

***JERSEY
CHILD CARE
TRUST***

***Report of the Comptroller
& Auditor General***

Friday, 8 September 2006

SECTION ONE ~ INTRODUCTION

1. This is the report of a review of the Jersey Child Care Trust (the Trust or JCCT) undertaken at the invitation of the Trustees. The purpose of the review was:

" . . . to consider the activities and organisation of the Trust with a view to considering whether they represent the most cost effective means of achieving the purpose for which the Trust was created."

2. The review consisted of:
 - (1) a review of the constitution, financial statements and records of the JCCT,
 - (2) discussions with Fiona Vacher, the Director of the Trust,
 - (3) discussions with the Chairman, Treasurer and other Trustees,
 - (4) discussions with the Assistant Director of the Department of Education, Sport and Culture with responsibility for managing the Department's relationship with the Trust,
 - (5) discussions with a number of representatives of organisations involved in the provision of childcare in Jersey and with a number of parents who had used the Trust's services. All of the people consulted were nominated for this purpose by the Trust.
3. The report consists of the following principal sections:
 - (1) a review of the development of policy for childcare, the Trust's history and of its financial position (section three),
 - (2) a review of the Trust's current activities (section four), and
 - (3) an analysis of the information gathered by the review and its implications.
4. But first, a summary of the findings of the review is set out in section two.

SECTION TWO ~ SUMMARY OF FINDINGS

5. This review follows a review of the JCCT's five year strategy carried out by Ms Jenny Spratt and published in 2004 (the Spratt report). The findings of this review may be summarised in the following way:

- (1) The Trustees have made an effort to implement the recommendations of the Spratt report concerning the need to re-focus on the Trust's original purposes.
- (2) Nonetheless, the concerns in the child care sector which were reported in the Spratt report were repeated in soundings¹ taken for the purpose of this review and reflected dissatisfaction with the Trust's performance.
- (3) This failure to meet expectations may in part be due to a failure to resolve conflicts between a number of the Trust's objectives.
- (4) There are three possible models which the Trust may follow:
 - (a) Model One: the Trust acts as an agent for the States in serving as a conduit for providing funds to the sector by way of grants.
 - (b) Model Two: the Trust acts as a campaigner and lobbyist for child care interests in the Island.
 - (c) Model Three: the Trust acts as an Executive Agency providing services to the sector.
- (5) The Department of Education, Sport and Culture (the Department) should settle which of the possible models of organisation it would prefer the Trust to follow; and to what extent it would be prepared to fund the Trust. The Trustees should then consider the future of the Trust in the light of the funds available from the Department and from other sources.
- (6) The grant which the Department originally made available to the Trust may have been unduly generous in that it enabled the Trust to meet its own aspirations while building up comfortable reserves without feeling the need to raise funds from non-States sources.
- (7) The Department should consider the implications of this for the general practice it now adopts in considering grants and clawing-back surpluses.

¹ These soundings were limited in extent but the consultees involved were all nominated by the Trust itself.

SECTION THREE ~ BACKGROUND

6. The Trust grew out of the recommendations of a working party on child care which reported in September 1996. This working party had been established in response to the following reference in the States' strategic policy review 1995 – 2000:

“ . . . the Employment and Social Security Committee should be requested . . . to join with the Education Health and Social Services Committees in considering what steps can be taken to improve the availability and affordability of child care arrangements, particularly for those with low incomes either seeking or in employment . . . ”

7. The working party came to the view that there were unlikely to be sufficient resources for the States to provide all child care facilities and support, that there would always be a need for a variety of provision to meet people's differing needs and that a focal point was needed to stimulate and facilitate new developments and co-ordinate action overall as well as attract more funding. Consequently the working party recommended that the States should establish a Child Care Trust whose purpose would be:

“ . . . to co-ordinate promote and facilitate child care provision in the Island and . . . supported by funds from the States to encourage the expansion of child care. ”

8. This trust was eventually established as the Jersey Child Care Trust with the following objectives:

- “(a) promote high standards of child care;*
- (b) monitor and seek to improve the accessibility and affordability of child care facilities and services in the Island;*
- (c) promote and encourage improvements in the status and conditions of service of child care staff ;*
- (d) promote the training and development of staff in the child care sector;*
- (e) provide information and advice to all interested parties and co-ordinate child care provision across all public and private sectors;*
- (f) sponsor and support research into child care needs;*
- (g) identify market needs, stimulate and facilitate new developments and encourage and facilitate partnerships which enhance child care provision;*
- (h) attract funding to pump prime initiatives for all of the above. ”*

