Supervisory Committee

Deputy J.A.N. Le Fondré
Chairman, Corporate Services Scrutiny Panel
Morier House
St Helier
JE1 1DD

31 August 2016

Dear John

Corporate Services Scrutiny Panel - Review on MTFP Addition

Thank you for your letter asking for the official view of the Committee on the proposals for the States payment of rates, a funding mechanism to support this and the possibility this might be by an increase in the non-domestic Island wide rate.

The Supervisory Committee met with the Minister for Treasury and Resources on 23 May 2016 and was informed that the income stream options identified by the States Treasury to enable the States to meet its liability to Parish rates were income tax, GST (goods and services tax), impôt, and the island-wide rate but there might be other taxation measures. Each of the options had advantages and disadvantages, some were blunt instruments and would be more difficult to justify than others. However, not all Connétables were present at that meeting and the Minister advised that he would consult with those Connétables who were not present and would then bring forward proposals for an income stream which would enable the States to pay rates.

We have not been notified of any further proposals – indeed the Draft Medium Term Financial Plan addition for 2017-2019 (P.68/2016) has been lodged and it is proposed that the States should pay rates from 2017 but an income stream from 2018 has still to be identified in order to achieve the required cost neutral position.

The Committee has not, therefore, taken a view on the proposals although it has always been of the view that Connétables should not take money from ratepayers to enable States Departments to pay their rates but rather Departments should regard rates as a utility bill and seek savings, or raise funds, to meet its liabilities. Connétables are also mindful that ratepayers of rural parishes saw their rates almost double when the IWR (island-wide rate) was first introduced so a further increase is likely to be opposed and it could impact negatively on the lower quintile of domestic property. If an increase in the IWR is targeted at businesses, given that rates as a proportion of rents are significantly lower in Jersey than most of the United Kingdom, such an increase would adversely affect small businesses.

The Committee has written to the Minister for Treasury and Resources commenting on general matters within P.68/2016 and I enclose a copy for your information.

Yours sincerely,

Len

Len Norman
Chairman

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Supervisory Committee

Senator A J H Maclean
Minister for Treasury and Resources
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Our ref: LN/srdeg/24

22 July 2016

Dear Alan

Draft Medium Term Financial Plan addition for 2017-2019 (P.68/2016).

At its meeting this week the Supervisory Committee considered the proposals for the payment of rates by the States as outlined in the Draft Medium Term Financial Plan addition for 2017-2019 (P.68/2016). The Connétables have identified a number of challenges which they consider will have to be addressed should the proposal for the States to pay parish rates be agreed and asked that I write to draw your attention to these points.

1. Exemptions from foncier and occupier's rates as set out in Articles 17(2) and 18(2) of the Rates (Jersey) Law 2005 will need to be amended. These exemptions are currently –

   <u>Article 17(2)</u>
   (f) land owned by any public or parochial authority and used exclusively for public or parochial purposes;
   (g) land used by the Minister for Education predominantly for the purposes of its undertaking;
   <u>Article 18(2)</u>
   (c) land occupied by any public or parochial authority and used exclusively for public or parochial purpose, but excluding land in the occupation of any employee of any such authority.

2. Parochial property and whether this exemption will change if the exemption for public authority property is to be removed.

3. Levying of rates and whether an amendment to the law will be required if only the parish rate is to be paid by the States (Article 15 requires each parish to levy for each rateable year a parish rate and an Island-wide rate).

4. Rates Management System (RMS) - if the Law is amended so that only the parish rate is paid by the States then changes will be required to the RMS as both rates are included in the rate demand. Will the States met the cost of this change?

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5. Revaluation of rateable values, which is suggested in Part 12 of the draft MTFP Addition 2017-2019, would involve significant work but would not alter the amount raised (it would only redistribute the amount paid by ratepayers). Prior to being fixed the rateable value was based on the rental value and for certain properties, such as utility companies, this had had to be professionally assessed using the 'profit's method' (the Committee incurred costs of over £28,000 in 2002 and 2003 to value the utility companies). Different formulae were also required for the assessment of other property such as hotels, guest houses and lodging houses. The proposed basis for revaluation is not mentioned but we would not want you to be unaware of the complexities of rating and the potential for Court action to determine the method of valuation (the Royal Court determined the use of the profit's method for the assessment of the Jersey New Waterworks Company Limited). The Committee is of the view that a revaluation should only be considered if it can be demonstrated that it will be beneficial but it would not expect any costs to be met by parishes should it be decided to revalue rateable values.

6. The apportionment of the Island-wide rate between domestic and non-domestic property is set in the Rates (Apportionment) (Jersey) Regulations 2006 (55:45 domestic/non-domestic) so that non-domestic ratepayers pay a higher rate than domestic ratepayers. Should the island-wide rate be levied on States property this will increase the number of non-domestic quarters thus reducing the rate per quarter unless the apportionment set in Regulations is also changed. The apportionment may be changed:

   - after consultation with the Chief Minister
   - after consultation with such rate payers or groups or bodies representing rate payers as the Committee considers appropriate and
   - approval by the States of the appropriate Regulations.

   The States' intention has always been that commercial ratepayers should contribute more in rates than non-commercial and this was reflected in the first island-wide rates in 2006 (domestic 0.62 pence per quarter; non-domestic 1.11 pence per quarter (0.7 and 1.25 respectively in 2016)). If the States is to pay the island-wide rate the non-domestic quarters assessed could increase by c. 20% thus reducing the non-domestic rate per quarter. If the ratio between the domestic and non-domestic rates is to be maintained the apportionment in the Regulations will have to be changed (process outlined above).

The Committee noted that whilst it is proposed that the States pay rates from 2017 it is still intended to identify an income stream from 2018 in order to achieve the required cost neutral position. The Connétables remain of the view that ratepayers generally should not have to provide funds to enable States Departments to pay their rates but rather Departments should regard rates as a utility bill and seek savings, or raise funds, to meet its liabilities.

Yours sincerely

Len Norman
Chairman

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