE STATES' LIABILITY (P.68/2008) – AMENDMENTS

Lodged au Greffe on 17th June 2008
by the Connétable of St. Helier

STATES GREFFE

2008 Price code: B P.68 Amd.

1

For the words "Parish Rates" substitute the words "Rates".

2

For the words "public buildings" substitute the words "public land and buildings".

3

Delete the words ", and to increase the contribution by Parishes to the Island-Wide Rate by a commensurate sum,".

4

For the date "2010" substitute the date "2009".

CONNÉTABLE OF ST. HELIER

REPORT

After considerable delay the Minister for Treasury and Resources has lodged a proposition that the States should pay rates. Among the hundreds of propositions put forward in the 10 years of my membership of the States, P.68/2008 must rank as among the most half-hearted and doomed to failure.

The Working Party's recommendations are that the States should pay Parish and Island-Wide Rates on 'public use' land, and that the States should absorb the additional cost, except where such costs are part of a charge recoverable from service users. What the Minister is proposing is that the States should pay only Parish Rates, and that they should claw this money back in a greater 'contribution by the Parishes' to the Island-Wide Rate. Ratepayers in St. Helier and to a lesser extent in St. Saviour would benefit from such an arrangement, but everyone else would be worse off. States members are effectively being asked to ask the ratepayers of 10 or 11 parishes to pay more in order that the ratepayers of one or two parishes should pay less. The Minister has done the maths and knows the likely outcome of the debate – P.68 will be defeated and he can wash his hands of the messy subject of the States paying rates.

It was suggested to the Minister that he withdrew his proposition and had further discussions with the Working Party that he set up, but he has declined to do so. This stance is all the more surprising when one considers the defects in the wording of the proposition itself. In the first place the word 'land and buildings' should be used in place of 'buildings', a defect which the second of my amendments seeks to remedy. (The Law uses the term 'land' which is carefully defined. In general, in forms and notes about rates, the expression 'land and buildings' is used.) Furthermore, it is illogical to request the States to increase the contribution by Parishes to the Island-Wide Rate (IWR) as the Parishes do not contribute to the IWR – they collect it on behalf of the States. Indeed, the proposition displays a fundamental lack of understanding of the operation and interrelation of the Parish Rates and the IWR.

The Minister has ignored the Working Party's recommendation that the States pay both Parish rates and contribute to the IWR. If the principle is accepted that the States should pay rates – and the Minister appears to accept this in the first line of the final section of his Report ('Proposal' – page 6) – there is no reason why the States should be treated differently from any other owner or occupier of land. This is particularly true if it is believed that the States should operate on a level playing field with the private sector: under the Minister's proposal, the operator of a private school, for example, would have to pay Parish Rates and the IWR at the Non-domestic level but a school run by the States would not pay the IWR. An added difficulty of the Minister's approach is that the computer systems operated by the Parishes are designed to prevent an individual who is paying the Parish rate from defaulting in payment of the IWR.

The Minister implies on page 3 under 'Background' that the Working Party tasked to address this subject took a year and a half to produce its report (between October 2006 and April 2008), whereas its final draft was made available to the Assistant Minister in July 2007. Some minor adjustments were made and typos corrected but it was signed off in August that year. It is, therefore, disingenuous for the Minister to claim that 'final approval (was) received on 8th February 2008.'

The report attached to the proposition is one of the weakest I have read. The Working Party's proposals are listed concisely on page 4, with clear statements of the reasons why the States should pay rates. These are reproduced below –

4.1 Proposal 1 – that the States, like other ratepayers, should be liable for both Parish Rates and Island Wide Rates on all their properties.

(a) The Working Party is of the opinion that this course of action is the correct one for the following reasons:

- **The States should pay rates on an equity basis.**

The States operates as a competitor with the private sector in the provision of certain services, for example office facilities, management services, grounds maintenance etc. By not including an equivalent to the rates charge met by a private sector organisation, the States' operations are artificially subsidised.

- **The States should recognise the full cost of occupying property for comparative purposes.**

The lack of a rates charge skews comparisons with private sector service providers and public sector bodies in the UK when benchmarking on performance indicators.

- **The States should recognise the full cost of occupying property to improve strategic decision making.**

By not recording the full cost of occupying property, the States are hampered when making decisions on property usage.

