

STATES OF JERSEY

Corporate Services Scrutiny Panel Lime Grove House: Failure to Complete Transaction Sub-Panel

THURSDAY, 1st SEPTEMBER 2011

Panel:

Senator S.C. Ferguson (Chairman)
Deputy D.J. De Sousa of St. Helier
Deputy C.H. Egré of St. Peter

Witness:

Mr. S. Rowney

Also Present:

Ms. K. Boydens (Scrutiny Officer)
Ms. S. McKee (Training Scrutiny Officer)

[10:16]

Senator S.C. Ferguson (Chairman):

Super, before we start I assume you have not been to a scrutiny hearing before?

Mr. S. Rowney:

No, this is my very first one.

Senator S.C. Ferguson:

You will have seen in the papers obviously the immunities and so on but there is a general health warning. We ask people to read.

Mr. S. Rowney:

Okay.

Senator S.C. Ferguson:

Super. Welcome to this hearing of the Corporate Services Scrutiny Sub-Panel on the Lime Grove transaction. Now, I wonder for the purposes of the ladies who transcribe, if you could say who you are and what your position is.

Mr. S. Rowney:

Certainly. My name is Stewart Rowney, I am Managing Director of a private consultancy practice called Rowney Sharman, I am based here in Jersey and in the U.K. (United Kingdom).

Senator S.C. Ferguson:

Thank you.

Deputy D.J. De Sousa of St. Helier:

Deputy Debbie De Sousa.

Deputy C.H. Egré of St. Peter:

Deputy Collin Egré.

Senator S.C. Ferguson:

Senator Sarah Ferguson.

Ms. S. McKee (Training Scrutiny Officer):

Sammy McKee, Training Scrutiny Officer.

Ms. K. Boydens (Scrutiny Officer):

Kellie Boydens, Scrutiny Officer.

Senator S.C. Ferguson:

Just in case they say something. You will get a copy of the transcribed hearing back to check for facts. That will probably be with you tomorrow or Monday. So if you can just summarise for us your involvement in looking at the business case or your involvement with Jersey Property Holdings and the Lime Grove transaction.

Mr. S. Rowney:

Okay. I was originally involved in the very early stages of the office rationalisation plan about 5 years ago when Property Holdings started to look at the rationalisation of States properties and accommodation in its very embryonic stage and did some work with, in those days, Paul Tucker and Eric Le Ruez. So that is where my involvement started really very much a skeleton framework position when the business plan was first being put together. I no longer had any involvement in it until December, November last year when I was asked to review the draft business plan that had been developed over those years before it was finalised.

Senator S.C. Ferguson:

Super. What were your terms of reference?

Mr. S. Rowney:

The terms of reference were to review it with an independent set of eyes, I had not be party to putting it together, to look at its logic, its structure, question its layout, the information that was provided so that it could be restructured, represented as a finished document.

Senator S.C. Ferguson:

Yes, and from our conversation earlier you said you had made suggestions and so on. What sort of suggestions did you make with the plan?

Mr. S. Rowney:

There were a lot of inconsistencies with regards to its structure. It clearly had been put together by a number of different people as these reports are, business plans are. They had a great deal of information in appendices that had been provided by independent organisations so the first thing really that we did was try and put it into a more presentable structure that if I was looking at business plan from an approval status that it would read more logically and more structured and it would make more sense. So that was the first part of the exercise. The second was to try and question some of the information that was in there, where appropriate, where there inconsistencies in perhaps figures or quotes at various parts in the text with some of the appendices and put forward suggestions as to how they could be tidied. Look at some of the financial projections that had been done with an independent set of eyes just to see are there any holes in them, whether they hung together properly. So it was quite a mixed brief but it was pre-finalisation review from somebody who had not been involved in it at all.

Senator S.C. Ferguson:

So this was commissioned by Property Holdings?

Mr. S. Rowney:

It was.

Senator S.C. Ferguson:

You obviously had meetings with Property Holdings and what other meetings did you have? Anybody else?

Mr. S. Rowney:

I had one meeting to take the brief from Property Holdings, I then had a further meeting to present back our findings, a 3-4 hour meeting with all the people that had been involved with the business plan. I also attended a principal stakeholders' risk workshop as well, as part of the process. I also tended a review meeting looking at the space planning of Lime Grove in relation to its proposed usage.

Senator S.C. Ferguson:

The space planning was with whom?

Mr. S. Rowney:

The meeting?

Senator S.C. Ferguson:

Yes.

Mr. S. Rowney:

The meeting was with various members of Property Holdings, stakeholders, heads of departments, quantity surveyors that had put together the space planning budgets and the layouts.

