

1st September 2011
Lime Grove House
Ministry for Treasury and Resources
PUBLIC SESSION

CHAIRMAN:

Right, good afternoon, ladies and gentlemen. Welcome to this sub panel of the corporate services scrutiny panel, reviewing the purchase of Lime Grove House. Now, have you all read the health warning?

SENATOR OZOUF:

Many times, chairman.

CHAIRMAN:

Laura?

MS ROWLEY:

Oh, yes, chairman. Would you like me to recite it?

CHAIRMAN:

Yes please. You can sing it if you like. Right, before we begin, I wonder if we could just say who we are and what our position is for the transcription team.

SENATOR OZOUF:

Indeed, Senator Phillip Ozouf, Minister for treasury and resources.

MR RICHARDSON:

John Richardson, acting chief executive, (inaudible) Jersey.

MS ROWLEY:

Laura Rowley, treasurer for the States.

MICHAEL HEALD:

Michael Heald, assistant chief executive.

DEPUTY de SOUSA:
Deputy Debbie de Sousa.

CHAIRMAN:
Senator Sarah Ferguson, chairman.

DEPUTY EGRE:
Deputy Colin Egre.

SPEAKER:
Sammy McKee, Training Scrutiny officer.

SPEAKER:
Kellie Boydens, Scrutiny officer.

CHAIRMAN:
Right. So, I wonder probably the best approach is if you can give us the -- an overview of the background and the chronology.

SENATOR OZOUF:
Yes, indeed. I mean, obviously I am pleased to be here to answer your questions this afternoon and we have attempted over the last 36 -- three or four days in order to provide the panel with extensive documentation and there's obviously been a great deal of work and I hope the panel have satisfied, if over not satisfied with the docs. I thought it might be helpful, almost as an aide memoir to my own remarks, throughout the course of the afternoon's discussion, if I give you my aide memoir in terms of what I was going to say. And I certainly have a few introductory remarks, if I may say, about the background because I suspected that that was going to be your introductory question. And so, perhaps, chairman, I can hand out these notes. Have people got enough for individuals? There we go.

I mean, I think I should start by saying that, as treasury Minister, I have got a legal obligation under the public finances law to ensure that the public finances of Jersey are

regulated, controlled and supervised in accordance with the law and that the provisions of the law, the public finances law that is, are complied with. My job as treasury resources Minister is to be the gate keeper and guardian of the public purse. And to understand this complex matter, I think I need to set out a few brief remarks, this is only the first two or three pages. We'll go into the detail later about the issue.

I have seen that it's been reported that the loss of Lime Grove House has cost the public 8 million. I have to say to the panel this afternoon that I don't think there's a basis of that. I expect the current budget to be sufficient to deliver a new purpose built police headquarters. The comments that may have been made, and there may be, obviously, erroneous errors in terms of the media reporting, I don't know, but it might reflect lack of understanding by those that have made them in terms of property and finance matters and this is a complicated issue. I want to be absolutely clear to the panel that the original business case that was presented to me was, I regret to say, poorly drafted and could not be implemented. And also I want the panel to be aware that there was unprecedented political lobbying on this matter to me. And I have to say that I have never experienced such lobbying in my time of 12 years as a politician. I need to say to the panel that the offer that was made was not properly authorised, was unclear and was justified by subsequent valuation, and that I, as Minister, had not been told about the original offer. As a result of the unclear offer, there was never a clear agreement between the parties to buy Lime Grove at 8.75 million.

I need to probably explain to the panel, the panel probably know this, we're not property experts, but I am certainly clear that a valuation is not an indication of what the State should pay for a property. The transaction needs a willing buyer and a seller, and if the parties don't agree, that is something outside of my control. The only point at which a price was agreed was in 2012 this year. It's been reported, so far, in evidence to the panel, that the State has some how lost out in the State street transaction. It would be, I think, wrong, for us to compare the purchase of an unlet, decayed and empty building, unoccupied by 10 years by the State of Jersey with the lease of a building to a uniquely interested tenant. In my view, the State should not be paying for its only AAA covenant. The State should not be competing for expensive financial services space. I need to say to the panel that I did take informal opinions of commercial property experts for their views to confirm my initial concern that the building was not worth the price which was

suggested at the later stage. The latest valuation showed, I think, that I was right to be cautious, but I again state that valuation should not be the basis on which we buy property.

I had evidence that led me to conduct, question conduct by officials within property holdings, and this has led me to have concerns about the independence of the State of Jersey negotiating team, added to the extreme political lobbying I had in relation to this matter. I hope the public will understand my unease as treasury Minister. Had it not been, I have to say to the panel, of the actions of me of treasury and resources and my senior treasury officials, that the States of Jersey might have entered into a project that could have become, in time, a major capital over spend.

I take my responsibilities extremely seriously. Accounting officers have duties and statutory obligations under the public finances law to carry out their functions in a prudent and economical manner and to ensure that resources are effectively and efficiently used. I expect department officials to discharge those duties responsibly. The proposed purchase of Lime Grove was possibly one of the biggest land transactions that the States has made. It follows that it had to be absolutely right for me to raise challenging questions about the prudence, committee efficiency and effectiveness of the proposal performing. As a Minister for six years and a committee president before that, I am used to making swift complex decisions on a regular basis.

Spending ministers, on the other hand, rightly are going to pursue the interests of their own departments, spending departments. Whilst property holdings is part of treasury resources, it's my view that there needs to be a proper segregation of duties between treasury and resources and that's the reason why there continues to be an assistant Minister with special responsibility for property.

The decision to acquire Lime Grove was not going to go through to the States for formal decision. And so I felt that it was particularly incumbent upon me to be extra cautious. As treasury Minister, I asked challenging questions and that is my job. Normally, I have questions answered fully, professionally and in a timely fashion and I feel confident in making the many and varied decisions that are before me every day. However, I need to report that my confidence was undermined in a number of ways, as I have set out in

the annex of this document and it is crucial to make this clear in order to understand that this is a complex matter and I want to explain some of the details to the panel.

With this one project, the acquisition of Lime Grove, I was uncomfortable, not least because I was being lobbied in an extent -- in an extensive and an extraordinary way. I found this so unusual and unsettling that I asked further questions in order to be satisfied. Scrutiny, I would hope, will expect nothing less. Islanders would expect nothing less of the treasury Minister. In short, I had a duty to protect the public purse and tax payers, this means asking challenging questions about major capital projects, so as to be prudent and to deliver value for money. It would be wrong of ministers to yield to unreasonable pressure for lobbying. I act in the public interest. Whilst there is disappointment that the viable deal that I signed has not been completed, I remain confident that we can deliver an equivalent solution for the police, or better, within the available resources. The States is one of the biggest property owners in the island and a solution must and will be found.

Now, those are my introductory remarks, if I may say, chairman. We've also done some notes which I won't read, because you have got them. So, we can just basically perhaps just move around to the different questions and I will refer to the notes as appropriate. But I hope that this note will provide a helpful bit of evidence for the panel in terms of your questioning and perhaps raising some of the questions that you might be wanting to raise with me.

CHAIRMAN:

Yes. In fact, your questions will come into -- we shan't be following them up in due course. I mean, if we go back to the background and the chronology, when was the purchase of Lime Grove House initiated?

SENATOR OZOUF:

I mean, that's -- I think the whole issue with Lime Grove goes back for quite some time. It probably goes back to the same extent set that we've been discussing the much needed relocation of the police. I understand that there's been discussions within property holdings to look at the potential possibility of Lime Grove House going back a number of years and I have reviewed files with my officials over the last couple of days

which indicate that there's been ongoing discussions about a lease and a purchase over a number of years. But it certainly goes back for quite some time. My own involvement in the matter came to a head in and around October of last year, as I recall.

CHAIRMAN:

When were you first aware of the proposal?

SENATOR OZOUF:

I mean, I have been aware of the -- I'd heard rumours about -- I think I'd read in the media that there had been an interest in the States in acquiring Lime Grove, but certainly one of the difficulties that I have and it does need to be an appropriate segregation of duties is I have said in relation to property holdings and treasury, I should treat property holdings almost in no different way than I deal with other departments. Effectively, I think I was made aware of the purchase of -- a potential purchase of Lime Grove in July 2010.

CHAIRMAN:

When were you first briefed on it?

SENATOR OZOUF:

I think I was first briefed in relation to the specific issue of Lime Grove in around 2010. I mean, if I -- if I am -- my memory doesn't recall every single question, there are questions that I can't answer, then my team can help because they've been reviewing -- my team.

MS ROWLEY:

Yes. It was around about May 2010 that Phillip -- there's a presentation which was prepared on the office accommodation strategy. Now, you appreciate I wasn't here at the time, I got this from the files, and David Flowers prepared a presentation which was intended for around the 29th of April, but having reviewed diaries, which think the meeting actually took place on the 11th of May and that was a general presentation around the office accommodation strategy. We have checked a subsequent note following that meeting and actually it's not until later, much later than the offer is actually being made, that the treasury resources Minister is advised that the offer is being made

and how -- and as to the amount. So, there is a significant gap as between when the offer's made, which is the end of March 2010, I think the 25th but we put the documents in the file for you, and the point at which the treasury resources Minister's actually told that there is a -- an offer has been made. We have put some notes for you, if I may refer you to page 6, there are some notes there for you to help and --

CHAIRMAN: Yes, we haven't been through the file as yet.

MS ROWLEY:

No, it's understandable, if it takes you as long to go through them as it took for us to prepare them then it will take some days.

SENATOR OZOUF:

It certainly in the -- it certainly in the -- in the early part, late April, May of 2010, that I would have been aware of a general property rationalisation approach, but at a pretty high level.

MR RICHARDSON:

And can I just add that it was -- I think it's in your document, if not we'll certainly provide them, there was a presentation from Property Holdings, which the treasury Minister attended and myself, which showed the office rationalisation, which is quite a big document, which is why I used the July date before, because it's actually dated July. There had been a number of previous meetings leading up to it, but that was the document and it was at that stage that concluded all property, be it police, State building, (inaudible), hospital, health, education, it was at that stage we decided it was too big, it needed to be split into component parts.

DEPUTY EGRE:

Just to clarify, did that include mention of Lime Grove?

MR RICHARDSON:

Yes, I think there was mention of Lime Grove as an option in that at that stage.

DEPUTY EGRE:

And at that stage, was it regarded as a key element of the strategy?

MR RICHARDSON:

It was seen as a timely element.

SENATOR OZOUF:

I mean, I think -- I think that the (inaudible) strategy document, as I recall it, was a massive complex document which had a number of interwoven -- I mean, frankly, Lime Grove would have been one piece of a very large jigsaw. I recall, you know, disposals of very significant properties, of South Hill, big reorganizations of property. It was almost too big to digest in terms of a -- and that was, indeed, one of my problems with the whole of the office strategy is that it was so big and so complex that it needed to be broken down into constituent parts so it could actually be delivered. And I am a -- I hope I have a reputation as an action Minister that wants things happen, I don't want -- I don't want high level documents, I want deliverable programs that have got fully costed, that have got big business cases and that will get support that we can make progress on and certainly my view of that office strategy, at the time, was that it was just simply too big and too complex.

If we come back to the police relocation, one of the important points is that the States has approved a budget for the police relocation over a number of years and that is a discrete project which needs to happen. And risk sometimes is that one puts so many other elements into a project, that you end up talking about it for so long and then you actually don't deliver and that's been one of the features of that States decision making and poor States decision which I have been trying to avoid.

DEPUTY EGRE:

Without pushing too far, Minister, is that not what actually happened?

SENATOR OZOUF:

That's -- you could say that's exactly right. I mean, the business case that -- the business case that I eventually saw, but could not support, in October, was a complex web of property transactions, which, you know, if you are going to deliver, you need to break it down into bite sized chunks, have proper governance, proper team work in

terms of individual projects and progress them. If you start with highfaluting projects, you are just not going to deliver and the States -- I mean, the public can rightly criticise us for in the past, I don't think in my tenure as treasury Minister is that we just don't -- we just end up with highfaluting ideas that just can't be delivered on the ground. And certainly that business case in October could not be delivered in terms of its implementation and in terms of its -- and in terms of the budget available, which was my -- one of my principle concerns and of course, I don't make those, I act upon advice. And the advice that I was receiving was that it was -- that it was not something that I could support.

SPEAKER: Just (inaudible).

SENATOR OZOUF:

My advice --

MR RICHARDSON:

I was the accounting officer and I of the one who wrote, on the 17th of October I think it was, 2010, as the accounting officer I could not support the business case. There were too many issues with it, it had not given me the confidence that it was a project that could be delivered with sufficient confidence that the States, as the Minister has said, without exposing itself to significant liability.

CHAIRMAN:

Now, one of the things we've been doing, you will understand, Mr Richardson, we have been asking all our witnesses as to their qualifications in dealing with property. Now -- well, their qualifications and background. Now, I know that the treasurer is a chartered accountant; is that correct?

SENATOR OZOUF:

Well, first of all, if I may say panel chairman, you are asking me questions, I am the politician with policy responsibility and you need to ask me policy decisions about whether I am satisfied with the advice. So, I can refer to -- this is an interview between the panel and the politician, that's what scrutiny is. I am advised, and you are basically testing whether or not the Minister has discharged his responsibility in an appropriate

way. So, it is right to perhaps ask me whether or not I was satisfied with the advice that I'd received.

CHAIRMAN:

Right, that's fine. Who were you receiving advice from on property matters?

SENATOR OZOUF:

I have a Property Holdings department within treasury resources, of which the accounting officer is Mr Richardson.

CHAIRMAN:

So, what property advice you were receiving from property professionals?

