

STATES OF JERSEY

Public Accounts Committee Hearing

MONDAY, 14th JULY 2008

Panel:

Deputy S.C. Ferguson of St. Brelade (Chairman)
Deputy J.G. Reed of St. Ouen
Deputy A. Breckon of St. Saviour
Connétable D.J. Murphy of Grouville
Senator L. Norman
Mr. M.P. Magee
Mr. T. Grimes
Advocate A. Ohlsson
Mr. C. Evans
Mr. R. Bignell

Witnesses:

Mr. M. Lundy (Director, Education, Sport & Culture)
Mr. P. Robinson (Finance Director, Education, Sport & Culture)

Deputy S.C. Ferguson of St. Brelade (Chairman):

For the benefit of the Committee and some background for the Committee, you were appointed ...?

Mr. M. Lundy (Director, Education, Sport & Culture):

On 1st January 2008 as Director.

Deputy S.C. Ferguson:

What is your professional background and qualifications?

Mr. M. Lundy:

Education. I have worked in special education, mainstream education as a secondary head teacher, been Assistant Director of Schools and Colleges.

Deputy S.C. Ferguson:

But what was your particular subject, then?

Mr. M. Lundy:

A mix, actually. It started off as English and music and then I took up mathematics along the way. [Laughter] I also hold a Masters Degree in Leadership and Management.

Deputy S.C. Ferguson:

How much financial study do you cover in your Masters?

Mr. M. Lundy:

Well, very little in detail. Strategic management, yes; financial management, it was leadership and management in education specifically. My experience has actually been limited to Assistant Director of Schools and Colleges, which was managing that portion of the budget, roughly round about £70-odd million. And previously as a head teacher of a mainstream secondary school with a budget of about £3 million.

Deputy S.C. Ferguson:

How would you describe the main activities of your department?

Mr. M. Lundy:

The main activities really are described quite succinctly under 4 basic aims. What we try to do is give our young people of the Island the best start possible. We try to prepare the young people for the world in which they are going to live, make sure that they have the skills to compete within that world and also that they have the skills to deal with what it throws up. It is also about promoting lifelong learning engagement, participation in sport, culture, et cetera, and promoting social inclusion. So, essentially, we are probably on the face of it a strange mix, Education, Sport and Culture, but there are some significant synergies across the piece which we capture under those 4 broad aims.

Deputy S.C. Ferguson:

How would you describe the management structure?

Mr. M. Lundy:

Well ... interesting.

Deputy S.C. Ferguson:

Like Topsy. [Laughter]

Mr. M. Lundy:

It is actually a very slim management structure for an organisation this size which has probably around about 2,000 employees. It is a very dispersed organisation and the management structure is a team of 5 people, including myself. So we have an Assistant Director of Sport and Leisure, an Assistant Director of Policy and Planning, Assistant Director of Finance, and an Assistant Director of Lifelong Learning and soon to be Skills. So there is a broad portfolio. It is a flat management structure so there are not many, many layers underneath that. It is a management structure which I believe is probably small for the size of the business, and given that the move to ministerial government has created some of its own challenges around whether or not we are actually a government department or a service delivery, there are challenges for a team of 5 to be delivering, you know, both those agendas.

Deputy S.C. Ferguson:

What would you regard as the principal challenges facing the department?

Mr. M. Lundy:

The principal challenge for the future will be the management of demographics with our current funding arrangements, hopefully funding arrangements for schools. There is a mismatch between the funding arrangements and what you can do with those funding arrangements at a time when pupil numbers are falling. I know that it has often been said that formula funding was a useful thing to have when pupil numbers were increasing and not so useful when they are decreasing, and I would absolutely agree with that. There is a very different context in Jersey, of course, if you were being funded for ... like, pupil numbers in the U.K. (United Kingdom), you would also have the capacity as a school to carry over a fair

amount of money to enable you to manage lean times. But, of course, the amount of money that can be carried over in Jersey schools is limited and would not be enough to help them manage transition periods. So the issue in primary education will be at some time or other whether there are too many places for the number of children in the Island and whether those places are in the right locations, and for the secondary phase, how they move from being a school or schools that cater for round about 700 to 750 youngsters back to schools that cater perhaps for about 550 youngsters. That is a real challenge. I can give you a very practical example of how that challenge hits. The numbers here are approximate, but it encapsulates what actually happened to one of our schools at the end of last year. Year 11, 150 students move out. Year 7, the new year 7, 100 students move in. So, effectively, overnight the school has lost 50 students but it still has the full staff costs. It is now £200,000 short on its budget because of that position. So you need to be able to manage that transition and we do not at this point in time have a mechanism for managing that transition, although we are trying to develop one ourselves within the context of our existing budget to see if we can establish some sort of contingency that will help us to manage that in future.

Mr. M.P. Magee:

Just in terms of in your role as accounting officer, again a similar question of the main challenges that you are faced going forward as accounting officer in terms of delivery of, you know, correct standards of financial management, debt control, et cetera.