9. The States provided an initial grant to assist with the creation of the Trust and, indeed, throughout the Trust's life the States has been the principal source of funds for the Trust. From the beginning, however, it was expected that the Trust would also seek funds from non-States sources.
10. After some years of operation, the Trust adopted a five year strategy (in 2002) which adopted five objectives. They were as follows:
- “Objective 1: increase the number of high quality places*
Objective 2: create a trained motivated and well supported child care workforce
Objective 3: ensure every working/studying parent can afford a high quality child care place
Objective 4: create a child friendly Island environment
Objective 5: support parents and carers in this role.”
11. These objectives were recognised in a proposition of the Education Committee which was adopted by the States on 23 October 2001 which:
- (1) approved the objectives.
 - (2) requested that each Committee of the States listed in the Strategy should report annually to the Director of the Trust on progress made towards achieving the objectives.
 - (3) requested the Education Committee to present to the States the Trust's annual report on progress towards achieving the objectives.
 - (4) agreed in principle to the provision to the Trust of additional funds amounting to £130,300 to enable it to undertake the work involved in implementing the Strategy and charged the Finance and Economics Committee to identify the appropriate source of funding for making the funds available each year from 2002 to 2006.
12. After two years of operating under this plan, the Department of Education, Sport and Culture commissioned a review of child care arrangements within the Island including the operations of the Trust (the Spratt report). This review questioned the objectives which had been adopted in the Trust's five-year strategy (2002 – 2006) in the following terms:

*"Whilst there is a clear strategy for Early Years Education in Jersey, there is no overall States strategy for integrated early education and childcare.
The JCCT at the mid-term of its Five Year Strategy has become too broad and is no longer focused on its original objectives.
The JCCT is perceived as being effective in some areas of its work but lack of transparency and consultation has resulted in the duplication of roles and responsibilities.
A perceived lack of investment in early education and childcare services has resulted in criticism of current policy."*

13. Partly as a response to this review, a long term policy statement was presented to the States on 5 July 2005 by the Education Sport and Culture Committee.² As far as the Trust is concerned, the policy statement envisaged that:

"The Jersey Childcare Trust would have a significant role to play in [the partnership between public and private sectors]. It would continue 'to coordinate, promote and facilitate the expansion of high quality and affordable childcare provision in the Island'³ providing information to parents and professionals, supporting training and passporting small grants to providers. It would become a more powerful champion for quality and take a lead role engaging parents in that process. Furthermore, it would seek to attract private sector funding and encourage employers to develop more family friendly workplaces which recognize the value, to the family and the employer of flexible working practices."

14. Whilst the Department's Vision Statement was presented to the States Assembly by the relevant committee no proposition was produced for the States to debate. In effect, consideration of the policy was left until after the introduction of Ministerial Government. In the Strategic Plan published by the Council of Ministers there is recognition of the importance of all forms of investment in the Island's children as a necessary investment in the Island's future, but there remains doubt over the means by which the investment envisaged by the Vision Statement can be financed.
15. At the beginning of August 2006, the Minister for Education, Sport and Culture announced that he was expanding a planned review of child care for children aged 3 to 5 to include provision from birth.

² Entitled: Investing in our future: A vision for early childhood education and care for children in Jersey.

³ Quotation from the Trust's constitution.

16. For their part, the Trustees have endeavoured to focus the Trust's activities on its original purposes as envisaged both by the review report and the 2005 Vision Statement. An attempt has also been made to develop targets for the Trust that are relevant, transparent and measurable. Apart from focussing the Trust's activities, this process has included formal changes to the Trust's objects as set out in its constitution (in accordance with the recommendations of the Spratt report) and the negotiation of a Partnership Agreement with the Department which was signed on 5 May 2006.

17. In its amended form, the Trust's constitution preserves objectives (a) to (d) as set out in paragraph 8 above. Objectives (e) to (h) as set out in paragraph 8 have been deleted and replaced with the following objectives:

- “(e) provide information and advice to parents, professionals and other interested parties;*
- (f) co-ordinate child care provision;*
- (g) sponsor and support research into child needs;*
- (h) provide support for child care providers through grants and other forms of assistance;*
- (i) encourage employers and service providers to develop family friendly work places and service facilities;*
- (j) promote quality child care and engage parents in the process;*
- (k) attract funding to pump prime initiatives for all of the above.”*

Financial arrangements

18. In parallel with the Trustees' efforts to focus on the Trust's original objectives, the grant provided to the Trust by the States has been reduced as can be seen from the summary set out in Appendix 1.