SENATOR OZOUF:

Property Holdings consisted of property professionals that advised the accounting officer, and the accounting officer, based on the decision that I made for accounting officer is Mr Richardson.

CHAIRMAN:

Right. Now, you have said that you have taken unofficial advice on the value. Who did you take that from?

SENATOR OZOUF:

Well, we need to go into the valuation in, I think, some considerable detail because, first of all, I think we need to take -- there are two other things that need to be taken in relation to -- in relation to --

CHAIRMAN:

No, I am asking about your advisers.

SENATOR OZOUF:

My advice -- ministers act upon advice from their accounting officers.

CHAIRMAN:

But you were also acting on advice from other than accounting officers.

SENATOR OZOUF: I took soundings.

CHAIRMAN:

Okay. Where did you take soundings from?

SENATOR OZOUF:

And I take soundings from a variety of sources in order to make myself confident. But you need to understand of the reasons why that I was concerned about the issue that was before me in terms of the purchase of Lime Grove.

CHAIRMAN:

Right, so what is the issue.

SENATOR OZOUF:

Lime Grove, and I want to make it absolutely clear that I am doing this hearing in that anything that I say, I am offering absolutely no criticism whatsoever to the parties of the transaction, have transacted a deal in relation to that property. It is not my business and I don't wish to -- I don't wish to criticise them in any way. We're an open society in a free market and they are entitled to do what they do. The fact is that I was being asked to sign a -- to sign -- I was not given advice in relation to that, but I was briefed on it and the process of decision making is an informal briefing, Minister are you comfortable with this, do you have any questions, what are you going to be looking for in terms of the advice, how does this fit with your general policy stance in relation to policy matters? And of course there will be a good relationship between a Minister and his accounting officer in terms of that advice. And I have to say that I have been uneasy and was uneasy, and make very clear in my statement to the States when I made that I have been difficult to convince in relation to this thing. And I think it's important for the panel to understand why I have been uneasy in relation to this issue. I have been uneasy because I need to say that I have been advised on -- of difficulties and questions which would heighten my concern about the actions of certain officials, and I am not going to name them in public, within Property Holdings, in relation to the discharging of their duties in relation to the process leading up to the offer price. And this -- and this will -- I mean, there are

departments which and there are officials -- I have been a Minister for six years. I am used to a lot of people coming in, briefing me, advising me. Ultimately, the treasurer advises me on treasury matters and the deputy executive advises me on ultimately resources matters. But obviously there's going to be briefings that lead up to that so that one doesn't have surprises. And I have weekly meetings with my ministerial team. And the indications were that there was a serious issue in relation to the Lime Grove offer.

DEPUTY EGRE:

Just to clarify, Minister, what were those indications? It's details we're after.

MS ROWLEY:

May I help.

SENATOR OZOUF:

Please, treasurer.

MS ROWLEY: The -- you will have (inaudible) blue file there labelled interim report on valuations, within which are a number of independent professional valuations provided during the course of the last year or so. So, you will be able to -- there are a number of those, we thought they were important for you to see.

CHAIRMAN:

Thank you.

MS ROWLEY:

So, that's the sort of information that's been available for advising --

CHAIRMAN:

Are you talking about the valuations by CBRE, Drivers Jonas, BMP (inaudible).

MS ROWLEY: Guy Gothard and --

CHAIRMAN:

No, Guy Gothard didn't do any valuations. He was told not to.

MS ROWLEY:

There are -- those materials are there for your challenge on the files.

CHAIRMAN:

Yes, and those -- those valuations, in fact, agreed with the valuations -- but anyway.

SENATOR OZOUF:

Yes, let's go back to the central issue.

CHAIRMAN:

No, wait a minute please Minister, let's go back to Deputy Egre's question.

SENATOR OZOUF:

What were my concerns.

CHAIRMAN:

What were your concerns?

SENATOR OZOUF:

Okay, let's turn to the annex. Let's turn to the annex of my note and here we have a number of issues which heightened my serious –

DEPUTY EGRE:

Can you just point out the annex at which point.

SENATOR OZOUF:

Yes. We'll go through them, if we go to the annex. The first issue of concern was that the offer made by Property Holdings was an offer made in a letter to Buckley and Co on the 25th of March 2010. This offer was made without my knowledge. I think it is extraordinary that such a high profile, I have said that this was one of the most expensive pieces of land that the States would buy in a decade, could have been not notified to the Minister. I actually think that it was of such importance that it probably needed to be notified to the council of ministers. And there were issues in relation to that offer. The position on the acquisition of Lime Grove was being represented

differently to Buckley and Co, through no fault of their own, and they were told in writing that the Minister was briefed on the details. It is regrettable that Property Holdings -- the Property Holdings official wrote to Buckley and Co on the 10th of May saying we have made significant progress with ministers involved in this project, having briefed the ministers and assistant ministers for home affairs and treasury as to the details, rationale and the need to complete the purchase of Lime Grove. They have all confirmed their understandings and support. The Minister can understand why Buckley and Co believed that ministers had been fully brief. The Minister had been told details in contrast to an internal memorandum of the 12th of May Property Holdings say JPH representatives met with the Minister on the 5th of May to consider indicative proposals for solution to the current police HQ. Furthermore, nothing in the memorandum, had been made clear to me that an offer had been made by Property Holdings to Buckley on the 25th of March. Property Holdings was not clear with Buckley as to the level of briefing for Minister that happened at this stage, nor were Property Holdings being clear to ministers about the extent and the detail of the negotiations that had been taking place. I believe that this divergence contributed, understandably, to a lack of confidence by Buckley and Co in dealing with the States of Jersey on their client's behalf. So, that's the first issue, my confidence is shaken.

CHAIRMAN:

Just wait a minute, isn't there a delegated authority as well? It was a condition -- we understand from Buckleys that it was very conditional, dependent on Ministerial approval and so forth.

SENATOR OZOUF:

Indeed, but I -- I have -- as I have said before, and I don't need to repeat to the panel, I have been a Minister for six years. I think that I have -- I think the panel will be aware that I was the first Minister to develop the concept of delegated responsible with assistant ministers, with a dedicated area and so therefore --

DEPUTY EGRE:

Minister, with due respect, we understand.

SENATOR OZOUF:

Right. So, no surprises should exist between the ministers and assistant Minister.

DEPUTY EGRE:

Exactly. But the surprises that exist as we've been going through to date, is sometimes the lack of notes that were taken at specific meetings and it would appear that you are indicating a meeting took place with Ministers, held by Jonas Property Holdings. Are there any minutes or notes of that meeting?

SENATOR OZOUF:

We've got the briefing.

MR RICHARDSON:

Right, this is the briefing now of my notes of the 30th of December. So, we've moved on.

SENATOR OZOUF:

Okay. So, we need to check the file but, yes, there will be briefing notes.

DEPUTY EGRE:

We actually need to have those briefing notes because it will clarify the point I think you are trying to make.

SENATOR OZOUF:

Okay. What I can be absolutely clear about is that I, as Minister, was not told of the fact that an offer had been made on that building.

DEPUTY EGRE:

And in what paper is that.

SENATOR OZOUF:

That's the briefings that we've been talking to, briefly.

MS ROWLEY:

Page 18, chairman, if I can help. Page 18.

DEPUTY EGRE: Page 18.

CHAIRMAN:

Yes, it would actually have been helpful to have these before the meeting.

SENATOR OZOUF:

Well, chairman, we have done our level best. We have been working until midnight, all over the weekend, we've been serving the panel in a (inaudible) way which I doubt a Minister has attempted to give documentation. So –

CHAIRMAN:

Yes, and I can appreciate it.

SENATOR OZOUF:

I am hopefully helping the panel by giving you a note which sets out what I am saying.

DEPUTY EGRE: Just to clarify one particular point, we're talking about documentation, how hard you have will to work, I believe that this is documentation that was produced by your department, the treasury. Have you had all the document station, equivalent documentation, from Property Holdings?

SENATOR OZOUF:

I hope so.

DEPUTY EGRE:

Is that going to be made available to us?

MR RICHARDSON:

Well, there's five lever arch files, bigger than that. We're still going through a lot of it. Some of the key documentation we'd extracted and put into that file. There's still a lot more to go through but it's made available to you.

CHAIRMAN:

Well, it actually probably would have been simpler to just give us the whole file.

MR RICHARDSON:

Well, we can do that.

SENATOR OZOUF:

John how many files we've already given you but we've been gathering information ourselves.

DEPUTY EGRE:

As you are right, this is a very important issue. (inaudible) sure.

SENATOR OZOUF:

-- it is absolutely vital but I am sure that the panel, and you as colleague politicians, you would expect the Minister to be aware of an offer of a heads up of an indication of an offer between a department and the Minister, who's ultimately going to have to sign the decision. This isn't the State's decision. This is a ministerial decision that ultimately the treasury Minister will have to make. So, the treasury Minister will have to make the acquisition in relation to not only for the Property Holdings issues, because it's such a very significant transaction, but also because it's a capital project and all the other things. This is not just £80,000. This is eight and three quarter million pounds of tax payers money and I think it was incumbent of Property Holdings to make sure that I, as Minister, was comfortable with that proposal.

CHAIRMAN:

Now, was it -- was the acting chief executive, in his then capacity as head of resources, surely you were aware of the position.

MR RICHARDSON:

Please bear with me for one minute. On the 31st of March 2010, I did receive a briefing on progress and I was advised at that time that negotiations were ongoing with the acquisition for Lime Grove, but at no time, like the Minister, at no time, until I saw that file, which is that is the file that was presented to me in October 2010, was I ever made aware that a letter had been sent to formally make an offer on behalf of the public for that building.

CHAIRMAN:

But it was a provisional offer.

SENATOR OZOUF:

It's not a provisional offer. It's an offer.

CHAIRMAN:

But you could have been -- you could have withdrawn from it at any time.

SENATOR OZOUF:

But reputationally.

MR RICHARDSON:

The first time I saw that the public had made a formal offer, subject to the usual conditions, was when I opened that file and read it. I had been briefed back in March that we were progressing, but at no time did I ever see a business case that supported the reasoning behind making that offer in March. I did not see a business case until that one landed on my desk in October.

CHAIRMAN:

So, forgive me, but how often do you actually -- or as head of resources, how often did you actually have meetings, just general sort of progress meetings, with the heads of your department?

MR RICHARDSON:

I met -- well, I meet my heads of department on a two weekly basis for one to one and I was not told at any of those that we were at this stage. I was told on the 31st of March that progress was being made towards the acquisition of Lime Grove, but I repeat, and it's very important, because a number of discussions will take place between two parties, but at that time I was not told that we had made a formal offer on the 20 -- when did we make the formal offer? The 25th of March. So, we made the offer on the 25th of March, that's the letter. It can't be much more formal than that, subject to the (inaudible), subject to all the usual contractual conditions, et cetera. I refer to our recent meeting and conversation, this is from a senior officer at Property Holdings to the agent. "I refer

to our meetings and conversations regarding the above property and confirm that, on behalf of the public, we wish to make an offer for the acquisition of the free hold interest in this property." It goes on condition of sale, 8.75 million.

SENATOR OZOUF:

Now, chairman, I want to be absolutely clear that I find it an extraordinary state of affairs that a department of which I am a hands on Minister, but appropriate dealing with policy issues and advice, that is a very, very, very significant transaction, which, as Minister, I would expect to be alerted to. I remember at that date because it's my birthday and I certainly didn't know about it. I certainly was not made aware of it and I certainly have no recollection of it whatsoever. I was aware that there were discussions about Lime Grove, but that is a very different situation for a formal offer being made and frankly -- but it -- but I am afraid my problem with this goes further, because that's not my only issue with it. We'll discuss later the fact that this offer is unclear in terms of what it actually means and the handling of it, which is another issue which meant that my warning signals are going and that's obviously as a Minister, you are sitting in front of an official, you are receiving a briefing, it's going well, you have got lots of documentation, things are going well. I need to tell you -- I need to tell you that this is not going well when I am made aware to this later on in the year. I am aware that not only I learn, with surprise, that the offer is being made, but there are also problems in relation to the offer. I need to say to you that that offer, I understand from my officials, was made without a scheme for the police relocation being in place. And I also need to tell you that we have not found any valuation, to the extent that a valuation is what you offer to buy the price, we'll debate that a little bit later on, if we may, the valuation is not necessarily what you do and we'll explain why in a bit, but there was not a scheme or valuation which justified that -- which justified that. And I think that that's a problem and shakes my confidence.

MR RICHARDSON:

And if I can add to that --

SENATOR OZOUF:

So, it will raise my questioning.

DEPUTY EGRE:

We can't have two running conversations. So, let's just go back to questioning. You raised concerns about an offer being made back on your birthday.

SENATOR OZOUF:

No, no, I didn't know about it.

DEPUTY EGRE:

Well, when you knew about it, you were concerned.

SENATOR OZOUF:

October. I know later. I know later. I don't know when I know, but I know so late on in relation to this issue -- I certainly know that Lime Grove is an option to purchase in October, but I don't know the details of it, and when I do see the business case, which we can go on to discuss, I am very concerned and we can go on to discuss that and I want the panel to be aware of the fact that I raised concerns. My job, I am the public trustee, I am responsible. I am the gate keeper. I am the decision maker.

DEPUTY EGRE:

We understand that, but having said that, I think you also admit that you are not an expert in everything, no one is. So, therefore, as a consequence, you have to take and seek advice.

SENATOR OZOUF:

I am an expert in questioning and I can normally tell whether or not I am getting the right answers. That's what my job is. And if I am told that an offer was made without a valuation, or a valuation that was retro fitted and the scheme was not made, what was the basis on which the 8.75 million valuation was -- so I am not particularly --

DEPUTY EGRE:

So, you are good at question.

