

STATES OF JERSEY

Corporate Services Scrutiny Panel Lime Grove House: Failure to Complete Transaction Sub-Panel

Hearing with Minister for Treasury and Resources

THURSDAY, 8th SEPTEMBER 2011

Panel:

Senator S.C. Ferguson (Chairman)
Deputy D.J. De Sousa of St. Helier
Deputy C.H. Egré of St. Peter

Witnesses:

Senator P.F.C. Ozouf (The Minister for Treasury and Resources)
Acting Chief Executive
Connétable J.M. Refault of St. Peter (The Assistant Minister for Treasury and Resources)
Mr. M. Heald
Treasurer of the States

Also Present:

Ms. K. Boydens (Scrutiny Officer)
Ms. S. McKee (Training Scrutiny Officer)

[14:33]

Senator S.C. Ferguson (Chairman):

First of all, can I apologise for ruining the air display for everybody here.

Deputy C.H. Egré of St. Peter:

I thought the weather had done that.

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

I did try and find a red tie in my wardrobe, but I could not find one.

Senator S.C. Ferguson:

That is all right, your Treasurer has taken the part.

The Minister for Treasury and Resources:

But the Treasurer is doing it all for us.

Deputy D.J. De Sousa of St. Helier:

You can always back the staff.

Senator S.C. Ferguson:

Anyway, thank you very much indeed for coming back again, Minister. Administration matters first; the health warning.

The Minister for Treasury and Resources:

Yes, read and understood.

Senator S.C. Ferguson:

Super, and, for the sake of the transcribers, if you could say who you are and what your position is.

The Minister for Treasury and Resources:

Senator Philip Ozouf, Minister for Treasury and Resources.

Acting Chief Executive:

Acting Chief Executive, States of Jersey.

Connétable J.M. Refault of St. Peter (The Assistant Minister for Treasury and Resources):

John Refault, Assistant Treasury and Resources Minister.

Treasurer of the States:

Treasurer for the States.

Deputy D.J. De Sousa:

Deputy Debbie De Sousa.

The Deputy of St. Peter

Deputy Collin Egré.

Senator S.C. Ferguson:

Senator Sarah Ferguson, Chairman.

Ms. S. McKee (Training Scrutiny Officer):

Sammy McKee, Training Scrutiny Officer.

Ms. K. Boydens (Scrutiny Officer):

Kellie Boydens, Scrutiny Officer.

Senator S.C. Ferguson:

Now, as I think we said there were one or 2 points of matters of fact and so on after we had been through some of the files, as many as we could. You have done a sterling job there producing a lot of information, but to return to the points that were of concern, I think there was a query about the conduct.

The Minister for Treasury and Resources:

Chairman, you have kindly forewarned me that you were going to ask some questions on the statement and I have the statement with some further commentary on a written form which may well be helpful to the panel's deliberations.

Senator S.C. Ferguson:

Thank you very much indeed.

The Minister for Treasury and Resources:

We do not have an A3 one? How many A3s do we have? I will refer you, if I may, to the numbers in the statement when you refer to them. It may well assist you.

Senator S.C. Ferguson:

Thank you.

The Minister for Treasury and Resources:

If you want to take the comments in the order in which you want to raise them as opposed to which I have done the statement that is fine.

Senator S.C. Ferguson:

I think that would be helpful, yes, please.

The Minister for Treasury and Resources:

No problem.

The Deputy of St. Peter:

Minister, you made a great play in your last visit regarding certain areas where you thought there was impropriety involved in Jersey Property Holdings; one of the reasons why they were pulled out. There were issues regarding hospitality and the headline that made the *Jersey Press* after that was: "Blowout meal at the Bohemia." I think we do have some perception as Islanders that a blowout meal at the Bohemia could cost well in excess of £100 to £200. You rightly said you were a great questioner and we have been asking the same questions. It would appear from our review that the hospitality that was received was for a lunchtime meal at the Bohemia at a cost of £17.50. We have also reviewed the code of conduct set out in your Human Resources Department which indicates the rules for hospitality and we can, as a panel, find no impropriety whatsoever based on what happened, right down to the very point that the actual meal was registered in the hospitality register within the Property Holdings Department and furthermore, that the officer concerned actually returned to the office by 2.15 p.m. Based on the information we have just provided to you, what view do you take, if any, on what you told us at the last meeting?

The Minister for Treasury and Resources:

Well, let us be clear on the background to this. I was being lobbied very extensively and I said to the panel before, and I repeat again, I have never been in a position that I have been lobbied so vociferously about the purchase

of a building. So, first of all my alert eyes are going to be on in relation to the background and why is it that I am being lobbied from so many people?

The Deputy of St. Peter:

Yes, we covered this. If we can just focus on the question as asked.

The Minister for Treasury and Resources:

I act upon advice. I am advised that the rules of hospitality prevent officials from receiving hospitality in the course of a negotiation and the email and the information that I have had indicates to me that there was an exchange which, if you had read that exchange you would have asked questions. Now, these are not matters for me to deal with, they are matters for me to question and to say: "Is this right?"

The Deputy of St. Peter:

Minister, I agree with you and that is the point you made quite clearly at the last visit, but having said that with the questions that we have asked it would appear from both the receiver and the giver of that so-called hospitality that it took place 3 months after the initial offer that had been made of £8.75 million had been completed.

The Minister for Treasury and Resources:

Deputy, let us be clear, the offer which was made was subsequently found to be problematic in a number of different respects. The fact that an offer was made for £8.75 million, and we will come back to the issues of the fact that I was not aware of it, the accounting officer was not aware of it, and the offer itself was deficient in terms of clarity which even the Director of Property Holdings himself in email correspondence between staff and his own department says the thing is ... I am going to ask for the emails.

The Deputy of St. Peter:

Well, Minister, if I could just bring us back to the focus of this particular question. I would emphasise a great play was made on the concerns about the integrity ...

The Minister for Treasury and Resources:

I am advised that officers are not permitted to accept any hospitality during the course of a negotiation. The fact is, what does it look like? We have had an offer for a building, made by an official, which has not been progressed, it has not had ministerial sanction, there are serious questions being raised about it. I will draw your attention to my own email exchange with Property Holdings that I exchanged way back in July 2010 where I said I was not happy with it and I will read the email, if you like, in a minute. The background to this is that there is concern about this purchase. Could you remind me of the date of this email exchange where the reference to a blowout lunch is made? It just does not look right.

The Deputy of St. Peter:

Minister, do you accept, firstly, that it was not a blowout lunch?

The Minister for Treasury and Resources:

Well, it says that it was a blowout lunch from the vendor to the individual concerned.

The Deputy of St. Peter:

Would you now accept that with the information that you have now been given, with the questions that we have put forward as a panel, that it in fact was a lunch which was £17.50 from the Bohemia?

The Minister for Treasury and Resources:

It does not matter how much it costs. The fact ...

The Deputy of St. Peter:

If I may just interrupt, according to the code of practice, which is set by your department, it does matter.

Treasurer of the States:

Can I help, Chairman? The rules expressly preclude officers ... as the Minister has said officers are not allowed to accept any hospitality during the course of a negotiation and that is in the rules for the States.

The Deputy of St. Peter:

We thank you for that comment. We have the rules in front of us.

Treasurer of the States:

Do you have the rules for the States or do you have a sub-set produced by Property Holdings?

The Deputy of St. Peter:

No, we have a rule from the States taken from your own H.R. (Human Resources) website.

Deputy D.J. De Sousa:

The Human Resource Department Code of Conduct.

Treasurer of the States:

Well, I can assure you that you are not allowed to accept hospitality during the course of a negotiation. You are allowed to accept hospitality and there is a form for declaring but ...

The Deputy of St. Peter:

Just to put ...

Treasurer of the States:

May I finish please?

The Deputy of St. Peter:

If I can just help you. We do have copies of all the forms of registration that you are alluding to.

Treasurer of the States:

So, you are allowed to accept hospitality and you have to have it approved beforehand so that is permitted within the rules but it is not permitted to accept any hospitality during the course of a negotiation. So there is a distinction.

The Deputy of St. Peter:

It would appear from the evidence that we have, and you might wish to confirm this or not, but the negotiations had taken place up until the point where an offer had been put on the table with an exclusivity agreement in place and that the only area that was left was to get ministerial cover off in the business case and that business case was in place. We are talking here about an individual who was dealing with the property owner of the negotiation which at that point can be deemed as being completed.

The Minister for Treasury and Resources:

Not at all. I do not agree with that for one moment. First of all, thank you team, I have the email which was presented to me, or was given to me. It says: "Good morning X, hopefully you are fit and healthy following our blowout at Bohemia last week. We should do it more often." Now, I am sorry, I do not care whether it is £17 or £170; I do not think that is the kind of exchange that I could simply ... these are not my decisions. You are dealing with operational issues. This is an issue that should rightly be in the remit of the Public Accounts Committee and the Comptroller and Auditor General and these are officer issues, not political issues, at this level. But certainly they are of sufficient concern to raise concern and if you take the full extent of the concern about this offer ... I mean, you make representations, or you seem to suggest that this offer was clean over and done with, well, it was not. It was not even clean over and done with in July 2011 and the lack of clarity about that offer is one of the reasons why this deal went wrong and I could not sign it off. I could not be advised to sign it off.

[14:45]

If you are suggesting that it is an appropriate issue for a States of Jersey official in the process of a negotiation to be going to Bohemia with the agent I do not think it is. I think that looks terrible.

The Deputy of St. Peter:

Minister, are you ...

The Minister for Treasury and Resources:

The Chief Executive wants to say something and I think he should be allowed to say something.

Acting Chief Executive:

I hope you are aware, and I hope you have received a commentary from the Comptroller and Auditor General this week which outlines the position that was taken when he interviewed me. He sent you his own version of events. If you have not had it I am sure I can give it to you.

Senator S.C. Ferguson:

It is in the public arena. It is also up on his website.

Acting Chief Executive:

All right, so you have that information.

Senator S.C. Ferguson:

Yes.

Acting Chief Executive:

In that information it is very clear that he interviewed me. It was reported to him, not by myself, he interviewed me and I told him the actions I had taken which was to remove the officers involved. He was satisfied with that. He then agreed with me that he would formulate the words and the discussions we had into an email, which we did. He sent me that email and asked me to confirm the accuracy of it and that was a true and accurate record of our discussion at which he confirmed he was content with the action that I had taken. I then emailed him back to confirm that. That is all in the correspondence you have had this week. So, the Comptroller and Auditor General appears to have been happy with the actions I took. The second point, which I think is important to make is following on from what the Minister just said, I am afraid it does contradict some of the things you said, Deputy Egré. The negotiations were by no means complete. In fact, that was one of the serious errors that we found had been made. The offer letter had been made, based on one set of assumptions by Property Holdings. The acceptance letter that came back a week later from the vendor accepted the offer but stipulated different conditions. The difference between the 2 letters is significant. That was not closed down and it was not acted upon by the individual we are talking about here and it was left open. That put both myself as the Accounting Officer who subsequently evaluated the business case and then the Minister in a position where offer made, on one set of conditions, offer accepted but stipulating a second set of conditions, but had very significant financial implications for that deal. So, to say it was a deal done and we were then into exclusivity period is I am afraid incorrect.

The Minister for Treasury and Resources:

Hundreds of thousands of pounds of uncertainty in relation to what the offer was.

Senator S.C. Ferguson:

Can you quantify that?

Acting Chief Executive:

Well, we have a range of figures in terms of potential subject to what would have been found on subsequent detailed investigations.

The Deputy of St. Peter:

From the evidence that we have been given to date it would appear that it is not unusual in property dealings to set a negotiated figure as a starting level

along with putting in an exclusivity agreement and that the finer detail is managed after that offer is put in. Now, from what we can see from the evidence that we have had it was that finer management which could amount, as the Minister has kindly given us the information, up to hundreds of thousands of pounds, but when we are dealing with a deal of £8.75 million this, according to property dealers, or people who have the authority to make comment, would appear to be the normal.