19. Having reached a high point of £352,900 in the year ended 31 December 2003. This grant consisted of two elements: a sum of £222,900 in respect of the Trust's core activities and an additional sum of £130,000 to enable the Trust to undertake the work outlined in the Strategy presented to the States in October 2001.

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20. For the year ended 31 December 2004, the grant for core activities remained of the order of £222,000 whilst support for the implementation of the Foundation Stage Initiative was reduced to £65,000. In effect, some additional support was found from the Trust's reserves.
21. For the year ended 31 December 2005, the Trust was asked to meet a cut of 25% in its core expenditure and the grant for core activities was reduced to £162,500. The Foundation Stage Initiative was funded separately.
22. For the year ending 31 December 2006, the grant for core activities has remained at £162,500.
23. Whilst the Trust's other income has increased during that period from approximately £42,000 in the year ended 31 December 2003 to an estimated figure of approximately £55,000 in 2006, the grant provided by the Department remains the Trust's principal source of income.
24. As the annual grant from the department has fallen, so the Trustees have cut the Trust's expenditure. In the year ended 31 December 2003, expenditure amounted to £409,853. It is estimated that in the year ending 31 December 2006, expenditure will amount to only £217,171. A significant part of this reduction in the Trust's expenditure has been achieved by transferring to the Department responsibility for the Foundation Stage Teacher initiative (in accordance with one of the recommendations of the Spratt report).
25. However, the efforts to cut expenditure have not matched the fall in income. This was intentional. Reduction in expenditure was bound to take some time and the Trust was able to call upon its reserves to soften the effect of the reduction in grant income. In consequence, the Trust has experienced a series of annual deficits as shown in Appendix 1. The effect has been that, whereas the Trust's reserves amounted to £205,045 as at 31 December 2001, the Trust's budget for 2006 assumes that the reserves at the end of 2006 will amount to only £106,643.
26. There is obviously a limit to the Trust's ability to continue operations on this basis.

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27. I understand that the Trust's outline budget for 2007⁴ has been prepared on the basis that expenditure should be reduced to fall within the expected level of income and that activities beyond that level could only be contemplated if funds from other sources can be obtained.

⁴ The 2007 budget was prepared during the course of this review and after the Trust was made aware of the preliminary conclusions of the review.

SECTION FOUR ~ ACTIVITIES

Introduction

28. The Trust regards its activities as fitting into a small number of discrete groups:

- (1) Monitoring and seeking to improve the accessibility and affordability of child care facilities in the Island.
- (2) Creating a trained and well-supported child care workforce.
- (3) Providing information and advice to all interested parties and co-ordinate child care provision across all public and private sectors.
- (4) Identifying market needs, stimulating and facilitating new developments, and encouraging and facilitating partnerships that enhance child care provision.

29. I will describe below the Trust's principal activities within each of these areas. In each case, the description is based on the Trust's own description of its activities.

Area 1: Accessibility and affordability of child care

30. The Trust's principal activities in this area are:

- (1) Small Grants Scheme: The Trust has limited funds with which to provide small grants to child care providers for modest improvements to their equipment and facilities. The Trust itself meets the cost of this Scheme and allocates £20,000 annually.
- (2) Foundation Stage Initiative: This initiative is the responsibility of Ruth Livesey a member of the Department's staff. The purpose of the initiative is to provide advice and support the provision of education in a child care setting.
- (3) Special Needs Inclusion Project: The project aims to support places for six children with special needs in a mainstream child care provision. The funds for this derive from three sources: Children in Need (£15,000); Association of Jersey Charities (£9,000) and the Trust itself (£9,000).

- (4) School Aged Discount Scheme: The Trust administers this scheme on behalf of the department of Employment and Social Security. The Trust receives £10,000 annually for this work.
- (5) Research: The Trust has projects in hand to monitor the provision of child care places in the Island, and the cost of various child care and staffing costs. The results of this work are published on the Trust's website.
- (6) Supporting new nursery places: The Trust provides information and support to interested parties setting up or expanding an existing Day Nursery.

Area 2: Child care work force

31. The Trust undertakes the following principal activities in this area:

- (1) Continuous Professional Development (CPD): The Trust aims to support the provision of a minimum of 10 CPD hours for child care staff annually by organising and publicising a programme of brief training courses.
- (2) Staff Bank: The Trust maintains information concerning properly approved child care workers.⁵
- (3) Nanny accreditation: The Trust has been working on a proposal for a scheme of accreditation of nannies and expanding the opportunities for nanny services.
- (4) Training Group: The Trust has in the past convened and is now re-convening a training group to consider developments in the provision of training for the child care sector.
- (5) Newsletter: The Trust produces a bi-annual in-house newsletter for the child care sector (in contrast to the Island-wide newsletter which I mention below).

