

# STATES OF JERSEY

## Public Accounts Committee

MONDAY, 11th DECEMBER 2006

### STATES PROPERTY PLAN

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##### **Deputy S.C. Ferguson of St. Brelade (Chairman):**

Good afternoon, gentlemen. Welcome to this public hearing. We shall be having a transcript made of the actual hearing. Before it is published, we shall allow you to see copies to make sure that it has been transcribed correctly. They do, helpfully, take all the ums and ahs out, which is very pleasing. Now, do you know the members of the Committee? Perhaps if I just run round: Advocate Ohlsson; Deputy Reed; the Comptroller and Auditor General; Mike Haden, our Scrutiny Clerk; Senator Perchard; and Mr. Grimes. Perhaps for the purposes of the recording, could you just say who you are and what your responsibilities are, please?

##### **Mr. W.D. Ogley (Chief Executive, Chief Minister's Department):**

Yes, I am Bill Ogley, Chief Executive to the Council of Ministers, and other bits as well.

##### **Mr. E.H. Le Ruez (Director of Property Holdings):**

Eric Le Ruez, Director of Property Holdings.

**Deputy S.C. Ferguson:**

Thank you very much. Well, we are here as a result of the request from the P.A.C. (Public Accounts Committee) for the Comptroller and Auditor General to look at the Property Plan, the manner in which the programme was prepared, and any matters which appeared relevant. Now, discussion of the best way to manage States property has been ongoing, I think, since 1991. The Audit Committee, for instance, was concerned with the issue of maintenance in 1999. I think the Comptroller and Auditor General made it quite clear that to get a Business Plan together and get the whole property programme moving was extremely difficult in the short time allowed. I think credit is due to Mr. Le Ruez for actually doing this. Because of these factors, the C. and A.G. (Comptroller and Auditor General) felt that the Business Plan was prepared in a sensible and appropriate manner. However, the report highlighted issues which the P.A.C. would like to address. What I think we would like to kick-off with is the Property Plan actually in line with and coherent with the Strategic Plan for property?

**Mr. E.H. Le Ruez:**

Yes, I would say so. I think what we have to bear in mind and I think what the Comptroller and Auditor General picked up is that there is an awful lot of work still to do. If we look at the proposals for disposals, we have concentrated on, shall we say, relatively easy targets: property that can be identified today as being surplus to States requirements and which would be best sold rather than kept and perhaps being a liability to the States in future years. Where we need to concentrate in the future is on making the best use of some of the larger States assets which are under-used at present. So, there is work to do on the office portfolio; there is work to do on sites such as Overdale and St. Saviour's Hospital and, perhaps more easily identifiable, South Hill, for example.

**Deputy S.C. Ferguson:**

Yes, there is, in fact, a piece of paper which says "Strategic Plan" on it, is there, somewhere?

**Mr. E.H. Le Ruez:**

In terms of property?

**Deputy S.C. Ferguson:**

Yes.

**Mr. E.H. Le Ruez:**

Yes. The appendix to the Strategic Plan, which was approved by the States in July, sets out very broadly what we propose to do. I suppose what I am saying is I am taking that for granted. What we have to do is a lot more work in putting some detail into that report along the lines which I have just suggested.

**Deputy S.C. Ferguson:**

Yes, because if I remember rightly in the appendix to the C. and A.G.'s report it noted that the properties for sale had actually been identified by Property Services themselves and not by the department.

**Mr. E.H. Le Ruez:**

Not quite correct. The majority of properties were identified by Property Holdings, but that is to be expected because if you go back to the period before Property Holdings, then Property Services was the department of the States to which property was transferred when it was surplus to other departments' requirements. So, it was fairly likely, shall we say, that the majority of the properties would be identified by Property Holdings.

**Deputy S.C. Ferguson:**

What about things like the creation of a property board, which was something that loomed very large?

**Mr. E.H. Le Ruez:**

The property board, as I understand it, would be set up by the departments to look at the services being provided by Property Holdings, and that has not been set up yet.

**Deputy S.C. Ferguson:**

How do you envisage taking that forward and getting that going?

**Mr. E.H. Le Ruez:**

I think the property board will be set up next year. We have only just accepted transfer of the maintenance responsibilities for Education, for example, and we still have Health and Social Services to deal with: previously the biggest property administrators in the States. So once those are on board, then the property board, I am sure, will be formed.

**Deputy S.C. Ferguson:**

Will you be taking Housing on board as well?

**Mr. E.H. Le Ruez:**

No, the social housing is excluded from Property Holdings' responsibilities, as is the airport and harbours.

**Advocate A. Ohlsson:**

I think the proposition which set up Property Holdings made that clear, that the transfer and administration of all property assets other than trading committees and social housing, would be

transferred to Property Holdings. How far are you through that process? You mentioned Education, Health and Social Services are in train. How far through are you with other departments?

**Mr. E.H. Le Ruez:**

Transport and Technical Services have transferred their property. Education has agreed the transfer and we just have to tidy-up on ministerial decisions, but that is agreed. The Housing Department has transferred the non-social rented housing property that it administered. We have also taken Planning and Environment property; that was formerly part of Environment and Public Services. The big one that is left is Health and Social Services, and this is maintenance responsibility rather than... the actual buildings themselves effectively are under the administration of Property Holdings, but for Health and Social Services we do not have the budget nor responsibility for maintaining those buildings yet.

**Mr. W.D. Ogley:**

That is an "as yet", so effectively all of the property has now been transferred to the administration of Property Holdings with the exception of the prison, really, as it stands and then the Health maintenance and workers will follow.

**Advocate A. Ohlsson:**

So Home Affairs, for instance, has that been transferred where obviously there is a new investment proposed in property?

**Mr. E.H. Le Ruez:**

I should say... yes; that excluded Home Affairs, the Police headquarters, Fire Service headquarters and the prison. Responsibility for maintaining those has not yet been transferred.

**Advocate A. Ohlsson:**

What is the programme for that to be transferred?

**Mr. E.H. Le Ruez:**

Police headquarters and Fire Service headquarters should be in the first half of 2007.

**Senator J.L. Perchard:**

Just for clarification, Bill, I think you just said all the property other than the prison...

**Mr. W.D. Ogley:**

Well, Home Affairs property.

**Senator J.L. Perchard:**

Oh, right, okay.

**Mr. W.D. Ogley:**

I was picking the prison out as the major Home Affairs property.

**Deputy J.G. Reed of St. Ouen:**

Could I ask, you speak about the transfers of property; obviously it was rather more than that was envisaged. It was not just transfer of property but transfer of budgets and manpower to Property Holdings. If you successfully transferred the property, could you elaborate on what staff and budgets have been currently transferred to Property Holdings from other departments?