SENATOR OZOUF:

Absolutely.

DEPUTY EGRE:

And you found that you were unhappy. So, what advice are you now taking and from whom?

SENATOR OZOUF:

Well, at what point are we talking about because the time line –

MR RICHARDSON:

We're just talking about six months ago.

SENATOR OZOUF:

Yes.

MR RICHARDSON:

Are we now talking about the events around the 31st of March? Are we talking about events post my first reading of this document?

DEPUTY EGRE:

Just remind me of the date of your first reading of that document.

MR RICHARDSON:

Somewhere around the 7th/10th of October 2010.

DEPUTY EGRE:

And what point was the Minister informed?

MR RICHARDSON:

Of this? Of the problems I had there. Late October, because I had families issues which meant I was delayed in report –

SENATOR OZOUF:

By about two weeks.

MR RICHARDSON:

By a couple of weeks. I think I actually wrote the letter -- well, the formal time was, I am pretty sure I have got the e-mail somewhere, the 17th of October I e-mailed to say, and I copied it to the chief Minister, treasury Minister, chief executive, that as accounting officer I could not sign that project off.

SENATOR OZOUF:

And I want to also be clear, when I referred earlier in my earlier remarks to the fact that I was receiving lobbying, I was being lobbied about this. I recall the chairman herself attended upon my office, the deputy (inaudible) lobbied me about this particular issue. So, I was receiving lobbying about this proposal, and being encouraged in order to progress this, from all sorts of parties.

CHAIRMAN:

You had a lot of lobbying from the home affairs Minister, he tells us.

SENATOR OZOUF:

I had lobbying from you, chairman.

CHAIRMAN:

Yes.

SENATOR OZOUF:

In my office, of which I called down the chief executive in order for us to have a discussion with the business plan, which I explained to you at the time was not capable of being justified and not capable of being signed off and I would not have signed it off and I maintain that position. I am not going to be responsible for signing off a capital project that, effectively, would be in future, if I would have signed it off, there's another cavern over spend which would have been justified. We've got long experience of capital projects going wrong and I am not going to be the Minister to sign off another problem and you and I had a difficult conversation about that.

DEPUTY EGRE:

How do you equate that with your fellow Minister, the Minister of home affairs, lobbying you -- lobbying is perhaps the wrong word. I don't see ministers lobbying each other, I see you --

SENATOR OZOUF:

It happens all the time.

DEPUTY EGRE:

I see you working as a team to achieve an event here, which is very important.

SENATOR OZOUF: Indeed.

DEPUTY EGRE:

And what went wrong in that lobbying, as you put it, because (inaudible) full.

SENATOR OZOUF:

No, indeed not and I think that, deputy, I think we need to -- we need to organise our questioning into various different sequences of times here, because the home affairs minister's frustration, and indeed my frustration, indeed in relation to this matter is a feature of the later discussions, which we also need to examine.

DEPUTY EGRE:

But if I may just interject, the home affairs Minister appears to have been involved in this exercise at a far earlier stage than you are suggesting that you were involved.

SENATOR OZOUF:

That's entirely -- that's absolutely fine.

CHAIRMAN:

He knew about it early in 2010, he said so.

SENATOR OZOUF:

He did and I have got an exchange of e-mails. They are not confidential but there's no reason why I have got an e-mail exchange with Senator (inaudible) in November, Dear

Neil, I agree with what you are saying. I am as frustrated as you that this has taken so long time to complete. You and I have been promised this months ago. The issues are the Lime Grove valuations attributed to the disposal of sites and the price at which it is proposed to buy Lime Grove. The realistic valuation makes the whole project unaffordable. We need to understand this. I certainly agree that ministerial level, we should attempt to get a decision. I am open to progress Lime Grove in isolation. That was actually -- and we need to then -- we need to then explain to you what we did. Faced with a business case upon which I had been lobbied --

CHAIRMAN:

Let us go to that point.

SENATOR OZOUF:

We then deployed --

CHAIRMAN:

You have a business case --

SENATOR OZOUF:

Well, hold on, we haven't covered other things yet and I think I just need to be clear because the annex deals with a number of other concerns which the panel will understand why I was so concerned about it. And I just want to run through the -- I want to deal with the other issues of the problems that I had about the way in which the offer was made and why my alert bells were ringing. There was a divergence in relation to what ministers were being told and the agents were being told and I was surprised about that.

DEPUTY EGRE:

What was that divergence?

SENATOR OZOUF:

I have just explained that earlier, but I am happy to do it again. The agent had been told that details had been given, other people had been told -- there was an offer made. I'd been told that there were details --

CHAIRMAN:

A conditional offer.

SENATOR OZOUF:

Yes, but the fact is that you don't just go around making offers and then saying we'll retro fit it later. The fact is that it says subject to ministerial approval, of course. You only get that if you get a ministerial decision. There's a long way to go. There's nothing wrong in anything of that but I wasn't aware of it, and also the agent, there is a disconnect between what the agent was being told and what I was being told and that's clear. I have -- the evidence before the panel has to absolutely make that abundantly clear. There can be no doubt at all about that. Now, the other issues --

CHAIRMAN:

So, you are -- well, okay.

SENATOR OZOUF:

There is no doubt and so my hackles are raised, my concerns are raised. My alert buttons are rising and I am talking to the chief executive to say, look, I am concerned about this. I want this done properly, what are we going to do about it. And we'll discuss that in a minute.

CHAIRMAN:

And this was when?

SENATOR OZOUF:

This was in October or November.

CHAIRMAN:

Well, if you were keeping tabs on what was going on in your department, did it not come across your -- swim across your pen before then?

SENATOR OZOUF:

When, chairman?

CHAIRMAN:

Well, you had a briefing on the office strategy in May. Did you not have regular comments to –

SENATOR OZOUF:

I had delegated responsibility to an assistant Minister for Property Holdings and I have to express the fact that I was disappointed and continue to be disappointed and this continued to be an issue which I -- was one of the reasons why I subsequently had to make a change in relation -- regrettably, in relation to the assistant Minister portfolio responsibilities of the fact that I was not being properly informed. And I have good relations with my assistant ministers, we meet on a weekly basis. I think that my department has been held up as a model, both of economic development of treasury, of good communication with ministers. If I am away, I expect my ministers -- assistant ministers to be able to stand in and vice versa, and I wasn't, and that was a source of frustration. But there's nothing I could do about that. Communication needs to be a two way street and if you don't get the information, you can't make decisions and you can't share and you can't debate things and I regret the fact that I was not being briefed in the manner in which I -- I think I needed to be, such was the scale and the importance of these transactions.

CHAIRMAN:

But you said you were good at questioning.

SENATOR OZOUF:

I am, but I have many other things to deal with as well and I have limited time and I have a weekly ministerial meeting which there's an understanding that my assistant ministers share with me the issues at we have an inform meeting every week. Then we're joined by our officials and the treasury and resources team, as my EDT was previously a very happy and cooperative team which were sharing information and, regrettably, on this occasion, that was not appearing to be the case. And I was concerned -- I need to say that I was also concerned about aspects of Property Holdings in the discharging of their responsibilities in relation to this issue. And the evidence of the file review, as I have done with officials in the last couple of days, indicates that I was right to be concerned. I quote from a e-mail internally on the 11th of -- on the April -- April 2011, where the Director describes himself, this is all very messy and totally unsatisfactory. In an earlier

e-mail of the 6th of April, the Director counsels against reducing the head line price, other things, you can read my notes. Looking back, it's quite clear that I was right to be concerned and I was right to be asking questions. And there is a whole –

CHAIRMAN:

Yes, but surely, when you refer to that e-mail, I think if you go on to the next paragraph -- yes, it then talks about -- the real thing is that you are -- the disagreement is on the snagging and the dilapidation.

SENATOR OZOUF:

Not only that. I mean, for the fact -- for the Director to say it's all very messy and totally unsatisfactory –

CHAIRMAN:

It was messy because the later details need to be sorted out.

SENATOR OZOUF:

It's not very good, is it?

CHAIRMAN:

There's a head line –

MR RICHARDSON:

Sorry, chairman, that's not correct. This is one of the major issues which was uncovered by this project. The price that I just read out to you, which was the offer price dated 21st of March -- 25th of March, was 8.75 million, with the dilapidations and electrical supply being put right at the vendor's expense. The response that came back was the acceptance of 8.75, but it excluded putting right electrical supply and the dilapidations on the basis that we could accommodate that in what's called a category A fit out. So, there was a divergence of position which is very significant, and that will -- that features from that point all the way through to the point where the deal fell and this is one of the key threads as to why things went wrong. The e-mail you are quoting from there, was when I tackled Jersey property holding staff and said what has happened here, gentlemen. On the one hand I have you making an offer. A week later, less than a week later, I

have the vendors accepting that offer, but the terms of those offers have changed significantly. What did you do to put that right, to protect the States, because at that stage we did not know what the cost of putting those dilapidations, snagging, electrical supplies –

DEPUTY EGRE:

What stage did you become aware of the actual cost of those?

MR RICHARDSON:

Can I come to that as I go through, because it forms part of why things went wrong -- well, what happened at the very end. Those had not been priced at that time. So, when, in the March period, my staff in Property Holdings did not pick up and did not react to the fact that the acceptance letter was different to the offer letter, and the exposure at that time was not known, that is a key point of why things, in that business plan, were not right. I didn't uncover that, obviously, until we started doing a detailed analysis of that business case.

SENATOR OZOUF:

And, I mean, if we just move forward, in the period of October, I was uncomfortable with the business case that I'd been given, communicated that with Mr Richardson and we then, in the subsequent weeks, there was then e-mail exchanges as evidenced by my own frustration and agreeing with Senator (inaudible) that action needed to be taken. But, of course, then I also, with John, organised that there be some independent review, some diligence carried out in this process. What we're telling you now, of course we didn't know at that stage, because there was only limited information on this whole issue. We subsequently identified other problems in relation to this issue.

DEPUTY EGRE:

Who carried out your due diligence?

SENATOR OZOUF:

Well, the -- well, there were two things that were done –

DEPUTY EGRE:

Well, who did it?

SENATOR OZOUF:

The interim treasury of the States conducted a review and he -- he was asked -- he ask a report which was done in January 2011.

DEPUTY EGRE:

Which we have two copies of, the usual draft --

SENATOR OZOUF:

Yes, and obviously the end -- the end one is the thing that matters, yes.

CHAIRMAN:

Who did that get circulated to?

SENATOR OZOUF:

I don't know. I don't do -- I am the Minister. I receive final reports.

CHAIRMAN: Well, okay. So, we're at the stage of the business case.

SENATOR OZOUF:

Yes.

CHAIRMAN:

You are saying you are unhappy with it.

SENATOR OZOUF:

Well, it's completely unaffordable. It's not within the budget. The States has -- the States has agreed that I have got to do what the States tells me to do and the States have basically allocated a -- an amount of money for this proposal. So -- and I have got --

CHAIRMAN:

Well, how much was allocated?

SENATOR OZOUF:

We had 80 million pounds to date, and we subsequently -- we haven't got it yet. That's for us to decide when we're discussing the business plan, we've got an extra 2 million, but we had 18 million pounds available. So, the business case in October 2010 needed to fit the budget that was available. It didn't.

CHAIRMAN:

Well, wasn't part of the problem that Property Holdings had been told to come up with a scheme that was self funding?

SENATOR OZOUF:

Well, Property Holdings have got to come up with a scheme that is within the available resources.

CHAIRMAN:

But that was self funding.

SENATOR OZOUF:

And one of the concerns that I had about that 2010 October business case was that it took one of the most valuable pieces of real estate that the States has got, South Hill, assumed its sale in a depressed market, which I was concerned about selling valuable residential land without getting an up lift for the benefit of a planning application, et cetera, and assumed that that was going to be sunk into the police boat. I couldn't sign that as Minister. I couldn't sign off at the whole aspect of that. If one of my team can give me the business case that I was given, we can de construct it, if you like, but it was completely –

CHAIRMAN:

The only –

SENATOR OZOUF:

There were cash flow issues. It didn't work from a cash flow point of view. It took South Hill and pocketed that and spent that on the police station. I think other -- I think States members would have something to say about that.

DEPUTY EGRE:

Well, Minister, you are using very broad terms there.

SENATOR OZOUF:

But it's true.

DEPUTY EGRE:

You are using very broad terms. What figures are we talking about, because we understood, to date, that in the development, there was a bridging gap that was required, which was about 2 million.

SENATOR OZOUF:

No.

MR RICHARDSON:

Can I -- I have asked Nicki Hill to get some figures.

CHAIRMAN:

Because we understand --

MR RICHARDSON:

Can I just give you the background figures because I think this is a good starting point. The Minister's explained the budget that was allocated to the police headquarters relocation, as per the amount of cash available, and that was subject to additional funds of 2 million being made in the 2012 business plan, which was subject to members approving.

SENATOR OZOUF:

I think it's in 13 and 14.

MR RICHARDSON:

And that came later on.

CHAIRMAN:

Yes, Mr le Marquand spoke of 2 1,500,000.

MR RICHARDSON:

Sorry, we're jumping forward here. Let's stick to the time line.

DEPUTY EGRE:

Well, just for a minute, as we're jumping, there's confusion that reigns. When one's talking about a figure of 18 million, and somebody else is talking about a figure of 21.5 million, what are we talking about?

