

STATES OF JERSEY

Public Accounts Committee Emerging Issues - States Spending Review Review of the Report of Comptroller and Auditor General

FRIDAY, 15th JANUARY 2010

Panel:

Senator B.E. Shenton (Chairman)
Connétable J.M. Refault of St. Peter (Vice Chairman)
Senator A. Breckon
Senator J.L. Perchard
Mr. A. Fearn
Mr. K. Keen
Mr. M.P. Magee

Witness:

Director, Education, Sport and Culture (**DESC**)
Finance Director, Education, Sport and Culture (**FDESC**)

In attendance:

Ms. M. Pardoe (Scrutiny Officer)
Mr. C. Swinson (Comptroller and Auditor General)

[13:11]

Senator B.E. Shenton (Chairman):

I have to do a little bit of housekeeping. First of all to say that the procedures of the panel are covered by parliamentary privilege through Article 34 of the States of Jersey Law 2005 and the States of Jersey (Powers, Privileges and Immunity) (Scrutiny Panel, P.A.C. and P.P.C.) (Jersey) Regulation 2006. Witnesses are protected from being sued or prosecuted for anything said to a hearing unless they say something which they know to be untrue. This protection is given to witnesses to ensure that they can speak freely and openly to the panel when giving evidence without fear of legal action, although the immunity should obviously not be abused by making unsubstantiated statements about third parties who have no right to reply. The panel would like you to bear this in mind when answering questions. What I did not do at the last hearing, which has probably caused a little bit of chaos, is I did not go around the table and ask everyone to introduce themselves for the person transcribing. So, if we could just start off with Mario and we will go right around.

Director, Education, Sport and Culture:

Director, Education, Sport and Culture.

Finance Director, Education, Sport and Culture:

Finance Director, Education, Sport and Culture):

Mr. C. Swinson (Comptroller and Auditor General):

Chris Swinson, Auditor General.

Mr. M.P. Magee (Independent member):

I am Martin Magee, independent member.

Mr. K. Keen (Independent member):

Kevin Keen, independent member.

Connétable J.M. Refault of St. Peter:

Connétable John Refault, member of the P.A.C. (Public Accounts Committee).

Senator B.E. Shenton:

Senator Ben Shenton.

Senator A. Breckon:

Senator Alan Breckon.

Senator J.L. Perchard:

Senator Jim Perchard.

Mr. A. Fearn (Independent member):

Alex Fearn, independent member.

Mrs. M. Pardoe (Scrutiny Officer):

Mel Pardoe, Scrutiny Officer.

DESC:

With your permission, Chair, I will take my jacket off; it is hot in here.

Senator B.E. Shenton:

Seeing that we do know each other, and without wanting to be rude, could I ask you to keep your answers very short and succinct, because you do have a tendency to talk a little bit if I am totally honest?

DESC:

Thank you for that, Ben. I am also a good listener.

Senator B.E. Shenton:

Okay. Thank you. So I will start off with a fairly general question, are you content with the progress that has been made in implementing the proposals raised by the C.M.B. (Corporate Management Board) and the *Emerging Issues* report?

DESC:

You have to bear in mind that the C.&A.G.'s (Comptroller and Auditor General) report, the starting point, was a number of proposals that were developed by chief officers. We are content that the C.M.B. has taken the report seriously. Obviously some of the proposals will take some time to deliver, if they can be delivered at all, and the report indicates some of the challenges that we might face in delivering them, and particularly in respect of Education, many of the decisions are political decisions.

Senator B.E. Shenton:

But would you agree that the current system of school provision in Jersey is expensive?

DESC:

What I would say is that it is important obviously to deliver the most efficient school system that you can possibly have. There is a precarious balance in Jersey between fee paying education and non-fee paying education and if you are going to do anything that would in any way endanger or tip that balance, you have to be cautious because in actual fact you can incur additional costs. That is not something that can be done too quickly and it is not something that can be done on the basis of cost alone. There are other issues. There is the issue, for example, around vocational provision, around how you manage inclusion. There are a number of issues that need to be taken into account when you are considering the structure of education. Now what I can say is that there is a political will to look at every aspect of our service and a number of reviews have already been commissioned and there is one ongoing at the moment - in fact, there are 4 ongoing at the moment - which relate to the structure of primary and secondary education. So I am confident that the right moves are being made so that we can consider what options we might be able to present to politicians.

[13:15]

Senator J.L. Perchard:

So 4 reviews looking at ...?

DESC:

We have a review looking at school funding, we have a review that is looking at demographics, we have a review of inclusion - and this is about our special provisions and the accommodation that we make in mainstream schools for children with special needs - and we have a review of the structure of secondary education and a review of vocational education 14 to 19. Now, it does not matter which way you cut it, the fact of the matter is that they are all inter-linked.

Senator B.E. Shenton:

You mentioned about the fee paying schools, what is the policy with regard to the fee paying schools?

DESC:

Well, we fund the fee paying schools at a rate of 50 per cent of the cost of educating a pupil in the non-fee paying sector.

Senator B.E. Shenton:

Does that cost include all costs like building costs, infrastructure costs and everything else?

DESC:

Well it is 50 per cent of the A.W.P.U. (Age Weighted Pupil Unit) which we provide for the non-fee paying sector but of course the non-fee paying sector has the benefit on top of that of additional fixed costs which would include buildings, et cetera. So the balance works out differently because the schools have the capacity to raise fees, so the balance, if you look at the funding, is that we are providing about 40 per cent of the funding at secondary level, certainly for the fee paying provided schools.

