



## Health, Social Security and Housing Scrutiny

### Panel

### Full Business Case - Treasurer

**FRIDAY, 2nd MAY 2014**

**Panel:**

Deputy J.A. Hilton of St. Helier (Vice-Chairman)

Deputy J.G. Reed of St. Ouen

Senator S.C. Ferguson

**Witnesses:**

Treasurer of the States of Jersey

Project Director, Jersey Property Holdings

Head of Nursing, Emergency Care

[13:44]

**Deputy J.A. Hilton of St. Helier (Vice-Chairman):**

Good afternoon and welcome to the Health, Social Security and Housing Panel. This is a public meeting that is taking place with the Treasurer, Ms. Laura Rowley, and Will Gardiner from the hospital and Bernard Place from the hospital. We will start by introducing ourselves.

**Deputy J.A. Hilton:**

Thank you. Can I draw the public's attention to the notices that are on the chairs, and also before we start, I would like to offer the apologies of our Chairman, the Deputy of St. Peter, who is unwell at the current time. Thank you. We would like to start this afternoon by asking you to update on whether you will achieve a sustainable funding mechanism for Health and Social Care by the end of September 2014.

**Treasurer of the States of Jersey:**

Thank you, Chairman. As you would expect, we have been doing a lot of work on the question of sustainability and affordability for health services generally, not just in respect of the hospital, and there are a few things that I would say to you. The first is that in order to develop a sustainable funding model, it is a good idea to be clear about how much money you need, so one of the key pieces of work that we have been doing over the last year or 2 is developing a *Long Term Revenue Plan* for the Island, which gives us a long-term view, it gives us a look out to 2020 on the future funding needs, but also this is not just for Health. Our finance colleagues within Health have been working very hard on ... you will recall that the KPMG model initially came up with 8 key strands of work, 8 delivery plans, and the finance team have been very much involved in the development of the delivery plans for future health services in Jersey. They have been using that work to develop bids, growth bids, into Treasury as part of the development of the *Long Term Revenue Plan* ...

**Deputy J.A. Hilton:**

Okay, thank you.

**Treasurer of the States of Jersey:**

... as you would expect us to. We have then been trialling some of those and asking Health for further work, further review and so on. What I would say is that because I am invited to contribute to a number of meetings within Health, I am able to see at least at a high level how they have been developing their future service plans and the future plans for provision of health services in Jersey. I can see how hard they are working not just to develop in isolation proposals for the hospital, but to develop proposals for the hospital and proposals for community services that wrap around it. In so doing, I do think they will achieve the overall objective of managing down the rate of increase in Health Service costs that we face. So I do not think there is any doubt that we face increases in cost driven, as you know, largely by demography and particularly for numbers of older people.

**Deputy J.A. Hilton:**

Let me stop you there. You said that Health have submitted growth bids.

**Treasurer of the States of Jersey:**

Yes.

**Deputy J.A. Hilton:**

Is this for the next *Medium Term Financial Plan*?

**Treasurer of the States of Jersey:**

It is for the *Long Term Revenue Plan*, which takes us out between 2016 and 2020, and that covers the next *Medium Term Financial Plan* period plus a year.

**Deputy J.A. Hilton:**

What sort of figures are we talking about currently?

**Treasurer of the States of Jersey:**

I am not sure I want to say that in a public meeting, Chairman, but I would be happy to do so in a private part of the meeting.

**Deputy J.A. Hilton:**

In a private meeting.

**The Deputy of St. Ouen:**

I am just focusing on the development of the sustainable funding mechanism for Health and Social Services, and it was very clear in P.82, which is the Health and Social Services proposition entitled *A New Way Forward*, what would be done. It says, and I will quote: "This work, which is the development of a long-term sustainable funding mechanism, will consider all the current funding elements including contributions made to the Health Insurance Fund, co-payment arrangements and base budget allocations. It will also take account of the proposed Long Term Care Fund and the provisions of contracts with general practitioners and other healthcare providers. All these elements will be reviewed in order that proposals can be developed for a comprehensive but simple method of ensuring sustainable funding to the Health and Social Services Department in the coming years."

**Treasurer of the States of Jersey:**

That is exactly right, Chairman, and that is what we are doing.

**The Deputy of St. Ouen:**

So how far have you got in reviewing and looking at all of those matters?

**Treasurer of the States of Jersey:**

How far have we got? We have got a long way with the likely level of future costs, and as I say, Chairman, I am happy to go into some detail on that outside the meeting or in a private meeting.

**Deputy J.A. Hilton:**

Is that because you feel that it is really sensitive at the moment?

**Treasurer of the States of Jersey:**

It is because I have not yet reported that through the Council of Ministers, so the Council of Ministers have not yet seen the very detailed position that we have now worked up.

**Deputy J.A. Hilton:**

So when are you expecting to report that to the Council of Ministers?

**Treasurer of the States of Jersey:**

We have a deadline which the Minister for Treasury and Resources said that we would publish the *Long Term Revenue Plan* - and Senator Ferguson will remember this - alongside *Budget 2015*, so when we lodge *Budget 2015*, which will be in July, we will at the same time be publishing the *Long Term Revenue Plan*.

**Senator S.C. Ferguson:**

So will you be confirming that you have achieved a sustainable funding mechanism for Health and Social Care by the end of September this year?

**Treasurer of the States of Jersey:**

That is our intention, Chairman, yes.

**The Deputy of St. Ouen:**

You keep mentioning about this *Long Term Revenue Plan*, which is great, but the question is specific to the proposition or part of the proposition that was included in the *Health White Paper* and the areas that I have mentioned or quoted from within the document.

**Treasurer of the States of Jersey:**

That is right.

**The Deputy of St. Ouen:**

Can you just, for the sake of clarity, confirm whether all of the elements that I mentioned have been reviewed and those reviews completed?

**Treasurer of the States of Jersey:**

That work is underway now, Chairman. It is not completed yet, but it is underway. The reason it is not completed is because first of all I need to really nail down how much the likely future level of funding is going to be for Health. That needs to be done within a context of the likely future level of funding needs for the States as a whole, because only when we understand can we properly set out our overall funding proposals.

**The Deputy of St. Ouen:**

But it does not say that, sorry, Treasurer. I understand the point that you make ...

**Treasurer of the States of Jersey:**

We are doing all that ...

**The Deputy of St. Ouen:**

... but I am just saying that this is a particular commitment, a *Long Term Revenue Plan*. Yes, it is an aspiration and an aim of the Minister for Treasury and I accept it is a commitment that he has given to develop, but it is not the development of a sustainable funding mechanism for Health and Social Services, which is absolutely separate. I know there is an indirect link and would be to any further revenue plan, but we just want to focus on this particular matter.

**Treasurer of the States of Jersey:**

Yes, and what I am saying, Chairman, is that that work is underway, we will do it in time and we will do in time for the *Long Term Revenue Plan* to be submitted, to be lodged in July.

**The Deputy of St. Ouen:**

So you are saying that all of the elements that are mentioned in this proposition will be reviewed and completed by July? Is that what you are saying?

**Treasurer of the States of Jersey:**

That is what we are working towards, Chairman.

**The Deputy of St. Ouen:**

Thank you.

**Treasurer of the States of Jersey:**

I am not trying to be evasive, I am just trying to ...

**The Deputy of St. Ouen:**

No.

**Treasurer of the States of Jersey:**

We are doing that work.

**The Deputy of St. Ouen:**

Great, thank you.

**Deputy J.A. Hilton:**

Thank you.

**Treasurer of the States of Jersey:**

It is underway at the moment, but I am not probably making that very clear, but we are in the middle of it.

**Deputy J.A. Hilton:**

Okay. We will go on to the next question. Could you give us an idea of the total funding and other resources that will be required for the hospital and services in the community?

