



Future Hospital Review Panel

Our Hospital Project Outline Business Case and Funding Review

Witness: Assistant Minister for Treasury and Resources

Wednesday, 8th September 2021

Panel:

Senator K.L. Moore (Chair)

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

Deputy D. Johnson of St. Mary

Deputy I. Gardiner of St. Helier

Connétable A. Jehan of St. John

Panel Adviser:

Mr. S. Fair, Chartered Institute of Public Finance and Accountancy

Witnesses:

Deputy L.B.E. Ash of St. Clement, Assistant Minister for Treasury and Resources

Deputy R.E. Huelin of St. Peter, Member, Our Hospital Political Oversight Group

Mr. S. Hayward, Director, Treasury and Investment Manager

Mr. R. Bell, Treasurer of the States

Ms. G. Starks, Project Manager, Our Hospital Project

Deputy H.C. Raymond of Trinity, Vice-Chairman, Our Hospital Political Oversight Group

Mr. R. Bannister, Project Director, Our Hospital Project

[9:31]

Senator K.L. Moore (Chair):

Good morning and welcome to this Future Hospital Review Panel hearing with the Treasury and Resources team. This is a hybrid hearing so there are some people in the room, in the States building, and there are some - mostly advisers - joining us via Teams. All of the Treasury team who are in the room are in vision, I believe. Then I ask everybody else to switch their cameras on and use the microphones that are before them, if they are in the room, or obviously use the microphones on their device if joining by Teams. But otherwise, generally, normal hearing standards apply and I think you are all aware of our terms of engagement, so we can get started with our introductions. I am Senator Kristina Moore, and I am the chair of this review panel.

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

Constable Mike Jackson, deputy chair.

Deputy D. Johnson of St. Mary:

David Johnson, Deputy of St. Mary, a member of the panel.

Deputy I. Gardiner of St. Helier:

Deputy Inna Gardiner of St. Helier, member of the review panel.

Connétable A. Jehan of St. John:

Andy Jehan, Connétable of St. John, member of the panel.

Assistant Minister for Treasury and Resources:

And on the Treasury side, Lindsay Ash, Assistant Minister for Treasury and Resources.

Member, Our Hospital Political Oversight Group:

Rowland Huelin, Deputy of St. Peter, and member of the Our Hospital Political Oversight Group.

Director, Treasury and Investment Manager:

Simon Hayward, director of Treasury and Investment Management.

Treasurer of the States:

Richard Bell, Treasurer.

Senator K.L. Moore:

Thank you. If those joining us online could introduce themselves with their role also please.

Mr. S. Fair:

Stuart Fair, adviser to the panel from the Chartered Institute of Public Finance and Accountancy.

Project Manager, Our Hospital Project:

Gretta Starks, project manager, Our Hospital Project.

Senator K.L. Moore:

I am sorry, the last speaker, I think it was Gretta Starks, but if you could just say that again so that those transcribing this hearing and during the hearing live can hear. That was slightly inaudible.

Project Manager, Our Hospital Project:

Gretta Starks, project manager, Our Hospital Project.

Senator K.L. Moore:

Thank you. Is there a Deputy of Trinity?

Vice-Chairman, Our Hospital Political Oversight Group:

Yes, good morning. Unfortunately I will not be able to make the meeting today but can I say to all of you, I must apologise. I have a very important personal meeting at the hospital with one of my family, which means that I will have to leave early. But all the notes and everything that go through this meeting today will be forwarded to me. If I could just leave that with you and apologise for not being in presence today.

Senator K.L. Moore:

Thank you. Mr. Bannister, would you like to introduce yourself?

Project Director, Our Hospital Project:

Richard Bannister, the project director for the Our Hospital Project.

Senator K.L. Moore:

If we could get started, I would also like to extend apologies from Senator Ferguson and Deputy Le Hegarat, who are members of this panel who are unable to attend today. We are concentrating on questions today as much as we can on P.80, the funding proposition. There will necessarily be some overlap between that and the supporting Outline Business Case but our aim is to closely address the proposition itself. At our third and final hearing we will, at that point, review and revisit the outline business case in our questions and any further queries that we have there. But we did also address many of those questions in our last hearing, which was with the Deputy Chief Minister. Our first question today is really in reference to the very large number of submissions that we have received from members of the public on this topic. One of the questions that we asked the public

was very simple: is a budget of £804 million for a new hospital for Jersey appropriate? We have not received a single submission that is supportive of that figure and so we would just like to start our hearing today by asking the political leadership how you believe that is an appropriate sum for the project and what you and your Treasury colleagues have seen in the outline business case in supporting documentation that leads you to believe that that is the case, and it is an appropriate figure for this project?

Assistant Minister for Treasury and Resources:

Absolutely, it is obviously a very valid question. It is the biggest capital project that the Island hopefully will eventually embark upon. Obviously when you sit on the political oversight group, as I have, and as Deputy Huelin has, one of the first things you ask is how much is this going to cost. It is very carefully controlled right from the beginning, I have to say. We only release certain sums into the project because of what had gone on in the past. As to whether it is value for money, it is the going rate of a hospital of this kind. We had a survey done, and I think I have the figures here. The actual cost is £6,258 per square metre, which contrasts of course with the £11,000 that was broadcast on ITV, and this is why some people might have got a wrong impression because that just is not the figure. I do not know quite where they got that figure from. We had a survey done, I believe Scrutiny had a survey done that also said it was within the envelope of where a project such as this should cost. We are very keen as a Treasury team that it should not exceed that amount, hence the fact we are only going to borrow to that amount so that any other borrowing or any other funding of this hospital would have to go back to the States Assembly. I believe at the next hearing the Assistant Chief Minister, who heads up the project, Senator Farnham, will reiterate that message very strongly. It has certainly been a message that we, as an oversight group, have made as strongly as we possibly could, in my opinion, to the team running this that this is where we are. It cannot be any more than that. I will just ask Deputy Huelin if he has any comments on that costing.

Senator K.L. Moore:

No, that is fine. We are happy to accept your response on that point, as you are the Assistant Minister for Treasury and Resources and certainly in the past Ministers for Treasury and Resources have imposed restraint on major capital projects and set spending envelopes along with the support of the Assembly, as other members of the P.O.G. (political oversight group) will be aware, as they were involved in that. That is an interesting explanation. Of course you will understand the public's perplexed state in some respects, and some Members of the Assembly themselves, who having seen the rescindment of the Gloucester Street debate in 2019 and the commitment that was made as part of that debate, that delivering, moving away from that hospital solution, which was £466 million including site specific costs and optimism bias, moving away from that would deliver a cheaper alternative and now we are looking at £804 million. How are you convinced that the £804 million sum is the correct one in light of that commitment to the Assembly back in 2019?

Assistant Minister for Treasury and Resources:

As I say, it is not just me that is convinced. We did have the independent survey that said it was the right costing for this particular project. It is a very different project. The Gloucester Street site was rejected 3 times by Planning. Would I have been particularly anti going ahead with it at the time? Probably not because I think we really have gone a long way with this hospital and things needed to be done. Should we have built elsewhere originally in somewhere like People's Park 12 years ago? Possibly we should have done. The States pulled the debate at the last minute, if you will remember. You may have been there, Chair. I was not there at the time. There were protests against it. We then had to pick up the ball and get this ball across the line. To get the ball across the line this time, this is the going rate of paying for this. It is a very different offering to Gloucester Street. Gloucester Street had no mental health facility. This is going to have everything in one place. Costs have moved substantially in that time. If you are saying could it have been built cheaper in years gone by, 8 years ago, 10 years ago; yes, it could. If you are also going to ask me if we delay this for a further 4 years and do not fund will it be even more expensive; yes, it would. One of the reasons of course is you run out of building contractors who have been let down twice - 2 other projects when they were looking at it - so you are not exactly overrun by people who come running to build a hospital once you have abandoned the project twice. Building costs have gone up. There has been a certain degree of inflation on building costs. The reason it is very important that we do this now and we fund it as soon as we can is because interest rates are at a low level. Something that is worth considering, we are ahead of the N.H.S. (National Health Service) on this game at the moment. They are planning to build a huge number of hospitals very shortly. We are just ... not enormously but certainly months ahead of them. If we delay this project we will be running into traffic with the sort of building requirements they have, which will make it even more difficult to revisit. When you compare Gloucester Street with this it is a very, very different thing altogether. Also, if I may just say, and I am not saying that it could have been foreseen at the time but Gloucester Street would have been tremendously more expensive in the end because we would have had a COVID situation when building would have had to pretty much stopped around a hospital site for 2 years.

Senator K.L. Moore:

Thank you. If I can just stop you there. The vice-chair has a question.

The Connétable of St. Brelade:

Just picking up on a comment you made earlier with regard to the fact that Gloucester Street had been rejected twice due to planning constraints. What is your confidence level on the Overdale site being passed by Planning?

Assistant Minister for Treasury and Resources:

I think it is a great question. Obviously we hope it will be but I think last time the planning inspector did say there is no perfect site on the Island to build a hospital. He said that. Again, Deputy Huelin, who followed it much more closely in those days than I did, I think would back me up but he did say that of those sites Overdale is probably the nearest to a site, is that correct?

The Connétable of St. Brelade:

I think what I am looking for is confidence level. We have had no indication from Planning so we do need something and I think that does affect the whole part.

Member, Our Hospital Political Oversight Group:

The first meeting of the political oversight group put a subcommittee together on risk. The number one risk was planning. I think you will find it would be unacceptable to proceed unless we have a high degree of confidence that planning will be approved. The 2 things that are in the previous inspector's report and when he was asked to consider other sites, not just determine on Gloucester Street, he picked up on one other site, not Overdale, and said: "You could put it there only if there is no other available place." We have no ideal place. If we had an ideal site we would have put it there a long time ago. The other ...

Senator K.L. Moore:

Sorry, we are under some time pressures, you have answered the question.

Member, Our Hospital Political Oversight Group:

I was answering the question. Are you comfortable with the answer?