Mr. M. Lundy:

The first thing that is probably the biggest challenge for me as accounting officer is continuing to manage what in effect is a scheme of delegated financial management in schools where the schools have the authority to carry over an overspend or surplus funds, an overspend of up to 1 per cent and surplus funds of up to 3 per cent. We are trying to manage that scheme in the context of a cash-limited budget. So for every pound that a school overspends, we have to find a pound somewhere else to balance it off to make sure that the bottom line ... you know, as accounting officer that I bring in the budget as it should be. So that is a very big personal challenge for us. Our arrangements and our controls of finance have now to be tighter, I guess, than they ever were before, and they should be in any case. So one of the things that we have tried to do is to really raise the profile of finance across the service and offer best value across the service, and to make sure that there is a culture where people are looking to get the best value and recognise that they also will be held to account for their authorisation of expenditure. So I think that, you know, that is a big cultural challenge for us and one that we have tried to approach through training, better communication, and also by developing our own senior management team finance meeting once a week. So we have taken finance off the senior management agenda because honestly it was capturing the senior management team agenda and the issues are sometimes so complex that you cannot have them as an item on an agenda. So we have a separate once a week management meeting. Occasionally, as Ed would have been able to testify, we actually behave as if we are the P.A.C. (Public Accounts Committee) so we do actually ask people to come in and account for their budget and to discuss their future requirements. You know, that has been both a positive thing for budget holders and occasionally not so positive where we may have been able to identify funding that would be better used elsewhere in the service.

Mr. M.P. Magee:

Just on what you said at the very beginning about the difficulties because of the way it is structured in terms of delegated authority, can that be changed to make your life easier?

Mr. M. Lundy:

Yes, it would make life easier but I am not sure it would be a good deal for the children in the schools. When we moved to delegated financial management some years back and undertook an analysis at the time I was the secretary of the Head Teachers Association, and we undertook an analysis of the impact

of delegated financial management on schools, what we saw was a significant shift, expenditure moving into the curriculum and going into the education of young people as head teachers had more flexibility with their budgets. So I think we would like to be able to preserve that. It would be quite a challenge within a small department to micro manage budgets right out there in the satellites. So we could change it, but I think it would reduce the flexibility and possibly affect the way that the resources are used out in the schools.

Mr. M.P. Magee:

Okay. Just one final point, when you are doing your financial projections, will the issue that you have highlighted of 150 out, 100 in, is that factored into your ...?

Mr. M. Lundy:

Well, it is factored in but there is not a lot you can do. It is literally ... it is an overnight change. In days gone by when numbers were a little more stable and, you know, there were a percentage of teachers, I suppose, across schools who were on temporary contracts for a year, so you could actually change the situation fairly quickly. There is not the capacity on the Island in terms of the teachers available to be able to do that now, so you have a number of teachers on 5-year contracts and also on permanent contracts and they are still ... you know, you can get rid of the ... you can lose the funding but you have still got the cost because you have still got the teachers in post. It takes time to make that shift.

Mr. M.P. Magee:

Just I guess part of my question was is the data out there in terms of forecast how well you could do that? Is the sort of detail ...?

Mr. M. Lundy:

Yes, we have forecasted up to 2015. It is robust to 2012 because those thereafter have not yet been born. I cannot tell you how we manage the predictions of those who have not yet been born, but I understand that it is reliable to about 3 per cent. So yes, we have some solid data about the numbers in the system but not necessarily where they are going to be in the system at that point in time, you know, which catchment area they are going to go in. So we know how the system overall is affected, but we will not necessarily know how each individual school is affected until a year or 2 ...

Mr. M.P. Magee:

Does that include the predictions on growth of population that are ...?

Mr. M. Lundy:

It does, yes, and there are allowances made for immigration and emigration.

The Deputy of St. Ouen:

Following on regarding this ... it is preferred it is a delegated financial management, and you speak about schools ... sport and culture areas as well. You talk about, you know, okay, it is great and it is flexible and so on and so forth, but equally how do you reconcile all of that with your clear responsibilities as accounting officer for the department and its budget?

Mr. M. Lundy:

All the areas except the schools are working on cash limited budgets, so there is less of a challenge there. We would expect those budget holders to come in, you know, and deliver on the bottom line. The precarious area is around schools and we have been fortunate that in recent years, for example, the fee-paying colleges have been able to build up funds to offset what they anticipated was going to be a liability in terms of teacher pensions. Of course, they have raised additional funding there from parental income. Now, because they have been carrying over a surplus, actually they have offset some of the

negative carryovers. So what we have to do and we do through our monthly reporting and our quarterly reporting is to monitor the state of the system and to make sure that there is a balance between those schools that are carrying over a surplus and those few schools who are carrying over a deficit, and if necessary to ensure that we have a contingency to make sure that we come in on the bottom line. So it is a process that needs to be managed and it needs to be actively managed; you cannot leave it to chance. So we do it with fairly regular reporting and, as I say, weekly meetings.

The Deputy of St. Ouen:

It is interesting because, as I say, you picked up on the fact that, you know, you are allowing schools basically to carry forward those surpluses and deficits under this delegated financial management. I am just concerned, I mean, if you are allowing that to happen, how are you actually identifying the schools that are properly or well managed and those that perhaps are not so well?

