



## Public Accounts Committee Car Park Trading Fund

**WEDNESDAY, 14th AUGUST 2013**

**Panel:**

Deputy T.A. Vallois of St. Saviour (Chairman)  
Senator S.C. Ferguson  
Deputy R.J. Rondel of St. Helier  
Deputy G.C.L. Baudains of St. Clement

Mr. I. Ridgway (Independent Member)  
Mr. J. Mills (Independent Member)  
Mr. R. Parker (Independent Member)

**Witnesses:**

The Treasurer of the States  
Head of Decision Support, Treasury

[12:30]

**Deputy T.A. Vallois of St. Saviour (Chairman):**

Okay, just to start off the hearing. For the purposes of the conduct for this hearing, could I just ask the public to consider the code as set out by the Chairmen's Committee that is on the notice outside the room. Firstly, good afternoon to the Treasurer, and welcome to the Public Accounts Committee. Our public hearing today is concerning the Car Park Trading Fund. For the purposes of the recording, could I ask that you state your name and title and we will introduce ourselves after?

**Deputy T.A. Vallois:**

Okay, thank you. Could I just ask that you are happy with the indemnity that is set out in front of you? I am sure you have read it many times before but I just have to make sure that you are happy with that.

**The Treasurer of the States:**

Very happy with that, Chairman, thank you.

**Deputy T.A. Vallois:**

Thank you. Okay, to start us off, I would just like to ensure we can get through as much as we can so we will try and keep the questions succinct and if you could possibly make sure that the answers are succinct. You usually do. So first and foremost, Treasurer, if you could please start by advising the committee of your role in relation to the Car Park Trading Fund and the relevant Financial Directions which are to be adhered to through the administration of such a fund.

**The Treasurer of the States:**

Well, the crucial thing is that the Accounting Officer is the Chief Officer of T.T.S. (Transport and Technical Services).

**Deputy T.A. Vallois:**

It is.

**The Treasurer of the States:**

So the day-to-day responsibility for the Car Park Trading Fund is with the Chief Officer for T.T.S., not the Treasurer in the usual way.

**Deputy T.A. Vallois:**

Okay.

**The Treasurer of the States:**

So all Financial Directions apply to the Trading Fund in the same way as they would to other States expenditure.

**Deputy T.A. Vallois:**

Okay. Is there any in particular that are applied to the fund?

**The Treasurer of the States:**

Number 3.1 does deal with trading operations in particular so, say, Jersey ports and airports similarly would operate under those arrangements.

**Deputy T.A. Vallois:**

Okay. So the trading operation that was set up as agreed by the Environment and Public Services Committee in May 2005 set out what it was to achieve. I am just asking in terms of the Treasurer's role under the Public Finance Law, what are your responsibilities in terms of financial management and how it deals with the return to the general reserves?

**The Treasurer of the States:**

I am not quite sure what you are after but my responsibilities in relation to the trading accounts are no different than my responsibilities in relation to other expenditure that an accounting officer is incurring. So I am as interested in the effective use and administration of those funds as I am in the effective use and administration of other sorts of expenditure. Kevin is just pointing something in particular out to me which is just about the determination of estimates but the ... I am responsible for the determination of estimates for the Car Park Trading Funds and for other estimates so I do not see any particular difference. I do not look at the Trading Funds in any less detail than I would look at other areas of expenditure.

**Deputy T.A. Vallois:**

That is to be expected.

**The Treasurer of the States:**

I meet regularly with Harbours and Airports, for instance, on the same cycle as I meet with other accounting officers and the discussions I have with the Chief Officer for T.T.S. in relation to T.T.S. activity would cover the Car Park Trading Fund in the same way as they would cover other areas. So it is under the same amount of scrutiny, monitoring and reporting and the same arrangements as for other areas, the same roles.

**Deputy T.A. Vallois:**

Okay I just wanted to understand your role in relation to ... under the Public Finance Law just to make sure that we have got it clear, so that is fine, thank you.

**The Treasurer of the States:**

Yes, there is no difference.

**Deputy T.A. Vallois:**

Okay.

**Mr. I. Ridgway:**

Could I ask if you could explain in simple terms the relationship between the car parking balance sheet, which has assets of £57 million; Trading Fund, which has assets of £14 million; and operating costs statement, which shows the loss of just over £500,000?

**The Treasurer of the States:**

Well, obviously the balance sheet has all the assets for the trading, so you want to know about the balance sheet? The balance sheet has all the assets of the Car Park Trading Fund within it. You want to know about ...

**Mr. I. Ridgway:**

Its interrelationship, so how does the operating costs statement link into the balance sheet and how is that related to the Trading Fund?

**The Treasurer of the States:**

Well, obviously the operating costs statement in ordinary terms is the profit and loss account for the trading unit so that would give rise to any surpluses that arise during the year and they would be affected in there. The relationship between the balance sheet and the operating costs statement and other simple ... in more common parlance, the profit and loss account, is very straightforward. Any acquisitions of significance in terms of capital that are made through that Trading Fund would then be reflected in the balance sheet. Any material changes in relation to the physical assets that the Car Park Trading Fund would be reflected in an update on the balance sheet. Similarly, if there were any write-downs on those fixed assets, they would be reflected in the operating costs statement in very, very ordinary simple straightforward accounting practice. There is nothing complicated about any of that.

**Mr. I. Ridgway:**

May I ask just how the balance sheets and the valuation basis are used for the car parks?

**The Treasurer of the States:**

Well, yes, you can. We do ... what is your particular question?

**Mr. I. Ridgway:**

On what basis do you value the car parks?

**The Treasurer of the States:**

We have all our fixed assets revalued on a cycle independently by the Valuation Office Agency in relation to all of our property and we have reported previously to the P.A.C. on that and similarly with infrastructure, we have a regular revaluation. In fact, in relation to T.T.S. infrastructure, we have an annual update on that.

**Mr. I. Ridgway:**

But is it a replacement cost, economic value cost; what is the basis for that valuation?

**The Treasurer of the States:**

I would have to go ... I did not bring with me the relevant pages on the accounts. I would have to go to the relevant pages in the accounts on the basis for the fixed asset valuations and let you have that.