Senator K.L. Moore:

Deputy Ash, you talked about the fact that this is a very different project to the previous one. That having seen the costs arise have you, as a political oversight group, gone back to the boundaries of the project and asked for some restraint in order to contain the cost and reduce it?

Assistant Minister for Treasury and Resources:

We have obviously discussed various things that we could and could not put within the hospital but you do have to remember this has been largely clinically led, this plan. We have asked the clinicians what they want. We also have pushed back - I personally have not because I am not in a position to judge what a clinician should and should not have - but the director, Ashok Handa, he debated long and hard with clinicians as to what would be the right thing to have in Jersey and what perhaps would not be. Because any clinician you ask is going to want the earth obviously and the hospital

would probably be 3 times more expensive if we put in everything that clinicians wanted. But you do have to judge of what we should have on an Island of this size and what is perhaps unrealistic.

[9:45]

He pushed back on several expectations, yes, of what could and should be in the hospital. We have now, we believe, a fine offering to give to the Island within the Island's limitations.

Deputy I. Gardiner:

Very quickly, as it was a clinician-led project, i.e. there is a clinical user group that I understand was the group that discussed clinical requirements. From the response that we received yesterday there are no minutes for these clinical user groups. Was it recorded or can the panel receive any form of understanding of the clinician user group and what the conversation was held?

Assistant Minister for Treasury and Resources:

That is a fair enough question. Can I ask Rowland to answer that because obviously I am dealing with this from a Treasury angle? Whether minutes were taken with clinicians is slightly different.

Member, Our Hospital Political Oversight Group:

I cannot answer any more than that. I was unaware of that. On the basis, I am totally confident that clinicians have been engaged at every single level. I, sitting here, see no reason why ... I do not know why they have not been released and I do not know if they were taken so I cannot comment. But I would have no reason to withhold them.

Senator K.L. Moore:

What has given you that confidence that the clinical input is ...?

Member, Our Hospital Political Oversight Group:

On a political oversight group we are the first layer of scrutiny, if you do not mind me saying that, whereby we have to represent the public and other Members of the Assembly before it gets out to the next stage, as you will be aware.

Senator K.L. Moore:

The question is: what has given you that confidence?

Member, Our Hospital Political Oversight Group:

We are on the, I believe, fourth iteration of the design of the hospital. Do not forget the only design that actually matters ...

Senator K.L. Moore:

Could you just address the question, as I have pointed out to you we are short of time?

Member, Our Hospital Political Oversight Group:

I am. I will answer the question.

Senator K.L. Moore:

So what exactly has given you the confidence that this clinically-led project has received the full support of clinicians and is reasonable and balanced?

Member, Our Hospital Political Oversight Group:

I have at no stage had any reason to doubt it. I have done my due diligence behind the scenes and checked with the clinicians that they are assured that this process is going in order, and that gives me the comfort. Another reason is, most of them know who I am and they know my passion for this particular project. I have engaged with them on both sides of the fence over the last 6 years and none of them are contacting me to the contrary. Albeit I meet with them informally on a regular basis. I have no reason to doubt it.

Senator K.L. Moore:

Thank you, could we move on?

Assistant Minister for Treasury and Resources:

In answer to the Deputy's question, I will look into whether there have been any minutes taken or any official record and if there are you will be welcome to them.

Deputy I. Gardiner:

Or at least summaries that were produced from this.

Assistant Minister for Treasury and Resources:

I shall have a word with Ashok.

Deputy I. Gardiner:

I think there is more than one clinician user group so it might be ...

Senator K.L. Moore:

Thank you. Deputy Ash, do you believe in the context of Jersey's current financial situation the level of budget is one which can and should be fully supported by the Government of Jersey and the Treasury and the Exchequer?

Assistant Minister for Treasury and Resources:

I certainly do. People often say that the first duty of Government is the defence of its people, and that is the first duty. That is taken care of pretty much by the U.K. (United Kingdom) so we do not have that. The next duty surely is the health of its citizens and, to be honest, we have been lacking. As an Island we have been lacking for some time. You cannot put a price on the health of people; you really cannot. If you can you are a better person than I am. I am certainly not able to put any value on that. All we can do is try to make sure that it is fairly priced, which I believe we have. As I say, we had a survey done, Scrutiny had a survey done, and it came out that we were pricing it fairly within that scope. I believe we will have a hospital that will see us in great stead for the next 50 years, not just for people of our generation - if you take the embodiment there - but also of youngsters coming through now. Young people who are maybe having families of their own will be able to look safely at healthcare for generations, which is a fantastic thing. I do not know that you can really put a price on it. If you are saying, do you think we are in a financial position to do this; yes I certainly do. We are in quite a decent financial position.

The Connétable of St. John:

Can you detail the discussions which Treasury officials have had with the Our Hospital Political Oversight Group in determining the envelope for the hospital project budget in the context of the Island's wider financial position?

Assistant Minister for Treasury and Resources:

We have had 3 officials basically involved, possibly more because one of the Treasury risk officials was involved right from the beginning and headed up the risk side of things, the risk group. We had a Treasury adviser who has since left. Richard might want to just go into that in more detail.

Treasurer of the States:

There was a senior officer group - there was myself and 2 other directors - so we have been heavily embedded within the project. Obviously we need to, as we have needed to in previous iterations of the hospital project, used specialist advice. We do not have in-house, as you would expect, a specialist hospital finance building individual but we have also structured the project so that there is a fair amount of assurance work undertaken on the cost element project.

The Connétable of St. John:

What discussions took place, either at political or officer level, within Treasury to seek a lower budget envelope for this project?

Treasurer of the States:

The approach we have taken in recent iterations, and probably within the first iteration, and I have been on the edges in my previous role and in and on steering groups for the last 2 to 3 iterations, all the way back to what we infamously refer to as the Xbox approach back a long time ago which had a cost cap on it. That was shown to be in subsequent Government potentially a flawed approach in that it did not necessarily deliver the best value for money approach. This has been in terms of, off the back of the decisions as to where the hospital is going to be built, budget's built, and I would say, and I will have to have colleagues confirm back to you where that has taken place and the evidence to show it, this has been that which has had the greatest clinical engagement of the various versions that I have been involved in, in the past. One of the signs of that is previously you would have seen by now a great deal of clinician-led discontent with the project, but I will leave Health colleagues to talk about that probably in a subsequent hearing, unless we have someone on this group. Where the challenge has been is basically so that we know to build a hospital at the project we have a credible budget, not a budget that is held down by holding down elements such as client contingency or optimism bias to unrealistic amounts, which may well have happened in the past on capital projects. Also, I hope it is clear that our interactions led to the cap on the project at Assembly level so there is no creepage. The team has gone back to the political oversight group when it looked as though the costs may breach £800 million, and clear messages have come back from the political oversight group that it must not exceed £800 million and therefore there have been exercises on value engineering and they like to make sure that the budget stays where it is.

The Connétable of St. John:

You have not asked for a lower budget?

Treasurer of the States:

In the cases where it looked as though the budget could start to go above £800 million asked that it does not do that.

The Connétable of St. John:

The first part of the proposition asks the States to approve £804.5 million as the maximum expenditure albeit with the proviso that any additional expenditure would need a States Assembly proposal. Can you tell us what the process will be for Treasury to ensure the project will be delivered within that £804.5 million budget to ensure that the States Assembly are not forced into the position of either increasing the budget or risk accepting an unfinished project?

Treasurer of the States:

We will continue with heavy involvement at the senior end of the project. The endorsement from the Assembly is an additional layer, if you like. It may just look as though it is a political measure but will give us good authority to cap it at 800. There will be regular reporting. What we will also do is, as with the previous project, we will have a role in controlling the release of the contingency all the way through the project, which was I think ... it might have been an amendment or a suggestion brought by a member of this panel. I cannot recall. So that is where we will be heavily involved in terms of holding down on the client contingency and obviously very regular reporting up to the political oversight group.

The Deputy of St. Mary:

A general question leading on from that raised by the Constable of St. John. Can you explain please the factors that allow an Assistant Minister for Treasury and Resources to be confident that the project can be delivered within the budget, as outlined in the proposition?

Assistant Minister for Treasury and Resources:

Basically when it was all costed and looked at, and then looked at again, it was done in incredibly fine detail. I personally have not been involved in a hospital project before - I am sure many people have not when they are in this role - and I did not quite realise the intricacies it had to go into, right down to land assessment, suitability of land drainage costs, surveying costs, catering facilities, and so this was gone into very strongly and then revisited again. I think at the moment we are in - and I think the Treasurer will probably back me up - quite a strong position as to how it has been costed so far with the contingency in there as well, which is something. Then the optimism bias, which is a natural thing to put into any project because builders apparently, I have not worked with many in the past, but they have a natural propensity to be very optimistic of what they can do for X amount of budget. So you always build in that optimism bias as to the overall cost of a project, which we have done. We have also put in a contingency as well. So there are 2 levels there that, in my opinion, should help us to stay within the confines. Plus, as Rowland and I have already reiterated, we have told the project team that it is a redline.

The Deputy of St. Mary:

Again, it is a question of your confidence in the overall scheme. You are happy on the information?

Assistant Minister for Treasury and Resources:

I am and Rowland would like to just say something.

Member, Our Hospital Political Oversight Group:

Again, this is a brave new world for all of us on an infrastructure project. But one thing I have learnt is the more you go down the project the more you can tighten up the details, therefore be assured of the budget. The reason is optimism bias at the outset is for the unforeseen at the beginning. That is getting tighter and tighter. As you can see it is getting tighter and tighter because the optimism bias has been drawn down. There is still £30 million to go. That is the assurance we need. As every day goes by they are getting closer and closer to that final point. The client contingency is there basically if we change our mind. That is what it is there for. I will go back, the benefit of having a design and build team is the designer and builder are working together. So the builders know what is being designed can and will be delivered and they have influence into that to be assured that it will happen. There is no trade-off. There is no disconnect between the 2, the unknown. If you design something and then chuck it over the fence and say: "Go and build it" the builders are going to say: "Well, we cannot design that, we cannot build it that way because we were not involved." It is that assurance as we go through the process that gives me the confidence. That confidence will tighten as we go through every single stage. I believe, following the metrics that we have, the Green Book advice, the optimism bias and client contingency that we will make that. The only reasons are unforeseen or alternatively own goals, but left to its devices and the process I believe we will deliver this hospital on time and within that envelope.

