



Public Accounts Committee
Jersey Heritage Trust - Financial Review

TUESDAY, 18th MAY 2010

Panel:

Senator B.E. Shenton (Chairman)

Connétable J.M. Refault of St. Peter (Vice Chairman)

Senator J.L. Perchard

Senator A. Breckon

Mr. M.P. Magee

Mr. A. Fearn

Mr. C. Swinson (Comptroller and Auditor General)

Witnesses:

Mr. N. Danby (Financial Director, Jersey Heritage Trust)

Mr. J. Carter (Director, Jersey Heritage Trust)

Mr. C. Jones (Chairman of Trustees, Jersey Heritage Trust)

In attendance:

Ms. M. Pardoe (Scrutiny Officer)

Senator B.E. Shenton (Chairman):

Before we start can I just ask you to read the piece of paper on the desk. It just sets out the protocol for these meetings with regard to immunity and such like.

A Member of the Public:

Mr. Chairman, the protocol for the public. Is this an administrative meeting?

Senator B.E. Shenton:

No, it is not.

A Member of the Public:

No, it is the wrong protocols they have put out for the public.

Senator B.E. Shenton:

It must be, yes.

A Member of the Public:

That is fairly normal.

Senator B.E. Shenton:

For the benefit of the tape, as we go round the table if I could ask you to introduce yourselves and we will go right round the table. For the Jersey Heritage Trust, could you also state how long you have been involved with the Jersey Heritage Trust and in what capacity as well.

Financial Director, Jersey Heritage Trust:

Nick Danby, Financial Director, Jersey Heritage since 1990.

Chairman of Trustees, Jersey Heritage Trust:

Clive Jones, Chairman of Jersey Heritage since late 2008.

Director, Jersey Heritage Trust:

Jon Carter. I have been with Jersey Heritage since September 1989. I have been Director since January 2003.

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

Mr. A. Fearn:
Alex Fearn, independent member, Public Accounts Committee.

Senator A. Breckon:
Alan Breckon, member of the Public Accounts Committee.

Senator B.E. Shenton:
Ben Shenton, Public Accounts Committee.

Connétable J.M. Refault (Vice-Chairman):
John Refault, Public Accounts Committee.

Senator J.L. Perchard:
Senator Jim Perchard, Public Accounts Committee.

Mr. M.P. Magee:
I am Martin Magee, independent member of the Public Accounts Committee.

Ms. M. Pardoe:
Mel Pardoe, Scrutiny Officer.

Senator B.E. Shenton:
I will start off with when did you first become involved?

Chairman of Trustees, Jersey Heritage Trust:
I have been Chairman since late 2008. I cannot remember when I was appointed a trustee. Probably a couple of years earlier than that, approximately. I am sorry I do not remember, to be honest. It seems like a long time ago.

Senator J.L. Perchard:

Perhaps before we fire away with questions, just explain the way that the Jersey Heritage Trust is constituted. You have got trustees, you have got board members. Can you explain the structure?

Director, Jersey Heritage Trust:

Jersey Heritage Trust is an incorporated body and has a constitution approved by the States in 1999. It is governed by a board of trustees, up to 12 trustees. The trustees are recruited according to a process agreement with the Appointments Commission. The president of the Société is a trustee. There is a member appointed by the States in Simon Crowcroft and previously has been a member for the time being of the Education Committee.

Senator B.E. Shenton:

Does the States-appointed trustee have a full attendance record?

Chairman of Trustees, Jersey Heritage Trust:

I think that is information we have provided previously to somebody. I am not quite sure who it was. No, he has not always been able to attend because of States business. I think the same was probably true when the relevant Assistant Minister was also on the board of trustees as well.

Senator B.E. Shenton:

Okay. What have you learnt from your recent financial problems?

Chairman of Trustees, Jersey Heritage Trust:

I think, Senator, let us start with the Comptroller and Auditor General's report because that is, I suppose, really your point of departure here. The Comptroller and Auditor General made a number of recommendations in relation to

our governance. The fact that we have taken most if not all of these on board and implemented most if not all of them already suggests that we agree with them. He came to a number of conclusions based upon the evidence that he saw and evaluated. We did not necessarily agree with all of those conclusions but we accepted that his report was an appropriate and necessary part of this process that we are now going through. It was then supported and supplemented by work done for Economic Development by Locum Consulting and work done for E.S.C. (Education, Sport and Culture) by BDO that have helped to produce, I think, a very clear picture of the trust's financial situation and how we got there.

Senator B.E. Shenton:

The trust lost money each year for the past number of years. What made the trust feel that it could operate spending more money than it was allowed within its grant?

Chairman of Trustees, Jersey Heritage Trust:

I do not want to particularly get into a war of numbers if I can help it simply because it could get a bit out of control. I think the Comptroller and Auditor General will agree that he adjusted our reported figures to include certain other categories of expenditure that he felt were appropriate to include for arriving at a figure for unadjusted deficit for Jersey Heritage. We do not necessarily agree that, for example, provision for depreciation or refurbishment of exhibitions would go properly as part of our expenses and so therefore I have to say, with respect, that we felt that the deficit figure was somewhat inflated. That does not depart from the proposition that there was a deficit.

Senator B.E. Shenton:

But if you do not allow for provision for refurbishment, for example, how will you refurbish any attractions?

Chairman of Trustees, Jersey Heritage Trust:
Senator, you are probably one of the few Members of the States who understands why it is that the States accounts never provide for depreciation, dilapidation, reinstatement, replacement or impairment. It is a fact of life that all such expenditure historically by Jersey Heritage has been funded out of a capital grant. The last one we received was in 1999 for Mont Orgueil.

Senator B.E. Shenton:
So the decision was taken to run the accounts of the trust more along States lines than sort of generally accepted lines. Is that what you are saying?

Chairman of Trustees, Jersey Heritage Trust:
No, it was to try and run them along generally accepted accounting principles but the fact of the matter is we would not have been expected to provide for depreciation or refurbishment out of the revenue grant that we got.

Senator B.E. Shenton:
One of the reports commented on the lack of refurbishment. How were you looking to, say, pay for substantial refurbishment?

Chairman of Trustees, Jersey Heritage Trust:
Our business plan and our report to the Minister has regularly included a list of projects that we would like to see capital funding for. That has never got anywhere. We also recently made 3 requests for funding under the Fiscal Stimulus Plan for work designed to improve the offering that we have, none of which got anywhere either. It is not for want of asking.

Senator B.E. Shenton:
So basically the trust operates on the basis that they would require additional grants for refurbishment?

Chairman of Trustees, Jersey Heritage Trust:
Unless the whole world changed in order to operate on a generally accepted accounting principles line, yes.

Mr. M.P. Magee:
I guess to give some defence of Chris in this, I think I would agree with you you might have arguments about how he comes to a deficit figure but the very fact that there was an £880,000 overdraft is really quite ... that is a cash figure which you will recognise and according to what we heard from Mario that has now been cleared.

Chairman of Trustees, Jersey Heritage Trust:
It has.

Mr. M.P. Magee:
So that has been deficits built up over a relatively short period of time.

Chairman of Trustees, Jersey Heritage Trust:
The bulk of that, and I am sure we will get to it at some point or other, is the amphibious vehicles.

Senator B.E. Shenton:
I suppose the next question is what action has been taken to eliminate the deficits going forward?

Chairman of Trustees, Jersey Heritage Trust:
This is not the first time that we have tried to confront this, as you will probably know, and as the Comptroller and Auditor General acknowledged in his report we did advance a proposal to reduce the overdraft and eliminate the deficit in 2008 but we were told basically not to proceed with that. What we have done since then and since the ...

Senator J.L. Perchard:

Sorry, can I interrupt you there? By whom and on what grounds?

Chairman of Trustees, Jersey Heritage Trust:

By the incumbent Minister on no particular grounds. I do not recall the letter in detail. I think we were told not to do it.

Senator J.L. Perchard:

It was a political decision not to.

Director, Jersey Heritage Trust:

Such action would require very careful political consideration, in the letter.

Senator B.E. Shenton:

Why did it require political decisions? You are an independent trust operating independently of the Minister. Why did you need to go ahead from the Minister to implement cost savings?

Chairman of Trustees, Jersey Heritage Trust:

We are an independent or better put possibly an arm's length organisation. I think it might be a little bit of a stretch to say that we are completely independent because after all we do get two-thirds of our funding, or 55 per cent of our funding, from the States and from that department. So, not to take the Minister's views into account I think might be a little foolish on our part.

Senator B.E. Shenton:

Yes, but your responsibilities as trustees surely outweigh the views of the Minister in running the trust and bringing action forth to cut out deficits going forward.

