

STATES OF JERSEY



MEDIUM TERM FINANCIAL PLAN 2017 – 2019: AMENDMENT TO FUNDING FOR FEE-PAYING SCHOOLS

**Lodged au Greffe on 23rd May 2017
by the Minister for Education**

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

to refer to their Act dated 30th September 2016, in which they approved, in principle, minor adjustments to subsidies for States and private fee-paying schools, as set out in Appendix 1 of the Draft Medium Term Financial Plan Addition for 2017 – 2019 (P.68/2016 as adopted as amended), and their Act, dated 14th June 2011, in which they agreed that changes to the financial arrangements for such schools should be the subject of a separate proposition to the States before implementation; and to approve the implementation of the adjustments to subsidies for those schools agreed in principle on 30th September 2016 by reducing the percentage of Age-Weighted Pupil Unit (“AWPU”) States funding payable to private fee-paying schools (Beaulieu Convent, De La Salle College and FCJ Primary) and States fee-paying schools (Victoria College, Victoria College Prep, Jersey College for Girls and Jersey College Prep) by 1.5% in 2018 and by a further 1.5% in 2019.

MINISTER FOR EDUCATION

REPORT

Background

As part of the 2016 debate on the Draft Medium Term Financial Plan Addition for 2017 – 2019 (see [P.68/2016 as adopted as amended](#)) the States approved minor adjustments to subsidies for fee-paying schools, both States and private. Usually no further consideration by the Assembly would be required, and the change would take effect as approved.

However, a proposition approved in 2011 requires that the issue is also brought to the Assembly for debate outside the MTFP process so that the rationale can be explained in more detail. This proposition is designed to meet that requirement in accordance with section (b) of [P.72/2011](#) ‘Grant aided Schools: grants’.

Education context

The Minister for Education is responsible, under the [Education \(Jersey\) Law 1999](#), for ensuring that an education is available to every child of compulsory school age and that it is full-time and appropriate to their age, ability and aptitude. To achieve this, there are 4 types of school in Jersey, which together meet the needs of the Island’s students and provide a degree of choice for parents and their children.

Type	Schools	Admission	Funding
States schools	22 primary schools; Secondaries: Grainville, Haute Vallée, Les Quennevais, Le Rocquier, Hautlieu	According to address (catchment areas), except for Hautlieu at 14+, which is on academic ability	Owned by the States. Fully funded by the States. No fees charged.
States fee-paying schools	Victoria College Prep, Victoria College, Jersey College Prep, Jersey College for Girls	Places allocated on the basis of academic ability	Owned by the States. Jointly funded by the States and income from fees.
Private fee-paying schools	De La Salle Beaulieu FCJ Primary	Faith-based, but not academically selective	Privately owned. Jointly funded by a States grant and income from fees.
Independent private schools	St. Christopher’s Helvetia St. George’s St. Michael’s	Parental choice	Privately owned. Fully funded through fees. No States funding.

How schools are funded

States secondary schools receive funding per pupil. The precise amount is calculated using the Age-Weighted Pupil Unit (“AWPU”) ratio, which allocates different amounts depending on the age of the child and the cost of their education. It is, for instance, cheaper to educate a child in primary school than in secondary school.

Fee-paying schools generate their own funding through charges to parents. Since 1966, they have also received grants from the Education Department. The level of financial support they receive is allocated according to a formula put in place in 1978 under the Education (Grants to Private Schools) (Jersey) Regulations 1970, as follows –

Secondary:

Fee-paying schools receive 50% of the average cost of funding a pupil of the same age in a States non fee-paying school.

Primary:

Fee-paying schools receive 25% of the average cost of funding for a pupil of the same age in a States non fee-paying school.

The public-private partnership with fee-paying schools in Jersey results in significantly lower fees than for comparable schools in England, Scotland and Wales. The States grant significantly reduces the cost to parents, and enables students from a wider socio-economic background to attend them. The system therefore provides more parental choice than in the UK, where fee-paying education is only accessible to 7% of the school population.

In Jersey more than 36% of students were in fee-paying schools at January 2016. The current system provides financial benefits both to the taxpayer (who does not need to fund the full cost of education in fee-paying schools) and to parents (who do not have to meet the full cost of a private education).

This proposal does not seek to alter the fundamental structure of Jersey’s education system. Although the formula for calculating the grant will change slightly, it is not expected that this will unbalance the current system.

