

Deputy S.Y. Mézec of St. Helier of the Minister for Treasury and Resources regarding the funding of proposals to increase higher education grants: [OQ.10/2018]

Following the announcement of the plans to increase higher education grants offered by the States, what proposals, if any, will the Minister be bringing forward to fund this change?

Senator A.J.H. Maclean (The Minister for Treasury and Resources):

As I have already announced, alongside the Budget Statement, the extra investment in our students wishing to access higher education will be found from within existing resources for the remainder of this Medium Term Financial Plan period. Furthermore, there is a commitment to propose the removal of the higher rate child allowance in next year's Budget. This tax allowance is currently worth approximately £3.5 million *per annum* and should be targeted directly towards funding student grants. On an ongoing basis, additional funding will have to be identified of up to £4 million *per annum* from 2020. This funding could only be agreed by the next States Assembly within all expenditure plans in the next Medium Term Financial Plan period 2020 to 2023. It cannot be a stand-alone measure but as, in the current Medium Term Financial Plan, education is a priority and I strongly believe that it should, and will remain so.

4.3.1 Deputy S.Y. Mézec:

Can the Minister confirm exactly how much of this policy, as it currently stands, is not funded, from when and where would he anticipate that the funding for that would come from?

Senator A.J.H. Maclean:

I think I made that clear in my opening answer. That is the estimate of up to - and I use "up to" advisedly - £4 million *per annum* will need to be found in the next Medium Term Financial Plan period from 2020. I say "up to" because that is on the assumption that all qualifying students decide to take up the option of higher education in the U.K. (United Kingdom) and so the model has included, based upon figures provided by the Education Department, modelling on that assumption.

4.3.2 Deputy G.P. Southern:

When Reform Jersey did its own calculations on this particular issue and came up with proposals we arrived at the figure of £4.5 million needed to cover the grant system current take-up rates and up to £6 million possibly if we were to result in greater numbers applying to higher education because of this change. Does the Minister accept that funding of this size of bill through underspends is a poor example to set to us poor Back-Benchers and to the public in general?

Senator A.J.H. Maclean:

No, I do not, despite the fact that the Reform Party on the Back-Benches seem to think that it is. I do not. I think it is perfectly appropriate to use, for example, underspends largely from the Education Department in relation to the lack of take up of the higher education funding that is in place for the current M.T.F.P. (Medium Term Financial Plan) period. I think that is right to redirect that money appropriately, as I have stated in my earlier answer.

4.3.3 Deputy G.P. Southern:

Can the Minister at this stage confirm that he will establish a new funding mechanism stream in order that he does not take money already dedicated for education elsewhere and use it for these higher education changes?

Senator A.J.H. Maclean:

I think it has also been made clear that underspends from Education deal with the majority of the requirement for the period stated. There is just short of £1.7 million. I think it is £1.68 million in fact. By 2019 there will need to be found from general underspends, and I cannot identify exactly where that is going to be, but as the Deputy will know and Members will be well aware, as an example last year there was in excess of £30 million of underspends across all departments. This is a priority and it will be treated as such when considering the use of those underspends for that period.

4.3.4 Senator S.C. Ferguson:

What difference does it make to the funding requirements if the upper limit is reduced?

Senator A.J.H. Maclean:

If the Senator is referring to the £150,000, then it would depend on the amount that it is reduced by. There is some modelling that has been undertaken looking at each £10,000 that is reduced. If it came down I think by £20,000 or so then that would be the impact per increment.

4.3.5 Senator S.C. Ferguson:

What other funding suggestions has he considered because underspends is really a bit hit and miss, is it not?

Senator A.J.H. Maclean:

As I said in my answer, the proposal will be for the next Budget to remove the higher rate tax allowance and that accounts for £3.5 million per annum.

[11:15]

That will be targeted into this particular scheme, which is, I believe, a most appropriate way forward. Beyond that, the additional funding that is likely to be required of up to £4 million from 2020 will be a matter for the next Medium Term Financial Plan and indeed for this Assembly to prioritise.

Senator S.C. Ferguson:

He has not answered the question. What about the long term?

The Deputy Bailiff:

I am sorry, Senator, that was your second supplemental and the Minister has answered it in the way that he has.