The Deputy of St. Mary:

Straying from the question, in your opening comments you referred to the going rate of the hospital of its kind, and you have now referred to the design and build team. To what extent are you challenging the certain areas in that design as you get on?

Member, Our Hospital Political Oversight Group:

The team absolutely know they cannot step over this one. They have a trade-off they have to do. They have to keep within the price absolutely. There is no room on that. But they have still got to do their fundamental role and that is to deliver a hospital for the care of the community of this Island, for the health of this particular Island. So every single iteration they go back to reduce the size, if they can, without compromising, and they do that by improving the efficiencies and the flows of the movement around the hospital. The other thing we must take into consideration is we have a campus approach here as opposed to a one single building. That means that we are bringing mental health together into the build, which obviously adds to the cost, the administrative buildings, catering, everything else is there under one. That is all designed to work closely together and the flexibility they are building into the hospital, an example of which the administrative buildings, as you know, can be turned into wards in case of pandemic in very short term.

[10:00]

They are all piped with oxygen for that reason. The flexibility into the construction, the reducing of the size and the insurance that the clinical deliverable is not compromised is paramount to this project, and that is what we look at.

The Deputy of St. Mary:

My fault for perhaps speaking as to look at the financials and the funding so I sent you off on that track, that is my fault.

Member, Our Hospital Political Oversight Group:

My point was saying that is what we are doing to make sure we are within that cost envelope so the funding can be delivered by Treasury because they are asking for the right amount of money. That is the question.

The Deputy of St. Mary:

Moving on then. Again relating to the question as to your understanding of the financial case laid out in the outline business case and how this underpins the funding solution put forward by yourselves.

Assistant Minister for Treasury and Resources:

As in why we are going the route we are to finance the development, is that what you are asking?

The Deputy of St. Mary:

Yes.

Assistant Minister for Treasury and Resources:

Basically because we feel it is the right and correct route to go.

The Deputy of St. Mary:

Sorry we have later questions on precise method of funding. My general question is are we confident ...

Assistant Minister for Treasury and Resources:

Are we confident we can fund it that way or are we confident ...? I am certainly confident that we can fund it that way, yes.

The Deputy of St. Mary:

It is how the financial case put to you enables you to go this route?

Assistant Minister for Treasury and Resources:

The financial case, as I said, I am confident that we are paying the right amount for what we are going to receive. That is one financial case. Are we paying the right amount? I think we are. I think we have done 2 surveys, as I said, that proves that we are. Do we have the money to pay for it? Yes, I think we are in a good position to provide the money for the health service? Do I feel we are going down the right route in providing that funding? Yes, most certainly and we will come on to that.

The Deputy of St. Mary:

Yes, I will leave that general question there. The more specific questions we are going to raise later on that. I will finish that question, thank you.

The Connétable of St. Brelade:

Are you satisfied as a political oversight group that the capital costs set out in the outline business case are sufficiently detailed to support the budget requirements?

Assistant Minister for Treasury and Resources:

Yes, I am.

The Connétable of St. Brelade:

We spoke about optimism bias earlier on. Are you satisfied that it is set at the right level given the rise, particularly now, in the cost of materials driven by challenges within the construction industry we all know which have been led by the pandemic?

Assistant Minister for Treasury and Resources:

Can I just defer to Rowland on this because I know ...

The Connétable of St. Brelade:

He is a builder.

Assistant Minister for Treasury and Resources:

I wish he was. No, he has studied this very carefully.

Member, Our Hospital Political Oversight Group:

The optimism bias basically is a contingency before the spade goes in the ground. If Richard Bannister would like to go into far more detail on this. I think we are going off-piste slightly. The client contingency is afterwards.

The Connétable of St. Brelade:

What I am interested in is the COVID effect, if you like. We all know buildings costs have rocketed in the last 6 months. Are we confident that we can ...

Member, Our Hospital Political Oversight Group:

We are aware that questions have been asked. We push back and we are satisfied, yes.

The Connétable of St. Brelade:

Good, thank you.

Deputy I. Gardiner:

Can you please confirm that the Minister for Treasury and Resources, your Minister, or your officers are satisfied with the explanation provided by Our Hospital advisers at the panel's public hearing back on 11th August with the Deputy Chief Minister that we had this hearing, that any diversion from the Treasury Green Book conduct in the outline business case is justified and that the business case is robust enough to support the budget, and the Council of Ministers believe the project offers value for money? Basically, are you satisfied with diversion from the Green Book expectations for the outline business case?

Assistant Minister for Treasury and Resources:

We have tried, as far as I know, to follow the Green Book pretty much. That is what we use as our main thing, is the Treasury Green Book. Am I satisfied that any diversion is justified? I think we would have to ask the Treasurer on that. I do not think we ... I am not sure I fully understand the question.

Deputy I. Gardiner:

Just a minute, I would like to go back to you as Assistant Minister for Treasury and Resources, do you know what the diversions adjusted to Jersey, so they did not follow the Green Book, they made adjustments, what adjustments in your view were made and are they justified? What adjustments were made, in your view?

Assistant Minister for Treasury and Resources:

I do not know the full adjustments offhand that were made. I realise there were some that were made to make it Jersey specific. The Treasurer might know a little more on that.

Senator K.L. Moore:

Just before he does, could we just ask the Assistant Minister for Treasury and Resources if he could tell us where it is recorded that that deviation from the Treasury Green Book was acknowledged and shared with you as the political oversight group please?

Assistant Minister for Treasury and Resources:

I have no knowledge of whether it was recorded or whether it was not recorded. I cannot give you that.

Deputy I. Gardiner:

Have you discussed it at the political oversight group that it will be diverted from the Green Book?

Assistant Minister for Treasury and Resources:

Any divergence from anything we have discussed I think would be fair to say but I have no recollection of putting that forward. If it was it would have been on a Jersey basis because it is Jersey specific. But we would not have cut corners specifically on the Treasury Green Book. It is what we follow.

Deputy I. Gardiner:

I mean if we are going through the Treasury Green Book process which is the primary purpose. I mean this stage is the purpose to assess the shortlisted options in more detail and select preferred option while gaining clarity about therefore the ability of the scheme and it is proposed procurement. We have not been presented with the shortlisted options or even mid-range new build or more economic option. So I would like to ask: does the Treasury team support the rationale employed by the Our Hospital team their interpretation of the baseline comparison included in the outline business case?

Treasurer of the States:

Back to your question in respect of the Green Book and I remember being in the conversations in particular around if you were following it on a pureish level you would compare the “do nothing” scenario. The discussion we had certainly with the senior officers and the advisers is that the “do nothing” one is simply not credible. The “do nothing” one has been gone through on previous versions of the hospital project. We have a failing estate, “do nothing” it was felt was not to be a necessary use of taxpayers’ money to go through. In addition, you are right in terms of in a different environment you may well have appraised different options. The fact of the matter is that the Assembly has a standing decision off the back of the options appraisal as to the different sites that this hospital be built at Overdale. So we have not then presented options that are options that look at different sites in the outline business case.

Deputy I. Gardiner:

But even when we will build in Overdale we can build the world-class hospital and can build a hospital which would be mid-range that can answer the requirements for the Jersey health model and maybe, as politicians, we would have to do a comparison and we might decide we do need a world-class hospital or we can go with the mid-range so at least we would have some comparison. Currently we have only one option to make a decision. Would it be possible to have as Overdale but to have different option?

Treasurer of the States:

So you want a lower standard hospital?

Deputy I. Gardiner:

Not lower standard, what we call mid-range build; more economic option? Because our budget has doubled from 2018, from £400 million we have gone to £800 million?

Member, Our Hospital Political Oversight Group:

Why would you want a hospital that clinicians do not think is suitable for the health of this Island?

Deputy I. Gardiner:

I have not seen the clinicians' submissions.

Member, Our Hospital Political Oversight Group:

Why would you want to compromise on what has been, from the outset, a totally clinically-led hospital. Mistakes made from the past, as I think, Chair, you alluded to, that the mistakes made was that clinicians were not engaged the last time. This time they have been engaged, as I have said. Why would we want to not listen to them and compromise on a hospital and build something that might be medium or average for the next 40 to 60 years?

Senator K.L. Moore:

Without wanting to go down a rabbit hole, it has been identified this morning that neither yourselves or ourselves have seen the notes of the clinical users group. We do not know who are members.

Member, Our Hospital Political Oversight Group:

Yes, accept that.

Senator K.L. Moore:

We have asked to know who the members of that group are because we also have behind the scenes conversations and the clinicians that I have spoken to are not content with some of these

plans and there are shared concerns with the public with regards to the scale and the cost of these plans. Therefore it is really important that we have the formal records because, yes, we can all rely upon behind-the-scenes conversations but those are informal and anecdotal.

Assistant Minister for Treasury and Resources:

I note that but I very much doubt you have found - if you have, great - clinicians who say: "I want less facilities than this."

Senator K.L. Moore:

There is a great deal of concern among the clinicians in particular with regard to retention of staff and whether the Island will be able to afford to retain the quality and standard of staff that we currently enjoy when taking this stance.

Member, Our Hospital Political Oversight Group:

That is a different subject. Totally different subject.

Assistant Minister for Treasury and Resources:

That is a different subject. Many clinicians I have spoken to, and I am sure if you speak to them they will say it will be easier to retain and attract staff in the new hospital, particularly the new hospital we are building. One of the reasons we cannot retain and keep staff is the conditions people are forced to work in at the moment in a hospital that is not fit for purpose.

Deputy I. Gardiner:

I really would like to go back. When we make decisions ... I would like to keep clinicians aside. As politicians we need to make a decision based on the economic case that was presented in front of us. According to the Green Book, there should be several options presented which should prove your case this is what we need and this is the best value for money. The only point that I try to make in my previous questioning, that we have not been presented with even 2 options. We have not been presented with an option to refurbish or we say that it was not a valid option in Jersey for years. So this is what I am asking: have you discussed at political oversight group what we need to compare for.