The current financial partnership has been in place for 38 years and will remain in place. The Education Department enjoys a strong, productive relationship with all fee-paying schools and, while it is necessary to make a saving in the short term, there is both willingness and expectation that we will continue to work together in the longer term to explore imaginative developments that will further improve education in Jersey. The change to the funding is seen very much as a one-off saving, not a measure that is likely to be repeated.

Support for fee-paying schools

In the 2017 financial year the total amount of financial support to fee-paying schools (States and private) was £9.4 million, allocated as follows –

Subsidies to States fee-paying schools 2017		
School	Funding rate	£
JCG Secondary	50%	2,247,201
JC Prep. (primary)	25%	411,225
Victoria College (secondary)	50%	2,089,195
VC Prep (primary)	25%	302,325
Total:		£5,049,946

Grants to private fee-paying schools 2017		
School	Funding rate	£
Beaulieu Secondary	50%	1,872,325
Beaulieu Primary	25%	238,932
De La Salle Secondary	50%	1,585,950
De La Salle Primary	25%	242,318
FCJ Primary	25%	386,525
Total:		£4,326,050
Total financial support from States to fee-paying schools in 2016–17 academic year		£9,375,996

Private fee-paying schools have full autonomy over their budgets and resources: buildings are privately owned and it is the role of their board of governors or trustees to manage overall finances, determine annual fee increases and provide financial assistance to those parents who find themselves in temporary hardship. Jersey's faith schools have received additional support from public funds in recent years. This includes fiscal stimulus funding for Beaulieu of £570,000 in 2010 and a restructuring grant of £306,300 for FCJ Primary in 2013. The funding recognises the contribution these schools make to the Island's education system.

In contrast, Victoria College, Jersey College for Girls and the Preparatory schools are States fee-paying schools. The premises are owned by the States of Jersey and the boards of governors are required to comply with both States and the departmental policies as they carry out their duties. These include proposing annual fee increases to the Minister, who has ultimate responsibility for setting fees at an appropriate level. The income and expenditure for these schools form part of the Education Department budget. In addition to the funding provided, they receive the same services as other States schools, including building maintenance, access to finance and human resource systems, advice and support, an IT system for the staff and pupils (including all licensing costs), payments for supply cover and access to additional funding for capital projects.

However, there has been significant pressure on States budgets, and schools have to compete against other States priorities for capital funding. In order to expedite their building projects, the States fee-paying schools have assisted with funding by contributing through fund-raising initiatives and from school income and underspends. Since 2012, JCG and Victoria College have transferred £1.1 million to assist with current and future capital projects.

Under Delegated Financial Management arrangements, States fee-paying schools are permitted to carry forward up to 3% of budgets a year so that they can manage finances efficiently. This is necessary because of the mismatch between the financial year (January to December) and the academic year (September to August). Carry-forwards are essential to enable schools to act prudently in their planning for the school year and make provision for fluctuations in student numbers, to minimise fee increases and to build funds for one-off minor capital projects.

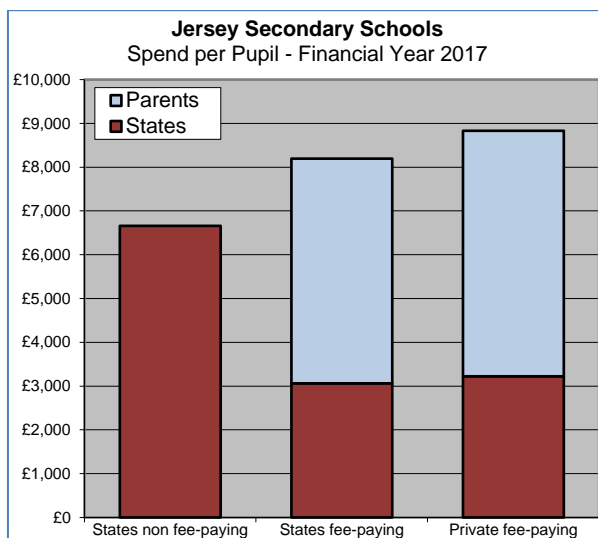
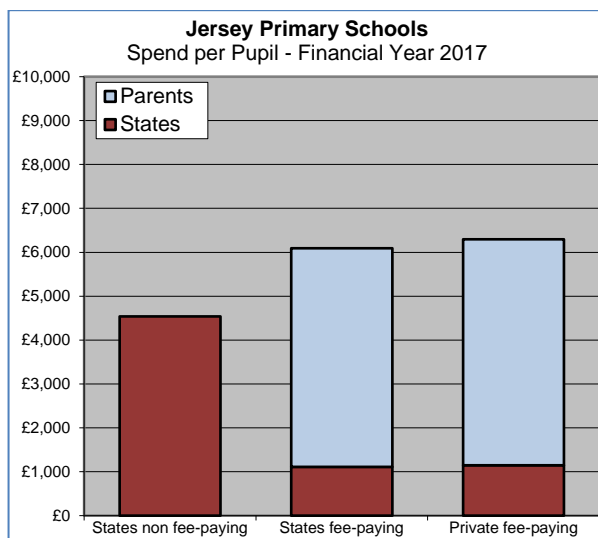
Expenditure per pupil