- **The States should pay Parish rates to meet the cost of Parish service provision.**

Parishes incur costs associated with the occupation of buildings that are normally recovered through rates. In particular, the Parish of St. Helier faces an opportunity cost of foregone rates when the States takes possession of a building that was in the private sector (e.g. Morier House), without any reduction in the Parish cost base.

- **The States should pay their share of the Island Wide Rate.**

The States, by not contributing to the IWR, requires a higher level of contribution from the parishioners of all Parishes than would otherwise be the case. A commensurate States contribution would provide scope for a reduction in the rates demanded from all parishioners.

The Minister's response to this is contained under the heading 'Counter position' – in itself a curious phrase in this context when we recall that this Working Party was set up by the Minister himself and staffed by the Treasury and Resources Department – in two short paragraphs, the arguments in which can be summarised as follows –

According to the Minister, the State paying rates –

1 'achieves no net efficiency gain to the wider public sector'

2 'has a marginal increase in overall administration costs'

3 '(will impact) on service provision'.

The first point can be rebutted by referring to the recommendations of the Working Party: States' service delivery is artificially subsidised, cannot be properly benchmarked with local private sector or UK public sector service delivery, and States decision-making on property usage is hampered by the fact that the full costs of its property holdings are not taken into account. Increased efficiency will be one result of the States paying rates because it will enable the States property portfolio to be managed more effectively and with more realistic assessment of revenue budgets.

The second point is debateable – surely the information systems in States departments can manage to remit an annual rates payment? Or did the Minister mean 'negligible' rather than 'marginal'?

The third point raises the all too familiar spectre which confronts anyone who suggests that departmental revenue budgets should be trimmed. For several years now, and in spite of dire predictions of service cuts, States departments have shown themselves able to make efficiency savings, and there is no reason to think that further savings cannot be made. In any case, if there are – and I believe the Working Party has shown this to be the case – good reasons for States departments to fulfil their obligations by paying rates, it is no more acceptable for the States to object, than it would be for a private business to do so.

Perhaps aware of the paucity of these arguments, the Minister proceeds to spend three paragraphs playing the centuries-old political trick of trying to drive a wedge between the Parish of St. Helier and the rest of the Island: if the States were to pay rates, the Minister argues that St. Helier would benefit in relation to other parishes which would be inequitable. The Minister appears to forget that for decades the ratepayers of St. Helier bore an unequal proportion of the burden of welfare payments, with the equalisation of the payment for non-native welfare only occurring in May 2006. Addressing 'the position of St. Helier' was one of the objectives of P.40/2004: 'Relationship between the Parishes and the Executive' and the Working Party chaired by the then Deputy of Trinity, accepted that it was unfair that St. Helier ratepayers funded a range of public amenities including toilets, parks, gardens, street-cleaning and litter-bin emptying within the Parish, the majority of which are funded out of general taxation where they are provided elsewhere in the Island. It is the predicament of St. Helier ratepayers <u>now</u> that is inequitable, not the prospect of their being the main beneficiaries of the States paying rates.

The Minister concludes his 'Counter position' with two further arguments which he appears to believe reduce the States' obligation to pay rates –

1. Direct investment in St. Helier by the States (e.g. reclamation schemes) increases the rates paid to that parish.
2. Public sector activity in St. Helier leads to increased trade for small businesses and hence 'a higher level of rates take'.

The first point is a common misunderstanding about the operation of the rates system. The argument that St. Helier parishioners are set to benefit from a rates windfall as the bulk of the Island's development is to be concentrated in that parish is fundamentally flawed, as anyone who has attended a Parish 'rates' Assembly will know. The effect of increased rates income is to lower the amount per quarter, or 'penny rate' that is required to meet the Parish's expenditure. Increased development in St. Helier means increased rates income, but if that exceeds the cost of the extra services required there is no windfall to the Parish but a lower Parish rate will be set.

It is worth noting that despite the equalisation of native welfare payments achieved in 2006 by the creation of the IWR, St. Helier ratepayers of today still pay the fourth highest rates in the Island. What is more, had the States paid rates on 'public use' land

(including buildings) last year, the position of St. Helier on the 'league table' of rate payments would probably only have been altered by one place.