The Minister for Treasury and Resources:

Let us be clear, the business case which I was being pressurised to sign could not be delivered within the available budget. That is the fact and if there is any doubt about the fact that even the Director of Property Holdings was happy with this situation, and I refer you to an email from the director, departmental email of 12th April, which he says: "I am disappointed that this somewhat murky situation has emerged at the eleventh hour, as in my view this has potential to further tarnish the reputation of J.P.H. (Jersey Property Holdings)." There is a whole email exchange; his concluding paragraph is: "All in all a very messy and totally unsatisfactory ..." That is not me saying it, that is the director saying it.

The Deputy of St. Peter:

Minister, we have been aware of this because, again, just to make it absolutely clear, your office, before you visited us last time, specifically pulled out 2 emails and that was one of them to bring it to our attention and obviously we regard that as significant. In the evidence that we have heard to date it would appear that as a result of problems that have occurred after the initial offer had been made and the exclusivity agreement put in place that some of these things that happened after that resulted in what would appear to be a messy situation which could then ...

The Minister for Treasury and Resources:

No, no, no, Deputy, that is not right. I can go further on. It is just not correct.

The Deputy of St. Peter:

Minister, I appreciate that I was accused of talking over you last time and I am trying not to this time, so please allow me that privilege. It would appear from the evidence that we have been given to date that we are in a position where there is a straight conflict between what one group is saying and what the other group is saying.

The Minister for Treasury and Resources:

Chief Executive.

Acting Chief Executive:

First of all I would ask you if you could provide us with a copy of that evidence so that we could comment on it because I think we are having a 2-way discussion here. We have evidence that we have given you, you are making statements which we cannot comment on, so I think if you have evidence it would be very nice to see it. That is the first comment. The second is, you do have evidence which is very, very clear and I do not accept the comment that

something was left, was closed and we were into an exclusivity deal. There was a serious error made by Property Holdings in making an offer with one set of assumptions and additions, the vendor coming back accepting it but stipulating a second set, and no further action taken. You cannot say that was a closed deal and that was then entering into an exclusivity deal to close off that deal; it was not and it was a very, very expensive ... or it could have been a very expensive mistake until the point where we got to trying close it off and we realised this had been left open and that was one of the issues where I was party with our independent adviser where the negotiations with the vendor closes off ...

The Deputy of St. Peter:

Just to clarify, who was your independent adviser?

Acting Chief Executive:

Mr. Gothard, who you have interviewed. That was a difficult negotiation with the vendor because it meant we have to go back and reopen that discussion with the vendor. So, you cannot say it was closed off. It was not. We had to negotiate that.

The Deputy of St. Peter:

I think the important point to make is that we are totally aware, as a panel, that this was not a closed off deal because what it was, dare I say, was exactly what would appear was on the tin, it was a negotiated price with an exclusivity agreement which then came back to the table awaiting ministerial sign off and ...

Senator S.C. Ferguson:

And sorting out the details.

Acting Chief Executive:

Sorry, it was not a negotiated price. Let us be clear about that. The £8.75 million was not a negotiated price.

The Deputy of St. Peter:

Well, could you explain what it was?

Acting Chief Executive:

It was the price put forward by Property Holdings and there was no negotiation on it. There was no horse trading between: "We will offer X. They want Y and we will negotiate and get to a figure."

The Deputy of St. Peter:

But it would appear from the evidence I think that you have from your own files that you supplied us that negotiations were taking place within Property Holdings, certainly in the Property Holdings files that we have. Negotiations bring you to a price where you make an offer and that was an offer price. If you recall from the evidence that we have it would appear the initial requirement was for £9 million.

The Minister for Treasury and Resources:

Well, I am facing an interesting situation here, Deputy, because you are testing the evidence but you seem to be testing it from a certain line of questioning. I want to be very clear of what the evidence that you are presented with. The evidence that you are being presented with is that you have an offer letter which has been made by the department. We will come back to the issue about the fact that there was a retrofitted valuation afterwards. We will come back to all of that, but it is not me saying this, it is not the Chief Executive saying it, it is the Director of Property Holdings himself in email exchanges in April, 12th April and 15th April saying: "And to summarise this I have to say I find this explanation to be totally unsatisfactory." Not my words, the Director of Property Holdings.

The Deputy of St. Peter:

Which explanation do you think he is alluding to?

The Minister for Treasury and Resources:

These emails are in relation to the offer and to the lack of clarity on the offer.

The Deputy of St. Peter:

Can you just relate the date of that email?

The Minister for Treasury and Resources:

15th April 2011. We are going back to the issue of the £8.75 million.

The Deputy of St. Peter:

So, at that particular time, in April this year, that was the time where Property Holdings had been completely taken out of the loop and the negotiations would appear to be heading a little bit south.

Acting Chief Executive:

No, sorry ...

The Minister for Treasury and Resources:

It is referring back.

Acting Chief Executive:

You are completely missing the position here. In 2010 the offer letter was made, dated 25th March. You have the letters but I am going to repeat this because this is absolutely crucial. 25th March 2010 offer letter made, £8.75 million, including that the vendor put right the dilapidations and increase the electrical supply to the building. 31st March 2010 the vendor's response accepting the £8.75 million but not accepting the electrical supply and the dilapidations and snagging which proved to be an expensive area but was subject to then considerable renegotiation when I then did get involved with our independent negotiator to close off the deal. What the Minister is referring to, in April 2011, was having identified that we were going back into a very unclear position with the vendor; I tackled Property Holdings and there was a meeting which I ... well, I chaired the meeting and I had the 2 individuals from

Property Holdings and the Finance Director, and I am looking at Mick Heald here to confirm.

Mr. M. Heald:

I think it was just me.

Acting Chief Executive:

Sorry, and Mick Heald was there. When I tackled Property Holdings, the 2 senior officers there, and put these 2 letters in front of them one of the individuals was quite defensive but the other one, who was the director, suddenly became very concerned and very agitated as to what had happened and it was as a result of that meeting that those 2 emails got written by the director and he was very clearly making his position clear that he did not know what had happened. He was saying, as the Minister has read out: "Very messy, totally unsatisfactory" so the Director of Property Holdings was saying in April 2011, this was before we went back in to do the final negotiations with the vendor which they were not involved with, I was, that Property Holdings had left mistakes and put me and the team in a very difficult position and the Minister has read it out: "Totally unsatisfactory, very messy." Now, those words were written by the director in relation to this one issue. So, let us be absolutely clear, this one issue was not known by the director at the time it happened. When it came to light he said, his words, as the Minister has read out. It cannot be clearer than that.

Senator S.C. Ferguson:

Thank you. We will consider your submission in the light of the various other bits of information we have.

The Minister for Treasury and Resources:

I also wish to make the point, Chairman, that there was no business case made in the department for the offer prior to it being made. Quite apart from the issues, that I have made it quite clear that I would have been expected to be informed, asked, consulted on such an important offer being made and I think that is also a fundamental issue; that as Minister I would have expected to be told the fact that such a large commitment, accepted that it needs to go through Standing Order 168 and all the rest of it, but frankly it is not appropriate, in my view, for one of the largest property possible acquisitions. Effectively if you are making an offer for something you are effectively putting it ... it is an important document. It should have been properly thought through, it should be evidenced, there should be communication with the Minister, and I also understand in evidence and in some of the hearings that you have had, Chairman, that you have said that that letter was a holding letter. It has been referred to in other evidence that it was a fairly routine matter. I think the Assistant Minister, or the then Assistant Minister, referred to that. That letter is not just a routine matter or holding situation it is a formal offer and it has been clear to me that there was no valuation, to the extent that valuations are required, there was no valuation that had been obtained before that. I was not consulted. I would expect to be consulted on such matters.

Senator S.C. Ferguson:

Right. I believe Mr. Richardson, on 31st March you had a meeting at Property Holdings at 10.30 a.m. Now, we do not have a file note on that.

Acting Chief Executive:

Well, perhaps I can enlighten you, Chairman.

Senator S.C. Ferguson:

That would be very helpful.

Acting Chief Executive:

Mick, could I have 95 and 97 please.

Senator S.C. Ferguson:

Is there any reason why the file note was not in the files we have?

[15:00]

Acting Chief Executive:

I think they are in there. Well, this information has just come to light, but the 2 I am referring to I think you have. On 31st March 2010 I was sitting in front of you, Chairman, between 10.00 a.m. and 12.00 noon and there is the transcript from our hearing.

Senator S.C. Ferguson:

Good heavens. Oh.

Acting Chief Executive:

So, that is the first point I would raise to you.

Senator S.C. Ferguson:

Sorry, what was the date of the ...?

Acting Chief Executive:

31st March 2010. Wednesday. This is my diary which I have got back from the archive, an electronic copy of it.

Senator S.C. Ferguson:

Perhaps I have got myself muddled with the dates.

Acting Chief Executive:

Can I finish my position because I have been accused of ...?

The Deputy of St. Peter:

Well, I think if there has been a muddle with the date. Let us just check.

Senator S.C. Ferguson:

You were updated on the position with regard to Lime Grove House on the day that the vendors ...

Acting Chief Executive:

No, Chairman, that is not correct. What has been said here, and by Mr. Flowers in his submission to you, and it will be in his notes to you, is that I was updated by Property Holdings at 10.30 a.m. on 31st March. I recalled my electronic diaries and 10.00 a.m. to 12.00 noon Corporate Services Scrutiny Panel H.R. Review Blampied Room, States Buildings. I then recovered from the internet your transcript and it was Item 3, Private Briefing, panel met Ms. R. Davies, Director Human Resources, Mr. J. Richardson, Deputy Chief Executive. I was sitting in front of you on 31st March. I was not at Property Holdings. Further to that in one of the notes ... this is a note that I believe you have. Yes, you have this note. Paragraph 17: "The Deputy C.E.O. (Chief Executive Officer) previously requested an update on Lime Grove and as the Director of Property Holdings was on sick leave he arranged to meet Mark Grant at J.P.H. offices at 10.30 a.m. on 31st March. The Deputy C.E.O. had required an update before going on vacation at the Easter holiday." I was not on vacation at the Easter holiday.

Senator S.C. Ferguson:

Did you have an update?

Acting Chief Executive:

I did not receive an update at 10.30 a.m. on 31st March.

Senator S.C. Ferguson:

No, did you receive an update?

Acting Chief Executive:

I will come to that. Then on 15th December 2010 Property Holdings officers produced a file note to say I attended on 31st March 2010 at 10.30 a.m. and it was signed and witnessed. Now, there is something very strange that within Property Holdings they can recall back ... on 15th December they are able to recall back to 31st March when the evidence that I clearly have says I was sitting in front of you on 31st March.

Senator S.C. Ferguson:

Yes, unless you have an alter ego. But what about the update that you got?

The Minister for Treasury and Resources:

To a meeting that does not exist? I am concerned to understand ...

Senator S.C. Ferguson:

No, no, no. You have asked specifically for an update ...

The Minister for Treasury and Resources:

... that there has been file notes created in 2010 ...

Senator S.C. Ferguson:

Excuse me, Minister. You specifically asked for an update.

Acting Chief Executive:

No, that is their words. That is their words.

Deputy D.J. De Sousa:

Can I just clarify, because I have the actual transcript in front from that hearing. What it said on that concern was: "Firstly, there is something I missed here which is the Deputy Chief Executive Officer, John Richardson, previously requested an update on Lime Grove. This is before 31st March and as the Director of Jersey Property Holdings, that is I, was on sick leave he arranged to meet with Mark Grant who was the Assistant Director at Jersey Property Holdings offices at 10.30 a.m. on 31st March."

Acting Chief Executive:

That might be Mr. Flowers' recollection but what I am saying to you is that the evidence is that I was not because I was appearing before you on 31st March and it seems strange that the file note produced by Property Holdings was produced on 15th December and they were even happy to witness it when clearly I was not there because I was in front of you.

Deputy D.J. De Sousa:

But that is okay because we have him coming back in as well, so we will clarify that with him.

The Minister for Treasury and Resources:

May I make one point Chairman?

Senator S.C. Ferguson:

The point was, did you have an update on the state of Lime Grove House?