⁵ During the summer, the Trust has reviewed the operation of the staff bank which may lead, after appropriate consultation to the closure of this service.

Area 3: Information and co-ordination

32. The Trust undertakes the following principal activities in this area:

- (1) School Aged Care Audit: The Trust plans to carry out an audit of the provision of school aged care.
- (2) Babysitting service: The Trust maintains a list of people who are available as baby sitters.
- (3) Website: The Trust maintains a website providing access to sources of information on the provision of child care in the Island.
- (4) Children's Fun Day and Exhibition: The trust plans that this event should increase awareness of child care facilities in the Island and of child care issues.
- (5) Island Newsletter: This newsletter is intended to be circulated widely in the Island as a way of gaining attention for child care provision and issues.

Area 4: Identifying and facilitating

33. The Trust undertakes the following principal activities in this area:

- (1) Profile raising: The Trust aims to raise the profile of child care in the Island by making presentations to interested groups and organisations, and seeking media coverage for child care issues.
- (2) Family Friendly Awards: The Trust plans to develop these awards to mark and draw public attention to significant achievement in the child care area.

SECTION FIVE ~ ANALYSIS

Introduction

34. In the following paragraphs, I will review the recent performance of the Trust:

- (1) against the recommendations set out in the Spratt report, the most recent review of the Trust and its activities; and
- (2) in terms of the Trust's ability to achieve the policy objectives which led the States to provide funds to the Trust.

35. I will then review the implications of the Trust's financial history.

The Spratt report

36. There can be little doubt that the JCCT has made a serious attempt to implement the recommendations of the Spratt report in so far as they apply to the Trust: For example:

- (1) The Trust has refocused its activities against core objectives (Spratt report paragraph 5.7).
- (2) The Trust has amended the formal statement of its objectives set out in its constitution with the required approval of the Minister for Education and the Royal Court.
- (3) The Foundation Stage Teacher supporting private nurseries now works under the Education, Sport and Culture Early Education Advisor providing a cohesive approach to the implementation of the curriculum and continuity and transition (Spratt report paragraph 5.10).
- (4) Areas of duplication with the roles and responsibilities of different agencies and departments have been sought (Spratt report paragraph 5.11).

37. It is also clear that, apart from transferring the cost of the Foundation Stage Teacher initiative to the Department, the JCCT has made an attempt to reduce the cost of its operations, for example by moving into the cheaper accommodation afforded by The Bridge. As can be seen

from the summary of the Trust's accounts set out in Appendix 1, the Trust's total expenditure has fallen rapidly:

<i>Year</i>	<i>Expenditure £'000</i>	<i>Accounts status</i>
2003	410	Audited
2004	352	Audited
2005	319	Audited
2006	217	Budget

38. These efforts to implement the recommendations of the Spratt report should have led to a lessening of concern among people involved in child care about the Trust's performance.

Assessment of performance

39. The Spratt report was in part based upon discussions with people involved in child care about the adequacy of provision in the Island and the Trust's performance in particular. For the purpose of this report, it was not thought appropriate to repeat the full range of soundings reported in the Spratt report, but a limited number of soundings were taken on a basis suggested by the Trust. These suggested that, whilst the efforts made by the Trust to implement the recommendations of the Spratt report were recognised and appreciated, most of the original concerns remained relevant. Moreover, the soundings included a number of criticisms of the usefulness of some of the services that the Trust provided directly including, in particular, the Staff Bank, the baby sitting service and the information-gathering research.⁶

⁶ The Trust believes that the criticisms of information gathering research may be due to the sector's lack of awareness. The research enables the Trust to give accurate data to childcare providers and parents regarding fee scales and rates of pay within all forms of childcare. The information has also been used by the

40. It is difficult to summarise all of the observations set out in the Spratt report, but the following paragraphs quoted from the report indicate the nature of the responses which the review had received:

"Analysis of the data suggests division between those who do not feel the Trust meets the original intention against those who feel that it does. Closer examination of the statistics indicates the high level of those thinking the Trust meets the original intention is influenced by those who represent the Trust itself. More people from agencies and providers felt that the Trust did not meet the original purpose and had moved beyond its remit, than those who felt it was meeting its intention."

