

3.4 Senator S.C. Ferguson of the Minister for Treasury and Resources regarding an update of the King Sturge report:

In light of the revaluation of the States Property Portfolio, has the Minister taken the opportunity to have the *King Sturge* report updated and, if not, why not?

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

I will try to similarly answer this question as Deputy Southern complimented my Assistant Minister on and cut to the chase. The Senator links the *King Sturge* report to the revaluation of States property for the purpose of the preparation of the States accounts. There is no requirement to have the *King Sturge* report updated to inform the valuation of the States Property Portfolio. It is not relevant. The States portfolio was revalued in 2012 in accordance with its normal accounting requirements and policy for a 5-year full revaluation of land and building assets. The reason I say that is the *King Sturge* report was commissioned in 2008 as part of the work on the Esplanade Quarter Masterplan and the proposed development at the time with the company called Harcourt. It was provided in confidence to a small number of Members, including Senator Ferguson, who formed part of a governance process for that decision making process at the time. The *King Sturge* report was appointed themselves by further consultants, Trowers and Hamlins, which were commissioned by the States to report on 2 specific matters: did the proposed deal with Harcourt represent best value to the public of Jersey; and, secondly, did the proposed development agreement provide adequate protection to the States and the public of Jersey. The *King Sturge* report looked at the best value element at the time for the development at the time. It is not relevant today. Under the terms of that draft development agreement the developer at the time was to undertake the lowering of the Route de la Liberation as the first phase and to make staged payments to W.E.B. (Waterfront Enterprise Board) totalling £50 million at a fixed stage. Neither of these conditions apply today. This is the fourth time that I have answered or indeed the Chief Minister has answered questions regarding this *King Sturge* report. I have already committed to keep Members informed of the developments that are currently in discussion concerning the Esplanade Square. As far as I am concerned the *King Sturge* piece of work was important at the time but has nothing to do with matters as they stand today.

3.4.1 Senator S.C. Ferguson:

Supplementary? If the *King Sturge* report is not relevant today and has nothing to do with today, presumably then it can be released into the public domain?

[10:15]

Senator P.F.C. Ozouf:

I do not know the answer to that question. I have a copy of it, and it was clearly a piece of professional advice at the time, and I will need to take advice as whether or not it is appropriate to publish it. But what I would say is I would remind the Senator, because she is clearly very interested in this and thinks it links in with States property valuations - it does not - and indeed the current Esplanade Square issues. In the foreword to this document it says that this report is highly confidential and was a desk-based review, and it recommends further that the document remains strictly confidential as it includes commercially sensitive comments and conclusions that might commercially prejudice the States of Jersey or the Waterfront Enterprise Board. I am sure she realises all of that.

3.4.2 Senator S.C. Ferguson:

However the Minister has said that it is not relevant today and if it is not relevant there is no harm in releasing it surely?

Senator P.F.C. Ozouf:

I do not want to particularly go there. There is a court process underway in respect of this original deal and I wish to make no comments in relation to the previous scheme. Clearly that developer is not subject to the scheme, there is a new arrangement in place and there is a court process concerning a claim in relation to that previous entity. So I do not wish to go into any detail, positive, negative or anything in relation to that because there is a court process underway.

3.4.3 Deputy J.H. Young of St. Brelade:

The Senator has asked the question I was going to ask but a supplementary on it. I think I have lost count as a Member on the number of times we have heard about this *King Sturge* report. Is it right that we have to continually speak in code about a report that none of us have ever seen, about an important public matter which we are going to debate in some months. Can he take that advice and if he cannot publish it come back to us with a statement of reasons? Does he not accept it is important to clear this up once and for all?

Senator P.F.C. Ozouf:

I would love to clear up this issue. This report was part of a due diligence process of a proposal to develop the Waterfront as a whole with one entity including obligations for stage payments and putting in underground roads. That is not what is proposed today. What is proposed is a development led by S.o.J.D.C. (States of Jersey Development Company) in a staged, phased approach with a completely different approach to risk. Also I think the points that Senator Ferguson and the Deputy want to try and make is that apparently a conclusion from that work at the time, which said that there would be a certain value and a return to the States is relevant to today's question as to what the States would get today. The world is completely different from 2007. We have had a financial crisis, there has been a credit crunch, there has been revaluation of properties, all the information concerning today's development as it is possible to disclose in public is available to Members. This, while a very interesting report of the past is not relevant to the economics, risk or finances of today.

3.4.4 Deputy J.H. Young:

A supplementary, Sir? I think the Senator's answer to my question obviously is on finances. Is it not correct that the Masterplan is still current, there are still issues about the viability of the road and that is still the current planning framework which is the fundamental of the debate we are going to have and the decisions to be made. Is it not, therefore, important that this report and its relevance to this Masterplan be released so that we can at least have some basis to form our opinions?