**Treasurer of the States of Jersey:**

Our current position on the total funding required for the hospital, Chairman, remains at £297 million. Dealing with the second part of that question would take me into the question of growth proposals on the revenue side.

**Deputy J.A. Hilton:**

Which is what we just talked about.

**Treasurer of the States of Jersey:**

Yes, which ...

**Deputy J.A. Hilton:**

So would that be in addition to the money that has already been agreed under the *Health White Paper* for the additional services in the community, so this is additional money?

**Treasurer of the States of Jersey:**

There are some growth requests from Health which are over and above the amounts that had previously been identified as part of ...

[13:15]

**Deputy J.A. Hilton:**

Is this for additional services or is it capital costs?

**Treasurer of the States of Jersey:**

It is not capital costs, Chairman, it is more to do with capacity.

**Deputy J.A. Hilton:**

Okay. Is that ...

**Senator S.C. Ferguson:**

What about revenue cost?

**Treasurer of the States of Jersey:**

These are revenue costs that I am talking about, Chairman. I am very happy to share with you, outside this meeting, the detailed growth proposals that Health have brought forward and I can send you a note with all the details attached on those.

**Deputy J.A. Hilton:**

Okay.

**The Deputy of St. Ouen:**

I suppose a final question on this is are you confident that you will be able to provide us and States Members with the total funding and other resources that will be required to support a new hospital and the improved services as agreed in P.82?

**Treasurer of the States of Jersey:**

There will always be a question, Chairman, of priorities, so the decisions on the future total amount of growth provided for Health will not be decided in isolation, they will be decided as part of an overall budget strategy. The Council of Ministers, and subsequently the States, in setting the budget would have to have regard to other service needs as well. So it is difficult for me to say: "Yes, I can be satisfied" on Deputy Reed's point because that decision will not be made in isolation and while we will bring forward proposals for growth and proposals for how it might be funded, then we have the usual process to go through of the Council of Ministers deciding on its priorities and subsequently the States determining whether they agree or not.

**The Deputy of St. Ouen:**

Sorry, again, just for the sake of clarity, I appreciate that obviously how funding is provided to deliver the sustainable funding mechanism is a debate that needs to be had, but we have got agreed propositions and an agreed direction the States have already given and so are you saying that the Council of Ministers might choose not to provide the States the opportunity to look at all that information ...

**Treasurer of the States of Jersey:**

No, Chairman, I ...

**The Deputy of St. Ouen:**

... before they prioritise their budgets?

**Treasurer of the States of Jersey:**

No, Chairman, I am not saying that. What I am saying is that there will be choices to be made and those choices, as ever, will not be made in isolation, so there will be choices to be made as to what the service priorities are. There are pressures on Health, of course, but there are also pressures on education and skills - and other departments will bring forward pressures as well - so that all of those pressures will have to be considered. There will then be funding proposals and those funding proposals themselves might not be popular, so there will always decisions to be made about the relative importance of different priorities and the consequential effects on Jersey taxpayers and people who are paying for services, so all of those things will have to be considered in the round.

**Deputy J.A. Hilton:**

Are you aware if any discussions have taken place with the Council of Ministers regarding how we are going to pay for services going into the future?

**Treasurer of the States of Jersey:**

For Health?

**Deputy J.A. Hilton:**

Yes, specifically for Health, yes.

**Treasurer of the States of Jersey:**

That is what we plan to do, Chairman, with the *Long Term Revenue Plan*, so the *Long Term Revenue Plan* covers not just the spending requirements, it covers the implications for funding as well, so therefore income, and that is why we want to take the *Long Term Revenue Plan* alongside



*Budget 2015*, and alongside that, we also want to take our long-term tax policy. So what we are really trying to do is to look at what are our spending needs out to 2020 and what does that mean in terms of the revenue we need to generate, and then what does that mean in terms of our future tax policy so that we can look at all of those things together.

**The Deputy of St. Ouen:**

The Minister for Treasury I think this week mentioned the figure of £100 million additional growth that was required. Presumably that is a figure that he has been considering when looking at the overall *Long Term Revenue Plan*?

**Treasurer of the States of Jersey:**

Yes, Chairman. It is not precisely the figure, but it is of the order.

**The Deputy of St. Ouen:**

Thank you.

**Treasurer of the States of Jersey:**

But that is not our final position, Chairman, I should say, because I do not want people going away thinking that that is a gap that we are trying to meet. It is not. We have got a lot of work to do, so the figure that the Minister for Treasury made reference to, essentially what that is, what happens if we take our current spending and we take that forward and then we provide for all the growth that departments have identified as possibly being required, and then what if we take a pessimistic assumption on our income tax position, what does that look like? So it is part of our planning assumptions and we are still working on that. We will be very happy to brief the Corporate Services Scrutiny Panel on the detail of *Long Term Revenue Plan* on another occasion.

**Deputy J.A. Hilton:**

All right, thank you very much.

**The Deputy of St. Ouen:**

Thank you for clarifying that.

**Deputy J.A. Hilton:**

If we could just go back to the beginning, for the sake of anybody who is interested in reading about how we got to this point with regard to the hospital, I wanted to ask you, you mentioned previously that the figure for the hospital was £297 million, but of course we know that the figure that was mooted much earlier in the process was larger than that. Could you just take us back to

what funding envelope was set originally for capital and revenue costs when planning for the new hospital was initiated?

**Treasurer of the States of Jersey:**

We did not set a target, Chairman, because we wanted Health colleagues to bring forward proposals for how the Health Service might need to be developed in the future and the hospital was part of that. Decisions which were made about the level of community care, as you will appreciate, affect what needs to be provided for in the hospital, and also right at the beginning, Health colleagues were considering all sorts of options, as you will recall, not least how much service should be provided on-Island, how much should be provided off-Island and what was the best way forward on that. So right at the beginning, we did not have enough information to say: "Here is a sum of money."

**Deputy J.A. Hilton:**

So when W.S. Atkins were appointed to carry out this work, they were not given a funding envelope right at the beginning, they were just given a broad paper by Health, I presume, about what they were hoping to achieve?

**Treasurer of the States of Jersey:**

That is right, Chairman, so they worked closely with Health colleagues to understand the needs and requirements of the future service and then began developing proposals from there. Of course they were well-informed by the work that had already been done by Health colleagues with KPMG and the approval of the *White Paper* by ... I forget where that fits in terms of the timetable, but there was a great deal of work already done in terms of describing future service provision that W.S. Atkins could have regard to.

**Deputy J.A. Hilton:**

Right, okay.

**The Deputy of St. Ouen:**

You spoke about obviously the funding envelope and briefly mentioned about sort of capital, I believe. Could you just say whether the funding envelope was set with regards revenue costs, future revenue costs?

**Treasurer of the States of Jersey:**

No, Chairman. The answer is no. I do not mean: "No, I cannot tell you."

**The Deputy of St. Ouen:**

That is good.

**Deputy J.A. Hilton:**

All right, okay. So I know we are obviously aware that Health, Atkins went through this process of looking for sites. It was whittled down to 3, I think, eventually, all with a cost envelope of around £450 million, give or take, if my memory serves me correctly, and at some point - I think it was May/June last year - a decision was made to look at that again, because it was felt, my understanding is, that it was too expensive, it was unaffordable at that price. Would that be fair to say?

**Treasurer of the States of Jersey:**

Not entirely, Chair, because the numbers that W.S. Atkins produced, your recollection is right in terms of the numbers that were being talked about, but those numbers included a huge amount of contingency and provision for optimism, bias and risk.

**Deputy J.A. Hilton:**

Can I just ask you about the contingency, because was a figure of something like a third mentioned of contingency?

**Treasurer of the States of Jersey:**

I would have to check that, Chairman, unless Will can recall.

**Deputy J.A. Hilton:**

The reason I ask that is I just want to understand a little bit better why it is such a large figure.