Member, Our Hospital Political Oversight Group:

I now recall exactly what you are talking about. The terminology you were using confused me. We are talking about the benchmark point that you have to regularly review every single project. Stop, are we doing the right thing? Yes or no, go on or not, go in a different direction. Totally support that. The Assembly has voted to put the hospital on Overdale; that is the number one thing that we are looking at. So we look at an alternative. I remember the conversation in P.O.G. now. We looked

at the reasons, the explanations why. There are 5 benchmark areas, or 4 others within the Green Book recommendation, and I think from memory we took benchmark 4, and that is the “do nothing”. Obviously do nothing is unacceptable when the hospital is absolutely crumbling. The way we look at that is do nothing, i.e. use the existing infrastructure and make it fit for purpose. That was the exercise that was done and carried out and I think you will find that comes in at something like £904 million and will take an extra 2 years to deliver. I think those 2 facts tell me that “do nothing” option is not fundamentally good. It is not the right decision. Do not forget, the £904 million would not include mental health and would not include all the other facilities that we would put on to the campus. Given those 2 scenarios, I was comfortable with that decision and I am happy with it.

Senator K.L. Moore:

So you are comfortable with the baseline comparator and the method that was used to achieve it?

Member, Our Hospital Political Oversight Group:

Absolutely. I apologise for not getting it right when we come to but I now really clearly recall the debate, very clearly within P.O.G.

Senator K.L. Moore:

Okay, so let us move on to the funding proposal, the borrowing. Just for the benefit of the public, we would like the Assistant Minister to provide a short and clear explanation of the options that were examined for the funding of this project and why the scale of spend makes a borrowing option necessary in the Treasury’s view.

Assistant Minister for Treasury and Resources:

There were a number of options looked at, which some we will go into more detail if you wish in a minute. One of course is just to take the Strategic Reserve fund and pay for the hospital. That is obviously your base point. That to me is just a no-no. It does not make any sense whatsoever. We saw during COVID that when we had people saying: “Why do you not use the Strategic Reserve now, if this is not a rainy day, what is?” We did not and, as a consequence of that, we put in a rolling credit facility, which is another thing we looked at for doing this. By doing the rolling credit facility we did not cash in £300 million of the rainy day fund or Strategic Reserve, to give it its proper title. Had we done so the reserves would have been depleted when the markets have bounced back, and I think I am right in saying it is up about 20 per cent this year the return. Something along those lines. It would have cost the Island millions of pounds had we gone down that route. So that is one reason. That just gives you an example of what can happen if you take the Strategic Reserve and use it just willy-nilly, so to speak. What I see is the best solution, and certainly I think Simon does and the Treasurer does, and I think the political oversight group does.

[10:15]

Most people that I have explained it to do. Is that you take the Strategic Reserve and it sits there, at the moment ... and this is a very important issue to address because someone addressed it with me the other day. Obviously everything that surrounds our finances, and particularly this hospital, there is a lot of half-truths and at times downright lies that surround it. There was a letter in the *J.E.P. (Jersey Evening Post)* the other day that said we had frittered away the rainy day fund, that it had gone. At the moment it stands pretty much near or it might even stand at the highest it has ever been. So if we could establish that for a start so that members of the public watching, the Strategic Reserve or rainy day fund is in as good a place as it has been ever. As we have got that, and we have substantial reserves, compared to most countries in the world, about £4.2 billion of reserves that we do not owe compared to the U.S. (United States) or the U.K., huge amounts of debts; we do not have that. The way to do this at the moment with interest rates at worldwide lows, we have seen countries like Austria go out and borrow enormous sums of money because of that very fact, mainly for infrastructure projects. We also saw yesterday the Isle of Man launch a £400 million bond. I think it was £400 million, was it? Yes, a £400 million bond with a coupon at 1.625 per cent for 30 years. You can see we are not the only people looking to do this sort of thing. At the moment over the last 20 years we have seen an average return per year of around 6 per cent on our Strategic Reserve fund and we will be looking to borrow at around 1.5 per cent for 40 years. The advantage of doing it that way is you know exactly what your costs are; your costs are 1.5 per cent. They cannot move, they stay like that, you know your exact repayment. If the Strategic Reserve, as we hope it will do, continues to grow at around 6 per cent, but even if it grew at 4 per cent, you have the money there to pay every year and your Strategic Reserve also grows. It is not to the extent it would if you left it without a loan to fund but it will still grow at, hopefully, a substantial rate. If you get inflationary pressures it is even more important to fund it this way because you have locked in your money at 1.5 per cent. If inflation started to run, which it has in the past, let us face it, and we have seen it in the U.K. and we have seen interest rates rise to high levels. I even got someone to run something for me. So what would happen if we did not fix it at 1.4 per cent and, say, after 10 years we re-fixed it and it had gone to 4 per cent? It would cost us getting on for £121 million more by doing that. That is why I feel very strongly that this is the route to go but Simon has a lot more information on some of the other things that he looked at and he brought to me and to the Minister for Treasury and Resources as to why we went down this route.

The Connétable of St. Brelade:

Can I just interject with a quick question?

Assistant Minister for Treasury and Resources:

Certainly.

The Connétable of St. Brelade:

Regarding the fact that we are using, I suppose, a Spanish builder and where we are with regard to exchange rates, having had experience of the construction of the E.f.W. (Energy for Waste) plant and hedging and the losses incurred there, which you are aware of I am sure, but have we had to make consideration for that?

Assistant Minister for Treasury and Resources:

I think, Rowland, we have brought this up in the political oversight group. The builders are fully covered on that, they are not running any ...

Member, Our Hospital Political Oversight Group:

They are delivering in sterling.

Assistant Minister for Treasury and Resources:

Yes.

Director, Treasury and Investment Manager:

The cost of the project is in sterling and we will pay for it in sterling, so there is, as far as I am aware, no exchange rate with this project.

The Connétable of St. Brelade:

I would not wish that we make the same mistake twice, is what I am saying.

Assistant Minister for Treasury and Resources:

No, that is why we did discuss it today. It was brought up in the political oversight group of what had happened in the past and, yes, it is a sterling-based project.

The Connétable of St. John:

What other borrowing options have been considered and how would the exposure to bond finance be balanced with other options?

Assistant Minister for Treasury and Resources:

I will defer that to Simon, if I may because we have had experience with other bonds, have we not?

Director, Treasury and Investment Manager:

I think it would be fair to say that we have probably looked at every single borrowing option available from what you would consider a fairly short-term flexible facility like the revolving credit facility that

we have at the moment, through to retail bonds, project finance, private placements, asset-backed commercial paper and public sterling bonds. We have looked and assessed every option that is available to us and I think when you conclude around the certainty that you want about the costs of your borrowing and the life of the asset and the access to markets that we have as a sovereign, you conclude that a public-rated sterling bond, which would match the life of the funding and the asset, backed up by the Strategic Reserve, is likely to be the optimum solution.

The Connétable of St. John:

We have heard figures - Isle of Man 1.625 per cent - and the Assistant Minister has mentioned 1.5 per cent and 1.4 per cent, so what ...

Assistant Minister for Treasury and Resources:

No, I do not think I mentioned 1.5 per cent; I mentioned if it went to 4 per cent, i.e. if we got 1.5 per cent and then had to refinance after 10 years and rates were trading at 4 per cent, that was ...

The Connétable of St. John:

Yes, okay. We had experienced in 2014 and took the decision to use credit rates in to borrow funds of what were at that time historically low levels, can you tell us an outline of how that funding was drawn down, please?

Director, Treasury and Investment Manager:

Yes, so that was a public-related sterling bond of £250 million. As you say, it was issued in 2014 for 40 years and it was specifically earmarked for support of the Island's social housing programme. It was placed into a ring-fenced fund, the Housing Development Fund, so it was drawn in full on the issuing estate, placed into the Housing Development Fund and subsequently on-lent, predominantly to Andium Homes for the purposes of the provision of social housing. Those loans charge interest, which cover the coupon payments on the bond and, ultimately, will be repaid, hopefully regenerated through the loan terms for a second period over the bond term, ultimately repaid to Government for repayment to the bond investors in 2054.

The Connétable of St. John:

Does that include then the £4.2 billion that was referred to earlier?

Director, Treasury and Investment Manager:

The Housing Development Fund, it is a net position, so it has had £250 million in and it has got a £250 million liability as well.

The Connétable of St. John:

Thank you.

The Deputy of St. Mary:

Sticking with the method of bond financing for the moment, could you outline the risk to Jersey's credit rating, which will result from the additional bond financing for this project?

Director, Treasury and Investment Manager:

There is a risk that as Jersey increases its public debt we could see a downgrade from the credit rating agencies. But I would also reference the credit rating agencies' own words, where they cite: "Our liquid fiscal assets is a key rating strength." This really supports the Assistant Minister's comments about retaining reserves. If we were to use reserves that would reduce our asset ratio to our G.D.P. (gross domestic product) and, potentially, impact our credit rating further. It is a difficult one to forecast but our rating is strong at the moment and a single downgrade is unlikely to impact our ability to issue debt or investor appetite in our debt either.

The Deputy of St. Mary:

But would the bond finance of this nature automatically reduce our credit rating and how would that affect sort of any future lending?

Director, Treasury and Investment Manager:

The main impact of credit rating reductions might be a marginal increase in cost, so you would tend to only see one notch downgrade at a time. You might see a marginal increase in cost. If Jersey were to see significant reductions in its credit ratings, say 4 or 5 grades, you might find that certain investors were unable to invest with us because they set themselves minimum credit rating criteria. But that is not a position that we see as particularly risky. We believe through analysis and through our own independent advisers that this quantum of debt would, at most, lead to one notch downgrade but, potentially, given the strength of our reserves, our rating may well stay the same.

The Deputy of St. Mary:

But would it not impact on any further borrowings we choose to take by this route or any other route?

Director, Treasury and Investment Manager:

I think the point I am trying to make is that if we were downgraded the biggest impact would probably be to the cost, so the margin that you would pay over the market rate might be slightly higher if you had a lower credit rating. But it would not necessarily stop us from going to market for further debt.