Acting Chief Executive:

Not on 31st March clearly.

Senator S.C. Ferguson:

When did you have the update?

Acting Chief Executive:

I do not know when I had an update because I have checked my diary and my diaries are pretty full, so it is quite important that they are kept up to date and I have not found an entry in my diary ...

The Deputy of St. Peter:

Do you recall having an update?

Acting Chief Executive:

I do recall having an update with them at some stage where all I can recall is that they said that negotiations were progressing and they were getting towards a deal, getting towards an agreement. Now, that is all I can recall. I have nothing in writing. I asked them to check before your hearing started because it was suggested to me that electronic 2-way discussions had taken place by email. I checked. I keep all my emails in personal folders. I searched all of my emails and there was nothing between 25th March going forward to October that suggested in any way they advised me in writing of

that offer acceptance letter issue. I asked them to check in their files and Mr. Grant confirmed to me that they had nothing either. So, in writing there was nothing. So, picking up from where the Minister was a few minutes ago, we have a department that was making an offer on behalf of the public, which was their words, £8.75 million, nothing in writing, no report to me at that stage, and I think there was a verbal conversation at some stage where they updated me: "We are moving forward with discussions with the purchase of Lime Grove." That is hardly a professional position, that is hardly a briefing to the accounting officer that we are getting to the point of committing £8.75 million of public money.

The Deputy of St. Peter:

You used the term "committed" to spending £8.75 million. At what stage would you have been committed, if this deal had gone through normally?

Acting Chief Executive:

We would have been formally committed when the Minister signed the ministerial decision and we signed heads of terms and we got the contracts ...

The Deputy of St. Peter:

So, there was no formal commitment in that case?

Acting Chief Executive:

Well, it might not have been a formal commitment but there was a pretty clear intent in terms of where the public was, and can you imagine the position that put the States in when we went back to start ... because of the lack of clarity between this offer acceptance letter we thought we had one deal, they thought they had another, we went back in to start talking about it and that is not a very professional position to be in, whether it is a property negotiator or any form of contract negotiator you do need clarity. I went back in with no clarity, complete uncertainty and a large sum of money at that stage, let alone the renegotiation between £8.75 million and somewhere else. The first discussions with the vendor which started in November 2010, the first time I ever met them, they were very clear, they thought the deal was their deal.

The Minister for Treasury and Resources:

May I just make the point that an offer is going to generate an expectation on behalf of the vendor that the party is serious and is going to follow through on the transaction. That is what happens in any negotiation. We are the States of Jersey; if we offer something there has to be proper ... I think we must be Triple A-rated in relation to the way we deal with things and I have to say that I have some sympathy with the vendors in the way that they had been communicated by Property Holdings in relation to this matter. If there has been scepticism on behalf of the vendor as to whether or not the States was going to complete with this, after years of discussions about this property, an offer being made not evidenced, not supported by the Minister, no budget available, no business case being done, no financial appraisal, I do not think the States has performed well, hence my concern about the issue of Property Holdings and I think that it is incumbent upon the States to be proper in the

way that it goes about offering very significant amounts of money for a piece of land.

The Deputy of St. Peter:

Would you accept the fact that as part of the States system you had an Assistant Minister who was representing you on all of these deals and that he was kept up to date?

The Minister for Treasury and Resources:

He was being kept up to date but, as I explained to the panel previously and I think this is going to some of the heart of the whole issue which may be some of the background noise and concern about this whole issue, yes, I had an Assistant Minister who had delegated responsibility for Property Holdings but the way in which I perform my duties as Minister is that I delegate responsibilities but in the team approach that happens with all the ministries that I have had, and I have never had such a problem as I had with that particular department. In 12 years I have never had a problem. This is the first time I have ever had a problem with a sub-set of a department, or lack of communication with a sub-set of which I am responsible for. But there was a breakdown in communications. Communications is a 2-way process and there was a breakdown and my Assistant Ministers are in no ... everybody that knows me knows how I operate and I operate on the basis of weekly ministerial meetings which is a clearing house for discussions on important matters and it is important that I inform my Assistant Ministers about the decisions that I take. I am proud of the fact that on a Tuesday if I fall sick either one of my Assistant Ministers could stand up and they would pretty well be able to answer questions on the issues that I am dealing with and that goes vice versa. Frankly, buying a property, committing the States for millions of pounds, I would expect the Assistant Minister to tell me and he did not.

Senator S.C. Ferguson:

So, that you could really understand when the Director of Property Holdings says: "All in all very messy and totally unsatisfactory."

The Minister for Treasury and Resources:

No, Chairman. No, Chairman. Do not be a *News of the World* headline writer, please.

Senator S.C. Ferguson:

No, I am quoting from the email.

The Minister for Treasury and Resources:

Be accurate in terms of the ...

Senator S.C. Ferguson:

Yes, I am. I am quoting from the email.

The Minister for Treasury and Resources:

No, you are not. No, you are not. You are commenting from an email in relation to the offer.

Acting Chief Executive:

Yes, I think that is very important ...

Senator S.C. Ferguson:

Okay, well, let us move ...

The Minister for Treasury and Resources:

Frankly, I am wondering sometimes how these questions are coming. I want to be clear to the panel, I was very clear and I am always very clear with my teams and Assistant Ministers but it got to the stage in July of 2010 where there was obviously promises ... in the backdrop for this is that as Minister I committed to making sure that Property Holdings and property matters in the States of Jersey were going to be better looked after than previously and that had not happened and we got to the stage ... I mean, there are various different emails that I can show in evidence to the panel where I was showing increasing concern, if not exasperation, about the missed deadlines and the fact that progress had not been made. I have an email here from 14th July 2010 where I say: "Dear Assistant Minister and Director of Property Holdings" ... in fact it is the Chief Executive and the Director of Property Holdings and I copy in my Assistant Minister. I say: "Following our meeting this morning, I just want to confirm what my expectations are in relation to the property plan. A commitment has been given to issue an office strategy to the States by the beginning of the summer recess. This should be prepared for circulation by, at the very latest, the close of next Thursday. The property plan I have seen is not sufficient and defensible and I am not prepared to sign it off. The plan needs to be strengthened, in terms of its implementable proposals, within appropriate timescale for execution. I wish to formally record that the development of an office strategy has taken far too long and my political reputation is on the line and I need you to deliver me something that I can sign off and defend. It is important that it is delivered so that I can regain confidence in Property Holdings. Please confirm to me your understanding of this and your commitment to deliver as soon as possible." Now, I cannot be clearer about the fact that I was internally increasingly concerned about the failure to deliver a property plan and aspects of it and the Minister for Home Affairs has given you lots of emails. I can give you lots of emails too where I am expressing concern and I am expressing disappointment about the lack of progress. Indeed I say in an email in October that I am pleased with the progression of the elements of the plan but this is not something that I can sign off. Everything that I have seen in the recent long days of review of the files indicate that I was right to be concerned.

Senator S.C. Ferguson:

So, you are saying, Minister, that you were not ... we are hearing that there were regular briefings updating you. You are saying you had no briefings updating you?

The Minister for Treasury and Resources:

Well, first of all let me say that that email and the others of which I can give you ... we have asked Property Holdings for full files in relation to all papers in

relation to this matter. It is of interest I think that the emails that I sent to Property Holdings are not in Property Holdings' files. Now, I just make the point that I am struggling in this situation.

[15:15]

Alistair Darling comments about having people giving confidential briefings on your own team and Geoffrey Howe has spoken about a cricket team where you go out and people are catching the balls for you for the other team. Frankly, I feel a bit like that with Property Holdings sometimes and I felt like that in relation to the Property Holdings issues over the last 12 months and that is why I have had to make some changes and some difficult decisions have had to be taken, including replacing an Assistant Minister which I very much regret and I have never had to do it in my political past, but I had to do it. There was poor performance and I needed to deal with it. Taxpayers have not been well served in relation to the handling of this issue and many other issues in Property Holdings. That is not a general comment about Property Holdings, but there are some specific issues that have not been delivered of which the property strategy and the office strategy is one and you, Chairman, lobbied me very carefully and very vociferously in October on a business plan that I could not support and I read it again this morning and I could not be ...

Senator S.C. Ferguson:

We will get to that in a minute, Minister.

The Minister for Treasury and Resources:

I could not support it again. I read it this morning and it was not ...

Senator S.C. Ferguson:

That is all right. We will get to that in a minute. What I would like to do is to go back to the beginning of June. Now, you apparently had a briefing on somewhere ... I am not going to say the exact date but somewhere around about 12th May you had a briefing on the office strategy and the police headquarters project and then at the beginning of June at 11.00 p.m. on a Friday night you sent an email to Property Holdings asking for an update by 5.00 p.m. the following Monday afternoon.

The Minister for Treasury and Resources:

Yes.

Senator S.C. Ferguson:

Can I read the beginning of that briefing which said, date 4th June, to the Minister for Treasury and Resources from David Flowers, Director J.P.H. and Deputy Le Fondré: "Lime Grove Offices. Valuation completed by BNP Paribas on an RICS Red Book basis conservative. Valued at £8.8 million for shell and core only. J.P.H. will undertake full fit out cost plan prepared on a cost per square metre basis, based on police requirements, snagging report expected next week. This will influence J.P.H. current offer of £8.75 million (subject to contract and approvals). Detailed fitout design on hold pending funding approval."

Acting Chief Executive:

I think what you just read out is very clear in terms of total confusion within Property Holdings, because one had made an offer ... it comes back to these 2 letters again. One had made an offer in one direction and it had come back in another direction, and yet what you read out there is completely different.

Senator S.C. Ferguson:

No: "The current offer of £8.75 million."

Acting Chief Executive:

Continue with what it says, Chairman.

Senator S.C. Ferguson:

"Detailed fitout design on hold pending funding approval and the details" which is a normal negotiating strategy, I understand.

Mr. M. Heald:

No, it relates to the original offer price.

Acting Chief Executive:

Please carry on. What will influence the offer price?

Senator S.C. Ferguson:

No, I am asking the questions, believe it or not. It says ...

Acting Chief Executive:

Well, for the record, Chairman, what we now have there ...

Senator S.C. Ferguson:

No, let me finish, please. I will get my stick out. No, it says: "Jersey Property Holdings' current offer of £8.75 million" so what I am saying is that the figures were in the documentation that was circulated.

The Minister for Treasury and Resources:

What is your point, Chairman? What point are you trying to make?

Senator S.C. Ferguson:

You have said, Minister, that you knew nothing about the current offer, about the offer of £8.75 million. I am saying that the evidence here appears to indicate the contrary and I would appreciate your comments.

The Minister for Treasury and Resources:

Chairman, I am sometimes wondering which side we are all on on this thing, but let us be clear, I did not know about the offer prior to it had been made. Now, that is the important issue. We can have a very lengthy investigation as to whether I knew in April or June or what date and which meetings or whatever. I did not know before 25th March.

Senator S.C. Ferguson:

No, I appreciate that, but last week ...

The Minister for Treasury and Resources:

All right. Well, let us be clear, I should have been told and I should have been told about an offer that will have been made which was able to be supported by the budget, and frankly, it is a ridiculous state of affairs that an offer is being made without the Minister knowing on the overall project, which could not be funded with the budget.

The Deputy of St. Peter:

Minister, I think the concerns were that you appear to indicate that you were not aware of the offer price until 30th October.

The Minister for Treasury and Resources:

No.

The Deputy of St. Peter:

You mentioned that twice.

The Minister for Treasury and Resources:

My statement here indicates that, previously written, before I came into the room: "For the avoidance of doubt in terms of the offer being made, the substantial amounts of work that I have done in file reviews indicates that I was probably made aware of the offer between the end of April and the beginning of May."

The Deputy of St. Peter:

This is your current statement?

The Minister for Treasury and Resources:

Yes.

The Deputy of St. Peter:

But going back into the last interview we had, you did indicate on a couple of occasions that you were not aware until 30th October.

The Minister for Treasury and Resources:

No, I have corrected that issue and I have asked the *J.E.P. (Jersey Evening Post)* to correct that issue too, because it has been reported, and I can understand why ...

