

**POLICY AND FINANCE COMMITTEE MEETING
ANNE FRENCH ROOM
19th July 2016
0915hours**

PRESENT:

Mr R McDowall, Chairman
Mr F Simonet
Mrs N Paris
Mr S Roberts
Mr C Rowley
Mr L Jean
Mr G McKinley

IN ATTENDANCE:

Mr W V Brownlees, Chief Executive (CE)
Mrs S Pengilley-Price, EO to the Chief Executive (SP)
Mr P Veron, Economic Development Officer (PV)
Mrs L Baines, Minute Secretary (LB)
Mrs K A Hatcher-Gaudion, Treasurer (KG)

Apologies: Mr N Harvey, Mr M Birmingham, Mr I Tugby

In Attendance: Stephen Taylor, Consultant, Andrew McDonald, Consultant

ACTION**37/2016****Minutes**

Minutes from the previous meeting – 21st June 2016 were ratified.

Notes from the Finance Committee meeting - circulated via email. It was noted that a second batch of the FA Cup 50th Anniversary Coins are being minted due to the first batch being sold out. It was also advised that the Management Accounts are on budget at the half year point. The Chairman expressed concerns regarding the revenue of the Connaught that the new operating lease for the Connaught has not been tabled for discussion at P&F, and that GSC will have a shortfall in income due to no rental income specified from 2017 onwards, together with additional expenditure required for maintenance works to the properties. It was advised that the Technical Services Officer is aware of the additional responsibilities for SWD. This issue is to be discussed during the budget process. It was noted that the Connaught Accounts will be published for information at the September States Meeting due to being audited late.

Notes from the Tourism & Marketing Committee meeting - circulated via email. It was noted that the Aurigny flight delays and frequency are continuing, and Helene Turner has been appointed as the new Tourism & Marketing Officer.

38/2016**Matters Arising****38.1 Committee feedback from Chairmen (B&DCC and GSC) and Guernsey Representatives and Alderney Liaison Group**

BDCC – it was noted that the new application from Mr Benfield has been deferred with the Committee seeking advice from the Traffic Committee in Guernsey. The LUP is on the Billet for the States Meeting on 20th July.

GSC– Ronez Contract is for approval by P&F, the Skate Park noise and nuisance issues are being dealt with, and work as usual.

Guernsey Reps – Nothing to report.

Alderney Liaison Group – the following issues were discussed:

- Brexit impact

- Application of Discretionary Fines
- Beneficial Ownership Register (Public or Private)
- Financial Relationship planning and implementation
- Transfer Services review and service level agreement to be accelerated.

38.2 Brexit Report – Timeline circulated via email.

Mr Jean stated that this is an on-going issue, and that the figure is larger than anticipated, and requested a detailed breakdown of expenses. The Chief Executive clarified that the on-going different pieces of work are reflected in all costs. Mrs Paris stated that the £35k spent on the Brexit Report was a waste of money to tell us we will have to wait and see. Alderney is on its own.

Andrew McDonald advised that Alderney needs to look after its own interests. With the Governance Review, there will be challenges over the next 5 years with getting the Governance House in order to support for future challenges and the President and Chief Executive are currently scoping the work required.

Mrs Paris stated that the report was not helpful. It was noted that Mr Jean believed that an independent report should not have been done, and that the money could have been spent elsewhere on other important issues.

The Chief Executive advised that the Brexit will have an impact on the 1948 Agreement. It was requested the Brexit become a permanent agenda item for the foreseeable future. **Noted.**

AGENDA ITEM

It was noted that it will be proposed to P&F that the scope of the Maritime Review is extended to include the impact of the English High Court Guernsey vs Defra legal decision, the Maritime Review and possible fishing issues which will arise in Brexit discussions.

38.3 St Anne's Church Repairs – Update

It was advised that there is £120k in the budget for further works from the initial capital votes totalling £426k. It was noted that further capital expenditure will be required to be approved for the next stage of the works once the Loss Adjusters have clarified the extent of the storm damage repairs covered by insurance.

