

STATES OF JERSEY



FUTURE HOSPITAL FUNDING STRATEGY (P.130/2016): AMENDMENT

Lodged au Greffe on 4th January 2017
by the Connétable of St. John

STATES GREFFE

1 PAGE 2, PARAGRAPH (d)(i) –

After the words “in accordance with paragraph (c)” insert the words –

“provided that the capital value of the Strategic Reserve does not fall below the minimum level set in the Budget Statement 2015 (P.129/2014) before the practical completion of the new Jersey General Hospital”.

2 PAGE 2 –

After paragraph (d)(i) insert the following new paragraph –

“(ii) in agreeing to the borrowing specified in paragraph (c) above, the Strategic Reserve should not be used for any further purposes, including capital spending, deficit management or fiscal stimulus (save for those sums already agreed to by the Assembly) for a minimum period of 20 years;”.

and renumber paragraphs (ii) and (iii) accordingly.

3 PAGE 2 –

After renumbered paragraph (iv) insert the following new paragraphs –

“(v) any contingency expenditure (as referred to in paragraph (a) above) which would exceed a total for such expenditure of £36 million shall be notified to the Assembly by separate report at least 15 working days before a decision to incur that expenditure is taken;

(vi) on practical completion of the new Jersey General Hospital, any unspent monies from either contingency provision or savings from the overall construction project shall be returned to the Strategic Reserve Fund;”.

CONNÉTABLE OF ST. JOHN

REPORT

This amendment is designed to tighten up the fiscal control over the finances available for the building of the new Jersey General Hospital. They are measures I and any prudent person would expect to find, especially when dealing with such large sums of money. There are ambiguities in how the monies can be raised which could result in action being taken by the Minister for Treasury and Resources about which the Assembly would normally expect to be consulted.

In paragraph (d)(i) of the proposition, it assumes the borrowing is £400 million, and the balance between £466 million less the £23.6 million already agreed can be taken from the Strategic Reserve; in other words about £42.4 million. However, what if the borrowing is only £300 million or less, then the Assembly has effectively given permission to the Minister for Treasury and Resources to take £142.4 million from the Strategic Reserve without reference back to this Assembly. This could allow the Minister to breach the ceiling of the Strategic Reserve without consent of this Assembly. This amendment to paragraph (d)(i) will prevent this from happening.

The addition of paragraph (d)(ii) is to ensure prudence and to protect the Strategic Reserve, and to ensure that repayment of the borrowing can be made without placing undue financial hardship on future generations. The presentations, made by the Minister for Treasury and Resources to States Members, illustrated how the Strategic Reserve can grow and be used for eventual repayment of the borrowing, but this only works if the Strategic Reserve is allowed to grow and is not continually “raided”. This amendment effectively ensures that the basis upon which the borrowing was presented to Members is adhered to.

Paragraph (v) is to ensure that this Assembly is kept informed of any “overspends” so as to reduce the risk of surprises should the project go over budget. £90 million is an excessive level of contingency – almost 24%. Ordinarily, a contingency of between 5 and 10% (£19 and £36 million) would be the norm. With such a large project, it is right that Members are kept up-to-date with costs, and this amendment will ensure just that.

Paragraph (vi) is a case of simple prudence. When the new Jersey General Hospital is finished, any money left over must be returned to the Strategic Reserve. If the project was to be delivered on budget, then the contingency of £90 million would be left in the “Hospital Construction Fund”. To ensure this money remains under the control of this Assembly, this money must be returned to the Strategic Reserve, or it could be used for further projects which may not have the approval of this Assembly. This is normal financial prudence and what I would expect to have seen in this proposition.

Financial and manpower implications

There are no additional financial or manpower implications for the States arising from the adoption of this amendment.