41. This is a disappointing response to the efforts the Trust has evidently made and requires an explanation. An analysis of the soundings taken for this report suggests that the Trust may be suffering from conflicts between its various objectives.

JCCT's roles

42. The Trust might have been asked to undertake one or more of a number of possible roles:

- (1) Model One -The JCCT might have been asked to serve as a conduit through which States funds were made available to the child care sector either to subsidise demand for child care (i.e. demand-side support) or to provide financial (and perhaps other) support for the provision of child care (i.e. supply-side support). In either case, policy would be set by the States and the function of the Trust would be that of an agent.
- (2) Model Two – The JCCT might have been asked to serve as a campaigning body to provide information in the public domain with the aim of improving understanding and policy. It might also have been asked to campaign or lobby for improvements in States provision and policy. To be effective in this role, the JCCT would need to have some measure of independence from the States so that it could be seen to be acting objectively. It would be difficult to conceive how the JCCT could achieve appropriate independence and objectivity if in the long term all of its funding were to come from the States.

Department. Similarly, the Trust believes that the baby-sitting service provides vital childcare for parents whose work demands Saturday attendance.

⁷ Paragraphs 3.13 and 3.14 of the Spratt report.

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- (3) Model Three - The JCCT could have been created as an Executive Agency charged by the States with responsibility for providing child care services and for ensuring more generally the provision of adequate child care services within the Island.
43. Currently the JCCT acts partly as a conduit and partly as a campaigning body. The Trust is not a fully-fledged Executive Agency in the sense that the Department has not transferred to it all of the Department's activities related to child care. However, as I have shown in Section Three of this report, the Trust does provide some services directly to the sector in a manner that does not fit within either Model One or Model Two.
44. As a demand-side conduit, the JCCT administers the school aged discount scheme and the special needs scheme, although the first of these activities may come to an end when the income support reforms are implemented. As a supply side conduit, the Trust provides training assistance to the sector and is involved in the Foundation Stage Teacher project.
45. As a campaigning organisation, the JCCT attempts to provide statistical information about the sector and general information about child care provision in the Island by way of its website; and aims to comment on policy developments.
46. Whatever the merits of the individual activities may be (and for the people benefiting from the grants schemes, for example, they are clearly material) straddling a number of different roles in this way may not be wise, partly because the roles may be incompatible with each other and may create unrealistic expectations which the Trust could never fully meet.
47. As a conduit (or indeed as an Executive Agency) the Trust needs to be an agent of the States.
48. As a campaigner, the Trust needs to be sufficiently independent to protect the objectivity of its views. The less independent the JCCT either is or appears to be the less acceptable it is likely to be to the child care sector as a campaigner and commentator. This is particularly the case in

view of the difficult relationship between the States as a provider of nursery school places and the private sector providers.

49. It is undoubtedly the case that the Trust would be more acceptable as a commentator and campaigner if it were able to raise funds for itself from sources independent of the States. In practice, as I have already indicated, the scale of the funds available from the Department has resulted in the Trust not attempting to raise significant amounts of money from non-States sources other than for a limited number of projects. With the reduction in the Department's funding, the Trust has become a more active fund-raiser.⁸ A number of the people with whom I discussed this issue suggested to me that the fact that the Trust is seen as a creature of the States will hinder its fund-raising efforts.⁹

50. In other words, the apparent conflicts between the Trust's objectives are likely to have an impact upon the Trust's performance and thus may have contributed to its failure to meet the expectations of some parts of the community of people who are interested in child care.

Policy issues

51. Before considering how these conflicts should be resolved, it is helpful to reflect on how they arose.

52. The report of the working party on child care dated September 1996 which recommended the creation of the Trust envisaged that the purpose of the Trust would be to:

" . . . co-ordinate, promote and facilitate child care provision in the Island . . . "

⁸ This has led, for example, to the recent announcement by the Lloyds TSB Foundation for the Channel Islands of a grant of £50,000 over two years to assist the Special Needs Scheme.

⁹ Ironically, the move of the JCCT to The Bridge (a States facility) has reinforced the impression that the JCCT is not independent of the States whilst helping to reduce the JCCT's costs.

53. The proposed specific responsibilities of the Trust were to include:

- "- Production of a detailed business, action plan and budget for child care provision for consideration by the States*
- Co-ordination of child care provision*
- Status quality and conditions of service of staff."*

54. In general, the proposed purposes read as if the proposed trust were to have some measure of executive involvement in the provision of child care. In other words, the proposed trust was not simply a Model One or a Model Two organisation.

