

STATES OF JERSEY

Education and Home Affairs Scrutiny Panel Student Finance Review

FRIDAY, 12th JANUARY 2018

Panel:

Deputy J.M. Maçon of St. Saviour (Vice-Chairman)

Deputy T.A. Vallois of St. John

Deputy S.Y. Mézec of St. Helier

Witnesses:

Scrutiny Officer

Minister for Treasury and Resources

Treasurer of the States of Jersey

Director of Treasury Operations and Investments

Chief Operations Officer, Education Department

[10:00]

Deputy J.M. Maçon of St. Saviour (Vice-Chairman):

Good morning everyone and welcome to this hearing of the Education and Home Affairs Scrutiny Panel. I will just begin with apologies from the Chairman Deputy Louise Doublet for she is ill today. Just a quick reminder, if we could all check and make sure our phones are on silent, it always helps. And yes, so today our hearing is with the Minister of Treasury and Resources and we will be looking at the issue of the Student Finance proposals. Just for the record, I will ask everyone to introduce themselves. I am lead member on this subject and Vice-Chairman of the panel Jeremy Maçon and we have?

Deputy T.A. Vallois of St. John:

Tracey Vallois of St. John, member of the panel.

Deputy S.Y. Mézec of St. Helier:

Sam Mézec Deputy of St. Helier No. 2, member of the panel.

Scrutiny Officer:

Andy Harris, Scrutiny Officer.

Deputy J.M. Maçon (Vice-Chairman):

If you could introduce your team please?

Minister for Treasury and Resources:

Yes, Alan Maclean, Minister for Treasury and Resources.

Treasurer of the States of Jersey:

Richard Bell, Treasurer.

Director of Treasury Operations and Investments:

Simon Hayward, Director of Treasury Operations.

Chief Operations Officer, Education Department:

Christine Walwyn, Chief Operations Officer, Education Department.

Deputy J.M. Maçon (Vice-Chairman):

Okay, thank you. Good morning and Happy New Year to you all. First of all, I would just like to begin by thanking your officers from the Education Department for the briefing that we had previously in order to prepare for that, that was very, very helpful. Some of this of course is to get some information out in the public as well from the questions that we have. We have got about an hour and a half. As always, we appreciate concise answers. So if we can begin, just to ask the Minister, if you could outline the options that will be considered and how the preferred option was arrived at, please?

Minister for Treasury and Resources:

Yes, well the original options list was developed by Education which was finalised in August of 2017. That included a list of 7 potential ways for addressing some of the shortcomings for

our Education funding. That list was ultimately whittled down at the end of the summer by the Project Board which knocked the number down to about 4 options. I should state, the options range from doing nothing all the way to a full loan scheme and every variation in between. So different options maintenance grants at different levels and so forth. I think you have details on all of those. I have to say that I probably favoured a loan scheme at the outset of the program. Ultimately, coming on through the process, I think the proposition before you at the moment that has been put out for consultation is the most sensible overall taking into consider all the factors. We believe it supports the interest of protecting public finances but also students not having unfair and unreasonable additional debt on either the students or for their families. So that is how we reached the position we are at the moment.

Deputy J.M. Maçon (Vice-Chairman):

Okay thank you. Can you explain the reasons for discount of the loan scheme?

Minister for Treasury and Resources:

Certainly from my perspective and supported by the Council Ministers, the position of taking on significant public debt onto the balance sheet, estimated through the financial modelling that was undertaken around £127 million of debt onto the public balance sheet was something I was not very happy about. Potentially, there are ramifications for our credit rating, taking into consideration other debt likely to be taken on with regard to funding of the hospital, this was something that I felt was not reasonable. We also as an aside took careful note of what had happened in the United Kingdom with their student loan scheme. I think it was June 2017 the debt level there breached £100 billion, it was up 16 per cent, nearly 17 per cent on the year before 2015 to 2016. So nearly all those examples give indications of the impact on public finances potentially of a loan scheme. But also, the impact on the individuals is equally important, the students and their families that level of debt is something we are also very mindful of in the process.

Deputy J.M. Maçon (Vice-Chairman):

Okay thank you. Looking at the new proposals, we know that in the current scheme there is some criticism that it is quite complex and difficult for people to understand. Is part of the reason why these proposals have come forward because they are simple for people to understand and access?

Minister for Treasury and Resources:

I am all in favour of simplicity. I think it is much more sensible, that is a process and it has been levied in the past. I know that Education have done some work in trying to improve the

understanding of the current scheme. But yes, we believe that what is being proposed is much simpler and hopefully therefore will have merit on those grounds alone.

Deputy J.M. Maçon (Vice-Chairman):

How do you as Minister believe these proposals will improve what's currently in place?

Minister for Treasury and Resources:

I think that it would give accessibility to a far broader cross-section of the community. Young people having access to higher education is critically important. Not just for them but also for the Island, for the Island's economy. There are all sorts of reasons why education is and should be at the very heart of the considerations for a government. That is why this Government had Medium Term Financial Plan on Education as one of the priorities. It was one of the priorities, it still is one of the priorities and I would expect it to be a priority in the next Medium Term Financial Plan period. Of course, the funding and sustainability of funding, that is something that will need to be a priority for the next M.T.F.P. (Medium Term Financial Plan).

The Deputy of St. John:

Can I just follow up that? You made a point about it being good for the Jersey economy. Because we have not got the actual proposal on the table yet, of course the consultation is today. What if all those graduates do not return to Jersey, how is that good for our economy?

Minister for Treasury and Resources:

That is a very good point. Historically, my understanding from Education, is that something in the order of around about 50 per cent or just in excess return immediately. I am not sure the data is that robust as to what happens after that period of time. So we are aware that there is a fair percentage. If I could just turn to Christine, is that roughly right?