The Deputy of St. Mary:

Okay, thanks.

The Connétable of St. John:

Have you done any work on the potential risk to business being attracted to the Island or business leaving the Island if our credit rating is lowered?

Director, Treasury and Investment Manager:

Not specifically but I would come back to the point that the rating agencies do not just look at borrowing when they are considering our credit rating. The other side of the balance sheet is to maintain our reserves and that balance of reserves versus borrowing is generally supported. We do have some examples of countries who have issued significant amounts of debt, maintained their reserves and have not seen changes to their credit rating. Norway is a good example and the Middle East ...

The Connétable of St. John:

Sorry, my question is that the good credit rating Jersey has has been used in the past as one of the tools to attract business to the Island. I just wonder what work is being done to check what risk is attached to that.

Director, Treasury and Investment Manager:

I think my answer would be no specific work but I would come back to the point that we do not see a huge differential in our credit rating as a result of this debt issuance, so that criteria would still be in place.

Deputy I. Gardiner:

Very quickly because say there are some countries that have high amount of debts compared to their Strategic Reserve, do you have some examples or, for example, how many, 3 times more debts than your Strategic Reserve? What does it mean higher?

Director, Treasury and Investment Manager:

Yes. What I was alluding to are countries who have significant reserves and have subsequently increased their debt and maintained their reserves and not seen their credit ratings change. Examples would be Norway and some Middle Eastern countries who have significant sovereign wealth funds and we have had analysis done on that.

The Connétable of St. John:

Can I just bring the Treasurer in because he is ...

Senator K.L. Moore:

That being the case we do not have a significant sovereign wealth fund, despite having a Strategic Reserve.

Treasurer of the States:

Yes, we have a comparable basis for significant reserve fund in the case of the Strategic Reserve, which is equivalent to a sovereign wealth fund in that fashion. Back to the question in terms of business, we went for an awfully long time without a credit rating, it did not stop businesses coming to the Island. The credit rating is currently up there in the higher leagues of a very high credit rating, even a slight downgrade, which we do not think will happen but is a risk, would not significantly deteriorate our high credit rating. It would just be a notch down, there are very many notches before we would be in a situation where we would not be able to issue debt in the future and we have taken that into account when formulating the plans.

The Deputy of St. Mary:

At an earlier meeting you justified, if that is the right word, the bond route by saying the increase in our reserves would more than cover it. Just going on many years a somewhat speculative approach, and I have referred to someone like me had been caught by the endowment policy problem and have lost out, what reassurance can you give that this is not speculative and what comfort have you received from advisers, in other words, that your assumptions are correct?

Assistant Minister for Treasury and Resources:

Obviously we look historically for starters and, in the last 20 years, we have averaged a return of 6 per cent on our funds. I think, Simon, we touched on this where it differs from an endowment policy and how that was ...

Director, Treasury and Investment Manager:

You will not be surprised that we have asked our investment advisers to do quite a lot of modelling on this.

The Deputy of St. Mary:

I am pleased to hear it, yes.

Director, Treasury and Investment Manager:

Yes. I think there are 2 risks here. There is the short-term risk that once we have raised the debt there is, potentially, a market downturn before we have spent all the money on the hospital project. But we are applying a specifically defensive strategy to that portion of the monies to ensure that the capital element is protected as much as possible. Then you have got the long-term risks that I think

you have just alluded to, is that the investment returns do not achieve the excellent returns that we have received in the past.

[10:30]

What we asked our advisers to do was to model that scenario and they believe that even in what you would call a stress scenario where the investment returns are lower than forecast, there is a probability of at least 75 per cent of not only repaying the debt but of the Strategic Reserve growing to a level of 30 per cent of Q.V.A. (quarterly variable allowance) or G.D.P., which is something that the Fiscal Policy Panel are quite keen on us to achieve over time; that is by 2050. If you look at 2060 they believe there is an 87 per cent probability of achieving both of those scenarios. I think it is also fair to say that we do not just invest these monies and leave them there. The Minister has an independent Treasury Advisory Panel which is reviewing performance quarterly and that on a multi-annual basis we stress-test the portfolio for shock events to understand how it might react and not only that we would change the investment strategy to react to those events and to ensure that we do achieve the objectives that we want to.

The Deputy of St. Mary:

As a matter of interest, will you, effectively, hypothecate a certain portion of the rainy day fund to match the borrowing, as to which different investment criteria will apply to maybe reduce the risk?

Director, Treasury and Investment Manager:

We certainly will in the short term because we know that when we raise the borrowing there is a budget that needs to be met for hospital construction. We would tend to look at the reserve as a whole once the project has been completed and it will be the returns on the reserve as a whole that are applied to service the cost of the borrowing and, ultimately, grow to repay that debt when it matures.

The Deputy of St. Mary:

Okay, thank you.

The Connétable of St. Brelade:

Can I just pick up on a previous comment? You referred to bond investors, the question is who are they?

Director, Treasury and Investment Manager:

Long-term bond investors tend to be people with long-term liabilities like pension funds and people like that. We would not name them in a public forum but we are aware of who the original investors

were in our first bond. But you would tend to see them as the same counterparties, so it will be public sector pension funds; sometimes other sovereign wealth funds ironically as well.

The Connétable of St. Brelade:

I suppose leading on from that, I am aware that the Treasury did not have much appetite for issuing local bonds, is that still the case?

Assistant Minister for Treasury and Resources:

It is still the case. The reason for that is that we would probably have to make it ... generally community bonds do not have a 30, 40-year tenure; they just do not. They are 6 to 7 years which, again, comes back to what I was saying; if the interest rates move you would issue at 1.5 per cent and you would then have to pay 4 per cent when you have refinanced it after 7 years or possibly could, so you are running a bigger risk. Also, generally with community bonds you have to pay a bigger coupon to attract people. There is no point in paying them what they can get elsewhere. You often see a community bond will be issued in a place where they cannot go to get normal financing, so they will try and get the community to put into that. It is a slightly different animal. Because I did ask this and I have got quite a lot of answers. The other thing of course is if you are raising a sum of money of this ilk, and I certainly would not want to go down this route, but let us say you said instead of 1.5 per cent, we will make it 2 per cent to make it really interesting for the community. Unless you come out and say £1 million is the minimum you can purchase on this, which would then just take it into the realms of the very wealthy in Jersey who could buy it up and get 2 per cent. If you put Auntie Ethel and Uncle George in at, say, £500 per time, the administration that revolves around issuing that sort of bond, the K.Y.C. (know your customer) that would go in through it, you would have to farm it out, so there would be a huge cost that would go with it as well. It just does not add up really as a feasible option but Simon might want to just add a little more to that.

Director, Treasury and Investment Manager:

No, I think that is right. A community bond for the right project, I think it would be fair to say that Treasury would consider that. We just do not feel it is the right solution for the hospital project, given the quantum and the size of it.

Deputy I. Gardiner:

To summarise, we discussed several things, in your view what are the risks associated with these funding solutions? Short term, medium term, long term, what are the risks that you identified?

Assistant Minister for Treasury and Resources:

I think, Simon, and you can just reiterate it, there is a short-term risk while we hold the money for the hospital until it is released and then there are long-term risks that we feel are on the minimum

side and can be managed ... on the long-term risk of the fund not performing as well as it did but, Simon, you might want to just recap on that.

Director, Treasury and Investment Manager:

I think in the very short term the current risk we are running is that the Assembly has not approved the proposition. There could be market movement, particularly interest-rate movement between now and when we are able to go to market. Generally economic forecasts suggest that risk is relatively low and, as the Assistant Minister alluded to yesterday, we saw the Isle of Man issue a bond which was in the range that we would expect to issue at if we were issuing tomorrow. To compensate for that we have forecast in the report accompanying the proposition anticipated interest rate for this bond, which is probably in the region of 2.5 per cent. There is some headroom there in terms of the ability to repay, so that would be the very short-term risk. We do not foresee any risk to issuance itself and I think that is borne out by the Isle of Man going to market yesterday. Their bond was significantly oversubscribed and we would expect the same position when we come to market. It has been 8 years since we have issued any debt and investors will be keen to invest with us. I think we then come to the investment returns on the reserve, which I have touched on a little bit already. The short-term risk that we need to ensure that the defensive strategy employed maintains the monies to cover the cost of the hospital and then over the long term that the investment returns are sufficient to cover the financing costs and, secondly, sufficient to repay the borrowing. That, as I said, is not just something that we leave, it is monitored quarterly by the Treasury Advisory Panel and we do a significant amount of stress-testing over the term. Given that it is long-dated debt, we have a lot of opportunities to change the direction of travel. One important point to note around the bond issuances, if that is the route we go down, the cost is fixed for the full life so we know exactly what we are facing in terms of commitments on the interest cost and that will allow us to react on the other side of the balance sheet if we feel that we are not able to meet those costs.

Deputy I. Gardiner:

Thank you. But what contingencies were considered in case that P.80 will not be adopted by the Assembly?

Member, Our Hospital Political Oversight Group:

We put the project at risk.

Deputy I. Gardiner:

No, it is the question, it is not that you are put in a position and it is default, yes, so there should be contingencies in place if the Assembly would not adopt it.

Director, Treasury and Investment Manager:

Sorry, is it a question about the financing of ...

Senator K.L. Moore:

It is a question to the Assistant Minister for Treasury and Resources, what is their plan B if the Assembly rejects their proposition?

Assistant Minister for Treasury and Resources:

I think Deputy Huelin summed it up, I think we will put the whole project at risk. If we cannot finance the project the project cannot go ahead. It is as simple as that. This is the method we are putting forward, I feel it makes perfect sense. If people felt we should liquidate our whole Strategic Reserve and put it in, well fair enough but I cannot see that anybody in their right mind would really want to do that. We are putting forward what I think is ... bearing in mind we are not looking now at whether this is the right place for the hospital, the size for the hospital, whatever. We, as a Treasury team, have been asked to find a funding solution for it and that is really what I am being asked. This is our funding solution and if the Assembly reject it, it will put the project at risk, yes, and it is as simple as that.