**Mr. I. Ridgway:**

If we could come back to that. In the balance sheet itself, there is £14.4 million due from the Consolidated Fund. Is that the same as the Trading Fund balance?

**The Treasurer of the States:**

There seems to be about £6,000 difference, a few thousand difference, £20,000. I would have to have a look at that. There is a marginal difference as between the Trading Fund balance and the balance due from the Consolidated Fund. Just let me have a ... just give me a minute. So the 2012 balance sheet from the Consolidated Fund is £15.7 million, £15.741, and the Trading Fund balance at the end of 2012 was £15.612 so that there is a ... I would have to have a look.

**Mr. I. Ridgway:**

But, in effect, they are the same?

**The Treasurer of the States:**

They are substantially the same, yes. I would have to get one of the accountants within T.T.S. to explain ... to go down to the level of detail that you are asking about.

**Mr. I. Ridgway:**

Given what you said about the simple nature of the relationship between the profit and loss account and the balance sheet, can we think of that balance due from the consolidated return as effectively cash which the car park has lent to the States and which it can recall to purchase future capital assets? Is that a fair way of looking at it?

**The Treasurer of the States:**

No because the Trading Fund does not lend any money to the States.

**Mr. I. Ridgway:**

Okay, the £14.4 million shown in the balance sheet for car parking which is due from the States and the Consolidated Reserve, is that ...

**The Treasurer of the States:**

Well, it is the ...

**Mr. I. Ridgway:**

So it is effectively to make it ... it is a loan because it can be ... is it a loan? It is an amount due from ...

**The Treasurer of the States:**

No, no, it is just the balance. It is just a reserve so it is just unspent monies which are held to meet future capital costs for the purposes of the Trading Fund.

**Mr. I. Ridgway:**

So we are back full circle. So the £14.4 ...

**The Treasurer of the States:**

It is just a surplus, it is an accumulated surplus and it is held in a reserve for use on the capital expenditure.

**Mr. I. Ridgway:**

Which is held in current assets for future capital purchases?

**The Treasurer of the States:**

I have given my answer, Chair.

**Deputy T.A. Vallois:**

Okay, thank you.

**The Treasurer of the States:**

So the fund trades. It generates a surplus. The surpluses are held in the fund and those funds can then be applied to improve, replace or add to the assets of the Car Park Trading Fund.

**Deputy G.C.L. Baudains:**

So they are ring-fenced for that? They cannot be used for any other purpose?

**The Treasurer of the States:**

No, that is what they are there for.

**Mr. I. Ridgway:**

Okay, for clarity, that fund is shown in current assets within the balance sheet of the car parks?

**The Treasurer of the States:**

Yes, they are in the financial statements on page 199.

**Mr. I. Ridgway:**

Page 126 showing the current assets, balance due from the Consolidated Fund, which is where you would normally show short-term debtors or cash. Does the Car Park Trading Fund earn any interest on the money held at the Consolidated Fund?

**The Treasurer of the States:**

No, it does not, Chair.

**Deputy T.A. Vallois:**

Okay, but there is ...

**The Treasurer of the States:**

It does not mean that we do not earn interest on it but we do not apply the interest to the Car Park Trading Fund.

**Mr. I. Ridgway:**

In the Car Park Trading Fund ...

**Senator S.C. Ferguson:**

Why not?

**The Treasurer of the States:**

That is a good question.

**Head of Decision Support, Treasury:**

There is a provision in the Finance Law for interest to be payable. I am not certain whether interest is paid to the ...

**Mr. I. Ridgway:**

What would normally happen ...

**The Treasurer of the States:**

Put it this way, Chairman, we do not have a Car Park Trading Fund as a separate fund within the Common Investment Fund to receive interest. It is not invested in the way that other assets are but it is a good point to raise that that is something that we could think about doing. At the moment, in terms of our overall balances, that would just be within the overall Consolidated Fund balance.

**Mr. R. Parker:**

But I think there has been interest that has been received by the fund in the past and in the 2010 accounts, part of the explanation was the amount of the interest had reduced due to the financial issues at that time. So there appears to have been, sort of, shall we say, interest received in the past. It is not there in 2012.

**The Treasurer of the States:**

I would have to go back and analyse that.

**Deputy T.A. Vallois:**

Okay. Just explain then to me what the ... on the 2012 financial statements, it states that there is an investment income on the Jersey car parking. Is that the same?

**Head of Decision Support, Treasury:**

That is what we need to go back and check, I think, whether that equates ...

**Deputy T.A. Vallois:**

Because that states £100,000.

**Head of Decision Support, Treasury:**

We need to check whether that equates to interest which could be payable under Article 74 of the transition rates. So that is something we can check and get back to the panel.



**Deputy T.A. Vallois:**

I would appreciate that, thank you.

**Mr. I. Ridgway:**

That is £125,000 charged in 2012. What would a normal return be on say £14 million in terms of percentage interest, accepting that that you do not charge it now?

**The Treasurer of the States:**

That is an odd question. What do you mean by a normal return?

[12:45]

**Mr. I. Ridgway:**

If one was to invest £14 million, not with the Consolidated Fund but elsewhere, what sort of return would he be looking for?

**The Treasurer of the States:**

Well, I think probably, Chair, the best thing for me to do is to answer that by reference to the returns that were generated on the Common Investment Fund last year. So, of course, it would depend on the investment strategy that was applied but last year overall, the Common Investment Fund delivered returns of 9.8 per cent against benchmark returns of 7.8 per cent. The returns ... so that was the overall return on the funds as a whole but if we were ... the funds invested within the Common Investment Fund have different investment strategies according to their particular overall objectives. So for those, some funds were invested only in cash because they needed to be very liquid and needed to be immediately available and they generated less than 2 per cent. Some funds were invested in equities and we managed to achieve around 15 per cent last year, between 14 and 15 per cent on our equity returns. So ...

**Deputy R.J. Rondel:**

Does that include ... sorry to interrupt, is that capital growth and income derived from that?

