

STATES OF ALDERNEY

BILLET D'ETAT FOR WEDNESDAY 21st APRIL 2010

Members of the States:

I have the honour to inform you that the Meeting of the States will be held at 5:30 pm on Wednesday 21st April 2010. This will be preceded by the People's Meeting, which will be held on Wednesday 14th April 2010 at 7:00 p.m. in the Island Hall.

Sir Norman Browse
President

Item I Audited Accounts, 2009

The following letter has been received from Mr Willmott, Chairman of the Policy and Finance Committee:-

"In accordance with Section 61 (5) of The Government of Alderney Law 2004, as amended, and the mandate of the Policy and Finance Committee, I attach the accounts of the States of Alderney and the States Water Board together with the Auditors' Reports thereon, in respect of the year ended 31st December 2009.

States of Alderney Accounts

Revenue Account

The detailed breakdown of the income and expenditure of the three committees is given in the published accounts, with details of the accounts for 2008, original budget and revised budget (Probable Outturn) for 2009 also shown for comparative purposes.

The following comments highlight in round figures some of the material differences between the accounts and the revised budget: -

Building and Development Control Committee

Income from planning fees is higher than budgeted due to the receipt of fees from the New Connaught Care Home. Excepting this, fees reflect the much reduced level of property movement and building work and it is anticipated that income from fees will continue to be affected during 2010. If major projects such as Fort Tourgis come to fruition then there will be an improvement in receipts.

For consistency purposes staff costs are now shown separately, rather than being included under supplies and services. The increased expenditure on supplies and services is attributable to the legal costs in respect of planning appeals, however this is offset by staff costs being lower than budgeted.

General Services Committee

The General Services Committee has continued to deliver the range of public services under its mandate and although there were some variations between the individual budget heads, expenditure was £53,000 less than budgeted. Although there are savings on the roads budget, due to the Committees decision to postpone the Ronez visit, this is offset by significant additional works carried out to improvements of the sewers. Income is £9,000 less than anticipated.

Harbour - The above figures include the Harbour trading loss which was £17,000 more than budgeted, due to a reduction in income of £6,000, coupled with additional expenditure of £11,000. However as advised in the budget report in October the Committee has instigated a review of the Harbour operations and a sub-group has been formed in order to identify savings with an eventual aim of eliminating the Harbour deficit.

Water Board - The General Services Committee also fulfils the functions of the Water Board, which in 2009 returned an overall operating surplus on revenue account of £23,000, this is the first surplus for several years. This improvement has been achieved by a combination of increase in water rates, coupled with increased consumption on metered supplies, particularly on larger buildings, and a lifting of the water restrictions.

The ultimate aim of the Board is to continue achieving an operating surplus with a view to building the depleted reserves in order to fund future capital requirements.

Policy and Finance Committee

Expenditure by the Policy and Finance Committee was £35,000 less than budgeted, with savings on administration being offset by additional expenditure on tourism promotion and marketing.

Overall income was down by £47,000, mainly due to factors outside our control such as bank interest, duty free receipts, philatelic profits and court receipts, however this has been slightly offset by increases in numismatic revenues and permits & licences.

Overall position

The overall position on Revenue Account at the end of 2009 shows that income was £49,000 less than estimated and expenditure was £88,000 less than estimated, as a result the use of accumulated unspent balances was reduced by £39,000.

This is a satisfactory result in the current financial climate, and has been achieved by a combination of cost containment and an extension of the user pays policy. It is the fourth year running that the deficit is less than that budgeted. During the year the States finances were reviewed by Tribal Helm, the consultants employed by the States of Guernsey to review Bailiwick finances. Their view was that the States of Alderney was a "lean" operation.

Going forward the outlook is less positive. The unspent balances now amount to £116,000 of which £77,000 has already been included in the 2010 budget, the Committee has further agreed that the remaining £39,000 will be spent on the road reinstatement program during 2010, in order to allow an extended programme for Ronez. Additional pressure will be on all departmental managers to operate strictly within their budget during 2010 and onwards.

Staff Pension Scheme

An extract from the report of the scheme actuary produced in accordance with Financial Reporting Standard 17 is included under Note 2. This is in effect a "snapshot" of the financial position of the scheme as at the 31st December 2009. This shows an increase in the scheme deficit from £368,000, to £1,298,000, due to the current economic situation.

Since 1st January 2006 normal retirement age for any new members joining after that date has been changed to 65.