The Deputy of St. Peter:

But that is what you told them, last year.

The Minister for Treasury and Resources:

We need to look at the evidence that I have given. I am saying to you that I was aware of the offer ... in relation to an offer. I was not made aware, I do not think, of any of the problems with the offer and I have to say to you that I maintain the point that the offer was made without a business case which could be supported by a budget. So if I was ... if I am told about an offer, I am

not explained and sat down and said: "Minister, we have made this offer, but I am afraid to say that there is a lot of work to be done in order to make this offer fit the budget." An offer was made without fitting the budget. The office plan that I was given in October did not fit the budget that the States had authorised.

Senator S.C. Ferguson:

You also said, Minister, that you described it as: "A retrofit valuation." I wonder if you would like to explain why you consider that this is not a valid basis for making it a valuation.

The Minister for Treasury and Resources:

My own view is that the valuation is not the basis on which the States should be offering ... the valuation approach which has been explained to me of what happened, it was not the basis on which one should be buying property. Now, I am afraid to say that I do not accept that you go out and value a building on the basis of a 21 or 15-year lease with a good tenant and then you say: "Well, that is what the building is worth if there is a tenant with a 15 or 21-year lease, and so that is the price we are going to pay" because we are ending up buying our own covenant. I am not an expert, but I know enough to know that a valued building with a tenant is worth a certain amount of money and an empty building without a tenant is worth something else. If you put our minds back to the position in April and May and June of last year, I am in the process of making difficult decisions in relation to public finances, asking taxpayers to pay more in terms of tax, wrestling with the C.S.R. (Comprehensive Spending Review), needing to be the model of prudence and efficiency in terms of spending and we have got an offer being made of a property on the basis of a valuation which we are paying for our own covenant, for a building that has been empty for 10 years ...

Senator S.C. Ferguson:

Okay.

The Minister for Treasury and Resources:

... of which there is market knowledge that there is no interest in the building. Now, clearly that changed later, clearly somebody has come into the market and leased the building, not purchased it; 2 different things. I think it is ...

The Deputy of St. Peter:

Minister, I think one of my concerns in this particular review is that we end up almost going - as you rightly point out - head to head about one person's argument versus another person's argument, and I would break that down to one argument produced by J.P.H. and the other argument produced by Treasury. I would rather like to pull back from that argument, because that will be assessed later. What I would like to just to double-check is on some facts. Now, we talked about the negotiations that went on post 19th November 2010, and I would just like to double-check with you, at what date did Mr. Gothard become your negotiator?

The Minister for Treasury and Resources:

Early April.

The Deputy of St. Peter:

Early April this year, 2011?

The Minister for Treasury and Resources:

2011, yes.

The Deputy of St. Peter:

You have seen, I am sure, Mr. Gothard's evidence, because you were with him on that occasion. What was his negotiating stance?

Acting Chief Executive:

His negotiating stance was to take a brief from his client.

The Deputy of St. Peter:

That brief, you were the client, in effect, so what brief was he given?

Acting Chief Executive:

The brief, and this comes back, in order to clarify ...

The Deputy of St. Peter:

That is fine.

Acting Chief Executive:

... because it is the whole point, the whole essence of where the problems sat was the brief was to clarify what then turned out to be a very, very messy position in terms of the defects and snagging, which is another piece of evidence we would hear, and then it was to take the price, the original offer price of £8.75 million, and look at alternative negotiation in terms of alternative prices. So let us just cover off hopefully finally the snagging issue. Can I cover the snagging, because the snagging became a major problem for us.

The Deputy of St. Peter:

I was just going to offer you that particular ...

Acting Chief Executive:

Thank you. All right, I am going to start again from 25th March 2010, so that the knowledge is clear and the timeline is clear. 25th March 2010, the Assistant Director wrote a letter and made the offer of £8.75 million to include the snagging and electrical. 31st March, the vendors came back accepting that, but changed the conditions to take the electrical and snagging out. The Director of Property Holdings wrote on 4th June 2010: "Snagging report expected next week. This will influence the J.P.H. current offer of £8.75 million."

The Deputy of St. Peter:

That is understood.

Acting Chief Executive:

But the point I am making is that at that time, the Director of Property Holdings was under the impression that the letter of 31st March was the valid letter. It has to be. It has to be, because he clearly did not know that the ...

The Deputy of St. Peter:

That is sort of becoming boring. You have ...

Acting Chief Executive:

Sorry, the letter of 25th March was the current letter, because he clearly did not know.

The Deputy of St. Peter:

You have covered that point. If you want to go into more detail about the ... you mentioned your concerns about the costs of snagging, and exactly what that entailed.

Acting Chief Executive:

So moving forward, when I first met the vendors ...

Deputy D.J. De Sousa:

Which was when?

Acting Chief Executive:

I think it was late November, but again, it is in the timeline - but we can check - but it was certainly late. I had never met the vendors up to that stage. The issue about snagging came out and I have to be honest, I did not quite understand what the problem was, because we had not quite picked up at that stage this significant discrepancy between the 2 issues. So it then transpired when we went back in to negotiate that that was issue. So between the November and the April, when we got back around the table to negotiate, Mick Heald had been appointed as the Project Director, resolved all the outstanding issue of the business case, and we were confident to move forward at that stage. The first thing we had to do was negotiate with the vendors where we were in terms of snagging. That was the starting point.

The Deputy of St. Peter:

Where were you?

Acting Chief Executive:

Where we were was the vendor was on that side, which was his letter of the 31st and we were on this side.

The Deputy of St. Peter:

What were the snagging issues?

Acting Chief Executive:

The snagging issues were a long list that had been prepared by our building surveyor, who had identified defects which could be classified as material defects on any construction project that were clearly evident from the day it was completed, through to a long list of more minor defects, which would be

chips in paintwork and minor issues. The list of all the minor issues I was not too concerned about, but we had to go through all the fitout and all the decoration. But the defects which were material to the construction of the building were significant, had been dealt with before with previous attempts to procure and lease with other parties and there were clearly issues with the building which needed to be addressed.

The Deputy of St. Peter:

What were those issues?

Acting Chief Executive:

The issues were leaking windows, predominantly. Those issues were then our building surveyor who we had commissioned had produced a long list and they had to be dealt with. We then move through the negotiation period and when we agreed with the vendor for the heads of terms ... we have got the heads of terms here, have we? But I think the wording was something to the effect of where there is agreement between the vendors' architect and our engineer that there are material defects resulting from the construction, then the vendor would get the contractor back to fix them. I think that is correct.

Mr. M. Heald:

The vendor would fix them at their own cost.

Acting Chief Executive:

Sorry, the vendor would fix them at their cost. So effectively, the area where I had concerns - we had concerns, the project team - that there were material defects with the original construction, the vendor had accepted liability for.

The Deputy of St. Peter:

At this stage, who was on your project team?

Acting Chief Executive:

Can I come back to that?

The Deputy of St. Peter:

Okay.

Acting Chief Executive:

The key point that was made all the way through, including from the Director of J.P.H. - and again, I have an email to confirm it, and he was very clear to me, even though he was not involved in those negotiations - that we, the States, should not take on liability ...

[15:30]

The Deputy of St. Peter:

That has been made clear, yes.

Acting Chief Executive:

That has been made clear to you. So when we were in the negotiation period with the vendor from April onwards, the one thing we had to get clear with them was this issue of liability, responsibility and who was going to fix these defects. So that was one area of them, and then of course the second was: "What is the price? Is it £8.75 million or something different?" So the offer was always on the basis of £8.25 million as we went in, and they accepted responsibility for the defects. The final position we got to was that - and as I have just explained - we gave in on the electrical supply and we said: "Okay, we will accept the electrical supply, but you must accept responsibility for the material defects." They did.

The Deputy of St. Peter:

What figure was put on those? Could you just confirm you are talking about dilapidations? Is that the same term?

Acting Chief Executive:

It all comes as snagging, defects, dilapidations. It is all forms ... though in my book, there are 2 elements. One is material defects at the time of construction which should have been put right, and normally if you construct something, you go through snagging defects.

The Deputy of St. Peter:

So what figure was put on that issue?

The Minister for Treasury and Resources:

Can I just make the point that it almost ... you do not want the States to be engaged in having risk. You want the building with absolute agreement that there is no snagging liability at all, so speculation on how much the snagging is to some extent irrelevant. The fact is that you are dealing with ... fine building, great building, all the rest of it, but it has been empty for 10 years, so there is a risk. It is not just a building that has just been built. It is a building that has been built ...

The Deputy of St. Peter:

But again, when you are negotiating ...

The Minister for Treasury and Resources:

... so it could be how much is a ... what is a piece of string, if you have not done the work.

The Deputy of St. Peter:

I think that if I could just double-check ...

Deputy S.C. Ferguson:

We are just asking about your piece of string here.

The Deputy of St. Peter:

... it would appear that the piece of string was defined yesterday.

The Minister for Treasury and Resources:

By whom?

The Deputy of St. Peter:

Mr. Izatt, based on the figures I think you were given. That is why I was just asking you what figures were given.

Acting Chief Executive:

Well, okay. But the problem we had with that building was that the architect, from the vendors' architect, needed to have a discussion with our building surveyor, because there was evidence - and very clear evidence, and it is photographic evidence, if it is needed - to demonstrate that there had been water ingress through the windows. In some areas there had been temporary repairs, which we certainly would not accept as a permanent repair for a 25, 30-year remaining life of the window side of it; 20-year life, probably. So it needed further investigation. What our building surveyor could not establish without detailed discussion with the vendors' architect was the exact method of construction and installation of these windows, because however they had been installed, there was clearly a matter which had allowed water ingress, and that is clear. Part of the negotiation and part of the heads of terms was the 2 parties would meet to assess the method of installation, the method of remedial works ... or the methodology to repair them and then obviously, as we heard in here, the vendor would put them right at his cost. Now, you ask about the cost. What we did was because we were concerned that we had this big discrepancy between this 25th March, 31st March issue and it was all about snagging defects and material defects in the windows, we asked our quantity surveyor for some indicative figures of what repairs would cost based on limited knowledge, because we did not know the technical installation details until we had these 2 meetings between them. He gave us a range of figures, which one of them was very much worst-case scenario, and the figure that Mr. Izatt would have given you yesterday was a figure which we said: "From thinking where we are from the negotiating position, we will probably look at hopefully it will not be the worst case, but certainly look at a midway position" which is what we did.

The Deputy of St. Peter:

What was that figure?

Acting Chief Executive:

It was £400,000.

The Deputy of St. Peter:

£400,000.

Acting Chief Executive:

I think that was the figure. We said somewhere between £200,000 and £700,000. The £700,000 was if you had to scaffold the whole building out, take all the windows out and replace them completely with new. We just did not know. £200,000 was if you had to scaffold the building out and take out a certain number, replace them, with all the inherent costs associated. But I have to say, those were very much Q.S. (quantity surveyor) estimates based

on limited knowledge of what that construction method was and what the construction defect was.

The Deputy of St. Peter:

Now, I did ask you this earlier, and you said we would come back to it.

Acting Chief Executive:

Who was the project team.

The Deputy of St. Peter:

At this particular stage, who was involved in your project team?

Acting Chief Executive:

The project team was myself, Guy Gothard, who was negotiating for us, Mick Heald was the Project Director. The building surveyor was Stephen Aylwin & Company and the quantity surveyors were Colin Smith & Partners.

Senator S.C. Ferguson:

Can I just go back a moment? You said Guy Gothard was your negotiator. What instructions was he given?

Acting Chief Executive:

For what, Chairman?

Senator S.C. Ferguson:

For negotiation.

Acting Chief Executive:

The instructions he was given was he attended a number of meetings, which I think he has outlined to you those meetings before, where he outlined them to you. At the time when he came to us, we had a discussion in ... the first time was my office, where we looked at the offer price that had been made of £8.75 million. We discussed, debated quite long and hard this whole issue we have been talking about this afternoon about these defects and where they sat et cetera and the view was that knowing that there was significant concern about the £8.75 million, and alternative values had been suggested, we had to take a view and form a pragmatic view about what was reasonable to offer and where would we go in. So the decision we took - which I think it is pretty clear - is we made the decision to go in at £8.25 million, but with clarity over the defects this time around. So on ...