Chairman of Trustees, Jersey Heritage Trust:

Can I just pause for a second on the use of the word trustee. We are not trustees in the sense of a trustee under the Trust Law. There is some authority for this. We are closer to being company directors. That still obviously places responsibilities and constraints on our freedom for action but we are not quite the same as a trustee.

Senator B.E. Shenton:

But as a company director you would not allow a company to run insolvent and it would be against the law to do so.

Chairman of Trustees, Jersey Heritage Trust:

As I say, I do not resile from that. I just wanted to get the use of the word trustee slightly out of the way because it can get confusing. But the point about it we felt it was appropriate to take the Minister's views into account by presenting the plan to him. The Minister said he did not want us to do it. That left us with 2 choices. Those 2 choices then were eliminated because the Minister did not get re-elected. So the next priority was to get on the new Minister's calendar and get back there.

Senator J.L. Perchard:

Did that send a signal to the Jersey Heritage Trust that everything will be all right on the night and that you did not need to take this urgent action? What sort of signal did you receive from the Minister?

Chairman of Trustees, Jersey Heritage Trust:

No, it certainly did not send that signal at all. It sent no particular signal other than a wish that we did not do it, or at least that is the way I interpreted it at the time.

The Connétable of St. Peter:

You were quite relaxed with this open-ended arrangement with no sort of deadline to the situation you were finding yourselves in?

Chairman of Trustees, Jersey Heritage Trust:

It had been quite clear to us for some time that the lines were intersecting. The gradient of the expense line obviously steepened with the acquisition of the overdraft, mainly following the amphibious vehicles. So action was going to have to be taken at some point. All we can do is, up to a point, state the problem, offer a solution and see if that flies.

The Connétable of St. Peter:

Did you offer a solution when the Minister asked you not to proceed and what was that solution?

Chairman of Trustees, Jersey Heritage Trust:

No, we did not offer a further solution because effectively events overtook us because, as I recall, this was towards the end of 2008 and I cannot remember when the election was but it was not long after that.

Senator B.E. Shenton:

Going back to the £500,000 purchase, did you ask the Minister before you purchased that or did you do that as an independent body?

Chairman of Trustees, Jersey Heritage Trust:

My recollection is that it was decided by the board of the trust and the Minister was told later. I think that is right.

[12:15]

Senator B.E. Shenton:

The Minister was told later? So when it comes to spending money you feel that you can do it independently but when it comes to cutting costs you need the approval of the Minister to do so?

Chairman of Trustees, Jersey Heritage Trust:

I accept the burden of your question, Senator, and there is no answer to that. I can either be a knave or a fool.

Senator B.E. Shenton:

You have a partnership agreement which is different from a service level agreement.

Chairman of Trustees, Jersey Heritage Trust:

Yes.

Senator B.E. Shenton:

Are you satisfied that the partnership agreement is tight enough and should it be replaced with a service level agreement that sets you strict criteria?

Chairman of Trustees, Jersey Heritage Trust:

To the best of my knowledge, it is in the process of being replaced with a service level agreement and in fact part of that is at the moment, as I understand it, BDO is working with the department to define key performance indicators for Jersey Heritage. When they have agreed on what they think they should be we will have a look at them and then if we think we can manage them then we will roll.

Senator B.E. Shenton:

Have you had any input in the formulation of those key performance indicators?

Chairman of Trustees, Jersey Heritage Trust:

No, not yet, but it does not strike me as unfair that the department should have first crack at it and then ask us whether we can do it.

Senator B.E. Shenton:

We heard this morning from Mario the E.S.C. seem to have quite an arm's length relationship with the trust. The representative on the trust appeared to be a political appointment but attendance at meetings was a little bit sporadic and there did not seem to be any reporting back to the department. How do you see the relationship being improved going forward and it being much tighter?

Chairman of Trustees, Jersey Heritage Trust:

I think the relationship already has improved a great deal. When we were able first to get in to see the current, then new, Minister for Education, Sport and Culture in February of last year and gave him a presentation as to the issues that the trust was facing. I have to say that his engagement with us was immediate. As you will know, and as I am sure Mario has already told you, then the department took several significant financial actions to basically get us out of the woods and on to an even keel and commissioned the reports by the Comptroller and Auditor General by Locum and by BDO that effectively led to us all being on the same page, especially as regards financing and what the numbers really are, out of which will come a strategy for fixing it, so first of all in the last 12 months the relationship has become a lot closer. It is clear that going forward and whether or not the Minister is successful with the proposition I believe he plans to take to the States we will have a tighter working relationship. It may not necessarily be the fact that he has representatives on the board. Frankly I think the experience suggests that it is difficult for somebody with Ministerial responsibilities also to be on the board of a

body that is grant aided. But that does not necessarily mean that the effective working relationship between Jersey Heritage and the department cannot be closer. It is already a lot closer.

Senator B.E. Shenton:

When we brought in a service level agreement for Family Nursing we removed the political representation to give them the independence that they ...

Chairman of Trustees, Jersey Heritage Trust:

I am not sure if it would not require a change in the law to get rid of the Assistant Minister off the vase but it is up to the Minister to choose whether he fills it or not.

Senator B.E. Shenton:

If we can go back to one of the major causes of the financial problem which is obviously the Elizabeth Castle access, I suppose the obvious question is why did the trust not act better in protecting its contractual rights?

Chairman of Trustees, Jersey Heritage Trust:

Well, if I can just take a second to put it a little bit in context. We were faced with a situation whereby the existing provider of amphibious ferries told us unequivocally that they wanted to withdraw from providing the service. It was not a question of whether they could be persuaded to be paid more or to do it some other way, they wanted out, and ideally they wanted us to buy the vehicles. So we were faced with the possibility of being unable to fulfil the obligations that we felt we had to get access to Elizabeth Castle.

Senator B.E. Shenton:

With the obligations to who?

Chairman of Trustees, Jersey Heritage Trust:
Under the usufruct between us and the States of Jersey. Now I will come to the Comptroller and Auditor General's observations in a minute which is entirely pertinent but that usufruct we felt imposed certain obligations on us and that tended to direct and drive off people. We then obviously looked at alternatives. Buying the existing vehicles was certainly not an alternative and from what I understand the eventual sale price to be I think had we paid the original asking price it would have been equally subject to criticism. It was to find an alternative solution, which we did and the aim is to find a solution whereby we did not end up owning and running vehicles. That was the last thing we wanted to do, we are not a transport company. But in the end the company that did get them built and was running them ran out of room and ran out of money and then we were faced with the situation of do we go back to where we were when we began all this with a ferry service that was going nowhere, do we sit back, watch another local company go bankrupt and hope that we can pick the assets up for next to nothing, but recognising that there were risks in terms of what the Viscount might feel it his duty to do and all that sort of thing, or do we step in and take it over? So bearing in mind that our thinking, rightly or wrongly, was driven by what we felt was our obligation to keep access to the castle open, that is what we did. But there had already been questions in the House about the castle staying closed for longer after Easter and it was by no means clear to us that there was going to be universal approval if we just said: "Watch out for the tide and walk out there." To be entirely fair to the Comptroller and Auditor General he made the observation in a meeting that we had that while we might have had an obligation under the usufruct it did not extend to bankrupting the company and he is entirely right.

Mr. C. Swinson:

The phrase in the usufruct is to use all reasonable endeavours.

Chairman of Trustees, Jersey Heritage Trust:

Yes. I accept that.

Mr. C. Swinson:

It is not an unqualified obligation to provide access.

Chairman of Trustees, Jersey Heritage Trust:

But it very much influenced our thinking. I am taking a long time to answer your question but does that help?

Senator J.L. Perchard:

A little bit, I am sure. The questions in the House, I seem to remember them quite well and a certain Deputy had a particular interest and frequently asked questions. One of them was about the reliability of the service access to the castle and the answers given generally were about the particular amphibious vehicles that were operating being unreliable and always broken down, the very vehicles that you had not bought. Were you aware that you were buying some unreliable stock?

Chairman of Trustees, Jersey Heritage Trust:

We were aware that there was a view expressed by a Deputy who, by the way, has been very helpful to us subsequently in these matters. We were aware that there was a view that these were not vehicles that were up to snuff as he saw it.

Senator J.L. Perchard:

You did not agree with him?

Chairman of Trustees, Jersey Heritage Trust:

Well, it was the best deal that we were able to get. I mean there is one of these things cruising around on the Clyde at the moment that was brought into service in the last 6 months and that cost £750,000 for one. That was not an option for us. Buying adapted oyster fishing vessels from France at £500,000 each was not an option for us. Having these things built in the United States that seemed to perform and which I would say to you have performed adequately under the circumstances was the option that seemed best suited to us.

Senator J.L. Perchard:

So the unreliability problems of the vehicles has been sorted out, just as an aside, really?