The States is acutely aware that the pension deficit is unsustainable, and is proactively investigating ways to ameliorate this. As agreed at the December 2009 States meeting measures are being taken to reduce the current deficit, including an increase in members contribution, a reduction in the pension escalation factor, and funding retiring members by alternative means for the first five years of entitlement. However these measures alone will not eliminate the deficit, and ongoing discussions are being held with the Guernsey Treasury and Resources Department, and the Public Sector Remuneration Committee. Discussions so far have been positive and helpful but there can be no disguising the fact that radical decisions will need to be made as soon as possible to contain and reduce the deficit.

Capital Account

Expenditure on Capital Account was £5,234,146 in 2009 reflecting the essential work on capital projects undertaken during that period. The Commercial Quay Phases 1 and 2 were completed during 2009, with Phase 3 due for completion in June 2010. The Phase 1 Water Project is substantially complete, with Phase 2, relating to water filtration, due to be placed before the States in the near future. The New Connaught Care Home is now under way and scheduled for completion next January.

Income on Capital Account relating to the General Services Committee includes the amounts transferred from the Alderney Gambling Control Committee which are necessary to fund the Capital projects. The reduction of £45,000 in respect of Policy and Finance Committee is due to the delay in capital assets sales during the year, however I am pleased to report that £55,000 has been raised in 2010 to date.

Alderney Gambling Control Commission

Revenues from licence fees in 2009 amounted to £3,395,650, after the addition of fee income and interest, and deduction of operating expenses the Commission made a surplus in the year of £1,825,307.

The Commercial Quay Project has been funded by £6million from the States of Guernsey Capital Reserves with the balance of £3.5million plus any expenditure in excess of that being met from the AGCC reserves, which once again highlights the valuable contribution of this industry to Alderney's economy.

The anticipated capital income from the AGCC looks secure although it will always be exposed to the risk of detrimental external factors beyond Alderney's control. We are fortunate to have a Commission and management team that is very much in tune with developments that are likely to affect our revenues. By way of example last year saw the introduction of a new licencing regime which more accurately reflected the nature of the way gambling revenues arise. This has provided Alderney with an important competitive advantage. The benefit to the Bailiwick of the very substantial telecoms and server revenues generated by Alderney's gambling industry is now becoming increasingly recognised in Guernsey which is to our advantage.

Meanwhile, in order to clearly differentiate the States marketing activity of its gambling licences from the regulatory functions of the Commission, Alderney eGambling Ltd has been formed. Funding for this activity is from Commission surpluses which accrue to the States. The Company's annual accounts will be published in future together with the States accounts.

Conclusion

The results for the year reflect the considerable efforts made by all staff to contain costs and to further extend the user pays principle to charges. The net result is that although the deficit is less than budgeted in October, we have been reliant on unspent balances to balance the accounts, this option will not be available to us going forward. However it is also worth mentioning that for the fourth year running the cost of waste disposal has been capped at £500,000.

Keeping the year's expenditure and income in balance has required the use of £117,000 of unspent balances. As previously stated the remaining unspent balances of £116,000 will be exhausted during 2010.

On the downside it is undoubtedly true that expenditure in some areas has been reduced below a long run sustainable level. Reducing expenditure on maintenance and repairs on the Island's roads and properties to balance the revenue account is not a satisfactory long term strategy. It is anticipated that formation of an Alderney Housing Association will result in a long awaited upgrading and refurbishment of the Island's housing stock. There will be some revenue impact from 2010 onwards as a result.

As always the States is under pressure to deliver more services for the same or less money. Staff numbers remain under tight control, and a freeze in pay increases during 2010 is a sign of the current economic climate. Contrary to popular belief overall Civil Servant numbers have remained static for the past several years, and the number of Public Service Employees has reduced. The States is well aware of the ever increasing cost of living on the Island and is sensitive to the effect increased charges and rates have on everyone, and in particular those on low and fixed incomes.

It is also aware of the impact of TRP on businesses, particularly smaller retailers, and in 2010 has taken this into account in containing occupiers rates to the minimum possible. In 2011 and beyond the shortfall will have to be made up from sources other than unspent balances and to this end the States will continue to explore every possible way of minimising the impact on occupiers rates caused by the anticipated 2011 shortfall.

We are also taking the opportunity of publishing extracts from the accounts of the Alderney Gambling Control Commission, Alderney Commission for Renewable Energy and Alderney Electricity Ltd, for information purposes, together with a summary of States Members Allowances and Expenses for 2009.

Once again I would like to thank the Treasurer and her staff for the efficient and timely production of a wide range of information throughout the year.

I should be grateful if you would place this matter before the States with the appropriate proposition.

R G Willmott
Chairman"

The States is asked to approve :-

- (a) **The States of Alderney 2009 Accounts, and**
- (b) **The Water Board 2009 Financial Statements**

and to note:-

The extracts from the AGCC accounts
The extracts from the ACRE accounts
The extracts from the AEL accounts.

