



Environment, Housing, and Infrastructure Scrutiny Panel

Bridging Liquid Waste Strategy 2023-26 Review

Witness: The Minister for Treasury and Resources

Wednesday, 28th June 2023

Panel:

Deputy S.G. Luce of Grouville and St. Martin (Chair)

Connétable M.K. Jackson of St. Brelade (Vice-Chair)

Connétable D. Johnson of St. Mary

Deputy M.R. Le Hegarat of St. Helier North

Panel Advisors:

Mr. D. Elliottt, Indepen UK

Mr. D. Baxter, Indepen UK

Witnesses:

Deputy I.J. Gorst of St. Mary, St. Ouen and St. Peter, The Minister for Treasury and Resources

Mr. A. Hacquoil, Group Director, Strategic Finance, Treasury and Exchequer

Mr. A. Scate, Chief Officer, Infrastructure, Housing and Environment Department

[10:08]

Deputy S.G. Luce of Grouville and St. Martin (Chair):

Welcome, Minister, to this fairly brief, I think, public hearing with you to talk about liquid waste and plans to move forward with that. Before we start, we will just have a quick introduction around the table. My name is Deputy Steve Luce. I am chairman of the Environment, Housing and Infrastructure Scrutiny Panel.

Connétable M.K. Jackson of St. Brelade (Vice-Chair);

Mike Jackson, vice-chair.

Connétable D. Johnson of St. Mary:

David Johnson, Constable of St. Mary, member of the panel.

Deputy M.R. Le Hegarat of St. Helier North:

Deputy Mary Le Hegarat, a member of the panel, District North of St. Helier.

The Minister for Treasury and Resources:

I am Ian Gorst, Minister for Treasury and Resources. I am joined from Treasury ...

Group Director, Strategic Finance, Treasury and Exchequer:

Andy Hacquoil, the group director of Strategic Finance.

The Minister for Treasury and Resources:

And from Infrastructure ...

Chief Officer, Infrastructure, Housing and Environment Department:

Andy Scate, chief officer for Infrastructure and Environment.

Deputy S.G. Luce:

Also joining us today we have our 2 advisers from the U.K. (United Kingdom), David Elliott and David Baxter, who may or may not chip in as we move through the question plan. As I said, Minister, we are not going to keep you long. One of the first questions I wanted to ask you was whether you think that the Island's drainage and sewerage network has suffered from under investment in the last 10, 20, 30 years.

The Minister for Treasury and Resources:

That is a difficult question to answer bearing in mind that since 2014 we have spent nearly £90 million on new sewerage works. The priority that was brought forward by the department at that time was that the sewerage work needed to be updated and therefore Government provided the money. The department have now done I think considerable work. They can tell you on the network itself and are saying that the sewage treatment works is now updated and modernised. They are turning their focus on to the network itself and they have come forward with this strategy to upgrade and to improve it in light of, I think, in no small part, the proposed various bits of redevelopment across the Island or development across the Island.

Deputy S.G. Luce:

Was it a surprise to you to find that we needed so much investment in the infrastructure outside of the sewage treatment works?

The Minister for Treasury and Resources:

When departments come to me asking for money sadly it is never a surprise, although my understanding was, back in 2014, that a new sewerage work was what was required, and I do not recall but it might be my own lack of recollection, that at that point it was suggested that then we would need to go on and spend these additional monies on the network as well.

The Connétable of St. Brelade:

Can I just dig a bit deeper into the £90 million for the new works? Clearly, we had at least a couple of surprise issues with contractors failing during that. Did that add significantly to the cost? It may be a question for Andy but did that create the £90 million, which may have been a reduced figure initially?