The Chairman tabled a letter dated 1990, that questioned the full responsibility of internal and external works on the Church – this is to be clarified. The Technical Services Officer is to provide a progress of works for GSC October meeting. **Noted.**

TSO

38.4 Work Permits – Update

It was noted that this issue is with the Law Officers in Guernsey, and is requiring more work. Report to come back to P&F for approval before going on the Billet. **Noted.**

39/2016

Budgetary and Financial Matters

39.1 Road Surfacing Contract –Ronez – Report from Technical Services Officer dated 8th July 2016 tabled and noted.

The Committee approved the release of the Capital budget of up to £300,000 for the 2016 road resurfacing works by Ronez, subject to approval at the September States Meeting

TREASURY/TSO/BILLET

41/2016

Legislation, Conventions and Policy

41.1 Land Register Review

The CE advised that there was nothing further to report. The Greffier is invited to attend the September P&F to advise the members on this issue. **Noted.**

41.2 Company Law – Summary of Proposals – Summary update dated 23rd June 2016 tabled and noted.

Mr Jean stated that he would like to see Guernsey Bars air concerns, and that their monopoly rights of audience before the Court of Alderney addressed. The Chairman countered that the Guernsey Bar will be invited to visit Alderney to set out the substance of their concerns in the context of administration of Company Law.

It was noted that the Company Law will have to go through the Law Officers. Mrs Paris advised of her concerns with Point 13 to make opening of bank accounts easier and that it should hope to improve the bank account issue as a focus point. **Noted.**

1015 Stephen Taylor joined meeting

41.3 Presentation on the Financial Relationship by Stephen Taylor, Consultant

Report on the Financial Relationship from Stephen Taylor tabled and **noted.**

The following points as outlined in section 8 were presented and **approved**:-

- A medium term financial plan to be presented alongside the 2017 budget. This will cover the period to 31st December 2019.
- The 2017 budget presented to the States and the public later this year will be in summary (2 pages) format only in line with modern accounting practice. The same to apply to the 2016 accounts. The detail will still be held by Treasury.
- A General Reserve Fund should be introduced in 2017.
- Given the likely 3% cut in funding from Guernsey in 2017, options for debate in the context of the budget and Medium Term Financial Plan to include:-
 1. Efficiency savings on existing services;
 2. Increasing occupier's rates (frozen since 2012);
 3. Increasing water rates; and
 4. Increasing fees and charges.
- Delegated spending powers as below:-
 1. Policy & Finance Committee approve the revenue budget and this approval then provides authorisation for all expenditure by the Chief Executive and States Treasurer;
 2. Exceptional items which result in a change to the budget must be supported by the new business case process and can be agreed by the Chief Executive or States Treasurer up to £50,000. Any items above this will be referred to Policy & Finance Committee for a decision;
 3. Revenue expenditure on external consultancy support (excluding sub-contractors) must be supported by the new business case process and can be agreed by the Chief Executive up to £25,000. Proposals above this level will be referred to the Policy & Finance Committee; Unspent revenue balances will not be carried forward unless there is a persuasive case agreed by the States Treasurer;
 4. Policy & Finance Committee will agree the overall capital programme each year;
 5. Approval of individual capital schemes up to £50,000 will be delegated to the Chief Executive or States Treasurer subject to a business case;
 6. Major capital schemes over £50,000 will require approval from the Policy & Finance Committee subject to a satisfactory business case and be subject to competitive tender.

- While Stephen Taylor advised that the increase in approval limits for the CEO to £50K for project, and £25k for consultancy under the proposed financial changes, remains well below project and consultancy approvals in the UK, Mr Jean believed this level of increase in approval levels delegated to the CEO would represent an abrogation of responsibility by States Members.
- The harbour should be shown in the States accounts as a trading entity in future.
- Mr Jean expressed concerns regarding the delegation and aggregation of States Members responsibility.

It was also noted that:-

- Repatriation of excise duties and taxes will be carried out over time. TRP and Occupiers Rates to be merged with a more simple banding system.
- Treasurer and Stephen Taylor to bring the Capital Programme to P&F.
- Elections – new States Members should be fully aware of what is involved in the role. The Chief Executive advised that the induction process is to include this, and he is to discuss further with the President.
- Stephen Taylor to attend the P&F Budget meeting in September.

41.4 Review of Governance Update

It was noted that there will be more focus from the Government on the Governance in the Crown Dependencies due to the Brexit vote. Andrew McDonald stated that as and when talks begin, Alderney will have a seat at the table. **Noted.**

*1100 Mark Wordsworth ARCE Chairman, and Professor John Sharpe, Commissioner, joined meeting
1100 Minute Secretary left meeting*

42/2016 **Alderney Commission for Renewable Energy** – ACRE Financial Statements 2015 as circulated via email were noted.