Mr. M. Lundy:

Okay. There are 2 points here. The first point is that the reason we do it is because the school year does not match the academic year ... it does not match the financial year. So the school year is from September, obviously, to August, so we are making appointments for September and those teachers are going to be in post for a year. So the schools have to be able to manage that. For example, if you were an 11-16 school and you lost 30 students to Hautlieu, that is going to affect your budget. If you have, you know, significant increase in numbers in ... coming in the intake in September, then quite clearly you will get the money for that in January but you need the ability to be able to pay that staff in between September and December. So, I mean, in brief it is really to match, it is to give the schools the capacity to manage finance for the school year against the finance year that is January to December.

The Deputy of St. Ouen:

Seemingly, you are also allowing fee-paying schools to accumulate funds to carry out capital projects and other things?

Mr. M. Lundy:

Well, all the schools are allowed to retain up to 3 per cent. The rationale for the capital projects was because those schools had built up additional funds because those schools anticipated that changes to the pension fund would mean that they had to pick up a liability that they had not planned for. So they planned for that liability. They had that surplus. They made the case that that surplus actually was money that partly belonged to parents and, therefore, they should be allowed to keep that money and to put that money into the capital development.

The Deputy of St. Ouen:

Who approved, who sanctioned that carry forward? Was it yourself? Was it the Minister?

Mr. M. Lundy:

No, that would have been approved at ministerial level and also with the Treasury.

Mr. P. Robinson:

All carry forwards have to be approved by the Council of Ministers at the yearend.

Advocate A. Ohlsson:

Can I just come in there on the pension? Why was it that the fee-paying schools anticipated this pension issue but the rest of the department did not seem to anticipate the issue?

Mr. M. Lundy:

Well, the department ... I cannot speak with any real authority on this one because the pension fund ...

the work around the pension fund missed me. So the only thing that I can say is as far as the non-fee-paying schools are concerned that we would pick up the full liability, but as far as the fee-paying schools were concerned, they would have to pick up ... it was anticipated that they would have to pick up half the liability.

Advocate A. Ohlsson:

It was not something that was budgeted for in the non-fee-paying schools?

Mr. M. Lundy:

I would need to check that. I cannot comment on that.

The Deputy of St. Ouen:

We have already touched on the issue with Mr. Ed Sallis from Highlands, the Highlands Principal, regarding criticisms levelled at his college from the external auditors. We also commented on the fact that not only this year but in previous years criticisms have been levelled at the Education, Sport and Culture Department regarding the controls within the department. Can you just bring us up to date on exactly what you have done to actually deal with these concerns so that, you know, we do not see a repetition in another year's time being picked up by the auditors again?

Mr. M. Lundy:

Well, we have raised the ... I am going to ask Peter in a second to take you through the detail of some of the stuff that we have done, but what we have tried to do is to raise the profile to make sure that people recognise quite clearly that it is important to be cost effective, that efficiency is high on the agenda. As I say, we have tried to ensure that budget holders, particularly significant budget holders, and Highlands College is included in that, have a thorough and proper dialogue with the department about their strategic direction and their funding arrangements and how they are using that funding. So some of the things in terms of tighter financial control, Peter, can you just describe some of them?

Mr. P. Robinson:

Well, I guess since I have been at the department my main concern has been with budget holders making sure they get the right monthly financial reports, but also training them so that they appreciate what financial control means. We have ... I think I mentioned earlier we have developed a compliance statement that people sign off in support of Mario's role as an accounting officer, but we have also developed a self-assessment questionnaire that we send out to schools, although there was none sent out last year because there was a new chief internal auditor. But we send them out, it is about a 10-page document that addresses most of the controls that you would expect to see in a school. We have also developed one which we are intending to send out to the cultural organisations so that we can confirm that their governance arrangements are appropriate for a grant recipient organisation. Really, that is the only way, I feel, to keep ... to monitor the range of functions within Education, Sport and Culture.

Mr. M. Lundy:

There is a drive as part of our Business Plan for 2009, which we have started to implement early, which is around enhancing governance and streamlining accountability. So, for example, from 1st January next year we will be introducing a professional partnering arrangement for clusters of schools. Essentially, this tightens up the relationship. I will talk about schools, but it is not just for schools. This type of arrangement will apply to other organisations who have partnerships with us. The concept is one of a number of formal meetings between a professional partner and that cluster of schools which are related to their business planning, their setting of their budget, which is looking at budget trends, it is looking at the performance of the school, it is agreeing with the school the process of self-evaluation and assisted evaluation over 3 years, and will result in the professional partner being engaged either with the governing body as an adviser or being involved directly, if it is a primary school, with the head teacher

doing the performance review and appraisal. So there is a very tight accountability framework that we are trying to develop for schools and colleges, and we have already implemented this with Highlands College literally from February this year.

Advocate A. Ohlsson:

Some of my questions relate to performance issues and some of your stated performance measures. The first one I have is related to primary education and pupil/teacher ratios and also average class sizes. I mean, you say that your planned maximum class size is 26 and that 94 per cent in 2007 of classes had fewer than 26. At the other end of the scale, you mentioned smaller primary schools, demographics and so on. Do you have an issue with class sizes that are too small?

Mr. M. Lundy:

We do not have an issue with class sizes that are too small right at this moment, not too small, but we have some small class sizes. Twenty-four to 26 is thought to be about the optimum class size. What we have done over the last couple of years is closed 2 forms of entry, so we have reduced the size of primary schools, of 2 primary schools, rather than, you know, seek to close a school because it means that there is still adequate capacity in the locations. So each year that works through the system: another class closes within that school. The problem is that, as I said earlier on, you do not know whether the youngsters are going to end up wanting to go to school too far in advance and we have had to reopen one of those forms of entry to accommodate for an increase in numbers.