Chief Officer, Infrastructure, Housing and Environment Department:

The quick answer is no. We have been able to restructure the project by bringing in in-house effectively becoming the primary contractor. The project was increased because of the need to cover the primary settlement tank. The States asked for that to be done and therefore the budget went from X to Y. That was an extra £3 million or so. Because of the way of restructuring the project in-house we have been able to call upon various things such as performance bonds and things like that, so that has helped to offset some of the additional costs that we have incurred due to some practical time delays because we have had to transition from one set up to another over a period of 6 months or so. In total, we are still confident we are going to hit within the budget.

Deputy S.G. Luce:

I just want to take you back to something you said before, Minister. I agree with you that in 2014, I am not sure that we were aware of the challenges that might be coming down with the network itself, but do you think States Members were well-enough informed in last year's Island Plan debate? One of the major reasons we are here today is the challenges of building all these housing projects which we have approved on newly rezoned sites to find now that the network itself might not be capable of supporting those. Do you feel that the States Members may have been let down a bit last year when we debated these housing sites?

The Minister for Treasury and Resources:

I think my recollection is probably the same as yours, Chair. I do not recollect it being raised as a major issue when the Island Plan was being updated. Inevitably I suppose what happens with the overall planning process is that when you are updating an Island Plan the department or Members bring forward proposals for rezoning or redevelopment on various sites. The assumption is made that any ongoing or secondary issues, as it might be to that rezoning process; so schools, traffic, drains are dealt with in the actual planning application process. I think we can look back now with hindsight and say it would have been probably a better approach, and it might be going forward a better approach, for us to think about the Island Plan in the round rather than just as a planning document where subsidiary issues can be dealt with at a later date.

[10:15]

Deputy S.G. Luce:

You have already described the proposals as major. Are they going to be considered a major project when it comes to the Government Plan being lodged later this year, and therefore funded in full?

The Minister for Treasury and Resources:

We are at very early stages. There is some money to do work in 2023 but Andy can talk about that, I think ... whichever Andy actually. I think it is just over £2 million. We are in the process of preparing for Government Plan 2024. One of the things that I said to the Minister in the department, when they brought forward this liquid waste strategy to the Council of Ministers, was that a lot of work has previously been done on dealing with drains and how they were paid for by previous Ministers and previous Governments. So the first thing I asked them to do was to dust off all that work and bring it all together before they came with what their proposal of phasing and their strategy was. I suppose reviewing that work coming forward with how they want to provide these updates will determine how we treat it in the Government Plan and whether it is treated as a major project or not.

Deputy S.G. Luce:

I will come back to that in a second but can I ask: was any consideration given to any of this in last year's Government Plan? Because obviously you are the Minister for Treasury and Resources in a Government has now been in position for just over a year. Did you not hear any warning signs or have any inkling that you might be having to buy something as large as this now, where you were sat in a not dissimilar position this time last year with facing another Government Plan for 2023?

The Minister for Treasury and Resources:

You look back at the bids the departments might have made for items in the previous Government Plan but making a bid without the strategy and the longer-term view is not something that found

favour with Ministers in the last Government Plan process. Andy will be able to give us the details of what bids were put in. But I do recall there were bids without much detail.

Chief Officer, Infrastructure, Housing and Environment Department:

That is entirely correct. We flagged it in the last Government Plan process that this is an emerging issue, but the strategy has been published and fleshed out since that. We have more clarity and certainty as to what the solution now is and what the funding could be. It is fair to say I would call it a marker that was put down in the previous process, with more detail now appearing.

Deputy M.R. Le Hegarat:

Do you think that is because people do not take this type of thing seriously enough as in new school, new hospital, drainage? Do you think it is the nature of the subject that people steer away from?

The Minister for Treasury and Resources:

I think that is right, Deputy. Chief officers of Infrastructure, or whatever it was, have always said they are quite passionate about this sort of thing, about making the plumbing work, but it is very difficult to. They have been fortunate with some Ministers who have been interested and passionate - and I am conscious I am sitting opposite one of those - who really got to grips with it. But for the average States Member, of which I am one, you almost assume that the plumbing will work and somebody else will deal with it. I think that is probably the same in the public's mind other than in those Parishes - careful what I am saying here - where they do not have mains drains and, for example, they do not have mains water, so it is much more of an issue there but I think you are right. Sort of a little bit out of sight, out of mind until you have a crisis.