MR RICHARDSON:

Could I talk you through those figures? That's what I am trying to do. The budget that was available to the State -- the State had approved, was the figure that the Minister had read out. There was an indication of 2012 business plan had a third of 2 million allocated in it. The cost of the police relocation as per that business plan, which was the two phases, which was purchased, acquisition of Lime Grove, category A category fit out of Lime Grove, and then the construction of a new operational police station on (inaudible) -- sorry, on some land site, amounted to 28 million, 28 million pounds. That was the cost of the police location in here. Now, in order to fund this, this very simple little cash flow graph, what it showed was that all the available funding was spent and that got us to the point of having Lime Grove purchased, fitted out and occupied. We didn't have enough money to build the new operational police station on Summer Land.

CHAIRMAN: Where's the sale of the Amberland Station?

MR RICHARDSON:

Oh, that's further -- you are two years away from that, chairman. So, at this point here, which is that large increase in money, that was a sale at South Hill, which is shown on here at 12 million pounds. Now, in order to get to that point, we had to relocate all of the staff who were in South Hill. So, within the time line here, this proposal came up with the (inaudible) department building an extension on Elizabeth terminal at their cost to accommodate harbours and customs to vacate Maritime House. At that point, when it was vacated, when could then sell South Hill and, as the Minister has already said, we were working in a very depressed market and we were working at extremely high value.

Had that value not been realised and we were some way further down the graph and we'd had that much expenditure to go on the next line, you can imagine what would happen, we'd be into a negative position. I have picked that up. I then asked Property Holdings and I challenged Property Holdings and said this wasn't acceptable because (1) you have got no indication that we will get 12 million pounds at that particular point in the market and we'll have 12 million cash to be able to go on and do the rest of this project up to that point. So, they ran some additional funding lines for me and you can see I have got some little dots on there, all the details are in one of the files, I think they are actually in that file that you have got, that showed what happened if alternative cash flow analysis was done. And that's when the negative came -- we did come into a shortfall of funding at one stage. But that meant that the whole of the value of South Hill, whatever we got for it at that time, was being reinvested in a 28 million pound scheme. And that's one of the reasons why I was alarmed and certainly (inaudible) was alarmed, because it meant that we didn't have certainty on delivering that project at that stage, other than hoping we were going to get 11 million, 12 million pounds at South Hill. So that's one of the first big alarms that was ringing. What also came out was that when I went into the detail of this case, that the costs associated with moving planning environment and transport technical services from South Hill to Maritime House had a budget figure in here at 350 thousand pounds. When I asked the question of TTS and planning, are you satisfied you can get in there, the answer came back that they'd been advised by Property Holdings that they could fit in there because of number of staff times office area allocation. Well, what detailed designs are being done? What spaced allocation? What planning? None. And all the way through this analysis, there was no certainty that they would fit in there, because no detail and no costings had been done. 350 thousand, and as I say, I am not a property expert, but I have been involved with major projects all of my working life and 350 thousand pounds for something as complex as that, which required a significant refurbishment and internal alterations of that building seemed very, very likely --

DEPUTY EGRE:

Where did this -- in this overall business case that the Minister's mentioned on several occasions already, was this addressed in the business case in anyway?

MR RICHARDSON:

That's what I am explaining, it wasn't.

SENATOR OZOUF:

It wasn't.

MR RICHARDSON:

All that was addressed -- this is the business case, this is it.

SENATOR OZOUF:

That's the business case that Senator Ferguson lobbied me on to say that we should be progressing. When I looked at it, I said I am sorry, I looked at it, I am not an expert, but irrespective of my own view, my officials were not prepared to say Minister, yes, you should be progressing this and I don't -- I don't make decisions without advice. My official (inaudible) to me, I am sorry, Minister, but I can't recommend that you approve this.

MR RICHARDSON:

Those three pages, and this is the business case, this hasn't been touched at all, those three pages are the only three pages that detail the move of relocation as headed up here, relocation of planning TTS and State (inaudible) Maritime House. That is all I had in terms of financial appraisal, detailed analysis, work plans, everything. That's it.

SENATOR OZOUF:

And we were being rushed to sign this off.

CHAIRMAN:

What discussions did you have with Property Holdings regarding that?

MR RICHARDSON:

Well, that's exactly what happened. My challenge back to them was how can you ask me to sign this off on 350 thousand pounds, based on that? And the answer that came back was we haven't done the detailed design, because there have been so many abortive attempts at this, that we didn't want to employ an architect to do all the detailed analysis side of it. So, when I asked whether 350 thousand pounds was sufficient, they

said they thought it would be. But I have come back to my own experience of 30 odd years as an engineer and project manager and I used that experience significantly to say 350 thousand pounds, knowing the amount of work that would be required, seemed very, very light to me.

CHAIRMAN:

I don't think you –

MR RICHARDSON:

And what subsequently happened, which is important, because it could have been done as part of this business case, is when the (inaudible) was appointed, he used a local space planner and their own architect for a few thousand pounds to do that work for me. Now, that could have been done. It could have been costed by Q S to substantiate what's in here. It wasn't. I am giving the reasons why the uncomfortable feeling was there.

CHAIRMAN:

Did you get the cost (inaudible).

SENATOR OZOUF:

Well, can I just put -- can I just make the point –

CHAIRMAN:

No, I am just asking a question.

SENATOR OZOUF:

Fine. No, it's an important point, because I think we also need to be clear, is because of the uncomfortableness of some of the aspects of the business plan and the deputy chief executive, then deputy chief executive, made a decision to appoint a project manager in order to properly shape these issues and deal with them and that's when the assistant chief executive entered the -- entered this. And I have to say, I hope he won't blush, I think he is done a fantastic job in actually taking the business case that was in October to the point at which I was then able to be much more comfortable with a decision later on. But my goodness me was there a lot of work and the assistant chief executive has

deconstructed and reconstructed the business case and interest there have been substantial changes to the business case to get us to the point at which I came comfortable and I said in the States, when I made the statement, I have been difficult to -- I have been difficult to convince. Well, you now are having a flavour of why I was difficult to convince. But the assistant chief executive can make his -- can make his remarks.

CHAIRMAN:

Are you actually aware that the business case had been reviewed by an independent consultant?

SENATOR OZOUF:

Well, it wouldn't pass me and it didn't pass my accounting officer. So, I am afraid to say, a cash flow thing that doesn't work, project that doesn't meet the budget, project that assumes the sale of South Hill, I don't know who the -- I don't know who did it but I don't take my advice from independents. I take my advice from my officials.

CHAIRMAN:

This was an independent project manager.

SENATOR OZOUF:

Well, I don't --

CHAIRMAN:

-- who considered that it was a very robust business case.

SENATOR OZOUF:

Well, I don't know on what --

CHAIRMAN:

In the industry.

SENATOR OZOUF:

Well, perhaps that's the basis on which you lobbied me, chairman. But I am afraid to say that I-- I am afraid to say that I am not prepared to accept the hearsay of an independent. I have a legal obligation to take the advice of my accounting officer and I am confident --

DEPUTY EGRE:

I have to caution you on the word hearsay in this environment, because --

SENATOR OZOUF:

My client is the accounting officer.

DEPUTY EGRE:

We've just been talking about an independent professional.

MR RICHARDSON:

I'd like to comment on that.

DEPUTY EGRE:

Sorry?

MR RICHARDSON:

I'd like to comment on that.

DEPUTY EGRE:

Well, I am sure you will have the opportunity -- an independent professional person who looked at this and to suggest what you just suggested is perhaps not a good --

SENATOR OZOUF:

Well, sorry, as a business --

CHAIRMAN:

With considerable experience in the building industry.

SENATOR OZOUF:

Well, if you are telling me that that business case was able to be find -- able to be signed off, then I -- you can throw me out as treasury Minister, because if you would expect me to sign that or direct my accounting officer to sign that business case, then you can throw me out because it's just simply I wouldn't do it.

MR RICHARDSON:

Well, I am surprised at the comments that you just made to the panel, because when I read that, one of the standard procedures within the State is (inaudible) risk analysis of business cases. There is no risk analysis and risk work shop in that business case. I instructed that that be undertaken, after I have reviewed this, and I think did you set it up?

SENATOR OZOUF:

No, it was after -- it was before I --

DEPUTY EGRE:

And what happened at this work shop?

MR RICHARDSON:

I'd like to go into that. The person you referred to was invited to it and participated in it. So, it seems rather strange that someone who is supposed to have -- and I make -- I cast no comment whatsoever about the individual.

DEPUTY EGRE:

Well, that's what I was trying to avoid.

MR RICHARDSON:

Well, again, I cast no comment. But my only comment is there was a business case which had 28 million, more than that, in total I think the total cost was (inaudible) station, South Hill, Maritime, was 40 million I think. It's a big project, very complex.

SENATOR OZOUF:

34.

MR RICHARDSON:

Sorry.

SENATOR OZOUF:

34.

MR RICHARDSON:

Thank you, 34 million, no risk analysis, no risk work shop. I instructed that was undertaken.

DEPUTY EGRE:

We accept the risk -- we accept the risk --

MR RICHARDSON:

We employed -- we employed someone to do it for us.

DEPUTY EGRE:

We're aware of that. And what -- we know about the risk work shop. We've spoken to people who were there. What notes or minutes were taken of that risk work shop?

MR RICHARDSON:

We've got full risk register in the work shop, (inaudible).

SENATOR OZOUF:

There's a report.

DEPUTY EGRE:

Can we get a copy of that?

MR RICHARDSON:

Yes.

SENATOR OZOUF: Of course. Of course, yes.

CHAIRMAN:

Well, we haven't had time to go all the way through. And what of the major risk identified?

MR RICHARDSON:

Have we got it here? We have three big red risks. If I can get it I will come back to it.

DEPUTY EGRE:

I think it's important.

CHAIRMAN:

Right, so –

SENATOR OZOUF:

But I hope the panel is getting a picture of the fact that why the Minister's uncomfortable.

DEPUTY EGRE:

We're getting a picture (inaudible) uncomfort.

DEPUTY de SOUSA:

Can I ask what I think is a very important question at this stage? First of all, Mr Richardson, you said detailed analysis. Are you talking about the big (inaudible) fit out?

MR RICHARDSON:

No.

DEPUTY de SOUSA:

What were you talking about that in analysis?

MR RICHARDSON:

Sorry?

DEPUTY de SOUSA:

You spoke just a few minutes ago about the detailed analysis of the plans. What was that detailed analysis that raised concerns with you?

MR RICHARDSON:

Sorry, that was a detailed analysis of the fit out of Maritime House, in order to accommodate planning environment TTS in the space that was available and the only analysis that was in here was taking the number of people times the square footage, which we allocate 110 square feet per person with an office standard, multiplying that up and saying one times the other equals a figure, area of land available -- area of office accommodation available is that, the two fit, therefore it's okay. The cost estimate was 350 thousand pounds.

CHAIRMAN:

But if you are buying a house, you don't measure it for the curtains before you have bought it.

MR RICHARDSON:

No, but I think you would have a reasonable view if you are going to renovate it and renovate the kitchen and bathroom, you'd have an estimate before you did it.

CHAIRMAN:

You'd have a rough idea. Now, I understand –

SENATOR OZOUF:

I find these -- this is an extraordinary line of questioning, if I may say. We're being tested, quite appropriately –

CHAIRMAN:

Challenged.

SENATOR OZOUF:

Yes, but –

CHAIRMAN:

But you like being challenged, Minister.

SENATOR OZOUF:

I do, but my officials and I are being tested as to whether or not the level of prudence that we've been exhibiting, with the background of public concern and assembly concern on capital projects, isn't it absolutely right that the treasury Minister and his team is searching and demands answers to questions and I am painting a picture to you that, frankly, the information of which I was being asked to make was a poor standard and was not able to be agreed. Now, the chairman may disagree, because she lobbied me about it, but I have to say that the business case, as in October 2010, was not suitable for my signature. I did not have advice for it and I am pleased and I congratulate the chief executive on not advising me to sign it and the subsequent work by the assistant chief executive have proven that there was a sufficient amount of deficiencies in that plan for us to be concerned. All of our concerns have been borne out by evidence subsequently in that business case and, in fact, the business case eventually agreed being substantially different.

CHAIRMAN: Yes, but Minister, you must be aware that for the last -- since 2005, I have been acutely aware of the necessity to get the office strategy moving.

SENATOR OZOUF:

But not at any risk, chairman --

DEPUTY de SOUSA:

The other very important question that I had, and it was vitally important, is that you have spoken at length, Minister, about the fact that you -- alarm bells rang off and you were very, very concerned about the business case that was put forward.

SENATOR OZOUF:

Yes.

DEPUTY de SOUSA:

And very late in the day you were aware that the offer -- an offer had been made, tentatively, way back in March, of 8.75 million, in fact when you did your analysis with

your people, the only difference in price was a very small, in the scheme of things, a very small saving in the amount of money in the purchase.

SENATOR OZOUF: Let me be clear, 8.75 was not the price at which we could buy the building, because of the issues that we have documented in this -- in this note about the defects, et cetera. So, we're not just talking about -- this isn't an A or B option, 8.75 or 8.25. The 8.75 never existed because of the issues that we discussed previously. It never existed. It was not a price that could be agreed, as we've discussed.