Advocate A. Ohlsson:

Are your P.T.R.s (Pupil Teacher Ratio) really that consistent, 23.7 over the last 3 years?

Mr. M. Lundy:

No, they are not, no. They are not that consistent. That would be the average P.T.R. that ... I would need to go into the detail of how that is actually calculated. If you are quoting from the balance scorecard, there are issues with that that I would wish to improve.

Advocate A. Ohlsson:

Right, okay. This is the Annual Performance Report 2007.

Mr. M. Lundy:

Yes.

Advocate A. Ohlsson:

Okay. Moving on to secondary education, do you think the performance measures used in here are really appropriate for the secondary education broad service that you are providing in terms of G.C.S.E. (General Certificate of Secondary Education) performance, A level performance and so on?

Mr. M. Lundy:

Well, I think the Comptroller and Auditor General has pointed this out. Actually, they are output measures, are they not, as opposed to outcomes for the Island, which is a more complex piece of work that we certainly need to look at. In terms of them being output measures, yes, they are a good indication of how well our schools are doing. But they are just a set of ... they are a fairly narrow set of indications and there are other indicators that we would wish to look at. So our school evaluation processes where we actually, you know, will have somebody going into schools and working with the schools, looking at the quality of education, the quality of teaching and learning, the interaction between students and students and students and teachers and the relationships with the schools, these are the broader set of measures which you could, I guess, start to turn into something that you could, you know, make more widely available, but whether they would lose something in that sort of domain is

questionable.

Advocate A. Ohlsson:

When you look at the performance of individual schools on these measures, are your variances such that you do have schools which you would regard as problem schools and other schools which are high performing schools? I mean, this obviously gives us an average, not a ...?

Mr. M. Lundy:

The structure of secondary education in Jersey is such that that is inevitably going to be the case. I mean, our 4 11-16 schools have slightly different pupil profile than the other schools. The way that we have been able to compare is by looking at the value added for schools and what we are trying to do when we do that is to analyse, you know, how far that school has brought on the pupil cohort compared to where they started. So that gives us some secure information, otherwise it is a very distorted picture.

Advocate A. Ohlsson:

Absolutely.

Mr. R. Bignell:

Coming back to the internal controls, you actually got a bit of a pat on the back in the auditor's report saying there were some improvements that they had noticed, but a couple that did concern me, which you may have already tackled, one was payroll. It said that leavers and joiners were not adequately controlled, there was no active management of the process. The other one was on bank accounts, saying there was no formal reconciliation of bank accounts, which seemed quite concerning. I just wondered if those 2 issues have been addressed.

Mr. P. Robinson:

The leavers and joiners is an issue that involves communication between the H.R. (human resources) function and I.T. (information technology). It actually sidesteps the finance function, and I have already contacted our H.R. business partner, to make sure that that is addressed. The bank account reconciliation, that is only about one small part of the income that comes into Education, Sport and Culture, related to the sports area, actually, and it is due to our booking system that we had up at Fort Regent. There are some problems at the moment with the reconciliation at the Treasury. We have actually developed cashiering procedures that follow through the process from the cashier taking their cash float in the morning all the way to the bank process at the end of the day. We are working with the Treasury at the moment to refine that process, and I would say that we are almost there.

Mr. R. Bignell:

So it should get picked up in this 2008 audit, hopefully?

Mr. P. Robinson:

It will not get picked up. **[Laughter]** If it gets picked up, there will be a problem, I think.

The Deputy of St. Ouen:

What is the actual problems between the J.D. Edwards system and Microcache?

Mr. P. Robinson:

Microcache, that is correct. There is no interface between the 2 systems, which means that J.D. Edwards has to be manually updated for Microcache, which is not ideal because it means you have to double check the figures all the time.

The Deputy of St. Ouen:

When was this issue recognised?

Mr. P. Robinson:

I think it was recognised at the end of the previous year's audit, actually. We have had quite a few problems with Microcache in terms of it was used ... it was taken on in the sport division as a new booking system I would say about 5 years ago because it was the only booking system that was on the market at the time. The financial package attached to that has not been developed as much as was promised at the time.

Mr. M. Lundy:

We understand there is a technical problem with resolving this.

The Deputy of St. Ouen:

But is it something that can be sorted or is it going to have to continue?

Mr. P. Robinson:

No, it is something that will be sorted. What we have done is we have set up a configuration team that is looking at the overall controls around the booking and what financial system there is with Microcache, so we are dealing with the issues.

The Deputy of St. Ouen:

Who is responsible for the allocation of budgets, whether it be the schools, Highlands, Sport and Culture? How do you determine those?