**Mr. E.H. Le Ruez:**

The initial transfers took place at the beginning of this year with the formation of Property Holdings and the transfer-in of the old Property Services Department as well as the design and maintenance staff who were formerly part of Environment and Public Services. So that formed the core basis of Property Holdings. The next transfer that took place was for the Civil Service maintenance staff that worked for Transport and Technical Services, and that took place on 1st August this year - a transfer of 3 civil servants and a budget to maintain the mainly office accommodation that Transport and Technical Services were responsible for. So that has gone through. I suppose the big one, really, is Education. That transfer is - shall we say - in the process of going through at the moment. There will be a budget of about £4.5 million that will transfer to Property Holdings; Civil Service maintenance staff of, let us see, 12 who will come across on the maintenance side, and 2 staff who were engaged in supervising capital projects.

**The Deputy of St. Ouen:**

So the totals are?

**Mr. E.H. Le Ruez:**

All of those in total approaching 60 staff.

**The Deputy of St. Ouen:**

Sixty staff have been transferred this year?

**Mr. E.H. Le Ruez:**

Yes, the Education ones are coming through at the end of the year.

**The Deputy of St. Ouen:**

How much money?

**Mr. E.H. Le Ruez:**

The cash limit when we take all of that into account will be about £5 million, which broadly speaking accounts for nearly £12 million expenditure and the £7 million income, if you take those together.

**The Deputy of St. Ouen:**

Presumably that will be shown in the relevant departmental budgets as a reduction and how will it be shown?

**Mr. E.H. Le Ruez:**

Well, I can tell you that if you look in the 2000 budget you will not find those figures, the reason being that the budgets are shown remaining within their departments through into 2007, apart from the initial transfer which I mentioned that took place on 1st January 2006. The reason...

**The Deputy of St. Ouen:**

But that was certainly not the aim of the proposition that was accepted by the States - which is P.93 - which was when the formation of Property Holdings was specifically to transfer all the assets, staff, budget directly to Property Holdings.

**Mr. W.D. Ogley:**

That will happen.

**Mr. E.H. Le Ruez:**

Yes. In practice as of 1st January 2007 the budgets I described will be in place, but in terms of what you read in the documents that were produced and that had to be finalised some weeks ago, the transfers had not taken place. So Education, for example, will show a budget which contains the Property Holdings transfer.

**The Deputy of St. Ouen:**

Could I ask one last question? How many staff in total have been identified by your department and departments to be transferred in total?

**Mr. E.H. Le Ruez:**

Up to date we have effectively agreed transfer just approaching 60 staff. The next group really is Health and Social Services. We are looking to transfer potentially 23 staff from Health and Social Services in the first half of next year. Of those, 19 are manual workers. Once that is successfully accomplished, we will then look at a second stage transfer from Health and Social Services, which could potentially be another 25 staff.

**The Deputy of St. Ouen:**

Just one follow-up on that. The Audit Commission back in I think it was 2001, I read somewhere they identified 135 staff that could be transferred. Could you maybe explain to us what support you are getting from departments to identify the staff and also being able to obtain or retrieve the budgets associated with maintenance and property?

**Mr. E.H. Le Ruez:**

We have had full co-operation from the departments to date and the transfers have taken time because it is quite complex, extracting the budgets relating purely to property and not to the services. But I can say that with Transport and Technical Services that has been successfully achieved; with Education we are just about there now; and with the Home Affairs budget we still have some negotiation to do but that is not a very large budget. The big one is certainly Health and Social Services and that is taking some time, I agree.

**Advocate A. Ohlsson:**

So you have transferred budget across obviously in respect of maintenance costs, staff costs and so on. Have you also transferred across third party rental costs?

**Mr. E.H. Le Ruez:**

Yes, we have. You are talking about income ...?

**Advocate A. Ohlsson:**

No, where a States department is renting property from the private sector, for instance?

**Mr. E.H. Le Ruez:**

Oh, sorry, yes. Yes, income and expenditure related to third parties is transferred across.

**Advocate A. Ohlsson:**

So that has gone across. Just in terms of clarifying the budgetary position, you have taken the current level of expenditure that has been transferred into the department across into the Property Services budget and effectively a matching amount still remains within the department's budget - a matching expense?

**Mr. W.D. Ogley:**

Well, what Eric is explaining at the moment, I think just to... the money is being taken across into Property Holdings. In terms of what is in the printed budget book, it is remaining in the service budget. It is a matter of timing in the printed budget book. But Eric has the budgetary responsibility and control

and in the 2008 budget book then the money will appear in Property Services and out of the service department's budget. It is a matter of timing.

**Mr. E.H. Le Ruez:**

There is no new money.

**Advocate A. Ohlsson:**

But the charge that you make to the department, how is that calculated?

**Mr. E.H. Le Ruez:**

At the moment I have to say the charging of departments for occupational property is only in place on a sort of historical basis. We have made...

**Advocate A. Ohlsson:**

So it matches the expense?

**Mr. E.H. Le Ruez:**

Yes.

**Advocate A. Ohlsson:**

That is what I was trying to get to. It does not match the true cost?

**Mr. E.H. Le Ruez:**

That is correct.

**Advocate A. Ohlsson:**

So if they have rented the property from a third party, it may show the true cost, but if the department owned the property it does not show any cost?

**Mr. E.H. Le Ruez:**

Yes, that is it. I think perhaps I could add to that. What we intend to do, as you probably know, in 2008 is introduce a fairer system of charging departments for the property they occupy, but that will not come into play until 2008.

**Advocate A. Ohlsson:**

It is at that point that you will see the relative disparity between the departmental cost of property utilisation?

**Mr. E.H. Le Ruez:**

Yes.

**Mr. W.D. Ogley:**

That is right. It is just a matter of timing and just what you do first and what you have the time to do. Property charging: a fair and equitable property charging system is a big piece of work.

**Mr. E.H. Le Ruez:**

Sorry, can I just add to that?

**Mr. W.D. Ogley:**

The C. and A.G. was looking baffled at some of the comments. **[Laughter]** Do you think we are getting... what we have said is wrong?

**Mr. C. Swinson:**

No. I would be interested in knowing what a fair and equitable charging system is.

**Mr. W.D. Ogley:**

And so would we, which is why it is going to take some time to calculate because...

**Mr. C. Swinson:**

Because presumably the point is that it should charge a current market rental for the property irrespective of the historical cost. Indeed, the historical rental would be...

**Mr. W.D. Ogley:**

That is what it should do. Now what we have to balance off is how much it would cost us to get to that point in terms of the whole valuation structure to achieve that and whether we would get sufficient return in terms of effective utilisation to justify that. So there does need to be... that is not to say we will not do it; it is to say it is a significant piece of work and we need to - as every organisation has gone through this transition - find the most cost-effective way of doing it that will change behaviours because that is what we are about.

**Mr. C. Swinson:**

But a valuation of the property is going forward at the moment anyway?

