STATES OF JERSEY

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

Lodged au Greffe on 23rd November 2017
by the Minister for Treasury and Resources

STATES GREFFE

PAGE 2 –

For all the inserted text after the words –

> "In paragraph (b), at the end of the paragraph, add the words –"

substitute the following –

> "except that the Council of Ministers and the Minister for Treasury and Resources are requested that the allocation for the payment of Parish Rates by the States as part of the Central Growth proposals in the 2019 Budget and beyond is confirmed subject to the introduction of a sustainable funding mechanism;".

MINISTER FOR TREASURY AND RESOURCES

REPORT

Position of the Council of Ministers

As the report accompanying the Comité des Connétables' proposed amendment (P.90/2017 Amd.Amd.) to the Connétable of St. Helier's amendment (P.90/2017 Amd.) highlights, the issue of the States paying rates has been the subject of debate for many years. This Council of Ministers has, however, adopted a consistent stance in respect of the States' payment of rates throughout this term of office; namely that the States should agree to pay parish rates, but payment is contingent on the development and introduction of a sustainable funding mechanism to meet the resulting costs. The relevant statements made by the Council of Ministers in this respect are outlined in the attached **Appendix**.

The clearest indication that the Council of Ministers supports the principle that the States should pay parish rates is the fact that in the 2017 Budget, legislative changes were brought forward that would have removed the exemption currently available to the States from 1st January 2017.

The relevant legislative change was contained in Article 17 of the Draft Finance (2017 Budget) (Jersey) Law 201- (P.113/2016); following a lengthy debate, the legislative change was rejected by the Assembly by 20 votes to 17[1], hence the States remains exempt from parish rates.

During 2017, and following the States' adoption of P.12/2017 (*Parish Rates: payment by the States of Jersey*), the Treasury reflected on the content of the debate surrounding Article 17 of P.113/2016, and drafted an alternative legislative amendment that sought to address a number of the concerns raised during that debate (e.g. concerns about the rating treatment of roads, payment of the Island-wide rate by the Parishes), seeking a practical way forward. It did not propose that the States should pay Island-wide rates.

This alternative legislative amendment was presented to the Comité des Connétables on 18th September 2017. The Comité des Connétables subsequently issued a letter dated 26th September 2017 containing a firm rejection, not only of the alternative legislative amendment produced by the Treasury, but also of the principle of the States paying Parish rates (emphasis added) –

> "In conclusion, the Committee pointed out that a significant amount of States land and property has, in recent years, been transferred to other bodies which are now liable to pay rates (for example Jersey Post, JT, the harbours and airport). The land and property owned or occupied by the States which remains exempt from rates relates mainly to administrative offices including the States Chamber and Royal Court, to health and to education premises and *the majority of the Connétables are of the opinion these should not be rated.*
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> It would be fair to summarise that, with the exception of the Connétable of St. Helier, the Connétables are not supportive of the revised proposals."

This letter left the Council of Ministers in little doubt that the Comité des Connétables did not support the payment of rates on its remaining property portfolio, hence the Council of Ministers are surprised by the apparent change of direction by the Comité outlined in their subsequent amendment to this amendment, in which they now state –

[1] See: http://www.statesassembly.gov.je/Pages/Votes.aspx?VotingId=4538

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

In light of the earlier opposition to the principle of the States paying parish rates by the Comité des Connétables, the Council of Ministers choose not to propose the alternative legislative amendment in the 2018 Budget nor any funding mechanism, preferring instead to seek greater consensus on the issues before returning to the Assembly.

Consistent with deferring a decision of the States' payment of parish rates, the Council of Ministers has only proposed the removal of funding in 2018 for the Department for Infrastructure ("DfI"). Funding at this juncture remains in the base budget of DfI in 2019, pending further decisions on the States' payment of parish rates and an associated sustainable funding mechanism.

This amendment is consistent with the position maintained by this Council of Ministers, namely that they support the payment of parish rates, provided that a sustainable funding mechanism is identified and introduced by the Assembly; and further work will take place to seek to deliver this outcome by 1st January 2019.