**Treasurer of the States of Jersey:**

Yes, I can tell you why it was such a large figure. I cannot tell you whether it was a third. It was such a large figure because the proposals were not well-developed enough to cost them in detail.

**Deputy J.A. Hilton:**

So has that work taken place since those initial set of figures were produced then?

**Project Director, Jersey Property Holdings:**

That is the work we are doing now, so we are working on the feasibility study, which gives us a level more detail.

**Deputy J.A. Hilton:**

But the feasibility study that you are doing currently is the 2 site option, is it not?

**Project Director, Jersey Property Holdings:**

The dual site option.

**Deputy J.A. Hilton:**

The dual site option.

**Project Director, Jersey Property Holdings:**

Yes.

**Deputy J.A. Hilton:**

I am just trying to understand this. So at the time, that contingency, that large contingency, because the work had not been developed enough, you did not then develop the work on the one site option to see ... was there any discussion around whether that should be done or did you just switch immediately to the 2 site option instead? I want to just understand that, how that decision was come to.

**Project Director, Jersey Property Holdings:**

We used the health premises cost guides as a template and that sets out the contingencies that are normally allowed for for a level of confidence that the Treasurer has indicated, Chair. So when you are looking at a £450 million envelope of cost, there is a high proportion of contingency in that than if you are looking at a lower level. Your question about greater detail, the work that we did with W.S. Atkins was on a strategic outline business case and we are now working through some of the risk and cost assumptions within that using feasibility studies to understand the detailed costs and then those costs ...

**Deputy J.A. Hilton:**

That is on the 2 site option though?

**Project Director, Jersey Property Holdings:**

On the dual site option.

**Deputy J.A. Hilton:**

Yes. So at some point the decision was taken not to progress the work on the one site, was it not?

**Project Director, Jersey Property Holdings:**

Correct.

**Deputy J.A. Hilton:**

That was the decision that was taken in June 2013, I believe.

**Project Director, Jersey Property Holdings:**

Correct.

**Deputy J.A. Hilton:**

Was that on the back of looking at what is happening elsewhere, and in particular, was Cramlington Hospital used as a model that had been delivered as an acute hospital?

**Treasurer of the States of Jersey:**

You are remembering ...

**Deputy J.A. Hilton:**

Your design guru that you ...

**Treasurer of the States of Jersey:**

Yes.

**Deputy J.A. Hilton:**

If you can just sort of explain, just give us a little bit more detail around that.

**Treasurer of the States of Jersey:**

All of those things were happening at the time, Chair. I will just ask Will to comment a bit further.

**Project Director, Jersey Property Holdings:**

Yes. There were a number of reasons why the decision in June 2014 was taken by Ministers, Chair.

**Deputy J.A. Hilton:**

2013.

**Project Director, Jersey Property Holdings:**

2013, thank you. I apologise, I would have had to correct that myself. So one of those was in relation to looking at benchmarks for other hospitals and they included the Cramlington Hospital

that you saw and we saw, that they were apparently getting much better value than we were estimating in relation to our single site hospital solution. So we learnt from that. Health colleagues visited other hospitals and looked at dual site solutions there and we challenged quite strongly in relation to all the costs within the strategic outline case. It is a combination of those factors that led the Ministerial Oversight Group to have confidence that a lower number could be accepted and still achieve the benefits that are needed by Health for the future.

[13:30]

**The Deputy of St. Ouen:**

Given the comment that the Treasurer has made regarding the fact that there was insufficient detail attached to the Atkins report on the overall cost of the hospital, could you tell us who decided not to progress with a more detailed approach to the single site option alongside consideration of the dual site option that has ultimately become the favoured choice?

**Treasurer of the States of Jersey:**

We had enough detail to present to Ministers the options. What we did not have enough detail to do was to really fully cost without large amounts of provision for risk optimism and bias and contingency to really hone down what the costs of that option might be. So we had enough information to make a choice between the alternatives, but we did not have enough detail to cost any of those options without layering on large amounts of provision for risk optimism, bias and contingency.

**The Deputy of St. Ouen:**

But what makes you believe that the contingency required for a dual site hospital is any less or should be any less than the contingency that should be allowed for a single site?

**Treasurer of the States of Jersey:**

It is proportionate, Chairman.

**The Deputy of St. Ouen:**

Why?

**Treasurer of the States of Jersey:**

Why is it proportionate?

**The Deputy of St. Ouen:**

Yes.

**Treasurer of the States of Jersey:**

Because if you have building costs of £300 million and the general guidance is to provide 10 per cent, then for contingency you provide £30 million; if the costs are £400 million and the general advice is 10 per cent, you provide £40 million, so the provisions for things like risk optimism, bias and contingency tend to be percentages of the estimated cost.

**Deputy J.A. Hilton:**

Estimated cost?

**The Deputy of St. Ouen:**

That is true, but what it does not necessarily tell you is if the decision was to spend £297 million, £300 million on a single site, the current hospital site, against £200 million on 2 sites, I just wondered, where did that consideration, where do those options ...

**Treasurer of the States of Jersey:**

An important factor in those deliberations was the opportunity cost particularly of the Esplanade Quarter site, so there were a range of issues that were considered, not just the cost of build.

**The Deputy of St. Ouen:**

Sorry, I am not talking about a new site, I am talking about redevelopment of the existing hospital site, in other words, agreeing to spend £300 million, the budget, on a redevelopment of the existing hospital site versus the creation of a hospital on 2 sites.

**Treasurer of the States of Jersey:**

Oh, I see. The other factors that were taken into consideration there, there was understandably - and Bernard can comment further on this - a level of concern with senior colleagues in Health that if we were going for a single site solution on the existing site that that would be very disruptive to continuing normal hospital provision on that site. Examples were given of building works creating noise, dust, vibration. Vibration can affect sensitive machinery, scanners and so on, within the hospital, so Health colleagues explained to me that there were a range of risks associated on a very tight site, of developing a single site solution on the existing hospital site.

**Head of Nursing, Emergency Care:**

Yes, more of them and for longer in that sense, but also my understanding was that it did not give, for the same amount of money, the number and quality of outcomes in terms of what Health were looking at pre the date of my arrival. So there are some very clear statements about what Health would like in terms of single ensuite rooms, emergency care centre, a children's centre, those

clinical descriptions of what the service would need to have at the end to meet modern standards and have a modern range of provision for the Island could not be delivered for that amount.

**The Deputy of St. Ouen:**

Sorry, which report was that reflected in?

**Project Director, Jersey Property Holdings:**

It was presented to Ministers in a presentation in June 2013.

**The Deputy of St. Ouen:**

So it was an internal report? It was not a report undertaken by external advisers?

**Project Director, Jersey Property Holdings:**

The information in that report was generated by W.S. Atkins.

**The Deputy of St. Ouen:**

Atkins?

**Project Director, Jersey Property Holdings:**

Yes.

**Deputy J.A. Hilton:**

Going back to that, really we just want to understand exactly when the decision was made to switch from the one site option, the £450 million envelope, down to the £300 million option, when that decision was made, who it was made by and to understand exactly why.

**Treasurer of the States of Jersey:**

Yes, go ahead, Will.

**Project Director, Jersey Property Holdings:**

Okay, so in June 2013, the Ministerial Oversight Group ...

**Deputy J.A. Hilton:**

It was the Ministerial Oversight Group, okay.

**Project Director, Jersey Property Holdings:**

... made that decision on officer recommendation and the things that Bernard has mentioned were key. You have to remember though that the Ministerial Oversight Sub-Group, which is the Chief



Minister, the Minister for Treasury, the Minister for Health, had spent the best part of 10 months looking in detail at the General Hospital site and the Esplanade site and looking at different options. They did understand to a high level of detail the trade-offs between different options, so when it came to considering the solution that W.S. Atkins put forward for £250 million on the current site, they understood what could be improved from that and that you were not getting the public benefits that Health were seeking. As a result of that, they charged Jersey Property Holdings and the Treasury to go away and look further at solutions to refine the concept, and we came back with the dual site solution.