Senator J.L. Perchard:

So just digesting that, **DESC**, it costs 50 pence instead of £1 for the State to send a child to a fee paying school?

DESC:

That is correct.

Senator J.L. Perchard:

What about private schools?

DESC:

Private schools are funded on the same basis but of course private schools have to make their own provision for their buildings.

Senator J.L. Perchard:

For capital?

DESC:

Yes.

Senator J.L. Perchard:

Okay.

Senator B.E. Shenton:

Now the fees obviously are set by the Board of Governors, do you have sufficient control over those fees?

DESC:

Well the fees are recommended by the Board of Governors and approved by the Minister, so clearly there is control there.

Senator B.E. Shenton:

Right. The Minister's policy with regard to those fees is what? Is he looking that the Board of Governors should look to increase the fees or ...?

DESC:

Well, the Minister cut the fees for 2009 and he expects the colleges to go through a process which is around justifying any fee increases that they would want to make. In terms of the recommendation in the C.&A.G.'s report to pass an additional £800,000

on to the parents of those schools, in fact, a commitment has been made in the Business Plan from 2011 plus to take forward £480,000 of that. I spoke earlier on about the difficulties in maintaining the precarious balance. If you create a situation where there is an exodus from fee paying education into non-fee paying education it will increase the costs because you are going to pick up obviously the full cost of educating those young people. So, what we have done is to introduce it gradually over a period so the grants to fee paying schools will be frozen from 2011 forward and will be reduced by £80,000 a year for 6 years.

Senator B.E. Shenton:

My understanding is the Board of Governors wanted to increase the fees but you capped it to save money for the States.

DESC:

I do not cap the fees, the Minister makes the decision.

Senator B.E. Shenton:

Well, the Minister capped the fees to save money for the States; in effect saving money for parents as well because it is this 50/50 arrangement, is that right?

DESC:

I do not feel it is for me to answer for the Minister in this situation, however, I would say that one of the considerations that he took into account was the economic climate at the time.

Senator B.E. Shenton:

At the moment De La Salle College and Beaulieu College pay for their own buildings and infrastructure ...

DESC:

Yes, and they set their fees at a level that they determine.

Senator B.E. Shenton:

Victoria College and J.C.G. (Jersey College for Girls) for example have free buildings and free infrastructure.

DESC:

Well, they are supported by the States, that is correct.

Senator B.E. Shenton:

Yes. What is going to happen to address that? Because without knowing the cost of that infrastructure we do not know how much it costs the taxpayer to send a child to J.C.G. or Victoria College.

DESC:

Well, what I have just explained is that we have agreed to pass on £480,000 of the costs ...

Senator B.E. Shenton:

But that is an arbitrary figure; that is not a true cost.

DESC:

It is a figure that was based on some calculations which I do not have at the moment that would enable us to monitor the impact for passing additional costs to fee paying parents.

Senator B.E. Shenton:

So would you agree that the Education Department does not know the cost of sending a child to J.C.G. or Victoria College?

DESC:

The Education Department does know the cost of sending a child ...

Senator B.E. Shenton:

But does it include infrastructure and everything else?

DESC:

What I would say is clearly we know the full cost in terms of the money we provide to the school, but there are additional costs that are incurred by Property Holdings in terms of maintenance. We could have told you the exact amount of that when we were responsible for the property maintenance of the buildings but we are not responsible for that at this stage.

Senator B.E. Shenton:

Why should parents not pay U.K. (United Kingdom) equivalent levels for sending their children to private schools?

DESC:

That is really a political question. If you politically want parents to pay the full cost of fee paying education, then that would be your position and the department would implement that. But it would not be for me to say whether or not parents should pay the full cost. I can tell you the effect of it. The effect of parent ...

Senator B.E. Shenton:

Well what would be the effect of it?

DESC:

The effect of paying the full cost, for example, in our provided fee paying schools ... well if you think that the provided fee paying schools are costing in the region of about £13 million and we receive just over £8.6 or something million in fees, the cost of providing that at the moment in the revenue cost is £5.6 million. So the saving would be in the region of £5.6 million and whatever else you would save in terms of property.

Senator B.E. Shenton:

All right. If you as a department saves sums in that amount, would that be then returned to the centre as opposed to just being used in the Education budget elsewhere?

DESC:

I suppose that is down to the end of year political discussion.

Senator J.L. Perchard:

Can I just pull you back to where we started off? You said there were 4 reviews taking place at the moment ...

DESC:

There are a lot more reviews taking place at the moment. The C.&A.G.'s report notes the capacity issue in the departments so we have outsourced a number of reviews.

Senator J.L. Perchard:

Okay. So, these will all be concluded during this year?

DESC:

Yes.

Senator J.L. Perchard:

What is the plan? How do you intend to inform your Minister as to your recommendations or what happens once you have received all the reviews?

DESC:

Well, if you take the review of secondary education, the structure of secondary education, the 4 reviews that I have talked about all feed into that and what we will do is take the outcomes of those reviews and put them into a paper for the Minister. The Minister has already made a commitment in the Business Plan to bring to the States by June, or at least bring options to the States by June, for restructuring secondary education.

Senator J.L. Perchard:

Okay. With the view to making it more efficient?

DESC:

With a view to, I would say, making it as effective as it possibly can and provide value for money, yes.