DEPUTY de SOUSA:

But the price that you agreed on and you instructed people to go ahead and negotiate on was 8.25 million. What I am trying to say is there's not a significant amount of money between what was put forward and you found out about, in a roundabout way, and you --

SENATOR OZOUF:

Well, not a roundabout, the evidence that I had at that stage from my own documentation and the then intense discussions that were going on because of the intensity of the pressure that I was under to sign this off. We're dealing with more than just half a million, deputy. We're dealing with the issues of snagging. We're dealing with the issues of the difference between the 500 -- the 8.75 didn't exist. That's really important to know. And the attendant problem that I had was that I'd been repeatedly petitioned and lobbied of the fact that the valuation should be what you buy for it. And I refer to my comment earlier, which I do want to just try and explore, is that a valuation is a construction of what somebody's willing to buy a building for an investment. And that was based upon a 21 year lease or 15 year lease at 24 pounds a square foot, or whatever, with a triple A rated tenant. And I think it's appropriate, for me as treasury Minister, to question why we were buying a building with the benefit of the State's covenant. It's unusual, we may have good credit references. It's unusual that we buy a piece of land with the benefit of our own credit reference and our own credit rating. And so the issue of valuation, I think there is genuine -- I think there's genuine lack of understanding. I am not a property expert. I have learned a lot in relation to all of this, I have to say, but there is a real difference between the valuation and what somebody's prepared to pay and I think that I would give you an evidence as to the reason why I was probably right to be even concerned about the valuation approach, was that the latest valuation was 8.45 million, not 8.75. And if you have the background of all of this -- of all

of this uncertainty about how this valuation got there, Ministers not being told, it's unclear, valuation retro fitted, lack of clarity, lack of supporting evidence in the overall business case, you are going to be on the edge of your seat at the point at which you are trying to make the decision.

DEPUTY EGRE:

You have used the term retro fitted twice. What do you mean by retro fitted.

SENATOR OZOUF:

Yes, indeed, I think it's really important.

MR RICHARDSON:

Very important point, the offer letter of 25th of March 2010, 8.75 covered, was not supported by a current valuation. Now, the Minister (inaudible) professional valuation. It was supported by a 19 -- 2007 valuation that had just been up lifted and it was supported by a senior officer in Property Holdings undertaking a two page calculation to determine price. That is all of the substantial evidence that exists to support making an offer of 8.75.

DEPUTY EGRE:

And the other independent valuation?

CHAIRMAN:

But the independent valuation --

MR RICHARDSON:

Yes. I will come to those. Those are the two pages. That's it.

CHAIRMAN: Yes.

MR RICHARDSON:

15th of March, prepared by an officer in Property Holdings, which came to 8.781500, say 8.75. That is -- that's what the -- that's what the offer was made on plus the 2007 up lifted.

CHAIRMAN:

But he is a property professional.

MR RICHARDSON:

Well –

SENATOR OZOUF:

But the Director of Property Holdings subsequently said in e-mails that this whole thing was, and I quote, all very messy and totally unsatisfactory.

CHAIRMAN:

He was -- no, let's get this straight, he was referring to the –

SENATOR OZOUF:

Are you defending these people?

CHAIRMAN:

No, I am not, I am trying to find out the story.

SENATOR OZOUF:

Because it sounds as though I am being defending for being prudent and that's the difficult see, I said.

CHAIRMAN:

No, I am about to say that the -- what was the BMP valuation?

SENATOR OZOUF:

8.45.

CHAIRMAN:

No, the BMP valuation.

MR RICHARDSON:

8.8, the BMP, which was then done in June -- May 2010.

DEPUTY EGRE:

Minister, can I just cover points that concern me shall the reaction just there really did concern me, all right? We have -- this is coming towards the end of a week of talking to people who have been giving evidence.

SENATOR OZOUF:

Yes.

DEPUTY EGRE:

It's not based on some form of attack and defend. We have got information, which does not square with some of the information that you are giving us at the moment.

SENATOR OZOUF:

But we're giving you what's in our departmental files and you are scrutinising a Minister's decision, that's what you are doing. You are scrutinising a Minister's decision as to whether or not I was right or wrong in my decision making and the underlying issue is that I think that where this is going is that you are inviting me, effectively, to instruct officials to go ahead and purchase Lime Grove at 8.75, which I haven't got –

DEPUTY EGRE:

Minister, (inaudible) really serious point here. We're not instructing -- we're not suggesting any instructions is happening at all.

SENATOR OZOUF:

But that's what I was being lobbied on.

DEPUTY EGRE:

The situation that we have at the moment, which is the reality of the situation, is that we started with a possible purchase of Lime Grove, which appeared to be a key overall strategy.

SENATOR OZOUF:

Yes.

DEPUTY EGRE:

Which has now fallen through. It does not, as you rightly put in another area, it does not exist. We don't have Lime Grove and one of the issues that has come out of that is that could cost the State some money, that that was the key issue for the start of a lot of exercise that were going on within the property. So, we -- there is an end game to this, it hasn't happened. So, what we're trying to put together is construct what happened in between that time.

MR RICHARDSON:

Well, that's what I am trying to get to. So, if we follow the valuation side of it through, handwritten valuation in 15th of March 2010, offer letter 25th, acceptance letter under different terms, which meant there was no deal because it was never clarified, which was substantial, could be substantial, a valuation report --

CHAIRMAN:

How substantial?

MR RICHARDSON:

Well, can I come to that further on. But significant -- of significant defects and significant issues about the size of electrical supply to that building, which had to be dealt with. Our letter on the 25th of March was that those issues would be put right by the vendor. The vendor's response was 8.75 and we took on liability and responsible for all defects, be they original construction defects and/or wear and tear, both, of which some were significant and I will not cost it. So, we didn't know what liability they were letting us in for and the requirement to upgrade electrical supply to meet modern standards. So, the valuation report came in in June 2010, 8.8. So, that was the first valuation report that we had in -- sorry, this is our second valuation report. The first one was the 2007. Then we had 2010 and then I instructed Mick Heald, when he took over, to get a further one carried out by --

MICHAEL HEALD:

Drivas Jonas in February 2011.

MR RICHARDSON:

In February 2011 for 8.45. So, the valuation is somewhere between 8.45 and 8.8, as the Minister said, the question of valuation versus purchase price. There was no purchase being agreed. There was a price of 8.75, but there was no purchase -- there was no conditions attached. They were completely apart and, all the way through, and I am going to jump to the end for a minute, but I don't -- we'll go back to follow the time line through, when we finally got down to renegotiate with the vendor, one of our sticking points, apart from the 8.25, was did it include or exclude these dilapidation, snagging, et cetera. What we finally have agreement from and the heads of term are written in a specific way, was that there would be an agreed -- there was an agreed statement between our building surveyor, employed by us, a third party private sector employed by ourselves, and the vendor's original architect, who would meet on site and would go through the snagging issues and, from that, we would be able to agree a schedule, which the vendor agreed, that if there were material defects that existed as part of the original construction, which were those that were of concern to us, then he would get them right by his contractor. And I think I am right, Mick, that's right, isn't it?

MICHAEL HEALD:

The vendor would put them right, yes.

MR RICHARDSON:

Put them right. So, that took away a significant element of the risk.

DEPUTY EGRE:

You don't have a deal. What risk was that?

MR RICHARDSON:

Well, we did have a deal at that stage.

DEPUTY EGRE:

I am sorry, the term I used, we don't -- you might have -- we don't have a deal. It's gone.

MR RICHARDSON:

Yes, sorry, you have jumped ahead another couple of months now. At the time --

DEPUTY EGRE:

Well, can I just take you back, because the early -- and I want to get this information as soon as I can, you mentioned earlier, rightly, you put together a risk work shop.

MR RICHARDSON:

Yes.

DEPUTY EGRE:

And that there were three red lines that came up. We don't appear to have that. We don't have it. We need it, all right, because those risk elements are important. Because we have -- it's been indicated, in what we have picked up so far, not attack/defend, that the highest risk within that risk work shop was the loss of Lime Grove.

MR RICHARDSON:

I think you are right, I think it was.

DEPUTY EGRE:

Right.

MR RICHARDSON:

It was high risk. But there was no deal.

SENATOR OZOUF:

There was a price, but not a deal.

DEPUTY EGRE:

We know there's no --

SENATOR OZOUF:

There was a price but not a deal. It's really important.

DEPUTY de SOUSA:

Can I take you slightly forward because of what you have just said? We had a hearing this morning to which the assistant -- sorry, acting chief executive was present and that was with the person that you employed to be the negotiator. You gave him a fixed set --

amount of money to secure it on, but he had the flexibility within other things to come to an arrangement. He told us this morning that, at some date in June, the terms were agreed, everything was satisfactory, he'd gotten a good deal, everything was sorted. You had the 15 day cooling off period, which then took you to the 19th of July. You made a statement in the States to say that, with political support, you had made the acquisition of Lime Grove. What was the delay between then and we know the deal was only signed in August? What was the delay?

SENATOR OZOUF:

Very good question.

MR RICHARDSON:

Do you want to answer that.

MICHAEL HEALD:

Yes, of course. We agreed heads of terms which then reached the 15 day rule and we then had a number of issues to sort out. We had acting chief executive had just mentioned that we had to resolve which defects we regarded as material and would be fixed by the vendor, before we went to contract, which (inaudible) terms. All the contract documentation needed to be done, the usual things you do when you purchase a property are obviously bigger. And there were also some issues we'd identified through our title search, which I instructed I think something like February/march, maybe in April 2011, which we needed to address because of the use we're making of the building. Because it was about the rules for using the basement. We were going to use it as a police HQ. So, there were issues what you can use car parking spaces for, et cetera. So, those things had to be dealt with. We tried -- we took steps to line up our people to do it. We tried to move the vendor forward in terms of addressing those things and it's safe to say that, roundabout the 20th of July, I started to get a very cold feeling about the vendor actually pushing these things forward. And the rest of the month is myself, our appointed surveyor trying to get together the architect and trying to discuss moving forward issues on contract and moving forward the defect issues and it's actually we started with the -- we had to get agreement with the owners of the flat who are next door to Lime Grove that they share the basement. So, there was a whirl of activity going on, because there was quite a lot to do to actually get to court. We couldn't have gone to a

court like that. There was a lot to do and there was a point at which -- which I think is not long after the treasury Minister had confirmed the 15 day period had completed -- had confirm the 15 day period that actually it was -- we were having to clear him moving things forward.

DEPUTY de SOUSA:

Just for clarification, the 15 day cooling off period is working days. So, it's Monday to Friday.

SENATOR OZOUF:

Yes, that's right.

DEPUTY de SOUSA:

So, it's actually three weeks.

SENATOR OZOUF:

Yes. And of course I was nervous that States members were going to call the transaction in and of course that's the ability is that you set this transaction before States members and they called it in and both Senator (inaudible) and I were having our fingers crossed that nothing would be called in for States members.

DEPUTY de SOUSA:

Which nobody did.

SENATOR OZOUF:

Nobody did, no, but I think that's because we explained it well.

DEPUTY de SOUSA:

And at what stage did it become an issue on access for the basement because the reason I have the query is we have spoken to the deputy police chief and the Minister for home affairs. The deputy police chief has been involved since 2009, home affairs, he said, since early 2010. Why was that issue never brought up before?

MICHAEL HEALD:

It's -- sorry, it wasn't an issue of police requirements.

DEPUTY de SOUSA:

No.

MICHAEL HEALD:

It was an issue of the title -- sorry, what's the word, the title search, there was certain conditions in the contract that, until that point, we'd been unaware of, which meant -- I mean, it's a silly sample, the basement regulations said you can only park cars of normal -- private motor vehicles of normal dimensions. Now, technically, that would rule out a police van being parked there and there were just issues like that and there were some security issues that wanted to be -- there was things just needed to be resolved contractually and we were -- everybody is very clear that they could and would have been resolved.

DEPUTY de SOUSA:

So, what exact offices of the police would have been moved to this location, because they prefer two sites.

SENATOR OZOUF:

Yes.

DEPUTY de SOUSA:

What offices would have actually been moved to that site? I think it is important.

SENATOR OZOUF:

Yes. No, I was just making sure that I was ready for your next line of questioning. Do you just want to repeat that question, I am sorry, deputy.

DEPUTY de SOUSA:

Sorry, that's okay. What exact offices were looking to relocate to this site, because we know the preferred option and the police have said it to us, is a two site option.

MICHAEL HEALD:

Yes.

SENATOR OZOUF:

He is the expert.

MICHAEL HEALD:

Well, that was actually a little bit, I wouldn't say fluid, because one of the things I did, when I first started, I think it was one of the gaps was actually some detailed layouts of how the police would fit into Lime Grove and we had worked very hard and not myself, the team worked very hard in about 2009 to get –

DEPUTY EGRE:

This is the Property Holdings team.

MICHAEL HEALD:

This is the capital project team, Property Holdings, had worked very hard to get the space requirement, worked really hard, they'd made some savings on those.

DEPUTY de SOUSA:

They'd reduced them by 30 percent.

MICHAEL HEALD:

30 percent. There was a brief. We tried to enact that brief and actually do some proper layouts. Try and be as aggressive as we can be, because it is quite a specialist space of Lime Grove and we ended up getting in more than we thought we would and particularly by reconfiguring areas, et cetera. So, we ended up with most of the -- most -- all of the office space functions. The only thing that was left outside was the custody and the reception and the facilities for the operational officers parking, those kind of things.

DEPUTY de SOUSA:

That is exactly my point. So, therefore, why is the configuration of the parking in the basement an issue, because you said police advance wouldn't fit in there.

MICHAEL HEALD:

No, I didn't say that.

DEPUTY de SOUSA:

If it's office administrative –

MICHAEL HEALD:

No, I didn't say police vans wouldn't fit downstairs. I said that the contract, technically, the way the basement regulations were worded precluded anything other than a private motor vehicle being parked down there.

DEPUTY de SOUSA:

Chances are though, that if the offices that you are saying were there, it would only be ordinary vehicles.

MICHAEL HEALD:

In the pack, there is a full description of what the basement issues were and what we were going to do to resolve it. I don't want to waste time.

DEPUTY EGRE:

Just to clarify the point for myself.

MICHAEL HEALD:

Sure.