**Mr. W.D. Ogley:**

Yes, that is right.

**Mr. C. Swinson:**

So there cannot be a cost implication of valuation because that exercise is being done anyway.

**Mr. W.D. Ogley:**

I would hope not.

**Deputy S.C. Ferguson:**

These will be commercially realistic valuations? Because perhaps... or should I phrase it another way? How are you going to make sure that management of the estate is commercially realistic? When you talk about commercially realistic rents and so on, how are you going to set about that?

**Mr. E.H. Le Ruez:**

Well, I think the line behind that is really putting pressure on departments to recognise the value of the property they occupy. If you have departments using property but not actually paying for it in the sense that whether they have got 20,000 square feet or 10,000 square feet it makes no difference whatsoever to their budget, then they will happily sit with 20,000 square feet because it makes no difference to them. If we can introduce a system whereby it is advantageous for departments to use their property effectively, then we will have succeeded. In terms of charging a fair rent or proper rent or whatever, inevitably the departments are going to say that they will need to have the budget to be able to pay the rent. So, to set all this in place will take a bit of time. It is quite complex. But once in place then there should be that pressure to ensure all departments use their property effectively. That is really what it is down to.

**Deputy S.C. Ferguson:**

Yes, because both one of the propositions and the report said that there is at least a £ million a year we could save out of this, possibly more.

**Mr. E.H. Le Ruez:**

Theoretically, yes, one could save that. It depends whether you are spending a £ million a year. What I am saying is that if you take the valuation of the properties, that is fine, but if the departments are not actually paying some of those rents then it is theoretical. Part of it could be a theoretical exercise.

**Mr. W.D. Ogley:**

Which therefore means it is dependent on the release of capital value and how we then value that capital worth through a revenue saving.

**Advocate A. Ohlsson:**

I think that is a concern, that you could easily come up with a rental charging system whereby you

charge a market rental value for a property in St. Helier, which may be £25 or £26, but the true asset value of the asset that is being occupied would demonstrate a much higher rental to actually truly release the... to show the true market position. I know in P.93 you talked about an asset value-based rental as opposed to a market value-based rental, which seems to me to reflect the distinction.

**Mr. W.D. Ogley:**

Yes, and that is why I am saying we do not know exactly how we will do it yet. There is a lot of work to go into it and I think that is what most organisations find, is it would be very easy to introduce a method of charging. You have to have a method of charging which is realistic in terms of the release, and release reflecting true value. So what you are not doing is entering into a system where you are giving people money, let us say, to release property and the money they have got is worth more than the property. It is a very easy system to set that in, and then all you end up with is everybody saying: "Thank you very much, I will have my £100,000" and you walk away and you have got something worth half of it. That would be the silly way to do it but possibly the easy way, which is why I think we have got a lot of work to do. I mean, I think it is important because in the long term it is what will change and make management of this much better and change behaviour. However, I do think in the short term there are some quick and important wins for the whole property department to deal with in terms of releasing value - you have seen one year's Plan - starting to plan the relocation of office and other property so it makes sense, because I think it has to be centrally planned; it cannot just totally rely on an asset rental system; and all of this has to work hand in hand, which is why there is a lot of work going on at the moment.

**Deputy S.C. Ferguson:**

The actual title is moving to Property Services? Yes, it will be held by the States, but the actual effective title?

**Mr. W.D. Ogley:**

The administration and responsibility is to Property Services.

**Deputy S.C. Ferguson:**

To get over the problem where a department will keep a property in its back pocket?

**Mr. W.D. Ogley:**

Exactly. That is right.

**Deputy S.C. Ferguson:**

And may use capital to meet a revenue commitment?

**Mr. W.D. Ogley:**

Yes. I mean, to be honest, Eric and I were just reminding ourselves this morning when we were thinking about coming to talk to you about what a change has already taken place. Because if you think back to the point at which ...I know there has been lots of work through the old Audit Commission, but the point at which we took the proposition to the States; until that point there had been virtually no property disposals. Everything was held in the back pocket to be used one day for whatever purpose, and there had been tremendous opposition to any form of centralised management and administration and transfer. Now, 18 months on, it is a different world and what we are now actually talking about is accelerating the value of the property and I think departments are seeing the benefit that can come through. Yes, there are a few still to be managed in terms of that final transfer of budget, but what a difference, you know. I mean, when was the proposition taken to the States? May 2005, and we are now December 2006 and we have not got all that... **[Aside]**

We may be there. But, you know, we have moved a long way and that is why I think the report that the Comptroller and Auditor General has done is so helpful because it is now reminding us about how far we can actually take this. We set cautious, conservative targets because at the time of opposition to even creating a department; opposition to transfer; opposition to disposal, we did not want to make promises - any of us - that we did not believe we could deliver on. I think we are now in the business - and the C. and A.G. has rightfully reminded us - of saying: "Well, those were the promises at the outset. Now you can do better. Let us get on with it."

**The Deputy of St. Ouen:**

You raised the issue of the Comptroller and Auditor General's report, but obviously from that report it is quite evident that the 2007 Plan that has been submitted certainly does not even attempt to meet many of the objectives within the proposition I call P.93. I would like to know what positive steps are you taking to achieve all... **[Interruption] [Laughter]**. What steps are you taking to achieve all of the aims and will the appropriate... well, the extent of the weaknesses you have identified. You have mentioned that on the one hand the departments are fully co-operating, but then you are saying: "Well, actually, they are not very aware of the cost involved of having the property." Although they have had money and been provided with funds to maintain property and purchase property and so on and have staff maintaining it, I am struggling to understand the 2 things that you are telling us. Either departments are working with you to achieve all of these aims - which includes being ready to pay and transferring of budgets, transferring of manpower, accepting that there is a cost to occupying premises - or they are not.

**Mr. W.D. Ogley:**

They are.

**Mr. E.H. Le Ruez:**

Yes, I think they are. What we have said is that we are not yet ready to bring in an across-the-States

charging system for property which is fair and consistent. We are not saying that departments are not co-operating; it is simply that we have not brought that in yet. I would say that in terms of the proposition, quite a number of the objectives set out in that proposition are clearly in train or already accomplished.

**Mr. T. Grimes:**

I think my question reverts back to the Strategic Plan. There is a wide range of fairly complex issues here that you have already alluded to and more to come. But I see that we have a Business Plan for 2007 and some of the things we have touched on I am not sure that we have a strategic framework or we are not aware of a strategic framework of how all this is going to hang together. You did mention very early on, Eric, that... I think the question was: "Is the Business Plan cohesive with or coherent with the Strategic Plan?" It is going back to the question: "Is there a Strategic Plan?" Does it exist? Can we see it? Or is it merely some visions at the moment coming out of this preliminary work?