Senator J.L. Perchard:

Saving money?

DESC:

Well, one would assume. You are assuming the outcomes of those reviews. If those reviews suggest that secondary education can be organised in a way that does save money, then yes.

Mr. A. Fearn:

Alex Fearn. Perhaps if I could just maybe ask a slightly different question, the terms of reference for those reviews, what are the terms of reference in relation to it specifically? Obviously, Senator Perchard mentioned the efficiency side which one would assume is probably high there. It might be helpful for us to understand it. Nothing specific but maybe the general objectives of the reviews.

DESC:

I have the terms of reference in front of me. I can give you the terms of reference for each of the reviews inclusion, et cetera but I think the catch-all one ...

Mr. A. Fearn:

Yes, please. Thank you.

DESC:

The one they all feed into is: "A strategic review of the demographic and curricular pressures on arrangements for secondary education in Jersey to develop options which will enable the service to improve and broaden its curriculum offered to students in a cost-effective and efficient way." So clearly efficiency is an element of them.

Senator B.E. Shenton:

So, at the moment the Island operates a number of very small schools and also it has a diverse sixth form college arrangement as well. Will the review look at perhaps closing schools or recognising the sixth form colleges?

DESC:

I think if it was looking at closing schools it would have reached the conclusion in a sense before the review had been conducted. I think if closing a school is an option that comes out of it, then obviously that would be one that would be presented for politicians to take a view on. There are small, or have been small, secondary schools and that was a matter of choice. You do have 6 sixth form providers in the Island if you include Highlands College in that and politically you would want to know, I guess, that that is giving you value for money and that your system could not be organised more efficiently and this will tell you that. But it will require obviously some serious consideration of the implications, particularly in maintaining the balance between fee paying and non-fee paying and the costs of reorganisation. So it will all be in there but it would be wrong for me to pre-empt the outcome at this point in time.

Senator B.E. Shenton:

The 14 plus transfer system, no doubt that will be part of the ...

DESC:

Well the 14 plus transfer system obviously will be considered in any reorganisation of secondary education. For a start the 14 plus transfer situation is there by virtue of a States commitment to have it there, so it could only be removed by the same method. But removing the 14 plus transfer alone does not save you any money because effectively those students go somewhere else. So the A.W.P.U. that currently supports them in Hautlieu School would simply be transferred somewhere else. Hence, you need to review the funding methodology as well. I can give you a good example of this. In primary schools we fund children on the basis of the A.W.P.U. - the age weighted pupil number - so for every child you get a fund. The other model is to fund it on the basis of class sizes. At a time of growing pupil numbers, A.W.P.U. funding is a good thing to have: more numbers; more funding. At a time of falling pupil numbers it is not a great thing to have because even if you close a school and you find places for those children elsewhere, you still have to fund the A.W.P.U. If you have a fixed-funding model for primary schools, it might cost you a little more early on but it gives you the flexibility that if you were to close the school you will

lose the full cost of that school: both the A.W.P.U. and the fixed costs. We have taken steps with the primary schools. We have closed a form of entry at Rouge Bouillon School and we have closed the form of entry at Samares School. Those work their way through the schools over a period of 7 years. So at the end of 7 years - and I think we are in the third year now - you have lost 14 classes which is equivalent to taking the variable costs out of one-form entry schools but clearly it affects costs for them.

Senator B.E. Shenton:

Now you use age-weighted pupil numbers at Highlands, is it not the case that many Highlands' students do not work throughout the whole year? It is quite generous in that you have part-time students in effect where you have given full-time funding.

DESC:

We have turned our attention to Highlands over the last couple of years to try and ensure that the funding formula for the college is appropriate. Not just to meet the college's needs but to meet the funding aspirations that we would have at the department. We have also enhanced the governance and accountability arrangements with the college to make sure that we know what the money is being spent on, so we now have a new funding arrangement which I can provide you with a copy of which clearly outlines how the college is funded. It is now based on the true cost of running courses at the college including an allocation for overheads.

Senator B.E. Shenton:

When you say the "true cost", how is that true cost calculated?

DESC:

Well, the true cost is calculated on the basis of weightings that are equated to the cost of educating a young person, for example, in the sixth form at Hautlieu and comparing that with similar costs and further education in the U.K. So, it will be a long story to take you through the detail at this point in time. What I can say is that the costs of running courses are reflected now in the funding, that the funding arrangement clarifies what the college gets funding for, that there is a stronger governance arrangement and an annual budget settlement process that we go through which involves the Skills Board; the operational group of the new Skills Executive. For example, one of the flexibilities that it gives us now is that if we were to decide for some reason that we wanted to use the resources to purchase services that Highlands is providing elsewhere, we could do that.

Senator B.E. Shenton:

But have you changed the funding just to get yourself some more money? Because you are getting in the Skills Executive more diverse pupils that may be more expensive to ... and now by changing the way you are funded you can say: "We want more money for this special needs service."

DESC:

No, if we did that we did not do it very successfully. It is absolutely the reverse of that.

Senator B.E. Shenton:

So has funding for Highlands College as a result of this change gone up or down?

DESC:

There have been a number of benefits in the new arrangement for funding Highlands College and one is greater clarity.

Senator B.E. Shenton:

So has funding gone up or down?

DESC:

But the big difference is that Highlands College is no longer funded on predicted numbers; it is funded on planned numbers, so our budget is no longer a hostage to fortune.