Treasurer of the States:

If the Assembly agrees a budget but then does not agree the financing, the project cannot commence until an alternate plan for financing proceeds. Because that would overdraw the Consolidated Fund and that is at the cornerstone of public finances. You cannot overdraw the Consolidated Fund and, therefore, the project will be on hold until such a time as an alternate financing strategy is agreed by the Assembly. It just would not be able to proceed, other than without some small sums to see some further work undertaken because the forecast on the Consolidated Fund arising from the amendment to the Government Plan that it constitutes would leave the Consolidated Fund overdrawn. There would need to be an alternative, you cannot just approve the budget.

Senator K.L. Moore:

Now is probably a good time to refer you all back, which I am sure you have mentioned, Assistant Minister for Treasury and Resources, that you have done a considerable amount of reading around the subject and looked at past papers. I am sure you have looked at the previous Corporate Services Panel's report about the hospital funding strategy in 2017 and that panel found that the costings, the budget at that time was £392 million, which the Government were proposing to go to the market and issue the bond to pay that in full. If we could read, just to jog your memory, an excerpt from the chair's foreword and the chair of course is now the current Chief Minister. He said at that time in relation to £392 million borrowing: "States Members need to be completely comfortable with the inherent risks associated with the type and level of borrowing that is being proposed by Treasury.

If, however, like this panel, States Members consider that a more prudent and risk-averse funding approach needs to be taken at this moment in time, then the panel's amendment should be supported." The amendment was to use the Strategic Reserve and to simply make repayments to return the Strategic Reserve to its original state at the end of the repayment period. The then chair ended his foreword by saying: "This is, ultimately, a political decision, one which have repercussions on many generations to come." In that context and with that political view, which is of course now in Government, and you are both Members of the same party as the author of that foreword, what has changed in that time period since 2017 to give yourselves a very different political oversight of this particular project now at a completely different cost?

Assistant Minister for Treasury and Resources:

Okay. Firstly, I was not involved in that decision at all then, I was not even in the Assembly, so I can probably talk from a fresh perspective. I think it would be fair to say that the whole world has changed considerably since 2017 as to how you would view funding and anything else going forward now.

Senator K.L. Moore:

There is even more risk. He mentioned then the risk of Brexit to the economy and now we have got not only the impact that we are experiencing from Brexit but also COVID as well.

Assistant Minister for Treasury and Resources:

Yes. I do not see that there is more risk as far as what we are doing here. I think we are probably de-risking. If you are asking me why I would not personally and, as I say, I cannot speak for the now Chief Minister and I would not intend to but for me personally I think this is by far the best solution. I think 100 per cent is probably pushing it but let us say 95 per cent of me thinks it is the best solution. If I think that, why would I decide that I will go 50 per cent with the wrong solution; I will do the wrong thing for 50 per cent of it? It is just wrong. I feel this is the way that I wish to go and so does the Minister for Treasury and Resources. If you wish to ask on other forums the Chief Minister where he wishes to go, I do not know but this is where we, as a Treasury team now, feel. I do not know if the Treasury officials would like to say anything to that but ...

Senator K.L. Moore:

I think it is purely a political matter and we found it very interesting, given the obvious political allegiances. Therefore, we assumed that the political view would be shared on such a key issue.

Assistant Minister for Treasury and Resources:

I will address that; that is fine. We are a likewise or have shared many political views. We are not a party until the next election, which we have made quite clear. We still act as independents because that is what we were elected as. I am viewing this from a Treasury angle and having discussed

things with the political oversight group and with the Minister for Treasury and Resources and the officials, this is the right way that we feel to go. What people thought in 2017 or even before that when they were going to fund the People's Park is not for me to decide why they had that viewpoint; this is my viewpoint here.

[10:45]

Senator K.L. Moore:

It is all part of how we have got to where we are today. If we could move on now, thank you.

Member, Our Hospital Political Oversight Group:

Can I just make one comment?

Senator K.L. Moore:

No, we are now pushed for time and I would like to move on. We have received some very long answers to our questions today, which has consumed a lot of time. We were talking about the mitigation of risks and various risks. Another risk could be the potential for G.D.P. to decline for one reason or another, a change of economic circumstances, which would of course then increase that debt to G.D.P. and the directive was previously talking about the F.P.P.'s (Fiscal Policy Panel's) advice that we should get back to 30 per cent debt to G.D.P. and this project will of course take us to about 40 per cent, just under. If G.D.P. were to decline and the debt remained the same, obviously we would be going in the wrong direction in that way. What mitigation is in place for dealing with that circumstance?

Assistant Minister for Treasury and Resources:

Are you looking at it from a credit rating angle or are you looking at it for paying the debt?

Senator K.L. Moore:

The G.D.P., if G.D.P. were to decline, therefore, there were some economic circumstances, say, a particular decline in business, which is one of the risks that we do face as an Island from year to year.

Assistant Minister for Treasury and Resources:

It is. There is always a risk that the Island faces from year to year and partly because we are incredibly dependent on one industry, I think, and we would all acknowledge that. The main thing that I am looking at in this is our ability to repay the debt, and we have got a fund to debt that is independently funded in various ways around and I do not see that ... particularly what happens to Jersey, unless we suddenly have to use a whole load of reserves in some way, it is going to affect

the performance of our Strategic Reserve fund because it is not just Jersey specific, it is invested, I would imagine, all over the world, is it not?

Director, Treasury and Investment Manager:

Yes. I think I would maybe point the panel towards the debt framework, which was published alongside our hospital proposition, which includes the Minister for Treasury and Resources' debt strategy. Within that framework there are a number of metrics for monitoring the Government's balance sheet debt to G.D.P. is one of them, liquid assets to G.D.P. repayments, the ability to repay income in the credit rating. That, again, is a proactive strategy which the Minister has committed to reissuing on an annual basis in the same way that she does the investment strategy. If we start to see those metrics worsen, then the Minister can take advice to understand how she might best react to that. It might be that other solutions need to be found other than the issuance or that might be the point at which you say, for example, our reserves have continued to grow significantly and we may look to repay some of the debt early to ensure that we are maintaining those metrics within the boundaries that we originally set out.

Senator K.L. Moore:

Thank you.

Director, Treasury and Investment Manager:

I think there is a lot of flexibility there, Chair.

Senator K.L. Moore:

Thank you. Okay. Has any comparison work been done as to the risk to government finances of halting the project, as we previously mentioned is a possibility, with the current spend of over £61 million versus committing to the borrowing of £756 million?

Treasurer of the States:

Sorry, can you repeat the question?

Senator K.L. Moore:

What comparison work has been done to look at or consider even the risks to those 2, essentially writing off what has been spent on the project to date, which I think since the election has been about £50 million when we include the compulsory purchase?

Treasurer of the States:

We have not spent time contemplating, because we are under the direction of the political oversight group, that we are stopping the project. We know what the cost write-up would be and by that time

would be the quantum of ... well, spent to date would be £50 million but a degree of that would have been on land acquisitions, for example, so the majority of that cost would not be regressive from that perspective. There will be alternative use or selling of those properties. This is the issue we have had on each of the last 2 times we have been to the Assembly, that at the end of the day if the Assembly were to reject then there would be some cost that would have to be written off and declared as such in the accounts. We know what that cost would be at this point and we would know roughly the forecast of where those points would be at other key milestones, such as planning permission and the like. We know it from that perspective. I think it might be slightly back to your previous question on strategy and mitigation of risk. We have looked at the alternatives and it also, I think ... but I will leave him to answer, as I am sure you will ask him at some point, the previous chair's view on debt, is that we have been through the pandemic. We do understand more readily the impact upon risk that arise from these events. We have seen what happened immediately at the point of pandemic on our reserves and indeed we had done a matter of weeks or months before some of that stress-testing that pointed to those impacts. My position would be that if you use your reserves to pay for this you leave yourself in a riskier position to deal with future risks, in that once your reserves are gone they have gone. At that point in time you may find it harder to borrow because circumstances have changed and you have lower reserves. Borrowing now, and it is consistent with my advice previously, was the right way around you borrow, and indeed borrowing costs have reduced from the previous hospital version. If you borrow now you leave yourself the maximum flexibility to deal with some of those issues down the track. Then I have gone back to a previous question today to answer that current question.

Assistant Minister for Treasury and Resources:

Could I just add also on when we look at budget, if we do not go ahead with this it has generally been suggested to us as a political oversight group that the cost of keeping the current hospital open from 2026 will be £50 million, and that is just to keep it in the current state it is in? That would be a budgetary consideration going down the line if we had not got it because we would have to find that just to keep it open. I think that is a point worth considering.

The Connétable of St. John:

I take your points but can I ask about why a blended solution has not been considered or has a blended solution been considered?

Treasurer of the States:

I cannot answer that politically, I can answer that from a Treasury perspective. We have sat down with the Treasury Advisory Panel and reconfirmed our view that we propose borrowing, given the current cost but also given the ability that gives us to manage future risks; that has not changed ...

The Connétable of St. John:

Okay, so I will ask the Assistant Minister from a political view.

Treasurer of the States:

Sorry, I thought you were looking at me, I am sorry.

The Connétable of St. John:

Has a blended option been considered?

Assistant Minister for Treasury and Resources:

Yes, as I said at the beginning, we considered everything. We considered community bonds, we even looked at asset-backed paper. We looked at the blended solutions. But in the end we came down to this, is by some distance was considered our best solution. That is why I would not want to water down what I feel is the best solution and ever since we ...

The Connétable of St. John:

This was one of the options using part of the sale funds from J.T. (Jersey Telecom), for example, considered.

Assistant Minister for Treasury and Resources:

No, it was not, no.

The Connétable of St. John:

Is it something you would consider?

Assistant Minister for Treasury and Resources:

Not particularly, no.