Senator P.F.C. Ozouf:

The *King Sturge* report is held up as the authoritative conclusion of what would have happened in 2007 in the financial results and the risk of the proposal back in 2007. Now, even then that report, as an important factor at the time, was a desk-based review. What I would say to Deputy Young is we have far more information which has been provided to Members by S.o.J.D.C. about the scheme that is proposed, the phasing of the development, the breaking down of the different elements of a plan, a different relation with a developer, a lead developer which is a States owned entity and a phased approach, together with a valuation that is current and up-to-date. So that is the information that the Deputy wants and I think Senator Breckon's proposal is not particularly linked only with these issues rather the

very valid concerns Senator Breckon has about movement of people in town. Office development is moving south. They are either going to be on this site or adjacent sites so I think we are confusing a whole series of different issues.

3.4.5 Deputy S. Power of St. Brelade:

I think the Minister is correct to say that this *King Sturge* report of 2007 is probably out of date. My question to the Minister, as he is the guardian of the public purse and property development on the resources side of Treasury, is this: what independent valuation has the Minister sought in recent times to validate or corroborate that the cost of development on the Esplanade car park site, the prospective or indicated rent levels that the States of Jersey Development Company might achieve and the indicated yield levels that might be achieved in any prospective prelet on the Esplanade car park site that this proposed development will meet a profit for the public purse in the foreseeable future?

Senator P.F.C. Ozouf:

First of all Deputy Power and Deputy Young are 2 Members who attended the planning hearing and made observations about Esplanade Square. Some of which are planning, some of which are other issues which are not relevant. So I think I have in my mind that Deputy Power does not favour Esplanade Square, certainly from what I have read from his observations. I say that for context and he is of course entitled to that view. Of course my role is to ensure that all the parties involved in this transaction are alert and that I am satisfied that the advice and the basis on which they are making decisions is sound. I have to say that I am sure Members are impressed, and I hope they are as impressed as I am, with the diligent work that the board of S.o.J.D.C. and S.o.J.D.C.'s advisers are now conducting in order to make decisions. It is very clear that if S.o.J.D.C. are successful in securing the tenancies of a number of the key players that are looking for space then that will be a very positive position for the States of Jersey's public finances. Indeed the public will get a very substantial return for their land which is on the Esplanade. I cannot discuss some of those figures in public because these issues are confidential and in putting those numbers in the public we tell the alternative accommodation providers exactly what the S.o.J.D.C. is doing. They are not doing that and I must be guarded not to put into the place, just as King Sturge said, matters which could commercially prejudice the States of Jersey or the now S.o.J.D.C. That is my dilemma. I wish I could but I cannot.

3.4.6 Deputy S. Power:

Can I just seek clarification on that? I am not asking the Minister to disclose any sensitive information relating to the commercial arrangement that might exist. I simply wanted the Minister to make sure that he had sought corroboration or validation with the projected figures for the Esplanade car park site. Has he done so?

Senator P.F.C. Ozouf:

The answer is absolutely yes, and that is done at a variety of different levels. The executive of S.o.J.D.C., the independent board of S.o.J.D.C., the banks providing finance to S.o.J.D.C. are worried about these issues and concerned with them, and the Treasury has oversight as well. So, yes, in abundance, lots of independent advice and strong decision making.

3.4.7 Deputy G.P. Southern:

Will the Minister address the first part of the question asked by Deputy Young. Is it not the case that the overall Masterplan is still in place and that, whether we are doing it in part or in whole, is still the blueprint to which we are working?

Senator P.F.C. Ozouf:

Absolutely, yes. But what is certainly from a risk point of view a more risk averse proposal is to take that Masterplan in stages and to deliver it in a phased approach, which means that you do not have counterparty risk with one individual, which you can take the upside of the hopefully more buoyant commercial property transactions. Yes, it is still the Masterplan and it has to be delivered, and that is the Minister for Planning and Environment's job, which he has done well.

3.4.8 Deputy G.P. Southern:

Supplementary, if I may? In which of those phases do we lower the road, spend all that money and spend 3 years in chaos?

Senator P.F.C. Ozouf:

That is a separate issue as to whether or not the roads ...

The Deputy Bailiff:

That is quite a long way away from the original question.

Senator P.F.C. Ozouf:

Exactly. It is certainly in the second or third phase of the proposal after the first initial, what I hope to be, incredibly exciting new office development on S.o.J.D.C. but this is obviously a matter for the tenants that are seeking space.

3.4.9 Senator S.C. Ferguson:

Will the Minister not agree that the development has changed? The risk, which is now market risk is being carried by the taxpayer. In the planning phasing letter, which is in the public domain, there was a statement that the States would receive £50 million in 20 years' time, which is approximately £12 million at current values. Does the Minister not think that it would be a good thing to get an independent view on the lines of trust that verify?

Senator P.F.C. Ozouf:

No, the Minister does not agree. As I have explained in the previous answer, the decision making process with S.o.J.D.C., their independent board and their financing, overseen by the Treasury, is giving an appropriate amount of eyes on this transaction. As regards market risk, I would hope that the Senator would be an optimist about our future economic situation, which will mean ... if this Assembly's policies of getting economic growth and more inward investment into the Island... will mean that our very good value office accommodation will appreciate in price, which will help our public finances. So I believe we are in a good position and at the end of a financial crisis, presumably asset prices at their lowest, and if we think we are going to get a certain amount of money today and our economic position improves then the public dividend will be greater.