General Assessment of Tidal Energy Development

Professor Sharp gave a global update on Tidal Power. It was noted that the Tidal energy project in the UK was 15-20 years behind the wind power initiative, possibly due to lack of funding and recognition of work having to be carried out in fast tidal streams and lack of Government subsidies. The performance of the tidal turbines in fast tidal streams has not been proved as yet and especially in a multi turbines environment which would operate in Alderney waters; it was also noted the expense involved in installing a single a tidal turbine was three times more expensive than a wind turbine.

The Alderney Tidal Energy Environment

ARE/Open Hydro plan to put 150 tidal turbines in the Race (after the FABlink cable is in fully operational), delivering electricity derived from Nuclear power to the UK from France. The facility would be the largest array of turbines in the world and is an ambitious project which would possibly commence in the 2020s at a possible cost of £1½billion, and would require subsidies from the EU for France to finance it. It was noted that around Alderney we possess the best tidal resource (1GW in the Race & Casquets) ARE are concentrating solely on the Race resource at this time (800MW) with the disposition of turbines around the Casquets being a project for 2030. It was noted that this would be a lost opportunity for Alderney if this area (Casquets) was not developed sooner and it was queried as to whether there could be the possibility of a

'split-licence' especially if a second tidal energy company became interested in developing this area. To be investigated further.

Current financial assessment of the project

Currently, electricity produced from tidal energy will be manufactured at a loss and will require heavy Government subsidy. It was noted that without the FABlink cable the tidal project could not proceed, and would require (Government) financial subsidies. If the tidal energy project does not proceed, Alderney could be left with a cable which is not covered by the renewable energy legislation currently in place, but could assist with the provision of a tidal energy project at some stage in the future – Noted.

At this present time the engineering technology to enable tidal energy to 'break' into the interconnector cable is not available to specify and prototype. Currently the costs to break into the connector are estimated to be in the region of £80-120 million. The FABlink cable project is envisaged to complete between 2020 and 2023. The tidal turbine project is projected 2025, but this timing remains open to question

ARE were issued the first licence for development of the seabed in 2008, and block fee payments were received for 46 blocks which amounts to half the resource available. It was noted that ACRE have received £2.1million in block fees (excess available from running the Commission is £400k). Since 2011 ARE has paid Alderney Electricity £1.1million which subsidises the islands electricity costs. It was noted that this expenditure was paid by ARE shareholders, as ARE is generating no income to date. It was further noted that expenditure on the FABlink project by ARE to date is £2.1million with another £3.69 million envisaged by the end of the year (ARE own 50% of FABlink).

In 2015 ACRE were requested by ARE to roll the block fees into a loan note (secured) the value of which is approximately £½million, which has continued for the first 6 months of 2016. While ACRE is legally entitled to roll-up the block fees, it is not happy to continue further with this arrangement until they have requested guidance from the States on the options available:

- a. To support ARE by extending the loan to the end of this year and then call the loan prior to any consents being given; or
- b. Call the loan now which would have a negative effect financially for ARE to be able to continue with the project.

It was noted that if the loan is allowed to roll continuously it would have a detrimental effect on our infrastructure works on island due to the lack of income.

The equity value on the interconnector cable is considered to be substantial as well as being strategically important to the UK Government; (noted that royalties are 2% of the value of the energy generated) and that part of the value of the cable is the strategic opportunity i.e. when this project commences there is likely to be substantial economic benefits (employment, enhanced communications through fibre optic cable connection etc.) there would also be a requirement for one agency to oversee the whole project and include any ancillary projects; it would therefore be considered advisable to increase the Commissions functions to cover this.

It was noted that 2018 would be the indicator for the consents and necessary legislation to be approved [and also possibly when other Tidal Energy companies would be available to compete in the project].

It was also noted that when FABlink is installed there is no requirement for a substation/converter, for which there are no designs available at this stage, this piece of equipment is only required when the tidal energy comes on line.