Senator B.E. Shenton:

Right. So has overall funding for Highlands College gone up or down as a result of this change?

DESC:

Well, Highlands' funding has increased but it has increased because numbers have increased and the increases - I think there has been an additional 100 students this year - have been funded from fiscal stimulus money.

[13:30]

FDESC:

The budget would have stayed the same if the fiscal stimulus money had not been available and when that money is no longer available, we are going to have to make a bid for the additional funding if that increase in numbers should be maintained. So the process that Mario was talking about is that Highlands College provide us with their forecast pupil numbers, that goes to the Skills Board so they can have an input into the courses taking place at Highlands College and also the pupil numbers. If they support it, they go back to the college, they reconfigure their courses or make a bid for additional funding, so there is a definite process in place. Prior to that the college used to be funding on actual numbers, so whatever the actual numbers were you would get the funding for, so, as Mario said, it has gone in reverse.

Senator B.E. Shenton:

When you look at the cost of educating the students at Highlands, do you take into account the cost of the infrastructure, the buildings and so on and so forth, or is that outside your equation?

FDESC:

It is now all based on pupil numbers and we have tried to incorporate the fixed courses to have one pupil number amount.

DESC:

We do not obviously at this point in time across the States of Jersey take the cost ... property is a free good but obviously that will change in time. One would assume that

Education, Sport and Culture would have to calculate the true cost of the property it occupies and pay for that in some way.

Senator B.E. Shenton:

So at the moment you do not know the cost of the properties you occupy?

DESC:

Well, we knew the cost of the properties we occupied when we managed the budget but we do not know exactly how much is being spent on those properties by Property Holdings at this ... I do not have those figures with me but I could get those figures.

Mr. K. Keen:

Kevin Keen. Can I ask, **DESC**, you were talking before about where the States is in a business and I think in Highlands' case it does charge some of its students a fee.

DESC:

Yes, it does.

Mr. K. Keen:

I do not know how much involvement you have in deciding what that fee is going to be but to the extent that you do, how can the fees be properly calculated if the proper cost including the premises is not known and therefore when it goes into competition with somebody, how can it ...?

DESC:

Well, obviously when you say the "cost of premises", the cost of maintenance of premises is known and that is allocated in the overheads. So the courses that we run at the college now have a full allocation of overheads. When you are looking at the fees, the fee structure particularly for adult education which brings in a significant proportion of income to the college, there is a lack of clarity, there is a need for a more consistent fee policy and that is a piece of work that is ongoing at the moment. Again, we have outsourced that piece of work. So we have someone working with the college at the moment to develop a fee structure that properly recognises the cost of running courses.

Senator B.E. Shenton:

So do you have deadlines for all these pieces of work you are doing?

DESC:

Yes.

Senator B.E. Shenton:

You have timescales and deadlines?

DESC:

Yes, I can provide you with a copy of them now.

Senator B.E. Shenton:

If you could afterwards that would be ...

DESC:

Yes.

FDESC:

I have some copies here which I can hand out afterwards.

Mr. K. Keen:

The point is that if your fees were wrong, you could effectively blow private provision out of the water by having the fees too low and not properly recovering your cost and therefore private provision that might exist would not exist. Is that understood, do you think?

DESC:

I think what I am saying is that I have concerns about the current fee policy at Highlands College which we are working with the college to rectify.

Senator B.E. Shenton:

If we could move on then to Jersey Childcare Trust which is an issue that came up in the report and the important question whether the purposes of the trust have been made clear in the terms of reference and so on. Have you been able to reduce the funding to the trust?

DESC:

No, we have not reduced the funding to Childcare Trust at this point in time and we have not determined the final model. The C.&A.G.'s report obviously does not make a clear recommendation on the model because at that point in time the future of the early years strategy was not clear. The early years strategy was implemented in September and the Jersey Childcare Trust have played a significant role in the implementation of that by helping us to develop a consultation to provide information to parents, et cetera. It was always envisaged that at the end of this first year, now that we have established a new early years partnership, that we would revisit this and the context has changed in another couple of ways. For a start the trust has started to bring in more funding itself, so if you were to look back at 2005, I think the funding that the trust managed to generate in sponsorship was around £29,000 a year; in 2008 it was about £154,000 a year. It has dropped slightly last year to £77,000 but the trust has made efforts to generate more funding through sponsorship. The other thing that has changed the context slightly is almost the introduction of a fourth option because there has been the development of a children's ... this concept of a children's information service in the U.K., and we have had discussions with the trust about it taking on some of the responsibilities of a more comprehensive children's information service in Jersey which is more than just about childcare; it is about health, it is about parenting support, it is about education in general. The third thing is really the development of a Children's Plan for Jersey which the new Children's Policy Group has committed to do. So, in that context we will be revisiting the role of the trust.

The Connétable of St. Peter:

Can you quantify for us, Mario, how much the external funding is that the trust achieved? How much achieved came from external sources?

DESC:

Yes, those were the figures that I just expressed. I think in 2008 £154,000 and last year £77,000.

The Connétable of St. Peter:

It reduced last year by almost 50 per cent?

DESC:

Less sponsorship, yes. Obviously, I think, a lot of the charitable trusts were affected last year.

The Connétable of St. Peter:

Okay.

Senator B.E. Shenton:

When do you think you will determine the final model for the trust because it has sort of been going on for a while?