Deputy S.G. Luce:

We referred to this strategy as a strategy a number of times already this morning, Minister. I may as well ask this question right now. It has been put to us that the proposals from Infrastructure are nothing more really than a big asset management plan and not really a strategy as such. Do you feel that we should be looking at proper strategic work like the one you have just raised about main drains out into the rural Parishes, about the use of sustainable urban drainage systems, about other potential sewage treatment works. Are you satisfied that the plan is going in that direction? How do you view the criticism, if you like, that this is nothing much more than an asset management plan?

The Minister for Treasury and Resources:

I am not really equipped to answer that. I know you have the Minister for Infrastructure coming in to answer questions once I have departed. You could of course describe it as that because that is what it is, it is an updating of the liquid waste infrastructure. But also an improvement to it to allow

for future development. It is probably a little bit unfair to say it is just an asset management plan but the you could also argue it might be stretching it a bit to say that it is a strategic approach.

The Connétable of St. Brelade:

At what stage is the business case being prepared by Treasury currently at?

The Minister for Treasury and Resources:

Departments prepare business cases to send to Treasury so Andy will ...

The Connétable of St. Brelade:

It is a question for the Minister for Infrastructure when he comes in.

Chief Officer, Infrastructure, Housing and Environment Department:

It is in as part of the conversations that we are currently having around the next iteration of the Government Plan. It has been submitted and we are into a conversation around what that looks like.

The Connétable of St. Brelade:

So it has been submitted to who?

Chief Officer, Infrastructure, Housing and Environment Department:

The process would be that departments have to formally ask for their requirements into Treasury, and we do that via a business case effectively being appended as part of this liquid waste strategy.

The Minister for Treasury and Resources:

So all departments that had any wish for any growth monies for the Government Plan in 2024 and beyond have to submit their ... we had a first sift from the bids and this was one of those bids that was: "Okay, you need to prepare a business plan for." The cut-off date for providing those fuller business plans I think was last Friday. It is in the sausage machine.

The Connétable of St. Brelade:

There will be another cut, I take it, across the piste, if you like, with departments?

The Minister for Treasury and Resources:

All of those bids which now have business plans submitted will then have to be reviewed and the collective of the Council of Ministers will decide.

The Connétable of St. Brelade:

In terms of funding availability, clearly that will dictate and you will put the case as to how much money is not or is available, I take it.

The Minister for Treasury and Resources:

We said to all departments, slightly stepping into Government Plan territory: “Okay, you can submit your business case but we would also like a stepped approach so that we know what you could do if you do not get ... this is the amount you would ideally like.” We all know that not every day is Christmas. “If you cannot get what you would ideally like what could you do with amount A, B and C?”

The Connétable of St. Brelade:

So in fact you would prefer to see a longer-term strategy put forward by the departments to enable the plan to be implemented?

The Minister for Treasury and Resources:

It will depend what the department has put in their current business case because I have not yet seen those. But it will depend what they have put in. I think Ministers absolutely recognise that investment will need to be made. But they obviously are balancing that back to the Deputy’s point, they have to balance that with all the other bids as well.

Deputy S.G. Luce:

Do you think there is a serious level of importance given to that by Ministers? I am just looking at one of the pages in the executive summary but a short sentence here: “In conclusion, they are calling for significant investment over an extended period to avoid catastrophic failures.” There are a number of references to catastrophe, to mains reaching critical points and over capacity. Surely, Minister, if you are satisfied that the department are genuine in the amount of monies they are asking for we cannot not fund this, can we?

