

STATES OF JERSEY

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

**Lodged au Greffe on 19th May 2006
by the Connétable of St. Helier**

STATES GREFFE

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 create 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.

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.

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

	<i>Additional Quarters</i>	<i>Rateable value (using 2003/04 rate) (£)</i>	<i>Approximate % of Parish income</i>
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 –

	<i>Existing Parish Quarters</i>	<i>Additional States Quarters</i>	<i>Total potential Quarters</i>	<i>% of States Quarters to potential Quarters</i>
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 –

	<i>Increase/(decrease) required by Commercial Ratepayer</i>	<i>Increase/(decrease) required by Domestic Ratepayer</i>
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 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.

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 Connetables 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 Connetables, 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.