Chairman of Trustees, Jersey Heritage Trust:

They have carried more vehicles in their ... in their first full year of operation I think they carried more visitors to Elizabeth Castle than the old Duck did. Now it is not to say they have not been cheap to maintain, they have been quite expensive to maintain which cost us, and so there are issues with the vehicles and their useful life is potentially shorter than we might like. But that was the size of the coat we could afford with the cloth that we had.

Senator B.E. Shenton:

Before you made the investment did you have relevant financial information available to you? I mean did you have proper management accounts showing the income and expenditure for the Elizabeth Castle operation in isolation as opposed to the whole of the Trust's assets, because this was an investment into Elizabeth Castle using funds given to the trust as a whole. So did you look at it as a businessman should look at it and say: "This is the income and expenditure on the castle, this is the capital cost, this is how we are going to make it back"?

Chairman of Trustees, Jersey Heritage Trust:

In this case I think the answer is yes. The reason for that is that part of the if you like financial accounting for Elizabeth Castle included the money that we paid to the original Duck operators for operating the service, so when we looked at the projections for what Pure Adventure were going to be doing for us and what it was going to cost to effectively repay Pure Adventure for their investment over the 10 years or so that we were planning to have them do the contract we looked at Elizabeth Castle revenue. In fact as you will know, there is no reason why you should know, but we have also now changed the basis for our pricing so that it separates the ferry costs from entry costs. So I think I am right in saying that Elizabeth Castle was probably one of the few areas where we did look on an isolated basis, is that fair?

Financial Director, Jersey Heritage Trust.:

We certainly looked at the revenues associated with the castle ferry and the Elizabeth Castle ticket and together an indication of what it would ... what it identified is the loss of income from no longer having access to the castle which would have been in total just under £300,000 so a significant loss in income from simply not continuing to have a castle ferry operation.

Chairman of Trustees, Jersey Heritage Trust:

I think also there might just be an occasional misconception in the public mind that somehow the old Ducks were kind of free and did not absorb public money, and then along comes Jersey Heritage Trust and spends half a million of taxpayers' money on some new amphibious vehicles. Throughout the period of operation of the Duck Jersey Heritage was paying a substantial percentage of castle income to the operators of the old Ducks, so it is not a contrast between free goods and taxpayer funded goods.

Senator B.E. Shenton:

What sort of slightly confuses me is if we go back to the earlier part of this interview where you said you do not count refurbishment as part of your grant. It would be something where you would go to E.S.C. and ask for an additional grant. So it almost implies that capital expenditure or any exceptional expenditure is separate from your grant. Yet when this opportunity ... when this happened you did not go to the Minister and say: "I could do with £500,000 to pay for the Ducks." You took it out of revenue knowing that you were effectively going to run at a substantial loss for that year by doing so. Now you would be very critical of directors of a company that ran a company in that way. Why did Jersey Heritage Trust operate in such an amateurish way, and it was very amateurish?

Chairman of Trustees, Jersey Heritage Trust:

Well, I am sorry you feel that it was amateurish. I will say again that it was effectively driven by our feeling that we had an obligation to keep access to the castle running and the fact that we felt able to sustain an overdraft.

Senator B.E. Shenton:

But you also have an obligation to operate within your grant.

Chairman of Trustees, Jersey Heritage Trust:

Yes, fair enough but ... well, we had an obligation to operate.

Senator B.E. Shenton:

Within your grant. You had an obligation as trustees not to run deficits year after year and certainly not to spend £500,000 of money that you do not have.

Chairman of Trustees, Jersey Heritage Trust:

I think let us just pause for a second because we were running small operating deficits before the amphibious vehicles came along, simply because running the service cost more than either we could obtain from the States in grant or in terms of income we could generate for ourselves.

Senator B.E. Shenton:

Is there a general view among the trustees that the taxpayers' are a last resort and that financial prudence can somehow take second base to that?

Chairman of Trustees, Jersey Heritage Trust:

No, and I will say that there was a paragraph in the Comptroller and Auditor General's report that I strongly took exception to both personally and on behalf of the trustees because there was an implication at one point that the trustees were almost laughing behind their hands while they palmed on obligations in the knowledge that the States would have to bail them out. Now the ...

Mr. C. Swinson:

Sorry, could you refer me to the paragraph concerned and the words that I in fact used? I do not remember using the words "laughing behind your hands".

Chairman of Trustees, Jersey Heritage Trust:

I did say that they were not your words but I will get to it, do not worry.

[12:30]

The Connétable of St. Peter:

Can I just raise something while you are collectively looking, so I will just talk to the top of your heads, if that is convenient to you. You mentioned that you do not

normally run a deficit, you just have a small deficit. Well if we go back to 2005 you run a £65,000 deficit, in 2006 you run a £180,000 deficit and 2007 a £259,000 deficit. I would not call those small. To me what I would take from that is a culture of overspending and creating a deficit. That is how I would react to that table of increasing deficit overspends.

Financial Director, Jersey Heritage Trust:

As our chairman spoke to earlier there is a removal effect from the published accounts which takes account of the refurbishment of historic buildings which reduces the figure.

The Connétable of St. Peter:

I accept that.

Financial Director, Jersey Heritage Trust:

But as was also touched on earlier contained within those figures are some non-cash movements, in particular depreciation on the Archive of about £104,000 per annum and also the non-cash movement in the pre-1987 debt.

The Connétable of St. Peter:

So you are using gap accounting on this side but you are not on the general overall accounts?

Financial Director, Jersey Heritage Trust:

Just to look at the unrestricted fund which is the fund which is generally regarded in terms of our revenue funding, the reported deficits in each of the years was at 2004 £154,000 and that was the year in which the corrective action was taken, i.e. to reduce the opening at the Archive, £10,000 in 2005, £1,000 in 2006, and £67,000 in 2007. So they are non-cash movements which have increased the deficits, the apparent deficit.

Mr. C. Swinson:

Could I just raise another point? Presumably now that the States have introduced gap accounting for its own accounts the point that it is making will be completely invalid?

Financial Director, Jersey Heritage Trust:

Yes, going forward. These are all figures before 2009, but I accept your point that we should be ... capital refurbishment is something that we should be able to have funding to meet.

Mr. C. Swinson:

No, no, no, my point is not that at all. My point is that the States accounts include and always did do what the States reckoned was a provision for depreciation and now includes provision for maintenance and refurbishment. So that in your normal revenue expenditure you would include all of those as other items of expenditure from the beginning of 2009 and you have always been accounting on a gap basis.

Financial Director, Jersey Heritage Trust:

From 2009 it makes no difference in terms of depreciation because most of those assets have been fully written off, as it happens, but yes, I take your point.

Senator B.E. Shenton:

Did you find the ...?

Chairman of Trustees, Jersey Heritage Trust:

Yes, it is paragraph 71 and the first part of paragraph 73 which if you like I will read: "In contrast as I have explained the trustees appear to have assumed that the States would eventually be obliged to ensure that the trust could meet its financial liabilities. The result has been that an overdraft has been accumulated largely by incurring

operating deficits.” Then at the beginning of 73: “The actions of the trust will thus have placed the department in the position of almost a guarantor of liabilities over whose assumption it appears to have little influence.” Now as I say I took exception to that because I felt that it suggested that the trustees had embarked on this as a deliberate course of action and I have to say to you that in no meeting of trustees that I have ever participated in was there anything other than concern for how the financing of the trust and how the States money was applied. Simple as that.

Mr. M.P. Magee:

It links in a little bit with the question I asked Mario, a similar vein but not quite the same. Basically I said: “Well, ultimately what value added does the trust bring to this whole operation?” because ultimately they are putting in £2 million and picking up the residue if there is a problem. You know, it is not to say that you were trying to make a problem but it was just basically saying you have paid in approximately £1.5 million or something, there is the overdraft, the restructuring costs and all this so I think it is the same point. All we are really saying is that ultimately, and I think Mario agreed, that basically they would be there to pick up the pieces, and it is not like a trust. Again, and I do not know this exactly, but it is not like a trust where it is a situation where you have got a, I guess, duty or you would stop the flow like a limited company going back towards the States of Jersey because they own the properties and they are going to pick up the tab. So I think that is the same point. I think you are maybe taking a very ... I can understand the reasons why you are taking that quite personally but I think the point has been made a couple of times that it really is you will pick up ... the tab will be picked up by the States of Jersey. So I said to Mario: “If you want to put in service level agreements to make these guys do what you want why bother? Why do

you not just do it yourselves?" You know, and that was part of the conversation I had with him.