The Minister for Treasury and Resources:

Every department says that to me, do they not? We cannot not fund what it is that I would like to or what any particular department would like to do. Obviously the vocabulary used there about catastrophic, we have to be careful to be balanced in our approach. The point that Ministers have made to the Minister for Infrastructure is that it needs a proper business plan, which is being worked on and submitted for the year of 2024 and beyond. What I would say is that one of the areas of focus for the incoming Government was housing. If the Government is going to be able to make progress on housing and those affordability issues, then supply has to be increased. It is quite clear from the Infrastructure Department that unless this work starts on updating drains and allowing for extensions to those new zoned areas that we will not be able to deal with that area of focus. It would

seem to me that it will be a high priority for Ministers during the Government Plan process for those issues because without it you cannot make progress on housing affordability.

Deputy S.G. Luce:

Just to take one specific case, and I do not want to talk about the infrastructure bit, Minister, because I realise that is not your department. But let us take a rezoned housing site in St. Peter. We are told that the only way to connect a housing site of this size to the main drains is to have an attenuation tank to store everything and then pump it out overnight when the drains are at better capacity. Where would you see the money coming from? Because an attenuation tank for 100 houses is going to be a sizeable bit of infrastructure. Is that going to be a cost that is going to have to be borne by the developer? Is that something that the Government are going to have to take on board because the drains are not up to speed? Could you see a situation where they might come to you for a separate vote to pay for the attenuation work?

The Minister for Treasury and Resources:

I would be surprised if they did but you do raise an important point. The timing of how this strategy can be delivered, and thinking about other sump costs or costs which will see no value as this process goes on, these are the very questions that I can only assume that the Infrastructure Department and Minister have been seeking to address. I would expect to see some of those answers in the business plan and it will be important to inform Ministers' decisions around funding for the very reasons that you say. The massive cost of an attenuation tank for 100 houses, which has a relatively short lifespan, would seem to be difficult to argue that it would be money well spent.

The Connétable of St. Brelade:

Taking it to climate changes and the unpredictability of that, and our recent experience we have had at Grands Vaux, that the necessity seems to be that we need to enhance our surface water drainage, is there any possibility of the funding for that coming from the Climate Emergency Fund, which is linked?

The Minister for Treasury and Resources:

I know that Ministers have discussed that and I think that that is an argument which could be made and has got some merit to it. I am not sure that all colleagues on the Council of Ministers, particularly from the environmental side of things, think that argument has merit. It is an ongoing conversation.

Chief Officer, Infrastructure, Housing and Environment Department:

It would not sit within the terms of reference currently of the Climate Emergency Fund. That would need a conversation around the terms of reference and what those funds get applied to. To pick up the previous point around development contributions. Development contributions have to be

proportionate to the scale of development that is being required. There will be a conversation point around whether this is the connection cost of the development into the system, but this is about system capacity. Certainly development and developers will often pay for their connection costs into the system, and that would be expected. Network upgrades though are unlikely to be viable for these housing sites.

[10:30]

I think there would need to be a balance, we would need to draw the line between where that proportionately sits under the current planning rules.

Deputy S.G. Luce:

Can I ask what other options you are considering or you have asked Infrastructure to consider to pay for all this many tens of millions of pounds worth of work?

The Minister for Treasury and Resources:

As I said, and I seem to be saying it a lot, is we have lots of reports and lots of investigations on all sorts of things and we know that lots of work was done on. Whether we have the right structural approach to dealing with drainage matters, bearing in mind we deal with it, is we have an arm's length company or private company where we are the major shareholders dealing with clean water and then we have a continuing government department dealing with drains. When you simply look at the strategic level that does not seem efficient. So dusting out the work that has been done across the department and seeing whether there is value in driving efficiency there by bringing those together in some form of joint venture we certainly said to the Minister that he has the Council of Ministers' permission to go away and look at those sorts of strategic issues. Coming back to one of your questions earlier: is this just asset management or are we thinking about it strategically? We have given the all clear for the Minister and the department to go away and think about it like that. That may end up with idea for funding as well. We know that previous Ministers have come forward with proposals on funding but equally we are in the situation where those sorts of conversations and decisions take quite a lot of time and yet we have to get this work started. So we cannot avoid some monies needing to go into Government Plans in the short term to get this work started.