4.3.6 Deputy M. Tadier:

What I know is that if any opposition party came forward with the proposals that the Minister for Treasury and Resources is doing it would quite rightly be shot down in flames. Luckily our proposals are done properly. In the light of that, could I ask the Minister: does he think that it is important that there be a sustainable funding plan put in place for this particular policy; if it is not to be seen by the public and politicians... it is just a cynical election ploy with no sustainable funding?

Senator A.J.H. Maclean:

Everything the Council of Minister has done has sought to have a sustainable funding mechanism. At the beginning of this Government's term there was additional funding identified for Health £40 million; for Education £11 million; and for Infrastructure £168 million of capital. That funding was found by this Council of Ministers to improve the quality of services that Islanders enjoy in the Island. At the end of the period 2019, we are forecasting

still to have balanced budgets. Members will be aware that we have also seen an improvement in public finances. We have seen income rising, tax receipts are up, expenditure levels have been constrained and are down in real terms, and as such, it is fair to say that this is a responsible way to deal with public finances and that is why, I believe, that the proposal that is out for consultation - although Members will be aware that consultation ended on Friday, and I am pleased to say there were more than 3,000 responses - that particular process will lead us to lodge a proposition, which Members will be able to consider with all the relevant details having properly been consulted upon.

4.3.7 Deputy M. Tadier:

Is it not the fact that this Council of Ministers are not investing in real terms after inflation in our key services, be it in Education or elsewhere? Their trick is simply to, yes, have a Pupil Premium for example in Education but after - and only after - having taken £10 million from the most vulnerable in our society in Social Security, and that they are doing exactly the same with this? They are cutting down on allowances, not putting in a sustainable funding plan and just redistributing money with very poor sleight of hand.

Senator A.J.H. Maclean:

I think it was the Reform Party that suggested raising the basic rate of tax, which Members considered at the Budget last year. **[Interruption]**

Deputy G.P. Southern of St. Helier:

Reducing the level of tax for most people.

Senator A.J.H. Maclean:

Raising the basic rate of tax to 25 per cent and the plan was to fund student education from that particular source of revenue. I would call that irresponsible without undertaking the proper work to ensure what the impacts might be on the economy and on the Island of Jersey and, particularly, the quality of life of Islanders. I believe that the proposals put forward by this Government in relation to dealing with an exceptionally important issue of ensuring as many of our students as possible can reach a higher education, or attain a higher education, is the right approach. We have funding in place until 2019. It will be a matter for this Assembly and a future Council of Ministers to identify the additional up to £4 million that will be required. I believe that is perfectly manageable based upon the current position with public finances.

Deputy G.P. Southern:

Point of clarification, if I may.

The Deputy Bailiff:

There is no position to ask for a point of clarification. I can call upon you to ask a supplemental question, which I will do in due order, Deputy.

Deputy G.P. Southern:

It is not my question, Sir.

The Deputy Bailiff:

You can ask a question ...

Deputy G.P. Southern:

I can ask a supplementary question on the basis of what has been ...

The Deputy Bailiff:

Yes, but not yet. There are Members who are on my list before you, and I will call you in due course.

4.3.8 Deputy A.D. Lewis of St. Helier:

As you can imagine, the public that are most interested in the subject were delighted with the Minister's announcement in the Budget. However, what concerns the most is not where the money is going to come from but when it is going to happen. Can the Minister absolutely assure those that are listening today that this money will be in place in 2019 and for the remaining period that those students will be taking a course that is going to be 3 or 4 years long? People do not want to embark on a university education not knowing that it is fully funded for the next 3 and 4 years. What assurance can he give today that that will happen?

Senator A.J.H. Maclean:

It is an interesting point; the first part of the question from the Deputy. That is that the consideration that was being given to a loan scheme would have meant that the ability to have such a scheme in place for September 2018 would have been nigh on impossible. That in itself was a factor that was taken into consideration. There are many others that I will not go into at this particular point. I can say to the Deputy that the commitment that I have given is that this funding proposal, albeit that it may be adapted somewhat as a result of the consultation, but the principle of this funding proposal has in place funding for the period through this M.T.F.P. period. To give commitments beyond that is not within my gift because quite simply it will be a matter for this Assembly to agree the priority of funding, which I believe they will do. I would be surprised if a future Assembly did not prioritise Education as one of its areas, and as such, I believe there is a sensible and balanced and affordable way forward that is fair that will ensure that this proposal or however it is finally cast - the Members will consider it following the consultation - will be funded into the future, as indeed I believe it should be.