Mr. M. Lundy:

The first thing is that a significant percentage, probably 80 per cent, of our budget is already in staffing costs, so a fair amount of allocation has already taken place before you start. The formulas that go to schools take care of that, which is one of the reasons, for example, that when we were facing efficiency savings as far as schools were concerned that we allocated those efficiency savings across the schools as a percentage because otherwise you just distort the formulas. So it is formula funded, so a vast majority of the resources has already gone out. Areas like the youth service, the funding will be attached to the strategy they will develop. The grants that are provided to cultural organisations will be provided on the basis of the business plan that they present, and obviously with the partnership agreements they are obliged to present the business plan and report. So there is a fairly lengthy business planning process that we would engage in. We are looking at budgets ... well, in fact, we have already agreed the budgets virtually for next year, tentative budgets.

Mr. P. Robinson:

What we have developed in the department is more or less a system of, I guess, self-scrutiny, really, that every month I produce financial reports so that every senior manager is able to analyse other senior managers' budgets so that we can question each other and test each other really on whether there is any flexibility within budgets. Not that I have found any to date, but at least it gives an opportunity for each manager to know every other manager's part of the budget.

The Deputy of St. Ouen:

How accurate would you say your budgets are against actual figures?

Mr. P. Robinson:

I would say they are fairly accurate apart from 2 or 3 areas that need further refinement. All States departments profile their budgets every month and there are 2 or 3 of our areas that I would say are not profiled correctly at the moment. But they are very specific areas and I would say they were the fee-

paying provided schools and Highlands College.

Deputy S.C. Ferguson:

What do you call profiling?

Mr. P. Robinson:

It is basically where if you are given a budget, for instance, for staff, then you know more or less that your staff costs are going to be spent one-twelfth every month. So you can profile the budget one-twelfth and then after 6 months you should have spent six-twelfths of your budget. Obviously not all budgets are like that, but there are non-staff budgets that are really ... I would not say uncontrollable, but you are not sure whether you are going to spend the budget in the first quarter, the second quarter or the third quarter, so they are very difficult to get an exact profile.

Mr. M. Lundy:

I can give you a good example of that in relation to special needs. Once again, we try to manage the special needs and we are looking at growth in special needs. Special needs is not formula funded, so we have to manage it within a cash limit. Now, you could have, as we have had in the past as a result of maybe a medical procedure that has gone wrong or something, you could have a high cost challenge to meet. Of course, you know, you would not necessarily have planned for that at the outset of the year.

The Deputy of St. Ouen:

Just to follow that on, I did actually compare the 2007 Business Plan estimates with actual expenditure in 2007, and if I have done my sums right actual expenditure was £1 million less than estimated primary education and £1 million less secondary education, just over £1 million less in provided fee-paying schools and £600,000 less for the special needs school. Further, vocational and tertiary education was £1.3 million less. Now, I am rather concerned and it makes me question how you are arriving at and calculating your budget when actual figures varies quite significantly from those budgeted, especially when with regards schools it is absolutely clear that you should be well aware of the numbers coming into those schools and needing to be accommodated within the following year.

Mr. M. Lundy:

Well, you are up to a point. You are not aware exactly where they are going to be, so when it gets down to the individual budget of schools, you are not able to be that secure. But there are a number of things, as I understand, that took place in 2007. First of all, the 2007 Business Plan figures would be predicted numbers. So obviously they do have to be hardened up a little bit later on. We do have a number of students who come in at the last moment. In one school last year, 25, 27 students I think actually arrived in September who were off-Island students who were not in the calculations. Now, that is a significant variance. But my understanding is that there were some ... I will have to defer to Peter on the detail of this, that there were some changes to the ... for example, in respect of transfer of money to Property Holdings, et cetera. There was increased income. There was a £1 million transfer to student grants. There was a fair amount of moving around last year, the detail of which, as I say, I will have to defer to Peter on, but I think that that counts for a fair number of the variances that show up in this ...

The Deputy of St. Ouen:

So in the coming ... I mean, we are about to look at the 2009 Business Plan. What confidence can I and others gain from looking at the proposed Business Plan, the overall total that you are suggesting, that actually they are not an over-estimate of what you need and require?

Mr. M. Lundy:

I think I would like to feel at the end of my first year as accounting officer that I too could have that confidence, but I am going through the process for the first time and we are basing it on the procedures

that have been in place until now for business planning for budgeting. So we will look at the predicted numbers, we will look at the predicted spend in other areas, we will look at the income targets, et cetera, that we would expect the sports division to be able to achieve, and we will base the plan and the budget around that.

The Deputy of St. Ouen:

Can you tell me are salary budgets subject to similar controls as all other expenditure within the department, and if not, why not? Salary budgets or overall salary budgets, staff budgets, cost budgets, manpower budgets?

Mr. M. Lundy:

Well, yes, obviously they are controlled (a) because the F.T.E. (full-time equivalents) is controlled. There is a limit on the F.T.E. for the department. Obviously there is the headcount, so within that context the actual numbers of staff are controlled. In terms of the actual salaries that apply, the majority of staff are on recognised salary scales. So, for example, if you are a teacher you get paid the salary that a teacher gets paid and at the end of the year if you move up an increment, you move up an increment. So there is not the same flexibility within our service for us to perhaps, you know, reward people outside of the constraints of the policies which exist for it.

The Deputy of St. Ouen:

Are you confident that everybody is being paid the right amounts of money?

Mr. M. Lundy:

Insofar as I can be confident that everybody is being paid the right amounts of money, yes. [Laughter]

The Deputy of St. Ouen:

How are you confident, then? Can I ask you that? How do you go about ensuring that the salaries you pay are actually the right amounts for the individuals that you employ?