The Deputy of St. Peter:

Could you just confirm, because it is a few days ago now, that when you sat next to Mr. Gothard that he was tested, I think, on 2 occasions and he used the words he had been instructed to negotiate at and not above £8.25 million, and he said it was unusual.

Acting Chief Executive:

I am not sure it was ... it was certainly: "at." I am not sure it was: "not above" because we never got to that point, so I do not think that is quite right. But

certainly it was very clear that the discussion that we had with him, he was clearly acting for us, so he needed an instruction.

The Deputy of St. Peter:

We did ask him, as I recall, whether he had any flexibility in that and he indicated no.

Acting Chief Executive:

Well, we will come to that.

The Deputy of St. Peter:

If we could.

Acting Chief Executive:

Yes. The discussion we had with him was we came to the figure of £8.25 million. We were comfortable with going in at that price. He was acting on our behalf, so his terminology or phraseology of saying: "an instruction" he needed us to confirm - because clearly he was going on our behalf - that we, as client, were happy going in with an offer of £8.25 million, which we were. So we dispatched him with the £8.25 million figure, and certainty about where we were going to go with these defects and the offer was put on the table to the vendor. There was various to-ings and fro-ings, but I think I did not want to get involved in it, but he was involved with the to-ing and fro-ings with them, but at no time was there a rejection of the £8.25 million from the vendor. There was further discussion when we eventually decided and we accepted that: "Okay, in order to move this forward, we will take the electrical supply out and we will accept the electrical supply." But we were absolutely clear on this liability and responsibility issue for the material defects.

The Deputy of St. Peter:

Was Mr. Gothard given any flexibility to go higher than the £8.25 million?

Acting Chief Executive:

Not at that stage, because what we agreed with him was he would then go back to the vendor, and again, it was by instruction, so let us be clear, we issued the instruction to him to go back and do something, and then secondly

...

The Deputy of St. Peter:

But when you said: "Not at that stage" at any stage was he given ...

Acting Chief Executive:

No. Can we take it in stages, please? Mr. Gothard went back to the vendor with the revised position of £8.25 million. We accepted responsibility for the electrical supply and they had to accept responsibility for the material defects.

The Deputy of St. Peter:

That has been made clear.

Acting Chief Executive:

That has been made clear, and we at that stage had still left all the material defects, including all the little nicks and bumps, but sitting on this side of the table, although we had not put that offer forward, we were prepared to take those off as well, because I was not too worried about those. My big sticking point was this material defect issue. The vendor accepted it. So Mr. Gothard never had to come back and say: "The vendors rejected it. I need to go back with a different offer. You need to up your offer." The vendor accepted it, deal done. We then got the vendor in around the table and we sat down with the vendor and we thrashed out the heads of terms, and in that was we got the agreement where all of the defects were left in, but we had said: "We will instruct our building surveyor to be very reasonable in terms of all these little minor bits" and we were not going to give on the major ones. That was the deal we struck. So at no time did Mr. Gothard come back and say: "I cannot get a deal. You are going to have to go up." He went back in with our second instruction, which was: "£8.25 million, take off the electrics, but keep the defects in." The vendor accepted it. That was it. That was the deal. That is the deal, there is the heads of terms.

Senator S.C. Ferguson:

Yes, he did say that ...

The Minister for Treasury and Resources:

That is not a one-sided, that is a 2-sided document that has been agreed between both parties.

Acting Chief Executive:

Yes, absolutely.

Senator S.C. Ferguson:

What date was it that you briefed Mr. Gothard on the: "You can go and negotiate on £8.25 million and no more"?

Acting Chief Executive:

Offhand, Chairman, I do not know. I am sure we have it in our file notes somewhere.

The Deputy of St. Peter:

One of the concerns that has been expressed, the word: "risk" has come into it very often. At that particular stage, was there any perception of a risk of losing that particular sale based on the low price that you had offered?

The Minister for Treasury and Resources:

Deputy Chairman, I do not think that is a low price. I do not think ... I mean, I have residual concerns ...

The Deputy of St. Peter:

The lower price.

The Minister for Treasury and Resources:

Pardon?

The Deputy of St. Peter:

The lower price.

The Minister for Treasury and Resources:

I mean, that was a loaded question. It was not a low price, £8.25 million is not a low price. It is financial services' rates for offices. I remained concerned. As always, in my statement to the States, I said: "I have been very difficult to convince." I was finally convinced at £8.25 million with robust all the rest of it, but let us get ...

The Deputy of St. Peter:

Minister, can I just ... how do you rationalise that with a ministerial decision that you signed off that said: "Go up to £8.75 million"?

The Minister for Treasury and Resources:

I did not sign a ministerial decision for £8.75 million. I have got a ministerial decision ... I am going to be clear, because I have got all my papers here. Let us be clear: we were trying to get it at the lowest price.

The Deputy of St. Peter:

I am being clear.

The Minister for Treasury and Resources:

That is what you do when you are looking after public money.

The Deputy of St. Peter:

I am just trying to ... how do you rationalise that with the ministerial decision of 21st April 2011? If I may help you, reading it, we have got a copy here if you want it: "Decision: the Minister agrees that offers to negotiate at the lowest price and no more than £8.75 million."

Acting Chief Executive:

That is because the offer ... sorry, if I can start by just finding it.

The Deputy of St. Peter:

No, the point, the question I asked is the comment that the Minister said: "Only £8.25 million" how does he rationalise that with him signing off a ministerial decision saying that you could go up to £8.75 million?

The Minister for Treasury and Resources:

Because it is timing. You need to negotiate. I instructed the team to negotiate, and at the end of the day, I was willing to go with the deal that had been put forward. Obviously if it would have been ... let us be clear. If it would have been £8.75 million, there might have had to have been an agreed payment on an agreed schedule of some large amount of money that had been spent on the building.

Acting Chief Executive:

I think that is very valid. It is absolutely correct. This was 21st April. Mr. Gothard was appointed in late April.

Mr. M. Heald:

Early April.

Acting Chief Executive:

Early April, so the negotiations with the vendor were based on the Minister giving us some certainty in terms of being able to go and negotiate, and it was, as you say, up to £8.75 million, but then very clearly - as the Minister has already said - he was very uncomfortable with the £8.75 million, so we had to find a position to open negotiations.

Senator S.C. Ferguson:

Yes. We shall obviously have to compare that with the evidence which Mr. Gothard has given us and the copies of the letters to the vendors, which do not quite gel with that particular comment. Perhaps we could go on to the meeting of the ...

The Minister for Treasury and Resources:

I want to be very clear, I think it has got to be very clear that I instructed and was difficult to convince, not particularly happy, but in the balance of all circumstances, happy to effectively get the building for £8.75 million, but of course in my mind at that stage the fact that £8.75 million was to include everything, because there was these issues about the ... I mean, how much would it take for the windows to be taken out? I mean, you are talking a very substantial amount of money. I offer no criticism to the building or anything else, but I finally said: "Okay, if you can get the thing for £8.75 million all in with all of your things, I will go for it. I am not happy with it, but I will go with it."

Senator S.C. Ferguson:

I would take us on to 18th May, when it appears that all the Ministers involved were in agreement with the deal at £8.75 million with the exception of the Minister for Treasury, who considered that the price was too high.

[15:45]

Again, despite all the professional advice, why?

The Minister for Treasury and Resources:

Because we are dealing with a building that is 10 years old, extreme concern, rightly so, with public money being spent and us buying a building when we have got lots of land, which I maintain the view that we should be building on our own land. I am concerned.

Senator S.C. Ferguson:

But all the calculations of all of the options up until then were based on £8.75 million. I do not quite understand why. Anyway, that is another ... the minutes in the briefing note ...

The Minister for Treasury and Resources:

I do not know quite where you got that from, Chairman.

Senator S.C. Ferguson:

I beg your pardon?

The Minister for Treasury and Resources:

I do not quite understand where that last question came from.

Senator S.C. Ferguson:

Well, all the calculations that I have looked at in the files are all using £8.75 million.

The Minister for Treasury and Resources:

On what basis?

Senator S.C. Ferguson:

For the purchase of Lime Grove.

The Minister for Treasury and Resources:

But what is the point of that?

Senator S.C. Ferguson:

Then there is a whole load of stuff on ... well ...

The Minister for Treasury and Resources:

The scenario analysis?

Senator S.C. Ferguson:

Everything is based on that, and then suddenly out of the blue comes £8.25 million.

The Minister for Treasury and Resources:

Yes. I said I was happy, but not at the price.

Senator S.C. Ferguson:

All right, but the minutes in the briefing note of that meeting on 18th May commented that: "The strategy of offering a low price was a risky strategy."

The Minister for Treasury and Resources:

What date is that?

Senator S.C. Ferguson:

18th May.

The Minister for Treasury and Resources:

Yes. In 2011, that is?

Senator S.C. Ferguson:

Yes, this year.

The Minister for Treasury and Resources:

Yes. Those are the ministerial discussions, and yes, there was a risk, but we are also aware this is a small place and we knew exactly what the situation was in relation to potential other interests in this building. Interest in this building happened on a leasehold basis in July.

Senator S.C. Ferguson:

Okay. Mr. Heald, I wonder if you could comment. You prepared the briefing note. Why did you think it was a risky strategy?

Mr. M. Heald:

I think I was being cautious, in that I think I was talking about ... well, I think I was talking specifically about ... the meeting was specifically about maintaining £8.25 million as the next step or adjusting the position. That is what I was talking about.

Senator S.C. Ferguson:

Yes, because your previous interim report I think just recommended the deal as put together by Property Holdings.

Mr. M. Heald:

That was bringing together information about valuations, which is one of the things I wanted to do in terms of the G.A.A.P. (Generally Accepted Accounting Principles) analysis. That was just Property Holdings trying to make it clear what it had supporting the new purchase price.

Senator S.C. Ferguson:

Okey dokey.

The Minister for Treasury and Resources:

I would put in my evidence to you that the negotiating position that we eventually had and got to was agreed with the vendor. So, I mean, if the vendor was not happy with the price, we would not have got to the stage of drawing up these terms. I mean, I am being apprised of this issue, being highly alert to the importance of this receiving lots of pressure in order to do this. I am being apprised of what is going on pretty regularly at this stage, and I am very pleased that the position has been confirmed by the vendor. I mean, with the benefit of hindsight, you can always reinvent things or you can be clear. The fact is that if we would have been in a situation where the vendor said: "Sorry, I am not trading at £8.25 million" clearly we would have had a team meeting and we would have a discussion about what to do about it. But we are at a stage where we have got an agreement for £8.25 million. I am feeling relieved at this stage that my line has been accepted and given no reason not to believe that the matter is going to be concluded, and also a telephone call that I make, exceptionally, at the point at which we are then content later on is to say: "Look, we have got a deal and we are moving ahead, and you have my internal support and my Treasury support for

bringing this thing to a conclusion” even though there were still other issues which still have got to be resolved.

Senator S.C. Ferguson:

Did you ask for an exclusivity agreement in that call?

The Minister for Treasury and Resources:

I did.

Senator S.C. Ferguson:

What was the reply?

The Minister for Treasury and Resources:

I am advised there was no exclusivity, which raised concerns.

Senator S.C. Ferguson:

No, I said: “Did you ask for an exclusivity agreement”?

The Minister for Treasury and Resources:

Yes. Not on that telephone call.

Senator S.C. Ferguson:

Oh, right.

The Minister for Treasury and Resources:

Well, yes, I think the issue of exclusivity was discussed. I would have to check my own notes. I cannot ... I think it was raised. The purpose of the call was designed to build confidence in the vendor that we were this time going to follow through with something, wherein in the past, clearly from their point of view ...

The Deputy of St. Peter:

Sorry, was there any concern within the Treasury about what would apparently have appeared to have been a slowing down on the final arrangements for dealing with this issue?