Chairman of Trustees, Jersey Heritage Trust:

That is a perfectly reasonable question and the question of whether something is best done by a body like Jersey Heritage or done by the States is entirely the privilege of the States to decide. Having put that job out to Jersey Heritage I think most indicators would suggest that that job has been reasonably well done, but it is like everything else, if there is not the money to do the job then the job is going to get done less well at some point. At some point we will hit a crunch. I think it is fair to say, Senator, and I should make this point, that one of the responses of trustees to the issue of deficits over the years has been to increase self-generated income. I mean as you will know, we have said this before, we generate approximately 48 per cent of our total income from our own activities. Now if you compare that to other similar organisations in the other Crown Dependencies and in the U.K. (United Kingdom) that is a very large percentage. We have gone from generating just under £1 million in 2005 to £1.7 million in 2009 from a variety of sources. Now it is not as if we have been sitting there waiting for someone to drop a shilling into our cap.

The Connétable of St. Peter:

Are you running a risk of coming up against the law of diminishing returns, because one expects that you may well have achieved some of that increase on gate fee?

Chairman of Trustees, Jersey Heritage Trust:

The Locum report I think is quite clear that there are limitations as to how much more income we can expect to raise, partly because of declining tourism numbers, partly because to paraphrase how they have put it, that Jersey is rather more densely populated with attractions than many

other places. There is a lot of competition out there for the remaining visitors.

The Connétable of St. Peter:

Just coming back again to the deficits from previous years, was there an expectation under previous Ministers that should you come to an end of year where you had overspent your budget that you could go back for supplementary vote, going back to the old supply day votes and those types of things? Was that an expectation?

Chairman of Trustees, Jersey Heritage Trust:

No.

Director, Jersey Heritage Trust:

None at all.

Chairman of Trustees, Jersey Heritage Trust:

The only expectation was that in the cultural strategy that was adopted by the States that E.S.C. would come back in 2006 and ask for more money.

Senator B.E. Shenton:

You mentioned a while back that the last thing you wanted to be was owners and operators of the amphibious craft which you have ended up as being an operator, so a 2-part question. Have you got any plans to manage yourself out of this situation and secondly in terms of depreciation how are you treating the depreciation of those assets that you have acquired?

Chairman of Trustees, Jersey Heritage Trust:

Right. I will answer the first question and then I will ask Nick if he will dive in in response to the second part of that. The answer is no, there are no immediate plans as to how we are going to manage ourselves out of this

situation because in the last 12 to 15 months all we have been trying to do is to manage ourselves away from insolvency. It has been simply a question of priorities.

Senator B.E. Shenton:

Is the cost of operating, as operator, working out to be more expensive than the old Puddle Ducks arrangement?

Chairman of Trustees, Jersey Heritage Trust:

I do not know what the old Puddle Ducks arrangement was but I am pretty sure that the new ones are more expensive, yes. But if Nick would answer depreciation?

Financial Director, Jersey Heritage Trust:

Depreciation, we were writing the assets off over a period of 10 years. We have recently changed that to 7 and we will be doing a further impairment review very soon to determine what their book value should be going forward.

Senator B.E. Shenton:

Okay, and going forward to 2011 are you fairly confident that having had £1.5 million of taxpayers' money pumped into the trust that you will be able to operate on an even keel next year?

Chairman of Trustees, Jersey Heritage Trust:

No, not at all. The programme of restructuring we have just undergone will basically take £350,000 a year out of our costs. This has been achieved at the expense of bringing greater seasonality into the opening of a number of our sites including as you well know Hampton which is now opening only on special events type days. BDO identified arguably and confirmed the operating if you like structural deficit, to use a fashionable phrase, is in the region of about £500,000 so therefore we will be £150,000 to £200,000 short. That is the answer to your question.

Senator B.E. Shenton:
How is that going to be addressed?

Chairman of Trustees, Jersey Heritage Trust:
It is my understanding that the Minister is preparing to take a proposition to the States.

Senator B.E. Shenton:
To ask for additional funding for ...?

Chairman of Trustees, Jersey Heritage Trust:
And for capital.

The Connétable of St. Peter:
Just coming back to the visitor attractions, what lessons have you learned from the Marilyn exhibition?

Chairman of Trustees, Jersey Heritage Trust:
That if you can get something that good, that cheap, you are on to a winner. You know, I mean I am sorry, I do not wish to sound simple on this sort of thing, but it is a highly unusual set of circumstances to have what is clearly a world class collection of artefacts owned by somebody resident in the Island who is prepared to let us do it and then the cost of staging it et cetera is so much cheaper and it has been an absolute cracker of an exhibition. It has pulled in visitors and is still pulling them in, so one thing ... it has also confirmed something that the States statistical unit observed in their survey which is that to bring people in you need to bring them back to see something new and refreshing what you show people, bringing new things in for them to see is, especially given the percentage of local visitors that we have, crucial if you are going to get footfall. To give you another example, Constable, one of the things that we would like to do but we are not going to have the money to do, is to celebrate the anniversary of the Battle of Jersey by bringing over

from the Tate the original Copley painting and get associated other paintings loaned from other institutions, some in the U.K. and some in the United States. Now just the cost of getting the Copley over is about £200,000 so it is not going to happen. That is why the Marilyn exhibition is ... I do not know if it is unique but it is certainly unusual.

The Connétable of St. Peter:

The point I am trying to make is do you see that as an opportunity of looking at that new type of entertainment, if you wish, to attract visitors to your existing premises rather than relying on the premises themselves? We have seen quite a downturn in the sort of footfall you had at Hampton and you have seen a 48 per cent increase at the museum and that is on the back of a 9 per cent reduction in visitor numbers overall to the Island so for me what I was seeking from you was an acknowledgement that putting on some form of attraction within an existing attraction does generate the footfall which would increase your gate take.

Director, Jersey Heritage Trust:

Could I just say on that we have worked very hard over the last 5 or more years to increase the attractions of the sites and I think one of the interesting things about Locum is that they show that we have pushed that towards what they regard as the limit within the constraints of the market and we have very significantly increased the attraction of the sites as far as possible and our admission income has increased pretty much by 30 per cent over that period. I think that the Chairman is right to point out that Marilyn represents a relatively unusual opportunity to do that very cost effectively. The real lesson is that change is important and most change of that value requires investment which is very difficult for us to make without access to the funds required to make that change.

The Connétable of St. Peter:
So what plans have you got going forward for change?

Director, Jersey Heritage Trust:
Our plans going forward for change do partly depend on our discussion with E.S.C. about the resources available to achieve that. When we have previously discussed closing sites it is partly because we have felt that it would be better to run a smaller number of more viable attractions than a greater number of attractions which are just clinging on by their fingertips.

[12:45]

The Minister has taken a view that closing sites and knocking too big a hole in Jersey's cultural infrastructure is undesirable and therefore is looking at ways, because it is a political issue and it is not up to me to say whether they will be successful or not, at ways to achieve the investment necessary to do that.

Senator J.L. Perchard:
Just pulling it back to a more generic general discussion rather than the specifics of some of your attractions, while Mr. Jones has said that the new Minister has taken a very keen interest in your activities and particularly the financial predicament that the trust finds itself in, could we just look at your view, the trustees' view or you 3 gentlemen's view on the way that the department has managed its business with you. Do you feel over the last decade that you have been involved with the Jersey Heritage Trust that their relationship or the management of the department or the relationship with the department has been what you would expect?

Chairman of Trustees, Jersey Heritage Trust:

When you create an arm's length organisation to do stuff that you could otherwise do in house, if you like, if I can put it that way, it is I think a reasonable presumption that you manage it at arm's length. I think that has probably from the time that I have been involved characterised the relationship between Jersey Heritage and the department. It may have been that the board felt that the presence from time to time of an Assistant Minister on the Board of Trustees provided a sufficient link back into the political level and the department to ensure that it was up to speed with what was going on. That might have been a misplaced expectation. The relationship with the department has undergone a sea change since the beginning of 2009 and I think also partly based on the recommendations of the Comptroller and Auditor General will evolve into something that is a lot more of an active partnership.

Senator J.L. Perchard:

Okay, so you have avoided ... the good news is that there seems to be a very positive relationship at the moment.

Chairman of Trustees, Jersey Heritage Trust:

Yes.

Senator J.L. Perchard:

But was the Board of Trustees ever ... was it ever made clear to the Board of Trustees what the Education, Sport and Culture grant was there to do? Did you ever have a directive?

Chairman of Trustees, Jersey Heritage Trust:

No, I mean the Comptroller and Auditor General I think probably quite accurately characterised that when he said that it effectively suggested that it was a payment made to

Jersey Heritage by the department in discharge of what it saw as its obligations.

Senator J.L. Perchard:

So there was never any clear directive of what was expected from you?

Chairman of Trustees, Jersey Heritage Trust:

I cannot say never but it would be interesting to see if ...

Senator J.L. Perchard:

Mr. Jones, were you ever provided with some sort of clarity over the department's longer term funding strategy to the trust?

Chairman of Trustees, Jersey Heritage Trust:

I was never particularly aware of the longer term funding strategy towards the trust.

