

**REPLY BY THE MINISTER OF
THE TREASURY AND RESOURCES DEPARTMENT
TO A QUESTION ASKED PURSUANT TO RULE 6 OF THE
RULES OF PROCEDURE BY DEPUTY L TROTT**

Question

When did the T&R Department first become aware there were issues around the St John's Ambulance and Rescue Service (SJARS)?

Answer

At the regular monthly Ministerial meetings between the two Departments during 2014, Treasury was advised that negotiations with SJARS were ongoing but was reassured that the future arrangements for the ambulance service were 'in hand.'

However, on 3rd September, the Department's Deputy Minister attended a meeting at the Health and Social Services Department (HSSD) with an Officer at which it became apparent that SJARS required a resolution to its ongoing contractual negotiations with HSSD before the end of that month. The Treasury Minister was advised of this on 4th September, when he met with the HSSD Minister and at which the Treasury Minister strongly expressed the view that a contingency plan to ensure continuity of service was essential. It was not until 18:00hrs on 29th September that the Treasury and Resources Department (T&R) received a draft proposal from HSSD for the transition of the existing ambulance service to a States-run service.

The T&R Board considered the matter at its meeting at 13:00hrs on 30th September. It was only at that meeting that staff representatives of HSSD, in the absence of any political representation, were able to table a final draft of the transitional agreement for the Board's consideration before the SJARS' deadline later that afternoon.

Question

Why did the T&R Department feel unable to support the contract put forward by the HSSD Department in respect of the SJARS?

Answer

The proposal from HSSD envisaged entering into an agreement with SJARS for the ongoing provision of the ambulance service during a period of transition to a States-run service. The proposal also included a request for Treasury to agree to write-off the existing States' loan of £650,000 to SJARS, albeit apparently to be partially offset by the value of some assets that it was anticipated would be transferred to the States from SJARS.

In the short time available, Members of the Treasury Board identified a number of substantial concerns around the proposals which left it unable to support them.

Principal amongst these was that the transitional agreement anticipated an initial period of three months during which the States would seek to mobilise an ambulance service of its own, albeit with an option to extend this timeframe. At the meeting, HSSD representatives were unable to provide sufficient assurance that HSSD would be in a position to establish a States-run service within such a short timeframe, with the attendant risk that the interim arrangement would need to be extended. The transitional agreement had a monthly cost of up to £275,000 and could have resulted in a total liability for the States in 2015 of up to £3.3m. This compared to the proposal from SJARS to continue operating the service for a contract sum of £2.6m in 2014, reducing to £2.3m by 2018.

Question

What were the “commercial” and “financial” risks of concern to your Department?

Answer

Aside from the considerations set out in the response to the above question, the T&R Board identified a number of financial and commercial risks associated with the proposals. The value of the assets that would be transferred from SJARS to the States (in lieu of the loan that the States was being asked to write-off) had not been identified. The project set-up costs and personnel for managing the transition of the service had not been identified. It was evident that insufficient due diligence and, in some cases, no due diligence in these and several other key commercial, financial and employment areas had been undertaken in order to identify properly the risks inherent in bringing the service in-house. In particular, there was no information available about any contractual obligations under SJARS’ staff employment contracts to make redundancy payments; and there was no apparent recognition of any commercial and financial risks involved in seeking to transfer existing SJARS’ staff to HSSD employment, in particular in respect of pension expectations and obligations.

To be clear, the T&R Board did **not** conclude that it was opposed to the option of a States-run ambulance service. However, with the very short notice that it was given and with insufficient time and information, it was impossible for T&R to consider the matter properly or for it to reach a clear conclusion that the proposal represented best value for the States or have confidence that HSSD currently had the capacity, capability and experience in-house to run such a service.

Having reached that decision and, conscious that the SJARS’ 30th September deadline was just hours away, the Board agreed that the Civil Contingencies Authority should be advised of its decision, in the full knowledge that the Authority was empowered, if it deemed it appropriate, to direct T&R to execute the interim agreement presented to it by HSSD that afternoon.

Date of Receipt of the Question: 4th November 2014

Date of Reply: 10th November 2014