**The Treasurer of the States:**

Yes. So the answer to Mr. Ridgway's question would be that there is not a kind of normal rate of interest. It would depend upon the investment strategy that was employed to invest those particular funds. If we were to deal with the Common Investment and it is certainly in response to Senator Ferguson's question, certainly something that I will go away and think about, whether we should have the Car Park Trading Fund within the Common Investment Fund and have an investment strategy specifically targeted for it. It would lend itself very well to that, I assume.

**Deputy T.A. Vallois:**

Can I ask why that has not been thought of before?

**The Treasurer of the States:**

Because we do not give departments interest on funds. We give ...

**Deputy T.A. Vallois:**

But this is not a department, it is a fund. It is slightly separate to an actual department. It is a user pays principle.

**The Treasurer of the States:**

Yes, it is. I think it is a reasonable thing for us to consider doing and I am happy to go away and think about that but because we ... it is kind of normal operations and we do not ordinarily give departments interest, for instance, on their carried forward balances. That is all within the Consolidated Fund and then the Consolidated Fund gets the interest that is applicable on that overall balance. But it is something that we could think about and, indeed, it is something that we have thought about recently for Harbours and Airports, especially with a view to them becoming a separately incorporated body next year. I am sure it would not make a lot of difference ... obviously, it makes very little difference to the Consolidated Fund because we will already have those monies within the overall balance. So effectively that interest falls to the Consolidated Fund at the moment. There is no reason why we could not treat that as a separate fund and attribute interest to it. The disadvantage for the T.T.S. would be that investment returns can go down as well as up.

**Deputy T.A. Vallois:**

Yes, there is a risk with all investments.

**The Treasurer of the States:**

Yes and we do not ... there would then be a risk for T.T.S. that the total amount that they have within the fund could go down. So if we had a particular investment strategy that involved investment and equities, as you know, they do not always go up and they do not consistently go up so it would introduce a level of volatility that they may find difficult to accommodate within their overall planning. So that would be a consideration. They may prefer to have the £14 million and to know that they got it than to have the volatility that is associated with an investment strategy.

**Deputy T.A. Vallois:**

But that discussion has to take place.

**Head of Decision Support, Treasury:**

Yes.

**The Treasurer of the States:**

Yes, it is certainly something I am very happy to take away and think about and talk to the accounting officer about.

**Deputy T.A. Vallois:**

Okay, thank you.

**The Treasurer of the States:**

It particularly would be worthwhile for ... if there were to be a significant amount of time before some of that money were to be spent. You need a reasonable time horizon to have a sensible investment strategy.

**Mr. I. Ridgway:**

In the Car Park Trading Fund there is a line that shows unspent capital approvals at £10.9 million. Could I ask what oversight you have over that balance and are you content that all those approvals are required and what oversight you have over whether projects overrun or underspend within that line?

**The Treasurer of the States:**

Yes, the States has a very prudent position with regard to the way in which it deals with capital expenditure and that is to approve all the funding up front for a capital scheme at the time that it approves the scheme. So it is not just capital approvals, it is money. In terms of oversight, I have oversight of the whole capital programme, including all prior years' allocations, which will include the Car Park Trading Funds.

**Mr. I. Ridgway:**

So you are happy that that £10.9 is still required to be spent going forward?

**The Treasurer of the States:**

Yes, and my justification for that would be that the briefing ... the information that is provided to me in relation to our long-term capital plan suggests that they need those resources and possibly more in the future.

**Mr. I. Ridgway:**

Am I correct, though, that the £10.9 million is made up of a number of different projects but ... would it be possible to be provided with that list?

**The Treasurer of the States:**

Certainly we can provide that. That is no trouble at all.

**Mr. I. Ridgway:**

And a similar question. Are you content that it is only capital items that can be charged to the Trading Fund and not revenue items?

**The Treasurer of the States:**

Do I sit and check every item? I really do not have the time to check every item that is going through the Car Park Trading Fund. I rely upon my team within Corporate Finance and the Finance Director and his team within T.T.S. to be making sure that at that low level of detail, all the transactions going through the fund are within the Financial Directions.

**Mr. I. Ridgway:**

So you are confident that controls are in place?

**The Treasurer of the States:**

Yes, there is a good Finance Director in T.T.S., very assiduous and careful, and I would be surprised if there were things going through the fund that were inappropriate.

**Head of Decision Support, Treasury:**

And I think the rules that apply to capital and revenue expenditure in the J.F.Re.M. (Jersey Financial Reporting Manual), will apply to the trading operations equally as to the non-trading operations and any request to move funds between revenue and capital, for instance, if the value is around the threshold, would come through the Minister for Treasury and Resources and receive the Treasurer's advice in the same way as any other department.

**Mr. I. Ridgway:**

Does that happen?

**Head of Decision Support, Treasury:**

It does happen.

**Mr. I. Ridgway:**

Could I ask who is responsible for setting financial targets for Jersey car parking?

**The Treasurer of the States:**

The financial targets would be for the accounting officer to set. So if you are thinking, Mr. Ridgway, in relation to income and levels of income, then there would be some limitations on that insofar as if the accounting officer wants to increase the charges above 2.5 per cent because of the States longstanding anti-inflation strategy, then he would need to approach me as Treasurer to seek to increase charges above that level. But the charging policy is quite rightly with the department to manage.

**Mr. I. Ridgway:**

I note from the operating statement that roughly one-third of the revenue raised is given to the States by way of dividends so if you ...

**The Treasurer of the States:**

It is about £1.5 million, £1.6 million.

**Mr. I. Ridgway:**

It is a third, so a third of every car-parking fee paid is returned by way of dividend ... effectively returned to the States. Could I ask what that return is used for?

**The Treasurer of the States:**

Well, it would just be a very small contribution to the States' overall resources.

**Mr. I. Ridgway:**

Is that set in a similar way to taxation?

**The Treasurer of the States:**

It would be one of many contributions to the States overall resources.

**Mr. I. Ridgway:**

So the expenditure is not specifically on car parking or car parking related activity?

**The Treasurer of the States:**

No, but we spend obviously substantially more on car parking and transport than that £1.6 million.

**Mr. I. Ridgway:**

Which is covered by the charges in the car parking operating statement?