Member, Our Hospital Political Oversight Group:

We have an opportunity for all time low to borrow this money and I know you cannot compare coupons with interest rates but interest rates are a metric 0.1 per cent. I am not sure where we were in 2017 but I think we were probably 0.5 per cent to 0.75 per cent with the last iteration of this. I know that for Andium we paid 3.75 per cent when interest rates were at 0.5 per cent. We have this absolute golden opportunity, best advice is, as it is so cheap for this money and the money is guaranteed for 40 years, it just makes sense to take the opportunity of it and to do it urgently. We have seen with the Isle of Man what they secured yesterday, and while I believe indications are that it is not going to change in the short term, I think it is fair to assume that interest rates will go up in the long term and we have to take advantage of that today; that is my view.

The Connétable of St. John:

Okay. What about consideration about the value of the current hospital site? Has any consideration been given to utilising some of that towards the funding?

Assistant Minister for Treasury and Resources:

That is a great question, it really is a great question. The trouble with the value of the current hospital site is what the current Constable of St. Helier would wish to do with it or, taking it a step further, what he will want the States Assembly to vote to do with it. If we were to sell it for housing, for instance, it will have quite a substantial value, particularly if you used some of the granite buildings for community civic centres it would have a lot of value. If it was, however, just to become a park linking up with the current park it would not have very much value at all. It is an impossible one for us to take into consideration now. But I think if we were to build there, yes, obviously that would reduce some of our overall costs.

Member, Our Hospital Political Oversight Group:

It is discussed, a park, but it is difficult to pin a number because of all the different options that it could be used for, which, again, would most likely be a States decision. I think it would be irresponsible to base it on, say, 15-foot office buildings, for sake of argument. The general trend is to have more green spaces and community spaces in St. Helier, so that is why we have held back on trying to put any value to that.

The Connétable of St. Brelade:

Is there an option for early repayment on the proposals you have on the table? I know you have not got there yet but do you anticipate that?

Director, Treasury and Investment Manager:

Normally investors would want to receive their return for the full life of the bond. Where that might change is if interest rates should rise because they could clearly achieve a better return elsewhere. Often when interest rates rise bond prices fall and there may be an opportunity for us to buy back the debt more cheaply than we issued it at in the first place. It will not necessarily be an in-built function of the bond issuance but it may be a function of market movements.

The Connétable of St. Brelade:

Thanks. Jersey's only credible sources to repay debt remain investment performance and tax generation, what modelling has been done to assess the potential impact for future corporate and personal taxpayers should investment performance fail to meet expectation? Who is best to answer that?

Assistant Minister for Treasury and Resources:

There was a time when obviously we did look at: could we fund this fire taxation? It is looked at. I do not think it is a very popular route. It is not something we seriously looked at because, as I said, I think we have got a great solution for it, so we did not. But if you want to look at certain things such as G.S.T. (goods and services tax), I think at the last look at and the Treasurer will probably ... I think it brings in about £90 million a year on those lines. If we were to double that, well let us give or take, could not quite double it but let us say it is £80 million, so that will give you £80 million a year to fund things with. But there is no way, I think, we would want to be doubling G.S.T. and putting a bigger tax burden. Prices, let us face it, on the Island are high enough at the moment without adding, firstly, higher prices and the inflationary factors that go with it or, secondly, putting tax burden on the Island. Because I think generally, I am sure you would agree, that we want to as much as possible remain a low tax jurisdiction. We do not want to put any more taxes in place if at all avoidable.

The Connétable of St. Brelade:

This is the point but I think there is a public apprehension that when we talk about these levels of borrowing it will hit them in the pocket ...

Assistant Minister for Treasury and Resources:

Yes, that is why we are trying to do it this way, so we will not be hitting anybody in the pocket whatsoever. It will be funded via the Strategic Reserve.

The Connétable of St. Brelade:

But that framework outlines the Government's aims to maintain an investment grading of a BBB or above on the S. and P. (Standard and Poor's) global credit ratings. What is the anticipated impact of dropping to this level from the current AA? You mentioned earlier that you did not think there would be a drop.

Director, Treasury and Investment Manager:

Yes, I did touch on that earlier, did I not?

The Connétable of St. Brelade:

Do you think that we ought to stay within the BBB/AA level?

Director, Treasury and Investment Manager:

Significantly higher would be my short answer to that for the chair.

The Connétable of St. Brelade:

That is what we want to hear, okay.

Deputy I. Gardiner:

I would like to connect between our previous set of questions about how confident you are with the outline business case and the costs and the funding mechanism. We had a submission which analysed in detail historic cost of hospital construction throughout the U.K., which compared various options. Obviously we will not go to the U.K. north or U.K. central, we are looking to the London general hospital highest number base. When we look into the numbers and when the submission added 12.5 per cent of Jersey weighting, plus added potential inflation from June 2021 until December 2026 they added an extra 20 per cent for the building cost in central London.

[11:00]

To the number that I am going to quote now - and it is from the original submission - was added 32.5 per cent to include Jersey premium and possible inflation, the cost had gone up to £5,608.20. If you do a simple calculation that our hospital will be approximately 70,000 square metres - I am going on rough numbers - we will work out that the hospital should cost £392,574. We are talking about central London per square metre, adding Jersey premium, adding inflation and we are coming to this number. What has happened with the Jersey calculation, how our numbers doubled compared to central London?

Treasurer of the States:

I am just going to say this briefly. We had an awful lot of this during the previous version of the hospital. I cannot comment on figures that you are quoting me that I have not got the paperwork.

Senator K.L. Moore:

It is quite simple. I would imagine that you would be looking at our submissions, as we do. But it is also we can share this with you to ensure that ...

Treasurer of the States:

If you can share it with us, then we can give you the answer, yes.

Senator K.L. Moore:

But earlier on the Assistant Minister talked about the cost per square metre and I think you gave us a figure of £6,200 per square metre.

Assistant Minister for Treasury and Resources:

If you want the answer to the question, Rowland has it.

Member, Our Hospital Political Oversight Group:

I believe previously Scrutiny have accepted the fact that the hospital should cost, in general, between £5,500 and £6,500 per square metre generic I think. We are running out at £6,150, something like that currently maybe, maybe a point or 2 over.

Senator K.L. Moore:

Yes, so the question is ...

Member, Our Hospital Political Oversight Group:

This is the question: firstly, are we comparing like for like? I ask the question all the time, anybody who wants to compare those metres, have they read in detail the business case of the other hospitals? The answer is we have not. The reason we have not is because they are not in the public domain, they are not available. You are then in the realms of making it up. What is exactly the cost of the actual build? What is the cost of kitting out? What is the cost of the stuff that goes around it? What is the cost of advisory fees that go with it? These are all unknown in other projects, we do not know, we ...

Deputy I. Gardiner:

But this is coming back to the question, how is it possible that the central London based - not regional because the regional is a bit of a low number - will cost half? Regarding this business, if you are looking into the business case we need to understand that it should all be included but our advisers ...

Member, Our Hospital Political Oversight Group:

Our cost consultants, who are all over this and we have a lot of time for them, they assure us with the understanding and the knowledge they have of comparable projects that we are in line with acceptable parameters, including the Jersey factor. They are looking at hospitals, U.K. and abroad, to work out whether it is fair. They are assuring us that the price per metre is acceptable and that is where we are taking our advice from those experts, as opposed to taking stuff, effectively, off the internet and just saying: "There is a square foot, there is a bedroom, let us make a comparison." That is not a true comparison, so we must stick to the evidence and the facts that are at our disposal.

Senator K.L. Moore:

With all due respect, firstly, we would ask that your cost consultants attend a meeting with us and can provide us with some of their workings out. Our advisers are also experts in their field and working on a current project, so they have up to date ...

Member, Our Hospital Political Oversight Group:

Advisers to a submission is a very different thing.

Senator K.L. Moore:

Sorry, could you not interrupt, please? They are working on a current project of some magnitude. But this person or this group of people who have made a submission have done some considerable working out, based on some recent projects and they also themselves, as there are many people on this Island, have considerable experience in a wide variety of different industries. They hold themselves considerable experience in this particular industry. Therefore, they have generously worked out some costs per square metre and after, as the Deputy has described, adding 12.5 per cent for Jersey weighting and adding a potential inflation cost of 20 per cent, worked out that a central London general hospital could be costing £5,600 per square metre. This morning you have indicated that we are looking at about £6,200 per square metre. That differential of £600 over 69,000 square metres is equivalent to £41.4 million, so it is a massive sum of money that it is important we understand correctly. Because, as we say, the information and evidence that we can see coming before us does not corroborate with that which your cost consultants are assuring you. Therefore, it would be helpful if we could have access to them or at least a breakdown of that advice so that our advisers could properly interrogate it.

Member, Our Hospital Political Oversight Group:

That is a very fair way forward.

Senator K.L. Moore:

Thank you.

Assistant Minister for Treasury and Resources:

I will try to do that before we close because I think we have probably had an hour and a half ...

Senator K.L. Moore:

We are into a bit of injury time because I know you like your football analogies ...

Assistant Minister for Treasury and Resources:

I do like football analogies but I know that a couple of these people have ...

Senator K.L. Moore:

... or the very lengthy responses that we have received. I have also a further question, if I may, on this topic.

Assistant Minister for Treasury and Resources:

If I could just say while you are on this subject, if I may because I know that you did cut the Deputy short and you then ...

Senator K.L. Moore:

But it is our job to ask the questions.

Assistant Minister for Treasury and Resources:

... made quite a long speech yourself. If I could just say on the subject of cost, we had before all this happened when we ditched Gloucester Street, we had people saying: "No, we could get a French company to build it for £100 million." What? That French company turned out not to exist at all. It turned out to be a group of architects so they could design it for £100 million. We went to France, we tried to find this company. They just did not exist, they were not even there. We went out throughout Europe to find the best people to come and build this. The amount of people we got were less than we had hoped but that was the way we went. We then had a letter in the *J.E.P.*, possibly from your excellent sources, saying that Papworth Hospital was built for half the price. When I looked into it Papworth Hospital was half the size, which is why it is half the price. Another hospital we were put forward to, which was built in the U.K. for way less, happens to just be the children's hospital. We are going to have geriatric care, we are going to have mental care, we are going to have the whole lot in there. It is a very different thing, you cannot compare apples with pears, which is what at times people have been trying to do. I just want to put that out there, that it is very important to get the facts right.