**Mr. E.H. Le Ruez:**

I would say we have pretty much set out the ground in Appendix A to the Strategic Plan and the Business Plan really is extracted from that. But we do have to develop that and a lot of the last 12 months or so has been spent in getting together a new structure called Property Holdings, setting ourselves up with a design and maintenance division, finance and strategy division and a property management division. With that now in place and directors in place, we are moving forward. We do need to make appointments in terms of an asset manager, and that is a critical post, really, for further development of the Property Plan. In preparing that first Property Plan, we did carry out a - I have to say - quite a hurried exercise in trying to establish departmental needs for the next few years, where possible matching those either to existing property or to capital bids where new property or new land was required. We really did that, I have to say, in a very short period of time and that exercise will restart very shortly with a view to developing a much more detailed proposal to bring to the States probably in 8 to 9 months' time, I would think.

**Mr. W.D. Ogley:**

I think I am understanding the question. If by a strategic plan you mean do we effectively have something which sets out all the property we currently own, what the intended uses are, how we intend that to change over time, to shrink, to reduce, to invest, in that sense as a strategic property plan; the answer is no.

**Mr. T. Grimes:**

To be fair, I would not...

**Mr. W.D. Ogley:**

That is what we do not have. What we have is what Eric says, which was the appendix to the Strategic Plan which said: “This is how we are going to get to the position of having that”, which is to identify disposals, to work with departments to identify their future property needs, to carry out a major exercise to look at the use of office premises and to come down to a tighter use of space. Indeed, we have already got many premises we have already brought down to that and work is in progress, and the aim of that is to move to that full property strategy. You know, what has been going on is to create a department, bring people together, find the money which is currently spent - which was no mean task - get it transferred across with the people, get title or administration all together because the old Property Services did not hold all of that so there has been a considerable amount of shift about, to actually surface a number of properties that we can now plan for disposal for very sound, sensible reasons - not just revenue reduction - and just start all this other work. There has been a lot of work going on and what we have had in this is to say: “That is what we are going to do.” Yes, as Eric says, we will have to... that has got to be worked up now into a...

**Mr. T. Grimes:**

I just think it was fundamental from our perspective to have the comfort that there is the wider plan; the wider vision.

**Mr. W.D. Ogley:**

That is the intent.

**Mr. T. Grimes:**

It is about excess property, it is about effective utilisation of space to industry standards, and it is also about opportunistic values; should we be on the Waterfront, should we be on Gas Place? It is giving us the comfort that it is a broader issue than the nuts and bolts you have been dealing with. Just one follow-on point from that is the governance structure of Property Holdings and really the authority and weight behind Property Holdings and, in fact, the ownership of this initiative. Because really you are cutting-across departments where there is potentially lots of resistance in the making. Where is the ownership for taking this through at the moment? So, if you could just explain how you see that and then any pitfalls you see along the way.

**Mr. W.D. Ogley:**

The governance structure is very straightforward. It is the Treasury and Resources Minister who is the Executive Minister with responsibility for property in its widest sense and for the property strategy. The Assistant Minister holds the direct day-to-day political responsibility for that. The Director of Property Holdings answers to the Treasurer as part of the Treasury Department and we have that very straight line. The intent to create a property board is actually more of a customer service board than a governance board. It is for the people who are the occupants of the property to have a group to gauge

their satisfaction with the way the property is maintained for their use. It is the corporate management board that will support the Treasury and the Director of Property in the wider property strategy, and it is the Council of Ministers that holds the Treasury Minister to account through the Annual Business Plan process for success.

**Mr. T. Grimes:**

Who determines the performance measures for the Treasury and the Treasury Minister? Is the performance measure set for these people in terms of the requirement to achieve certain occupancy utilisation values?

**Mr. W.D. Ogley:**

They are set through the Plan. That is what this Plan is about.

**Mr. E.H. Le Ruez:**

They are set in the Plan, yes.

**Mr. T. Grimes:**

So these are measurables that people can look back...

**Mr. W.D. Ogley:**

That is what we have to move to.

**Mr. C. Swinson:**

I am terribly sorry, could I just ask a question that is relevant to the place of the property board? P.93 said that the property board would initially be responsible for ensuring all necessary structures were in place to promote good corporate governance. How does that sit with your description of the property board as a customer representing...

**Mr. W.D. Ogley:**

Because the property board answers to the corporate management board that holds that responsibility.

**Mr. C. Swinson:**

Which responsibility?

**Mr. W.D. Ogley:**

For the overall governance; appropriate governance structures. That is the role of the property board.

**Mr. C. Swinson:**

Right. It goes on to say the property board will work with P.H. (Property Holdings) to produce the initial States Property Plan.

**Mr. W.D. Ogley:**

Yes, essentially as customers and occupants of property because you have to know what the users... well, what your departments will want to do with their property, what their property needs are. That is why one of the things Eric has been doing is to get the services to do that.

**Mr. E.H. Le Ruez:**

Yes, I suppose while the property board has not itself been set up, we made contact with heads of departments in putting together the initial Property Plan as outlined, I think, in your report.

**Advocate A. Ohlsson:**

So as you take the property function out of these departments, how are you making sure - and you are almost creating a landlord/tenant relationship - that they are not recreating a tenant function within each department?

**Mr. W.D. Ogley:**

The simplest way is they do not have a budget to do so.

**Mr. E.H. Le Ruez:**

Yes.

**Advocate A. Ohlsson:**

Right, so it will be the senior management in the departments that will liaise directly with you?

**Mr. E.H. Le Ruez:**

They should not be able to do that.

**Advocate A. Ohlsson:**

They should not be able to establish a tenant function?

**Mr. E.H. Le Ruez:**

No.

**The Deputy of St. Ouen:**

Going back to the structure in governance, it is suggested in the 2007 Property Plan that Property Holdings would become a trading organisation in 2008. Bearing in mind you have just explained that

there is a huge volume of work to do to achieve all the objectives laid out in P.93, do you see that as being achievable or even required?

**Mr. E.H. Le Ruez:**

Yes. Well, I think it is desirable and I hope it is achievable. It would require the approval of the States and we would have to get to the States certainly probably by no later than September next year. But I think it is desirable if Property Holdings is - as well as being able to increase income or increase effectiveness of property - also able to invest in property, which will be required if we are really going to pursue the effectiveness of the use of office accommodation in the future. There will be a need for some capital investment, though, I have no doubt.

**The Deputy of St. Ouen:**

So you are suggesting that some time next year the States will be asked to consider the idea of a trading organisation?

**Mr. E.H. Le Ruez:**

Yes.

**The Deputy of St. Ouen:**

So we are talking about in less than 12 months' time it is your belief that all budgets, manpower and everything else that is required as laid out in P.93 - including asset rentals and so on and so forth - will all be in place so that a seamless transition into a trading organisation can take place?