Senator J.L. Perchard:

So the trust were ignorant of the strategy of the States?

Chairman of Trustees, Jersey Heritage Trust:

No, the States had a strategy. The States approved a cultural strategy and they gave us a big wodge of it to implement. The States also in the same document acknowledged that there was a need for funding to cover that. Sadly that funding was not forthcoming.

Senator J.L. Perchard:

So there was an assumption that funding would be forthcoming with the strategy but it was not, is that what you are saying?

Chairman of Trustees, Jersey Heritage Trust:

It is a part of the long and well hallowed tradition of pulling the ends but not the means, Senator.

Senator J.L. Perchard:

Okay, that is fine. It is important that this goes on record and I think ... I have every sympathy, I have to say, with the Jersey Heritage Trust's predicament over this and I think ... I hope my questions make that clear. Okay. The previous Minister never quite made it clear to you as to what was expected of the Jersey Heritage Trust for the monies that were being made?

Chairman of Trustees, Jersey Heritage Trust:

I think that is correct. Is that fair, Jon?

Director, Jersey Heritage Trust:

When E.S.C. was formed we did develop, in fact the Heritage Trust drew up the first one, the basis of the partnership agreement. I think that the department's view at the time was that something more broad brush than our early draft would be appropriate, so I think that in their own terms the department was clear what it wanted. I think that it was probably not expressed in the detail that I think we would all like to see now.

Senator J.L. Perchard:

There was never any indication from the States of Jersey side as to the governance arrangements that the trust should adopt?

Chairman of Trustees, Jersey Heritage Trust:

In some ways I think the trustees could have been excused for believing that their governance arrangements were adequate up until the Comptroller and Auditor General's report because in 2005 the Chief Internal Auditor presented an audit of the revenue grant paid to the Jersey Heritage Trust and the Mont Orgueil project to the shadow Public Accounts Committee at the time and concluded: "No significant control weaknesses or errors had been found. Some recommendations for further

improvements to controls have been made” and they were addressed. Then in 2007 Treasury and Resources engaged Deloitte to conduct an internal audit of associated bodies which included Jersey Heritage. Deloitte were met, material was provided and although we never saw any final report or got any feedback I think it is safe to assume that had we not heard anything back that therefore there were no Augean Stables that Deloitte felt needed clearing out in Jersey Heritage. So I think while I have said that we agree with a number of the Comptroller and Auditor General’s recommendations I think the sin if we committed one was that our governance arrangements had not particularly changed and could usefully be brought more into the modern age and that is what we are doing.

Senator B.E. Shenton:

There is a feeling that perhaps even E.S.C. is the wrong department to be providing the grant and that E.D.D. (Economic Development Department) would be a more appropriate department to provide the grant given the link into the tourism activities and the promotional side of the business. I mean would you perhaps have a view on this?

Chairman of Trustees, Jersey Heritage Trust:

Well, you can construct arguments around a range of possibilities there. It is certainly the case that having E.S.C. exclusively responsible for some of our activities including for financing them lets a number of other States departments off the hook. In particular if you continue to work as Jersey Archive does under the Public Records Law and is going to have to do under Freedom of Information there is a very clear example there. It is also true that a lot of what we do is relevant to economic Development and to Tourism, but that would be to ignore the management of the cultural estate that we are also charged with doing. I have suggested informally in the past that just as a skills board was formed out of Social

Security, Education, Sport and Culture and Economic Development to address the future skills need of Jersey some similar triumvirate body for heritage involving Planning and Environment, Economic Development and E.S.C. could also be considered and that would then allow views to be balanced, but that is only my suggestion.

Director, Jersey Heritage Trust:

Could I just say on that I think that it is an interesting question that we have talked about. It is clearly not possible to capture heritage completely in one area of government. We do operate in a tremendously difficult environment in relationship with planning, we have an element of tourism, clearly, we have relevance with education. In the U.K. learning has been the big driver. When we spoke to the Economics Unit last year their view was that our biggest economic impact was in fact education.

Senator B.E. Shenton:

You have just laid off your 2 Education Officers, though, have you not?

Director, Jersey Heritage Trust:

Yes. None of these changes really I think are hugely desirable but they are just necessary to get us through this current stage and we are going to have to look at different ways of providing an educational service. It remains the case that learning in a general sense is a very important ...

Senator B.E. Shenton:

So having just laid off your 2 Education Officers how are you going to provide education?

Director, Jersey Heritage Trust:

What we have laid off in fact is one Education Officer who mainly worked with schools. I think learning is much more

broad fronted than just working with schools. We see about 8,000 schoolchildren a year. We in fact see about 11,000 local school children outside school hours through a series of informal learning which we have obtained the capacity to do and that is in fact what has driven a significant increase in our local use. With schools we, as with other areas of outsourcing, have to experiment with different ways of doing it and we do believe that it may be possible as we have retained some of the value of the cost of that, to achieve that on a riding programme of seconded teachers, but that is new territory for us. It works a bit like that in the Isle of Man although they do have permanent educational staff to support the management process but we are going to try it, it is something new, and see where that takes us.

Senator B.E. Shenton:

You mentioned Jersey Archive which was a cost that the trust acquired. Also there were some Forts and Towers also transferred to the auspices of the trust. In your opinion was the additional funding that went with these transfers sufficient and if not why not?

Chairman of Trustees, Jersey Heritage Trust:

I think I need to disentangle 2 elements to that question if I may. The first is in relation to the position of sites, if you like. The trust has acquired no additional sites, leaving aside Forts and Towers, since the funding of the development of Mont Orgueil in 1999, I think that is correct, is it not, Jon, so nothing in the cultural estate of Jersey Heritage has changed since 1999. Forts and Towers was acquired on the basis of funding from Tourism and Development and as a discrete operation it washes its face. It does not make a fortune but it pays for itself and it brings those sites into public access which is part of what we do and part of what T.D.F. (Tourism Development Fund) wanted to do.

Senator B.E. Shenton:

Okay, so you were happy with the level of funding?

Chairman of Trustees, Jersey Heritage Trust:

In relation to Forts and Towers it works. Now if you want to talk about the Archive that is a whole different matter.

Senator B.E. Shenton:

Okay, well let us talk about the Archive then.

Chairman of Trustees, Jersey Heritage Trust:

The Archive is an interesting story inasmuch as the States decided to and funded the building of what is probably one of the top 10 archive centres in the British Isles and it handed it over to Jersey Heritage to run it and by and large I believe, based on the evaluation by the National Archive, that we run it well. It is in, in terms of physical facilities, the top 8 per cent of archives in the United Kingdom. It is in the bottom 10 per cent because of the lack of public access, because we cannot afford to run it more than 3 days a week, so we fail the national standard even though it is a world class building. The other thing, and we touched on this before, is that when the Archive was handed over no provision was made for depreciation, dilapidation, reinstatement and so forth which at some point is bound to be necessary. It is partly a problem of States accounting and it is partly a problem of willing the end but not the means.

Senator B.E. Shenton:

So what are the long term plans for the archive, then?
The long term plan is a 3-day week?

Chairman of Trustees, Jersey Heritage Trust:

Well, the 3-day week was part of the cost cutting exercise that we undertook some years ago, again to try to deal with the lack of funding and the increasing deficit and that

is not likely to change in the short term. I think the biggest risk is going to be the continued backlog of archiving in relation to the Public Records law and the anticipated tsunami under the Freedom of Information law. We have talked to the Minister about this, I understand the Minister does intend to develop plans and bring those to the States in due course. But I use the Archive as a good example of an entirely good decision to create a marvellous asset for the Island but not really looking forward to the implications.

Senator B.E. Shenton:
Should it be under Heritage?

Chairman of Trustees, Jersey Heritage Trust:
It does not have to be. You might want to have Heritage run it but it does not have to be.

Mr. M.P. Magee:
Could I just touch on something you said earlier, Clive, just similar to that comment, was you said there was a structural deficit of £500,000 of which you have taken some difficult decisions in terms of making people redundant et cetera, and that has moved it down to £200,000 which means that probably £2.2 million or something if you got that as a grant would probably cover you, and then you said ...

Chairman of Trustees, Jersey Heritage Trust:
In the absence of ...

Mr. M.P. Magee:
Then you said excluding capital, so it is that that I just wanted to pick up. Is there something because we have not seen any of the BDO report or anything like that, so we have no access to that. Is there a big capital sum in there that is going to now go to millions of pounds?