Mr. M. Lundy:

Well, because (a), you know, the teaching salary is determined by negotiations with the Teachers Union so we know what the salary scales are. We have agreed the salary scales and we pay according to them and we do not move away from those salary scales. When it comes to civil service across the department or other ancillary staff across the department, their jobs would be subject to a Hay evaluation and, therefore, graded by States H.R. and we would pay the salary that meets the grade that the job is determined to pay at.

Mr. P. Robinson:

Also, if I can just add, we ... obviously all budget holders get financial reports that show the spend on staff costs, so you would expect them to be able to identify any discrepancy at a very high level. Also, a member of my team ... I basically split up the organisation so a member of my team is responsible for specific areas and it is their responsibility to follow up on any variances of actual spend against budgeted spend. So you could identify any ... obviously if it was a few pounds then you might let it go, but you should identify any material variance from a report like that.

Mr. M. Lundy:

I mean, if what you are referring to is how much leeway do remote managers have to pay salaries that are maybe outside of the agreements, none.

The Deputy of St. Ouen:

This is all sanctioned centrally?

Mr. M. Lundy:

Yes. It all has to be approved centrally.

Advocate A. Ohlsson:

Your pay rates for teachers are, as I understand it, fairly substantially above the U.K. equivalents?

Mr. M. Lundy:

At the lower end of the pay scale.

Advocate A. Ohlsson:

So, what, teachers in their early years or ... as opposed to ...?

Mr. M. Lundy:

Yes, young teachers. If you were a young teacher, you would be better off with a starting salary in Jersey than you would be in the U.K. That was a conscious decision in developing the previous pay span, which was about attracting young teachers back to the Island at a time when we were finding it extremely challenging, particularly in the secondary phase, particularly with shortage subjects, to get people to come to the Island and work.

Advocate A. Ohlsson:

Is that still appropriate?

Mr. M. Lundy:

There are still shortage subjects across the U.K. Whether the salary scale is appropriate I think would be a matter for debate between ourselves and the Teachers Unions. I think it is appropriate.

Advocate A. Ohlsson:

Do you think you are getting value for the additional amount you are ...?

Mr. M. Lundy:

Yes.

Advocate A. Ohlsson:

In terms of better quality teachers?

Mr. M. Lundy:

The quality of teachers coming, young teachers coming through, is quite outstanding at the moment. The problem that we have is not so much with the ... and, of course, that is compounded by the fact that there ... we actually do have some choice now, more students have trained as teachers than there are jobs for them in the Island. So, you know, clearly there is a competitive market there as well. But yes, I do think we get good value for it. I think the achievements of the service, although in the Business Plan perhaps somewhat narrow, indicate that we are a high achieving service.

The Deputy of St. Ouen:

I know we are skipping around a bit, but I would like to talk about the AquaSplash. Could you inform us how long or in what year did Education start funding the AquaSplash?

Mr. M. Lundy:

I will just have to go back through my notes. **[Laughter]** We can provide you with that detail.

The Deputy of St. Ouen:

Maybe you can provide us with that information.

Mr. M. Lundy:

Yes.

Mr. P. Robinson:

To date, the department has not funded AquaSplash because the deficit has been paid through Finance and Economics at the end of each year, and it is only in 2009 will be the first year that the budget is going to be transferred from Finance and Economics ... or Treasury and Resources, sorry, to Education, Sport and Culture. That will be the first year that we will be paying it from our budget as such.

Mr. M. Lundy:

So the department has taken on a commitment that was already made.

The Deputy of St. Ouen:

So no funding has been paid to you in 2007 to do with AquaSplash on Education?

Mr. P. Robinson:

Well, we have paid ... what happens is we pay AquaSplash and then at the end of the financial year Treasury and Resources reimburse us with that money. From 2009, as I say, it is the first year that we have had a budget transfer.

Senator L. Norman:

Mr. Lundy, earlier you said that some might consider the triumvirate of Education, Sport and Culture to be a strange mix. Does this diversity in itself have any ... create any difficulties in the budgetary process, the diversity of the 3 separate things?

Mr. M. Lundy:

I do not think it has necessarily created any difficulties. I mean, there is always the danger that when we have gone through the period of making some savings that one part of the business may feel that it hits them more than another part of the business. For example, sport being the smaller part of the business, any small cuts to sport are going to have a fairly big effect. I think now that we are out of that there is less of a difficulty in reconciling the budgets, but what we have tried to do is to develop a culture in a fairly short space of time that seems to be having an impact where we are looking more intensely at each of the budgets, not just across the 3 strands but actually within those strands as well, and making sure that each section of the department (a) has the resources that it needs to do the business that it is expected to do, and when I say the resources it means that takes account of additional resources as well. I mean, you know, if they have got too much, then we would seek to reprioritise, obviously. So that is a big exercise that we have gone through and it has worked quite effectively for us this year. In fact, it enabled us to sustain Mont à l'Abbé School this year when it had some significant financial challenges.

Deputy S.C. Ferguson:

So where did the £370,000 come from?