**Deputy J.A. Hilton:**

Dual site. I may have misunderstood this, so we have got a figure of £297 million I believe for the hospital. Does that include the Overdale site?

**Project Director, Jersey Property Holdings:**

It does.

**Treasurer of the States of Jersey:**

It does, Chairman.

**Deputy J.A. Hilton:**

That does include it? That is what I thought, but I just wanted that clarified, that was all.

**The Deputy of St. Ouen:**

Which officer or officers provided the recommendation for the Ministerial Oversight Group to consider?

**Treasurer of the States of Jersey:**

Myself and Julie Garbutt and our teams, Chairman.

**The Deputy of St. Ouen:**

That recommendation was based on what evidence or information, should I say?

**Treasurer of the States of Jersey:**

In terms of the choice between sites?

**The Deputy of St. Ouen:**

No. I am just asking what basis was the recommendation formed upon? So you made an officer recommendation to the Ministerial Oversight Group. What information, what evidence was considered and used to reach the recommendation?

**Treasurer of the States of Jersey:**

I see, yes.

**Project Director, Jersey Property Holdings:**

So that was the W.S. Atkins £250 million scheme and its costing for the General Hospital site. Ministers also had at that meeting the W.S. Atkins condition assessment report, so they understood what parts of the building could be refurbished. They had the single bed methodology report, again which explained why that was important and why Health was seeking that as a benefit. They had the benchmarking report, which looked at the costs of hospital both elsewhere in the U.K. (United Kingdom) but also in terms of international perspective and what was driving the cost, if you like. That was the basis of the documentation on which the decision was made.

**The Deputy of St. Ouen:**

Thank you. I have got a question, and it is quite simple: how much did the Atkins work and their first proposal cost?

**Treasurer of the States of Jersey:**

Was it £90,000-odd?

**Project Director, Jersey Property Holdings:**

It is in here. For the original strategic outline casework, so was the first commission that they were asked to do, the total was just short of £150,000, and that was where they looked at a number of sites and brought that down to a recommended single site. We then did a period of 6 or 7 months of site validation work, where different options and configurations were looked at, and that was a total of about £113,000. Then we developed the dual site solution and that was a total of about £90,000, giving a total of approximately £354,000.

**The Deputy of St. Ouen:**

That is just Atkins?

**Project Director, Jersey Property Holdings:**

That is just for Atkins, yes.

**The Deputy of St. Ouen:**

In addition to that, other reports have been commissioned, I presume?

**Project Director, Jersey Property Holdings:**

W.S. Atkins provided all the reports. There is an additional cost for our design champion during that last stage where we were developing the dual site approach. I would have to come back with that cost, because, apologies, I do not have it with me.

**The Deputy of St. Ouen:**

That is the only additional cost, so in other words, Atkins has been the primary and only expert adviser?

**Treasurer of the States of Jersey:**

We have the design champion as well, Chairman.

**Project Director, Jersey Property Holdings:**

The design champion was a key role, in particular working with our Health colleagues to draw out what their priorities were and how we would best deliver those.

**The Deputy of St. Ouen:**

Can you just tell me why the design champion was not introduced at the start of the process to work alongside Atkins rather than at the end?

**Treasurer of the States of Jersey:**

I wish we had done that, Chairman, with the benefit of hindsight, but we did not.

**Deputy J.A. Hilton:**

How did the design champion come into being and to assisting you in your work?

**Project Director, Jersey Property Holdings:**

It is a commonly-used role in large construction projects and Laura worked with the design champion on previous projects. Crucially what the design champion did, which Atkins did not have that skill of, was where you are looking at making priorities between choices and identifying which services potentially could be going in refurbished as against new build, and that is the compromises that we were making, Chair. The design champion, who had worked on hundreds of hospitals, was able to do that in a way that W.S. Atkins did not have experience.

**Deputy J.A. Hilton:**

I suppose this individual is going to be working on the project through to its completion, yes. Okay, which leads us on to what revisions to your vision of the model of care for Jersey were necessitated when the cost envelope for the hospital was reduced?

**The Deputy of St. Ouen:**

We are talking about the vision as described in P.82.

**Deputy J.A. Hilton:**

Have any compromises had to be made?

**Treasurer of the States of Jersey:**

I will have to ask Bernard to confirm, Chairman, but I think it is fair to say what the design champion managed to do ... I will speak very frankly for a minute. W.S. Atkins were very, very strong technical advisers, so you have got very, very strong technical advisers over here number-crunching, and over here you have got a series of Health colleagues who are very concerned about the future delivery of health services in Jersey and how that might look, and also becoming anxious about the need for change and improvement, especially in order to manage risk. What we needed was someone who had knowledge on both sides and skills on both sides who could bring both sides together and could translate the needs and requirements of the health service colleagues into a technical brief which then the technical side could cost. That is what the design champion managed to do, he managed to bridge that gap. His great skill is in having all of that detailed technical knowledge, but being able to communicate with the people who have got to provide the services, and he managed to bridge that gap.

[13:45]

I was delighted that Julie, the Chief Officer for Health and Social Services, and her colleagues were happy with the outcome, but when they came forward with a revised proposal after help from the design champion, the question had been put to W.S. Atkins: "What could you deliver for £250 million?" and that did not go near satisfying the needs of the Health colleagues. What the design champion managed to do was to work with everyone involved, W.S. Atkins and Health colleagues, and come up with a proposal that was more the £250 million but met their requirements and was substantially below the previous numbers that had been talked about, so everybody was happy. We then talked again with the Ministerial Oversight Group to say: "We know you gave us the challenge of looking at a project of: 'What if it is £250 million? What would that mean?' What we have come up with this: here is the proposal, this is how the hospital could look and this would cost £297 million" and we then went forward on that basis. I think that is fair, yes.

**The Deputy of St. Ouen:**

So a piece of work has been done on looking at all of the proposals that were contained in the Atkins £450 million, the £430 million plan, and compared with what can be delivered within the £297 million budget, is that what you are saying?

**Treasurer of the States of Jersey:**

I am saying that the needs and requirements of Health colleagues can be met within the £297 million for the new hospital in a way in which they are content.

**The Deputy of St. Ouen:**

Sorry, based on what? What have you based that comment on if a piece of work has not been undertaken on looking at a comparison with what was proposed by Atkins and what is currently being proposed?

**Treasurer of the States of Jersey:**

Because what was proposed by Atkins was a response to Health's needs and the current project was a response to Health's needs, and colleagues felt that the ... I am going to ask Bernard to comment himself, and it is probably better that I do that, rather than say what I think Health colleagues thought at the time.

**Senator S.C. Ferguson:**

If you will excuse me, perhaps I can help. Would you sort of say then that the design champion was really taking the Atkins original and in fact value engineering it down to fit within your envelope?

**Treasurer of the States of Jersey:**

To an extent, Chairman, to an extent, because ... Will will probably be able to give specific examples, but W.S. Atkins had used particular U.K. standards for the purpose of modelling their costs. We do not have to adopt particular space standards, for instance, we could choose to vary some of those things, so there were discussions between Health colleagues and the design champion around those sorts of issues, so ...

**Project Director, Jersey Property Holdings:**

I think the difference is that it is the same accommodation that is being offered, but some of that under the dual site scheme is delivered in refurbished rather than new build and that is the biggest driver in terms of the difference. A further driver, as the Treasurer mentions, Chair, is the spatial standards, the benchmarking report that you will have seen, looked at international standards, and indeed we were aware of hospitals being delivered in the U.K. with spatial standards below those

assumptions that have been assumed in the Atkins work. We were able to use that sort of compromise, not on the critical areas, where the design champion reflected the Health requirement, which is to keep those at standard, but where we can look at compromising on the standard without compromising on quality and benefit in safety terms, the assumption was made that that could be done. That was the other biggest driver, if you like, in terms of the difference between the 2.