There is a higher total overall spend per pupil in fee-paying schools because of their ability to supplement the cost of education by raising the level of fees. However, direct

like-for-like comparisons are complex and difficult, because the fee-paying schools incur different costs than the States non fee-paying schools.

For example, the private schools (Beaulieu, De La Salle and FCJ) operate as private businesses and have to fund their own capital expenditure, inclusion and business operation costs. The States fee-paying schools (Victoria College and Jersey College for Girls) each pay an occupancy charge for the use of their buildings.

In simple terms, the average amount spent on the education of a child in the private primary schools and States fee-paying primary schools is £6,296 and £6,094 respectively. This compares to £4,535 in the non-fee paying sector, a differential of 34% to 39%.



The overwhelming majority of students who have a Record of Need or Special Education Need or Disability are educated in Jersey’s non fee-paying schools. This is the case at both primary and secondary level. The budgets of these schools include funding for the necessary specialist support. However, Jersey Premium funding is not included in the spend-per-pupil figures in this report.

The average amount spent on the education of a child per academic year in the private secondary schools and States fee-paying secondary schools is £8,834 and £8,195 respectively. This compares to £6,657 in the non-fee paying sector, a differential of 23% to 33%.

School fees in Jersey are significantly lower than England, Scotland and Wales. The Independent Schools Council (“ISC”) has carried out an annual census since 1974 across all its UK member schools. The January 2016 census covered 1,280 independent schools and 518,432 pupils.

Fees in independent schools in the UK currently average £12,687 a year, compared with an average of £5,213 for Jersey fee-paying schools, a difference of 143%. Although there are regional differences in the UK, average fees in for private schools in all regions are at least double those of the fee-paying schools supported by grants in Jersey.

Current school fees			
	School	Annual fee 2016–17	No. of pupils
Secondary	Victoria College	£5,310	682
	Jersey College for Girls	£4,959	735
	De La Salle	£5,586	483
	Beaulieu	£5,637	590
Primary	Victoria College Preparatory	£5,268	271
	Jersey College Preparatory	£4,704	373
	De La Salle	£5,586	199
	Beaulieu	£5,637	200
	FCJ	£4,230	359
Average annual fee for secondary £5,373			
Average annual fee for primary £5,085			

The saving

The saving agreed in the MTFP reduces the percentage of States grant for fee-paying schools by a total of 3% by 2019, taking it to 47% for secondary and 22% for primary. This will be a saving totalling £608,000 by 2019. If the saving is implemented, the new formula will be –

Secondary:

Fee-paying schools receive 47% of the average cost of funding a pupil in a States non fee-paying school.

Primary:

Fee-paying schools receive 22% of the average cost of funding for a pupil in a States non fee-paying school.

Rationale

As the pressures on States funding have increased, all departments have been challenged through the MTFP 2017–2019 to review their services and make efficiencies and savings. As the third largest States department in financial terms, Education has had to play a part in this process, even though it remains a strategic priority for the Island.

The Education Department is required to make savings of £6.7 million across its services between 2016 and 2019. All areas have been reviewed so that the savings can be distributed as fairly as possible across the service while maintaining essential statutory functions. This MTFP also tasks non fee-paying schools to make savings and efficiencies of £1.2 million.