55. By way of contrast, the Department's consultation paper published in July 2005 proposed that:

- "The Jersey Child Care Trust would become a more powerful champion for quality and focus on raising income to support child care, encouraging the development of family friendly policies in the work place and providing information to the States, parents and partners."*¹⁰

56. This description sounds more like the Model Two organisation already described in this paper although the consultation document does not consider the implications for the Trust of this implicit change in direction.

57. The implication is that conflicts were implicit in the original intentions for the Trust and that expectations of the Trust are changing.

Cost implications

58. These apparent conflicts have further implications.

59. The fact that the Trust has attempted to achieve a number of conflicting objectives has hindered analysis of the benefits achieved by the States as a result of funding the Trust. This hindrance has been magnified by the Trust's provision of services directly to the sector.

Model One

¹⁰ Apart from this the consultative document is silent on the purposes of the Trust although on page 15 it suggests that the Trust should be re-structured.

60. To justify using the Trust as a conduit as envisaged by Model One, it would be necessary to show that the arrangement offered significant administrative benefits which out-weighed the accompanying costs.
61. There are a number of possible grounds for supposing that such benefits may exist.
62. Firstly, the States may be justified in using the Trust as a conduit if the Trust administers grant schemes sponsored by more than one of the States' departments (e.g. the Department of Education and the Department of Employment and Social Security). Use of the Trust would avoid the administrative cost of several departments maintaining links with the child care sector.
63. Secondly, the fact that certain grant schemes are administered by the Trust (rather than by States departments) may enable the Island to attract funds from other organisations which might not have been made available if the schemes had been administered directly by the States. As an example, the Trust currently receives funds from 'Children in Need'. This justification for the Trust's existence assumes that no other means could be found of attracting such funds to the Island which may be an unreasonable assumption and that the States suffers no additional cost by this manner of organisation.
64. Thirdly, the Trust may be able to organise its affairs more flexibly and thus at lower cost than might be possible within the States.
65. Even though these theoretical advantages may offer some justification for using the Trust as a conduit, there are several contrary factors:
- (1) The uncertainty over the trust's objectives has led to its retaining activities that are not relevant to Model One and would have to be terminated (or transferred to other organisations). For example, the Trust currently comments on policy issues and sponsors research.

(2) The total amount of the funds which the Trust is responsible for disbursing is small. The Trust's budget for 2006 includes the following amounts for the schemes administered by the Trust:

(a) Small grants scheme for child care providers: £20,000.

(b) Special needs scheme: £41,194.

66. These figures do not include the School Aged Discount Scheme which the Trust administers because the funds are paid directly by the Department of Employment and Social Security. The funds paid under this scheme amount to approximately £332,000. It is envisaged however that this scheme will come to an end with the implementation of the new Income Support scheme.

67. Even if the Trust were to shed activities that are not relevant to Model One, the funds which it administers are small. Assuming that the Trust has no place in administering funds for child care under the Income Support arrangements, it is difficult to see how the cost of the Trust can be justified by the administration of funds amounting to no more than £62,000 annually. It is difficult to suppose that these funds could not be administered more cheaply by the Department itself.

68. The logical conclusion of this analysis is that if the States decide that the Trust will have no place in the administration of Income Support, and there are no other schemes for the Trust to administer, then the Trust's separate existence would be difficult to justify. It is likely that the Department could administer these schemes more cheaply itself and that any of the theoretical benefits that might flow from the Trust's existence as a conduit would not out-weigh this effect.

69. The clarity of this analysis has been obscured by the fact that the Trust has in some cases acted in quasi-agency capacity by providing some services directly.

70. Whilst it may at one time have been convenient for the Trust to provide some of these services, the soundings taken for this report suggest that a number of them appear to need re-consideration:

- (1) A number of respondents suggested that the staff bank is of limited utility. This may not be surprising as recruitment to the bank ceased in 2005 as feedback from users suggested that usage was declining.¹¹
- (2) The limited training courses arranged by the Trust could be organised by others.
- (3) Some have questioned the usefulness of the website's usefulness as a source of information.

71. In other words, it is not clear that the benefit created by the Trust's direct services is sufficient to justify an organisation which seems disproportionately expensive as a Model One organisation handling annual grants of the order of £62,000 annually.

Model Two

72. If the Trust were expected to be just a campaigner and commentator (as in Model Two above), then the necessary funds would have to come to a much larger extent from the private sector (to ensure independence from the States).

73. As it seems likely that the funds available from the private sector would be much lower than the current funding, the Trust's organisation would have to be smaller (but would be different from the staff required for Model One).