Deputy S.G. Luce:

So an amalgamation for Jersey Water, as you have just suggested, has been considered before. That is potentially back on the table. Something else that has been proposed in the past, you and I will both remember it well, Minister, was an idea to maybe have some sort of drainage charge or some charge to the individual with connection to drains or liquid waste. Is that something you have also asked the department to do?

The Minister for Treasury and Resources:

We have said they have to think creatively about how this can be funded because your question started at a point of we just spent, which is the right place to start, £90 million. Now the department is coming back for another £40 million. We have to be aware that out of sight is not out of mind and continual maintenance and updating over the long term is the position we should be getting into and not keep having ... “shock” is not the right word, but not keep having these: “Oh dear, why have we suddenly got this issue to deal with?” I think if we try and think about that strategically and put into the mixing pot that issue that you just mentioned, that is exactly how we do want to be dealing with drains going forward. There are some difficult political decisions to be made in there.

The Connétable of St. Brelade:

How can we ensure that this can happen, given that we have these 4-year election cycles and different personalities come into the mix, and we have a necessity for a 50-year forward plan? How can we achieve that and keep financing the necessary continuing investment required?

The Minister for Treasury and Resources:

I think by thinking about it strategically, which is we are a major shareholder of Jersey Water, we have our own drains department trying to bring them together to drive efficiency, making sure that Islanders think we get value for money. What we have to be careful of is that we do not ... nobody here is proposing that we fall into the trap that they are in, in the United Kingdom. This should be about leveraging investment into infrastructure and not what we have seen elsewhere.

Deputy S.G. Luce:

Do you think that your department, Minister, and Infrastructure and Environment are working together well enough on strategic issues? Or is there more work for the Council of Ministers? You mentioned joined-up approach but when you start thinking about - I have scribbled down a few here - population, Island Plan, housing, waste of all the various waste streams, you have climate change, carbon emissions. There are any number of major lines of thought there. Do you think the Island is working strategically enough together on all those issues so that we do not work in isolation?

The Minister for Treasury and Resources:

I think there are some good areas of strategic working, and I think this is one of them because we have said to Infrastructure that that is exactly what we want to do. We work with you from the Jersey Water perspective but you are working with them directly. I think there are areas where that strategic thinking is taking place. This is one of those areas.

The Connétable of St. Brelade:

Has the concept of incorporating Jersey Water or Jersey Waste, shall we say, been considered?

The Minister for Treasury and Resources:

Do you want to answer this strategically and then I will come back on that?

Chief Officer, Infrastructure, Housing and Environment Department:

It sort of ties into an earlier question. The bridging strategy is a bridging period, so it is not a lengthy period. I certainly accept the point that this is, and we are talking about a short number of years, it would ideally sit within a phasing of a 30-year plan of infrastructure direction. I think we are cognisant within Government that we do need to start thinking 20, 30 years for long-term capital, long-term infrastructure of all kinds, including our inground infrastructure. The same would apply to our coastal defences. The same would apply to our waste infrastructure. They have long lead-in times and are needed over a long period of time. I do accept the point that it would be in a more ideal situation we would have a 30-year plan and these would be asset phases within a plan. We would be talking about a 5 to 7-year investment period and then maybe phase 2, phase 3 thereafter. Some of our thinking has been developed mainly due to climate change. We are talking along the term epochs around climate change and coastal defence. I think we are starting that. I do not think we are there fully yet. The Island does not have a 30-year infrastructure plan covering a variety of infrastructure forms, whether it be drinking water strategy or liquid waste strategy; just to name 2. I do think we need to have that conversation and develop that longer-term thinking. Then we can drop work like that within that context.