DESC:

Well, we have committed to doing something about that by the end of this year. The formation of the new Early Years Partnership Group is ... that group is different from its predecessors in that it has a role to play in recommending strategy to the Minister. So, in other words, it is about giving the private sector a voice in early years strategy. The private sector quite clearly would wish to have a voice when it comes to the Jersey Childcare Trust.

Senator B.E. Shenton:

Just digressing a little bit to early years strategy, a decision was taken not to charge for more than 20 hours within the public sector on the nursery side.

DESC:

That is right, yes.

Senator B.E. Shenton:

Was this a political decision or was this a decision by the department?

DESC:

It was a political decision.

Senator B.E. Shenton:

Did the department make any recommendations to the Minister?

DESC:

Well, it is for the department to provide the options, quite clearly. Yes, in terms of making recommendations, our department, based on capacity and being able to predict what would happen in the future, will be saying: "One step at a time." It was thought appropriate that one step at a time was the introduction of what was a fairly significant strategy for the department: the introduction of the early years strategy from September.

Senator B.E. Shenton:

But the idea was to level the playing field - and I am digressing a little bit - but the playing field has not been level because you get 30 hours free in the public sector and 20 hours free in the private sector.

DESC:

You do, and that is currently a political decision. But the Minister has committed to review all aspects of that.

Senator B.E. Shenton:

By ...? Do you know when?

DESC:

Well, we do not have a timescale for that. When you see the reviews that are going on at the moment - and the C.&A.G. and myself did agree in the report that capacity within the department is a major issue, and we are focusing on some big-ticket issues here - I think the important thing for us is to be able to manage that in a way that we can bring forward conclusions that are positive and get a result.

Senator B.E. Shenton:

Moving on then, the School Instrumental Music Service, my children go to Beaulieu; it does not apply to Beaulieu.

DESC:

Although your children at Beaulieu would have access to the ensemble of work of the instrumental service.

Senator B.E. Shenton:

I am not sure whether they do. They pay for their music lessons and I think ... are De La Salle a part of the instrument service or not? Again, is this a political decision not to have a service and move towards the user pay ...?

DESC:

It is. Yes, there has been no political will over many, many years because the Instrumental Music Service has ... in fact, if you were to go as far back as I can remember the States talking about efficiencies and the cost of services, the Instrumental Music Service has just about been there every single time. There has been no will to introduce charges or to introduce hire charges for instruments because it has always been perceived that this might affect the capacity of families who are less well-off to access the services.

Senator B.E. Shenton:

But surely you could move to a means testing or at least you could charge the fee paying schools.

DESC:

That would be an option.

Senator J.L. Perchard:

Lots of political decisions; lots of options. If you were challenged by the Council of Ministers to reduce your budget in, say, 2013 by £10 million to do your bit towards filling the black hole, how would you do it?

DESC:

Well, the first thing is I would not be drawn to comment on what are potentially political decisions.

Senator J.L. Perchard:

What are the options?

DESC:

What I would be doing is looking at the biggest areas of expenditure and clearly the biggest area of expenditure is around primary and secondary education, so you would have to look at that if you were going to make some significant changes.

Senator J.L. Perchard:

Are you developing a plan currently?

DESC:

We have reviews in hand and these things obviously would be considered as part of those reviews. We are not going to leave anything unconsidered but quite clearly, at the end of the day, once the options are on the table it is for politicians.

Senator J.L. Perchard:

What are the biggest issues? Where are the biggest potential and probably the most contentious political issues? Where are they?

DESC:

The most contentious political issues at the moment ... yes?

Senator J.L. Perchard:

The financial consequences, the biggest financial consequences as well?

DESC:

The 2 biggest issues at the moment are not around these areas. The 2 biggest issues with consequences at the moment are around higher education funding and cultural funding.

Senator B.E. Shenton:

Can you talk about higher education funding?

DESC:

Yes. The higher education: unfortunately we are a hostage to fortune in this, because as you know the U.K. introduced top-up fees. For every £1,000 that top-up fees are increased in the U.K. the cost to the partnership of the States of Jersey, the parents and the students in Jersey, is £1.4 million. At one point in time we were advised that top-up fees could increase up to £8,000 a year which of course may not be a major problem in the U.K. where they are £3,000 at the moment but would be a major problem for Jersey. That has been reviewed and we are advised that there is a strong

possibility that after the next election that top-up fees will increase between £2,000 and £4,000. Quite clearly that would increase the burden to the States quite considerably - and the parents and the students - and make higher education a very expensive option for students on the Island, so higher education is clearly one of the reviews. One of the difficulties of this is, of course, that the decisions in the U.K. come in the middle of our financial year, and sometimes it is very difficult to get an indication of where they are going to set the levels. So, quite clearly there could be something that we get hit with in the middle of the year.

Senator B.E. Shenton:

Now under law you are charged with providing education from the age of 5 to the age of 16?

DESC:

Well, compulsory education is to the age of 16. The Minister is responsible for providing whatever suitable education is required post-16.

Senator B.E. Shenton:

Now under-5s it is not means tested; university fees are means tested. They are means tested in quite an unfair way in as much as if I divorced my wife I would probably save myself £150,000 - plus a lot more money. So, these issues have been outstanding for a number of years, is the department looking to address them?