The Minister for Treasury and Resources:

In the July period, absolutely. I mean, first of all, we had to do the Standing Order 168. You do not just go around every day and do a Standing Order 168. A Standing Order 168 is a ...

The Deputy of St. Peter:

I am talking more about the role of the vendors. Was there any concern about the fact - I think it was Mr. Gothard that mentioned it - that things appeared to be slowing down with the vendor?

Acting Chief Executive:

We can certainly get the dates, but the ministerial decision was signed, which opened up the 15-day rule, which is 15 working days, so effectively it is 20-something days, I think. The vendor was reluctant to start committing to

money until he was certain that it was not going to get pulled in, so we went from whenever that ministerial decision was taken to launch the 15-day rule to the point at which it closes, where the vendor is saying: "I am not going to start committing money, bringing people over and doing all this work to sort the defects out until we are sure that we are moving forward." I have not got the date, but we can certainly look it up, what date that was. That was in July, some stage in July when it was from that point on that, yes, it was very clear that it did slow down considerably, and Mr. Gothard made that point to you.

The Minister for Treasury and Resources:

By the way, there is another issue, just so that we are clear about what was in my mind, in that to the extent the valuations are relevant - question mark - but we had a valuation of £8.45 million, so Minister for Treasury concern, valuations, lots of conflicting information, pressure, concern about public money, valuation approach, not at £8.75 million, £8.45 million, concern generally about the process. You can understand the fact that I am nervous and concerned.

Senator S.C. Ferguson:

Which brings us nicely on to the next ...

Acting Chief Executive:

Sorry, Chair. Can I just give you a bit more information so that you have got it? 28th July there is an email string here, which effectively is between someone from Property Holdings and Guy Gothard, and Guy Gothard to the vendor's agent: "I have spoken to our client and I advise that a certain person from [this is the architect] is aware he needs to speak to our building surveyor and that contact should be made this week." So even on 28th July, there was still, as far as we were concerned, intent that they were moving forward with it. It was somewhere at that stage where Mr. Gothard said before that obviously things then slowed down considerably.

Senator S.C. Ferguson:

All right.

The Minister for Treasury and Resources:

Can I also say, I mean, the evidence is important and you asked a question about exclusivity, and the issues of slowing down were clearly happening in the period after the 15-day rule had completed and in the third, fourth week of July, when exclusivity was requested, was confirmed that it was not the case. I mean, I have got letters from the agent, letters from Treasury and then letters from our negotiator on July, 25th July, 27th July, 12th August in relation to we are now getting concerned or officials are getting concerned in relation to the fact that things have now gone completely slow. At that stage, we knew the market information was that there was an alternative, there was then a player in relation to a potential leasehold of the building, which then of course happened. But that all happened very clearly in the third and fourth week of July. It did not happen in the period before that, and frankly, in the issue of exclusivity, I can understand why the vendors did not give us exclusivity, having been poorly treated - as I said earlier, I think they were poorly treated -

in the previous year, I can quite understand why there was scepticism on their part that the States was going to follow through with it, which is why I called one of the directors to say ...

Senator S.C. Ferguson:

Okay, fine. Let us move on. Now, Mr. Izatt reported yesterday that he had 10 meetings with Mr. Richardson and I cannot find any record of that in the files supplied to us. I can find a record of the one to the police, and this was mentioned in the hearing with the Minister for Home Affairs, and I think there was another one somewhere, but why were W.E.B. (Waterfront Enterprise Board) brought into the picture?

The Minister for Treasury and Resources:

That was my suggestion, my recommendation and my request to the Chief Executive. I was concerned, as has been clear, about the handling of this in Property Holdings, absolutely clear about that. I have got some other things to say about that before we close that issue, because there is another very important issue which I want to clear up, and I think that the States should use who it has available with market information in order to assist, and clearly it is an unusual situation.

Senator S.C. Ferguson:

When did you first contact them?

The Minister for Treasury and Resources:

I cannot recall. I would have to ... I mean, I cannot recall. I deal with hundreds of issues, so ...

Acting Chief Executive:

I can answer that.

Senator S.C. Ferguson:

I am curious, because I do not understand. In your email of 22nd October, you say that you think this is a job for S.o.J.D.C. (States of Jersey Development Company). Now, perhaps you could explain to me why you think that this particular project was a job for S.o.J.D.C.

Acting Chief Executive:

I think there is a delivery aspect of it, not necessarily the overall development. There is a delivery element of it, which could, subject to S.o.J.D.C. being properly structured, have been a project they could look at. I am just trying to think. I am just trying to work out of the number of meetings. I can get to 5. I will need to look up and see if I can find where the other 5 came from. One of the reasons why we did use Mr. Izatt was because they have a particular piece of software which was very useful in terms of looking at spatial planning, so it was in-house, effectively W.E.B. had it, so we used them. He attended 2 meetings I can recall, it might have been 3 - certainly 2 with the police - to get a better understanding of spatial requirements, that they could look at some form of very high-level layout to see if it would fit in. So that is where that started. He did attend the first meeting I had with the vendor in late

November, and then thereafter very few meetings, and he did come back in for a few later on in, I think, April time or May time. But that was all his involvement was. There was no other involvement. We did not use him at all.

Deputy D.J. De Sousa:

Did he ever go to the property and view the property?

Acting Chief Executive:

Not that I am aware of. Well, I can check, but certainly not with me.

The Minister for Treasury and Resources:

Can I clear up one other issue, which I am concerned to have read in the other hearings that the panel has had. I am going back to the October business case, because one of the reasons why I had ... well, by the time we had got to October, I had clearly lost confidence, I was losing confidence in July, was the fact that the business case was not capable of supporting a ministerial decision to buy the property. I understand that the Scrutiny Panel have been informed that an independent review was carried out of the Lime Grove business case that I was asked to do in October. I was very concerned when I heard this, because if that was the case, then clearly I have missed something. I have the highest regard for the individual that gave you evidence, Mr. Rowney from Rowney Sharman. I need to clear up with the panel that no report has been issued on that Lime Grove business case. Mr. Rowney did not review the Lime Grove business case. He reviewed the office accommodation strategy, and it has been confirmed to me that there is no written report from Rowney Sharman on the business case. What I understand he did was he took the office strategy home for a weekend and made some manuscript notes on the report itself and returned that file to Property Holdings. That was in November, not in October, so it had not been done in October, so this was again after the fact that I had expressed considerable concern about the review. I also, for completeness, understand that he attended the risk workshop.

[16:00]

I have confirmed this with Rowney Sharman. I have got the highest of respect for them, because they were the project managers for other stuff that Treasury was supporting with fiscal stimulus money. They very carefully and diligently did the oversight of Durrell and the hospice, and if I would have had a review done by them at that stage and I had been given a business case supported by a review from Rowney Sharman, then I would have been a lot happier, together with the business case. That was not the case and I think it is important that the impression given is corrected, that there was no review of this business case done in October.

Senator S.C. Ferguson:

All right. Well, perhaps we could return to my line of questioning ...

The Minister for Treasury and Resources:

Okay.

Senator S.C. Ferguson:

... if you do not mind. About the same time, Mr. Richardson, that you were attending meetings with J.P.H. having explanations of the rationale and calculation of the valuations, you were just passing the information straight on to W.E.B. Why? You attended a meeting, or you were going to meetings, you were getting information from Property Holdings which you were just passing straight on to W.E.B.

Acting Chief Executive:

Which information was this, Chairman?

Senator S.C. Ferguson:

According to the file from W.E.B. details about ... I will tell you.

Acting Chief Executive:

If you provide it to me, I can give you some commentary on it.

Senator S.C. Ferguson:

The fitting-out data that you had from the ... yes: "Further to our telephone conversation this morning." Just a minute.

Acting Chief Executive:

Sorry, if it is about fitting out, that is exactly correct.

Senator S.C. Ferguson:

It was fitting out.

Acting Chief Executive:

Can I comment on that one first, because that is ...

Senator S.C. Ferguson:

No, can I just go through and give you an idea?

Acting Chief Executive:

... fitting out.

Senator S.C. Ferguson:

"The main differences between the Jersey Property Holdings and W.E.B. figures are as follows." Fine: "Meeting on 29th November at police headquarters." Then an email to Property Holdings saying: "David, Mark, [this is from yourself] I have been further reviewing the second file you provided regarding Lime Grove. Can you provide me with the specification ..." and then sending that straight on to Property Holdings to ...

Acting Chief Executive:

Absolutely, Chairman, because that ... well, can I bring you back to what I said 2 or 3 minutes ago. One of the reasons I did use W.E.B. was because I had particular modelling equipment which looks at spatial issues. The information you have got there from which I did provide them, absolutely

correct, was the limited information that we had received and bear in mind this is the original business case, the information in here, and that is all the information that Property Holdings compiled which was spatial requirements based on purely number of staff times agreed square footage, nothing else, and also in this business case - if I can find it quickly - was layout drawings prepared for Lime Grove, based on a previous occupant for a legal firm that got ...

Senator S.C. Ferguson:

Did you tell Jersey Property Holdings that you were doing this?

Acting Chief Executive:

Well, if I can finish this bit off?

Senator S.C. Ferguson:

Did the Assistant Minister tell Jersey Property Holdings that this facility, this equipment, existed?

Acting Chief Executive:

Well, can I finish off my answer? When ... well ...

Senator S.C. Ferguson:

You know, we are not in silos any more.

Acting Chief Executive:

Can I please finish? When I attended on the Deputy Police Chief Officer on my own without anyone present, just the 2 of us, I was concerned to hear that they had signed off effectively because there is a letter from the Deputy Police Chief to say they are content with the proposals. I was very concerned that the only information he had been given was based on these calculations. There had been no discussion with the police in terms of specific requirements for security, segregation of various roles and functions, what did they require in terms of internal security arrangements, did they need to have people on different floors, all the usual things you would expect, just to make sure the thing worked. When I also asked whether he had any layouts or he understood how his staff were going to fit in there, the answer was no. Now, if you are asking me whether I think supporting paying £8.75 million for a fairly specialist operation, albeit it is office work but it needs all the various segregation, without having the knowledge that we have done a bit of work and they do fit it, it does work, other than these spreadsheets, then I do not think that is good enough. This was very early on when my concerns had been raised. I was very uncomfortable with this business case. I did speak to W.E.B., absolutely, and the 2-way discussion with them was: "Well, we could help you on this." Mr Izatt and I then met the Deputy Police Chief and we had about a 3-hour meeting and we did some very rough allocations of space between us and what transpired from that was it appeared everyone would fit in but there would be a fair bit of having to alter where people sat and where they could operate because some floors had too many people on because of the nature of operations, some did not have enough, and then there was also the major issue was: "That is fine but we need all this storage area" and it

would not fit anywhere. It was then when Mick Heald came on and did the proper work, the detailed work, that is when we moved down to the basement to create storage in the basement and none of that had been done. So Mr Izatt and I spent I think it was about 3 hours going through it and if you want, I can give you the photocopies of my personal notebook which I use in these types of meetings where I made loads of notes and you will see there the calculations did not work. The alarm bell with me was: "Hang on a minute, are we sure this is going to work?" That is what led me, once Mick Heald had been appointed, to say: "You need to do some more detailed work." When I asked Property Holdings why this had not been done - and I am repeating myself here - it was: "Well, we are not going to spend hundreds of thousands of pounds on appointment of architects which could be aborted work seeing we have had so many aborted attempts before." Mick Heald had used our architects and I think a local third party provider for a few thousand pounds to do the layouts. What I think you have got there, because I just saw the glossy front of it, was some information which I gave to W.E.B. which are the drawings from a previous layout which had been done when a previous firm of advocates were going to take the building on. Now, that bears no resemblance to fitting it out for a police station.

Senator S.C. Ferguson:

But you did not tell W.E.B. that you were sending all the stuff on?

Acting Chief Executive:

Sorry?

Senator S.C. Ferguson:

You did not tell J.P.H.?

The Minister for Treasury and Resources:

Why should you?

Acting Chief Executive:

No, I do not think I did.

Senator S.C. Ferguson:

Okay, fine, right.