RESOLVED to note ACRE continuing to roll up the ARE unpaid block fees into a loan until the end of 2016 only, at interest rate of 12%, at which stage the loan to be repaid or converted into equity in ARE, subject to a formal independent valuation (and the assumptions on which the valuation is based) of the ARE equity in the FABlink being made available to the Committee.

*1150 Mark Wordsworth ARCE Chairman, and Professor John Sharpe, Commissioner, left meeting
1155 Minute Secretary joined meeting*

41.5 Voting Age – Report from Chris Rowley tabled and noted.

Mr Jean stated that a further States Member should be placed on the School Management Committee to promote and advise school children of the running of the island's government and what a States Members role entails. The CE advised that a similar proposal is being followed through the Citizens Jury. **Noted.**

The Committee agreed for the voting age for the States of Alderney Elections to be lowered to 16 years.

BILLET ITEM

40/2016

Economic Development Plan

40.1 Economic Development Plan Update – Economic Development Plan and EDP Reserve tabled and **noted.**

Airport Rehabilitation Project – Noted that York Aviation have been commissioned jointly by the States of Guernsey and States of Alderney at a cost of £35k, to be met from the Economic Development Fund (expected 50% to be recovered from SoG once approval sought through various Committee structure). The Committee voted 6 -1 with Mrs Paris voting against this expenditure and outlined her concerns.

PV to send Mrs Paris the criteria on the consultation for the runway improvements. **Noted.**

The Chairman advised that he will compose an open letter to Gavin St Pier regarding the current delays and cancellations arising from the extended introduction of Dornier's and retirement of Trislander aircraft by Aurigny, stating that the situation has not improved. Draft letter to be circulated to all members before final copy sent to Gavin St Pier on behalf of the P&F Committee.

CE/RM

Digital Connectivity – it was noted that the team were over for a meeting today to discuss the strategic future, and work out short and medium term strategies. **Noted.**

EDR – it was noted that the meeting with PV, Mr Harvey and the Treasurer had not taken place due to absences from the Island; however, PV and Treasurer had met and clarified the main queries with Mr Harvey via email.

It was noted that there are overspends in some areas which will require further approvals:-

Blockchain – figure voted to date should remain as income expected to offset this. Company Law - has reached the voted amount, PV to advise if more funds are required.

Economic Development Administration & Consultancy – PV to advise on additional funds required. **Noted.**

40.2 Alderney Flight Capacity Update - Report from Economic Development Officer dated 6th July 2016 tabled and **noted**.

40.3 Airport Land Acquisition – Report from Economic Development Officer dated 6th July 2016 tabled and noted. It was suggested that the existing project is extended to allow for the acquisition of land to extend the runway and the additional funds voted when known.

The Committee agreed to direct the Chief Executive to determine the acquisition process of all land necessary for an 1100m runway.

CE

43/2016

Any Other Business

42.1 States Printing – Statement from Steve Roberts tabled and **noted**. Economic Development Officer is happy to invite quotation tender to contract for large work. It was noted that budget holders had been made aware of additional printer operation on the island and the requirement to obtain tenders.

42.2 Tourism Accommodation – Incentivising an Increase in Provision – PV reported that there has been a slight delay in producing the updated paper, and will be circulated to all members once ready for the September P&F Meeting. **Noted**.

42.3 Duty Free – Mr Roberts reported that you are no longer able to buy duty free goods in Alderney as a transfer passenger on route to the UK through Guernsey. PV to look into issue.

PV

42.4 Asian Hornets – it was noted that Asian Hornets are on island, and a nest has been destroyed. The public are to keep calm as the issue is being monitored. **Noted**.

42.5 PAMG – Mrs Paris has requested an interim report from PAMG for the September P&F meeting. Mr Simonet to deal.

FS

44/2016

Press Releases – none.

45/2016

For Information

The following reports/letters were noted:-

- **Aged Debtors Report – Confidential Item**
- **Management Accounts**
- **Price Paid Data**
- **Bumblebee Performance – May 2016**
- **Alderney Airport Rehabilitation Project – Update**
- **Letter of Thanks from Alderney Island Band**
- **Letter from Gavin St Pier & Robert McDowall's Response**
- **Minutes of Meeting with Law Officers – Legislation Timetables**
- **AEL Network Upgrade Report – July 2016**
- **Brexit Timeline – circulated via email**

Meeting closed: 12.40pm

Signed: Robert McDowall

Date: 17th August 2016