DESC:

Yes. The issue of divorce and separated parents is quite complex. For example, if you were to expect both parents to contribute even though they had divorced and separated, then you could find yourself in a similar situation to the U.K. Government when they set up the Child Support Agency that you do not have the wherewithal to chase the funding that you are trying to get back from the parents. The other option is to take household income into account and Scrutiny have recently spoken to the Minister about this and his proposal is to undertake a full review of higher education this year and to address those issues as a part of it. We are wording some information about some potential strategies - which I would rather not go into too much detail about - which would be legal strategies to try and encourage parents who are separated, but who were formerly married, to contribute.

Senator B.E. Shenton:

Now, we had John Richardson in before you and the panel became a little frustrated because a lot of things came up that have been issues for a number of years and John was saying: "We are going to do a full review this year." You have just spoken about higher education funding and so on and so forth. This has been an issue for as long as I can remember and you are doing a full review this year. Why has anything not been done in the past with this?

[13:45]

DESC:

Well, something was done. Something was done, I think, about 4 or 5 years ago when quite clearly top-up fees were introduced and the cost of university education increased quite significantly. What was done at that point in time was the

maintenance grants to parents were frozen, the threshold at which funding clicked in for parents was frozen and we introduced top-up fees for students and student loans with the banks to help them to pay those top-up fees. Now, that has had its own impact because quite clearly the costs have risen but the thresholds have remained the same, so the value of the grant today compared to about 5 years ago has reduced significantly. So that is one challenge. Another challenge is the potential increase in top-up fees which I have already described to you. A third challenge which we have just really been able to calculate as of the end of last year was the impact of an economic decline on wages and therefore an increase in the number of people who are accessing higher education grants, or at least a decrease in their salary, such that they are accessing more of a grant than they would have done in the past and this is coupled with what we see as a trend towards more expensive courses. We estimated that cost us an additional £200,000 in the last quarter of last year and are predicting - and it is difficult to predict this with any real confidence - that the cost of that this year, even if we do not improve the value of the grants, even if we do not make changes to take a kind of top-up fee, could be in the region of another £700,000.

Senator B.E. Shenton:

Which makes me wonder why ... I have a vested interest here although, to be honest with you, the department is not going to help me one iota, but I have 2 children going off to university and a friend of mine who earns £150,000 a year plus is having his child's nursery education free of charge at the moment. How do you get around this anomaly? It is slightly annoying when there are a lot of people out there getting no help with university funding and yet the department has chosen to give free nursery care to very wealthy individuals.

DESC:

Well, the States voted to give free nursery care; not the department. The department provided the strategy but the States voted it.

Senator B.E. Shenton:

But a lot of people voted on the basis that it would be 20 hours only.

DESC:

Well, I think it was quite clear what was in the proposition, so that was in the proposition.

Senator B.E. Shenton:

Yes, unfortunately, the speeches were slightly different; sometimes you get that in the States.

DESC:

Well, I am the accounting officer but I do not think you can hold me accountable for that.

Senator J.L. Perchard:

So, Mario, you said there university fees and there is a review taking place, which will conclude during the next 6 months, that will help direct the Minister with policy to bring to the House as to how make some real efficiency savings. You also mentioned culture as another area where if you are expected to make some real reductions in

your spend, how would one set about reducing the spend in that area? What are the options?

DESC:

Well, firstly, it is always quite easy to make reductions where you can see there is an abundance of funding. It is difficult to see that at this point in time in the cultural sector but there are some areas and the Minister is exploring options at the moment in relation to performance spaces. So, it is early days on that yet and that was one of the recommendations in the report. But quite clearly some of our performance spaces ... if you take Fort Regent, he is committed to chair a steering group on the future of Fort Regent and we would want to bring some resolution to the issue that we have at St. James in that the work on the centre has not been finished. The funding is not there to finish it and I guess a decision will need to be taken as to whether that will ever happen or something else will happen with that site. So it is early days on that yet but there are discussions taking place with regard to that. As far as the other sectors of the cultural services are concerned, quite clearly the big issue at the moment is the Jersey Heritage Trust and this is real. The Jersey Heritage Trust we know have been living beyond their means. There is no money available for the maintenance of property, there is no money available for capital refurbishment which, if you are going to generate more income, you are going to need to make sure that what you present is up-to-date. So there is nothing there, so it is real and the options are quite clear: you either cut back those services to provide the bare minimum that you need to meet the principles that were established when the trust was set up, or you provide more money. That is the dilemma.

Mr. K. Keen:

Chairman, is it possible just to note my interest in Heritage Trust as providing them with some ...?

Senator B.E. Shenton:

Yes.

Senator J.L. Perchard:

Was that because you are old? **[Laughter]**

Mr. K. Keen:

Well, I am old, yes, but I am providing them with some voluntary work.

The Connétable of St. Peter:

So do you have a question on that, Kevin?

Mr. K. Keen:

Not on the Heritage Trust Service.

The Connétable of St. Peter:

Can I just take you back a moment? We were talking about top-up fees and you said there is a review being done on that at the moment. Is that being done within the department or has that been outsourced?

DESC:

It is a bit of both, really. We have someone working with department officers, somebody doing the actual legwork and the analysis for us, but we are providing the information.

The Connétable of St. Peter:

You said there were quite a number of reviews going on at the moment within Education, how many of those are outsourced and how many are those being done by officers?

DESC:

School funding is outsourced, vocational provision for 14 to 19 year-olds is outsourced, review of the fees policy for Highlands College is outsourced. As I said, the higher education one is a partnership. The impact of demographic trends, in-house; social inclusion is outsourced. We are hoping that the C.&A.G. will undertake a review of the library service for us this year. The review of the management structure across E.S.C. (Education, Sport and Culture) which we were asked to do as part of the Business Plan by Scrutiny, we will conduct a review in-house but have it validated outside. I do not particularly see the point of us taking a decision about our own management structure; it needs to be challenged from the outside.