Senator S.C. Ferguson:

When was that?

Mr. S. Rowney:

That would have been in January, February of this year.

Senator S.C. Ferguson:

When you had finished looking at the business case did you feel that with your amendments it was robust?

Mr. S. Rowney:

Very.

Senator S.C. Ferguson:

I assume you are property consultant. I am sorry, I did not ask.

Mr. S. Rowney:

No, I am a specialist in programme and project management, delivery of projects, complex projects, complex programmes. I have been involved in various States projects over the years at stakeholder level, managing them strategically. I was involved in the fiscal stimulus programme that we rolled out. So my connection with Property Holdings goes through a number of projects over the years, which is why I think I was asked to have an independent view of the plan.

Senator S.C. Ferguson:

You felt that it was a robust business case?

Mr. S. Rowney:

I do. A lot of work had gone into it by a lot of people, it needed to be structuring to read correctly, there were bits and pieces all over the --

The Deputy of St. Peter:

Just to confirm, that was the role by which you were employed to do that restructuring, to put up a good presentation?

Mr. S. Rowney:

Primarily, and pick out questions before they were answered where there were ambiguities perhaps in the business plan, ask those questions and get answers so that those answers could be put in before. So really to tidy it up and make it much more presentable as a finished document.

Deputy D.J. De Sousa:

Did you find any ambiguities?

Mr. S. Rowney:

There are many. I have pages on notes in here, pencilled notes, ranging from grammatical references, incorrect references to tables, figures that were transposed when they have been typed. They are endless, as you would expect a draft business plan to be.

The Deputy of St. Peter:

That was the other point; this does not appear to be unusual in the task that you were set to find these errors because that is your job.

Mr. S. Rowney:

Not all, no. We were quite pleased to be asked, having not been involved in putting it together but having been involved in the very beginning, to see it coming to fruition 3 or 4 years later.

The Deputy of St. Peter:

Were there any ambiguities that caused you concern about the professionals that put this together?

Mr. S. Rowney:

No, there were ambiguities with regards how it was presented, figures that had been transposed incorrectly, references that were wrong, tables in the wrong place, there were some queries on some of the fees, on the cost projections, which we felt were light, so there were those sort of observations, shall we say, that we fed back into the team.

Senator S.C. Ferguson:

You say you attended the risk workshop?

Mr. S. Rowney:

I attended on risk workshop with stakeholders.

Senator S.C. Ferguson:

Which was when?

Mr. S. Rowney:

I would have to look at my diary to give the exact date but it was post Christmas this year, February or ... I think it was probably early February or January and it was an afternoon where all the stakeholders came together with an independent risk assessor and we sat for the whole afternoon doing the first pass on the risk analysis of the whole phase 1 strategy.

Senator S.C. Ferguson:

What were the biggest risks identified?

Mr. S. Rowney:

I was never formally issued with the risk register from that workshop. There were many, most of them were very strategic. From recollection the risks were obviously that from a financial perspective that they were sound, from a transaction perspective that the transactions went through in a timely manner. The risk workshop identified that each of the stages of the office rationalisation programme could be isolated so if they got to the end of stage 1 and stage 2 did not happen there was a stop point at which approval could then go forward again. There were lots of risks but those from my recollection were the primary ones.

The Deputy of St. Peter:

Within that risk structure that you have just described, the actual failure to acquire Lime Grove, how was that regarded?

Mr. S. Rowney:

As I say, I can only go from my memory because I did not formally get issued with the risk workshop, but it was certainly one of the highest risks as regards ... that was identified. I never received the grading, we grade them into grades of risk so the document ...

The Deputy of St. Peter:

Do you understand that there may have been minutes taken or notes taken of that meeting? Do you recall?

Mr. S. Rowney:

I could not comment if there was ... if they were taken they were taken through the analysis of risk workshop and the tables that would be issued by the independent assessor. I am not aware of any notes that I was issued with, as in notes. But I am aware that there was a risk analysis issued but I never saw it.

Senator S.C. Ferguson:

We understand there was a further business case financial appraisal put together, were you asked to comment on that?

Mr. S. Rowney:

No. Not post our first draft pass.

Deputy D.J. De Sousa:

Did you make a recommendation afterwards?

Mr. S. Rowney:

A recommendation as?

Deputy D.J. De Sousa:

As to did you make any recommendations after you had completed your analysis of the business plan?

Mr. S. Rowney:

No, we were not asked to make a recommendation. It was not our role, it was to critique a draft plan and feed that back into the people that produced it.

The Deputy of St. Peter:

So how was your final analysis presented to J.P.H. (Jersey Property Holdings)?

