

Minister for Treasury and Resources



Government of Jersey
Union Street | St Helier | Jersey | JE2 3DN

Deputy Jonathan Renouf
Chair – New Healthcare Facilities Review Panel

BY EMAIL

21 February 2025

Dear Chair,

Review of New Healthcare Facilities

I am grateful for the opportunity to respond to the Hospital Review Panel's Review of the New Healthcare Facilities (NHF) Programme.

As the response from the Minister for Health and Social Services has made clear, there are many differences between the UK approach to business cases and the model adopted in Jersey. Some points of difference arise from the need to make governance that works in vastly more complex organisations like the UK Government proportionate for Jersey and the very different resource climate we enjoy. Most, however, simply reflect the fact that the UK is structured in a totally different way and subject to different governance and ways of doing things. For example, UK NHS Trusts are separately constituted organisations, while Health and Care Jersey (HCJ) is a core and integral part of government.

I have chosen to write separately to you as I want to focus particularly on the Panel's findings in respect of the Treasury. The report claims that Hospital OBC is not 'compliant' with the Green Book, and it details a host of highly technical as points of departure to evidence this claim. As the quotations used in the Panel's Report vividly illustrate, both the Treasurer and I have been clear that the Government of Jersey adopts the *principles* of the H.M. Treasury Green Book. I have never claimed to implement every detail so the test should be whether the business case is consistent with the *principles* of the Green Book, and it self-evidently is.

Fundamentally, the Green Book is intended to ensure that Government's financial decisions are underpinned by an appropriate level of evidence and an analysis of the various options available to pursue Government's policy objectives that includes consideration of costs, benefits and risks associated with the most compelling options. To meet these intended aims, business cases are structured in line with the five-case model, which comprises the following components:

- Strategic case – the purpose of the strategic case is to demonstrate that there is a compelling rationale for investment. While the strategic case is so self-evident to the Islanders use and work in the hospital daily that it almost writes itself, the business case meets this objective by explaining the inadequacies of current facilities and what the Island needs.
- Economic Case – the economic case provides a review of the most compelling options to deliver the objectives identified in the strategic case. In this case, that is ultimately to provide fit-for-purpose healthcare facilities. The aim is to determine the option that represents the best value-for-money based on analysis of the wider social and economic costs, benefits and risks of each short-listed option.

The OBC meets the intended objective, comparing the relative merits of the preferred options to a do-minimum intervention. While this involves detailed comparison of fewer options than would be typical, the OBC explicitly builds upon more exhaustive options analyses that preceded this business case. I supported this approach as, by necessity, the NHF business case is drafted with external specialist support and it would not be a good use of public funds to have the experts re-appraise options that have been discounted for good reasons more than once through the processes to develop previous business cases, just for the sake of form.

- Commercial Case – the commercial case is intended to set out the intended procurement strategy and ultimately to give confidence that the proposals are commercially viable. The commercial case will often summarise the core commercial approach while the detail is appended in a summary procurement strategy that provides more detail. As the panel notes, taken together these meet the expectations of the commercial case.
- Financial Case – the financial case is intended to show there is a sound funding and financing plan by setting out the costs associated with the project. The business case clearly does that by setting out the total capital lifecycle costs and the separate on-going revenue costs.

The costs presented are set at an appropriate level for a scheme of this scale. Business cases always aggregate core financial information rather than providing the full detail embedded in supporting financial models. The report indicates that some of the underpinning detail was not provided, but I understand the supporting financial modelling is available and could have been provided. Given our political role is to concern ourselves with core principles and policy rather than pore through the minutiae, I cannot see that the Panel's review would have been meaningfully empowered had the content been requested and provided.

With respect to the specific issues raised related to inflation and depreciation, it is Government of Jersey practice to remove general inflation for revenue as inflation is dealt with centrally. Likewise, I disagree with the advisers that depreciation is a 'real revenue cost' in the same sense as, for example, salaries. It is a notional non-cash accounting adjustment that reflects the usage of assets over time. Without diminishing its important role, its separation from the OBC does not materially detract from an understanding of the on-going revenue costs of the project. The depreciation implications of projects in the Government of Jersey are modelled in the surplus calculations in the Government Plan.

I note that the remaining concerns highlighted in respect of the financial case stem principally from differences between the advisors' UK expectations and the actual Jersey context. For example, questions of affordability are dealt with in detail in the Government Plan, as the OBC notes, rather than in the business case. Likewise, the requirement for updated three-sheet financial statements makes sense for an NHS Trust, which is a separately constituted entity, but would be an extravagance for a Jersey Government Department that is part of the wider Government of Jersey.

Ultimately, the financial case clearly meets the principles of the Green Book, setting out, as it does, the comprehensive costs of the project and directing readers to the Government Plan, which sets out the associated funding strategy.

- Management Case – the aim of the management case is to give decision makers confidence that the project can be delivered successfully by setting out the governance structures that will be put into place to oversee its implementation, setting out the core project plan and milestones, and detailing the risk management strategy. Again, the OBC self-evidently meets these requirements. It details the governance arrangements, including the approach to managing risk, and provides clear milestones supported by a project plan that the Panel has seen.

Given the above, I cannot understand how the Panel has made the leap in logic necessary to conclude that there is any gap between Treasury statements about the business cases adherence to the *principles* of the Green Book, and the actual content provided. Even less that this implies any lack of awareness on Treasury's part. As I have summarised, the NHF OBC meets the core principles underpinning the Green Book. As the Pareto Principle makes clear, 80% of the value is derived from 20% of the effort. I am entirely satisfied that the NHF OBC meets at least 80% of the requirements of even UK Green Book requirements and, entirely in line with the philosophy underpinning the Treasury's alignment with (but not full adoption of) the HM Treasury model, it has overwhelmingly delivered their intended value.

I have no doubt that the 153-page business case could have been made longer by making more explicit references to HCJ's workforce strategy, by appending even more detailed financials, or by being clearer about the project management methodology that will be utilised. However, I cannot see how that would have meaningfully contributed to the political debate, and it certainly would not have influenced decision-making.

The policy requirements are clear. Our Island desperately needs a new hospital. We have evaluated and re-evaluated the options ad nauseum for over a decade. We can debate fine points of practice like whether providing detailed sensitivity analysis is really necessary when risks have been costed into the financial estimates and optimism bias adjustments have been made. However, I do not see where that would take us. It is time we come together as an Assembly to make delivering the NHF project our national mission. In doing so, we must recognise the importance of sustaining public confidence in the project.

I value the creative relationship that can come from effective collaboration between Government and Scrutiny. Therefore, I respectfully ask you to consider the extent to which the report extrapolates from fine points of technical practice to seemingly sweeping conclusions that risk undermining public confidence in the project unduly.

Yours sincerely



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