Chief Operations Officer, Education Department:

Yes, it is roughly right, there is a lot of people a lot of people return with families later on. To add consultation, several people said this would incentivise them to return.

Minister for Treasury and Resources:

Yes so that is good, we have all the details of the consultation (Overspeaking) -

Chief Operations Officer, Education Department:

That was from the library sessions when people spoke to me.

Minister for Treasury and Resources:

Very good and I should add I think you had about 200 people or so through those library sessions? There has been quite a lot of engagement.

Chief Operations Officer, Education Department:

Yes, there was over 100.

Minister for Treasury and Resources:

Of course, it is not just about who returns. Clearly we would like as many young people to come back to the Island ultimately. There is an argument that of course, not just university degree and education but also getting work experience elsewhere is important before perhaps returning at a later date with families and so on and so forth. Of course, the more young people we get skilled up of a higher level possible it will have a positive impact on the need to bring skilled staff into Jersey. Of course, that is the driver. I would say there is probably one other important point in relation to your question. That is by the scheme that we are proposing, it takes some of the pressure off families which also allows them then to send their children to university or higher education with those benefits. One could argue that some of that funding will find its way into the local economy because families will not be having to spend as much on higher education so they can spend that money in Jersey (Overspeaking). So there is that side effect or benefit.

Deputy J.M. Maçon (Vice-Chairman):

Can I ask, does the Minister consider this proposal will provide more choice for Jersey students in terms of where they can study?

Minister for Treasury and Resources:

I think it does. What it does is give the opportunity for more young people to look at opportunities further afield in the U.K. (United Kingdom) or perhaps in Europe than would have been the case previously. So I would say that it probably does. It is about accessibility.

Deputy J.M. Maçon (Vice-Chairman):

Thank you. Yes.

The Deputy of St. John:

Sorry, can I just ask, in terms of choice for study, we provide degrees on Island as well. In terms of expansion for that as well, will there be investment from those sides of things? Do you think there needs to be investment on those sides of things?

Minister for Treasury and Resources:

I do and I think there has been. University College in Jersey has expanded its degree courses, I think it is excess of 40. I am not an expert in this field but I know there has been quite a bit of investment. (Overspeaking) -

Chief Operations Officer, Education Department:

Yes, there has been investment in the last few years Highlands have swiftly expanded its provision and will continue. We are still working with them to look at high-level apprenticeships as well. The advantage of on-Island is people staying and the majority of the degrees on island incorporate some sort of work element in them. It means that you have automatically got people working through their degrees and into jobs straight afterwards. Therefore, it is still a very attractive option for students.

Deputy J.M. Maçon (Vice-Chairman):

Do you think by bringing this change it might make numbers using the University of Jersey suffer because they have got perhaps more choice to go elsewhere?

Chief Operations Officer, Education Department:

I do not think it will necessarily affect it. They have still got the same amount of money whether they are on Jersey or not. Jersey has, as I said before, the work placement that a lot of U.K. degrees do not have. Therefore if people go to the U.K., they will not have the work experience that the equivalent people here have. Therefore they are at an advantage of being here because they have got that access to jobs and employability much quicker.

Deputy J.M. Maçon (Vice-Chairman):

If the Minister could explain the rationale behind the £150,000 threshold for paying the full cost of tuition fees.

Minister for Treasury and Resources:

The Project Board team looked at, for example, an income distribution survey, they did some modelling on disposable incomes, household incomes. They felt, taking all those factors into consideration that £150,000 as a household income - I think some have been quoting under the misapprehension that it was £150,000 individual income. However, it is as you rightly said Chairman, the household income (Overspeaking). Some have misinterpreted and clearly if it is thought to be an individual income, that does change the picture somewhat. You can look

also as indeed the team that were doing the assessments on this have statistics of average earnings and so on and so forth. Even in the higher income sectors like financial services where an individual's average earnings from official statistics are £1,000 a week, so that is 2 people in the household earning £100,000, you start taking out all the costs which have been analysed as well. You can take an average household with for example, £120,000 of income, you take the cost out you are left with about £60,000 for you to have one child in higher education, that is on average around £20,000 in total cost, that is one child. So you start looking at the figures. It seemed to the team to be a very sensible starting point for the consultation process. I know there has been a lot of feedback as we were hoping from the consultation. A number of people are querying the level of £150,000. We will be taking on board that feedback and giving it further consideration.

Deputy J.M. Maçon (Vice-Chairman):

Okay, thank you. Just to understand why a reduction down to 50 per cent after £150,000 occurs, please explain the rationale?

Minister for Treasury and Resources:

It is the flipside of the other argument I suppose. Some are saying that £150,000 is over generous in terms of a household income. There has to be a point somewhere. Indeed, if your point is that it could be tapered, indeed that is an option that I am sure will come out through the consultation process (Overspeaking) -

Director of Treasury Operations and Investments:

I think it comes back to that point of simplicity. We tried to keep it as simple and straight forward as possible and help people understand where the threshold was. It is probably also worth highlighting that even with that level of household income you are not receiving any maintenance grants so you are expected to fund the full cost of the maintenance of sending a student to university. Therefore I think it was generally felt that a full grant for everybody was over-generous and we needed to set the boundary at some point. Everybody will have a view on where that point should be and whether it should be tapered. As the Minister says, we are very keen to see the output from the consultation to see what the public think about that and whether we need to revisit some of the assumptions that we make.

Deputy J.M. Maçon (Vice-Chairman):

I am just conscious of when we go to the Nursery Education funding and how the Education Minister in the end had to go for a tapered effect instead of cliff-edge effect?