Conclusion

74. In other words, the apparent conflicts between the Trust's various objectives are likely not just to have affected perceptions of the Trust's performance but also to have made the Trust more expensive to run.

¹¹ The Trust has reviewed the staff bank which has now been closed.

75. A more detailed version of this analysis is set out in Appendix 2.¹²

Constraints

76. There is a danger that this form of analysis is too theoretical and not realistic. After all, the Island is a small community and it may not be a wise or acceptable use of funds to attempt to create institutions which avoid all possible conflicts of interest. Conversely, when new policy objectives are considered, it may be thought wise to add activities to an existing body even at the cost of some measure of conflict if the result is that additional administrative costs are avoided.

77. Accordingly, the fact that a body serving a number of different purposes is more expensive than might have been possible had the conflicts been avoided would not be troublesome if satisfactory performance can still be achieved and if the additional cost is lower than the costs that would have been incurred if separate bodies had been created.

78. As far as the Trust is concerned, it is not clear that these conditions are in fact fulfilled. The difficulty arises because the States is a significant provider of nursery education in competition with the private sector and there are points of significant disagreement between them. The effect of this difficulty is that as a largely States-funded organisation, the Trust's credibility as a commentator and sponsor may be regarded as questionable.

Financial history of the Trust

79. As I have indicated, whilst it was originally expected that a significant part of the Trust's income would be derived from the States, it was also expected that the Trust would seek further funds from non-States sources. It is clear that for some years, the Trust was not an active fundraiser and the Trust has explained to me that since the Department's grant was adequate for its

¹² The analysis in Appendix 2 compares the implications of Models One and Two but not of Model Three.

aspirations, there was no need to seek other funds. Indeed, the grant was sufficient to enable the Trust to build up its reserves.

80. It is only with the recent reduction in the Department's grant that the Trust has been obliged to become a more serious fund-raiser although it has to be acknowledged that the Trust also chose to maintain its level of expenditure for some time by using its reserves.

81. The implication is that the initial level of the Department's grant may have been unduly generous. Moreover, while it was doubtless sensible to allow the Trust build up its reserves to a certain extent, consideration might have been given to clawing back surpluses which the Trust had not been able to spend.

Recommendations

82. It is not within the scope of this review to make recommendations on which of the available models should be adopted for the JCCT. Quite apart from any other considerations, it would be inappropriate for such recommendations to be made before the States' long term policy with regard to child care has been settled.

83. Nonetheless, the following observations seem appropriate:

- (1) The Department's eventual policy with regard to child care should clarify the States' view of the purpose of the JCCT.
- (2) That view should be based on the transparent choice between the available models for the Trust.
- (3) In selecting a view, the States should seek to eliminate any conflicts between the various detailed purposes of the Trust.
- (4) Once the States' view of the purpose of the Trust has been settled in this way, the Department and the Trustees should agree the implications of this decision for the future of the Trust.

84. If the States (with the agreement of the Trustees) decided that the Trust should follow Model One as described in this paper and that the grant schemes to be administered were of sufficient scale to ensure that this would be cost-effective, it would imply that:

- (1) All activities inconsistent with the Trust operating as a conduit should be discontinued or possibly transferred to other organisations.¹³
- (2) The Trustees should review the organisation and staffing of the Trust to ensure that they are appropriate to the agreed purpose.
- (3) The Trustees should seek a medium term funding agreement with the States on the basis of the narrower range of activities.
- (4) The Trustees should seek further funds from private sources to augment the funds that the States are able to finance grant schemes administered by the Trust. For example, it may be possible to attract further funding for the special needs scheme. However, the Trustees should ensure that no further funding of this type is aimed at supporting activities that are inconsistent with the narrower purpose of the Trust.
- (5) To ensure that the child care community's expectations of the Trust take account of the new arrangements, the States and the Trust should take steps to publicise the new arrangements appropriately.

85. If the States (with the agreement of the Trustees) decided that the Trust should follow Model Two as described in this paper, it would imply that:

- (1) The Department should indicate to the Trust whether it would be prepared to offer any funding to the Trust to adopt this role exclusively.
- (2) The Trustees should then seek significant non-public sector funding.
- (3) The States and the Trust should seek to make alternative arrangements for those activities which the Trust currently undertakes and which would be inconsistent with its campaigning role.

¹³ An indication of the possible effects of this is set out in Appendix 2. Any such transfers would need to take account of the charitable funding implications of transferring projects to other organisations.

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(4) In the event that the Trustees cannot find the means by which the Trust cannot sustain this role, they would have to consider the implications for the Trust's future.

