

STATES OF JERSEY



FUTURE HOSPITAL: APPROVAL OF PREFERRED SCHEME AND FUNDING (P.107/2017) – AMENDMENT (P.107/2017 Amd.) – SECOND AMENDMENT

**Lodged au Greffe on 11th December 2017
by the Minister for Treasury and Resources**

STATES GREFFE

FUTURE HOSPITAL: APPROVAL OF PREFERRED SCHEME AND FUNDING
(P.107/2017) – AMENDMENT (P.107/2017 Amd.) – SECOND AMENDMENT

1 PAGE 2, AMENDMENT 1 –

For the words “£392 million”, substitute the words “396 million”; for the words “£74 million”, substitute the words “£70 million”; and delete the words “(as agreed with the Corporate Services Scrutiny Panel)”.

2 PAGE 2, AMENDMENT 2 –

Delete Amendment 2.

3 PAGE 2, AMENDMENT 3 –

For the words “£74 million”, substitute the words “£70 million”; and for the words “presentation by the Minister for Treasury and Resources of a document to the States setting out the proposed expenditure, at least 21 working days before any payment is made”, substitute the words “requirements set out in the Financial Direction issued by the Treasurer of the States under Article 34 of the Public Finances (Jersey) Law 2005”.

4 PAGE 2, AMENDMENT 5 –

For the inserted new paragraph (g), substitute the following –

“(g) if the forecast spend arising from the effects of any recommendations made by the Planning Inspector considering the planning application for the new Hospital result in the project’s capital expenditure budget exceeding £466 million, the project will be placed on hold, and the Council of Ministers shall be required to bring a proposition and report to the States in order for the project to be resumed.”.

MINISTER FOR TREASURY AND RESOURCES

REPORT

This amendment to the Connétable of St. John's amendment is being lodged as a result of a meeting held between the Connétable and the Minister for Treasury and Resources. That meeting was held in order to understand the intentions of the Connétable in making this amendment.

The changes made reflect the Connétable's wishes to strengthen further the governance around the project not currently included in the proposition and report, whilst allowing the recognised necessity to progress this project and to provide the funding required to enable that to happen.

The proposition and report ([P.107/2017](#)) provided an update to the main project and contingency sums as calculated to date. Contingency is no longer £74 million, that was the number "agreed with the Corporate Services Scrutiny Panel" when the funding strategy was lodged in November 2016. The number is now £70 million as per the proposition and report discussed at the last meeting with the Hospital Review Panel.

Since 2016, a "preferred scheme" has been developed, and it has re-allocated funding within the project. £3.3 million of that change can be attributed to the inclusion of the cost of adding 2 decks to Patriotic Street Car Park, in answer to the challenges from Scrutiny around costs not included in the £466 million.

Part 2 of the amendment needs to be withdrawn, otherwise the spending envelope from the Strategic Reserve is restricted to £392 million. That was not the Connétable's intention.

Whilst the proposition and report talks of governance arrangements around the release of optimism bias and contingency, the exact mechanics were not described. Since then, a Financial Direction has been drafted and is ready to be issued by the Treasurer of the States once the funding envelope has been approved. This mechanism is endorsed by Recommendation 9 of the Hospital Review Panel report.

The Connétable of St. John has now had sight of the governance arrangements from the draft Financial Direction, is comforted by the process as described, and is content to accept that the arrangements provide the sufficiently robust challenge necessary for this project.

The intention of part 5 of the Connétable's amendment was to ensure that the outcome of the Planning Inspector's recommendations did not mean that the scheme approved by the States in P.107/2017 becomes undeliverable.

Financial and manpower implications

Within the £466 million expenditure limit set, there are sufficient contingency sums included for the planning process. This allows the limit to remain and the project to proceed, so long as the inspector's recommendations are not wholesale changes.

This proposed amendment allows the States to agree to the OBC and the funding method as proposed, and if the changes necessary as a result of the outcome of the planning process are not able to be absorbed within the £466 million limit, the project will be placed on hold. No further build contracts will be entered into, and another proposition and report will be brought to the States Assembly to agree the way forward. (Any contracts already entered into will need to be honoured.)