Treasurer of the States of Jersey:

We tried to make it simple for the purposes of consultation. There are these issues across the whole presented at the consultation which we have got to make a decision because a smooth line works better in terms of not creating any disincentives or unfairness around each of those barriers. Around each of those thresholds a line works better with a smooth line than a tapering effect works far better. It is the tapering effect that everyone said they could not understand. So the purpose of consultation which is whether we need to look at setting means testing up and those from the (Overspeaking) everywhere else, we do not like these, we would rather do that. I note it very difficult to consult in simple terms and to also talk about the difference with one or the other. So we have got to finalise this to see, we may make it a little bit simpler. There's something between simplicity and people understanding and the taper effect.

Deputy S.Y. Mézec:

Can I ask on that? The basic maths here is that a family that is on £149,999 a year will be a few £1000 worse off than a family who is earning £1,000 a year more or £1 a year more of that which is manifestly unfair. Since that is so obvious from the maths, does it not actually make sense to come up with a solution for that before consultation rather than having a consultation and spending time talking about that? I think anyone looking at that can see with a £1 a year lower income, they will £1,000s a year better off than a family earning £1 more. Why not just deal with that before the consultation?

Treasurer of the States of Jersey:

Yes, I am sure if we were sitting here and we did not do that you would be saying it is very hard to understand. Firstly, the consultation is the trigger for the evocation for the principle of is that the right trigger point in terms of the reduction. We take the consultation back and consider how to smooth that out.

Minister for Treasury and Resources:

It is fair to say there appears to be a number of people saying, £150,000 as a household income is over-generous in any event. I think we also need to be mindful of fairness and affordability both from a family and student's perspective but also from a public purse point of view. The point that you make is a point that I think has come up in consultation anyway and will certainly be looked at.

The Deputy of St. John:

Just to follow up on the public purse, there are many people who have said to me - whether

during consultation or even before the £150,000 was announced and having a grant system that only a couple of years ago we had to do all these different things and cut public services because we did not have enough money. Now, we are going to be giving out tuition fees up to £150,000. Can you explain, publically, we why are in a better position to do this?

Minister for Treasury and Resources:

First and foremost, public finances are in a stronger position than they were. We are still very mindful of the relativity and uncertainty that we face moving forward. I will not go through all of the issues that that involves, including Brexit of course. Certainly, we have seen the results of 2016 and the public finances are much stronger than they were. That aside, we stated at the very beginning that Education is a priority. It was at the time of the development of the M.T.F.P., still is and I see it being the case in the future. Therefore, we have to find ways in which we can effectively fund. What we propose is a much more targeted way. I know the Panel definitely have feelings about (Overspeaking). We have taken that into consideration and the proposal takes that away and changes that over a period of time through a transitional period. Therefore that helps with the funding in a much more targeted way.

Deputy J.M. Maçon (Vice-Chairman):

Can I just ask, the consultation will finish, we will have that feedback. How much change will these proposals be then?

Minister for Treasury and Resources:

It is difficult to pre-determine what the consultation outcomes are going to come up with. You do a consultation for the purposes of understanding points that may have been missed and you adjust if it is reasonable to do so. They could change, I cannot tell you to an extent if they will change, that would be impossible at this stage.

Deputy J.M. Maçon (Vice-Chairman):

How will that impact on the time - when is this in the grand scheme of things supposed to be launched for debate?

Minister for Treasury and Resources:

I think it is probably easier working backwards of when we are targeting debate. We are targeting debate on the 20th of March. Bearing in mind the time table of the new election (Overspeaking) that I believe is the second last sitting. So it is going to be on that date so we would be lodging -

Chief Operations Officer, Education Department:

The 2nd of February.

Minister for Treasury and Resources:

Yes, the 2nd of February.

Deputy J.M. Maçon (Vice-Chairman):

I wonder what discussions, if any, have been undertaken with the Social Security Department in relation to the end of Income Support as explained in our report.

Minister for Treasury and Resources:

Simon, do you want to pick up on that?

Director of Treasury Operations and Investments:

Yes. We had some conversations with Social Security around whether the increased grants impacted on Income Support available and vice-versa, that is, does the level of Income Support impact on the level of grant that you can receive. They have confirmed that that is not the case. Therefore, in neither case does one affect the other. They have also indicated that they would be issuing a clearer policy document around what it means for people who are on Income Support. I think there was some acceptance by them that some clarity was needed, I think that was the point that was raised in the Scrutiny Panel's original Report.

Deputy J.M. Maçon (Vice-Chairman):

We wrote to the Social Security Department and had a response from the Minister. Largely, that is what they said although there was notification around receiving the adult component when student was and was not on-Island and how that affected the Income Support.

The Deputy of St. John:

When the student is away studying they do not receive the adult component, the £93 per week whilst they are studying. But when they come back, so 6 weeks in summer holidays or 2 weeks at Christmas then they receive that adult component whilst the student is back. I think, the issue was in terms of had that family been able to top up maintenance for that student depends on where they are studying. Finish your question, I was just explaining -

Deputy J.M. Maçon (Vice-Chairman):

Yes, yes. In which case we will come to talking about the maintenance grants and that of a loan offer. Within that, is the Minister satisfied that there is another solution there for families on Income Support?

Minister for Treasury and Resources:

There is more detail to be written up about it, but I think that our understanding at the moment from the feedback that we have had is that the issues that need to be addressed clearly, there are some areas that need some more work.

Deputy J.M. Maçon (Vice-Chairman):

Thank you, we will keep watching for a brief on that one then.

Deputy S.Y. Mézec:

Minister could you just confirm what the current budget for Higher Education Grants is as things stand at the moment?

Minister for Treasury and Resources:

£10.5 million (Overspeaking) budget.

Chief Operations Officer, Education Department:

Yes, just under this year because it gets topped up to £10.5 million next year.

Deputy S.Y. Mézec:

Assuming that your proposal is adopted as it currently stands, how much will be spent by the States on Higher Education Grants?

