

STATES OF JERSEY



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

**Lodged au Greffe on 28th November 2017
by Senator P.F.C. Ozouf**

STATES GREFFE

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

1 PAGE 2, NEW PARAGRAPH (d) –

After paragraph (c), insert the following new paragraph –

- “(d) to request the Minister for Treasury and Resources –
- (i) to undertake a review of the feasibility of –
 - (A) utilising the unspent proceeds from the Bond issued in June 2014 and to apply the same against the borrowing requirement set out in paragraph (c); and
 - (B) authorising Andium Homes Limited, with the approval of the Minister for Treasury and Resources and in consultation with the Minister for Housing, to undertake its own borrowing up to the same maximum amount to finance its remaining development programme;
 - (ii) to undertake a review of the feasibility and costs of undertaking any borrowing on the basis that the capital amount borrowed is repaid in tranches over the intended life of the new General Hospital rather than in a single lump sum on final maturity; and
 - (iii) in each case to report the outcome of such review to the Assembly no later than 28th February 2018;”.

2 PAGE 2, ORIGINAL PARAGRAPHS (d) AND (e) –

Rename the original paragraphs (d) and (e) as “(e)” and “(f)” respectively; and at the end of the renamed paragraph (f)(iii), for the full-stop substitute a semi-colon.

3 PAGE 2, NEW PARAGRAPH (g) –

After the renamed paragraph (f), insert the following new paragraph –

- “(g) to request the Minister for Treasury and Resources to bring legislation to the Assembly to place the Treasury Advisory Panel (TAP) on a statutory basis on a similar basis to the Fiscal Policy Panel.”.

SENATOR P.F.C. OZOUF

REPORT

This amendment is not made with any desire to delay the project.

Indeed, I am disappointed that an agreement to rebuild the current General Hospital and to agree a funding mechanism was not approved during my tenure as Minister for Treasury and Resources.

During my tenure, as reflected in the Report of the Minister for Treasury and Resources, a funding strategy was agreed in principle by the States as part of the Budget 2015.

It is unfortunate that delays have resulted in these costs increasing, such that the in-principle funding strategy is no longer appropriate.

I encourage the Council of Ministers to speed up the decision-making for the urgently needed New General Hospital.

My principal concern relates to the proposal to borrow a further £275 million in a fixed-rate Sterling Bond with a single repayment after 40 years.

I commend the Minister for Treasury and Resources for reducing the amount that is proposed to be borrowed from the original 2016 funding strategy, which proposed a public-rated Sterling Bond of £466 million, but I would like to see the borrowing reduced further.

I am particularly concerned that future generations of this Island will face the need to finance the maturity of a £250 million Bond in 2054, and the maturity of a further £275 million Bond in 2058.

At the same time, they may well be facing a similar predicament to that which we are currently facing with a need to build a new Hospital – given that the projected life of the New General Hospital is 40 years.

This is all a long way into the future, but we have a proud history of living within our means and funding capital investment from the resources that we have available to us. We are moving significantly away from this principle, and I do not wish to see us follow many jurisdictions in becoming addicted to debt.

I am familiar with the proposition that inflation will operate to erode the effective value of the amount that is being borrowed, but equally there are risks that this does not occur, and I do not consider that these risks are fully articulated in the Report.

Members are aware that Andium Homes Limited has had difficulty in deploying the proceeds of the existing 2014 Bond, and I understand that the company believes that it can now raise funds more cheaply on its own than by borrowing with the existing fixed-rate debt.

I therefore request that the Minister considers the extent to which these monies can be redeployed in reducing the borrowing requirement as part of the proposed funding strategy.

The Report sets out certain disadvantages of borrowing monies across a number of different maturities, but does not quantify these costs.

It is important to quantify these costs so that they can be weighed-up against the advantage of ensuring that any proposed borrowing is repaid over the life of the new Hospital, rather than in a single lump sum on final maturity at the same time as the anticipated end-of-life of our new Hospital.

I have requested that the Minister for Treasury and Resources bring the outcome of the proposed review to this Assembly by 28th February 2017.

I would hope that this work can be carried out very quickly and without disruption to the existing work-streams.

The Minister for Treasury and Resources has relied upon the advice of the Treasury Advisory Panel in presenting his Report.

I am familiar with the important work of the Treasury Advisory Panel, and the significant expertise that they provide.

I consider that it is important that the Treasury Advisory Panel is put on a proper footing, and I ask the Minister for Treasury and Resources to bring forward to this Assembly legislation to place the Treasury Advisory Panel on a statutory basis.

Financial and manpower implications

The Treasury has budgets set aside for advice for the funding: hundreds of thousands pounds has been spent on advice.

The additional work necessary should be paid for from this budget.

The proposal for putting the Treasury Advisory Panel onto a statutory basis will be similar to those of the Fiscal Policy Panel, and will mainly concern the internal resources of Treasury officials and the Law Draftsman's Office.