Mr. M. Lundy:

The £370,000 for the future will come from the Council of Ministers. The £200,000, just over £200,000, that we have used to support Mont à l'Abbé through the course of this year has come from different sections of the service. Sport have contributed to that, the youth service contributed to that, and it has been around looking at projects and appointments where there has been some slippage and trying to use the money to best effect.

Deputy S.C. Ferguson:

Yes, because I suppose, following on from that, the C. and A.G.'s (Comptroller and Auditor General) spending review report, how many of the ... well, they were not recommendations, I suppose they were just sort of suggestions or indications. How many of those have you started incorporating?

Mr. M. Lundy:

Well, we have not started incorporating any of them because what we have agreed to do is to provide a complete response to the C. and A.G.'s recommendations. In fact, each States department that is faced with recommendations is doing the same thing, and I think the pledge was that the response would be prepared within 6 months and we have just received a first draft from all our sections of the department responding to ... objectively to the suggestions of the C. and A.G.

Deputy S.C. Ferguson:

With shrouds incorporated, no doubt. [Laughter]

Mr. M. Lundy:

There are no shrouds in there, there are no shrouds.

Advocate A. Ohlsson:

Different subject again, 2007 saw the transfer of your Estates Management Services Department to Property Holdings. How has that gone?

Mr. M. Lundy:

It is gone. [Laughter]

Advocate A. Ohlsson:

In terms of your continuing relationship with your property asset?

Mr. M. Lundy:

Well, quite clearly I think it is generally recognised that the States of Jersey has a challenge to maintain its property portfolio. It would be easy for us to look at that which we have tried to achieve and probably have achieved in the past in Education, Sport and Culture and to measure it against what is happening today. And I suppose if we were to do that, we would have to say, you know, the standard of support that we are getting ... not the standard of support, but the investment in our property infrastructure is probably in terms of maintenance not as strong as it has been. But this is a big problem for the States of Jersey and, of course, the C. and A.G. has raised that in the report as well.

Deputy S.C. Ferguson:

Have you stripped it out of the school budgets as well?

Mr. M. Lundy:

It is a very small maintenance budget that remains in schools because it is more effective to allow them to manage the minor issues themselves.

Deputy S.C. Ferguson:

What do you call small?

Mr. M. Lundy:

I think the ... and this is off the top of my head, I think we are looking at for a secondary school a maintenance budget of around about £40,000?

Mr. P. Robinson:

Probably less.

Mr. M. Lundy:

Probably less now than about £40,000, but it is something ... there are 2 things we are going to do about this. One is it is currently on a formula basis, so all the schools will receive the maintenance budget on the basis of square area, et cetera. We actually think there should be a level of need in there as well. It does not seem quite right that a brand new school would get the same money as a school that needs to be ... you know, needs a fair amount of maintenance. So we are looking at how we allocate that. We are looking at reviewing that funding to take account of that.

Deputy S.C. Ferguson:

Is this something that you have agreed with Property Holdings or just told them that you are doing it?

Mr. M. Lundy:

No, we are still ... we are actually ... we have discussed this with Property Holdings and we will continue to do so, but I think there are bigger issues, bigger discussions being had at the moment about whether that budget actually should remain with the school or whether it should not.

Mr. P. Robinson:

The property maintenance budget in Education, Sport and Culture was never allocated to schools; it was retained centrally because then it could be prioritised. Only a small element of budget was given to a school and that was ring-fenced so that they could not forego property maintenance to spend it on another part of the school.

Deputy S.C. Ferguson:

Yes, because if it is about £40,000 a year, we are talking half a million with 12 schools or something like that?

Mr. M. Lundy:

Well, it is not going to be that for your primary schools; it will be much, much less for primary schools.

Advocate A. Ohlsson:

But the only issue is the maintenance cost, is it not? The primary school itself does not bear any cost of occupying the premises?

Mr. M. Lundy:

Not at the moment it does not, but under G.A.A.P. (Generally Accepted Accounting Principles) ...

Advocate A. Ohlsson:

It will do?

Mr. M. Lundy:

It will do.

The Deputy of St. Ouen:

Can I just get it clear in my own mind? Has all transfers that Education, Sport and Culture are responsible for been transferred now to Property Holdings?

Mr. M. Lundy:

Can you confirm that?

Mr. P. Robinson:

No, the sport division still retains a property budget. There was a ... the sport division has got its own property maintenance function, so they look after all of the sports centres and the playing fields and outdoor facilities.

The Deputy of St. Ouen:

Why retain that section of property?

Mr. P. Robinson:

I think it was felt that there was possibly specific needs within that area and having their own team they could be more responsive.

The Deputy of St. Ouen:

So, what major assets are we talking about?

Mr. P. Robinson:

Fort Regent, Les Quennevais, Springfield and all of the small ... Millbrook, FB Fields ... no, Millbrook does not exist any more, of course. Airport playing fields. I think that is about it.

Advocate A. Ohlsson:

How many staff is that?

Mr. P. Robinson:

I would say 7 or 8 I think it is.

Advocate A. Ohlsson:

Seven or 8?

Mr. P. Robinson:

Yes.

Deputy S.C. Ferguson:

So the budget is how much that you have retained?

Mr. P. Robinson:

Actually, can I refer to ... **[Laughter]** The sport division has always been dealt with differently than the rest of education. Education would always subcontract their work and then basically carry out a check afterwards to make sure that work was done to a specific standard. The sport division had always employed its own staff to carry out the maintenance. If I can just ...