Chief Operations Officer, Education Department:

I think next year, it is supposed to go to £15 million. Right 2018 £16,786, 000.

Deputy S.Y. Mézec:

Sorry, say that again?

Chief Operations Officer, Education Department:

£16,786, 000, and 2019 it rises up to £17, 990, 000. Have we not supplied these figures?

Deputy S.Y. Mézec:

I just want to again confirm this for supplementary questions then. So this policy, as you propose cost significantly more than the current budget that is allocated. The obvious question then is, where will the extra funding for this budget come from?

Minister for Treasury and Resources:

What I have stated is already in the public domain, from underspends with Education, the funding from underspends will deal with the period of the Medium Term Financial Plan. That is up to and including 2019. Following arrangements will need to be taken into consideration for the next M.T.F.P. period from 2020 onwards. We are estimating, on average of about £4 million of additional funding requirement above and beyond where we currently are.

Deputy S.Y. Mézec:

So where does that come from?

Minister for Treasury and Resources:

We have also announced (Overspeaking) that the tax allowances will be phased out. That accounts for about £3.5 million of funding.

Deputy S.Y. Mézec:

And what is that to fund -

Minister for Treasury and Resources:

Which will be recirculated in to this proposal.

Deputy S.Y. Mézec:

Above that £3.5 million, how much further will need to be found to fund this policy?

Minister for Treasury and Resources:

As I have said, on average, £4 million per annum. That is effectively the differential that we are looking at which will be required from the next M.T.F.P. period.

Deputy S.Y. Mézec:

But you cannot now tell us where that money is going to come from?

Minister for Treasury and Resources:

I cannot tell you what is going to happen from 2020 onwards in terms of additional funding. That would be a matter for the next Council of Ministers. What I can tell you is as I've already stated, that Education is a priority and we have committed to Higher Education funding. We have put in place changes or we will put in place with regard to the tax allowances which will provide some of the solution however, that shortfall will need to be covered.

Deputy S.Y. Mézec:

Okay, so to be clear, the policy that you are proposing will cost £7 million above what the current budget is. You have identified part of the funding source of that but not the full funding source?

Minister for Treasury and Resources:

We have got funding in place that we managed through underspend. That is because some of the current allocated budget was not being spent for a number of reasons. Therefore there are underspends there which will manage it through this M.T.F.P. period. The next M.T.F.P. and the next Council of Ministers will have to consider what we estimate to be about £4 million. Bear in mind, this modelling is taking into consideration significantly more students so it is really modelled in a fairly generalist way. So we are looking at - well I might describe, if you are Minister for Treasury and Resources as a worst case scenario in terms of cost. But of course, the plus side is that you have got accessibility for a larger number of students.

Deputy S.Y. Mézec:

So just to sum up in a sentence, this proposal involves asking the States to commit to spending £4 million that right now we do not know where it's going to come from?

Minister for Treasury and Resources:

From 2020 onwards, yes.

Deputy S.Y. Mézec:

Well 2020 is, obviously, very soon. It is not a long time away. So this Assembly which is due to have an election soon, so there will be new members to consider things for the next Assembly, that Assembly will be asked by this Assembly to commit to a policy without telling that Assembly where the money is going to come from?

Minister for Treasury and Resources:

This Assembly will be adopting a policy changing with regard to the funding of Higher Education. So you could describe it in the way you have if you want to.

Deputy S.Y. Mézec:

What does that next Assembly do then if it starts to look for that £4 million and finds the sources for that money to be politically unpalatable?

Minister for Treasury and Resources:

I think it is probably reasonable to go back and consider what happened at the beginning of the M.T.F.P. We started there with identifying a need for over £125 million, a lot of that was investment in Health and Education. At face value, that was going to leave us with a significant deficit. It required a lot of savings, it required a re-profiling spend. It required all sorts of measures to be put in place in order to deliver balanced budgets at the end of the period. So the priority is Health and Education in terms of funding. And the next Council of Ministers, the next Medium Term Financial Plan will need to consider how those priorities are delivered upon.

Deputy S.Y. Mézec:

This is obviously a Scrutiny hearing so I do not want to get too politically partisan but as well as the current M.T.F.P. involving investing in Health and Education, it has also involved cuts that affected a lot of people who are very vulnerable and very poor who have not been particularly happy about that. Any Assembly Member will have to make decisions that are sometimes unpopular. But the question I am trying to get to the root of is that you have proposed a policy that is going to cost £4 million but you cannot tell us where the money is going to come from. Will that be money that will no longer potentially be invested in other areas that the public might expect the next Government to invest in? Will it have to come from tax rises? Will it have to come from cuts to other areas? It sounds like there is no clear answer to that.

Minister for Treasury and Resources:

Basic decisions for the future, the States will have to continue to deliver efficiencies for as long -going and should be - and this point has been made - embedded program of efficiencies. That does not necessarily mean - and this gets used quite often, you used the emotive term 'cuts'. A lot of the savings that were delivered were actually efficiency savings, that means doing things more efficiently. Making sure that every pound of tax-payer's money is accounted for? (Overspeaking) -

Deputy S.Y. Mézec:

Some may have been but some may not have been. So there are different perspectives on this because you have tried to say this has all come from efficiency but I do not think that is accurate. So the question is, is it really politically responsible to put forward a policy which involves increasing the grants that are on offer to young people who want to go to Higher Education without being able to say here is where the money to pay for that is going to come from. Because in life and in politics, you have to weigh things up, you have to say here are the pros but there are cons associated, is it worth it. It seems like you are able to tell us what the pros are but you cannot tell us what the cons are so far?