The Minister for Treasury and Resources:

Sorry, Chairman, I am just interested. What is the point about this issue to do ... I mean the panel has made ... you have made lots of observations about W.E.B. and S.o.J.D.C. and I know you have got views about it ,but I do not understand if there is a political issue about the fact that W.E.B. was being used?

Senator S.C. Ferguson:

No, I am trying to stay out of the political stuff. I am just trying to do the facts and going on from that, what is your understanding of the position of S.o.J.D.C. in the arrangements decided by the States?

Acting Chief Executive:

Well, the arrangements are as per the report and proposition and the Memorandum of Articles of Association and they are very clear in terms of asset transfer protocols and they are also very clear in the Memo of Arts. of what S.o.J.D.C., as it is now constituted, can and cannot do.

Senator S.C. Ferguson:

But back as far as 22nd October 2010, you have been consistently recommending passing significant property matters over to S.o.J.D.C.

Acting Chief Executive:

Yes.

Senator S.C. Ferguson:

Why?

Acting Chief Executive:

Because if those were appropriate that fell within the remit of the asset transfer protocols and the Memo of Arts. for S.o.J.D.C., then these were projects which would be appropriate to transfer to them.

Senator S.C. Ferguson:

Right.

The Assistant Minister for Treasury and Resources:

Is it fair to say that they were employed as a no-cost contractor?

Acting Chief Executive:

Oh, sorry, yes, in terms of the informal work they were doing for me which we have just been talking about, that was on a no-cost basis. That was just providing support. But in terms of if they were then going to take on the actual development project management of this role, which does fall within their Memo of Arts., then it would obviously have had to have been formalised but there was no discussion of them doing it at that stage.

Senator S.C. Ferguson:

Right. Minister, we are just about on the home straight you will be glad to hear. You variously described the building as a dilapidated old building and as a prime financial site. Which is it?

The Minister for Treasury and Resources:

It is a building that was 10 years old that was widely known by Islanders as having been empty for 10 years. When it is fitted out, when the dilapidations are completed, it is going to be occupied by one of our valued blue chip financial institutions and the passing rent that has been passed through court contracts indicates that when the dilapidations and when it has been washed and brushed up, it will be top quality financial services space. The passing rent obviously is discounted for 3 years by 50 per cent but the passing rent is £24 a square foot. That is premium financial services space. That is the kind of rent in 4 years' time that a recent rent review on the Esplanade has been

settled at or it was settled at £25 a square foot. Let us be clear. The purchase that the States was doing was for the empty building. It needed to have the dilapidations confirmed. The transaction that is being passed through court is a leasehold of which the vendor needs to put the State in the building and a category (a) fit-out. We have to pay for the category (a) fit-out. The landlord is having to pay the category (a) fit-out so I think that the 2 can be absolutely ascribed to we are buying a 10-year old building. They are renting, when all the money has been spent on it, a top quality building.

Deputy D.J. De Sousa:

Can I just elaborate on the fact that it has been a 10-year empty building. Nobody has been interested; nobody has bothered to rent it. As you would expect of us, we have done our research and the owners of the property wanted a specific type of tenant. Lots of people have made inquiries about this building but because they only wanted a floor, the actual owners of the building were not interested. They wanted one company to take the whole thing on and that is the reason that it has been empty for so long.

The Minister for Treasury and Resources:

Let us be clear, Deputy, nobody builds a building and keeps it empty for 10 years like that willingly.

Deputy D.J. De Sousa:

It has not cost them anything though because it is shell and core.

The Minister for Treasury and Resources:

I offer no criticism whatsoever to the vendors. They can do what they want with their own buildings; that is fine. There has been interest in the building. There have been a number of aborted tenants. We all know that. Jersey is a small place. We can name them if you want them. Market knowledge of Jersey is intimate so we know and in the period of time that the States was negotiating, there was not another interested party. There was an interested party late on in the piece in July.

Deputy D.J. De Sousa:

Yes, and they also were interested at one stage who went for another property, but had a fallout with somebody and went ...

The Minister for Treasury and Resources:

That is exactly right, Deputy. That is exactly right and it is incumbent upon me, being faced with an option to buy this building or being faced with a decision to spend £8 plus million of taxpayers' money, to ensure and ask the necessary questions and to drive the team to get the best value for taxpayers which I did and I would do it again.

Deputy D.J. De Sousa:

The other thing I would like to ask. A written offer that was made; we all know the wording of it ...

The Minister for Treasury and Resources:

The 25th March one?

Deputy D.J. De Sousa:

... and the exclusivity agreement that was in place. It was in no way legally binding though, was it?

The Minister for Treasury and Resources:

No, of course not, because it needed to go through all of the Standing Order 168 arrangements.

Deputy D.J. De Sousa:

It did stipulate that in the letter?

The Minister for Treasury and Resources:

It did, but we are the States of Jersey. You do not go using States letter paper just to go and offer millions of pounds and to raise expectations. I think that the States of Jersey must operate with the highest standards and the highest standards indicate that you have got ministerial approval and it is likely to be able to get going through to completion and it was not and it was a business case, Deputy. I will go on and on and on about it but if you would be the Minister, I do not think that you would have signed off that business case to support the purchase of £8.75 million, knowing you as I do, you would have gone through it; you would have asked lots of questions.

Deputy D.J. De Sousa:

You were right, the one that Rowney Sharman was mentioning was the actual whole office strategy business case.

Acting Chief Executive:

Yes, but you ought to be aware, I am sure you are, because it is in all the notes you have had, that the vendors were aware that the Minister was in agreement before I got to meet the vendors.

The Minister for Treasury and Resources:

They were told the Minister was in agreement.

[16:15]

Acting Chief Executive:

Yes, the vendors were told the Minister was in agreement before I got to meet them in late October or early November so the first time I met them understandably the vendors were shocked that we suddenly had to take a step back. But, as the Minister has said, we are the States of Jersey. We act with integrity and we had on States of Jersey official notepaper sent them a letter saying: "On behalf of the public, we offer £8.75 million."

The Minister for Treasury and Resources:

Such is my concern about this. I am obviously disappointed that the landlords decided to lease it to the other party but that is an entire matter for them. Having now considered all of the paperwork in the period from March

onwards, I am considering writing a letter of apology to the vendors for the poor performance of the States in relation to bringing this matter to a conclusion. I do not think we have done ourselves any favours at all and I think that that is regrettable and the actions that I have taken ... I mean, I have brought Property Holdings under quite a lot of pressure to improve what they were doing in the period from June right the way through to December last year, but obviously my patience finally ran out and, ultimately, I am the one appearing before you and, ultimately, I am accountable and I take full responsibility for this issue. Now, I am not happy and was not happy with the performance of an element of my department and the performance of the communication of an Assistant Minister and I needed to make a change. I am now being criticised and I am going to be criticised. This is a curious state of affairs because I am being criticised for effectively, I think, doing my job. If I may say, are we summing up now or are we on the home stretch, Chairman?

Deputy D.J. De Sousa:

Not quite, well, yes, I have got a couple of questions.

The Minister for Treasury and Resources:

I am very happy. There are a couple more things I will say in conclusion then.

Deputy D.J. De Sousa:

You can finish and then I will ask my final questions.

The Minister for Treasury and Resources:

Yes, I have to say, and you can question me on this, I think the *J.E.P.* asked 4 key questions in relation to this issue which are quite important and I ...

Senator S.C. Ferguson:

Yes, but wait a minute, Minister. You have done a paper which you are going to give us to look at. We are now listening to ... you are kind of waffling on.

The Minister for Treasury and Resources:

Getting up out of the weeds.

Senator S.C. Ferguson:

I am sorry. You are here to answer questions from us, not to have a big sort of song and dance.

The Minister for Treasury and Resources:

I am defending my position, Senator. I understand that you held my previous statement up and waved it in front of a previous witness and said: "What do you think of these excuses?" I am feeling as though I am obviously going and I am obviously over compensating and I am giving you lots of information because I am determined to present before the panel evidence and information which backs up my decision-making because I am working hard to convince you because I believe that you do need a lot of convincing because of the way in which questions have been asked.

Senator S.C. Ferguson:

Yes, you know from my time on P.A.C. (Public Accounts Committee).

The Minister for Treasury and Resources:

So I am working hard. Yes, Chairman, and ...

The Deputy of St. Peter:

If I can just interject for one minute and I have said this before. The role of scrutiny is to test and we have come back and tested some of the questions that we have based as you will be aware, and you made that very clear yourselves, on information that we have been given by other sources. It is not information that we have created. It is information that has been given by other sources and, please, I get the impression that there is a view that this has become a “you and us” exercise and as I reassured you last time, it is to be an objective exercise. We are not here to play summing up games or whatever. What I would like to do ...

The Minister for Treasury and Resources:

When the Chairman says it is excuses, when the Chairman says: “What are these excuses?” and when I am being interrogated absolutely and grilled quite rightly on the basis that one member of the panel has already been pushing me on and making representations. Of course I am going to be concerned. You understand why I am concerned.

Senator S.C. Ferguson:

That was my last question, Minister.

Deputy D.J. De Sousa:

Right, I have one.

Senator S.C. Ferguson:

Okay, and maybe the final one.

Deputy D.J. De Sousa:

Who came up with a figure of £8.25 million and how was that arrived at?

The Minister for Treasury and Resources:

That was ... ultimately accountability is for me and that was my recommendation which was discussed at the ministerial meeting that we held which is documented and Senator Le Marquand was part of that meeting.

Deputy D.J. De Sousa:

What information did you gather to make that judgment on that figure?

The Minister for Treasury and Resources:

I had a discussion with the team, with the other Minister concerned.

Deputy D.J. De Sousa:

The other Minister?

The Minister for Treasury and Resources:

Senator Le Marquand was part of that meeting.

Deputy D.J. De Sousa:

So he agreed with you that £8.25 million was the better figure?

The Minister for Treasury and Resources:

He knew that that was the figure that was being worked on, that that was the basis. He knew about the ministerial decision about all that issue. He knew about it. Now, obviously, with hindsight, you can say: "Well, I said that and I said that then." I said that, that and that at lots of different times which justifies my position and the vendor accepted it.

Deputy D.J. De Sousa:

Okay, what I am concerned about is this whole thing started with you saying that you were not happy with an offer that had been made ...

The Minister for Treasury and Resources:

No.

Deputy D.J. De Sousa:

... because something was not worth that but ... hang on, hang on, let me finish. That decision had been made through 3 independent valuations, okay, by people that were members of the Institute who could do valuations. You arrived at a lower figure and you are telling me you just chose that figure?

The Minister for Treasury and Resources:

Deputy, I have said again and I do not like repeating myself but I will again. The fact that a valuation of a building ... I will try and explain. You and I both have £100,000 or let us say £500,000 and we are looking at a house and we think: "What is it worth?" Somebody comes along and says: "Look, I have got a tenant on this house for 25 years and they are going to pay me £15,000 rent." The value of the building that you are going to buy is based upon the rent that you have got with the tenant and that is completely different ...

Deputy D.J. De Sousa:

I understand that. A valuation is a crystallisation of the fact that you have got a buyer and a seller that agreed to ...

The Minister for Treasury and Resources:

No, no, the valuation was the basis of the valuation with a sitting tenant. That is my whole argument is that I was being asked to pay a price for a building with the benefit of a lease which we were underwriting so we are paying for our own covenant. We are paying for the fact that we are a blue chip ... the States of Jersey does not have a credit rating but I am pretty confident we would be AAA, no questions there, so we have got a AAA credit rating.

Deputy D.J. De Sousa:

That is the point. You have used AAA credit rating but you do not have one.

The Minister for Treasury and Resources:

Deputy, I do not want to spend £100,000 of taxpayer's money with Moody's telling us that we have a AAA rating. I think we can be pretty confident that the States of Jersey has a AAA credit rating. If a building has got a AAA rated tenant for a 15 or 21-year lease, which in other words says the rent is going to be paid, there is no doubt about it, they are not going to default, then you have a value for the asset that you are buying. That is different from an empty building. I have thought about this a lot in the last 3 or 4 weeks since this has happened. I would be, I think, criticised if I did buy it for £8.75 million and authorised it because somebody would come along and say: "Hold on a minute, there was a valuation of £8.45 million." Valuations are valuations. They have got discount rates and all sorts of other things. I was doing the right thing for the States of Jersey and I said to the team all the way through, one of the ...