DEPUTY EGRE:

You said that the issues that were (inaudible) were easily resolved, you didn't see them as a problem in resolving.

MICHAEL HEALD:

That was -- we believed that from conversation with the vendor and actually a conversation with the -- with the agent of the occupiers of the flats.

SENATOR OZOUF:

I mean, I think this line of questioning is important because it demonstrates, I think, the level of detail that one has to go through. You are not going to buy a site that you can't put your police advance in and that even you need to think of absolutely everything when you are doing it.

DEPUTY EGRE:

But is a policeman going down to look at a basement would know that you could put police vans in it. What you are saying is because in the contract, the way the contract was worded, not physically, the way the contract was worded.

SENATOR OZOUF:

But it's for the other counter parties though, isn't it? They needed to be -- the other counter parties that used the basement in the along side buildings needed to agree.

DEPUTY EGRE:

But the point.

SENATOR OZOUF:

(inaudible).

DEPUTY EGRE:

(inaudible) double checked on is that those problems were easily -- they would appear to be easily resolvable with the vendors.

SENATOR OZOUF:

I believe so, yes.

MR RICHARDSON:

Can I go back because it follows on from the question this morning, which is, I think, relevant, is that that wasn't discovered until Mick undertook a full review of -- sorry, undertook a title search.

DEPUTY EGRE:

Would you accept that a title search normally comes towards the end of a deal?

MR RICHARDSON:

No.

DEPUTY EGRE:

You wouldn't accept that, that's fine.

CHAIRMAN:

It's usually done when it gets to the laws.

MR RICHARDSON:

Can I quickly, when the early discussion with the law offices department, he was advised and I will let Mick explain for, as it were, that they were surprised that the title search hadn't been done earlier; is that correct?

MICHAEL HEALD:

Yes, I went to see the conveyancing team. It must have been -- I can check with (inaudible), it must have been March/April time and the purpose of meeting him was to introduce myself and say to them I think we're moving forward with this and so can you tell me what things you need to engage in the process and I was asked have we done a title search yet and I said I don't know and the head of conveyancing said to me well I think you should do one because you are using this for quite a specific purpose and there may be something in there that we need to look at.

DEPUTY EGRE:

That's the background to it, I see.

CHAIRMAN:

Right. Can we go back to the time line. We're back in October when you are -- the acting chief executive is unhappy about the whole thing and takes unofficial advice about all the valuations and so on.

MR RICHARDSON:

Unofficial?

CHAIRMAN:

In your briefing note, which is tucked away in here, of the –

MR RICHARDSON:

31st of December.

CHAIRMAN:

31st of December, you say that you have taken advice on the valuation. Who was that from?

MR RICHARDSON:

Just refer me to where –

CHAIRMAN:

From well known -- which page, the pages aren't numbered unfortunately.

MR RICHARDSON:

I think that is (inaudible) you are referring to, but it was someone from within –

CHAIRMAN:

No, it's the -- your e-mail of Friday the 22nd of October, to John (inaudible) with copies to David Flowers, Ian le Marquand and Bill Ogley. I have it from two sources, one from a well respected private sector property person, who were they? Who were your advisers? Did you have advisers?

MR RICHARDSON:

I did have somebody but I am not prepared to name that person in public. I am happy to name that person in private. He was a private sector, very, very eminent property agent of a very similar standing to Mr Gossard. I couldn't use him because he had been involved -- his company had been involved in other transactions which were related to this, I couldn't use him in detail. So, I will happily name him in private sessions. I don't think it's appropriate to name him as he is unofficial in the public sector.

SENATOR OZOUF:

And I would like to add to that, if I may, chairman, that was an issue I discussed with the chief executive because of -- because of the circumstances in which the whole offer was made and an issue which I also need to share with you in relation to the performance of issues of matters in Property Holdings and the way in which the relationship between Property Holdings official -- a Property Holdings official and the agent was brought to our attention from the interim treasurers report, I said look, I am not happy with this --

CHAIRMAN:

No, we'll do that in private session at the end.

SENATOR OZOUF:

Okay. I am so concerned about this, I mean frankly within I see an e-mail in the interim treasurer's report, which talks about the official that's done the written offer without a valuation, describing blow out lunches with the agent, at the island's most expensive restaurant, I am concerned. And so I am asking my officials to double check the advice, because I am not confident about it. And I will be absolutely honest about it, my confidence is, at this stage, absolutely shaken in relation to what I am being told. And so I am being particularly tough on my officials in order to make sure the thing is robust and I used to be, a long time ago, an internal auditor, a long time ago, and I learned that if you find something wrong, then you carry on asking and you verify to a greater extent. And I did so, and I did so and I am pleased that I did so because my job is protecting the public purse. And that's -- I know that's a difficult thing for me to say to you, but I have got the file, I have got the report, a blow out lunch with a senior official in Property Holdings with the agent, it doesn't look right, at the island's most expensive restaurant.

DEPUTY de SOUSA: Was there then a disciplinary involved?

SENATOR OZOUF:

Those are issues for my officers to deal with and those are issues for the PAC I think to deal with, with my officers for the C&AG.

MS ROWLEY:

Chairman, if I could help with that, internal audit are doing a review of the arrangement now that that particular matter has been brought to my attention.

DEPUTY EGRE:

Sorry?

MR RICHARDSON:

If it -- sorry, go on.

DEPUTY EGRE:

I am confused.

CHAIRMAN:

This is the -- but I thought that part was taken out of the first report.

SENATOR OZOUF:

All I know is there's an e-mail about a blow out lunch in relation -- I am not going to name the individual, this is from the agent to the official, hopefully you are fit and healthy following our blow out lunch at Bohemia last week. We should do it more often. This is just a short note to advise you that the directors of the agent of the company are meeting up next Wednesday morning. It would be a good idea if we had a brief summary of what you were up to in the political admin process, best regards. I am sorry, but I do not think that that is going to raise significant doubts in my mind as to the integrity of this department official.

CHAIRMAN:

Well, did you -- did you question that with the individual concerned?

SENATOR OZOUF:

I -- it's not my job, I deal with the chief executive and the treasurer of the States.

MR RICHARDSON:

I dealt with this. Is this going back to the original --

SENATOR OZOUF:

And that's why -- and the panel needs to know, that's why, having brought -- having the interim treasurer, having brought that and other matters to my attention, I am going to be asking really tough questions to say, look, what is going on here, and therefore I will be testing, in the early part, and the deputy chief executive was absolutely acting on my request to check whether or not the valuation process was correct, because then your alarm bells start ringing at that stage.

CHAIRMAN:

Well, you have got three valuations which are almost all the same. Let us carry --

SENATOR OZOUF:

Are you trying to justify? Are you saying that I need to ignore that sort of thing?

CHAIRMAN:

No, I am not.

SENATOR OZOUF:

It's outrageous.

CHAIRMAN:

I am not saying that at all, I am just saying --

DEPUTY EGRE:

We have to make an objective decision based on the evidence that we see.

SENATOR OZOUF:

Well, I am telling the panel -- I am telling the panel that the Minister is, at this stage, extremely concerned about the actions within the department that ultimately I have political accountability for.

DEPUTY EGRE:

Well, that holds the test then.

MR RICHARDSON:

Yes.

DEPUTY de SOUSA:

So therefore, now, you are carrying out an audit, did you say?

MS ROWLEY:

Chairman, if I can just comment briefly on that, there were two issues raised, there was an issue raised at the time in the interim treasurer's report, which I think is the 14th of January 2011. And there was an error in that, which is why I think you may have thought that it were struck out and the error related to a letter which actually subsequently proved to be a draft letter, which included, in my view, inadvisable commentary about a possible lunch between some States members and to celebrate progress with the project. That was wrong. It was only a draft letter. It wasn't sent. What has come to light in the last few days is that there is a separate e-mail to which the Minister's just referred, which we've seen, as a result of the scrutiny and going through numerous files, which does include these words, blow out lunch, as having taken place between a member of Property Holdings staff and the agent. Now, as you'd expect, having seen that, I have spoken with our internal auditor and with John and we've instructed for an internal audit to be carried out, with regard to the arrangements in property services for approval of those sorts of activities. The State's normal processes explicitly prevent members of staff who are involved in negotiations from taking hospitality and that's, of course, what you would expect. So, it's –

DEPUTY EGRE:

Just to clarify a point, with my (inaudible) hat on or former (inaudible) hat on, this has not been viewed to check out the balance of what actually happened. There's a supposition that a blow out lunch is taken –

SENATOR OZOUF: It's from the agent, deputy.

DEPUTY EGRE:

It's the detail of it and who paid for it and whatever, (inaudible).

SENATOR OZOUF:

But it just doesn't look right, the agent. The agent paid for it.

MS ROWLEY:

I think this is perhaps a matter –

SENATOR OZOUF:

This is a matter for the PAC and disciplinary matters, not –

MR RICHARDSON:

Can I come back to the chair's original question about me seeking independent advice. I am happy to name the person in a private session. I can give you the date. It was the 9th of November 2010.

CHAIRMAN:

Yes, because I noticed –

SENATOR OZOUF:

And I requested it.

CHAIRMAN:

-- in the same e-mail, you say that the project should now be handed over to SOJDC, the Lime Grove project.

MR RICHARDSON:

Lime Grove. Well, clearly with the position we were in with some of the issues we'd been naming with and the lack of confidence that I had in the quality of this, I needed some clear advice from the property people who could make sure that this came into a format that was manageable. The big problem I had, which was the costs were way beyond the budget that was available and we had to try to find a way through using expert advice that we could bring that project back into a financial position which was deliverable.

DEPUTY EGRE:

So, you still take advice from (inaudible).

MR RICHARDSON:

No, not necessarily. What happened then -- I was looking at where was expert advice available that I could bring in that would restore some confidence, for both myself, the Minister and the team, to actually start delivering that. Now, that was before I'd managed to agree that (inaudible). We didn't do very much with Webb, at that stage, because there were too many other issues. What then happened is that when I sat down and Mick came on board, we met with the police and we put a project team together, which didn't include Webb at that stage. So, from that point on, we were now clean starting to resurrect this project and as we hear, it's that you were doing a gap analysis, where were the gaps in this, what had to be put right and how can we move this forward quickly, within our own organisation. The costs, which was acquire Lime Grove and build a new operational police station on the Summer Land site, as per that business case, amounted to 28 million 66 pounds -- 28,066,549, which was significantly beyond any available budget that we had sight of. So, the options we had available to us were limited. It was either make a recommendation that we pursue these options again sale (inaudible) et cetera, but understand whether or not the market could come up with that sort of money, go back to the States through a business planning process and seek further money, significant monies, which meant the capital program would have to be reevaluated or value engineer this project down to something which was deliverable within the budget that we had and the amount we'd described in the 2012 business plan. Through the work of Mick and the team, we moved at that project from 28 million 66,000, down to 21 million, 195,000, a completely open project that the police agreed to, the police signed up to, they were happy with. We've missed a little bit out in trying to get the time line here, because there was a briefing which I gave to the treasury Minister, chief Minister, treasury Minister and home affairs Minister. I think it was the 13th of January, but my report was written on the 30th of December, which he is referred to earlier, which outline my concerns, and at the end of it, under the section headed the way forward, I made specific reference, it is therefore proposed that for the next two months, a new project manager appointed will report to me, (inaudible) chief executive, working closely with the police the next level will be designed for both Lime Grove and the police station. It was as a result of that work that we got the project down from 28 million to 21 million.

CHAIRMAN:

What did you take out of it?

MR RICHARDSON:

We managed -- well, we actually gained an awful lot more. What we did was the option that was put forward in this business case included a new police operational space on the Summer Land site, which effectively extinguished the Summer Land site from any further development. It did leave, at the very end, the ambulance station site that could be moved and then develop the housing. By moving to the new solution, which the police were happy with, which was refurbishing the existing (inaudible) operational station and cell and custody suite, we moved the cost down from 28 to 21 million and we then left the whole of the Summer Land site unused and, at a future date, the whole of the ambulance station could move across to the fire and police station area, which meant the entire ambulance station, Summer Land site, could then be cleared and used for housing site. So, the benefit to obviously us was we could deliver the project for the 21 million. We had the budget available. We pressed the green light and could go with it. The other benefit, for the States, was we now uncovered and identified a very, very large site, right in the middle of town, which is an ideal housing site, that once we'd gone through all these stages and development is then available. That was nowhere to be seen in this project.

DEPUTY EGRE:

And I think that you were responsible for coming up with that idea.

MR RICHARDSON:

Yes, that idea, Lime Grove and (inaudible) was my idea because I was pushing -- I also was at that meeting was pushing the police very hard to say the way things are looking is you are not going to get a police station because I am not even going to sign off buying Lime Grove at this stage until I am comfortable we've got a solution. So, either we find a way of delivering this for 21 million, 22 million, or we have to go back to the respective Ministers and say I am sorry, we can't deliver this, we have to go back to capital program. Which would take at least a year, if not two years. That's -- and, to be fair to the police and I think credit to the assistant chief police officer, he worked very closely with me and there was some caution about whether this was deliverable. But

Mick and the assistant police chief did work up some options and ways of doing this and the police were comfortable to sign that off.

DEPUTY EGRE:

This is fine. The point that worries me is at what point did you become aware that this deal was in jeopardy in that there was another group that may be interested in Lime Grove?

SENATOR OZOUF:

20th of July. Well, I actually knew on the 22nd of July. I mean, I wouldn't have been informed because, obviously, you know, I any we were in the middle of the business plan or whatever we were. But I was certainly informed through my contacts that I was told that, effectively, there was a new -- there was a new potential -- there was a new potential interest which that interest didn't, of course, exist before.

DEPUTY de SOUSA:

Did you make any contact with anyone over that when you received that information?