Collective responsibility under Standing Order 21(3A)

The Council of Ministers has a single policy position on this proposition, and as such, all Ministers, and the Assistant Minister for Treasury and Resources, are bound by the principle of collective responsibility to support the proposition, as outlined in the Code of Conduct and Practice for Ministers and Assistant Ministers (R.11/2015 refers).

Financial and manpower implications

The Council of Ministers' proposals agreed within the MTFP 2016 – 2019 and MTFP Addition for the States' payment of parish rates were conditional on a sustainable funding-stream being agreed. The impact of the States' payment of parish rates was therefore intended to be neutral to the overall financial position of the States.

The proposer refers to advice provided by the Treasury in relation to funding the additional cost in 2018 of £978,000. The advice explained that the Council of Ministers has had to reprioritise the Central Growth Allocation for 2018 to compensate the DfI in respect of the deferral of non-domestic liquid waste charges to 2019. The advice was that the first option for the proposer was to follow the same course and to propose that a further £978,000 be prioritised to the DfI from the Central Growth Allocation for 2018 to reinstate the funding for the States' payment of parish rates in 2018. The advice was that this needed to be found by reducing the proposed allocations to other departments, predominantly Health and Social Services, as the overall allocation for 2018 could not exceed £10.424 million.

The Treasury advice did provide the 2 further options of requesting the Council of Ministers and the Minister for Treasury and Resources to allocate the required sum from Contingency in 2018, or from available underspends in 2017 to be carried forward to 2018. However, these options were caveated by identifying that there were a number of competing pressures against available underspends and contingencies, not least the

£5 million in 2018 and £5 million in 2019 required by Health and Social Services as a result of the removal of the planned transfers from the Health Insurance Fund.

If the Connétable of St. Helier's amendment is agreed, it is estimated that without an equivalent funding mechanism there would be a recurring deficit of £978,000 from 2018 relative to the neutral financial position for the States' payment of rates intended in this Medium Term Financial Plan.

There are no financial or manpower implications arising from this amendment to the amendment. If adopted, this amendment to the amendment will result in the financial position being as in the Draft 2018 Budget Statement.

APPENDIX

STATEMENTS MADE BY THE COUNCIL OF MINISTERS ON THE ISSUE OF THE STATES PAYMENT OF RATES

The Council of Ministers outlined its position in response to the Connétable of St. Helier's amendment to the Strategic Plan 2015 – 2018 requesting that the States provide for the payment of rates in the Medium Term Financial Plan (seventh amendment, paragraph 6(b)) as follows (emphasis added) –

> "The Council of Ministers accepts this amendment.
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> The Council of Ministers agree that there should be fairness between the burdens that are placed on ratepayers and taxpayers for the funding of municipal and public services, including public spaces, and also believes that improvements in the provision of those services should take place as part of a "new partnership".
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> To support this, the Council of Ministers will provide in the Medium Term Financial Plan for the payment of rates, should this amendment be accepted.
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> In recognition that this must be funded, the Medium Term Financial Plan will also include additional income to support this payment. This will be brought forward to the Assembly for separate approval as part of an overall package for the funding and provision of municipal services. It will seek to do this in close co-operation with parochial authorities. *It follows that the payment of rates will be contingent on the identification and approval of this income stream*, and an agreement for the fair and reasonable funding and efficient and effective provision of municipal services."

The amendment to the Strategic Plan was adopted by the Assembly by 36 votes to 6[2].

Correspondingly, in the Medium Term Financial Plan 2016 – 2019 (page 75), the Council of Ministers confirmed its position on rates as follows (emphasis added) –

> "In accepting the Connétable of St. Helier's Amendment 7(6) to the Strategic Plan 2015–18, the Council of Ministers agreed to provide in the MTFP for the payment of rates on States properties and the additional income required to fund this payment.
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> In order to meet this commitment, the Council proposed to bring forward an overall package for the funding and provision of municipal services to the Assembly for separate approval. This package will need to be developed in co-operation with the parochial authorities. *It follows that the payment of rates will be contingent on the identification and approval of this income stream*, and an agreement for the fair and reasonable funding and efficient and effective provision of municipal services.
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> The £1m allocation is an estimate of the likely additional cost of paying rates on States' properties which will be refined in advance of the development of the 2017 budget submission. It is mirrored by a commensurate increase in States income in order to achieve the required cost neutral position."