Minister for Treasury and Resources:

Yes, that is true and this will be a matter for the States to make a decision on. They will need to consider, which they have got all the facts, some of those facts that all these additional costs will need to be prioritised and they will be prioritising those costs in relation to Higher Education.

Deputy S.Y. Mézec

Do you understand the principle of parliamentary sovereignty?

Minister for Treasury and Resources:

Yes.

Deputy S.Y. Mézec:

Which means that a current parliament cannot bind a future parliament nor can it be bound by previous parliament. So is it therefore not the case that this Assembly may choose to endorse your proposition when that is lodged at the beginning of February. And then when the next Assembly comes in, it is within its rights to look at it and say £4 million is a stretch, we do not think we can find that from palatable political sources and could therefore re-change that policy in the next Assembly?

Minister for Treasury and Resources:

Of course, the future Assembly can change anything it chooses to. What I believe and the Council of Ministers believe is that this is a bold move, I accept that but it is the right move to make this investment and make this commitment to Higher Education. I think it is going to be perfectly fair and affordable in the future, but that will be a matter for a future Assembly if they do not agree with that.

Deputy S.Y. Mézec:

Just before I ask if other panel members want to enter on this subject, could you just confirm yes or no that the policy that you have proposed as this currently stands is a policy that produces a deficit?

Minister for Treasury and Resources:

No, it does not in this Medium Term Financial Plan period.

Deputy S.Y. Mézec:

Into the future?

Minister for Treasury and Resources:

Well, you cannot possibly predict because you are talking about one item in terms of approximately £4 million of recurring expenditure. The budget is over £700 million, there are all sorts of funding pressures that will need to be considered in the next M.T.F.P. by the Council of Ministers after the next election. Therefore, you cannot possibly predict whether there might or might not be any form of deficit.

Deputy J.M. Maçon (Vice-Chairman):

Can I just ask, on the issue of the underspend, so for the next few years at least, are those underspends coming just from underspends within the Education Department? Or is it underspends from across the States as a whole?

Minister for Treasury and Resources:

It is Education (Overspeaking) discrepancy? - as I was pointing out previously, the current scheme has not had full take up. Consequently, we have seen vicariously some underspend. In fact, in the Medium Term Financial Plan additional funds were put into Higher Education funding which perhaps proves the point that throwing money at a problem does not always solve it. So that was an additional £2 million, tapering up £2 million by 2019 of additional money into the existing scheme, that money is there next year. Clearly, Education were not able to spend the money that they had in the system for a number of reasons.

Deputy J.M. Maçon (Vice-Chairman):

If this proposal is adopted, we are looking at an extra £6 million before the tax can come in. Is that just one year, one year is an extra £6 million and then the next year it is an extra £7 million? Is that the correct understanding?

Minister for Treasury and Resources:

So are you asking what (Overspeaking) -

Deputy J.M. Maçon (Vice-Chairman):

Just for the next 2 years?

Minister for Treasury and Resources:

Yes. So for 2019 it is an extra £4.3 million and in 2020 it is an extra £5 million.

Deputy J.M. Maçon (Vice-Chairman):

Okay, thank you. So then in total, you are looking at £9 million to cover those 2 years?

Chief Operations Officer, Education Department:

No because you are not equating 2020.

Director of Treasury Operations and Investments:

Yes, so you need to remember that budgeting years and education years are different. So for this budget year, we are actually paying 2 terms worth of last year's grants. So the money for that is significantly lower. Because, as the Minister has already eluded to, the take up by students has been quite low which is where the underspend comes from. Therefore, the total cost for 2018 is £9.2 million. Then on the assumption our scheme is successful, the total cost for 2019 will be £14.8 million.

Deputy J.M. Maçon (Vice-Chairman):

Right. Okay what I am trying to get at is, the Minister said it is coming from underspends. I am trying to work out over that period what the total will be and therefore what the underspends have been that I need to know what the gap is.

Deputy S.Y. Mézec:

Could I rephrase that question slightly differently, if that helps? (Overspeaking). 2019 is the final year of the M.T.F.P. How much as things currently stand is allocated for that year for the Higher Education budget?

Minister for Treasury and Resources:

£10.5 million.

Deputy S.Y. Mézec:

£10.5 million. With this policy to be introduced, how much will need to be spent to cover the commitments that are made in this?

Minister for Treasury and Resources:

All the figures and the only figure that will be right is this figure because these are forecast (Overspeaking). Assuming we have got the increase in numbers right and, obviously, incomes change as well, it is £14.9 million. So much of that comes from the forecast on 2017-2018 spend on Higher Education spend leaving the balance at £1.7 million from underspend and contingencies.

Deputy S.Y. Mézec:

So as things stand, even for this last year of the M.T.F.P., there is still £1.7 million that you have not found yet? Am I getting the numbers right?

Minister for Treasury and Resources:

All the 2017 figures are pretty much there, I know that 2017 underspent. So again there are a lot of things that we will need to conduct if the State forms within the agreed brackets in the M.T.F.P. across either contingencies or existing budgets.

Deputy J.M. Maçon (Vice-Chairman):

Okay but what we are trying to establish is are they just from the Education Department or will they need to be from other areas?

Minister for Treasury and Resources:

Mostly from Education but some from elsewhere.

Deputy J.M. Maçon (Vice-Chairman):

Some will have to be from another (Overspeaking) underspends.

Minister for Treasury and Resources:

Yes but coming from as well the underspends they have not been used. If they have underspent budget at the end of the year then it will be used elsewhere unless departments have their budgets for the following year. So there are other priorities.

Deputy J.M. Maçon (Vice-Chairman):

Okay, thank you anything else?

Deputy S.Y. Mézec:

No.

The Deputy of St. John:

On to the higher target amount, how does the Minister intend to phase out the higher target amount?