SENATOR OZOUF:

I did. I mean, what I did is after having made the standing order decision, made the statement to the States, crossed my fingers that there's not going to go a calling, I then and I am sure the chief executive will confirm that I put a continued questions and pressure on the team to ensure that the thing was being delivered. I am absolutely satisfied that everything was done as speedily as possible in order to bring the transaction to a conclusion, but -- and again I am offering no criticism at all to the parties concerned. There was clearly a change in the market place, where there was other interest in the building which was not -- which was certainly completely absent before -- I mean, the Jersey property market's a small one and people tend to know what people are interested in and who they are negotiating with. So, it's a pretty knowledgeable area and certainly the American institution came back on the market and, of course, they've done a deal with the owners for a lease very different to the purchase that we were negotiating.

DEPUTY de SOUSA:

Between -- you didn't actually answer my question. Between finding out that somebody else was in the mix, did you contact anybody else to do --

SENATOR OZOUF:

I did, I mean, I think that it was appropriate at that stage for me to make the vendors confident that I, as Minister, really wanted to see this brought to a conclusion and I did telephone one of the directors who I was aware of. I have never had any contact, because I don't think it's appropriate that I do, my team know how I operate. I will not have any contact with anybody in relation to that and I called one of the directors to make sure that they were aware that they were keen to progress matters in relation to -- in relation to -- in relation to that.

DEPUTY de SOUSA:

And what was discussed between you and that party at that time?

SENATOR OZOUF:

And, of course -- and, of course, the indication was that they wanted to treat with us and we were basically -- we were basically progressing matters and I think the Director received the call with the courtesy in which it was intended and the sincerity with which it was intended that we were really serious and we dealt with all the political hurdles that had been difficult to convince but we were now at a point where I was confident that things were moving forward and everything -- and I was confident and at that stage we had an agreed deal, of course, unlike the 8.75. But I am not going to -- I am not going to, you know -- I am not going to, again, criticise them. They are entitled to do the deal that they want and they leased it and they didn't sell it and that's -- they made a commercial decision. They are entitled to do so. It's -- it's regrettable, but the good news is that all of the work that has been carried out in designing layout, all of the detailed work that we now have that put the police into an office building of 32,000 square feet, we just need to find another building and all the work's been done. So, I mean, the positive news is that we're now very up to date, aware and we've got an agreed position with the police and I want to say to the panel that, you know, we're going to -- I am going to ensure that my team, that we work as speedily and as quickly as we can in order to find a solution. And I do want to say, because I think that there's been perhaps some understandable misunderstandings, the non purchase, because I don't

think it's a failure, by the way, I think a -- I think two people, if they are getting married, need to go up the aisle and they need to agree. You know, two counter parties need to agree. So, I don't think it's -- I don't think it's a failure. I am not criticising them and I am sure that they wouldn't criticise us. We agreed a deal at 8.25 and they decided to go with another offer. I want to say to the panel this there were no CSR issues that arise from this and I have confirmed that with home affairs. The -- I think it's important perhaps for me, because there are media here and this is a recorded interview, is that despite some inaccurate media statements that I have seen in the last -- I am not criticising the media ear, the case presented by Property Holdings would have cost 28 million instead of 18 million at the time. My written comment makes a number of observations. There are no CSR issues which are concerning me or which wasn't be delivered. There is a CCTV project which a saving has been put forward by home affairs. This was going to be integrated with Lime Grove, but will now go ahead independently. And -- and the States of Jersey police will make the 40,000 saving associated with that in 2010, either from the original proposal or by other means. And there are other issues in relation to the integrity of the CSR, which I have had checked and I am confident are going to be delivered. And I also want to say that whilst we're all disappointed that Lime Grove hasn't happened, of course we are, we are going to move forward with optimism and enthusiasm to find another site and I am confident that we're going to do that. And I am confident we're going to do that within the budgets that are available. And I have always had an issue, and I think the public and certainly from reading the letter column of the JP and talking to people in King Street and others, the public have certainly been asking me as to why we were buying a building when we're such large property owners in our own right and was it not a better use of State's resources in order to try and construct a building on our own site and that's certainly one of the things that we're looking at and we've got some options in relation to that and I am confident. I am also confident that the really positive move that the police are going to be -- can be co-located, potentially on their operational police station at Rouge Bouillon and a back office which means that we can release the Summer Land site, that can still happen. That's a very valuable and important issue. One of the really difficult issues of the (inaudible).

CHAIRMAN:

Minister, I heat to interrupt you, but we haven't actually finished with the questioning.

SENATOR OZOUF:

Okay, I thought that this would help your reservations.

CHAIRMAN:

And as this will be going up on the website as a submission, people will actually be able -- it'll be up on the website this evening, I would think.

SENATOR OZOUF:

Well, I have already put it on my website so that people can read what I was telling you this afternoon. So, that went on at 2.30, just in the open new world of transparency.

CHAIRMAN:

I mean, you have been talking -- going back to alternatives.

SENATOR OZOUF:

Yes.

CHAIRMAN:

I would refer you to the home affairs Minister's e-mail of the 22nd of August where he says: "In practice, this probably means the Water Front police station." "In practice, this probably means the Water Front, the Summer Land site or the JCG site. Unfortunately, each of these are likely to be more expensive and provide worse long-term accommodation for the police. Furthermore, on the last two sites, there would be a loss of category A housing and in mentioning the JCG site, I must emphasise that I have not spoken to the police about this but mention it for completeness." We're talking about a more expensive option.

SENATOR OZOUF:

We're not. We're not and I need to -- I need to correct the media research -- the media comments that were made on the back of the Minister's comments.

CHAIRMAN:

Well the media merely took the comments off the home affairs Minister.

SENATOR OZOUF:

Well, I disagree with him and I have got a job to do and he is got a job to do too. He wants a new police station. I need to make sure that public assets and public money is properly saved by (inaudible) and we will do that, and we will deliver, chairman, panel, we will and are capable of delivering a police station within the available resources and I am confident that we can should do so and if the panel wants to go through why I think that, I will unpack that story if they wish. We are capable of building sites on our own land, at delivering 32,000 square feet of office accommodation and I am aware, as other panel members will be, I am not an expert of building costs, we can do this. And sometimes you need a tough Minister to say we're going to do this. We're going to assemble a site, we're going to identify a site and we're going to do it and I have also been struck by the volume of e-mails I have had from secondary office owners in the island who are being offering sites to the States of Jersey. I won't deal with these myself. I never deal with these issues. I have handed them over to my officials and one of the concerns that we, in the assembly have had, is about the amount of secondary office space in the overall market. Well, we can use some of this, potentially, for our police. I don't think the public expect the police or other States departments to be occupying what is prime financial services space. We need to be prudent and efficient. We need to economise in relation to our space and I believe that we can do so and, ultimately, of course, I will only be able to be judged on this as to the delivery. But I am confident and I wouldn't be saying under oath to a formal panel if I wasn't confident that we can deliver it and that's certainly the discussions I have been having with my team. So, I think it would be -- it's certainly -- the Minister, in discussions that I have had with him this morning has, I think, distanced himself from some of the comments that he makes, but he'll obviously make his remarks as appropriate, but we will make the savings. The 8 million pounds is wrong. We will make the CSR savings. We will deliver it within the budget and we will deliver the police their much needed and over due new accommodation.

CHAIRMAN:

Yes. There were just a few little things that we seem to have missed. One, when you made your offer of 8.25 million, where did you get that value from? How did you -- I mean --

SENATOR OZOUF:

I act upon advice and that is the figure that I am comfortable and my advice was in terms of being comfortable and we've been through the whole issue about my significant concern –

CHAIRMAN:

I am not talking about that, I am saying where did the figure come from?

SENATOR OZOUF:

The figure came from the selective amount of information that I'd had over the previous months of information about what my and Lime Grove was worth.

CHAIRMAN:

Well, it wasn't in line with any of the valuations, this is why I wonder.

SENATOR OZOUF:

No, and chairman, I have said time after time again and you need, obviously, to take advice and to listen to people, the State shouldn't be paying for its own covenant. The valuation – the valuation approach is the basis on which a building is worth with the benefit of a lease. And so is there's a flaw in jumping from valuations to what you should be paying. And I am sorry, but the State should not be paying for its own covenant and we should not be competing with the financial services industry for what is obviously premium financial services office space. £24 a square foot is what rents are being settled on the esplanade. That is –

CHAIRMAN:

They are up to 28 or 30.

SENATOR OZOUF:

No they are not. They are 24, 25, 26 pounds a square foot, that's what they are, that's significant discounts. This one went through with a three year 50 percent discount. That's the market.

CHAIRMAN:

Yes. But where did you get the 8.25 from, you discounted it to the valuation. Even the last valuation we get –

SENATOR OZOUF:

The valuation, we should not be paying for our own covenant, chairman. We should not be paying -- the valuation is not what you are prepared to pay. We're the States of Jersey, we've got a AAA covenant in terms of what we do. If you and I want to go and buy that block across the square and it's got a thousand pounds a square foot and it's worth 24 pounds a square footed, we're going to be prepared, as investors, you and I are going to be prepared to pay a certain price for that building. And what will we be looking at? We'll be looking at the length of the lease, the quality of the lessor, if it's a one man band without a bank guarantee, we'll be -- it'll be worth less than a building with a AAA bank with a 21 year lease and I am, I am sorry, but if the treasury Minister is being criticised for being hawkish about valuation, then that's what it should be. I have to say it is absolutely normal -- I find it extraordinary I have been lobbied on this, chairman. You have lobbied me about this.

CHAIRMAN:

Yes.

SENATOR OZOUF:

I am afraid to say, it is normal to negotiate below a valuation. That is what is happens.

CHAIRMAN:

No, I think you have missed it Minister. The valuation –

SENATOR OZOUF:

I haven't missed it at all.

CHAIRMAN:

The valuation is what a willing buyer and a willing seller.

SENATOR OZOUF:

No, that's the purchase price.

CHAIRMAN:

That is the essence of a free market.

SENATOR OZOUF:

That's not a valuation, chairman.

CHAIRMAN:

But I said a willing buyer and a willing seller.

SENATOR OZOUF:

That's the price at which you buy.

CHAIRMAN:

Yes –

SENATOR OZOUF:

8.25 million is what we agreed, and we agreed.

CHAIRMAN:

Well, within limits.

SENATOR OZOUF:

We agreed, chairman.

CHAIRMAN:

You have been quoted in the e-mails as saying the valuations supplied by JPH were incorrect. On what basis were they incorrect?

SENATOR OZOUF:

Well, it arranged, first of all -- I am concerned about the approach –

CHAIRMAN:

No, no, you said they were incorrect. On who said and on what basis?

SENATOR OZOUF:

I had sufficient concern -- I'd like to see the e-mail where I use the word incorrect. I said -- I think I said that I was concerned about them and I have explained, in terms, this afternoon as to why I had legitimate concern to be concerned about issues in Property Holdings. I am concerned about blow out lunches between the person negotiating for the States. I am concerned about it. I want to know. I want to know that people negotiating on our behalf are doing a proper job. I am concerned, just think about my position, put yourself in my position, having made the decision of one of the most expensive pieces of land we would have ever bought, I am told that the valuation -- that there wasn't a valuation when we made an offer, the valuation themselves would range over a period of -- over a number of periods and I also need to tell you that the valuation is not what you are necessarily prepared to pay.

DEPUTY EGRE:

Minister, if I could just add --

SENATOR OZOUF:

I don't know how many times I can say this.

DEPUTY EGRE:

Minister, if I could just add as well, we know that the deal was lost and that was --

SENATOR OZOUF:

Lost to a lessor.

DEPUTY EGRE:

We have -- the deal was lost. We also know, not an apparent, there appears to be, within the ministerial system, a failing in that we have very clear direction from the home affairs Minister about all his views, the negotiation and the value and the possible loss to the States. There is something in this here, between the input you are giving us and the input we've had from one of your fellow Ministers.

SENATOR OZOUF:

Well, here, the panel and the people listening to this are seeing played out the normal challenges that the treasury Minister will have with spending ministers. I am responsible, as the guardian of public money. And so of course there's going to be tensions. It's normal. I think (inaudible) expect –

DEPUTY EGRE:

We were also seeing the playing out, and this may be discussed shortly in closed session, the fact that you -- it is documented that you, your department, lost total confidence –

SENATOR OZOUF:

Sorry, which department?

DEPUTY EGRE:

The treasury department.

SENATOR OZOUF:

The treasury resources Minister –

DEPUTY EGRE:

You and your chief officer lost total confidence in the role of Jersey Property Holdings.

SENATOR OZOUF:

Yes.

DEPUTY EGRE:

Who had been negotiating over a long period of time to set up this deal.

SENATOR OZOUF:

Yes, with legitimacy, with legitimacy concerned.

DEPUTY EGRE:

That is to be decided by the review at that we're doing.

SENATOR OZOUF:

Well, I think I am entitled -- I am entitled -- I am entitled as Minister to decide whether or not I am confident in the advice that I have got.

DEPUTY EGRE:

And we are entitled --

SENATOR OZOUF:

And I think I have got --

DEPUTY EGRE:

Minister, and we are also entitled and have a role to make an objective decision to see whether that was right or whether there are concerns there and it is an objective role we're looking at, not some form of political meandering. This is real life and real people we're dealing with here.

SENATOR OZOUF:

You are testing my political judgement.

DEPUTY EGRE:

We're testing what's gone on over the last --

SENATOR OZOUF:

Yes.

DEPUTY EGRE:

We're testing what has happened within what's happened over Lime Grove.

SENATOR OZOUF:

Was I right to ask questions and be tough?