Over the past decade the States of Jersey has been keen to endorse and implement policies which concentrate development, traffic, noise, et cetera, in St. Helier – how can they propose to deny this parish the rates income that is needed to maintain high levels of service and to lower the rates paid by St. Helier ratepayers in relation to those paid in other parishes?

The second point makes no sense at all: there is no link between increased trade for small businesses and the amount of rates paid. Or does the Minister mean that increased economic activity will lead to the creation of more businesses? If that is the case, the second argument is the same as the first and is similarly flawed.

The last section of the Report returns to the supposed inability of States departments to pay rates. Although work on the 2009 Business Plan is well advanced, Ministers have known for some considerable length of time that it was feasible their departments would become liable to pay rates and should have planned accordingly. They had a clear steer from the Machinery of Government Review (P.40) in 2004 and a report by the Finance and Economics Committee the following year; at that stage more time was bought by the claim that the issue of the States paying rates could not possibly be debated until the 'economic effects of the Fiscal Strategy are clearer and the IWR debated, accepted and implemented.' One year later, in 2006, the States adopted my amendment to the Strategic Plan requesting **firm recommendations** on this matter be brought forward later that year. Subsequently the Minister for Treasury and Resources set up a working group and committed to bringing forward **firm recommendations** one year later, in 2007. The Working Party's proposals were actually completed in the summer of 2007, and the Council of Ministers should have included the matter in their work on the 2008 Business Plan, even if there appears to have been no hurry on the part of the Minister to bring forward his **firm recommendations** as agreed in the Strategic Plan.

There is no excuse for delaying implementation of this long overdue measure until 2010, indeed I understand that the original proposition from the Minister gave 2009 as a target date. However, according to the minutes of the Council of Ministers' meeting of 8th May 2008, "it was reported that the Bailiff had invited the Minister for Treasury and Resources to reflect on whether the changes proposed could be delivered in 2009. Having considered the matter, the Minister for Treasury and Resources had decided to lodge 'au Greffe' a revised report and proposition inviting the States to determine whether the recommendations of the working party should be adopted with effect from 2010." (As an aside, it should be pointed out that P.68/2008 does not contain the recommendations of the working party.)

If one accepts the findings of the Working Party – as the Minister says that he does, albeit 'broadly … on an equity basis,' on page 6 of his report – there is no good reason for delaying implementation of the Working Party's recommendations. The Minister cites 'already pressured States spending limits' as a good reason for further delay, but I suspect that if the States do decide that they simply cannot afford to pay the rates which the Working Party set up by the States has advised are due, owners of businesses in Jersey (some of which provide services in competition with the States) will protest at unfair competition, while individuals struggling to make ends meet in the current economic climate will declare that they cannot afford to pay rates either!

The effect of these amendments, if approved, is that –

1. the States will have to pay both Parish and Island-Wide Rates;
2. the States will be unable to simply claw back via the Parishes a commensurate amount to offset Parish Rates, but States departments will have instead to make efficiency savings, increase fees where services are provided, and, where necessary, seek increased revenue budgets;
3. the States will have to pay their rates bills next year, in common with the rest of the Island's businesses and householders.

There are no manpower implications in the amendments.

The financial implications are set out in the Working Party's report, attached as an appendix to P.68, and are approximately £1.65 million per annum based on 2006 assessments, but the exact sums will, of course, be affected by the number of quarters assessed by the Island's Rates Assessors. Other factors include the level of Parish rates set by Parish Assemblies and the split between Domestic and Non-domestic IWR to be set by Regulations as recommended by the Supervisory Committee. Of particular relevance is section 4.2 of the Working Party's report –

4.2 Proposal 2 – that the additional cost to the States in meeting their rates liability should be contained within existing States budgets, except where such costs form part of a service whose costs are recovered in the form of charges to end users.

(a) In the United Kingdom, local and national government buildings are liable for National Non-Domestic Rates, subject to mandatory or discretionary relief, and the resulting costs are born by those organisations as part of their annual budgetary requirement.

(b) The Working Party considered that, as an overriding principle, total public sector revenue take (taxation and rates) should not increase and that the States should seek to absorb the additional costs within its approved future funding envelope.