Chairman of Trustees, Jersey Heritage Trust:

This is the refurbishment of exhibits kind of capital as well as repairing buildings and that sort of thing. That is what we are talking about. I mean there is major capital which would be for example refurbishing Elizabeth Castle. Now clearly that is a very big project in cost terms as well as in effort terms and that would have to stand on its own, but to give you a much smaller example, the Story of Jersey which sits in Jersey Museum and is still a remarkably fresh looking exhibit was there on the day the museum opened and it has not changed since. Now it is hard to expect people to come back and pay another £8 to see something that they have already seen once and it would make a whole lot of sense to spend some money on refurbishing that. One of our fiscal stimulus funding bids was to refurbish Number 9 Pier Road which would have increased the exhibition space and also given us some more space for corporate hire. That sort of capital. Now ...

[13:00]

Mr. M.P. Magee:

Is that in the plan? Is it going to be ad hoc exceptional things that are going to come forward over the next few years that are going to be in addition to this £2.2 million?

Chairman of Trustees, Jersey Heritage Trust:

Yes, they would be in addition, yes, that is my understanding. I should also point out that the £2.2 million only works if we continue to generate the amount of income that we generate ourselves.

Director, Jersey Heritage Trust:

What we have done over the years with the business plan is just ask for some clarification about how applications for funding for big projects might be made in the future.

Obviously in the U.K. things like the Heritage Lottery Fund have driven the changes, transformed the landscape of museums, certainly. Here there is no such fund and we do not have access to that fund. What is important is that if any fund is ever established that the criteria are very clear. I think the Tourism Development Fund has made a significant contribution to our capital items in the past, we have discussed with E.S.C. a business stimulus package, but I think what is really needed is access to some funding which has clear cultural outcomes and in the U.K. that has been driven by learning outcomes and inclusivity in citizenship development, but I think what is needed is a debate locally about what the cultural outcomes are intended to be from cultural investment, so it is not just about tourism or just about outcomes.

Senator B.E. Shenton:

There was some criticism within the report about the level of management accounts that was available to the trustees. Is this something that has been improved upon since the publication of the report?

Chairman of Trustees, Jersey Heritage Trust:

Yes, it has. A couple of things have happened and this was part of the stuff that we have taken on board from the Comptroller and Auditor General's review. (1) We have appointed an honorary financial adviser. (2) We have recruited 3 additional trustees. We had quite a large number of vacancies on the board, mainly because we did not feel that it was sensible to go out and try to recruit trustees while we were still figuring out whether we were wading or drowning and once we had stopped drowning we went out and specifically sought to recruit people with commercial and financial experience and have got 3 excellent new trustees, 2 with financial and business experience and another with substantial human resources and business experience. We will recruit more later on in

the year and working with BDO we have developed, we have recreated the Finance and Audit Committee. It has had a meeting, and it has looked at management accounts and those management accounts have been brought up to speed in consultation with BDO on an activity basis.

Senator B.E. Shenton:

So if I was a trustee I would be able to ascertain what the income and expenditure for say La Hougue Bie was in a certain month?

Chairman of Trustees, Jersey Heritage Trust:

Yes, but not for 2006.

Mr. M.P. Magee:

I made a comment earlier on about your website and the fact that the last set of accounts that you could access were 2007. I assume that is partly to do with your financing issues?

Chairman of Trustees, Jersey Heritage Trust:

Yes, well the problem with the 2008 accounts was that the auditors wanted to qualify them on the principle of going concern and the problem with that was in order to effectively get them to issue qualified accounts would have cost us quite a lot more in audit fees because of the additional work they felt they would have needed to have done to produce qualified accounts and we did not think that it was worthwhile spending the money. We have had since discussions and maybe, Nick, you could explain?

Financial Director, Jersey Heritage Trust:

Yes, part of the problem of course is that if you use a big firm like E.Y. (Ernst and Young) which we do and have done in the past is that of course it is very difficult to get them to schedule their audit any time other than the

summer, but we have re-engaged them and in fact we re-engaged them in completing their final audit work for 2008 and going forward for 2009 6 weeks ago, once we had the announcements that funds would be released to enable us to complete our reconstruction and obviously we had resolved our insolvency issues towards the end of 2009. I mean the problem for audit is until we had got funding for the restructure it was unclear, or would have been unclear to them, whether or not we would remain a going concern going forward. So removing those uncertainties is a big step. The next uncertainty of course continues which is how the revenue funding gap between what is needed going forward, £2.2 million and what we have available, £2 million will be filled.

Senator B.E. Shenton:

E.Y., have they been your auditors for quite a long time or are they ...?

Financial Director, Jersey Heritage Trust:

They have, and in fact one of the first decisions by the Finance and Audit Committee is to review whether they would continue as auditors and we may find someone who is able to deliver to the timescale that we need, because we need to obviously file the annual report and accounts within 6 months of the year end and with E.Y. that is going to continue to be problematic because of their timescales.

Chairman of Trustees, Jersey Heritage Trust:

To be fair to them I mean we are not exactly their prize catch.

Senator B.E. Shenton:

No, but you should review your audits on a regular basis as you know and that should be minuted. The recommendation of the Comptroller and Auditor General

was that you appoint an audit and risk committee. Has that been done?

Financial Director, Jersey Heritage Trust:

Yes, Finance and Audit Committee we have called it, yes.

Chairman of Trustees, Jersey Heritage Trust:

I should say that there are elements of governance that the Comptroller and Auditor General's report did not touch on because his report was predominantly on the financial aspects of the management of the trust and there are other governance arrangements that we had in relation to the curatorial activities of Jersey Heritage, but I just mention that in passing. It is not that governance gets low heeling(?) and we believe we are now brought up to speed on the financial side.

Senator B.E. Shenton:

You mentioned about the Education Officer being made redundant and there were a number of other redundancies caused by the financial crisis. How did you approach the reorganisation? Did you sort of start with a clean sheet of paper and sort of take a top down approach and say what we should be providing and what should we not be providing? Because at some point you obviously decided that an Education Officer was not a core activity.

Chairman of Trustees, Jersey Heritage Trust:

There was an overarching desire on the part of the department which we accepted was that we try to craft a solution that did not involve the permanent closure and/or abandonment of any of our sites, simply because obviously if you abandon it you are unlikely to get it back. That therefore indicated a number of courses of action, given the bulk of our costs are staff costs anyway, it was going to always have to be people. We were going to have to look at a couple of aspects to it. One was the

increased seasonality of the opening times of our sites in order to reduce the number of site staff we required and the second was reducing some of the activities such as education and outsourcing or preparing to outsource some of the craft activities, carpentry, design, electricians et cetera.

Senator J.L. Perchard:

Could I ask, just change tack again, I am good at doing that it seems, about the sites at the back of your very own document, the *Jersey Heritage Trust Financial Review*, there is a very impressive and extensive list of sites that the Jersey Heritage Trust manage and the top of the list is of course Mont Orgeuil Castle. But browsing the list I notice 3 sites stand out as being leased or having a lease, and one of them is the Maritime Museum, another is a lease from the States of Jersey from the Jersey Archive which we have just discussed and another from the Parish of St. Clement, Le Hocq Tower. Are those the only 3 that you lease and have to pay a rental for? Could you tell us a little bit about those 3 leases and rental agreements?

Chairman of Trustees, Jersey Heritage Trust:

Well, the property affairs if you like of the cultural estate that Jersey Heritage looks after are complicated to put it mildly, and a little reminiscent of the old Irish joke: "Well, I would not start from here" but that is where we are, nevertheless. We do not own anything outright, I think it is correct to say.

Mr. M.P. Magee:

We do, it is the Sir Francis Cook Gallery.

Chairman of Trustees, Jersey Heritage Trust:

Thank you. I will ask Jon to help me out with the Le Hocq Tower. The Maritime Museum is ...

Senator J.L. Perchard:

Can I just interrupt you, Clive? For example Elizabeth Castle, it says here: "Deed of Gift from the States of Jersey."

Financial Director, Jersey Heritage Trust:

Yes, Deed of Gift of the Usufruct.

Senator J.L. Perchard:

Not all of them: "The Jersey Museum and through deed of Gift from the States of Jersey." No usufruct. So I am not sure, you are right, it is complicated, but you do pay rent to 3 people for sure. I am particularly interested in the Maritime Museum.

Chairman of Trustees, Jersey Heritage Trust:

Well, the Maritime Museum was opened in 1993 ... sorry 1997, my apologies and at that stage the building that it was in was leased from Harbours. The annual rental at the time of opening was about £40,000 a year and our grant was increased in that year by that amount in order to cover it. The lease had an inflation escalation in it, the grant did not, and now the rental is getting on for £90,000 a year.

Senator J.L. Perchard:

Right, so it is an accident of fate and I will say, and you may wish to endorse me, it is an accident of fate that that property comes under the curtilage of Jersey Harbours rather than Property Services?

Chairman of Trustees, Jersey Heritage Trust:

I guess that is probably true, I mean there is presumably a reason somewhere for it.

Senator J.L. Perchard:

How do you feel about taking ... receiving support from the States in one hand and paying it back with another?