**Mr. E.H. Le Ruez:**

No. We will ask the States the question; ask for support for that in 2007. The intention would be to bring it in as a trading organisation in 2008 at the earliest.

**Senator J.L. Perchard:**

What do you mean by a trading organisation, Eric?

**Mr. E.H. Le Ruez:**

Within the States a trading organisation would have more flexibility. It is not a private company but it allows you a little more flexibility in terms of income and expenditure. I am not an accountant so I cannot give you the proper definition of a...

**Mr. W.D. Ogley:**

Well, Harbours and Airport, for example, are trading accounts, and you expect them to balance income and expenditure or achieve a certain level of return.

**Senator J.L. Perchard:**

That is right, unlike W.E.B. (Waterfront Enterprise Board) which is a limited company?

**Mr. W.D. Ogley:**

Yes.

**Senator J.L. Perchard:**

But there was talk, even the Chief Minister -and I have just printed something off here - in July: "We need to develop a structure, a company, which will have a wider remit than W.E.B." He said that in the States. I did not quite know what that meant. Perhaps you could expand on that?

**Mr. E.H. Le Ruez:**

That was not Property Holdings; that was a proposal for a development company and I think there was some confusion because it was referred to as Jersey Property Holdings (Developments), but that was not Property Holdings, which does not intend in any way to become a development arm of the States.

**Mr. W.D. Ogley:**

What was intended by that and is still intended and will be coming forward from the Council of Ministers is a proposal to change the nature and extend the remit of W.E.B. - perhaps Jersey Enterprise Board rather than Waterfront Enterprise Board - so that there would be a state-owned vehicle, 100 per cent as a separate company, that would have the ability to develop sites. So it may well be, for example... and what sits behind that proposal is a 3-fold ambition. Number one is that when you look at the disposals programme for sites which are surplus to the States' requirements, if there are certain sites there which would benefit... where it is quite clear that development of that site would probably return a better return to the States than merely disposing it to someone else so that they can benefit from the development gains, then you would be able to move that site into that development organisation, which as a 100 per cent owned but independent company it could return the whole of that development value. So, that it would increase the value of the return to the States was number one. The second intention behind that - I think which has been made clear - is to allow that company to then bring the whole set of waterfront activities from West of Albert, the harbour port and the La Collette/East of Albert area together into an integrated development activity. The third thought was that as the whole structure of St. Helier through the EDAW future master planning proposals comes forward, you might well have a vehicle there that could take surplus sites within St. Helier and use them for the successful implementation of that plan, where the States is a property holder rather than just a planner. So it is a totally separate and distinct function.

**Senator J.L. Perchard:**

Yes, that is a great relief to me because I was suffering from some confusion as to the relationship.

**Mr. W.D. Ogley:**

No, the intention is that Property Holdings is a States department. We think it would be sensible for that probably to become a trading entity within the States, although that is yet to be determined, and that would be on the basis of a fair and equitable - fair and balanced - rental structure paid for by services and the whole income and expenditure matched at whatever surplus ratio the States sets. But then the development arm would be a means of the States unblocking development potential and gaining the benefit, but only on big sites where there is a significant but potentially easily realisable development.

**Deputy S.C. Ferguson:**

Which brings us to another point, I suppose, really, because all the efficiency savings are including as a certain element the sale of properties and so on, and this is obviously putting capital into a revenue context. This does worry us a bit because you do not normally consider that your capital... it is not really a very conventional accounting treatment to treat capital proceeds as revenue and efficiency savings and I wondered if you would like to take that further?

**Mr. W.D. Ogley:**

Yes, fine. The reason why that is being done is because the States on 20th April 2004 decided that is what we could do. If you remember, at that point when the whole of the change programme was being mooted with the States and they were asked to agree to it, it was identified that there would be £15 million a year revenue savings and an additional £5 million a year capital receipts by the end of the change period. And the States said yes and that is why we work on that basis. Now, is it efficiency? I believe it is because if we have got assets sitting idle not being used, that is inefficient. It is much more efficient to release those assets for disposal and to reduce our costs of holding and to reduce our land bank. The Island has need of that development space, as we all know, so it is a much more efficient use of assets. Is it appropriate to account for it in the year? Well, you probably have to have the Treasurer here. I am not today here as an accountant. I am sure I have forgotten all that. But it does seem reasonable that the States does fund a capital programme, it does use year on year... fund its capital spending from its revenue account. What this effectively does is release £5 million a year capital receipts and the States is then free to apply those to fund its capital programme rather than drawing on its year-on-year revenues to fund it. It is a straightforward reinvestment of capital which itself releases the amount of year-on-year expenditure of the States. That does not seem unreasonable.

**Advocate A. Ohlsson:**

But that assumes the assets are not on your balance sheet to start with. Because if the asset was on your balance sheet at the price at which you sell it, it would not have any effect.

**Mr. W.D. Ogley:**

If it was, and again, that is something you would need to talk to the Treasurer about.

**The Deputy of St. Ouen:**

Regarding surplus property, could you elaborate a little bit on what is the policy for identifying this surplus property and how or whether the policy is designed to realise the full value and all value of such property?

**Mr. E.H. Le Ruez:**

Yes. I think in terms of identifying the property, we want to ensure that the property is either contributing towards the delivery of States services or it is contributing in some way towards strategic aims. Alternatively, we may be able to identify property that may not be doing anything like that at the moment but will have a part to play in the future. There could be land in certain locations where it would be, shall we say, advisable for the States to retain ownership. Having looked at the States' portfolio in that way, those properties, shall we say, that come through that process we would initially consider internally using our own professional valuers as to what a property might be worth - and we have done that with the properties which we have identified in the plans - and then, subject to States approval, decide on the best way of marketing those particular properties.

**The Deputy of St. Ouen:**

Just to expand a little bit on the comments that you made, because you speak about taking into account issues of strategic importance and so on, and yet I notice in the proposed Plan we see a number of properties like at Les Quennevais School that is totally almost all landlocked - if you like - surrounded by property. You are proposing to sell 2 properties which are directly within the associated school grounds, which seems rather conflicting against the view that you should be identifying the properties which have a strategic importance, albeit for whether it is future development or so on. How do you justify... and there is another one, I forgot Samarès School as well. Again, limited remaining area surrounding a school and yet you have made a decision or someone is promoting a decision that we should dispose of part of what could be termed as strategically important land.

**Mr. E.H. Le Ruez:**

Yes, I can explain both of those. The Quennevais properties - the 2 which are next to Quennevais School - were built to house essential employees, teachers, at a time when there was a shortage of staff accommodation. That position has now changed to the extent that staff accommodation for education is no longer required in the same sort of numbers. These 2 properties have been empty and are not required for teachers. The Education Minister - the Education Department - has no further use for them, although I have to say that one of those properties is not going to be sold but is going to continue to be used by the school but not as a residential unit.