Deputy D.J. De Sousa:

Those 3 valuations were not all exactly the same amount.

The Minister for Treasury and Resources:

They will not be.

Deputy D.J. De Sousa:

Some went as £9.9 million, but they were of an area that gave an idea.

The Minister for Treasury and Resources:

Of what the building was worth with a sitting tenant. We should not be paying for our own covenant. We should not be paying somebody else for the fact that we are going to rent the building for 21 years. If I was looking for an investment with a AAA rated tenant with a rent receivable I would pay that sort of amount of money but that is not what we were buying. We were buying an empty building.

Deputy D.J. De Sousa:

I still do not understand how you got to the figure of £8.25 million.

The Minister for Treasury and Resources:

I was not wrong, was I, with the fact that the vendors at the time, before the other party came in, agreed with it? They signed heads of term.

Deputy D.J. De Sousa:

They were not happy though.

The Minister for Treasury and Resources:

Of course they are going to maximise their price.

Senator S.C. Ferguson:

Just as a final question, you keep going on, Minister, about intense political lobbying. How do you define that?

The Minister for Treasury and Resources:

We know about the lobbying from the Minister for Home Affairs. I understand that. He wanted to find a home for his police station, his police have been looking for a site for more years than any of us are happy to remember. I was brought under great pressure by my then Assistant Minister to sign off a business case, which I was not satisfied with. I think that I was ... I have not even got a blink of doubt that I was right to be concerned about the business case, quite apart from the case that the 2 accounting officers at the time that were advising me said: "I am not recommending." Ministers do not just say: "I am going to do this." Ministers act upon a ministerial decision with advice, and I did not have that advice. The accounting officer for Property Holdings is Mr. Richardson and I also had then later the Interim Treasurer of the States perform a review of this and there was also concern there. So I did not have ...

The Deputy of St. Peter:

Bring back the focus, Minister. The term "lobbying" I have to say "expressing concern". Concerns were being expressed by the ...

The Minister for Treasury and Resources:

No, I was being pressured to sign by the Assistant Minister.

The Deputy of St. Peter:

And the Minister for Home Affairs?

The Minister for Treasury and Resources:

Yes.

Deputy D.J. De Sousa:

Who else?

The Minister for Treasury and Resources:

Senator Ferguson attended on my office and was more forthright. I mean Senator Ferguson is known to be a forthright lady, and I was forthrightly lobbied to say that I should be signing this.

Deputy D.J. De Sousa:

Anyone else?

The Minister for Treasury and Resources:

There were email exchanges with ... I would have to go back and look, but there was email exchanges. The Chief Minister was aware of this issue. He was not lobbying me inappropriately but he was being ... the vendors were clearly in discussion with various different parties and were lobbying to bring this matter to a conclusion. Frankly, as I have said earlier, I think the States poorly performed with the vendors earlier.

Senator S.C. Ferguson:

I am just curious, you said you were subject to intense lobbying. We have had the Minister for Home Affairs, we have had your Assistant Minister, we have had myself from the Scrutiny Panel looking at your department.

The Minister for Treasury and Resources:

Well it is odd, is it not?

Senator S.C. Ferguson:

Who else?

The Minister for Treasury and Resources:

I cannot recall anybody else. I would have to think back to think who was at me about this.

Senator S.C. Ferguson:

But my original question is what do you define as political lobbying?

The Minister for Treasury and Resources:

Being brought under pressure to sign something, which is odd. That is a purchase of a property. I have never been lobbied like that from people who are trying to say to me: "You should be signing this."

Senator S.C. Ferguson:

What is "lobbying"?

The Minister for Treasury and Resources:

You lobbied me in my office.

Senator S.C. Ferguson:

Yes, but did I stand to gain anything by it?

The Minister for Treasury and Resources:

No.

Senator S.C. Ferguson:

Right.

The Minister for Treasury and Resources:

But who were you talking to? Why were you talking to me?

The Deputy of St. Peter:

We could go into semantics, can I just push forward? My last question ...

The Minister for Treasury and Resources:

Can I just be clear about one thing, is that I am not ... the vendors were in discussion with States Members. That is fine. But, as far as me as Minister for Treasury is concerned, that is not ...

The Deputy of St. Peter:

Going back ...

Senator S.C. Ferguson:

Just a minute, Collin. The vendors were in discussion with States Members. Are you now saying that I was acting on behalf of the vendors?

The Minister for Treasury and Resources:

I do not know who you were acting on behalf of but you certainly had full knowledge of a transaction and you were saying to me that I should do things, and there is lots of information. I maintain the point that nobody seemed to me ... other States Members on the other side were saying: "Be careful, you have got a 10 year-old building here, you should not be paying top dollar for it." I wanted to say earlier is that I have ... I will stand by all the decisions I have made. I wanted a plan B and I will make sure that a plan B is delivered, which produces value to taxpayers where we are not competing with financial services, where we are building on our own land.

The Deputy of St. Peter:

Having to ask about plan B, can I just ask my final question ...

The Minister for Treasury and Resources:

Well, it is quite important.

The Deputy of St. Peter:

Certainly for the Minister for Home Affairs. My final point is from the big picture perspective, we were made aware that the purchase of Lime Grove, over and above what we have been discussing for these few days, was the key to unlock a whole set of other transactions which were "to be the benefit of the States" and we were talking about significant sums of money. Do you accept that had that purchase gone through that that was a key?

The Minister for Treasury and Resources:

Yes, but ... and ...

The Deputy of St. Peter:

Sounds like a computer program. [Laughter]

The Minister for Treasury and Resources:

If you find there has been good work in terms of if ... I would have regarded that business case almost as a feasibility study. A good feasibility study because it got some important opportunities for huge rationalisation of States property.

The Deputy of St. Peter:

We do not want to open up the whole ... the question that I ask is a simple one, I hope. In the big picture was the purchase of Lime Grove seen as a key to open up other transactions, which were to be of benefit to the States of Jersey? It is a very simple question.

The Minister for Treasury and Resources:

No.

The Deputy of St. Peter:

It was not a key?

The Minister for Treasury and Resources:

Because there is an alternative, because Lime Grove is not the only catalyst that can unlock that. Emphatically no.

[16:30]

Because if you find an alternative to Lime Grove you still realise all of these very valuable, and which obviously we are working on, rationalisation. I go a little bit further, if I may, before asking you to comment, John, is the fact is we took that business case that looks like a feasibility study to me and the Acting Chief ...

The Deputy of St. Peter:

Can I just ...

The Minister for Treasury and Resources:

No, can I finish?

The Deputy of St. Peter:

It is important for me that I know which business case we are talking about.

The Minister for Treasury and Resources:

October 2010.

The Deputy of St. Peter:

This is not the one of the overall offer strategy that was reviewed?

The Minister for Treasury and Resources:

No, the October 2010.

The Deputy of St. Peter:

Which is the reason why I clarified that. Fine, okay.

The Minister for Treasury and Resources:

The October 2010 was the overall strategy.

The Deputy of St. Peter:

That was important for me to know that.

The Minister for Treasury and Resources:

Okay. The fact is I said: "Not good enough." The Acting Chief Executive with the diligent work of the Assistant Chief Executive improved that. That plan was based upon the ... we call it "the cop shop", the Rouge Bouillon cell custody where they bring people in and deal with them. Under that plan that was going to be built on Sacre Coeur. As a result of the work that has been done, that was under the Lime Grove option going to be done at Rouge Bouillon. As a result of Mr. Richardson and Mr. Heald's work we also have relinquished the whole of Sacre Coeur. So we have improved by further work,

we have further improved on that feasibility study. I am confident that more work can be done in order to improve that plan yet further. I will stop for Mr. Richardson and I shall let him speak.

Acting Chief Executive:

All I was going to say, exactly what the Minister said, was that what we ended up with was better than this because this did not include the redevelopment of the Summerland site.

The Deputy of St. Peter:

Can I just clarify? "What we have ended up with is better than this." At the moment we have not ended up with anything, as I see.

Acting Chief Executive:

We will. I will come to that. What we ended up with, with the Lime Grove Police Station refurb was better significantly than what was in here because what we ended up with was a full release of the full Summerland site for housing. This project did not release the Summerland site for housing. In time it would have released it subject to the funding route, which I have been through a very, very uncomfortable funding route, which I will say something else on in a minute, being workable. This would have released in time the ambulance station site only. The plan that I ended up putting forward to the Minister was effectively releasing far more as the whole of the Summerland site. All the way through that was the significant improvement we came out with.

The Deputy of St. Peter:

In effect this is your plan?

Acting Chief Executive:

The one that we put forward, which was Lime Grove and Rouge Bouillon refurb was my plan, and the reason it was my plan was because I was so unhappy with this cash flow graph, that I showed you last time because of the cut-off point, I insisted that we had a fallback option, and the fallback option was eventually what we went for. Can I just clarify one thing because I think something was said, which was inappropriately said, I am hearing, I have not seen an account of it, but it was referred to me in the information I received from someone. I understand I phoned someone in Canada. That is incorrect. Absolutely incorrect. It is in a transcript. I do not have the words here, but that is what I have been told is in it, I will check it. But I just want to put on record that is incorrect.

Senator S.C. Ferguson:

Yes, I thought it was somebody from Canada on holiday in Jersey.

The Deputy of St. Peter:

It does not matter.

Senator S.C. Ferguson:

But it does not matter. We will note that.

Deputy D.J. De Sousa:

Can I just ask one final question?

The Minister for Treasury and Resources:

Can I just conclude on the question the Deputy of St. Peter just asked? There are standalone issues within this plan, they can go ahead. They will go ahead. We saved millions of pounds from that feasibility study as a result of the work that was done. It did not cost millions, we have saved millions. We need to find a replacement for Lime Grove, we will do so, and we will do so. We are working on it. I do not want to over promise but we are going to deliver. If we cannot find a replacement for Lime Grove then I will be extremely surprised. We will make further improvements and we will save further millions of pounds in relation to the original feasibility study, and I am happy to be judged on that.

Senator S.C. Ferguson:

You can do it within the £21.5 million budget?

The Minister for Treasury and Resources:

I very much hope so, Chairman, and release valuable land.

Deputy D.J. De Sousa:

I am very glad you said that. How much of a delay?

The Minister for Treasury and Resources:

That is a good question, Deputy. There will be a delay and that will ... I am not going to make statements today about that. I am going to deal with the alternative and the timely delivery of that next week when I am more satisfied that I have something that I can talk about. But we are making significant progress. I am pleased with the progress. I have asked my Assistant Minister if he would set up a political steering group in relation to this matter. I am going to confirm that with him later. He is going to chair a political steering group if he agrees with the Minister for Home Affairs to ensure that there is good communication. I will come in when necessary because I think I need to be informed about it, and I am confident we are going to find a solution to this, and taxpayers can be assured that we will save millions not spend them and that we will release valued land for social housing and for housing projects. Remember, this plan also had a fire sale of South Hill, which I was not very happy about, and will secure a good future for South Hill and a good price for the States of Jersey.

Senator S.C. Ferguson:

Right, okay. I think that is it. Anymore, folks? Thank you very much, indeed, Minister.

The Minister for Treasury and Resources:

I think I just have ... I had 4 very easy points. Was the Treasury Department procrastinating? I do not think we were. I think we have demonstrated the fact that we were rightly concerned about issues. Did we know about the

£8.75 million offer? No, we did not. Have taxpayers lost £5 million or £8 million? Have we avoided a capital overspend? I think we have and we have saved money, not spent it. Was Property Holdings doing a good job? No, I am afraid, in this case, and in this issue, they have not; but I do want to pay tribute to the other people in Property Holding Holdings which do a very good job, day in, day out and they have done a very good job in relation to maintenance and other issues. Not everything is wrong but there was one problem and I needed to fix it.

Senator S.C. Ferguson:

Thank you, Minister.

[16:37]