Deputy I. Gardiner:

But it would be very helpful if you can provide the details of how your consultants go up to £6,200.

Assistant Minister for Treasury and Resources:

As I said, we will try to do that for you.

Member, Our Hospital Political Oversight Group:

Your consultants and our counsel is parallel conversations and that would be valuable.

Assistant Minister for Treasury and Resources:

We are not deliberately looking to pay more than that, please believe me. We are trying to keep this as ...

The Connétable of St. John:

I think we do have comparisons, if you look at what is the normal margin in the construction industry I think you will find that 8 per cent, that is according to our figures, is incredibly high, so that is another area perhaps you could look at.

Assistant Minister for Treasury and Resources:

Yes.

Member, Our Hospital Political Oversight Group:

That would be a valuable exercise.

The Connétable of St. John:

I think there is around £30 million additional profit that you are proposing to ...

Assistant Minister for Treasury and Resources:

One of the problems comparing the U.K. to here, which I am sure you will understand, is that the N.H.S. is a massive network. Each hospital does not have to provide the same facilities because you can go to other places, which we cannot do.

The Connétable of St. John:

Construction is construction.

Assistant Minister for Treasury and Resources:

Construction is but it has different things in it, plus a lot of our costs ... as we said, including building the car park, are they building a car park for the hospital that you have got there if we are not? There are a lot of different things that have to be factored into costs.

Senator K.L. Moore:

But I think the Constable's question is pretty direct. I think generally profit margins in the construction industry are around 3 per cent.

Deputy I. Gardiner:

It is 3.5 per cent.

Senator K.L. Moore:

Is 3.5 per cent but you have factored in a cost of 8 per cent profit margin. We are interested to understand why you have accepted that, so you do not have an answer.

Assistant Minister for Treasury and Resources:

I do not have an answer, no.

Senator K.L. Moore:

But that is okay. Have you looked to Guernsey where they recently built a new wing to the hospital, it did not have any theatres in it but they built a new wing? I think it was about a 164-bed wing, so it was proper hospital storeys to cope with the medical requirements and that cost £29.5 million 8 years ago. But they are also at the moment looking to extend their hospital. The question is: are we in discussions with our sister island as to how we may be able to generate some efficiencies by working together or learning?

Assistant Minister for Treasury and Resources:

No, because they are doing a wing there, they did it 8 years ago. Ours is a completely new-build hospital, a great facility for this Island, a massive facility going forward. As I said, if we want to keep patching this one up we can do so. It is not fit for purpose as it is. From 2026 it will cost £50 million a year just to keep it in the state it is in. We are building something for people going forward on the Island for the next 40 years. We can go all the way back again, have another look at the builders, see if we can get someone else, see if we can get another site, add another £50 million or £60 million worth of costs to plan it but we have said no. We said no right from the beginning. Rowland said we said the number one risk, and I cannot remember what you said.

Member, Our Hospital Political Oversight Group:

Planning.

Assistant Minister for Treasury and Resources:

Planning. I said the number one risk was the Assembly. I said it at the time and I say it now. The number one risk is if we go back to the Assembly and they go: "No, we are not going to do this." Because it has happened twice before, it has cost the Island a fortune and it is time now we say we have got to get on with this. We have got to build it before it goes to £1.5 billion or whatever the next incantation will be. What Guernsey did 8 years ago, tagging a wing on to the end of the hospital, really is not of any great concern of mine.

Senator K.L. Moore:

I think we have talked and asked about restraint of cost and budget at considerable length. But I think the example is quite useful in terms of if you were minded, as politicians, to take a political view with regard the funding envelope and the affordability of the project, particularly in light of considerable public opinion that the funding envelope is currently set too high, then it is a useful example because it shows what can be delivered if restraint is imposed and alternatives are looked at. Perhaps I am giving you too much advice here but perhaps where you have failed to gain public

acceptance is in your explanations of why we need to have this particular solution to the problem, which is, as we have heard it previously, so very different to the projects of the past.

Assistant Minister for Treasury and Resources:

There was also an understanding when we did this that there was no ... when you say you have got considerable public disquiet, yes, sure we probably have. If we had built in People's Park we would have had loads of people, and Senator Gorst raised this point when we had the debate, there would be loads of people saying we should put it in Overdale. Now we have put it in Overdale people say Warwick Farm. I met someone the other day and said there is a much better site, St. Saviour's Hospital. The same sites are going round and round. Whatever we had chosen was going to be unpopular. There have been things done in this Island before, and I pointed that out in the Assembly and it is worth pointing out again, though equally unpopular. In the 1950s they paraded a coffin across that square out there with the name of a States Member on it because he wanted to introduce old-age pensions. They had a demonstration against it, public opinion. They had 20,000 people sign a petition for flooding Queen's Valley against it; that was in the days when you just did not click a button either, you have to get a signature. Where would we be if people had not had the courage to say, no, we are going to do these things? We badly need to do them, they have to be in place. G.S.T., we would not be sitting here if people had not had the courage at the time to push through the G.S.T., which was again hugely unpopular, we would not be sitting here discussing this funding option because we would not have a Strategic Reserve of £1.1 billion standing there. It was people had the courage to do it. When we sat down with this part we said we are going to take some courage here because if we do not we are just going to get battered, which we have been. We expected it, it has come our way; that goes with the territory. But we now need everybody to show the same courage to get this project done and get it over the line and that is where I stand on it.

Deputy I. Gardiner:

I think you are absolutely right. We do need the courage to make really a decision and we do need a hospital and we are not discussing if it is Warwick Farm or Overdale. The only discussion is here, that the budget envelope jumped from £400 million to £800 million, £450 million, whatever. I have not been in the States when the decision was to stop going forward with the Gloucester Street. But from what I remember - because that was during my election campaign - that the main argument was that it will be cheaper. The discussion here, it is not about if we need the hospital, it is not about if we need to move from Overdale, we need to, and have several questions, if the cost was calculated correct and the funding is correct. This is where the debate is going, not about the hospital and courage to build the hospital. We all would like to have the hospital.

Member, Our Hospital Political Oversight Group:

Can I make one observation?

[11:15]

About March 2018, so prior to the election and when version 2 of Gloucester Street was still in its pomp, there was a headline in the *J.E.P.*: “Mental health to go on Overdale for £45 million” and that was back of a fag packet obviously at that particular time. What we have learned quite clearly and this is so important, is health is health and the decision to bring mental health and shall we call it physical health for the point of this discussion, bringing it together has been clinically proven to be the right thing to do and it has been proven for the care, and I can go into it because it is really important but I will not? The fact is we are bringing this discipline together. Mental health would not have fitted on Gloucester Street at all because of the size that is required. The clinical benefits of having 2 together would not have been realised. The taking away of some of the replication, duplication of services having 2 sites have been eliminated; that is one of the examples. Having the offices in one co-location, the benefit of having offices in one location, it is not because it is easy for the admin staff to move across, as I have said, it is because they can be changed in the result of an ... hopefully we do not have another pandemic but they can be expanded and changed to be wards. They can be used for clinical reasons and not administrative reasons; that has been factored into the build.

Senator K.L. Moore:

With respect, Deputy ...

Member, Our Hospital Political Oversight Group:

We have also got, on top of that, we are bringing catering back into it. That was a mistake, proven to be a mistake by the current clinical experts that say food should be cooked on site for the health of people.

Deputy I. Gardiner:

We need to see the clinical minutes.

Member, Our Hospital Political Oversight Group:

All these things have been brought together, that is why the cost has gone up because we are not building the same thing. We are not building just one hospital, as the previous specification for Gloucester Street. It is a very different thing. It is accounts principle and that is why it is more. But the savings and the operational benefits and the clinical benefits for this Island will be well and truly returned to this Island.

Senator K.L. Moore:

On what basis?

Member, Our Hospital Political Oversight Group:

Because if you have mental health separated from physical health, do you want me to go into it? I think probably not.

Senator K.L. Moore:

No, I was asking you about your final comment there about the returns to the Island. I was ...

Member, Our Hospital Political Oversight Group:

With clinical benefits is what I would say, that is my cue.

Senator K.L. Moore:

Yes, the clinical benefits.

Member, Our Hospital Political Oversight Group:

The clinical benefits of having everything together and not having the replication of the services, having it all in one area, that is what that meant.

Senator K.L. Moore:

But we are straying and we probably have used up our injury time.

Member, Our Hospital Political Oversight Group:

Sorry, I apologise for straying, it is such an important thing.

Senator K.L. Moore:

But I am interested though to understand how you consider, given that now as the project stands, mental health is a separate unit, it is not integrated into the hospital building, as was previously suggested it would be when we were told ...

Member, Our Hospital Political Oversight Group:

It is continuous.

Senator K.L. Moore:

... that mental health equalled physical health. I would like to understand ...

Member, Our Hospital Political Oversight Group:

It is continuous, that is why, it is continuous. What is explained to me ...

Senator K.L. Moore:

Okay, no, that is fine. Also, the admin area being built in with sort of flexibility ...

Member, Our Hospital Political Oversight Group:

Correct.

Senator K.L. Moore:

... means that it is also being built at very high cost because, as we have heard, £6,200 per square metre or thereabouts because hospital construction has to be much more technical and, therefore, more expensive than say your average office building, therefore ...

Member, Our Hospital Political Oversight Group:

Yes, one and a half times higher because of all the piping, the ducting that has to go in them, absolutely.

Senator K.L. Moore:

Indeed, yes. Despite your claim that it may offer some additional flexibility at some point in time, it is also an exceedingly expensive way to build an administration area.

Member, Our Hospital Political Oversight Group:

Also, as part of the flexibility and the robustness of the hospital going forward.

Senator K.L. Moore:

Thank you. Okay, shall we leave it there?

Member, Our Hospital Political Oversight Group:

Yes.

Senator K.L. Moore:

We have used up our injury time, as I have said. Thank you all for your time.

Assistant Minister for Treasury and Resources:

Thank you.

Senator K.L. Moore:

Those who have watched I hope they have found it an enjoyable and interesting exercise. We have certainly covered a lot of ground today and with that I close the hearing.

[11:19]