The Connétable of St. Peter:

Why do you say that, Mario?

DESC:

Why do I say that?

The Connétable of St. Peter:

Yes.

DESC:

Because if I produced a review of the management structure of Education, Sport and Culture, I think people would say: "Well, you would say that anyway." So I think it is important to have somebody independent look at the structure that I am responsible for.

The Connétable of St. Peter:

Within the reviews you are doing, what sort of recognition are you placing upon that of the forthcoming structural deficits we are looking forward to in the year 2012, 2013?

DESC:

This is our comprehensive spending review. These reviews are where the funding is, yes?

The Connétable of St. Peter:

Yes.

DESC:

So, this is the professional component of the comprehensive spending review. I would envisage that if that review moves forward that we will be challenged on the

professional options that come out of these and we will be challenged to deliver some, I think, significant savings.

Mr. K. Keen:

Can I ask a question about that?

The Connétable of St. Peter:

Yes.

Mr. K. Keen:

In dealing with this structural deficit, which is obviously a huge issue for the Island, one of the things it seems to me that when you are trying to go through a change the clarity of leadership and reporting lines is pretty crucial. I get confused between the responsibilities of an accounting officer to the Chief Executive and to his Minister. Do you think that that is clear enough now?

DESC:

Well, it is certainly clear enough to me. The Minister has sole and legal responsibility. I guess the difficulty is political and it is not for me to comment on but I am clear on my responsibilities to my Minister and I am clear on my responsibility to present a broad range of options to him. Some of those options obviously would be good ways forward from an educational perspective but some of them might not be. Some of them might require us to cut services. If you are going to take the amount of money out of the States of Jersey to meet the deficit that you are facing, I guess you are going to have to look at cutting services.

Mr. K. Keen:

So you have made it quite clear your responsibilities to the Minister, what would be your responsibilities to the Chief Executive, then?

DESC:

Well, the Chief Executive is obviously my line manager so the Minister is responsible for matters of strategy and policy within the department and I am responsible for supporting my Minister. The way that I support the Minister obviously would be a matter for discussion with the Chief Executive because he has the responsibility to ensure that each of the Ministers gets the appropriate support. But quite clearly on the day-to-day business and on the corporate agenda, I have a responsibility to the Chief Executive and answer to him. But if you are saying to me: "How do you deliver savings in a corporate agenda without the consent of a Minister who has political responsibility?" then my answer would be: "With great difficulty."

Senator B.E. Shenton:

You are in charge of Education, Sport and Culture and obviously your background is education, do you think your job would be easier if you were just responsible for education? Do you think sport and culture fits in, or would sport and culture be better off managed outside the public sector?

DESC:

Well, my professional expertise might be in education but I also have significant interests in sport and culture as music was my background. I do not look at it like

that. My role is as a chief officer and I am excited by the challenge and I enjoy the fact that this is a broad organisation. One of the things it has enabled me to do is to start to explore the synergies between education and sport and culture. So I have a significant amount happening in primary schools quite efficiently which is being delivered through sport, what we have to do now is try to explore the cultural opportunities through the education service as well. So, there is the potential to deliver something good. I think you could probably do that if you put almost any organisations together but the challenge is to start thinking like that and see where you can work more effectively across the organisation.

Senator B.E. Shenton:

There is a political view that culture should be under E.D.D. (Economic Development Department) and not under ...

DESC:

Sorry, culture should be under E.D.D.?

Senator B.E. Shenton:

There is also the view that perhaps some of the sports facilities are not run on a commercial enough basis.

DESC:

The income from sport I think pretty much speaks for itself. You could question, I guess, the whole property concept of ...

Senator B.E. Shenton:

I am talking about some of the schools you are managing. Do you sit at those at weekends and evenings?

DESC:

I take your point on that. One of the real challenges, I guess, is to ensure that school premises are sufficiently used by the community and that you do not get an overlap of facilities and that is something we need to look at.

Senator B.E. Shenton:

I think this all goes back to knowing the cost of your assets because I think if you were being charged for the gym at J.C.G. or whatever, you may then be more inclined to make sure that it was let out at weekends and let out in the evenings for the maximum ...

DESC:

There is an incentive in there because schools keep the funding that they generate from letting out the premises, so there is an incentive for schools to make sure that they are used. What you find is that the schools get used by clubs and associations that want to use them on a regular basis and then there is a constant stream of income. It is not as easy to open up your schools to the general public, for example.

Senator B.E. Shenton:

There was a piece of work done many years ago to say that running Fort Regent within the public sector was significantly more expensive than running it within the

private sector because of the unionisation of the staff, and the fact that you were paying double time after 5.00 p.m. or whatever. Within your piece of work, are you going to be looking at perhaps privatisation of aspects that are currently in the portfolio.

DESC:

Within the piece of work on at Fort Regent?

Senator B.E. Shenton:

On your spending review?

DESC:

I think I have set out what we intend to do over the next year. If I am honest I am not looking to add to this list at this time. This is, I believe, my organisation running at full capacity. I do not think that we can do more of this in the next year or 2. I think that we have set out an ambitious agenda, we have started that agenda, we have got people engaged and motivated on delivering this and the most foolish thing I think that I could do, as leader of the organisation, is to put more and more on people such that we do not deliver anything.