[2] See: http://www.statesassembly.gov.je/Pages/Votes.aspx?VotingId=3854

In the Medium Term Financial Plan Addition for 2017 – 2019 (P.68/2016) (page 79), the Council of Ministers identified that their preferred funding mechanism was an increase in the non-domestic Island-wide rate, but also recognised that introducing such a change by 2017 was challenging. Their proposal was therefore to change the Rates (Jersey) Law 2005 to remove the exemption of the States from paying parish rates in Budget 2017 (funding the payment for 2017 only from the Consolidated Fund), and allowing time to bring forward the funding mechanism in 2018 –

> "In accepting the Connétable of St. Helier's Amendment 7(6) to the Strategic Plan 2015–18, the Council of Ministers agreed to provide in the MTFP for the payment of rates on States properties and the additional income required to fund this payment.
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> At the time of the MTFP 2016 – 2019 it was estimated that a £1m allocation would be the likely additional cost of paying rates on States' properties. As further work has been carried out the estimate of the additional cost has been refined to its current estimate of £900,000. The Parish of St. Helier will still be the main recipient of the States paying rates, estimated to be £611,000 or almost 70% of the total, with the Parishes of St. Saviour (£153,000) and St. Brelade (£67,000) being the other main recipients. In order to give effect to the proposal the necessary legislation, the Rates (Jersey) Law 2005, will be brought forward alongside the Budget 2017.
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> Further work and consultation with the Comité des Connétables and the Island's Rate Assessors is required to develop an equivalent funding stream through the Council of Ministers' preferred funding route which is the non-domestic Island-wide rate. To allow time for these proposals to be developed appropriately the Council of Ministers is proposing that the States payment of Rates begin in 2017, but the equivalent income stream be deferred until 2018."

Subsequently, in the 2017 Budget[3] (page 26), the Council of Ministers brought forward the legislative changes in order to give effect to the position outlined in the Medium Term Financial Plan Addition for 2017 – 2019 –

> "During the course of the Strategic Plan 2015–2018 debate the States Assembly agreed that the States should pay Parish rates on the property that it owns and/or occupies. This decision recognises the importance of the States understanding the true cost of the ownership of property, in order that the States makes appropriate decisions in relation to its property portfolio. It also recognises that the Parishes should also be entitled to recover their costs in relation to the States property within the Parishes. Accordingly in the Medium Term Financial Plan Addition 2017–2019 the Council of Ministers agreed that the States would commence paying Parish rates on its properties from 2017 onwards, conditional upon measures to pay for this being brought forward a year later.
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> In order to make the States liable to pay Parish rates the Minister proposes that the Rates (Jersey) Law 2005 ("the Rates Law") is amended to remove the exemption that the States currently enjoys. Whilst it is proposed to remove the

[3] See:
https://www.gov.je/Government/PlanningPerformance/BudgetAccounts/Documents/Draft%20Budget%20Statement%202017%20-%20FINAL1.pdf

States' exemption from paying Parish rates, it is proposed that the States should retain its exemption from paying the Island Wide Rate ("IWR") in order to avoid the administration of circular payments.

Based on the Parish rates charged in 2015 it is currently estimated that the States' liability to Parish rates will be approximately £900k per annum. The major beneficiary of the States paying Parish rates will be the Parish of St. Helier which will receive an estimated £611k from the States. It is also estimated that St. Saviour will receive £153k, St. Brelade £67k and St. Clement £26k. The remaining Parishes are estimated to receive less than £10k each from the States.

On the basis that the States will become liable to pay Parish rates, the Minister considers it equitable that the Parishes should become liable to pay the IWR on properties which are owned and/or occupied by the Parishes. Accordingly the Minister proposes that the Rates Law is further amended so that the Parishes' exemption from the IWR is removed and the Parishes become liable to pay the IWR from 2017 onwards. It is estimated that the potential cost of paying the IWR is £20k per annum for St. Helier and much less for the other Parishes. For consistency it is proposed that the Parishes remain exempt from paying Parish rates in order to avoid the administration of circular payments."