Minister for Treasury and Resources:

What I have said to date is that the next budget will bring a proposal to the States to phase out the allowance. Basically, the grant and the allowance will all work in sequence so that as the allowance is phased out the grant will make up the difference. So there is not a grant and allowance benefit together.

The Deputy of St. John:

Okay. Can you just explain that? Because the Higher Child Allowance as I understand it can be claimed by a parent over a 4-year period if the degree is for 3 years. That equates to I think roughly £2,600 net after paying tax. Assuming that you can claim the full amount of course because the taxes seem to be slightly (Overspeaking). But if you were able to claim the full amount as a tax payer, that would be £10,400 not having to be paid in tax over that 4-year period. So in terms of direct and indirect funding, can you just explain how the higher child allowance is a less targeting effect to assist students going into higher education than what this model would be?

Minister for Treasury and Resources:

This comes out of my recommendation (Overspeaking). We have accepted in the previous budget that we regarded it as a blunt tool in that it provides you with funding in terms of a reduced tax period regardless of whether it is one term that the child is at university or the whole year that the child is at university for. So that is not the best use of funds in terms of targeting it towards where there is the most need. If you turn the funds to direct for the period when the child is for the first year is at university.

The Deputy of St. John:

On that basis, because it is still based on, well we do not know whether it will be the case, but the proposal is still based on the family's income which I assume it will be. Does that mean

the parent can still claim under the Child Allowance which is the £3000?

Minister for Treasury and Resources:

So it is the Higher Education Allowance that is being removed. So if the child is still in standard education up to the age of 18 they will receive the lower allowance that is available for that. It is the Higher Education Allowance that we are proposing to remove. So Standard Child Allowance for a child in normal education will still remain.

The Deputy of St. John:

But there is no intention to expand the Child Allowance £3000 to go to Higher Education? No?

Minister for Treasury and Resources:

No. I have never considered that notion, no.

Deputy S.Y. Mézec:

So as a family is about to send a child to university, presuming their income does not change, they will see their tax bill go up?

Minister for Treasury and Resources:

Yes but they get considerable benefits from the grant obviously. Just to add the other side of the coin which I'm sure you're more than aware of.

The Deputy of St. John:

Yes, but there is one submission that we've seen when somebody is trying to explain to us their personal situation which I cannot speak about in public. However, it indicated to us that under the proposals they would be worse off because of taking the Child Allowance away because they are at the lower income end. They will be worse off every year because of having to pay the tax side of things and receiving a grant of maintenance which, of course, worsened the position for them annually. So would it be something that you would consider in terms of the Child Allowance being extended?

Minister for Treasury and Resources:

I think we need to be aware of all the facts. We are aware that there is likely to be a small group who are ongoing and there may be a small group who are disadvantaged by this. We need to just understand (Overspeaking) -

Director of Treasury Operations and Investments:

Out of every single Jersey tax payer, we have identified a small group of approximately 200 individuals who may be negatively impacted on a net basis. So we are having to work on assessing that group and giving consideration to either some changes to the proposal or how we can protect them.

Deputy S.Y. Mézec:

So the proposal as it currently stands by your way of working out, there will be families from the lower end of the income spectrum who would be worse off under this system than they would be under the current one?

Director of Treasury Operations and Investments:

Potentially.

Deputy S.Y. Mézec:

Potentially. And can you confirm that you will be looking at this to try and mitigate this or find alternative proposals?

Director of Treasury Operations and Investments:

We already are.

Deputy S.Y. Mézec:

Good.

Deputy J.M. Maçon (Vice-Chairman):

Okay, if we now look at the maintenance side of things please. Can we ask how the figure of £95,000 was arrived at in terms of calculating the amount of maintenance being paid?

Minister for Treasury and Resources:

Again, it was just looking at the analysis. We looked at what was currently the position and from assessment there it appeared that that was too low to provide suitable support to families and it was clearly a barrier to those wishing to send students away. So the assessment was, as I have said before, using the income distribution analysis and that was where we arrived at a figure of £95,000. Of course, there is a tapering effect which you will be familiar with from the figures.

Deputy J.M. Maçon (Vice-Chairman):

Yes, okay thank you. Can I just ask when we were doing our previous review, what was raised with us about the maintenance grant is that, for example, a student studying in London pays significantly more costs on living compared to other cities. I wonder whether with any of the proposals you have considered this.

Minister for Treasury and Resources:

I think the view generally is although that is undoubtedly true that there are potentially choices. I think the choice element is one that needs to be taken into consideration. So a student could go to London but if their circumstances mean that is not as desirable from a cost point of view, there are choices to go and get your education from other universities in other areas which are more cost effective.

Deputy J.M. Maçon (Vice-Chairman):

You will have some places in London which of course are the specialism they will be taught in order to gain that qualification (Overspeaking) that seems to be - why find someone when you want to attend university and say we will fund you to go to the second best place?

Minister for Treasury and Resources:

First and foremost, I think this is an improvement of what is currently on offer. This is the problem with the one that you have identified. However, I think the education people have had in the existing scheme, I would not describe it as a problem, and a challenge is probably a better way of putting it. I am not sure if Christine Walwyn will have any comments about how this has come up in the past?

Chief Operations Officer, Education Department:

I think it is just one of the many complications that we have. Different degrees have different cost, different areas have different cost for maintenance. We can keep the scheme simple and straightforward, you have to make certain assumptions. We have negotiated with most of the universities to charge standard fees. We were only aware of 2 that still charge us higher fees and we are working on bringing those down. It is a matter of choice, there are some excellent universities in Durham and Exeter who are as good as London (Overspeaking) as is Oxford and Cambridge. So it is a matter of choice.

Deputy J.M. Maçon (Vice-Chairman):

Okay, thank you did want to just raise that point?