Senator B.E. Shenton:

But if you came out with a spending review, and if you did it properly, you would look as to whether you could provide any party or service as cheaply as the private sector can provide that.

DESC:

Absolutely.

Senator B.E. Shenton:

So when you produce this comprehensive spending review, you will be saying to us as P.A.C. (Public Accounts Committee), if you are hanging on to Fort Regent or any other, that you can run it as cheaply as the private sector.

DESC:

You have got a political steering group that is looking at the future of Fort Regent because that is what the Minister has agreed to chair and I think it will be about a lot more than just the sports facilities.

Senator B.E. Shenton:

You are telling me that in your comprehensive spending review you will be doing comparisons with the private sector and you will be holding your hand up and saying: "We cannot do this as cheap as the private sector"?

DESC:

I will not be holding my hand up to something that I do not know at this point in time.

Senator B.E. Shenton:

Why not?

DESC:

Because I do not know the result of it at this point in time. If I am going to do a review of anything then I am going to wait until I get the conclusions that come out of that review before I will make a decision.

[14:00]

Senator B.E. Shenton:

But the review will make comparisons with the private sector?

DESC:

I have not committed to do a review on sports centres at this point in time.

Senator B.E. Shenton:

What is the point in doing the comprehensive spending review if you are not going to compare costs with the private sector?

DESC:

If there are issues that come out of the comprehensive spending review in relation to sports facilities then quite clearly we will take cognisance of them but what I am saying is that I have not initiated a review of that nature at this time.

Senator B.E. Shenton:

What I am worried about is getting on my desk a comprehensive spending review saying that the sports facilities cost the same as the sports facilities that are run by Gwent County Council, or something like that, where you are comparing public sector with public sector.

DESC:

I think that is an absolutely fair comment. I think we are probably talking a little at cross-purposes here. The comprehensive spending review will look at a lot more than I am looking at, and within that context I guess it will pick up the issues that you are raising at this point in time. What I am talking about here is what we are doing to get things running because in our comprehensive spending review there are issues here that are of an educational nature that I think we need to get right, that the Minister needs to take a strategic view on before we simply go in to counting the costs.

Senator B.E. Shenton:

The timeline?

DESC:

There is a timeline on each of these reviews. My understanding of this C.S.R. (comprehensive spending review) is that it will be completed this year with a view to establishing appropriate public budgets from 2011 onwards.

Mr. M.P. Magee:

Can I ask a question on fiscal stimulus monies, just really what you are doing with them and provide some comfort that it will not just end up being an increase in the permanent cost base going forward? That you can extricate yourself from that.

DESC:

That is a good point, and there is a real danger there. The real danger is this: if you take, for example, fiscal stimulus money that has been used to enhance the offer at Highlands ... in other words really to accommodate about an extra 100 students. This is something that happened before quite a few years ago during a recession. We developed a youth training scheme and numbers in further education increased and after the recession they reduced again but they did not go back to their original level. So there is a possibility that this will increase for the longer term students going into further education. The other schemes that we are doing, the advance to work scheme, mentoring scheme, working in partnership with social security, those schemes we anticipate will no longer be necessary certainly in the way that they are now once employment starts to rise again for that age group.

Mr. M.P. Magee:

It could increase your cost base is what you are saying?

DESC:

Not necessarily increase the cost base because the money finishes at a point in time so the money will not be there, so it may create a problem for us because we may then have to find another way to support an additional number of students at Highlands College.

Senator J.L. Perchard:

Just finally on your property portfolio, is all your property now in the charge of Property Holdings?

DESC:

You mean did we pass across the budgets?

Senator J.L. Perchard:

I will ask you that in a second. All the property that used to be under maybe yours ...

DESC:

Yes, it is all being managed by Property Holdings.

Senator J.L. Perchard:

Did you pass across the budgets?

DESC:

We passed across the main budget that we held centrally. There is still some money in schools which schools hold for minor maintenance.

Senator J.L. Perchard:

Can you remember off the top of your head what the maintenance budget for education is for?

DESC:

About £3 million.

Senator J.L. Perchard:

Are you satisfied with the way that is working out with Property Holdings and your relationship with them? Are you getting the same level of maintenance now that you used to enjoy when you ... you said ministerial.

DESC:

I am satisfied with the relationship that we have with Property Holdings. I am fully aware of the challenges that they are facing in delivering the maintenance that we would wish for.

Senator J.L. Perchard:

How many F.T.E.s (full-time employees) went over with the £3 million?

DESC:

I do not have that with me. The transfer was made before my time so I have not got those figures with me. I could get them.

Mr. M.P. Magee:

Is that just schools or is that all the cultural properties as well?

DESC:

The cultural properties are a bit of a difficulty for us. I mean some of the properties that we are talking about which are managed by trusts have full repairing leases but we do not provide them with the funding for it. Others, there is not a lease at this time and of course then we have the issue that I referred to earlier on with the properties that are managed by the Heritage Trust and there is no funding there for maintenance or capital refurbishment.

Mr. M.P. Magee:

So there are some issues?

DESC:

Just slightly.

Senator B.E. Shenton:

Anything else, Mario? Thank you very much. Will you let us have a copy of the different initiatives that you have got on the go and the deadlines or timetables.

DESC:

Can we leave those now? The deadlines are on it.

Senator B.E. Shenton:

Okay, thank you.

[14:05]