**The Deputy of St. Ouen:**

Might I make the suggestion that Education have made it quite clear that Les Quennevais School will need in a relatively short space of time to have additional provision of accommodation provided to meet the demand brought about by new housing developments and so on, and that to dispose of property within and directly adjacent to a school where one knows there will be a requirement to provide additional facilities perhaps is not taking into account fully the strategic importance of that particular property and just general property in general.

**Mr. E.H. Le Ruez:**

Well, I disagree with that. That particular house actually makes the corner with the road. Other than demolition of a residential unit which is only 12 years old, it is not really going to add anything to Les Quennevais School.

**The Deputy of St. Ouen:**

Do you take into account... obviously it is not only disposal of property, we are looking at generating income; creating ongoing revenue. Does the policy consider the ability to generate income from property, whether the rentals are the right values, whether there is any rental being received; all of those sort of elements?

**Mr. E.H. Le Ruez:**

Yes.

**The Deputy of St. Ouen:**

So in this case presumably currently, until a decision is made, those properties are not empty, they are actually generating income?

**Mr. E.H. Le Ruez:**

No, those properties are empty at the moment, which is the very reason why one of them is to be put up for sale. There are no teachers requiring that accommodation. I think the last one was - of those 2 - was vacated some 9 months ago, possibly longer.

**The Deputy of St. Ouen:**

But might I suggest that although there might not be teachers interested in this property, obviously I presume that if you are selling the property or would propose selling the property - which obviously you said perhaps you are not now - it would not be to just teachers. It would be to the highest bidder presumably, so you are quite able... when we speak about maximising the returns from States property generally, okay, this is a small example but there is the ability to enter into a short-term lease and gain

some income from a property that was not being utilised. The issue is how many of these properties do we have scattered around that are currently sitting empty awaiting decisions - rightly or wrongly - and we are not benefiting from an income?

**Mr. E.H. Le Ruez:**

Well, I can say with the one unit at Quennevais there was some work to be done to the property, but we would have considered a one-year lease for that unit. We probably would have considered that more seriously if we had anticipated that there would actually be the delay in the approval of this list. You have got to bear in mind we had expected this 2007 list to be approved in September, but it now looks as if the earliest will be the end of February before approval.

**Mr. T. Grimes:**

Sorry, is the point not, though, that there is a choice to sell or rent?

**Mr. E.H. Le Ruez:**

Of course, yes.

**Mr. T. Grimes:**

The rental could go into the open market or the (a)-(h) market, presumably, and that would have retained the asset within the States in a strategic area?

**Mr. W.D. Ogley:**

But the point is we do not believe we need and we do not want to retain that asset. This is the whole point of the Property Plan. Why do we hold assets that we do not have a need for and we do not see a need? This is why Eric has said that he is going to all the departments to check out what their future property needs are.

**Senator J.L. Perchard:**

I think that we would agree with that...

**Deputy S.C. Ferguson:**

Can we just let Tony finish?

**Mr. T. Grimes:**

No, that is fine. I think I was just trying to crystallise what the issue was and I think I understand the point.

**Mr. W.D. Ogley:**

Our position would tend to be, I think - let me just check this with Eric - that if we see no potential use for it, we would rather dispose. There is no point in holding on to something.

**Mr. E.H. Le Ruez:**

That is correct, yes.

**Mr. W.D. Ogley:**

So if we see no future use for it, we do not expect it to be a use, and in this... although it may be alongside the school, as Eric says, this is a residential unit. We are not going to go knocking that down to start rebuilding relatively new residential premises, so let us sell it. Let us convert that asset into a cash asset. Fine, good. If there is a potential use in 4 or 5 years, then of course you would be into the rental market to retain the ownership, but those are the judgments that Property Holdings are making for us and are reflected in the Plan.

**Mr. T. Grimes:**

I think where I wanted to get to was back to the governance issue here because the Deputy has a view that it is of strategic value. But what we are saying, are we not, is that Property Holdings are empowered to act on behalf of the States to reach these decisions?

**Mr. W.D. Ogley:**

That is right, but that is a but; the but being the Business Plan that is proposed to the States - which includes the Property Plan each year - is proposed by the Council of Ministers. Therefore, the governance issue is that the Council of Ministers is satisfied that the Plan reflects their strategic aims, their annual aims and that it does not step across the boundary to disposing of items which may in the view of those Ministers or their executive departments be needed for future service property use. That is an important step in the governance issue, I think.

**Mr. E.H. Le Ruez:**

Yes, exactly.

**Mr. W.D. Ogley:**

That Business Plan chain is that final step in it, so it is not just the Treasury Ministry, it is not just the Director of Property Holdings; it is the Council of Ministers saying: "This is the Property Plan that we are putting before the States."

**Mr. T. Grimes:**

Fine, thank you.

**Advocate A. Ohlsson:**

But is not one of the difficulties in managing this significant asset and also in demonstrating transparency that we do not have a clear statement of what these assets are and how much they are worth? How many years ago is it that it was determined that we would seek a valuation and seek the inclusion of property assets in the States accounts, 5-plus years ago?

**Mr. E.H. Le Ruez:**

Yes, the valuation exercise is under way and we hope to have that completed by the end of March next year.

**Advocate A. Ohlsson:**

End of March in 2007?

**Mr. E.H. Le Ruez:**

2007, yes.

**Deputy S.C. Ferguson:**

So is the only way that you can actually dispose of properties to come up with a list that comes to the States and have it put through as part of the Business Plan?

**Mr. E.H. Le Ruez:**

That is the intention, yes. Now, if we want to do something outside that cycle, under Standing Orders the Treasury and Resources Minister could take a decision and it would simply be reported to the States, but it is I think expected that for property disposals, certainly significant property disposals, the States would have the opportunity to consider the proposal before the Treasury and Resources Minister actually takes a decision.

**Deputy S.C. Ferguson:**

Suppose your property disposals come to significantly more than you expect to make for the efficiency savings for the year, how will you treat them? Are you going to tuck them away into a capital fund?

**Mr. E.H. Le Ruez:**

Yes, quite right. The actual disposals are likely to be well in excess of the annual targets. This is capital side certainly in the first 2 or 3 years. We would initially put those proceeds into the land vote for the time being...

**Senator J.L. Perchard:**

To what, sorry?

**Mr. E.H. Le Ruez:**

Into the land vote and it would remain there until such time as transfer was required into central funds.

**The Deputy of St. Ouen:**

Can I ask, if that is the case, why in the Business Plan - the Property Plan - does it not say that rather than: "And all monies will be transferred into the Consolidated Fund"?

**Mr. E.H. Le Ruez:**

Sorry, which Plan do you mean?

**The Deputy of St. Ouen:**

All monies from property sales.

**Deputy S.C. Ferguson:**

We were just talking about the excess funds.