(c) The Working Party was of the view that the States contribution should not be offset by a commensurate increase in the contribution to the IWR, which would have a 'neutral' impact on States finances.

(d) Where those costs form the basis for the recharge of a service whose charge is limited to cost recovery (e.g. car parking, planning fees, etc.), such costs should be passed onto the end user to maintain a 'level playing field' position when comparing States services to comparable services provided by the private sector.

(e) The proposal will have a distributional effect between ratepayers and taxpayers but it should not increase aggregate public sector expenditure (i.e. the combined expenditure of the States and all Parishes) above that required to provide the current level of services.

(f) The Working Party did, however, acknowledge that each Parish has the autonomy to determine whether the States contribution was reflected in full as a reduction in rates charged to parishioners or employed to provide additional services. Ultimately, this would be for the relevant Parish Assembly to decide.

(g) The net total additional cost to the States will be in the order of £1.65 million per annum at a 2006 cost base. This sum reflects the adjustment required to contributions by all ratepayers (including the States) to achieve the existing total rates yield.

(h) The vast majority of the States contribution to Parish rates (around £568,000) will be received by the Parish of St. Helier, with a further £120,000 received by St. Saviour. No other Parish would receive more than £38,000.

(i) On the 2006 rates base data, the estimated impact across Parishes of the States paying Parish rates is as follows –

Table 1
Estimated Indicative States Contribution to Parish Rates by Parish

Parish	**Parish Rates (£)**
Grouville	4,070
St. Brelade	37,720
St. Clement	14,470
St. Helier	567,725
St. John	2,765
St. Lawrence	4,195
St. Martin	6,435
St. Mary	2,540
St Ouen	7,200
St Peter	29,785
St Saviour	119,975
Trinity	7,730
Estimated States Contribution to Parish Rates	**804,610**

Note:
This table shows what the position would have been in 2006 if the States had paid Parish Rates on all its properties (excluding any contribution in respect of IWR).

This illustration should not be regarded as a prediction of the specific benefits to Ratepayers or Parishes if the States were to pay Rates.

(j) Parishioners would also benefit by not having to contribute a total of £845,390 to the IWR fund.

(k) Thus, as noted above, the amount payable by the States in respect of Parish Rates is estimated to be £805,000. The States would also have to pay an estimated £845,000 for its IWR contribution, resulting in a total cost of £1,650,000 based upon the 2006 rates base data.

(l) The above estimate assumes that the overall Parish revenue requirement and contribution to the IWR fund will remain constant, as there is no increase in their operating costs, and the States contribution results in a pro-rata reduction to all ratepayers (including the States).

(m) Further detailed work is required to analyse the split between ministerial departments, however, departments that have 'property hungry' services, such as Health, Education and Transport and Technical Services, will bear the vast majority of the costs, either directly or through a recharge from Property Holdings.

(n) The Working Party recognises the competing financial pressures within the States. The cost of implementing these proposals is not included in the current States forward financial forecast, but the Working Party considers that this should not, in itself, be a reason to delay implementation.

APPENDIX 5

Debate on Vote of No Confidence in the Council of Ministers:
1st and 2nd July 2008

7.1.5 The Connétable of St. Helier:
I would refer Members to the failure of the States to grapple with several long-running issues surrounding the inequity of the way the Parish of St. Helier is treated. Of course it might be wrong to blame this Council of Ministers for that because this has been going on not only for decades, but for centuries. I was particularly disappointed that the Treasury Minister hoped that dithering and delay would mean that the issue of the States paying rates on its properties could be quietly buried and when he finally brought forward a proposition which, as Members will know, was almost designed to failure, that of course has now been withdrawn despite my having spent quite a lot of time on it, on amending it and I suppose that might come back next year or the year after. I think that is one example of the inequity of this important Parish in the Island that gives me concern, but other Members will be aware of, under the former Deputy of Trinity, David Crespel, the machinery of government review recommended that the position of St. Helier be addressed as a priority and several issues around the Parish's position simply have not been met ...

1.13 Senator F.H. Walker (The Chief Minister):
… I was very grateful for the contribution from the Constable of St. Helier. I am particularly pleased that he identified a number of issues in St. Helier where the Council of Ministers have been supporting initiatives in terms of street cleaning, safer St. Helier, et cetera.