**Deputy J.A. Hilton:**

So the 2 big drivers were the cost of refurbishing the existing building and the space standards ...

**Project Director, Jersey Property Holdings:**

Exactly.

**Deputy J.A. Hilton:**

... and I understand from reading some of the paperwork we have had that Cramlington Hospital, that I know that you looked at, did not reach the U.K. standard ...

**Project Director, Jersey Property Holdings:**

Does not.

**Deputy J.A. Hilton:**

... for single-bedded units.

**Project Director, Jersey Property Holdings:**

It does not, yes.

**Deputy J.A. Hilton:**

So obviously that must be all right to do that in the U.K., for them to build somewhere that does not meet the standard.

**Head of Nursing, Emergency Care:**

It is important to distinguish between England, which is 50 per cent, Scotland it is mandated at 100 per cent and it is the case in Northern Ireland it is mandated.

**Deputy J.A. Hilton:**

So in the U.K., as long as you build to 50 per cent of the standard ...

**Project Director, Jersey Property Holdings:**

No, no.

**Deputy J.A. Hilton:**

Sorry.

**Project Director, Jersey Property Holdings:**

I think we have got confused there between I think you are saying Cramlington built single-bedded rooms which were below the spatial standard, not a per cent ... yes, sorry, whereas what Bernard is saying is in U.K. jurisdictions, in Scotland the requirement is you will build 100 per cent single-bedded room wards, yes.

**Deputy J.A. Hilton:**

Oh right, okay. So as far as I understand, I think it came out in a previous meeting that you confirmed that the Jersey standard was going to be lower than the U.K. recommended standard for size in the single-bedded units.

**Project Director, Jersey Property Holdings:**

For the purpose of the strategic outline case, that was the assumption taken. As you go into more detail and you understand the risk better and you cost that risk, we may be able to improve that standard further, if we need to. I think what is important to say is we will work with Health colleagues to ensure that a States solution is provided and a sustainable solution is provided.

**Deputy J.A. Hilton:**

As far as the services that are provided in the hospital at the current time, our understanding is that they will continue to be provided in the new refurbished hospital and so there is going to be no cut-back on services at all.

**Head of Nursing, Emergency Care:**

The opportunity is to improve and expand services in time, because we will have the facilities to do that.

**The Deputy of St. Ouen:**

Following on from that, what assurance can you give that the model of care to be delivered within the current cost envelope will not affect the delivery and quality of healthcare in the Island?

**Treasurer of the States of Jersey:**

I think that is one for Bernard, Chairman.

**Head of Nursing, Emergency Care:**

We are coming next week to give more detail with the Health team. I can give you a very brief overview of that. It is that in terms of ... I think the Treasurer has indicated that the cost of healthcare will rise regardless of what we do on the Island, it is related to demography and a whole range of things, but what we can do is work very much harder with the new scheme on our unit costs. Again, I have given illustrations in the past where people are making unnecessary repeated journeys to receive decisions about their state, they are going on prolonged pathways before they proceed to treatment, and by improving adjacencies and remodelling some of those pathways, I think in previous years I gave illustrations of prostate cancer and breast cancer where the number of times patients need to attend hospital will be dramatically reduced. So that will reduce unit costs, because those are unnecessary steps - and Senator Ferguson pointed out before the benefits of Lean - and those are steps that do not really add value to the patient's experience.

**The Deputy of St. Ouen:**

Has that not already been factored in in the development of the services that are identified in the new way forward, that has already been almost taken as given that will happen and that is why our hospital is going to be smaller than perhaps it would otherwise be?

**Head of Nursing, Emergency Care:**

Yes, the provision of those services is in what is called an ambulatory care and diagnostic centre, which will be one part of the dual site model that generates significant efficiencies both in terms of patient experience, patient safety and also cost, so at that point we did not have the model that said the dual site and we did not have the detail about what services might go on either side. We still do not have those details at this stage. That is the work we are doing through this period.

**The Deputy of St. Ouen:**

But the model of care is not simply based around the hospital.

**Head of Nursing, Emergency Care:**

No, it is not.

**The Deputy of St. Ouen:**

It also includes - and we come back to the sustainable funding mechanism for Health and Social Care - the community services are designed to support a smaller hospital.

**Head of Nursing, Emergency Care:**

We can talk in more detail on the model of care next week, but one aspect of the model of care is to develop an emergency care centre which is not the traditional emergency department, which is



an inward hospital-looking department, but an out-looking centre where community hospital staff are based. Patients arrive, and that is a third of our patients and what is called zero length of stay, they will stay for less than 24 hours. If we can make the right kind of clinical decision-making with the right kind of diagnostics, the right kind of imaging, while we are doing that, we can be setting up the community services for patients to move out of the hospital quicker than they are at the moment, and that is because those staff will be based within that emergency care centre.

**Senator S.C. Ferguson:**

But if you are busy working out the services that you are going to be doing in the hospital, how on earth are you going to manage to bottom out the revenue costs? How can you work out a sustainable funding mechanism by September?

**Treasurer of the States of Jersey:**

Because, Chairman, finance colleagues within Health are working as part of the teams that are developing the service delivery models, so the Finance Director in Health, his team, are actively supporting the work as it is going on with the development of the future service delivery models, the finance staff are working with them on that so that they can cost the implications.

**Senator S.C. Ferguson:**

Right, so that basically the revenue costs, am I right in thinking you had not any idea of the revenue costs with the big all-singing, all-dancing £450 million hospital and you have not yet started on the revenue costs for the slimmed-down hospital?

**Treasurer of the States of Jersey:**

No, Chairman.

**Senator S.C. Ferguson:**

Or that you do not have the figure?

**Treasurer of the States of Jersey:**

We have not completed them.

**Senator S.C. Ferguson:**

You are working on it, but you do not have the figure?

**Treasurer of the States of Jersey:**

We are working on those and I would be able, outside the meeting, to give you the detail on that.

**Senator S.C. Ferguson:**

Yes. No, I am just looking at the principle. I am sorry, I was just trying to get it straight in my own mind.

**Treasurer of the States of Jersey:**

You are right in your statement.

**Senator S.C. Ferguson:**

We did not have a revenue figure at £450 million, we do not have it yet, but you are working on it?

**Treasurer of the States of Jersey:**

We are much further advanced.

**Project Director, Jersey Property Holdings:**

I can just clarify that what we did have in the strategic outline cases that you have seen was what was called relevant revenue costs, and those related to what we expected in relation to nursing costs, single-bedded rooms and dual site working costs, the costs of transporting people between the dual sites, those sorts of things. Now, clearly that is not a comprehensive sustainable revenue position that the Treasurer is referring to and so work is still going on looking at what that ...

**Senator S.C. Ferguson:**

No, my question was have the revenue costs, which you did not work out at £450 million on a single site, come down with the reduced investment that we are going to have?

**Treasurer of the States of Jersey:**

I see. Are you wondering whether we have sort of ...

**Senator S.C. Ferguson:**

Well, did it?

**Treasurer of the States of Jersey:**

... a saving on capital for a much higher revenue consequence?

**Senator S.C. Ferguson:**

Yes.

**Treasurer of the States of Jersey:**

We do not think so, no.

**Senator S.C. Ferguson:**

All right, thank you. Sorry.

**Deputy J.A. Hilton:**

So you confirm that you see the revenue costs are going to be the same across the 2, the running costs?

**Treasurer of the States of Jersey:**

No, I am not saying that, but I think what Senator Ferguson is asking is have we accepted a different provision, a different physical infrastructure for the hospital ...

[14:00]

**Senator S.C. Ferguson:**

No, what I am saying - I am sorry, I have obviously phrased it badly - I just asked what is the effect of reducing the amount of money we are spending on the hospital and coming down to this effectively slimmed-down version, did that also reduce the revenue costs?