**The Deputy of St. Ouen:**

Well, we say that we will not... we have got a number of properties included in this Property Plan. We have already said and it has been acknowledged that those properties are well in excess, as you just rightly pointed out, of the annual figure that was identified for 2007. We have just been told that the surplus will be put into the land vote, and yet it clearly says in the Property Plan that all monies will be paid into the Consolidated Fund. Now, it is either the land vote or the Consolidated Fund; it cannot be both.

**Mr. E.H. Le Ruez:**

Certainly it is my understanding that the proceeds initially would go into the land vote and that the contributions - the annual contributions as set out in the Plan - would then go into the Consolidated Fund at the target levels. That is my understanding.

**Senator J.L. Perchard:**

So you will confirm, then, that we are driving property efficiency savings at a rate hopefully faster than the budget of £5 million a year in 2008, 2009 and 2010?

**Mr. W.D. Ogley:**

I think the target is £20 million by the end of the period. That is the target.

**Senator J.L. Perchard:**

Yes, which is [14455], is it not?

**Mr. W.D. Ogley:**

That was merely the release for funding capital programme purposes - that [1445 ] *et cetera* - but as I was saying, the target is the £20 million that we have set. You have got a Plan here which gets a considerable way towards that. There is still more to be done - some significant disposals - over that Plan period. Frankly, I think everybody is of the view that if we can outperform on that target then that is good news because it creates investment value that is available for the States to use. So it is a target over that period.

**Mr. T. Grimes:**

Could I just ask on that, Bill, you referred earlier to property sales being an efficiency saving and you gave us your definition, which I think was fair enough. I suspect that there is a confusion of what we mean by efficiency savings. There is efficiency savings which are derived from the day-to-day operational expenditure of the States, and there is efficiency savings derived from the effective disposal of properties. As a principle, then, is it the view of the Chief Officer that you do not utilise capital sales to fund the revenue cost of the States budgets?

**Mr. W.D. Ogley:**

No.

**Mr. T. Grimes:**

And that those funds would go in to supplement the capital budget, because that is my understanding.

**Mr. W.D. Ogley:**

To fund the capital budget, yes. I was reacting to... I think it was the Chairman said efficiency savings. What we actually said in the report - and I have it here - is that: "The change programme will deliver up to £29 million of annual improvement in the value of public sector. This is made up of £9 million of improvements where you cannot release the cash out and £20 million of cash savings achieved through £5 million in capital receipts and £15 million savings in running cost." That is how we have only ever described it: cash savings. Indeed, it is a cash saving. The purpose to which you use it is intended to be capital investment.

**Mr. T. Grimes:**

People will have to bid for those funds through the normal course?

**Mr. W.D. Ogley:**

Well, people will not bid specifically for those; they will bid for the capital programme. Therefore, this

allows a capital programme figure to be set and then prioritised across all of the States.

**Mr. T. Grimes:**

So a department that sells property would not be able to redirect those funds into the annual expenditure budget?

**Mr. W.D. Ogley:**

This was the whole point of transferring all of the property into one pot, creating a Property Holdings, because the experience as was recounted to me was that that tended to be what happened. If somebody had a lot of asset value and could release it easily, they could use it for investment, whereas these are States assets. That is right, is it not?

**Mr. E.H. Le Ruez:**

Yes.

**Mr. C. Swinson:**

Just as a matter of fact, the States has described the £20 million in different ways in different places. In the document which I presume you were referring to, which was *Public Sector Organisation 5-Year Vision* document, in Section 2 it refers to “reducing costs by £20 million over 5 years,” the point being that you actually used the £20 million in different descriptions in different places.

**Mr. W.D. Ogley:**

But we have only ever used the £5 million capital receipts for the purposes of investing in the capital programme. Now, given that we write off the... you have to look at where your capital... there may be a different discussion to be had around the way capital is treated and I know you are having that through the whole G.A.A.P. (Generally Accepted Accounting Principles) compliance discussion. But in an organisation where capital is a “free good” and it is written-off at the date at which the expenditure is incurred - which is the way the States currently accounts for its capital - then actually applying £5 million of capital receipts as a funding source is actually reducing your cost because you are not using other forms of cost to meet... It is a proper, straight description; so if it is a cost reduction, that is it; or a cash saving, because again the amount of cash that you are expending is actually less because you are using the money you have generated to reinvest.

**Mr. C. Swinson:**

So that you would agree that when the accounting convention changes - which is also within the Council of Ministers’ Strategic Plan - this treatment of the property disposals will also change?

**Mr. W.D. Ogley:**

I would expect it would and I would, therefore, expect the targets would be adjusted accordingly so that they would be neutral in terms of effect.

**Mr. C. Swinson:**

You would agree with me that since no plans at the moment incorporate the £1 million saving in office space usage - if you look at P.93/2005 it talks about the possibility of saving more than £1 million a year as a result of improved office utilisation - the £1 million would have to be added to the £15 million annual savings...

**Mr. W.D. Ogley:**

No...

**Mr. C. Swinson:**

...£20 million because no part of that £ million is at present incorporated into your plans?

**Mr. W.D. Ogley:**

I do not think that is right. I would have to check. No, as far as I am concerned the revenue savings included that £ million, did they not?

**Mr. E.H. Le Ruez:**

Well, not specifically as a £ million.

**Mr. C. Swinson:**

No, because there are no plans to achieve it.

**Mr. E.H. Le Ruez:**

But I would see that... I did say earlier that that £ million in terms of value, it all depends whether actually £1 million is changing hands or not, or moving between departments. But I would see that saving coming through partly in the Property Holdings revenue expenditure and income budget - quite separate from the capital we have been talking about - where we have over 3 years a total figure of £1.5 million to come off the revenue budget.

**Advocate A. Ohlsson:**

That is the £400,000 in 2006, £500,000 in 2007, £600,000 in 2008?

**Mr. E.H. Le Ruez:**

That is correct, yes.

**Advocate A. Ohlsson:**

So of that aggregate £1.5 million, £1 million you see as office...?

**Mr. E.H. Le Ruez:**

No, what I would say is part of that will come through as office efficiency savings. It will not be the full sum. I expect to see some savings being made on property maintenance contributing to that £1.5 million and potentially some staff savings as well as increased income. So I do not see it wholly as that but I see it as partly that. In fact, some of it has already been achieved with the leases at Axminster House and Bond Street being terminated this year.

**Advocate A. Ohlsson:**

So that £1.5 million is a saving on your current £12 million adopted budget, effectively?

**Mr. E.H. Le Ruez:**

Yes.

**Advocate A. Ohlsson:**

It is not an estimate of saving on what the true cost of property is to the States?

**Mr. E.H. Le Ruez:**

No.

**Advocate A. Ohlsson:**

Which is presumably why you stop projecting it past 2008 because when we get to 2009 you will have a clearer idea of what the true cost of property is to the States?

