

# STATES OF JERSEY



## **PROPOSED BUDGET (GOVERNMENT PLAN) 2025-2028 (P.51/2024) :SIXTH AMENDMENT (P.51/2024 AMD.(6)) – COMMENTS**

---

**Presented to the States on 22nd November 2024  
by the Council of Ministers**

---

**STATES GREFFE**

## COMMENTS

The amendment is asking for three amendments to the Budget:

- Create three Heads of expenditure:
- Overdale Acute Facility
- Kensington Place Ambulatory Facility
- St Saviours Health Village
- Each new Head of Expenditure to have an allocation of £0 in this budget.
- To transfer the relevant budgets from the existing Head of Expenditure “New Healthcare Facilities” by 30th June 2025 to provide a breakdown of anticipated expenditure for each Head of expenditure.
- The Minister for Health and Social Services will publish supplementary information in successive plans about the Overdale Acute Facility, Kensington Place Ambulatory Facility and St Saviours Health Village.

The Council of Ministers wishes to be as transparent as the current situation permits in so far as it is in the public interest. In this case, it is trying to balance transparency of budgets with value for money for the taxpayer. The wider report on the amendment sets out the Hospital Review Panel’s concerns about the level of information that has been made available within the Programme head of expenditure.

It should first be noted that whilst only a summary level of information is provided in the Budget, there are numerous further sources of information that have been shared with States Members and the members of the public, not limited to the Feasibility Study, Summary Strategic Outline Case, RIBA 2 designs and strategies, Budget Supplementary Information and the Planning Application. These all provide comprehensive information on proposals across major sites within the New Healthcare Facilities.

Furthermore, Council of Ministers and the Hospital Review Panel have also been provided with further cost estimates and budgetary information. It is only the more detailed information on budget and costings that have not been shared publicly. This is in common with many other jurisdictions that value transparency but also want to achieve best value from their supply chain. Indeed, the very table presented within the amendment is a combination of portions of individual projects (i.e. not the full budget) and programmes, essentially confirming that there is precedent in not presenting full project cost level information despite the overarching desire for transparency.

That is not to say that more detailed budgets on individual projects within the Programme do not exist; rather, the decision has been made not to publish these within the budget documentation to allow for the optimum position when negotiating all contracts for the Programme, especially the contract for the Overdale Acute Main Works Delivery Partner. This latter process has begun and is likely to conclude in September 2025, subject to sufficient interest in the scheme from those organisations capable of delivering such a complex scheme. The NHF team is currently consulting the

market on the overall procurement process through the Prior Information Notice, Webinars and feedback Questionnaires.

Whilst it is acknowledged that the publication of the individual budgets themselves at site level does not reveal the levels of contingency and optimism bias contained in the Acute Facility Main Contract, it does allow the totality of the sum held for that project to be available to potential partners. With their experience of the projects involved, benchmarks and other market data, it may well be that the overall budget for the Acute Facility will allow them to discern the current estimate of the contract value with increased certainty.

Holding all of the budgets for the three sites in a single Head of Expenditure gives the Programme an ability to manage the level of information available to potential partners, but it does not stop the team maintaining the correct level of financial information to satisfy the requirements of the Public Finances Law. This information will be available to the Hospital Review Panel and the Treasury department. It is also subject to internal and external audit procedures. These simply do not permit 'overspends' to be hidden as suggested in the amendment.

One of the arguments made in the amendment is that the competitive process is unlikely to encourage a "bidding up" because this would lead to an unsuccessful tender outcome. This point, however, does not fully consider the reality of the procurement process for complex projects, nor the current market conditions within the Healthcare sector. This is a specialist area with only a small number of organisations that can and are prepared to deliver this scale of project with other schemes in the marketplace. When this is added to the Jersey location it means that we will have to work hard as a jurisdiction to attract those organisations. There simply is not a plethora of organisations capable and with the capacity to deliver the Acute Hospital, as suggested by the Amendment, and consequently it is hard to maintain commercial tension. It is also not realistic to consider that all information will be known at the point of contract - elements of the design are unlikely to be fixed for up to a year beyond any contract date, providing potential for changes in contracted sums and hence a requirement to not reveal any overall available sum for the site. Even setting out these arguments in this commentary could be argued to diminish competitive tension.

It is also the view of the Council of Ministers, that organisations will try to maximise their returns, and this represents the larger risk. So the need to continue to protect the estimated levels of optimism bias and contingency will remain after the contract award date and, indeed, may need to be maintained until the end of the contract period. This is the best means of ensuring Value for Money.

The Panel state their view that the Assembly and the public should have much greater knowledge about the non-acute elements of the Programme, and it is true that these do represent large scale capital projects. However these schemes are in early stages of development and there is a commitment to continue to work to ensure that the Assembly, the public and other key stakeholders are kept informed as they progress through the required planning stages.

One of the concerns raised in the amendment is that individual amounts could theoretically be moved between the three schemes without public reporting because the budget is loaded on a single head of expenditure. The Programme, however, intends to load the budgets below the head of expenditure at site level and hold those amounts in

line with the detailed cost plan for Overdale Acute that will be finalised as part of the RIBA Stage 3 documentation which is due for completion in November 2024.

The expenditure will be managed within the central accounting system at site level and the process of management and financial information is undertaken within the Treasury function. This monthly financial information is reviewed by the NHFP Programme team and has additional oversight as part of Group reporting from:

- Accountable Officer for Health and Community Services
- Senior Responsible Officers for NHFP
- Strategic Accounts
- Treasury and Investment Management
- Executive Leadership Team for the Government of Jersey
- Minister for Health and Community Services
- Council of Ministers
- Hospital Review Panel (Scrutiny)

These amounts have a clear set of deliverables and scopes set out and it is those that the team will be working towards. There is no intention to vary these amounts and there will be regular reporting on these within the governance framework which includes the Hospital Review Panel. Further, it is possible to envisage processes that could require the reporting of outturn forecasts compared to original estimates without risking the loss of competitive tension. Thus, providing the transparency sought by the Amendment. Indeed, where cost forecasts require significant transfers from contingencies, these are already built into the project and Programme governance.

The part of the Amendment that relates to the publishing of supplementary information related to the three sites would similarly give an insight into the levels of optimism bias and contingency that would disadvantage the Programme from a negotiating perspective. There will be updates on the status of the individual sites against the scopes which have been agreed and the team undertake to ensure that this progress is communicated regularly.

On the basis of all the information that has been set out, the Council of Ministers will always prioritise the Jersey taxpayer and ensuring the best value for money. In addition, it is important that we do not set a precedent for future procurement which could harm Jersey's ability to negotiate contracts for future major capital projects. The Council of Ministers maintain that, at this stage of procurement in other jurisdictions, it would be highly unusual for projects of this scale to disclose budgetary information at the requested level of detail.

Therefore, on this basis, the Council of Ministers cannot accept the Amendment.