**The Treasurer of the States:**

Sorry?

**Mr. I. Ridgway:**

That expenditure you refer to is already covered by car parking charges.

**The Treasurer of the States:**

No, what I mean is that while the Car Parking Trading Fund for historic reasons is making a contribution of around £1.6 million, there is substantially more than £1.6 million spent on transport and related activities.

**Mr. I. Ridgway:**

Outside the car-parking operations?

**The Treasurer of the States:**

Yes.

**Deputy T.A. Vallois:**

But do we not pay duty ... car users pay duty as well in terms of towards roads, maintenance, et cetera? Is that also ...

**The Treasurer of the States:**

Yes, we do not hypothecate sources of income. We do not hypothecate sources of income to areas of expenditure or we would not have an education service, for instance, or a social service or income support or ...

**Deputy T.A. Vallois:**

But the States have hypothecated in the past so, for example, raising a revenue to pay for a specific item before?

**The Treasurer of the States:**

I am not familiar with any examples of that.

**Deputy T.A. Vallois:**

I think it was with the drinking law ...

**The Treasurer of the States:**

But it is not the overall policy to do that.

**Deputy T.A. Vallois:**

Okay.

**Mr. I. Ridgway:**

Just looking at the level of, if you like, cash surplus made by the trading operation, we have mentioned the 33 per cent that goes back to Government, is also an element that covers depreciation. When you strip out non-cash out of the return, you get a return on revenue of around 57 per cent, a cash return on revenue, and a return on assets of around about 9 per cent. In your view, is that about right?

**The Treasurer of the States:**

I would have to get a grade 12 or somebody in the T.T.S. team to give you an answer to that.

**Deputy T.A. Vallois:**

Well, if we can receive a response after the hearing from you to that question.

**The Treasurer of the States:**

Yes.

**Senator S.C. Ferguson:**

Yes because how do you value, what is the basis of valuation of the car parks?

**The Treasurer of the States:**

We have an independent valuation done.

**Senator S.C. Ferguson:**

Because I think one thing that is probably a little confusing, that you have responsibility for Property Holdings ...

**The Treasurer of the States:**

Yes.

**Senator S.C. Ferguson:**

And when you are doing the forward planning for the car parks, I think is it Property Holdings that carry it or is it the ...

**The Treasurer of the States:**

No, it is T.T.S who carry the infrastructure.

**Senator S.C. Ferguson:**

So where do Property Holdings come into this?

**The Treasurer of the States:**

They do not, Chair, in relation to infrastructure. So ...

**Deputy T.A. Vallois:**

Is that only in the case of T.T.S. infrastructure? So it is taxpayers' ownership when it comes to car parks, is it not? Taxpayers own those car parks.

**The Treasurer of the States:**

It is but ... so Property Holdings do not look after all types of assets.

**Deputy T.A. Vallois:**

Okay, just buildings.

**The Treasurer of the States:**

They look after buildings typically and also other odd things that, lift faces and other odd things in there, but they do not look after roads, bridges, harbours and that sort of infrastructure.

**Senator S.C. Ferguson:**

But there must be a sort of cross over because the office strategy takes into account various capital assets and the way they are being used or disposed of.

**The Treasurer of the States:**

Yes, we do ... Property Holdings does look after office accommodation for T.T.S. but Property Holdings will look after roads and bridges and that kind of physical infrastructure, sewers, et cetera. The Energy from Waste plant; that is all T.T.S.'s responsibility.

[13:00]

**Deputy R.J. Rondel:**

Excuse me for interrupting. Can you just clarify how often a valuation is taken place, revaluation ...



**Treasurer of the States:**

Actually for infrastructure?

**Deputy R.J. Rondel:**

... of the car parks and whether it is a rebuild valuation, or how do they come about a value?

**Head of Decision Support, Treasury:**

The valuers will choose the most appropriate method and one of the items that we said we would go away and check what the Valuation Office have used for car parks. So it could be depreciated replacement cost; it could be current use. But we would go away and check that and come back.

**Deputy R.J. Rondel:**

Okay, thank you.

**Senator S.C. Ferguson:**

But where a car park is part of a scheme like the North of Town Development Policy, then Property Holdings would be involved. I am just trying to get across, is it a sort of fairly fluid boundary?

**The Treasurer of the States:**

No, it is not. It is with T.T.S. The responsibility for car parks and infrastructure ...

**Deputy T.A. Vallois:**

Capital maintenance.

**The Treasurer of the States:**

... is with T.T.S. but we would, obviously, taking the difficult issue of the police station, for example, there are conversations, meetings, discussions between Property Holdings and T.T.S. because of the impact that big projects like the police station is going to have on the car parking facilities in the local area and we all work together. The 2 departments all work together to make sure that both schemes work. We obviously do not operate them in isolation. We do work together but T.T.S. is responsible for those car parks.

**Mr. I. Ridgway:**

Can I ask how the financial return to the States is calculated, negotiated and signed off?

**The Treasurer of the States:**

It is an historical figure that goes back to about 2006. Sorry, no, even earlier than that. 1998. Have we provided this, Kevin?

**Head of Decision Support, Treasury:**

I think we provided a schedule. Essentially, it began as, effectively, a rental payment to reflect the fact that the trading operation had not paid for the car park itself.

**Deputy T.A. Vallois:**

But if the car parks are owned and run by T.T.S. infrastructure and it is the responsibility of the Car Park Trading Fund, why are they paying into the general reserves as rent?

**The Treasurer of the States:**

I think when the trading account was set up, we would have to go back and establish that and look at the original report that was establishing the fund, but I imagine it was probably to reflect an asset rental sort of figure. So the car park would have been vested with a lot of assets from the States and then it would not be untypical to see a rental stream for those assets. But we would have to go back to the original proposition that established the Car Park Fund back in 1998 to be sure about that.

**Head of Decision Support, Treasury:**

That was also under the previous Finance Law, as well. So that was back in 1967.

**Deputy T.A. Vallois:**

Under the previous Finance Law it was passed as a rechargeable account and it was changed under the 2005 Environment and Public Services Committee to a trading operation. So what is the difference between a rechargeable account and a trading operation?