The Deputy of St. John:

It was about all the different types of courses that are provided. Because higher education applies to a certain age and some courses are maybe professional dance, it is very rare that somebody may go into those particular areas. But when they do there is no real support there for them. Will this help that area or will that be separate from Education funding?

Chief Operations Officer, Education Department:

This proposal is for undergraduate funding and for other degrees. It has changed the current undergraduate programme.

Deputy J.M. Maçon (Vice-Chairman):

At the moment there is an allowance isn't there for if you are 16 but you want to do a specific course. There is capacity for this to apply to you, for example dance courses?

Chief Operations Officer, Education Department:

There are some abnormalities and we talk about some of the complications and we have got some alternate bursary schemes, for example, for the additional money for those 2 universities. So there are other schemes around but they are outside this.

Deputy J.M. Maçon (Vice-Chairman):

Okay, thank you. Concerns have been raised about the Nat West Student Loan being removed. I wondered if you could explain what discussions you have had in relation to this.

Minister for Treasury and Resources:

I know Education have had discussions. My understanding is it is a commercial decision by the bank to grant this particular scheme. Having said that, what is being implemented now to is, hopefully, largely to alleviate that particular scheme.

Deputy J.M. Maçon (Vice-Chairman):

We have known for a long time that Nat West became the last one to provide this support I believe to begin with and we have known for some time they have wanted to close this down for commercial reasons. I wondered if it could be explained when the States were notified that this was going to be finished?

Minister for Treasury and Resources:

Were you notified?

Chief Operations Officer, Education Department:

No, it was a letter to you (Overspeaking)

Minister for Treasury and Resources:

Yes, I know but there was no dialogue before indicating change (Overspeaking) -

Chief Operations Officer, Education Department:

I think it was just that letter. We talked to the last Chair about possible alternative loan schemes and what they are going to do in the future. When we talked to them, the indication was that they were not going to withdraw (Overspeaking) - they were not going to withdraw. Then the letter came through the Treasury Minister and a copy to the Education Minister that they were going to withdraw. It is not a commercially viable product for them anymore so they are withdrawing it from about September 2018.

Deputy S.Y. Mézec:

There are some banks - I do not that they still do but they certainly did when I was a student who would offer students enhanced planned overdrafts. Do you have any idea if that is something that is likely to continue? Have you had any discussions with banks about maintaining that offer?

Chief Operations Officer, Education Department:

We have not directly, no. It is the bank's commercial decision.

Treasurer of the States of Jersey:

No they have not alerted us to any changes to that. There is a scheme, we have seen publicity around but the lending is gone. We have been alerted to that, we have potential for not just Education but potentially a school savings scheme. We will continue those plans.

Deputy J.M. Maçon (Vice-Chairman):

Just to clarify then, with the Nat West Loan was it £1,500 a year that was allowed in total?

Chief Operations Officer, Education Department:

A year.

Deputy J.M. Maçon (Vice-Chairman):

A year, okay. So that is £4,500 in total. If the Minister's proposal is not subsequently accepted by the States, Nat West have indicated that they are going to close this facility. That is going to leave a significant funding gap for some of our students, would you not agree?

Minister for Treasury and Resources:

Potentially, yes.

Deputy J.M. Maçon (Vice-Chairman):

Just to get that on the record. Okay, with regard to the maintenance grants, how will information be made available to prospective students and their families?

Minister for Treasury and Resources:

About how it works do you mean?

Deputy J.M. Maçon (Vice-Chairman):

Yes.

Minister for Treasury and Resources:

I assume that Education will continue to publicise the information as they do the current grant. We have been enhancing the way in which it is explained. I think Chairman you made a comment about the complexities at the opening of the session and I know Education have been doing quite a bit to improve the understanding of the current scheme and will continue to do so with the new.

Chief Operations Officer, Education Department:

We will continue to use the social media that we currently use. We have the annual Higher Education Fair where student finance is available so we will be able to explain it there. We will use the website so we will be able to put out together with the usual means.

Deputy J.M. Maçon (Vice-Chairman):

We know that with the special needs forum there is a parent group that has been set up to vet publications from the Education Department to make it more parent friendly and more understandable. Do you have anything in place for information regarding higher education which would follow a similar process?

Chief Operations Officer, Education Department:

The parent forum setup is for special needs arena children at the moment. It is more than just vetting publications, it is more about how we can best serve these children. The equivalent of us is the consultations we have had for the higher education.

Deputy J.M. Maçon (Vice-Chairman):

Yes, however, I thought part of their remit was to make information family friendly.

Chief Operations Officer, Education Department:

Only in the area that (Overspeaking) so not general area.

Deputy J.M. Maçon (Vice-Chairman):

So then what I'm trying to get at is would it not be useful advice or given that we have had representations saying that parents find the information around student finance not very accessible. That it might be advisable that a similar group was set up to make information student and parent friendly, would that not be worthwhile pursuing?

Chief Operations Officer, Education Department:

Well we could look into that.

Deputy J.M. Maçon (Vice-Chairman):

Okay, thank you. Will maintenance funding be assessed in the same way regardless of the course being undertaken?

Director of Treasury Operations and Investments:

I do not think there are any plans to change the way it is assessed.

Chief Operations Officer, Education Department:

No. No.

Deputy J.M. Maçon (Vice-Chairman):

Okay, so again there will be some variations. Can I ask how the cost of vocational courses such as dance have been examined in relation to the amount of maintenance payable to a student if there's no variation.

Chief Operations Officer, Education Department:

This scheme is the same for all courses. The only variations would be for doctors, dentists and vets.

Deputy J.M. Maçon (Vice-Chairman):

And that is the same thing whereas anything above the £9,000 gap would be topped up by the Department?

Chief Operations Officer, Education Department:

What for the clinical? Yes for doctors, dentists and vets, yes.