Mr. S. Rowney:

Through a meeting workshop in J.P.H's offices with the team that put the business plan together.

The Deputy of St. Peter:

From a documentary perspective?

Mr. S. Rowney:

It is what is here. Now, I have never been issued with the formal redraft or the final draft following all my notes, all my feedback. There was probably no reason for us to see that. I have to assume that it then flowed from our workshop.

Senator S.C. Ferguson:

Would you normally see the ...

Mr. S. Rowney:

If we had been appointed formally as the programme managers across the whole strategy, yes; but we were not at that point. We were looking at the stage1 and if the project proceeded we were hopeful that would be, or I would be, appointed as the overall programme director for the project and to see through the first phase. So I would not have expected to see it post that if we had not been appointed to take the project forward.

Senator S.C. Ferguson:

Yes, because it has been mentioned that in certain circles it was considered a project for S.O.J.D.C. (States of Jersey Development Company), previously W.E.B. (Waterfront Enterprise Board).

Mr. S. Rowney:

Previously W.E.B.

Senator S.C. Ferguson:

Have you any opinion on that?

Mr. S. Rowney:

Opinion ... **[Laughter]** that is an interesting one. My understanding of W.E.B. previously was that it would be a development vehicle for States of Jersey properties. The work that we did, in my view, sat firmly in Property Holdings as a delivery occupational strategy. To be honest it did not sit in a transactional strategy, although transactions were the key to the jigsaw, if that makes sense.

Senator S.C. Ferguson:

Yes, great sense, thank you.

Deputy D.J. De Sousa:

In the beginning you said that 5 years ago you were involved in the original plans for the rationalisation of States properties, in what capacity were you involved at that stage?

Mr. S. Rowney:

We were looking at ... we were already involved in a number of States projects as regards office rationalisation, restacking, getting better efficiencies out of the space. We had done a lot of benchmarking on a number of those

projects around the occupational strategy, the office use, energy consumption, all these sort of things. With those things in mind I think we were asked to then just sit and start to work on potentially what the long-term jigsaw could be to make States property much more efficient and get departments to work close together, more co-joined than separated. It was very much a strategic skeleton that we worked with on a massive whiteboard one afternoon and we were just literally looking at properties, who was in them, departments that were in them, synergies, where the future was going to be.

[10:30]

The Deputy of St. Peter:

Just to clarify in my own mind, coming closer to the last 2 years and the development of Lime Grove, how important was that Lime Grove acquisition to the overall office strategy plan?

Mr. S. Rowney:

It was key to it. It was the key to it in this business plan. Without that there was a plan B and plan C but it was the most cost efficient plan.

The Deputy of St. Peter:

So having now lost that, what effect do you think that is now going to have on the future of the ... and the costing?

Mr. S. Rowney:

It will certainly slow down the office rationalisation programme unless a replacement for a property such as Lime Grove can be found that would accommodate the first phase of relocations. Whether that could be done quickly or otherwise I could not comment.

The Deputy of St. Peter:

What potential effect do you think that will have on the overall costings?

Mr. S. Rowney:

The basis of the office rationalisation programme that we have been involved with on and off has always been about efficiencies, the cost of running existing States building, we are involved in many programmes of backlog maintenance, and there are large lots of money spent year on year on very old properties, very inefficient properties, both from the building but also from the efficiency usage. So without this relocation to Lime Grove, which is a highly efficient building, it is modern, it is well insulated, it has got an efficient floor space, clearly if another building could not be found such as that and a States building had to be reused or refurbished, I would anticipate the costs would be considerably higher. The whole rationalisation programme was efficiency driven. Better occupancy rates, standardisation, getting people to work together more closely, departments should be co-joined rather the trends of the Island, which was a very logical strategy.

The Deputy of St. Peter:

It has been indicated to us, and you may have seen the headline in the *Jersey Evening Post* that in just the Lime Grove issue alone, or the police station, there is a possible loss to the States of a figure of between £5-8 million. Do you feel that costing would increase in relation to the overall plan, the fact that this was a key to decide of lots of other issues?

Mr. S. Rowney:

It would depend on what came out of the next review as regards what alternative was being put forward to Lime Grove. I have not been involved in that second stage review. If there is another building that is similar to Lime Grove then we are really talking about costs and delay, if it is a building that is completely different to Lime Grove, an old building that would take a number of years to refurbish or a brand new building, clearly impact would be high because the 2 year delivery programme for a new building on a new site, once that site is released as a minimum.

Deputy D.J. De Sousa:

You said that with the failure to secure the purchase of Lime Grove that it would slow down the realisation of the office strategy, in your experience can you see that office strategy could now come forward at all?