**The Treasurer of the States:**

Does that matter now, because we have not got the ...

**Deputy T.A. Vallois:**

I think it is fairly important because if the Car Park Trading Fund was previously a chargeable account and it was set up in 1998 to do something to achieve a particular aim under a rechargeable account, and it was paying what is being classed as a rent of £1.5 million right up to the point when it was changed into a trading operation in 2005, then a percentage change was applied in 2006 onwards.

**The Treasurer of the States:**

Okay, we will go back and check that for you. I do not know the details back to 1999.

**Deputy T.A. Vallois:**

I would appreciate the detail.

**Head of Decision Support, Treasury:**

The percentage increase since that time is pretty well aligned with inflation apart from a couple of blips, so I think this schedule would be helpful if you have not seen it because it does explain those and you will also see that it is classified as a financial return rather than a rental and the difference between a rechargeable account and a trading operation, I think Jersey management is a better of example of that where we used to call it a Vehicle and Garage Plant account and it was effectively a recharge account. Then under the new Finance Law that is also now classified as a States trading operation, so they are similar. Much of it is around how it is classified in legislation, in the provisions, but we could back, as Laura says, with further history on both of those.

**Deputy T.A. Vallois:**

I would appreciate that. Thank you.

**Mr. I. Ridgway:**

Could I ask, in the commercial world if a trading operation wishes and given a return it takes into account both the needs of the business, its business and the needs of the shareholder. So are you saying because the return is just a figure, a historical figure, that that situation in future does not occur?

**The Treasurer of the States:**

Consideration of the future need of what sort?

**Mr. I. Ridgway:**

Of the trading of a business's future cash flow. Commercially, you may decide to pay a lower dividend in order to invest in new assets going forward and that would be a normal commercial activity.

**The Treasurer of the States:**

Obviously, the accounting officer is going to have regard to future spending needs and balancing that with relevant level of income. So principally, the idea of having a Car Park Trading Fund is to make sure that the car parking activity is not being cross-subsidised from other areas. It is meant to wash its own face and give a sensible return on the assets and we will go back and check, but I am sure about £1.5 million was there to make some recognition of the fact that there is £50-odd million worth of assets in the balance sheet.

**Mr. I. Ridgway:**

You do not take a view on whether that is a sensible return or whether it is a sustainable model?

**The Treasurer of the States:**

I expect the accounting officer takes a view but I can talk to him in detail about that.

**Mr. I. Ridgway:**

Yes, but you specifically do not.

**The Treasurer of the States:**

That is your assertion. I have not got time to spend on car parks, really. It is not my priority.

**Mr. I. Ridgway:**

Quick question. Who is responsible for the car park's balance sheet?

**The Treasurer of the States:**

In what way?

**Mr. I. Ridgway:**

Who manages the balance sheets of the car parks?

**The Treasurer of the States:**

It is part of T.T.S.

**Mr. I. Ridgway:**

In the accounts it notes that the Esplanade Car Park was transferred to the States of Jersey Development Fund in 2012. I wonder what the financial objectives of that transfer were.

**The Treasurer of the States:**

That is about £750,000. What was happening ... we just wanted to make sure that the income ... the trading activity on the car park was in the proper place in the accounts and properly reflected in the accounts.

**Mr. I. Ridgway:**

You mentioned earlier on your response for estimates within Car Parking Trading Fund, one is - I assume estimate - the rent that Car Park Trading Fund now pays to the Development Fund, £750,000 and also for administrative charges of £200,000. Do you set guidelines on how those recharges of rent should be set?

**The Treasurer of the States:**

No.

**Mr. I. Ridgway:**

When the car park was transferred, the returns from car park trading dropped by £750,000, the return to the States, was that return picked up and repaid by developers to the States so the fund overall was not worse off?

**The Treasurer of the States:**

Yes, all we are doing is moving the money into the right place in the accounts to make sure that the proper activity is reflected in the right place. That is all we have done with that. There is nothing complicated or difficult about it.

**Mr. I. Ridgway:**

So the Consolidated Fund still receives the same money but not from car parks, it received from the Development Fund?

**Deputy T.A. Vallois:**

Can I just ask about that? The reduction, going back to the ... because I have the contributions that were made to the States of Jersey from 1998 to 2015, and I just want to ask about the reduction that was taken out of the return to the general reserves for paying for that rent - you have just spoken to Ian about it - because there was a significant change in the return in 2010 and 2011 was a slight drop whereby it refers to the agreement in the States Assembly over the Eastern Cycle Track and all those agreements that were made in the States.

**The Treasurer of the States:**

That is right. That was in 2010 and 2011.

**Deputy T.A. Vallois:**

Yes, and then in 2012 was when the Car Park Trading Fund started to pay the rent for the Esplanade Car Park, am I correct?

**Head of Decision Support, Treasury:**

That is correct.

**Deputy T.A. Vallois:**

That was a 31.8 per cent drop from the amount that was being returned in 2011.

**The Treasurer of the States:**

It was. That shows on our note here, I think.

**Deputy T.A. Vallois:**

But if we go back to the amount that was in 2009 which was £1,655,000 should it not have been a drop from that and not the amount of £2,255,000 because the amount that was being returned to the general reserves was for particular agreements that were agreed in the States Assembly.

**The Treasurer of the States:**

So in other words you are thinking that the 2009 figure of £1,655,000 when the sort of status quo was returned to in 2012 after allowing for the cycle track, that you would expect to see £1,655,000 there as well? Is that what you are saying?

**Deputy T.A. Vallois:**

No, the £1,655,000 take away the amount that was reduced for the rent for the Esplanade Car Park because that was what was just stated, that there was a drop in that return from 2011 for £750,000 for the Esplanade Car Park but that return in 2011 was well above and beyond the 2009 amount because it was what was agreed by the States for extra spending.

**The Treasurer of the States:**

But remember that the ... I see what you are missing. You are missing that the income; T.T.S. get the income.

**Deputy T.A. Vallois:**

The income from the Esplanade Car Park?

**The Treasurer of the States:**

Yes.

**Deputy T.A. Vallois:**

Okay, would that make up that difference?