Chairman of Trustees, Jersey Heritage Trust:
I think we can say that it is not an ideal arrangement.

Senator J.L. Perchard:
What is the future for the Maritime Museum if you do have an annual ... if you are paying Jersey Harbours an annual rent of £90,000?

Chairman of Trustees, Jersey Heritage Trust:
Well, the actions that we are taking by increasing the seasonality and reducing the opening hours of the Maritime Museum are to try and cut out the expense in the most heavily loss-incurring months of a museum that operates pretty much close to breakeven most of the rest of the time. So in other words to try to keep the museum open at low let cost. If the rent keeps escalating obviously there is a point where ...

Senator J.L. Perchard:
Have you considered giving notice and asking the Minister if he perhaps could move the Maritime Museum to perhaps Fort Regent?

Chairman of Trustees, Jersey Heritage Trust:
We were asked to investigate by the E.S.C. Minister whether the Maritime Museum could be relocated in Mont Orgueil, I think it was ... Elizabeth Castle, sorry, and we did do a short study on that and it was a very expensive proposition. I mean having a Maritime Museum somewhere close to the harbour seems logical and in terms of tourists and visitors having it not far from the Jersey Museum and things like that seems sensible. It is really a question I suppose of what the alternative use Harbours has for that building at any time in the future.

Senator J.L. Perchard:

By the time the Planning Minister has got his evil eye on it, not a lot I should not think. Unless it is listed of course.

Senator B.E. Shenton:

I used to take my kids to the Maritime Museum an awful lot because it was a very good museum, but this is part of the problem, is it not? There is no reason for me to go back there. I mean I can memorise more or less the whole museum so ...

Chairman of Trustees, Jersey Heritage Trust:

This is the thing. Visitors who go in for the first time like it, and they think it is rather neat and it is great for their kids. But it is hard to get to you to forego £8 a hand to keep going back there if you have been there once or twice already.

Senator B.E. Shenton:

Now the Jersey Archive, the lease on Jersey Archive, who is that paid to?

Financial Director, Jersey Heritage Trust:

We do not pay a rent, but we ... we do not have a lease, it does not exist but we ... it is with Property Holdings in that particular case. The problem for us has always been that we were never given a grant to maintain and look after the buildings so of course we cannot enter into an agreement with Property Holdings because otherwise we will be building a rod for our own back going forward.

Senator B.E. Shenton:

When you say maintain and look after the buildings, if you have got no lease how does that work? I mean surely the responsibility for depreciation and maintenance remains with Property Holdings if you have a lease?

Chairman of Trustees, Jersey Heritage Trust:

That is not quite the way they see it, Senator. We have been offered a full repairing and insuring lease and the trustees have declined to enter into it for precisely the reason that they could not afford it.

Mr. C. Swinson:

There are a number of buildings in a similar position where Jersey Property Holdings have been seeking to formalise the arrangement but the formalisation of the arrangement will impose obligations on the tenant in terms of maintenance and buildings and so on, and in a number of cases the prospective tenants have been unwilling to sign agreements since they do not have the resources. Another instance of that is the Jersey Opera House which also there is no lease agreement precisely because the tenant depends on the States grant and the States grant is unlikely to be inflated to cover the additional cost of the maintenance obligation.

Director, Jersey Heritage Trust:

It was requested when the cultural strategy went to the States and they made a comment on that issue in 2005 and requested that grants be increased to cover the costs of the tenants taking on full repairing leases, so the issue was raised and it was not addressed at the time.

Senator B.E. Shenton:

So if the building required urgent structural work for any reason who would ...?

Mr. C. Swinson:

The tenant may feel an obligation but would not have the resources and the freeholder would have in the end to meet the bill.

Senator B.E. Shenton:
So the liability would ultimately lie with Property Holdings
and with the States?

[13:15]

Mr. C. Swinson:
But there would be a standoff.

Senator B.E. Shenton:
This is obviously something that needs to be sorted out
not only with regard to the Archive but also with regard to
the Opera House as well, one would assume.

Mr. C. Swinson:
There are a number of instances.

Senator B.E. Shenton:
Is this something that is on the agenda for the trust to try
and remedy?

Chairman of Trustees, Jersey Heritage Trust:
Well, the trust has no particular power to remedy it, other
than of bringing the matter to the attention of the Minister
and saying: "This is the situation that we are in." The
solution is pretty obvious but the resources are not
available.

Senator B.E. Shenton:
Well I suppose as trustee it would be very difficult for you
to fund something if we have not got the funding to ...

Chairman of Trustees, Jersey Heritage Trust:
Well, we have been offered the lease on the Maritime
Museum and felt unable to sign it for exactly the same
reason.

Senator B.E. Shenton:
The other one was Le Hocq Tower?

Financial Director, Jersey Heritage Trust:
That was miniscule rent. It was taken on 12 years ago I think it is and I think the rent is £5 over 25 years or something.

Senator B.E. Shenton:
That was rented from the Parish of ...?

Financial Director, Jersey Heritage Trust:
St. Clement.

Senator B.E. Shenton:
In effect you are taking on a liability there. They should be paying you, not you paying them.

Financial Director, Jersey Heritage Trust:
I think that decision was taken at a very different time, 1997.

Senator B.E. Shenton:
That is very generous of you.

Senator J.L. Perchard:
Can I ask about attractions and the sort of commercial twist that you are now having to put into this part. You are going to have to display a financial discipline, you know that better than I. Are the Jersey Heritage Trust systems able to determine the profit/loss of individual attractions so that a proper cost benefit approach can be taken when considering an attractions future? If you are only losing a little perhaps we can keep it open. If we are losing a lot perhaps we really have to hit it hard. How close are we getting to really having the information that you need to

make these decisions, not only from with your Heritage hat on but with your commercial hat on?

Chairman of Trustees, Jersey Heritage Trust:

Nick, if you would like to describe what we have got in terms of creating the new set of management accounts?

Financial Director, Jersey Heritage Trust:

We have those figures now and they are figures which are rolled through monthly management accounts where you can see month-by-month what the losses are. Clearly the sites will tend to lose money in the winter and break even in the summer and sometimes enter into surplus, so we do have that information now.

Senator B.E. Shenton:

Is there room, I mean in Jersey we have the Jersey Heritage Trust, we have the Société Jersiaise, we have the National Trust and so on and so forth. There appears ... I mean I am just a layman but there seems to be a bit of competition between the 3 to get my membership and certainly if I join Société I think I get into the castles for free, if I join Heritage I get into the castles free and so on and so forth. Is there room for ... you know, is there room for so many bodies over here and is there a place for Jersey Heritage Trust I suppose at the end of the day?

Chairman of Trustees, Jersey Heritage Trust:

Well, I mean the 3 bodies do different things, in many ways very different things and I think one of the reasons why Jersey Heritage was brought into existence was to try to do some of the things that closely involved the Société because they involved the Société's collections, but that perhaps the Société itself was not best placed to do. The National Trust I think you have to kind of put off to one side slightly because it is a somewhat different organisation. Last year when we introduced our

membership campaign there was a little bit of a flurry of disquiet among our fellow organisations that this might involve some cannibalism of their membership. I am happy to say that the results would appear to show that our membership has gone up and that their membership has not gone down, so to the extent that it has satisfied the reasons for our introducing a membership campaign to try and get more people to come and see us that seems to have worked. I mean we do have a formal accord with the Société Jersiaise as to how we operate. The president of the Société sits on the Board of Trustees and we have an effective working relationship, although we are very different organisations. We will often see eye to eye.

Senator B.E. Shenton:

One assumes you will be pushing the membership campaign even harder going forward?

Chairman of Trustees, Jersey Heritage Trust:

We have lost all of our marketing people, which is one of our ... part of the consequences of our restructuring so there is a little bit of an impediment there, but we are looking at ways of generating additional income.

Senator B.E. Shenton:

Is there any benchmark as such? Do you look at the way Isle of Man or Guernsey or anyone else ...

Chairman of Trustees, Jersey Heritage Trust:

We have looked at it a number of different ways and it would be interesting as and when we get down to K.P.I.s (key performance indicators) with the department whether in fact benchmarking forms a part of them. In the presentation that we made to the Minister at the beginning of 2009 we for example showed one table about the percentage of self-generated income, comparing ourselves to the Isle of Man and to Guernsey and to a

number of places in the U.K. and I think ... I do not know if you ever saw that, possibly not, it is kind of informative, because if you look at Manx National Heritage and this is for the year 2006/2007 they got a grant of just under £5.3 million and had earned income of their own of £661,000 or 11 per cent. Guernsey Museums had a grant of £1.2 million and £356,000 and that was 22 per cent. Take another example, the Royal Armouries got a government grant of just under £8 million in 2006/2007 and earned £670,000 or 8 per cent. Our position was that we got a grant at that stage of just under £1.9 million and generated just under £1.4 million. So that is one benchmark. There was another exercise recently that we did for our own benefit ...