**Deputy J.A. Hilton:**

The running costs of the hospital, yes.

**Senator S.C. Ferguson:**

The running costs.

**Treasurer of the States of Jersey:**

Just the running ... sorry, when you say "revenue costs" I assume that you mean the costs of nursing and consultants and everything.

**Senator S.C. Ferguson:**

Well, those are the running costs.

**Deputy J.A. Hilton:**

Yes.

**Treasurer of the States of Jersey:**

Okay.

**Senator S.C. Ferguson:**

Sorry, I ...

**Treasurer of the States of Jersey:**

Not necessarily.

**Deputy J.A. Hilton:**

Had you just confirmed ... sorry, I was ...

**Treasurer of the States of Jersey:**

Will it reduce what I would think of as running costs in terms of heat and light and all that and so on?

**Deputy J.A. Hilton:**

Yes, but not staffing, no.

**Treasurer of the States of Jersey:**

No.

**Deputy J.A. Hilton:**

Did you just say - and I am sorry if I missed it - that you do not have those forward projections of running costs for the new hospital at the current time? Did you just say that?

**Project Director, Jersey Property Holdings:**

What I said was that in the strategic outline case that you have received, there are the relevant revenue costs, which are about what would change from the existing model of care, based on things like transport between sites.

**Deputy J.A. Hilton:**

Yes. Just to help us, what is the difference in those 2 figures, do you know?

**Project Director, Jersey Property Holdings:**

I do not have that in front in me.

**Deputy J.A. Hilton:**

I do not know whether you know off the top of your head.

**Treasurer of the States of Jersey:**

What I would say, Chairman, is that the costs, the growth bids that I am offering to share with you, one of those workstreams is the acute services strategy and the costs associated with that, so it might help if we share the growth bids with you outside the meeting so that you can see a more complete picture on that, because it does include elements of the acute services strategy as well community services strategy, mental health and so on.

**Deputy J.A. Hilton:**

Right, thank you. We have talked briefly about the phasing of development across and within the 2 hospital sites. Could you just explain to us the risks that have been identified to maintaining safety and continuity of care and how you are going to mitigate against those risks?

**Treasurer of the States of Jersey:**

Yes. We do have a risk register, Chairman, and we are very happy to send that to you. We have a risk register for the project as it is developing and we can send that to Kellie for you.

**The Deputy of St. Ouen:**

Can you just briefly explain the phasing for us?

**Project Director, Jersey Property Holdings:**

The phasing?

**The Deputy of St. Ouen:**

Yes.

**Project Director, Jersey Property Holdings:**

The phasing in the addendum to the strategic outline case, which is the dual site model, assumes that we would commence with a new build at Overdale of an ambulatory care centre and then subsequent to that, we would develop new build at the General Hospital site, and finally we would finish up with the refurbishment of those areas that need to be refurbished, decanted and refurbished on the General Hospital site.

**The Deputy of St. Ouen:**

Over what period of time?

**Project Director, Jersey Property Holdings:**

The assumption is that those 3 phases that I have just outlined would be roughly 3 years each over the next 9 years, from 2016 onwards.

**The Deputy of St. Ouen:**

Mention has been made of phasing and you have just identified maybe it is the first phase, I do not know. The question is can we be assured that the £300 million will be a total sum that will be used to provide all of the services and facilities that were identified and had been identified and acknowledged as being necessary in the Atkins report to meet the needs of the Island and its population?

**Project Director, Jersey Property Holdings:**

I think what you are saying is would we not just do phase 1 and then stop; is that what you are saying?

**The Deputy of St. Ouen:**

No, I am just wondering ... yes, is there a phase after £300 million?

**Treasurer of the States of Jersey:**

No, Chairman. No, just in case Health colleagues get ideas, the £300 million is to deliver the dual site option. I would say though, Chairman, that - and you will be familiar with Health and Social Services' provision overall - that there is more to Health and Social Services than the hospital and that there are other obligations that we will need to meet in relation to the development of other services, whether they be children's services or mental health services, and those costs will still need to be met.

**Deputy J.A. Hilton:**

Before we leave the subject of the actual hospital and go on to other things, I just wanted to ask you what work has been carried out to consider the purchase of the 2 hotel sites?

**Treasurer of the States of Jersey:**

Yes. We did consider the acquisition and we are still considering the acquisition of the 2 sites. In fact, there are more than 2 sites that we are considering acquiring that could have strategic significance between of their proximity to the hospital. What we do not want to do, Chairman, is to develop options which require us to purchase those sites because that places us in a difficult position when it comes to negotiating a fair price. That is where we are with that, Chairman, so we are practically considering it, Property Holdings colleagues have had some initial discussions with the landowners, but we will not buy them at any price, we will buy them at a fair price, if we need to.

**Deputy J.A. Hilton:**

Have any discussions happened between yourself and the Minister for Treasury on that matter?

**Treasurer of the States of Jersey:**

Yes, Chairman.

**Deputy J.A. Hilton:**

What does the Minister for Treasury think?

**Treasurer of the States of Jersey:**

I think you would have to ask the Minister for Treasury what he thinks, but what was agreed - and there were other Ministers at the meeting - was that Property Holdings should have some discussions with the landowners and that we should explore the possibilities. I think it would be fair to say, Chairman, that the Ministers were mindful of the comments previously made by your panel.

**Deputy J.A. Hilton:**

Okay, thank you. Just moving on now to ask you some questions around the role of off-Island services, could you just tell us what forms of analysis or option appraisal has been undertaken into the role of off-Island services?

**Treasurer of the States of Jersey:**

I could not answer that, Chairman. I would ask that you deal with Health colleagues next time.

**Deputy J.A. Hilton:**

Okay, that is fine.

**The Deputy of St. Ouen:**

Can I rephrase that maybe? Have you seen any financial information associated with the provision of on-Island versus off-Island services and how that may or may not affect the overall provision of health services on the Island, including at the hospital?

**Treasurer of the States of Jersey:**

I think it is fair to say, Chairman, that those decisions about whether services should be provided on-Island or off-Island have been driven by patient need and by risk and by issues around quality of care. They have not been ... that is how those issues have been considered. It is not driven ... the primary concern is for patients, not for price, when we are looking at those issues.

**The Deputy of St. Ouen:**

I hear that and I am sure you are right, but it then surprises me that Ministers are making decisions not about that side of things, they are focusing on just pounds, shillings and pence and limiting budgets within a cost envelope that they believe is affordable ...

**Treasurer of the States of Jersey:**

No, I do not think that is fair, Chairman.

**The Deputy of St. Ouen:**

... and the public generally are well aware that if they want additional services, they need to pay for them.

**Treasurer of the States of Jersey:**

I do not think that is fair, Chairman. I think the Ministers had definitely had regard to all the issues around quality of service delivery, patient care, risk management for patients and so on. They have not just considered the cost of the services.

**Senator S.C. Ferguson:**

Yes, but there must be a point where you say providing it here, providing it off-Island, quality, all the other factors are good and are comparable, but one of them costs a lot more than the other.

**Treasurer of the States of Jersey:**

That sort of issue is more likely to be considered or is very relevant to be considered in relation to elective care, but we are talking about an acute hospital that has to provide emergency care as well and if we want to pursue that discussion any more, then I think it would need to be Bernard and Health colleagues who deal with it.

**The Deputy of St. Ouen:**

Can I just ask, since the current plans must include some assumptions for the volume and type of off-Island services, could you - or maybe Bernard can tell us - what they are and how they affect the overall cost of capital and revenue provision in the current plan?