There is a clear rationale for the proposed reductions in grants and subsidies to fee-paying schools –

Fairness	The fee-paying sector should be subject to the same efficiency requirements as the States sector.
Sustainability	The proposed change has been kept as low as possible in order that it is manageable and achievable, and to ensure long-term stability of schools and continuing parental choice.
Autonomy	The schools' base budget is being reduced, but the schools have the flexibility to decide themselves how to allocate their budgets. They may absorb the change in internal changes or pass on the reduction to parents.
Efficiency	Schools are being asked to ensure that they continue to operate as efficiently as possible, especially in view of the level of underspends and capital investment achieved over the past few years.

Commitment to the public-private partnership is also an important factor: This proposal does not seek to alter the fundamental structure of Jersey's education system. The current financial partnership has been in place for 38 years and will remain in place. Although the formula for calculating the grant will change slightly, it is not expected that this will unbalance the current system.

The Distributional Analysis report for the MTFP, prepared by the States' Economic Adviser, looked at the household expenditure survey to assess the likely consequences of reducing grants to fee-paying schools. It concluded that the impact would be progressive because it affects a higher proportion of higher earners.

What this means for schools

Fee-paying schools can generate their own additional income through fees, and this gives them greater financial flexibility than States non fee-paying schools, which are restricted by a fixed budget and have no significant source of extra funds. Fee-paying schools are relatively well-placed financially to absorb this change in their States grant. They may wish to consider whether the saving can be achieved through internal efficiencies. If this is the case, the full 3% need not be passed on to parents.

Discussions about the MTFP saving commenced with school head teachers, governors and senior management teams in September 2015. Since then, there has been ongoing consultation and a series of meetings between officers and schools to identify ways of implementing the saving that will limit the impact on parents and pupils. They recognise that they have the option to both reduce expenditure and/or raise additional fees and are already considering this in their planning.

What this means for parents

The Education Department and the schools remain mindful of financial pressures that families have experienced as a result of the economic downturn, and this saving has been kept as low as possible and scheduled sympathetically. The change is not due to be implemented until 2018.

If the reduction in grant is passed directly to parents it will equate to £3.20 per week per pupil on average, or approximately £166 over a school year.

Effect of MTFP saving				
School	% fee increase 2018	Extra fees in 2018	% fee increase 2019	Extra fees from 2019
JCG secondary	1.8%	£91	3.7%	£182
Jersey College Prep.	1.4%	£67	2.9%	£137
Victoria College	1.7%	£91	3.4%	£182
Victoria College Prep.	1.3%	£70	2.6%	£137
Beaulieu secondary	1.7%	£93	3.3%	£186
Beaulieu primary	1.2%	£70	2.4%	£135
De La Salle secondary	1.7%	£97	3.5%	£195
De La Salle primary	1.3%	£70	2.4%	£136
FCJ primary	1.4%	£58	2.8%	£120

To assist families experiencing financial hardship, bursaries of circa £200,000 per annum are already in place in States fee-paying schools.

Recent fee increases at fee-paying schools							
Year	JCG	JC Prep	Vic Coll	VCP	Beaulieu	DLS	FCJ
Sep. 13	2.51%	3.75%	3.52%	2.78%	3.54%	4.10%	4.27%
Sep. 14	4.90%	5.01%	5.50%	5.47%	3.48%	3.49%	4.92%
Sep. 15	5.00%	4.92%	5.52%	5.50%	3.48%	2.94%	5.47%
Sep. 16	4.95%	4.95%	4.06%	4.03%	3.53%	2.76%	4.44%
Sep. 17	5.02%	4.97%	4.07%	3.99%	3.51%	3.92%	5.06%

These previous increases include planning and saving for the schools' capital projects.

What this means for education

The Education Department has to make savings across all its services, and this process has been ongoing since 2010 when the first Comprehensive Spending Review began. Non fee-paying schools have already been subject to efficiency savings over the past few years, and this proposal means fee-paying schools are also playing an important role in ensuring the financing of education in Jersey is sustainable.

As with all public services, education faces conflicting pressures to improve services at the same time as meeting financial targets. Education was identified as a key priority by the Council of Ministers in the latest States Strategic Plan. One effect of this has been to limit the scale of savings required from the education service. Also, in 2015 the Education Department and Minister for Education published a new plan that was designed to improve the quality of education for all students in Jersey. The Education Business Plan 2015–2018 set ambitious targets in 4 priority areas: standards, curriculum, families and autonomy (greater freedom for schools).