Mr. S. Rowney:

It could do, yes, if a replacement building or facility was found. There is nothing wrong with the strategy and the direction it is going in, it is very well founded, it is finding a building that is suitable for the first phase of that relocation. So if there is one the market just now that would fit then the impact would be minimal, if it is not, it could be high. Financially it depends on whatever deal was on the table with the building that was being considered. There are too many variables for me to answer that question, to be honest.

Senator S.C. Ferguson:

You have obviously been in contact with the project from, what, November last year?

Mr. S. Rowney:

On this particular business case, yes.

Senator S.C. Ferguson:

Yes. It has been put to us that what started out as a fairly business-like property transaction became very political. Where you aware of any of that?

Mr. S. Rowney:

I was aware that there were extensive negotiations going on on Lime Grove because clearly we were interested to see how the project was progressing. I am not aware of who was involved with those transactions or whatever. I am aware that the old W.E.B, J.D. (Jersey Developments) were asked to get involved. That is the limit of our knowledge. We have had no meetings with either party since we submitted our changes.

The Deputy of St. Peter:

The comment you have just made, where do you get that information from?

Mr. S. Rowney:

That would have come from Property Holdings. We were working with Property Holdings on other projects so we keep a close eye on this one for obvious reasons and we were aware there was protracted discussions going on.

Deputy D.J. De Sousa:

Were you aware at the same time as the public that we had lost Lime Grove or where you aware before?

Mr. S. Rowney:

I only found out when I heard the public news. As I say, we have not been really involved with in at all. But it did seem an extraordinarily long time from November last year when there was an in principle option agreed, 7 months later still be negotiating, it did not seem right. That is only an opinion.

The Deputy of St. Peter:

Is that opinion based on your experience in the past?

Mr. S. Rowney:

Yes. I have already been through one transaction on Lime Grove for another client 4 or 5 years ago, which was a leasehold transaction, and that moved very, very quickly. In a matter of weeks we had agreed terms.

The Deputy of St. Peter:

The term "opinion" is based on informed opinion?

Mr. S. Rowney:

Yes.

The Deputy of St. Peter:

In summary, what I have picked up from you, so correct me if I am wrong, is that you were tasked by Jersey Property Holdings to review the business case. That you did. You found normal errors that you would expect to find which were corrected and at the end of the day a very robust - I think you use the term "very" - business plan was then put forward.

Mr. S. Rowney:

That would be my view, yes, exactly. It is a good summary. We have looked at business plans over the years and some are very, very weak and ropey and take a lot of work, a lot of work had gone into this one as no doubt you will see. A lot of research, a lot of back up information, a lot of cross-checking, and the fact that a risk workshop was held before the business plan was finalised also I think shows the steps that were taken to make sure it was robust and find the holes in it.

Senator S.C. Ferguson:

So you would not expect detailed floor layouts to be included in that sort of business plan?

Mr. S. Rowney:

There are some floor layouts in there to back up the cost plans that form part of the financial statements that are in there as back up. So there are some in there.

Senator S.C. Ferguson:

But you would not expect detailed desk planning and so on?

Mr. S. Rowney:

No, not at this stage, no. A long way to go before you get to that. But the principles are there to back up the data, which is ... if we were doing a cost analysis for a client, that is exactly what we would do. We would do a feasibility study with an indicative layout based on market rates, based on headcounts to back up figures that were to go into a development appraisal.

The Deputy of St. Peter:

Again just to clarify in my own mind, there had been some indication, other evidence that we have had, that the view was taken that perhaps not enough research had been done in the police requirements for the use of Lime Grove. What would your view be on that?

Mr. S. Rowney:

I cannot comment on that because I was not involved. From the one meeting that I was asked to attend as an overview, I was not involved with the discussions with the police headquarters requirement, space planning. I was just asked as an independent to sit in almost a final meeting where the cost plans and the space plans were being finalised to offer some critique if necessary.

The Deputy of St. Peter:

The final question from me, from your professional view, do you see Property Holdings having had completed a professional way of dealing with this particular issue?

Mr. S. Rowney:

I do.

Senator S.C. Ferguson:

Right, anything else?

Deputy D.J. De Sousa:

Were you aware, at all, in your dealings that Property Holdings had been taken out of the negotiations?

Mr. S. Rowney:

No. I knew that there were a number of parties involved in negotiations; I do not know who they were because we were not involved with them.

Senator S.C. Ferguson:
Okay.

Mr. S. Rowney:
All right?

Senator S.C. Ferguson:
Thank you very much.

Deputy D.J. De Sousa:
Thank you very much.

[10:39]