**Mr. E.H. Le Ruez:**

Absolutely, yes.

**Advocate A. Ohlsson:**

At which point you will see presumably more ambitious targets?

**Mr. E.H. Le Ruez:**

Well, we hope so, yes. Yes, I think there is more potential there, certainly, yes. The other thing is that the budget I talked about earlier did not include Health and Social Services, so there will be an increase there.

**Advocate A. Ohlsson:**

So if we come back to offices, for instance, and you talk about a potential of £1 million saving, we have not actually got a true cost of offices in there; we have only got the portion of the £11.5 million you spent on offices?

**Mr. E.H. Le Ruez:**

Yes.

**Mr. W.D. Ogley:**

So that that is the whole value.

**Advocate A. Ohlsson:**

I understand.

**Deputy S.C. Ferguson:**

Do you have a quick one, James? I think you must because...

**The Deputy of St. Ouen:**

Just a couple of quick ones. First of all is under-utilisation of office accommodation; I would like to just explore that a bit further because there are a number of figures that have been quoted and the States have been informed about. One was a potential surplus of 54,000 square feet of property, which is where the £1 million link comes from. There is also another figure of I think it was half of that area, 27,000 square feet, was being currently rented within the private sector: that was office accommodation utilised by the States but rented from the private sector. The questions are: is it the intention for not only the States to maximise the use of their existing property but to find savings from removing the requirement to rent private sector property; and how does that square-up with the tourism proposal with the new building on Jubilee Wharf - which is, presumably, a private sector building? Is it; or will be? Also, how are you going to identify the returns which will be solely related to freed-up office space?

**Mr. E.H. Le Ruez:**

Just to deal with the private sector rented accommodation, as I mentioned we have already terminated leases this year on 2 properties.

**The Deputy of St. Ouen:**

Which total?

**Mr. E.H. Le Ruez:**

I cannot recall that figure but I suspect that combined we are talking about £100,000 a year. I would need to check on that point. That seems to be the figure I have got in mind. We have also got Oriel

House, but on that property the lease continues until 2009. We are reusing that building at the moment for office accommodation. The one point I would make is that although we are making better use already of some of the office units the States own... and Cyril Le Marquand House, for example, following the alterations, we have increased the property by something like 10 per cent and we are now talking about 160 square feet per member of staff in that building. That is still a little bit higher than the U.K. standard but what I would say is that with Cyril Le Marquand House that includes, for example, the top floor where you have a big meeting room. So I would say we are pretty close to 150 square feet if you strip out that floor. Jubilee Wharf: we have got plans in progress which will result in occupancy levels increasing and the square footage per employee there will be 130 per member of staff. However, again if you include meeting rooms, storage and everything else, you go up to just under 150 square feet. So that is fairly close, but once again net areas are below gross areas; it is just about on the U.K. government average. At Philip Le Feuvre House and Huguenot House - the Social Security premises - again work is going on there which is going to allow them to accommodate the additional staff they have taken on for Low Income Support. Once that work is completed the building will be right up to U.K. standard. So that work is going on. However, we have got sites - and we could probably look at South Hill as the most obvious one - which are under-utilised. I am not talking just about the office accommodation here. I am talking about the site as a whole. It has got an office block on it but it has also got a large area which is just used for surplus car parking - a valuable site - and ideally one would want to clear that site, relocate the office accommodation. This is where you come down to capital investment. When that capital investment goes ahead we would want to ensure that the offices delivered are used certainly right up to the U.K. standard and, in fact, probably better if we can achieve it.

**The Deputy of St. Ouen:**

Could I just ask how are these results... I am encouraged totally by the efforts that you have just told us about. How are these results being reported and to whom? Maybe one last question for Bill is what role is the Corporate Management Board playing in implementing these plans?

**Mr. E.H. Le Ruez:**

Certainly the work that I have just described at Jubilee Wharf and South Hill: certainly Jubilee Wharf we have mentioned in the Property Plan that this work was going on. I would expect certainly when we develop the Strategic Plan that we will give more information on a broad scale about how we intend to approach this across the States' portfolio. Of course, in the 2008 Business Plan we will have more detailed information about specific sites.

**Mr. W.D. Ogley:**

I think it is important to reflect on, again, this £1 million, which is the sustainable value you can release when you start applying proper values to it. As Eric says, we have already achieved a fair bit of that. The question is has it appeared in the States accounts? I will give you one example which, again, we

were looking at this morning. If you take Axminster House where there is significant area being released, significant rental saved; but actually that rental has paid for the occupation of the new Magistrates Court where - a bit like the States building - the budget was not there to pay for the ongoing running costs. So a saving has been made: a real saving. Unfortunately, it had to be applied to keep other property which had been built through the capital programme and, at that point, it had gone in the programme but the revenue cost had not been put in properly. So we have to some extent had to make good some of the sins of the past and what we will not be... so when you ask from here on in, that we will not be doing because we believe the budgets - certainly in spending terms - are now right and the savings will be applied against those budgets and we will see those coming through. I think that is important to say.

**The Deputy of St. Ouen:**

Just to touch on...

**Deputy S.C. Ferguson:**

James, I think...

**The Deputy of St. Ouen:**

I did ask Bill actually just to e

xplain the role of the Corporate Management Board in implementing these plans. We have heard of the report. Are the Corporate Management Board actively involved in monitoring and ensuring that Property Holdings is actually meeting its objectives?

**Mr. W.D. Ogley:**

At this stage we are not, but we will be now that we have got plans in place. Once this Plan is agreed then we can hold them to account on that. Can I say one thing so that there is no surprise? You mentioned at the beginning what a good job Eric had done - sorry to spare your blushes here, Eric - in actually putting this together.

**Deputy S.C. Ferguson:**

Yes, within the time scale.

**Mr. W.D. Ogley:**

And I would just like to say I think that is absolutely right. He has done a great job, but again so there is no surprise, to remind you - you probably already know it but to be clear - Eric took this role on as a 2-year fixed term contract as he moved from Housing into this, and we will be recruiting for his successor - Property Holdings' Director - early... well, in the next few months. I just thought I had better make that clear so there is no surprises, but I would like to echo your... it may not be the right

place to do it, but just to echo your thanks to Eric, who has done a great job in putting this together and will continue to do a good job in the next 9 months, I know.

**Deputy S.C. Ferguson:**

So, thank you very much indeed, gentlemen, and no doubt if there are more things crop-up we shall be calling on you again.

**Mr. E.H. Le Ruez:**

I just actually looked up the rent for Axminster House and Bond Street combined. It is close to £135,000 we were paying out.

**Deputy S.C. Ferguson:**

And it was an awful office.

**Mr. E.H. Le Ruez:**

That is not all savings, of course, because the departments were paying some of that.

**Deputy S.C. Ferguson:**

Thank you, gentlemen.