

STATES OF JERSEY



FUTURE HOSPITAL: APPROVAL OF PREFERRED SCHEME AND FUNDING (P.107/2017) – AMENDMENT

**Lodged au Greffe on 28th November 2017
by the Connétable of St. John**

STATES GREFFE

FUTURE HOSPITAL: APPROVAL OF PREFERRED SCHEME AND FUNDING
(P.107/2017) – AMENDMENT

1 PAGE 2, PARAGRAPH (a) –

After the words “up to” insert the words “£392 million with a contingency of £74 million (as agreed with the Corporate Services Scrutiny Panel), giving a total of”, and after the words “£466 million” insert the words “, subject to paragraph (g)”.

2 PAGE 2, PARAGRAPH (d) –

For “£466 million” substitute “£392 million”.

3 PAGE 2, PARAGRAPH (e) –

After paragraph (d), insert the following new paragraph (e) –

“(e) to agree that the contingency of up to £74 million will only be released on a case-by-case basis, subject to the presentation by the Minister for Treasury and Resources of a document to the States setting out the proposed expenditure, at least 21 working days before any payment is made;”.

4 PAGE 2, PARAGRAPH (e) –

Rename the existing paragraph (e) as “(f)”, and for the full-stop at the end of the paragraph substitute “; and”.

5 PAGE 2, NEW PARAGRAPH (g) –

After renamed paragraph (f), insert the following new paragraph (g) –

“(g) paragraphs (a) to (f) shall be void and of no effect if the Planning Inspector recommends against the current Proposed Hospital site.”.

CONNÉTABLE OF ST. JOHN

THIS IS WHAT THE REVISED VERSION WOULD LOOK LIKE:

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

to refer to their Act dated 23rd October 2012, which requested the Council of Ministers to bring forward proposals for a new Hospital, and their Act dated 1st December 2016, which approved in principle the site location for the new General Hospital; and –

- (a) to approve the Preferred Scheme contained within the Future Hospital Outline Business Case with a capital expenditure budget of up to **£392 million with a contingency of £74 million (as agreed with the Corporate Services Scrutiny Panel), giving a total of £466 million, subject to paragraph (g);**
- (b) to approve, in accordance with the provisions of Article 3(3)(a) of the Public Finances (Jersey) Law 2005 (“the Law”), the establishment of a Special Fund to be known as the “Hospital Construction Fund” and to approve the Fund’s purpose, as set out in Appendix A to the report accompanying this proposition;
- (c) to authorise, in accordance with Article 21(1) of the Law, the Minister for Treasury and Resources to borrow up to £275 million towards the construction of the Preferred Scheme, and to direct that the amount borrowed be paid into the Strategic Reserve Fund;
- (d) to agree that the Strategic Reserve Fund policy be amended so as to authorise the transfer from the Strategic Reserve Fund to the Hospital Construction Fund, drawn down as required, the sum representing the balance of up to **£392 million** after deducting the £23.6 million already allocated in connection with this project in previous Budgets;
- (e) **to agree that the contingency of up to £74 million will only be released on a case-by-case basis, subject to the presentation by the Minister for Treasury and Resources of a document to the States setting out the proposed expenditure, at least 21 working days before any payment is made;**
- (f) to agree that the Strategic Reserve Fund policy be further amended so as to authorise –
 - (i) that the costs of borrowing and ongoing finance and administration costs related to the borrowing be borne by the Strategic Reserve Fund; and
 - (ii) the repayment from the Strategic Reserve Fund of the amount borrowed in accordance with paragraph (c) above; and
 - (iii) that on the final account of the Preferred Scheme being presented, any unspent monies shall be returned to the Strategic Reserve Fund; **and**
- (g) **paragraphs (a) to (f) shall be void and of no effect if the Planning Inspector recommends against the current Proposed Hospital site.**

REPORT

This amendment is a simple safety-net in case the New Hospital Planning Application doesn't go according to plan. Should Planning Permission be granted, then this Amendment falls away and progress on the New Hospital can continue without any hindrance.

However, if the Planning Inspector advises against the current Application, then there could be far-reaching consequences. These consequences are NOT addressed in the Proposition [P.107/2017](#).

For instance, if the Planning Application is accepted, but with recommendations to alter the shape, size or mass of the building, this could result in delay and additional cost. If the Planning Application is not recommended, this will result in a new design, possibly on a different site which will result in delay, a new Business case, a new set of plans, and possibly a very different budget.

If the States take out a loan of £275 million, then the States are tied to a budget MAXIMUM of £466 million. Should delays or redesign increase the cost, where is the money going to come from? If the Strategic Reserve is used, then this will diminish the return from the Strategic Reserve, which in turn could negate the argument by the Minister for Treasury and Resources that growth in the reserve will repay the loan in years to come.

We are told that £250 million is the least viable amount to borrow in the form of a Bond. So if the States need an additional, say, £150 million, would we take out yet another Bond, or take the money from the Strategic Reserve and risk seriously depleting the Fund? There is too much uncertainty to fix the amount borrowed until the "Risk" of the Planning Application is resolved.

It is important to keep good financial control, and the award of £466 million without defining the difference between "budgeted costs" and "contingency" shows a serious lack of control. I am surprised that after the meetings the Minister had with the Corporate Services Scrutiny Panel, this has not been taken on board. The Minister accepted the Amendment, and this was reflected in [P.130/2016 Amd.\(2\)\(re-issue\)](#) by the Minister for Treasury and Resources.

Extract from the Amendment of the Minister for Treasury and Resources to P.130/2016 (as amended) (P.130/2016 Amd.(2)(re-issue)) –

“FUTURE HOSPITAL FUNDING STRATEGY (P.130/2016): (AS AMENDED)
SECOND AMENDMENT

1 PAGE 1, PARAGRAPH (a) –

In paragraph (a) after the words “Jersey General Hospital” insert the words –

“which will be made up of a provisional amount of £392 million for the main construction project and all associated expenditure including relocation costs and all project spends to date, of a new Jersey General Hospital; and a provisional amount of £74 million contingency allowance for the project”.

The cost for the New Hospital is £392 million, and there is a very generous contingency of £74 million in case unforeseen costs occur. This is not a “bonus” sum to spend on extras. It is important to keep tight financial control on such a large project.

Financial and manpower implications

There are no additional financial or manpower implications for the States arising from this proposed Amendment.