**The Treasurer of the States:**

Yes, so it was completely balancing. So what was happening was that ... I will do you a little note on this but what was happening was that T.T.S. ... what was happening, rather, was S.o.J.D.C. (States of Jersey Development Corporation) were gathering in the income ... they had the asset and they were gathering in the income for the car park and then they were paying it over to the

Treasury by way of dividend. That income properly belongs in the Car Park Trading Fund. So all we have done is we have moved the income and the expenditure so they balance. The return to the States, as it were, now comes from T.T.S. rather than from S.o.J.D.C. So that is what we have done. We have just tried to move the asset into the right ... I will do you a little note on it. It is confusing.

**Deputy T.A. Vallois:**

It is not confusing. It would just be useful to see the actual income and expenditure and to see how that is worked and understanding the movement between the 2.

**The Treasurer of the States:**

But for your purposes, in relation to the car parks, we have not disadvantaged T.T.S. or the Car Park Trading Fund. We have moved the income and the expenditure and we have kept the return to the States the same in relation to that car park.

**Deputy R.J. Rondel:**

So the income is basically gross income on that Esplanade Car Park, is that it?

**The Treasurer of the States:**

Yes, there is gross income and there is a return to the States and there is some limited amount of ...

**Mr. R. Rondel:**

Because there must be some expenses.

**The Treasurer of the States:**

... administrative expenses but that is quite small.

**Senator S.C. Ferguson:**

So this round robin thing has increased the cost of the car park?

**The Treasurer of the States:**

No, no, not at all. It is all ... and I will do ...

**Senator S.C. Ferguson:**

Well, if everybody is taking their cut ...

**The Treasurer of the States:**

No.

**Mr. R. Rondel:**

A little note would be ...

**The Treasurer of the States:**

So there is no net overall effect, we have just put the income and expenditure into the right place in the accounts for the activity that has been undertaken. That is all we have done.

**Mr. J. Mills:**

You touched a little while ago on the anti-inflation target, a blessed problem. The rules require you to sign off any increase in a charge over 2.5 per cent, is that correct?

[13:15]

**The Treasurer of the States:**

Yes.

**Mr. J. Mills:**

I understand that the Sustainable Transport Policy, which the States approved a while ago, does say that in 2015 it is the intention to have an above-inflation increase in these car park charges. Again, there was one in 2010, I think. How will you approach this given that the States have signed off that Sustainable Transport Policy, that you have a clear duty under the financial direction to try and keep those charges down?

**The Treasurer of the States:**

The relevant Chief Officer has to write to me with a justification for an increase above the 2.5 per cent. So in relation to the increase you have just mentioned, the Chief Officer of the T.T.S. would do exactly that and then would use the States policy change to support and help justify why an increase above the 2.5 per cent is necessary. Obviously, it is a States decision. I am not going to ignore that.

**Deputy T.A. Vallois:**

Can I just ask then, when they take the proposition to the States, do they consult you on that change before the States decision is made?

**The Treasurer of the States:**

Yes.



**Deputy T.A. Vallois:**

Thank you, just to clear it in my mind.

**The Treasurer of the States:**

It would be unusual ... we would spot it anyway, but it would be very unusual for anyone to take forward something like that and not consult us about it.

**Mr. J. Mills:**

Is this something that lands on your desk quite frequently? Not just for car parks but generally.

**The Treasurer of the States:**

Requests for increases above the 2.5 per cent? Reasonably often. So I do send the odd one back. So an example that has sprung to mind straight away was a request for above-inflationary increases in school fees. So that went back not least because the debate in the States had already been had about it.

**Mr. J. Mills:**

In the Medium-Term Financial Plan on the capital side there is a paragraph or 2 about the car parks and a figure is put in there of £18 million, which is rather a shortfall, a rather odd word, and this is quite puzzling because you said already that there are £10 million or so approved capital approvals. That is in the kitty, so to speak. But am I right in saying that the £18 million that is inserted in this bit of the M.T.F.P (Medium-Term Financial Plan) is putative and has not been approved?

**The Treasurer of the States:**

That is right. I think we have created a little bit of a rod for our own backs here but what we have tried to do, as you know, we have shared this at a very early stage. We have developed a long-term capital plan, which is very necessary but it is also still very much a work in progress. So we are doing a long-term capital plan not least because we want a context in which we can make the 3 big capital decisions that we need to make in relation to the hospital, investment in affordable housing and social housing in particular, and the liquid waste strategy. It is difficult to take those really long-term decisions. So a hospital is a 30-year decision. It is not a this year decision and it seems to me difficult to be taking those sorts of big decisions about major capital investments out with an overall framework of a long-term capital plan. So we have done a lot of work to try and develop a long-term capital plan and to get a better longer-term view. But that work has not been to the States, for instance, or to the Council of Ministers for approval. It is something that we are working on and developing to give us a proper framework so if we were not doing that we may not just have those 3 major capital expenditure requirements. We may have others and then we are

taking major capital investment decisions without a full picture. So we really are trying to get a full picture but what we have not done is to try and get each item within that really nailed down.

**Mr. J. Mills:**

Because the word “shortfall” is an odd word and it implies that it reflects a decision already taken and it is premised on the fact that all 4 big car parks would by 2030 be knocked down and rebuilt, and that is not a capital decision that has been taken. It might be a build but that is ...

**The Treasurer of the States:**

That is not good wording.

**Mr. J. Mills:**

I thank you for accepting that. I just wondered, you touched on the Green Street business a few minutes ago and obviously if this new police station is built and it knocks out let us say 100 car parking spaces, there has to be a deal struck. Would the nature of that deal be a cost to the building project which is paid back into the Car Park Fund rather than places elsewhere?

**The Treasurer of the States:**

I can tell you what we are planning to do with that. We are planning to include about £1.5 million in the 2014 capital programme that you will see when we get the opportunity to brief you on the 2014 project. We are making a provision within the 2014 budget to meet the costs of the changes at Green Street and what is planned is that there will be an extra deck on the Green Street.

**Mr. J. Mills:**

So it is an extra cost to the building, in other words?