DEPUTY EGRE:

You are -- they are all right to ask questions. The concerns that I wish to ask you now in the value of transparency, what I would wish to see, certainly, is the results of the risk assessment which we, apparently, do not have.

SENATOR OZOUF:

No, we just haven't got them in the documentation, we'll give them to you. There's a risk assessment.

DEPUTY EGRE:

The term I used that we do not have, you do not have, we do not have and I am asking that we get it and I am getting nods from behind you saying that we're going to get it. And I would also ask for the documentation that was provided by Jersey Property Holdings for you in its entirety.

MR RICHARDSON:

You have got it.

DEPUTY EGRE:

No, there is –

SENATOR OZOUF:

Fine, no problem.

DEPUTY EGRE:

There is a little confusion, the full documentation, all right, so that then we can make a totally objective assessment about what has happened in the past.

MS ROWLEY:

Can I say please, chairman, that in relation to the four files we now have, that the chief executive referred to earlier, they were only provided to us late in the day on Tuesday. So, those files were not available to either the Minister or the deputy chief executive at the time. Whilst all this is going on –

DEPUTY EGRE:

Treasurer, all I am asking is that those files be made available to us, that's all I am asking.

MS ROWLEY:

Certainly.

DEPUTY EGRE:

You can have them back as soon as we've looked at them.

MS ROWLEY:

I need you to realise and understand that those files have only been provided to us two days ago and they were not available to the Minister or the deputy chief executive –

DEPUTY EGRE:

Treasurer, you have made that clear.

MS ROWLEY:

That's fine, thank you. That's all I wished to do.

CHAIRMAN:

Because the other question I have –

SENATOR OZOUF:

Sorry, deputy.

MR RICHARDSON:

Chairman, can I just ask, before you ask the next question, I have commented about the treasury Minister saying the valuation, can you just refer to the e-mail, because I have got to refer to the valuation.

CHAIRMAN:

I will dig it out.

SENATOR OZOUF:

Well, I thought my e-mail here to the 18th -- from Phillip Ozouf to Senator le Marquand, the chief executive, my assistant Minister, the treasurer and Mr Healed and I say that my personal position, as I find is, extremely difficult to support paying a ransom price and, therefore, find it, as treasury Minister, to support the acquisition at 8.75 million is too high. That's what I am --

CHAIRMAN:

No, no, it's somewhere else in the -- I have taken it out of an e-mail. I haven't taken it out of context and I will find it for you but I am not going through everything now. Was your business -- the financial appraisal and business case that the treasury prepared submitted for external examination.

SENATOR OZOUF:

No, I am certainly confident with my officials and my treasury team in relation to advising me.

CHAIRMAN:

You didn't think you needed to get a second pair of eyes to look at it.

SENATOR OZOUF:

There's more than one pair of eyes in the treasury.

CHAIRMAN:

Well, yes, but effectively an independent view point, if it was such a big project.

SENATOR OZOUF:

But it's mathematics about a great deal of information, of which the treasurer ably oversaw, indeed with professionals within the treasury.

MS ROWLEY:

I think that you may -- I think that you may be talking at cross purposes. Are you talking about the business case that Mick developed?

CHAIRMAN:

Yes.

SENATOR OZOUF:

Oh.

MS ROWLEY:

Yes.

CHAIRMAN:

Yes. Was that subjected to external evaluation?

MICHAEL HEALD:

No, I developed it on my experience and, you know, worked with the team to do it and submit to the treasury and the treasurer took an independent -- the treasurer took a review of that before he made his decision.

CHAIRMAN:

So, you prepared it with assistance from JPH.

MICHAEL HEALD:

I prepared it -- well, yes, some of the underlying figures I worked closely with JPH, I worked closely with quantity surveyors, I worked closely with architects, yes.

CHAIRMAN:

So, in effect, you were using a lot of the information that was already in the business case that had already been submitted.

MICHAEL HEALD:

No, what I did, clearly there was some figures in there that we used, but what I did is try to take the options for the police, as I have mentioned the one about Lime Grove, down to a level of detail to which I believe we could cost to a reliable level of certainty and that's what I did. Within that process, I used people from the capital team within Jersey Property Holdings because that's what they do day in and day out. I worked closely with the -- either the job title with the (inaudible) capital manager, some of the numbers, as

well as working with the architect that (inaudible) to provide me numbers. So, it was -- it was a team effort.

MR RICHARDSON:

I think in terms of third party validation, chairman, third party validation was from the external (inaudible). Mick used the numbers that we had in there or he developed with his team, but we had engaged a third party set firm of quantity surveyors who have put the numbers together for us and verified them.

CHAIRMAN:

And the total numbers or the dilapidations and -- were how much?

MR RICHARDSON:

The total number for the dilapidations were not finalised because we got to a point on the Thursday afternoon before the vendor passed contract where, as Mick has explained to you already, we were having difficulty in engaging with the vendor to get his architect here to sit down with the quantity surveyor, so with our building surveyor, so that exact level had to be quantify. The first thing quantified was those dilapidations which fell within the fabric of the building, which the vendor had agreed to put right and those which did not and then we had to take a view on those as to if they were minor, such as little bumps and nicks out of plaster and paper, then we would absorb those within the category A fit out, because the building had to be decorated once it was fitted out, and then any that were left and I actually went round the building with Mick Heald on the Thursday afternoon with the building surveyor and our team, a member of our team and we looked at it and it was very clear to me there was some which fell squarely in the first category of a material defect of the building which should be put right that we would take responsibility for. And there were a number of minor ones which I was comfortable with, effectively there were little nicks and dents in paint and wood work, et cetera, which would be put right as part of the decoration category A fit out. So, I was comfortable we actually had quite a good position. What I needed and what Mick needed was the architect to sit down with our (inaudible) and actually agree on that, so that we were very clear, they are on your side, those are on ours, and then that was the final part of that negotiation. But, as we said this morning, one of the areas which we did concede in order to move this deal forward was the original -- the difference between the original

offer letter and acceptance letter was that of snag and dilapidation and electrical supply. We concede electrical supply in order to close that deal.

CHAIRMAN:

So that, basically, probably the capital, the reduction in the capital price that really sort of upset the vendors then. I mean, what was the reaction of the vendors when you withdrew the offer?

MR RICHARDSON:

Well, I am not –

SENATOR OZOUF:

There wasn't an offer.

MR RICHARDSON:

We never actually –

CHAIRMAN:

Well, your -- the vendor's estate agents considered that an offer was withdrawn.

MR RICHARDSON:

Right, okay.

CHAIRMAN:

So, if you look at the -- if you look at the -- if you gross up the value of the building on the basis of the rent that they've actually taken, we're talking somewhere north of 11 million pounds.

SENATOR OZOUF:

Nonsense, chairman, absolute nonsense. This is absolute nonsense. This is another –

CHAIRMAN:

You see, we had got a very good deal.

SENATOR OZOUF:

No, that's absolute nonsense. Attend -- ask people to do the valuation. I am not going to criticise -- I mean, I don't know where you are getting your information, chairman, but it's just simply wrong. If you are saying the capital value of that lease is £11 million -- I mean, I am not going to comment, it's not for us to comment on -- on the decisions of the counter parties to do it. But if you are suggesting that that is 11 million, that's certainly not the information that I have and certainly I would caution the panel against -- against suggesting that there's a difference between 11 million and 8.25 or all the rest of it. The fact is that the State should not be competing with financial services, blue chip organisations, for office space. We are the public sector and we need to demonstrate economy and efficiency through our back office. We shouldn't be paying premium prices.

CHAIRMAN:

So, you won't be trying to put the police station down on the esplanade?

SENATOR OZOUF:

We were looking at all options, best value options.

CHAIRMAN: Well, no, if that's prime financial stuff, you won't need to put the police station down there, will you?

SENATOR OZOUF:

Well no, we own the land for a start.

CHAIRMAN:

Well, yes, I know.

SENATOR OZOUF:

We don't have to go and buy land. Now, I am not suggesting that is an option, but just to make the point is that the available capital budget is, for this, and I am confident that we will deliver a back office police station for 8.25 million and that is -- and we should be able to do it and if we can't do it, there's a problem. And, you know, some of the things that have been put around are, frankly, extraordinary. We will deliver the police for that,

for 21 million. For 21 million, the option one, acquire Lime Grove and refurbish. What we need to do is we need to find an alternative to Lime Grove.

CHAIRMAN:

Right. I think at this point in time it would make sense if we went into private session.

DEPUTY de SOUSA:

I have got one other question.

CHAIRMAN:

Okay.

DEPUTY de SOUSA:

You will be aware what question it is. With the failure to secure the purchase of Lime Grove, it was and we're waiting for the risk assessment that you did at your work shop and you believe that that's one of the vital risks to the office rationalisation; is that right?

MR RICHARDSON:

Not the office rationalisation, no. It's the police relocation, because obviously losing Lime Grove would be significant in terms of having to go back and do what we're doing now.

DEPUTY de SOUSA:

Okay. So, does it come into the scheme of things, into the office rationalisation program?

MR RICHARDSON:

Yes, it forms phase 1 of what's now five phases.

MICHAEL HEALD:

But the phase is not linked.

SENATOR OZOUF:

No, they are both --

MR RICHARDSON:

It's a separate phase. So, the other phases that we -- that are within the future plan, they stand alone. They can move ahead without.

DEPUTY de SOUSA:

So, it won't affect that at all.

MR RICHARDSON:

At this stage.

DEPUTY de SOUSA:

So, you can start with either point 2, 3, 4 or 5.

SENATOR OZOUF:

I mean in -- sorry.

MR RICHARDSON:

Just before we go into closed sessions, chairman, I would like to just clarify one point that was attributed to me in last night's media which I would like to say is incorrect. It was attributed that I was the one that raised the question of the airport site and it was (inaudible) nonsense, I think, if I am right the way it's going. I'd just like to draw the panel's attention to a report produced (inaudible) Jersey police low go on it, August 2009 and, in that, this phase of the work, this refers to alternative site options, this phase of the work is focussed on two primary potential options involving three locations. Option 1, a new green fields site near the airport. Option 2, a split site using Lime Grove, et cetera. So, I'd just like, for the record, to clarify that my reference, the reference made to me last night, was as a result of evidence I could provide you with, but it was not down to me. It was a previous option considered for me. Thank you.

DEPUTY de SOUSA:

Who actually suggested that --

MR RICHARDSON:

I don't know. I am just commenting on something which I'd felt was inaccurately reported last night. So, hopefully that will be correct.

SENATOR OZOUF:

I mean, it's probably not the media, but –

DEPUTY de SOUSA:

Do you have the knowledge, or the access to the knowledge to find out who actually suggested that.

MR RICHARDSON:

Well, I haven't got a copy of last night's –

CHAIRMAN:

No, no.

DEPUTY de SOUSA:

I am not on about the media. You have just read from the States of Jersey police report.

MR RICHARDSON: This was a piece of work that was undertaken between Property Holdings and police in 2009 and clearly at that stage they were obviously looking at –

SENATOR OZOUF: It's a police report.

MR RICHARDSON:

It's headed, yes. You have it there.

CHAIRMAN:

Yes, lots of parking but not much access to (inaudible). Right, I think we will go into closed session to –

SENATOR OZOUF:

Fair enough. Chairman, we've had a detailed examination of a number of different issues and I just want to say in conclusion of the public session that, you know, I have been failed with a very difficult situation, intense lobbying, a business case that I couldn't

support, advice that didn't tell me to support it. My job is to protect public finances and yes there will be challenges that I will have with departments. But I am doing my job and I have done my job and I would do that job again. I have to safeguard public assets and public cash and that's what I have done and I think I avoided, actually, a serious issue of a capital project. There's a lot of experience, a lot of public concern about cap pal projects and if I'd gone with the October 2010 business plan, I think that -- I think that we'd have been in serious issues. We'd have been now, in a position of a project that couldn't be delivered with the budget available and all sorts of others. But I have gone my job, and I'd do it again.

DEPUTY de SOUSA:

It's a shame the same process wasn't followed with the failure to hedge the --

SENATOR OZOUF: That was not my responsibility.

DEPUTY de SOUSA:

No, I know.

SENATOR OZOUF:

Neither is it any of my team. So, you will know why, you will know why -- but you will know why, deputy, I have -- I take my responsibilities very seriously and that's why, of course, I am going to be questioning and I have to ask and that's my job and I have done my job and so far, the way that this is being reported and the very essence of some of the questions of the scrutiny panel, it almost feels as though failure indicates failure of the treasury and I don't believe that if the evidence is --

DEPUTY EGRE:

Just for the record, and this is my personal view as a panel member, and a fairly experienced panel member.

SENATOR OZOUF:

Yes, you are.

DEPUTY EGRE:

The whole exercise here is an objective one.

SENATOR OZOUF:

Good.

DEPUTY EGRE:

We are hearing evidence from both sides and I have to say some evidence is conflicting. At the end of the day, it will be reviewed in an objective fashion and a report will be based on that.

SENATOR OZOUF:

I am confident that that will be the case.

DEPUTY de SOUSA:

Yes.

CHAIRMAN:

Because the main public concern is the fact, okay, problems were identified by yourself, but it then took six or seven, nearly eight months, or it appears to have done and this is what the public can't understand.

SENATOR OZOUF:

But this project has been going on since 1999, Senator.

CHAIRMAN:

Yes, I know, but I am talking about –

SENATOR OZOUF:

And you were one of the people that brought me under pressure to sign that business case, Senator. That made me uncomfortable. I rest my case.

DEPUTY EGRE:

All right then, we'll take a break I think.

DEPUTY de SOUSA:

Yes, would you like a break.

Adjournment