The first phase of the plan aims to address the under-performance in some areas that has developed over many years as a result of social or economic factors and family circumstances. Certain changes, such as the introduction of a Jersey Premium to help under-achieving students, are considered to be long overdue and essential to boost the

skills and capabilities of the Island's young people. The Education Department is receiving £10.6 million of additional annual funding by 2019 for essential initiatives set out in the new plan.

However, making improvements at a time of financial pressures is a difficult balance and, as funding is limited, the Education Department is also delivering savings of £2.8 million in 2016 and further savings of £3.9 million over the period of the next MTFP 2017–2019. The arguments for the savings across the public sector were well rehearsed in the MTFP debate. It is a question of balance – protecting frontline services and spreading the savings fairly across the service.

As part of the measures to deliver the saving, the Education Department has reviewed all services, challenging the traditional delivery mechanisms, reviewing cost benefit of each area and embedding new ways of working within the service. There is a clear strategy in place to prioritise funding so that objectives can be achieved in the most effective and efficient way. The priorities are:

1. Statutory services – that the Department has a legal duty to deliver
2. Raising standards – initiatives and services that will improve educational outcomes for children
3. Family focus – services that will ensure all children have the support needed in order to access the education they are entitled to.

Conclusion

The Minister for Education and the Department are absolutely committed to continuing to provide a high quality education system with the existing level of parental choice and improving outcomes for students. They recognise the considerable benefits of the current public-private partnership model for delivering education in Jersey, and recognise that the fee-paying schools are performing well and offer excellent value to both parents and the taxpayer. There is no desire to change the underlying structure of the system, but there is an unavoidable necessity to demonstrate responsible government and balance public income and expenditure. Members are therefore requested to support the implementation of this change to the grants and subsidies for fee-paying schools.

Financial and manpower implications

Implementing the MTFP proposal means the Education Department will be able to achieve the financial target to reduce its budget by £608,000 by 2019. If the saving does not go ahead as proposed, an equivalent amount will have to be found from other areas of the education budget. Savings have already been made in non-statutory areas, including the Youth Service, libraries, pre-school nursery education and higher education.

There are no known manpower implications. The work to achieve this saving has been undertaken in house.

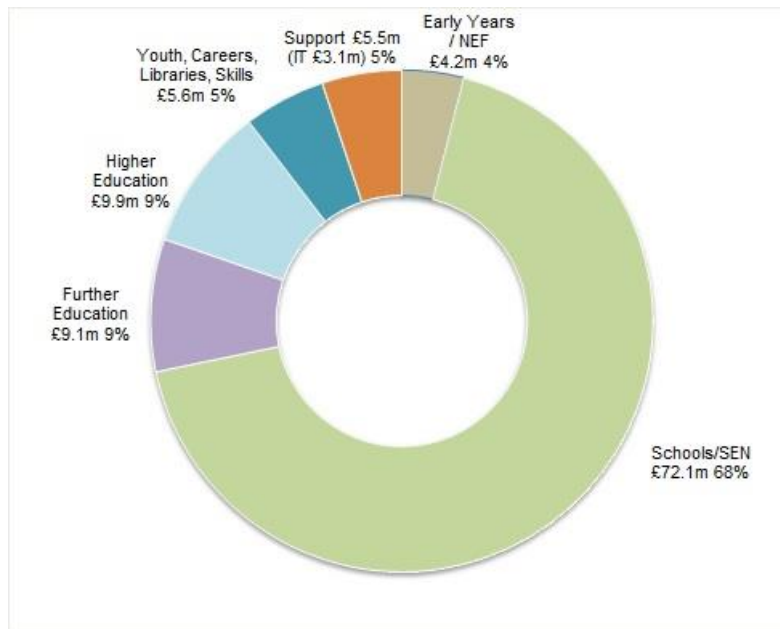
Collective responsibility under Standing Order 21(3A)

The Council of Ministers has a single policy position on this proposition, and as such, all Ministers, and the Assistant Ministers for Education, are bound by the principle of collective responsibility to support the proposition, as outlined in the Code of Conduct and Practice for Ministers and Assistant Ministers ([R.11/2015](#) refers).

APPENDIX 1

The Education budget

The Education Department budget for 2017 is £106 million, which is allocated as follows –



Within all areas of the education service, but particularly in schools, the largest single budget item is staff costs and wages. In some schools this accounts for more than 90% of the budgeted funding. The consequence is that there are limited options for making savings in the budget.