86. Without resolution of these issues, the JCCT should be expected to suffer from conflicting purposes and expectations with the result that the Trustees will experience great difficulty in directing the Trust's affairs and the Trust is likely to disappoint some at least of the interests which it exists to serve.

87. Finally, the Department should consider the implications of the Trust's financial history for the way in which it sets grants to external bodies.

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APPENDIX ONE ~ SUMMARY OF FINANCIAL STATEMENTS

	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
	<i>Budget</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
INCOME						
States of Jersey grant	162,500	162,500	287,729	352,900	226,552	224,834
Grant – FS project		55,000				
Children in Need grant	15,000	15,000	15,000	15,000		
Discount scheme – fee	10,000	10,000	10,000	10,000		
Donations	22,600	28,795	21,009	12,626	4,874	18,022
Other income	3,500	4,180	5,120	4,555	9,578	12,280
TOTAL INCOME	213,600	275,475	338,858	395,373	241,004	255,136
EXPENDITURE						
Fundraising and publicity		20,101	20,808	21,367	25,578	8,554
Grants payable		13,236	15,037	17,387	9,380	50,674
Childcare activities		54,119	76,308	108,368	47,277	30,754
Support costs		162,163	167,899	182,589	136,822	103,618
Management		69,913	72,446	80,142	44,601	23,258
TOTAL EXPENDITURE	217,171	319,532	352,498	409,853	263,658	216,858
NET SURPLUS/(DEFICIT)	(3,571)	(44,057)	(13,640)	(14,480)	(22,654)	38,278
RESERVES AT END OF YEAR	106,643	110,214	154,271	167,911	182,391	205,045

APPENDIX TWO ~ ANALYSIS OF ORGANISATIONAL MODELS

	<i>Model One - Conduit</i>	<i>Model Two - Campaigner</i>
Description of model	JCCT acts simply as a conduit for States' funds provided to the child care sector.	JCCT acts simply as a commentator and campaigner.
Activities (continuing)	Administering grants schemes on behalf of the States.	Sponsoring research into the demand for and provision of child care in the Island. Commenting on policy issues relating to child care demand and provision.
Activities (discontinued)	Sponsoring research. Providing access to information. Information about the sector and available services. Providing training. Commenting publicly on policy issues.	Administering grants schemes on behalf of the States. Providing training.
Activities - issues	JCCT currently receives funding from Children in Need and other organisations which is used to provide small grants for child care providers. Presumably the sector would wish this support to continue. If either model were to be adopted, a solution to this would need to be found which might involve asking another organisation to take on this part of JCCT's current role. This would depend upon the funding organisation approving any proposed change.	
Arrangements for replacement of the discontinued activities	The discontinued activities are mostly related to representing and supporting the sector. To the extent that the sector values and needs these services, it would find ways of doing this. If a campaigning/commentator is required, the need should be met independently. To the extent that research is required by the States for policy formulation, the States could be expected to find ways of commissioning the necessary work.	The States could be expected to take back the administration of its own grant schemes (remembering that the school aged discount scheme may be superseded under the income support scheme proposals). Remaining activities could be expected to be taken over by the sector to the extent that they are valued and needed.

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<p>Cost implications</p>	<p>Presumably there would only be merit in the JCCT assuming this role if it were clear that the costs of acting in this capacity were lower than the cost that the States would have to bear internally to administer the schemes concerned unless there were clear operational benefits from making funds available through a conduit organisation (e.g. providing a single source of grant-aid coming from several departments).</p> <p>The reduction in activities would lead to a reduction in the number of posts. There may be advantage in the JCCT relying on the Department's infrastructure (e.g. payroll, accounting, accommodation etc). Further enquiry would be necessary to establish whether this would reduce costs.</p>	<p>The available funding would act as an effective constraint on the organisation's expenditure.</p> <p>The key requirement would be a small staff aware of the sector, skilled in research and policy analysis and effective in networking.</p>
<p>Necessary relationship with the States and the Department</p>	<p>JCCT would act as an agent for the Department.</p>	<p>JCCT would need to be able sufficient independence of the Department to be a credible commentator.</p> <p>This would have an impact upon location as well as funding (see below).</p>
<p>Funding implications</p>	<p>JCCT would be wholly funded by the States; but on a reduced basis.</p>	<p>The JCCT's need for independence would require that the States' contribution to its funding became a smaller (minority?) proportion of total funding.</p> <p>Soundings made for the purpose of this report suggest that the funds available privately are unlikely to match the level of funding currently provided by the States</p>

END