**Head of Nursing, Emergency Care:**

I can only talk detail about the on-Island radiotherapy option, which is one thing that sits with me and my colleague in commissioning. There will be a meeting next week to talk in more detail about a range of services. The answer is that there are some services that it will never be affordable for the Island to provide, so those cases will always go off-Island, for neurosurgery and cardiac surgery. What we do with that is we are looking at that whole process of commissioning



off-Island services at better value and we have done that already with cardiac services. So there is that group of care that provides opportunities off-Island that we will never have here, the types of care that we will never provide because we would not be able to recruit the kind of workforce to provide that on-Island and then there is a range of services inbetween. I think that my colleagues from Health recently talked about the kind of consultants we are recruiting at the moment, which are enabling a different kind of choice about what patients are going off-Island, so we can do, for example, much more breast care on the Island now with our new surgeon, we can do much more ...

**Deputy J.A. Hilton:**

Bernard, do you mind if I just stop you there ...

**Head of Nursing, Emergency Care:**

Not at all, no.

**Deputy J.A. Hilton:**

... because we are running out of time and I know we are meeting with the commissioners next week. I hope you do not mind. Okay, thank you. I wanted to ask you what evidence do you have of the value for money being obtained from the sums expended to implement the *White Paper* to date. Have you any evidence?

**Treasurer of the States of Jersey:**

My only evidence of the value for money provided by the expenditure, the funding that we have already provided for implementation of the *White Paper* ... if I answer your question directly, Chairman, do I have it? No. Does it exist? I would have to check, so I think I would go back to Health, yes.

**Deputy J.A. Hilton:**

I was going to say that was probably a little bit unfairly directed at you, so sorry about that.

**Treasurer of the States of Jersey:**

No, no, that is all right. I am happy to get that information for you. I just have not come with it, prepared with that.

**Deputy J.A. Hilton:**

That is okay. It will be a question we will be asking next week of the hospital directors. We will move on to another question we would like answered. Who has personal responsibility at

ministerial and official level for validating the overall costs and financial allocations to fund the modernisation of Health and Social Care services?

**Treasurer of the States of Jersey:**

Could you ask me that one again, Chairman?

**Deputy J.A. Hilton:**

Yes. Who has personal responsibility at ministerial and official level for validating the overall costs and financial allocations to fund the modernisation of the health services?

**Treasurer of the States of Jersey:**

I think for validating that it would be the Minister for Treasury and Resources and the Treasurer, Chairman, for validating the costs.

**Deputy J.A. Hilton:**

Okay, thank you.

**The Deputy of St. Ouen:**

Who would you expect to produce those figures for those individuals to validate them?

**Treasurer of the States of Jersey:**

In relation to the hospital, for example, I would expect the project team to do that. In relation to community services, I would expect Health colleagues to do that, so it would depend on the particular service area, Chairman.

**Deputy J.A. Hilton:**

To date, funding has been released for the feasibility study of the plan to renew hospital facilities, and Will touched on that earlier about the expenditure that had been incurred to date. Can you tell us how will a decision be made to fund the building works and what evidence would you want to see before making a decision to release further capital funds for the hospital?

**Treasurer of the States of Jersey:**

I think that we need to progress the feasibility work further, Chairman.

[14:15]

**Deputy J.A. Hilton:**

Okay.

**The Deputy of St. Ouen:**

Sorry, when do you expect that to be completed?

**Treasurer of the States of Jersey:**

Towards the end of this year.

**Project Director, Jersey Property Holdings:**

Well, the outline business case we would hope to have for the incoming Ministers after the election period. The full business case, we would be looking more like next year at a similar sort of time, so I think we are getting increasing levels of certainty as we do more work and that is what the Treasurer, I am sure, will be looking for, is a full business case to present to the States in response to be added to.

**Deputy J.A. Hilton:**

Okay, but I asked you about how the decision was going to be made to fund the building works. I understood the decision had been made about how it was going to be funded.

**Treasurer of the States of Jersey:**

So how the building works will be funded, do you mean the proposal that we took to the States as part of *Budget 2014*?

**Deputy J.A. Hilton:**

Yes. Can you just outline that for us again?

**Treasurer of the States of Jersey:**

Explain that, yes, certainly, Chairman. In December 2014, the States approved a way of funding the hospital and the way in which that works is we have a Strategic Reserve which locally is colloquially known as the rainy day fund, and we put forward a proposal as part of *Budget 2014* that we would earmark an amount from the investment returns that are generated on the Strategic Reserve. We modelled that as part of *Budget 2014* on 3 different bases, and the middle assumption was that we might generate 5 per cent on average investment returns over a period of time.

**Deputy J.A. Hilton:**

Was the period 10 years?

**Treasurer of the States of Jersey:**

It was around that, Chairman. I can resend you the slides if that would be helpful. What that showed was that we would be able to afford to pay for the hospital; if those assumptions held good, we would be able to pay for the hospital from the investment returns with no debt remaining and no increases in tax. In other words, Islanders would be getting a new hospital paid for from the investment returns on monies that the States already has. At the end of 2013, we had closed our accounts for 2013 and we were about to publish them. The value of the Strategic Reserve has increased from around £650 million to around £740 million and we have generated just a little bit less than £92 million in one year on the Strategic Reserve. If our 5 per cent assumption had held, then we would have generated about £32 million, so we have done in one year sort of 3 years' worth of what is needed towards the hospital, so that gets us off to a racing start.

**Deputy J.A. Hilton:**

That is a pretty impressive figure.

**The Deputy of St. Ouen:**

Could you just confirm, Treasurer, that the States currently have only, as I understand, approved a method of funding the hospital?

**Treasurer of the States of Jersey:**

That is right, the spending.

**The Deputy of St. Ouen:**

Not where or how much will be spent on a hospital, or indeed whether or not the hospital is being delivered on one site or 2?

**Treasurer of the States of Jersey:**

You will recall, Chairman, that when we took the *Budget 2014* forward, we did a series of presentations and Health colleagues did a series of presentations for the public as well in about 6 or 7 different locations and those presentations were done on the basis of a dual site solution. The funding that was requested, if you look at the report and proposition for *Budget 2014*, the £297 million is the figure that is modelled in there and you can see the phasing of that spending as well. So it was clear at the time that what was being asked for was £297 million for a dual site solution.

**The Deputy of St. Ouen:**

Sorry, I hear that you are pointing and referring to a report that accompanied the budget, but the proposition itself, as I understand it, does not commit the States to spend £297 million on a 2 site hospital.

**Treasurer of the States of Jersey:**

The first part of that is correct, Chairman, because in *Budget 2014* we did not ask for all of the funding for the hospital, we asked for £10.2 million.

**Senator S.C. Ferguson:**

Just £10 million? Yes.

**The Deputy of St. Ouen:**

£10 million for additional feasibility work?

**Treasurer of the States of Jersey:**

Yes, because we wanted to progress the work in 2014 and then bring forward the outline business case to which Will has already referred, and then subsequently the full business case, but the decision the States made on the funding method, if I can put it that way, on the use of the investment returns from the Strategic Reserve, that was informed by the £297 million that we have been talking about and also the dual site solution, because the £297 million delivers the dual site solution.

**Deputy J.A. Hilton:**

Before we leave the subject of the funding, I believe you said that the fund had increased to the end of 2013 from £650 million to £740 million. Will you be removing that sum of money completely out of the Strategic Fund and placing it somewhere else?

**Treasurer of the States of Jersey:**

No, Chairman, we will be leaving it there to generate more interest and more investment returns.

**Senator S.C. Ferguson:**

How much of that £92 million is realised income and how much is unrealised profit?

**Treasurer of the States of Jersey:**

I do not think that matters, Chairman, but I can provide that to you.

**Senator S.C. Ferguson:**

It does, because if the market goes down tomorrow, you have the income but you do not have the unrealised profit.

**Treasurer of the States of Jersey:**

Investment returns do go down as well as up, Chairman, but ...

**Deputy J.A. Hilton:**

That is why I asked whether the money was going to be removed and placed somewhere else so that it is safe.

**Senator S.C. Ferguson:**

Yes.

**Treasurer of the States of Jersey:**

Oh, I see. No, Chairman, because we want to generate more returns on it, so ...