The Connétable of St. Mary:

Going back to the earlier reference to various items of work having been done, and the chair has mentioned ... what I think he was referring to was the user pays strategy, which was once contemplated. That fell away simply I think because of lack of consultation with the public. As I recall, it was taken away from Infrastructure into the Minister for Treasury and Resources' hands. Is that not something which could be fairly easily reactivated in consultation terms?

The Minister for Treasury and Resources:

I am just reminded, looking at my notes here of course, that you would think so, Constable. But in 2016 the Assembly approved a proposal which basically withheld its consent from: "Any work being done on user pays charges in relation to domestic liquid waste or domestic solid waste other than work necessarily connected to the development and implementation of commercial solid and liquid waste charges and any such consent requiring separate authorisation by the Assembly." I think that we should look strategically for efficiencies and ways of ensuring we have long-term investment into drains and water provision. We will need to either come to the Assembly and address that particular difficulty in due course before too much work is done on that, even though there is a lot of work that

is on the shelf that could just be picked off. I think you are right, David. The problem was consultation and understanding. Islanders are pay for water now through Jersey Water. Jersey Water's size is dwarfed by the size of whatever your division is called in I.H.E. (Infrastructure, Housing and Environment) that deals with drains and the investment that is required. So we do need to think strategically about that.

Deputy S.G. Luce:

To what extent, Minister, do you consider the Island's international reputation is at risk if sufficient funding is not found for these projects and we have a - much as we would want it not to happen - major incident where drains do not work?

The Minister for Treasury and Resources:

Governing ourselves effectively and well, as you know, Chair, is critically important to me. I think to all Ministers and to all States Members. Therefore any failure of critical national infrastructure is embarrassing. Sometimes these things do just happen and it is how you deal with them if it happens. But it is not something that we should seek to go out to ... by lack of investment allow to happen. Having said that, of course, I look to the north and we see the lack of investment in their critical national infrastructure and I cannot think that anything, with the current state of the drains, that would happen, it would pale into insignificance compared to what is happening there on a daily basis. They are having 800 discharges into rivers of, whether it is slightly treated or raw, sewage every day. Anything that might go wrong here pales into insignificance compared to that. But that does not mean we should be complacent. We need to do it and we need to do it for the reasons that we have said.

Deputy S.G. Luce:

I think one of the fundamental differences between here and the U.K. might be that they have a lot of rivers and if things get overloaded they discharge into rivers. In Jersey that might not be the same situation. Pipes might just block up and just not work and then foul systems, waste systems might just ... people may put flushes in open drains and things might not go in the direction they would wish them to.

The Minister for Treasury and Resources:

You are right, we absolutely should seek to avoid that.

Deputy S.G. Luce:

I am aware that we are well over time. I know we started a little bit late but, even that, I think we are probably getting towards the end here. Thank you for coming., But can I just ask as a final question: in terms of economic risk to the Island, to what extent do you consider the threat without the funding;

the systems and the building of homes and other developments? Is that going to seriously significantly compromise our economic growth? Can we afford ... I guess we go back to the joined-up approach of climate change and housing and Island Plan population and drainage and everything else. We surely cannot afford to miss the boat here.

The Minister for Treasury and Resources:

If we consider the cost of housing and the supply of housing to be an economic threat, and I do, then we need to deal with this. Because if this stops us from increasing that supply, it stops us from making progress around housing affordability, then that is an economic threat.

Deputy S.G. Luce:

Do the panel have any further questions?

The Connétable of St. Brelade:

I just want a quick answer on that incorporation question which, you are cunningly avoiding. Has consideration been given to that direction at all?

The Minister for Treasury and Resources:

That is what we have asked the department to go away and do. As far as Ministers are concerned, in that regard, I do not think anything is off the table if it is going to deliver long-term investment and it is going to deliver it more efficiently.

The Connétable of St. Brelade:

Thank you.

Deputy S.G. Luce:

Minister, thank you very much for your time today and we might get back with more questions. Thank you.

[10:43]