Deputy J.M. Maçon (Vice-Chairman):

Okay, thank you.

The Deputy of St. John:

Can I expand on the income support side of things for low income families? Although the grant does not affect the actual support claim of a family, there is this issue of when the child is at college studying, the £92, the adult component is taken away during that period in which they are away. Therefore, it does affect their claim to a certain extent. Therefore, if we keep the maintenance grant at the level as we have seen in the proposal and the family are getting less the adult component whilst that student is away studying where will they find the additional money from for maintenance if it is needed? Depending on where they are going, I know there is a choice about where they are going. But some courses, specific requirements are needed. If you are low income and I am talking about more social mobility here in terms of allowing your ability not get in the way of your family's financial position. So would there be access to special discretionary fund at Social Security? Would there be a contingency held in place for higher education for those low income families on Income Support?

Minister for Treasury and Resources:

So this is areas around leading up to potential hardship that could be a barrier. This is a matter again that needs further consideration. There is not a solution to it at the moment. The numbers are potentially quite low we believe but nevertheless, that is something that the Project Board are going to continue to look at in some detail.

The Deputy of St. John:

Can we expect that specific area to be addressed in any proposal that comes forward lodged?

Minister for Treasury and Resources:

I would certainly think that at the point of lodging that you would have a lot more information for that, yes.

Deputy J.M. Maçon (Vice-Chairman):

Any further questions?

Deputy S.Y. Mézec:

No, other than to go back to what was mentioned about how you said it was 200 or so tax payers who could be potentially worse off. It would be helpful if there is any more information about that for us to be able to see it so we can have a look at that as well?

Minister for Treasury and Resources:

Sure. I should add that bearing in mind the timetable which is very tight before we were assessed here this morning. We will share as quickly as we can information to assist you with your work.

Deputy S.Y. Mézec:

Okay, that was going to be my next question.

Deputy J.M. Maçon (Vice-Chairman):

Good, right if there are any other questions from the panel?

The Deputy of St. John:

Can I just go a little bit further? In terms of the higher education, I understand we are trying to allow social mobility and encourage people to get higher degrees. In terms of the comparisons for those 2 do not need or do not want degrees, from a Treasury point of view, in terms of the finance that we provide for apprenticeships, vocational courses, Highlands College. Do you think we are doing enough to support skills for our economy in that respect? I mean, higher education is one thing but is it not just about higher education.

Minister for Treasury and Resources:

There are a whole raft of other elements, we have touched on some of them. I think the reason that we made Education one of the priorities in the M.T.F.P. and put more money into it was to address areas where there was previously a lack of funding. Some of which you have just touched on. More money has gone in, you can always keep on spending if you want to but you have got to try and seek to target as best you can. I think Education reallocated their budget with the additional funding that they have had to try and address some of the priority areas. More needs to be done I am sure, but there has been more effort, focus and funds put into some of the points you just raised.

The Deputy of St. John:

In terms of - sorry, continue?

Treasurer of the States of Jersey:

So just a thought about the new Skills Strategy has been publicised (Overspeaking) -

Chief Operations Officer, Education Department:

The new Skills Strategy has been publicised, we have held consultation on the results that are coming out of it and how it is best to implement it on the Island. It looks at bi-pillars of skills, one of them is about retaining talent on the Island. It includes the apprenticeships, it includes full skills for the Island. As part of that we received an extra £1.2 million over 3 years from the Economic Policy Fund because it helps the Island. So we are looking at that area separately as well and working on increasing the skills.

Deputy J.M. Maçon (Vice-Chairman):

It was quite a high-level document (Overspeaking) -

Chief Operations Officer, Education Department:

It is and that is task for the first quarter this year, to get it from a high-level document into an action plan to make a difference in the Skills area on the Island.

Treasurer of the States of Jersey:

Another area in Education is the ability to hire apprenticeships. We are looking at further opportunities to extend that and extend it in the U.K. It appears there is a great deal of overlap between students who do higher apprenticeships compared to students who will go to university. That is an area we would like to look at for an alternative that there is a demand for already.

The Deputy of St. John:

So is that higher apprenticeships in the U.K., is that something you would bring here or something that you would look at moving people to go to do a higher apprenticeship in the U.K.?

Treasurer of the States of Jersey:

I am thinking about doing it here (Overspeaking) -

The Deputy of St. John:

I am thinking in terms of the economy side of things that it may be potentially bringing in different small businesses in if you are allowing them to apprentice in different area sectors. With this funding or with another funding model?

Minister for Treasury and Resources:

Yes. There is more certainly that could be done around apprenticeships and the private sector is doing a fair bit as well, I have noted. So there are other opportunities there.

Deputy J.M. Maçon (Vice-Chairman):

Okay, if there are no other questions we will as always give you an opportunity, if there is anything that you have missed or anything that you feel we have got the wrong end of the stick on just to give you an opportunity to clarify anything that you would like to say?

Minister for Treasury and Resources:

No, I do not think so. I think it has been a useful discussion. I hope we have answered the questions that you required. We mentioned a moment ago we are very aware of the tight timescale. We are keen to go with you to priority with the information that you need to include in your review. So if you do need anything at all please, as I am sure you will come forward, let us know as quickly as possible so that we can seek to provide that information to you. But apart from that I think that it has been a useful discussion.

Director of Treasury Operations and Investments:

Just worth adding maybe that so far we have got about 3,300 sponsors for the consultation so we have got a lot of work to get through over the next few weeks.

Minister for Treasury and Resources:

And the consultation of course ended Wednesday.

Deputy J.M. Maçon (Vice-Chairman):

Brilliant in that case on behalf of the panel, thank you very much Minister we will certainly be in contact. I would like to bring the hearing to a close and ask members of the public to clear the room, thank you.

[11.00]