**The Treasurer of the States:**

I would have to get ... I did not bring it with me but I can get you the numbers to show you how many additional spaces will go on to the extension of the top deck. But we do have a plan. It has been worked on, this is a good example between Property Holdings and T.T.S., and it is around £1.5 million that we need to provide within 2014 in order to do that.

**Senator S.C. Ferguson:**

What about the compensation to T.T.S. for taking away half their car park? Because it was my understanding that that bottom of the car park was going to be sold as residential property to fund the rebuilding of Green Street Car Park. So what are you paying in compensation to T.T.S.?

**The Treasurer of the States:**

We are not paying anything in compensation in that way. We would need to have regard to the fact when setting their budgets that they would not be able to generate as much income as they have been able to but there is not a kind of compensation payment. But we will take it into account when reassessing their income budgets.

**Deputy T.A. Vallois:**

Can I just follow up on that? I am just wary of the time but you mentioned about the capital programme. Was there a capital programme in place before the States decision was made on the Sustainable Transport Policy?

**The Treasurer of the States:**

There is always the capital ... I am not quite sure what you mean.

**Deputy T.A. Vallois:**

I am a little bit concerned that we have a capital programme that has been changed for a long term, and I understand that, but when I look back on the way that the States decision was made on the basis of increasing charges to car parking, based on this need for new car parks and refurbishments and maintenance, I am a little bit concerned that now that is all changing and there is possibly not an £18 million shortfall and that we have increased charges for what reason.

**The Treasurer of the States:**

No, do not think that. We have a pre-existing capital programme. The funded level of that existing capital programme for T.T.S. we have not changed that, we have not taken anything out of it. What we are trying to do with the ... so that is all existing capital programme and funded. What we are trying to do with the long-term capital plan is just to stand back from that and to take a long-term lookout and to say to all departments: "Let us move away from a bun fight of a, you know, short-term capital programme" and people kind of did and they put together a case for the particular projects and so on, and let us stand back from that a little bit. Let us look at what we might need for long term and let us plan for that, so that we can begin to plan for how we are going to fund that long-term capital expenditure and we can make appropriate provision within the revenue budgets to achieve that. So we are just trying ... as you know, we have done the Medium-Term Financial Plan. We are working ... I just spent a couple of hours with a colleague this morning looking at the long-term revenue plan and the long-term revenue plan will take us out to 2020, and we will soon be in a position to share that with you, and that gives us an initial start at what the next M.T.F.P. might look like. In so doing we need to take into account how much we are going to need for capital so we then need a long-term capital plan to feed into the long-term revenue plan and that is the kind of planning that we are now doing.

**Deputy T.A. Vallois:**

That is fine. I was just trying to understand the agreement that was made on the Sustainable Transport Policy for the increase in charges was based on the existing capital programme, is that right?

**The Treasurer of the States:**

Yes, we have not disturbed that. We have not taken anything out at all.

**Deputy T.A. Vallois:**

It is just to understand so it is absolutely clear.

**The Treasurer of the States:**

No, so the £18 million that Mr. Mills was referring to is it is the difference between let us have a long-term look, and we have gone out to 2032 on the long-term capital plan. Let us have a long-term look at what we might need and let us understand what our existing resources are and if we carried on with those existing resources until 2032, and when you put the 2 together, what do they look like? It looks like there is a gap. So we have then got work to do to decide what needs to change. Is it the funding that needs to change or is it the fund level of expenditure that needs to change and then we can begin to bring those 2 things into balance. So that is what we are trying to do there.

**Deputy T.A. Vallois:**

Sorry, I am just wary of the time. Richard, just quickly and then we will go to ...

**Deputy R.J. Rondel:**

I mean, £58 million is a huge sum for 4 car parks. Are there alternatives that you look at and consider as opposed to rebuild? We have seen Minden Place, for example, be done up with concrete degradation and things like that. Do you consider that as opposed to ...?

**The Treasurer of the States:**

Always T.T.S. will look for the most cost-effective option. They will always do that. They will not just assume rebuild. No, they always look for a cost-effective way.

**Mr. J. Mills:**

So next time the word "shortfall" will not be there.

**The Treasurer of the States:**

No, it is not a good word.

**Mr. J. Mills:**

We will remember that.

**Mr. R. Parker:**

Sorry, what is the weighting on the R.P.I. (retail price index) related to car parking charges because I have looked at the figures on the States on the website and it shows the sort of breakdown on R.P.I. and it shows that motoring costs at 11.1 and other travel costs are 2.7. But I do not know what element of that is related to car parking because, obviously, there have been increases in car parking charges.

**Mr. J. Mills:**

We can find that out afterwards from these statistics.

**Mr. R. Parker:**

Yes, because it tied in with the other things. I mean it was the ones I think tied into the rent. If there is not the margin for running that service there should probably become more money coming in to T.T.S. Then the other aspect was the £14 million because after ... in 1998 you started with the rentals, which was a fixed cost and was going out at £1.5 million and then in 2006 you started to apply inflation charges. But obviously, the money ... so it started off on the historical cost to where there was not the uplift on that but on the other side of it, in relation to the money held by the Car Park Fund, there is no sort of interest or anything being accrued on that. So if there were those particular aspects, then one has to question should there have been any increases in car parking charges complying with the 2.5 objective because of the impact that has related to other costs throughout the Island, you know, in shifting up costs.

[13:30]

**Head of Decision Support, Treasury:**

I think 2 or 3 points to that. One is we have to go back and check whether the investment income figure is interest from the Trading Fund balance and that is something we will come back with a note on. The increases in parking charges are now linked to the R.P.I.; why? Measure of inflation specifically. The other piece of information we do not have, which I will check, is what impact does an increase in car parking charges have on the various R.P.I. measures.

**Mr. J. Mills:**

Have you in the Treasury given any thought to different structural arrangements for car park ownership and management?

**The Treasurer of the States:**

We have and we have talked to the Chief Officer for T.T.S. We have thought about that and not least because if we had a body like N.C.P. (National Car Parks) or some other body that was going to own and operate the car parks, then they would bear the cost of future investment of the infrastructure and so on. But of course, the other counterpoint to that is that the government would not have control over car parking charges, car parking policy and so on. So it would carry risks if we were to do that.