4.3.9 Deputy A.D. Lewis:

Does that mean the Minister cannot give a categorical assurance that somebody embarking on a 3-year course next year will not know whether that is funded for the endurance of that course. That is simply not acceptable for most families when they are planning their finances. The Minister needs to give categoric assurance that it can be funded for the full length of that course. Otherwise people simply will not commit to that huge financial commitment of higher education.

Senator A.J.H. Maclean:

I believe it can be funded but we have got to be realistic. When there were annual budgets there was no certainty beyond the annual budgets that the Education Department was going to have the funding available, as it did at the time, for higher education and other areas that needed to be funded. When we moved to a Medium Term Financial Plan period it was that period that could be guaranteed because the funding was in place and agreed by this Assembly. It is a function of the way in which the public finances are managed and the Medium Term Financial Plan. It is impossible to give guarantees long into the future, although I understand entirely the point the Deputy is making. But I do not believe once embarking on this particular route that this Assembly, or an Assembly of the future, would not honour a priority of that nature.

4.3.10 Connétable J. Gallichan of St. Mary:

I think for transparency I should mention at this point that I do have a child at university at the moment who will be finished by the time this comes into account. I was going to ask a question very similar to the previous speaker but if I just take it a bit further. Certainty is a very, very big issue. The Minister must appreciate that any underspends in university funding budgets

that exist at the moment, which can be carried forward, are simply down to the fact that youngsters have not taken the advantage of ... have not been able to go to university because of the funding worries that have constrained them. It is very interesting that we find ourselves going from a position, and speaking from experience, when one might have benefited from zero per cent assistance to going to 100 per cent assistance under the new scheme, which is a staggering thing. I just wonder if the priority that is placed on education here ... we have had this priority for education for a long time but the funding issue has gone on for a long time ...

The Deputy Bailiff:

Connétable, I have to ask you to address a precise question.

The Connétable of St. Mary:

I am sorry, but this is such a big issue for parents.

The Deputy Bailiff:

But it still has to be a question.

The Connétable of St. Mary:

Yes, it is going to be a question. Does the Minister really believe that this funding proposal that he has got forward can be sustainable? Does he really believe that when in the past we have been unable to offer anything at all to the majority of these parents?

Senator A.J.H. Maclean:

Let me be clear to the Constable, and hopefully others. I do believe that this can be delivered and I do believe it can be sustainable. We have strong public finances. We have put together a plan which I believe is a realistic, fair and affordable plan, and I believe it will be delivered on. I was of the belief that the problems or challenges for higher education or attaining higher education for students, and I am sorry that the Constable's own experience has meant that she has not been able to benefit in the same way. There are many, many others in this Island that have been in a similar position. So it is not unique. We put additional funding in through the M.T.F.P. Addition, an extra £2 million per annum by 2019 thinking that was going to help solve the problem. The problem was far bigger than that. The structure was meaning that too few people were able to attain this funding. That is why there are underspends available within Education because they were not able to get the money out. I believe, therefore, that this new system is going to be a massive improvement.

4.3.11 The Connétable of St. Mary:

If the Minister acknowledges that the system was faulty before because people could not access it, will he apologise to those people who have not been able to access higher education as a result of the system that has been in place for so long?

Senator A.J.H. Maclean:

I do not think it is for me to apologise. There was a significant amount of funding, £10 million, £10.5 million worth of funding is in the Budget for higher education purposes with the Education Department. That is a significant investment. I think the fact that some have found it more difficult to access it than others is, without doubt, regrettable. I think what we need to do is focus, as Treasury have done, together with colleagues in Education, on improving what was there. Many people do access higher education funding. I think the number is something like 1,100 or 1,200 *per annum*. We want to see more going. That is why these changes are being put in place to improve the position over what is currently in place.