Mr. A. Fearn:

Sorry, if I may, Mr. Jones. Have you got any benchmark data for those other bodies in Jersey?

Chairman of Trustees, Jersey Heritage Trust:

We have not done that. I mean you can make a raw comparison and whether that tells you anything given the different mission is a little bit of a question. We have looked at cost per visitor approximate, it has got to be an approximate. We reckon our cost per visitor to Jersey Heritage sites is £7.50. We reckon Guernsey's is £16 and the Isle of Man is £11. Now that is a reasonably quick and dirty figure but that is the sort of thing that we have looked at.

Senator B.E. Shenton:

Although the cost per visitor to Isle of Man and Guernsey, they probably have higher income per visitor because on some of their establishments they have more of a link with the catering side of things whereas you have tended to walk away from the catering side.

Chairman of Trustees, Jersey Heritage Trust:

Yes, it is interesting there was an article in the *Education Guardian* about 2 to 3 weeks ago doing exactly this exercise for U.K. museums and attractions and those numbers were a great deal more than any of the Crown Dependencies.

Senator B.E. Shenton:

The message that you seem to be trying to get across is that your grant is not high enough.

Chairman of Trustees, Jersey Heritage Trust:

I cannot imagine where you would have got that impression, Senator.

Mr. C. Swinson:

In comparing those other establishments, presumably you would have taken into account the difference in government policy concerning access to the museums? One of the reasons why the balance in the Royal Armouries case is different is that access is basically free and the grant is higher to take account of the fact that there are no admission charges. So that the comparison you were drawing is not necessarily quite as free as you might have been seeking to imply.

Chairman of Trustees, Jersey Heritage Trust:

No, no, and that is why I only used the one example of an English establishment rather than the other Crown Dependents and your point is taken. It is also worth mentioning that up to now something of the order of 40 per cent of our local visitors get in free. Now as part of our restructuring that is going to change next year. We are going to have to start to charge pensioners and children.

Senator B.E. Shenton:

It would be quite a different mindset. For example at the moment Jersey Museum, if you made Jersey Museum free you might try and make it back on the shop and the cafe, but the cafe you have left out on a fixed rental basis as opposed to one linked to turnover, so you are not really set up to move towards a free model, are you?

Chairman of Trustees, Jersey Heritage Trust:

In the ... well, it would cost money. I mean basically the round number is that it would cost about £500,000 a year to give free access to our sites.

Financial Director, Jersey Heritage Trust:

We generate an income of £1.1 million across all sites but more typically something like the Jersey Museum generates about in a normal year £130,000 a year.

Senator B.E. Shenton:

Let us have a look at how you come to that £1.1 million figure. Is that just a: "This is what it costs us in lost revenue from people not paying at the gate"?

Financial Director, Jersey Heritage Trust:

That basically would be loss of admission figures from allowing free access to all sites. Of course the concentration of that is at the 2 castles which generate around £600,000 a year.

Senator B.E. Shenton:

Now see if a private entrepreneur was running something like Mont Orgueil they may say: "Well, we will not charge anyone to come in which means that we will get 4 or 5 times the footfall which means that we can make money on the catering and the shop and so on and so forth" so you would not say that it would lose £1.1 million. The

figure might be nothing at all based on how you run the site.

Director, Jersey Heritage Trust:

Mr. Swinson will correct me on this but as I understand it in the U.K. free access to D.C.M.S. (Department for Culture, Music and Sport) museums is not subsidised by secondary spend. It is bought by the government department grant to achieve that ambition.

Mr. C. Swinson:

This is the point, which is why the comparison between the ratio of spending in total needs to bear that in mind. You are right, it also ... I mean the way a D.C.M.S. funded museum would cope with that, because the grant was not increased by the amount that the museums felt was quite appropriate either, is first special museums are not covered by the policies, there are only special exhibitions which are covered, so that you charge specific for those and as the Chairman is also saying you seek everything you can by way of income from the people who cross your door and of course the refurbishment of the museums, as Mr. Jones correctly stated, is met largely from private trusts.

Senator B.E. Shenton:

So moving on to your policy with regards to ... because Heritage, the management of Mont Orgueil and Elizabeth Castle and so on and so forth is as much about managing all the facilities there as well, and part of the attraction is not only going to Elizabeth Castle but it may be going to the restaurant there or the cafe there, which to be honest last time I went I would not recommend to anyone but surely one of the jobs of Heritage to move to a more commercial footing is to get rid of these very simplistic ways of looking at leases or catering establishments and

moving on to a more turnover-generated type of operation?

Chairman of Trustees, Jersey Heritage Trust:

In principle you are entirely right, Senator, but I do have to point out that it takes 2 to tango and if we just take the Jersey Museum as a case in point during the time I have been associated with Jersey Heritage it has been outsourced, insourced and back outsourced again. It is not always possible to find an operator willing to take it on in terms of a sufficiently advantageous Jersey Heritage, it is a fact of life. I cannot offer you Marco Pierre White and the same applies even more to catering at the castles and to say Hampton, which are obviously more out of the way locations and while we have done everything we can in terms of providing a location and equipment and everything else, if you are bringing in somebody from outside to do it it is hard to get it on terms which are completely favourable to us. Simple. I mean ... but it is not ... we have tried most of the people around.

Financial Director, Jersey Heritage Trust:

Incidentally there are other models that we do look at regularly. For instance the one at Elizabeth Castle, we have over the last couple of years been looking at the possibility of opening up the lower ward and providing free access and developing commercial opportunities in the lower ward and then having a pay barrier going through to the middle ward and to the upper ward. So certainly we keep alive the idea of having different ways of opening and providing access to these castles and funding them, so just to say we certainly do not stay still in terms of ...

Senator B.E. Shenton:

I must admit that I do go to Elizabeth Castle occasionally. I always ask myself why when I get there. Because there is not much there is there, really?

Chairman of Trustees, Jersey Heritage Trust:

It is very interesting because somebody came up to me yesterday, they had taken some friends and their children to Elizabeth Castle and the Master Gunner was on duty and he was full of praise, not merely for the Master Gunner's presentation but for the way he separated all the men from the women and children, drilled them and marched them off for the firing of the gun and everybody found themselves doing what they thought were the most strange things and having a whale of a time doing it.

[13:30]

Senator B.E. Shenton:

We are at 1.30 p.m. I tend to like to finish fairly promptly. John has just got one question and then would you have any objections if Channel TV did a room shot, just a room shot so they can talk over it tonight on the news?

The Connétable of St. Peter:

Just going back we were talking earlier on about the additional funding and you were saying you were looking forward to the E.S.C. Minister coming to the House very shortly to generate some new funding for you. Would it be fair to assume then that given the cultural strategy of I think 2005 that you feel there is an expectation that given Government's commitment to that strategy that they would provide extra funding to meet that?

Chairman of Trustees, Jersey Heritage Trust:

Well, I think that what I am saying, Constable, is that the Government committed itself to doing that but has not yet got round to doing it and it is tougher to do it now than it was back then. So if you are asking me what my expectations are, I have none.

The Connétable of St. Peter:

Just because of the change of financial circumstances or economic circumstances at the moment, but if not given that would you expect there to be additional matters brought up within the cost strategy funded by Government over and above your grant?

Chairman of Trustees, Jersey Heritage Trust:

Well I again refer and take the liberty of paraphrasing the Comptroller and Auditor General's report. It is time for the States to decide how much heritage it wants to buy. I mean none of us would be doing the job we are doing on the Board of Trustees if we did not think it was important and useful to the Island, but ultimately as relatively hard-headed business people we are agnostic as to how much we do of that and if the States decides it wants to pay for less then we will find a way to give it less. What we are trying to do, and have always been trying to do, is give it the maximum possible in order to give the public access to it. I mean I have only been in Jersey for 17 years. Jersey's heritage is what grounds me in my belief that I belong here.

Senator J.L. Perchard:

Well, it flows beautifully off that. On behalf of us all here we are very grateful to you gentlemen and the trustees of the Jersey Heritage Trust to do ... you have been through some very difficult times particularly lately and do work very hard to protect and promote Jersey's heritage. I know in these difficult times of financial restraint we are all having to tighten our belts but I know on behalf of the people of Jersey we are all very proud of our heritage and very grateful to the Jersey Heritage Trust, particularly those working in an honorary capacity for the work that they do and I know, Chairman, that you feel likewise. Thank you, gentlemen.

Senator B.E. Shenton:

It is because of your honorary capacity that we felt we could not give you too much of our time. [Laughter]

Chairman of Trustees, Jersey Heritage Trust:

I am sure I will notice the difference, then.

Senator B.E. Shenton:

Thank you very much.