**Mr. J. Mills:**

How active is that thought or that consideration? Is it active or is it passive?

**The Treasurer of the States:**

Not very. We did think about it and I think some work was done a while ago on looking at that as an option. What we think certainly from a Treasury point of view, you know, I would be happier if the Chief Officer of the T.T.S. were able to give a different view but from a Treasury point of view we would like to see things like the experiment at Sand Street at the moment with the new method of charging, we would like to see that sort of approach extended. So I think there is more that we can do to more sensitively manage the income that we get from car parks. So if we were to look at Pier Road, for instance, we know that there are 2 or 3 floors on Pier Road that are typically not used or very under used. If we had more sensitive means of charging, we could give a financial incentive to people to use the top floors of Pier Road Car Park and reduce the pressure on other car parks in the town. Our car parking charges ... our methods for charging for car parking use at the moment are not sensitive enough to do that.

**Deputy T.A. Vallois:**

But this argument has been going on a long time now, has it not?

**The Treasurer of the States:**

Has it?

**Deputy T.A. Vallois:**

Charging in car parks, how to charge, how not to charge. That is the reason why it took so long to bring the trial at Sand Street.

**The Treasurer of the States:**

I am not aware of that but it does to me make sense to be able to have a more sensitive charging mechanism so that we could charge differentially between use at different car parks and even between floors. So we would like to see that.

**Mr. J. Mills:**

That is very gratifying to hear. I think citizens would encourage you to get on with it.

**Mr. R. Parker:**

I believe that would help in encouraging the retail trade.

**Deputy T.A. Vallois:**

Could I ask, I am just very wary of the time but I just want to clear up a couple of things, just in relation to the Financial Directions just to be clear in my understanding. I have the increase of fee and charges financial direction, which is 4.1 here. I am assuming that car park charges are user-pays principle under the Financial Directions?

**The Treasurer of the States:**

That would be reasonable.

**Deputy T.A. Vallois:**

It does state that it is recognised that there are instances where one particular group receives a valuable service from a States department at a charge which is below cost and they are, therefore, being subsidised by taxpayers. Would you say that the Car Park Trading Fund is being subsidised by taxpayers?

**The Treasurer of the States:**

I think that would very much depend upon the way in which the capital costs were treated and charged for.

**Deputy T.A. Vallois:**

Okay, and as it currently stands ...

**The Treasurer of the States:**

So £1.5 million return to the States on a £57 million investment in an asset is very, very small.

**Deputy T.A. Vallois:**

But the ownership of the car parks lies with T.T.S.?

**The Treasurer of the States:**

It does but the States is paying for that, if you like.

**Deputy T.A. Vallois:**

Okay. Just to clarify under the Financial Directions it does state that if there is an increase above the 2.5 per cent, so for the fees or the charges that are applied to the car parks: "That the department should be able to demonstrate that they have actively reviewed all costs relating to this service and every effort is being made to control or reduce costs and improve productivity." Do you believe that is happening?

**The Treasurer of the States:**

I do not have any information to the contrary. But I do think, you know, that if the Sand Street experiment works and we could apply that sort of approach elsewhere, then that would really be to the benefit of the States.

**Deputy T.A. Vallois:**

If that proves as a productivity gain for the Car Park Trading Fund, what can you, as Treasurer, do to not put pressure but try to control the T.T.S. Department to ensure that that happens rather quickly rather than in 10, 20 years down the line, like we have seen in the past with the States?

**The Treasurer of the States:**

No, I do not think ... I think you are being a bit unfair. I think we will be much quicker than that and I was with my colleagues in T.T.S. yesterday and they would be very keen to extend that experiment, if that experiment works, and it can be shown to be cost effective. I think they would be very keen to use it elsewhere.

**Deputy T.A. Vallois:**

That experiment ends October this year, does it not?

**The Treasurer of the States:**

I am not sure.

**Deputy T.A. Vallois:**

Will there be active discussions with them about ... if it is the best way to go active discussions about expenditure and the way to drive forward?



**The Treasurer of the States:**

We would be happy to do that, yes.

**Mr. J. Mills:**

But you will anyway, before signing off above inflation increases, you would anyway require under the F.D. (Financial Direction) proper evidence from the T.T.S. of their cost-reduction strategy? Or would you simply go on the back of the Sustainable Transport Policy “decision”?

**The Treasurer of the States:**

What I do is I ask them to justify why they need the additional charge, and ... I think I will be more mindful next time to ask them more questions about exactly what has been done to take all other measures to minimise the need for that increase.

**Mr. J. Mills:**

I think we would welcome that.

**Mr. R. Parker:**

I think one thing was the 1.5 as you said on 57, which is related to the revaluation which went up significantly. At the same time it was the comment that Ian, sort of, by 2030 the 4 major car parks would have to be replaced and I think that goes back to on what basis was that revaluation. Because the 1.5 was obviously set up on a very much lower figure and I am sure that valuation probably would not be of that amount. I would be very interested to see what, on that basis because if they had to be replaced within, you know, a number of years it appears rather high.

**The Treasurer of the States:**

Yes. I think bear in mind when I asked people to do the work on the long-term capital plan I did not say to them: “Go out and do 4 feasibility studies on all your future capital spending needs and come back to me in 2 years’ time with having done all of that work with what you think your long-term spending needs might be.” I said to them: “I would like to get an idea in the long term of what the big items are likely to be and give me your best estimates on current prices”, and I am looking at plus or minus half a million within those estimates. I am not looking at plus or minus £5,000. So what I am trying to achieve in that long-term capital plan is to get some of the big building blocks in place that we can see the general direction of travel and what we might need to spend, and then we can get into the more detailed work. So what we are trying to do is move from a position where we have the capital programme to a position where we have a long-term view and then a 3 to 5-year programme, which is in detail. We still have some more work to do around that but we have made a lot of progress. Without that long-term view, as I say, it is very hard to make a sensible choice about these really big spending areas like housing, hospital and liquid waste.

**Deputy T.A. Vallois:**

Okay, thank you very much for your time. We will close the public hearing now.

[13:41]