4.3.12 Deputy S.M. Wickenden of St. Helier:

It does sound like the Minister for Treasury and Resources is saying that it is not possible to create a sustainable funding mechanism beyond the term of the Medium Term Financial Plan. But my question would be - I would just like clarification - the Minister is not going to bring forward a sustainable funding mechanism therefore leaving it to the next Minister for Treasury and Resources to bring forward the plans to keep this funding mechanism sustainable and if it is not possible or it is not chosen to be possible, then this funding mechanism will only be up until the end of 2019, and that is a poor show for the people of Jersey.

The Deputy Bailiff:

I am not sure there was a question there, Deputy.

Deputy S.M. Wickenden:

Can the Minister clarify that he is not bringing forward a sustainable funding mechanism therefore leaving it to the next Minister for Treasury and Resources to bring forward a sustainable funding mechanism, and if they cannot then this will stop?

Senator A.J.H. Maclean:

This is the function of public finances, full stop. It is not just in relation to this particular issue. This Minister for Treasury and Resources and this Government and this Assembly cannot commit a future Minister for Treasury and Resources, Government or Assembly to expenditure. I am not saying that there is not a sustainable option available. I have absolute confidence that sustainable options for prioritising education, as has been the case in the current Medium Term Financial Plan, will be the case in the future. I do believe that this level of funding, it is both affordable and a sustainable solution, is going to be put in place. But it is not within my gift, this Government's gift, or this Assembly's gift, to tie the hands of a future Assembly.

4.3.13 Deputy G.P. Southern:

I would just like to ask the Minister for Treasury and Resources to revise his view of what he says is our proposal of a reduction of the marginal rate of income tax from 26 per cent to 25 per cent - 26 to 25 - he has just said is an increase, I believe. Would he like to revisit that definition of increase or decrease?

Senator A.J.H. Maclean:

I referred to the fact that Reform Jersey's policy was talking about increasing the basic rate of income tax from 20 per cent to 25 per cent.

4.3.14 Deputy G.P. Southern:

Which it is not. It is decreasing the marginal rate of tax, which most people pay, from 26 per cent to 25 per cent. Can I correct him?

Senator A.J.H. Maclean:

Indeed, the marginal rate would have reduced by 1 per cent, I accept that. But there would have been a basic rate of tax of 25 per cent, which would have been an entirely significant change to the tax system.

4.3.15 Deputy S.Y. Mézec:

If you spend an underspend it is not an underspend. Would the Minister confirm with a yes or no whether or not the proposal that he has outlined on increasing higher education grants beyond 2019 produces a deficit of £4 million a year? It is a yes or no question there. I apologise

for getting all academic about this, but is he aware of the principle of parliamentary sovereignty, which means that this Assembly cannot bind future Assemblies?

[11:30]

Does he therefore acknowledge that it is entirely possible that when the next Assembly revisits this for the M.T.F.P. and suddenly discovers that it has inherited a scheme that produces a £4 million deficit without any proposed sustainable funding mechanism, that it may well have to increase taxes? I mean real increases, not what the Minister has portrayed as increases in taxes on ordinary people. It could result in drastic spending cuts to deliver that or it could just be scrapped all together. Does he consider that to be responsible politics when you are getting the hopes and dreams of young people put up like that, only to potentially be shot down in flames afterwards? Is that a responsible way for a Government to behave?

Senator A.J.H. Maclean:

Deputy Mézec - and it was my New Year's resolution to make sure that I get the pronunciation correct so that everybody listening knows exactly who I am referring to - has raised a point, and I am pleased he talks about, in a sense, parliamentary sovereignty because that was a point that I was making on several occasions earlier on, about the ability for this Minister, this Government, and this Assembly to tie the hands in the future. I think the important point though to bear in mind is the priority of funding this Government has had, and I believe a future Government have, with regard to health and education. They have been priorities. They will, in my view, remain priorities. There is no guarantee for future funding of any future funding, whether it is Education or anywhere else, as the Deputy well knows and as other Members well know because any Government and any future Assembly can make their own decisions. That is a matter for them. But I do believe that the proposal that has been put forward, that has been consulted on, and that will be lodged as a proposition for Members to consider shortly, is a good proposal. It is fair and it is affordable, and it will ensure that our students have the opportunity... many more of our students have the opportunity of a higher education, which I think is in the interests of this Island as well as the individuals concerned. Yes, is the one-word answer that the Deputy wanted and I hope he is pleased that he has got exactly that. I have made the point in my earlier answer, so hopefully that is all that is required.