**Deputy J.A. Hilton:**

With the risk attached to that?

**Treasurer of the States of Jersey:**

Yes.

**Deputy J.A. Hilton:**

Would you mind if we just adjourned the meeting here at this point just for a couple of minutes so that I can confer with my colleagues on a further line of questioning?

**Treasurer of the States of Jersey:**

Not at all, Chairman.

**Deputy J.A. Hilton:**

Just a couple of minutes, if you would not mind waiting outside.

## **ADJOURNMENT**

**Deputy J.A. Hilton:**

Thank you. Just we wanted to go back to the question of the Strategic Fund and the increase in the fund over the last financial year. We are concerned about ... I do not know why I thought that the money would be taken out and put in a different place so that it is there, safe. We do have concerns around that. We would like to know who has made the decision that that additional funding, the return, should stay in the Strategic Fund.

**Treasurer of the States of Jersey:**

The States, Chairman. That was the proposal that was in the budget in 2015 ... sorry, I am obsessed with that, because that is what we are working on now. That is what was in the *Budget 2014* report.

**Senator S.C. Ferguson:**

Oh, that was just the £10 million.

**Treasurer of the States of Jersey:**

The £10 million was a spending decision.

**Senator S.C. Ferguson:**

Yes.

**Treasurer of the States of Jersey:**

There was also we set out very clearly how we would fund the hospital and there is reference in there to the fact that we will leave the money within the Strategic Reserve so that it continues to grow.

**The Deputy of St. Ouen:**

So could you just confirm that if the States or the Minister for Treasury wish to set up a hospital fund, so in other words, transfer monies which are derived from investment income from the Strategic Reserve into the fund, it would have to be a States decision?

**Treasurer of the States of Jersey:**

If we wanted to set up a separate fund, would it need to be a States decision? I would have to think about that, Chairman.

**The Deputy of St. Ouen:**

Also, could you come back to us with whether or not that option has been given any consideration?

**Treasurer of the States of Jersey:**

What I would say, Chairman, is that I would advise the Minister for Treasury that the funds, whether they are in a separate fund or with the Strategic Reserve, should nonetheless stay within the common investment fund and be invested, so it would make no difference. Are you with me?

**Deputy J.A. Hilton:**

Because it is under a different umbrella, do you mean?

**Senator S.C. Ferguson:**

No, you are saying that it should stay in non-cash assets rather than taking it out and putting it into a cash pot ready to spend.

[14:30]

**Treasurer of the States of Jersey:**

Most definitely, Chairman, because of the relative difference of investment returns over time.

**The Deputy of St. Ouen:**

One other area that I would just like to explore very briefly, we spoke a lot about the single site, 2 site options and obviously the favoured route is the dual site approach. Can you tell me, in those considerations, was the potential income or value of the Overdale site taken into account?

**Treasurer of the States of Jersey:**

Yes, I think so, Chairman. I think we took account of the value of ... I would have to check. I think we did ... I would have to check that.

**Deputy J.A. Hilton:**

Can you come back to us then on that point?

**Treasurer of the States of Jersey:**

Yes, certainly.

**Deputy J.A. Hilton:**

Was there anything else you wanted to ask, James?

**The Deputy of St. Ouen:**

Yes, it was ...

**Treasurer of the States of Jersey:**

No, Chairman, we did not. Will has reminded me.



**Project Director, Jersey Property Holdings:**

I think we did some sensitivity ... certainly when we were looking between sites and we were doing our site selection process, we looked at land values and did some sensitivity around that, which you will see in the strategic outline case that you have, Chair, but for the specific addendum to the strategic outline case where we are looking at the dual site approach, there is not a land value identified for the whole Overdale site, which I think is the question.

**The Deputy of St. Ouen:**

Yes, okay. Then just to come back to the off-Island site question is that obviously a piece of work was being done by a particular individual commissioner, one of the commissioners in the Health Service, to look at obviously the cost and value for money and so on and so forth. We are now told that Keith has moved on to pastures new and doing another piece of work. I just wondered who was continuing or completing that piece of work or has that just been forgotten about, dispensed with?

**Head of Nursing, Emergency Care:**

You would have to speak next week. It is not in my ...

**The Deputy of St. Ouen:**

Oh right, okay. That is a question for ...

**Head of Nursing, Emergency Care:**

Yes. I do not have the details.

**The Deputy of St. Ouen:**

Again, I suppose just trying to understand that when you are determining that revenue and cost implication, one of the things that one would hope that you are taking into account is this issue of on-Island, off-Island services, value for money and so on and so forth. On a Treasury perspective, it would be interesting to know how you are taking that into account and in what form.

**Treasurer of the States of Jersey:**

We will get the full detail on that for you for next time, Chairman.

**Deputy J.A. Hilton:**

Okay, thank you. Can I just take you back to Overdale again? I think you have confirmed that a full appraisal of the Overdale site, the value of the site, has not been taken into consideration.

**Treasurer of the States of Jersey:**

It was taken into consideration when we were weighing up one site against another, it was taken into consideration then, but what Will is saying is that ...

**The Deputy of St. Ouen:**

In the final assessment.

**Project Director, Jersey Property Holdings:**

We have not included it.

**Treasurer of the States of Jersey:**

... having made that decision, that is not part of the £297 million.

**Project Director, Jersey Property Holdings:**

Yes, we have not included a sum to buy Overdale from ourselves.

**Deputy J.A. Hilton:**

Oh right, okay. Is there any particular reason why potential income from the Overdale site has not been taken into account?

**Treasurer of the States of Jersey:**

Because the opportunity cost of the site needed to be considered when one site was being chosen as against another. Once that decision has been made, it is less of an issue. We are then down to direct costs of building the hospital.

**The Deputy of St. Ouen:**

I understand the things behind the comment you have just made, but equally, some time previous in this public hearing you made mention of other demands that Health and Social Services have, and indeed, the Overdale site had been previously identified as a relocation site for mental health services.

**Treasurer of the States of Jersey:**

I see.

**The Deputy of St. Ouen:**

We are trying to understand. On one hand you are saying you have not looked at the opportunity cost, but there are indirect costs of utilising the Overdale site to deliver the dual site approach, and

what we want to know is if it has not been taken into account what influence may that have on some of the financial aspects of the 2 proposals.

**Treasurer of the States of Jersey:**

There could still be space, Chairman. Potentially Overdale could be considered as an option for future development of mental health services, along with other sites like St. Saviour and so on.

**Project Director, Jersey Property Holdings:**

I guess the mental health strategy that you were talking about there is money for doing a feasibility study in the budget, which that feasibility study is now under way, but had not commenced at the time we were doing our work, so there was a sort of outline vision for mental health services, but there was not firm plans, so it was not possible to cost one option against another option.

**The Deputy of St. Ouen:**

Right. Yes, I can recall certain Ministers confirming that Overdale was going to be used, but ...

**Project Director, Jersey Property Holdings:**

Yes, it was definitely part of the plans, that is correct.

**The Deputy of St. Ouen:**

It was not necessarily just a bright idea, this was something that people were planning on to free up a St. Saviour hospital site?

**Project Director, Jersey Property Holdings:**

Yes, I think there was an assumption that it would be a sensible way of delivering mental health services in the future.

**Deputy J.A. Hilton:**

That feasibility study is happening right at this present moment?

**Project Director, Jersey Property Holdings:**

That is part of the work that the Treasurer referred to which is outside, if you like, of what is included in the sustainable funding so far.

**Deputy J.A. Hilton:**

Okay, great.

**The Deputy of St. Ouen:**

Thank you.

**Treasurer of the States of Jersey:**

You are very welcome.

**Deputy J.A. Hilton:**

Thank you very much indeed.

**Treasurer of the States of Jersey:**

Thank you.

**Deputy J.A. Hilton:**

I will close the meeting.

[14:36]