Previous savings and efficiencies

Over the period 2010 to 2016, the Education, Sport and Culture Department was asked to deliver savings of £11.8 million, which equated to 12% of the budget.

Following negotiations as part of the Comprehensive Spending Review (CSR) of 2011–2013, St. George’s and St. Michael’s Schools agreed that their States grants could be phased out over the period 2011–2015 or replaced by a one-off invest-to-save payment. This resulted in an ongoing saving of £582,000 a year. These schools no longer receive States grants.

A property occupancy charge for JCG and Victoria College was introduced as part of the CSR 2011–2013. This meant that JCG and Victoria College each paid £240,000 a year towards the costs of maintaining their premises. The charge for the States fee-paying schools was first suggested by the Comptroller and Auditor General in May 2008 to create greater parity with the private fee-paying schools, which have to fund their own property maintenance.

In addition, the States grant to FCJ Primary was reduced over the period 2014–2016 from 40% to 25% to bring this school into line with all other fee-paying primary schools in the Island. It had previously been given financial assistance to support it through some

internal difficulties that had since been resolved. To mitigate the impact of the change on the school, a restructuring grant of £306,300 was provided so that FCJ could build extra classrooms to become a two-form primary school. This would increase pupil numbers and therefore income from fees, making the school stronger financially. The grant reduction provided ongoing savings of £178,000.

Actual effect on budgets

Savings targets across the fee-paying schools are up to £300,000 in 2018, with a further £308,000 in 2019, resulting in ongoing savings of £608,000 from 2019 onwards. To achieve these savings, grant and subsidies would be reduced by 1.5% in 2018 and a further 1.5% in 2019, giving a total ongoing reduction in percentage of 3%. On average, this equates to a reduction of £0.88 per student per day (based on 187 days).

Effect of saving			
School	Current grant	New rate	Reduction
JCG Secondary	£2,247,201	47%	£134,000
JC Prep. (primary)	£411,225	22%	£51,000
Victoria College (secondary)	£2,089,195	47%	£124,000
VC Prep. (primary)	£302,325	22%	£37,000
Effect of saving			
School	Current grant	New rate	Reduction
Beaulieu Secondary	£1,872,325	47%	£110,000
Beaulieu Primary	£238,932	22%	£27,000
De La Salle Secondary	£1,585,950	47%	£94,000
De La Salle Primary	£242,318	22%	£27,000
FCJ Primary	£386,525	22%	£43,000

The following table shows the Education Department's full list of savings approved in the Medium Term Financial Plan 2016 – 2019, and illustrates how the process has attempted to share the savings fairly across the different schools and sections of the service.

APPENDIX 2

Education Department published savings: MTFP 2016 – 2019

Department	2015/2016 Saving £'000	2017 Saving £'000	2018 Saving £'000	2019 Saving £'000	Total FTE Impact
Education Department					
<u>Efficiencies</u>					
Efficiency savings programme in Libraries				100.0	0.0
Efficiency savings programme 2017 to 2019		204.0	412.0	624.0	0.0
Review of terms and conditions for newly qualified teachers		-	240.0	480.0	0.0
Restructure Highlands College		-	100.0	100.0	2.0
General vacancy management across the department		240.0	240.0	285.0	0.0
Closer working in secondary sector		-	-	208.0	0.0
New model for cleaning and gardening services in schools		-	432.0	432.0	up to 24.6
Reduction in minor works budgets		-	41.0	41.0	-
Total Efficiencies		444.0	1,465.0	2,270.0	up to 26.6
<u>Savings</u>					
Reduction in grant to Jersey Child Care Trust		-	45.0	45.0	-
Total Savings		-	45.0	45.0	-
<u>User Pays</u>					
Minor adjustment to subsidies for States fee-paying schools		-	150.0	304.0	-
Minor adjustment to subsidies for private fee-paying schools		-	150.0	304.0	-
Reduction in maintenance grants for on-Island degrees		-	200.0	200.0	-
New operating model for Jersey Music Service		-	-	300.0	-
Nurse Education Fund: Introduction of means testing from September 2017 and demographic changes from 2018		260.0	260.0	467.0	-
Total User Pays		260.0	760.0	1,575.0	-
Sub Total: Education Department		704.0	2,270.0	3,890.0	up to 26.6
2015 -2016 savings	3,805.0	3,805.0	3,805.0	3,805.0	
Total: Education Department	3,805.0	4,509.0	6,075.0	7,695.0	