Connétable D.J. Murphy of Grouville:

Can I just come in here? Because it gels with something I spotted this morning on the capital programme, and that is that Treasury and Resources, Property Holdings are paying for the FB Fields running track, £510,000. Has that slipped through or is it a mistake?

Mr. P. Robinson:

I think that has been included in 2012, is it?

The Connétable of Grouville:

Yes, 2009 to 2013, next year.

Mr. P. Robinson:

I think it is earmarked for 2012, actually.

The Connétable of Grouville:

Oh, is it? Okay, right.

Deputy S.C. Ferguson:

So there is the best part of a million in the Property Holdings budget that you are hanging on to?

Mr. P. Robinson:

Depending on how one looks at it. I would not say it is the Property Holdings budget because it was agreed at the time. Obviously it was before my time, but it was agreed that that would be retained by the department.

Mr. M. Lundy:

I mean, there is a requirement to maintain the schools regardless of where the money sits.

Deputy S.C. Ferguson:

Well, yes. No, I have no problem with that, but I thought that in 2005 we were actually centralising all the budgets on property.

Mr. M. Lundy:

I am not sure all States departments have centralised their property budget, have they?

Deputy S.C. Ferguson:

Well, apart from the bits they have hung on to, like yourselves and Health and all sorts of people.

The Connétable of Grouville:

I think the aim is to get it done by the end of next year because I talked to David Flowers this morning about it.

Deputy S.C. Ferguson:

Sorry?

The Connétable of Grouville:

I spoke to David Flowers this morning about that and he said he hoped by the end of next year that they would have centralised it.

Deputy S.C. Ferguson:

Right.

The Deputy of St. Ouen:

I am well aware that the department ... well, all departments work on net expenditure level and obviously we have spoken about gross expenditure, but there is also an income element which you raised. Can you just talk us through how you end up or calculate what that income level is likely to be and how accurate do you feel you are in that calculation when it comes to a forward budget?

Mr. M. Lundy:

Well, the 2 ... I have not been through this as an accounting officer as yet, but the 2 big sources of

income are obviously through Sport, particularly the Active Card, and the sports division do set and agree income targets with the department. So it is more than just a prediction; it is a very hard target to chase after. The income ... the other main area of income is actually at Highlands College, which is around the adult education programme. And, sorry, yes, the one that quite rightly appears that we take for granted is the ... obviously the income that we get from parents from the fee-provided, fee-paying schools.

Advocate A. Ohlsson:

That is on your ... that is in your income and expenditure, the full income and the full expenditure?

Mr. M. Lundy:

Yes.

Mr. P. Robinson:

Only for the provided schools.

Deputy S.C. Ferguson:

Bearing in mind the cost of independent schools in the U.K., are those valid fees?

Mr. M. Lundy:

It is an interesting discussion to be had around that and it is one that we are actually having as we prepare our response to the C. and A.G.'s report. The valid fees, I think it depends what you mean by a valid fee. A valid fee for us would actually allow parents to have access to that type of education and we would need to see that there was a demand for it. So, in other words, if you were to increase the fees to the point where it prevented some children from gaining places at the schools, then the likelihood is that those young people would then come into the provided sector and we would end up spending twice the cost. So there is a balance to be maintained. The balance is around making sure that those schools remain attractive. There is a broader mix of people actually attend our fee-paying schools than you probably would see in a classic independent school in the U.K. So there is a balance between that and what it would cost us if we discouraged or if there was a perverse incentive in there for them to put the children in the provided sector.

Deputy S.C. Ferguson:

Right. Anybody else? Just a couple of things. Given the comments in the management letter about the internal controls and so on and the various internal audit reports, you are quite happy signing off the internal ... statement of internal controls?

Mr. M. Lundy:

I will sign off the statement of internal controls as long as I am confident that there is action being taken to address any of the issues that have been raised. **[Laughter]**

Deputy S.C. Ferguson:

Yes. Looking forward, if you could wave a magic wand and have something, you know, actually sort of done now instead of over years, what would be your ... the thing you would like to have most?

Mr. M. Lundy:

That is an interesting question. It is hard to choose.

Deputy S.C. Ferguson:

Think hard.

Mr. M. Lundy:

What would be the thing we would like to do? Well, I think there are 2 big areas, really, and if I can opt for 2, I mean, one is around ensuring that our special needs students are appropriately supported - in fact, this probably is the biggest one - right through from ... I mean, we identify most of our special needs students at birth and I think there is a real need to make provision that follows those students right through and that they should not necessarily ... that we should not have to fit their needs within a cash limit. In other words, that that would be appropriately formula funded and the formula would take account of the numbers of need and take account of the levels of need and perhaps it would take account of the fact that once these young people leave the school system there needs to be additional support actually to help them settle in their adult lives. So I think it would be a more responsive way of funding special needs across the Island. This is not the only jurisdiction where that is the case; it is recognised as a challenge in most jurisdictions.

Deputy S.C. Ferguson:

Anything else, gentlemen? Thank you very much indeed, Mario. Thank you very much indeed, Peter.

Mr. M. Lundy:

Thank you very much. Thanks.

Mr. P. Robinson:

You are welcome.