Item II **Ile de Raz Causeway: Agreement for Lease**

The following letter has been received from Mr Willmott, Chairman of the Policy and Finance Committee:-

"The Ile de Raz ("Raz") is in private ownership but the causeway to it is owned by the States. The owner of Raz, Mr Jon Kay-Mouat (referred to in relation to the causeway as "the Tenant", together with Mr Bruno Kay-Mouat), has for many years held a lease in respect of the causeway. That lease, which has run since 1989, will expire shortly. Significant expenditure is required in order to bring the causeway into a good state of repair and so maintain it thereafter. The Tenant has requested either to be allowed to purchase the freehold of the causeway or to be granted a long lease. The Policy and Finance Committee and General Services Committee are of the view that a long lease is more appropriate. However, a lease of the length proposed (99 years) can only be granted by the full States.

It is considered that the causeway should be placed in good repair by the Tenant before the lease is entered into. It is proposed therefore that there be in the first instance an agreement for a lease. Under this agreement works set out in its second Schedule must be carried out by the Tenant as a pre-requisite of the lease being entered into. Thereafter, the lease will provide for the Tenant to keep the causeway in good and substantial repair and condition safe for persons

and vehicles using it. The right of the public to cross it on foot is reserved as is the right of vehicular access by the States and for the emergency services. There will, as at present, be a nominal (£1 per annum) rent.

The agreement and the lease to be granted under it have been drafted by the Law Officers.

I will be grateful if this letter is placed before the States when it next meets together with an appropriate proposition.

R G Willmott
Chairman”

The States is asked to resolve that an agreement for a lease, as drafted by the Law Officers and a copy of which has been initialled by way of identification by the President of the States of Alderney, be granted to Mr Jon Kay-Mouat and Mr Bruno Kay-Mouat for a term of 99 years and that the lease in the first Schedule thereto be granted when the terms for its grant have been fulfilled, without further reference to the States.

Item III **The Public Vehicle (Amendment) Regulations, 2010**

The following letter has been received from Mr Walden, Chairman of the General Services Committee:-

“I attach a copy of the above. The regulations, which amend the Schedule to the Public Vehicle Regulations, 1986, were made by the General Services Committee and come into effect on 1st May 2010. The regulations are made under powers vested in the Committee by the Public Highways Ordinance, 1966. The Ordinance provides that any regulations made under its provisions shall be laid before a meeting of the States as soon as may be after the making thereof and, if at that meeting or at the next subsequent meeting, the States resolve that the regulations be annulled, the regulations shall cease to have effect without prejudice to anything done thereunder or the making by the Committee of new regulations.

The increase in taxi fares reflects the relevant increase in RPI of 2.2% (rounded to the nearest 5pence).

I will be obliged if the Public Vehicle (Amendment) Regulations, 2010 are laid before the States when it meets in April together with an appropriate resolution.

W Walden
Chairman”

The States is asked to resolve that “The Public Vehicle (Amendment) Regulations, 2010” not be annulled.

Item IV **The Speed Trials (Alderney) Ordinance, 2010**

The following letter has been received from Mr Walden, Chairman of the General Services Committee:-

“I am pleased to be able to report that Guernsey Kart and Motor Club applied to the Committee for permission to organise a two-day Sprint and Hill Climb event on the 17th and 18th September this year at the Hammond Memorial/Lighthouse course and on Tourgis Hill. The Committee have granted the permission required and the necessary Ordinance has been prepared.

The Ordinance will allow competing vehicles to exceed the speed limit etc., and to permit the closure along the course (a) on the road extending from Whitegates (Hammond Memorial) to Mannez Lighthouse and (b) Tourgis Hill

along the extent of the Hill Climb course, from the road junction of the Petit Val with Route de Picaterre to the junction of Tourgis Hill Road with the Grand Val.

As in past years, the Guernsey Kart and Motor Club has undertaken to put in place all necessary safety precautions and to liaise with the Police, Ambulance and Fire Service for these events.

I would be obliged if 'The Speed Trials (Alderney) Ordinance, 2010' is placed before the States at its April meeting together with an appropriate proposition.

W. Walden
Chairman

The States is asked to approve "The Speed Trials (Alderney) Ordinance, 2010".

Item V

The Banking Supervision (Bailiwick of Guernsey) (Amendment) Law, 2010
The Financial Services Commission (Bailiwick of Guernsey) (Amendment) Law, 2010
The Regulation of Fiduciaries, Administration Business and Company Directors, etc (Bailiwick of Guernsey) (Amendment) Law 2010
The Protection of Investors (Bailiwick of Guernsey) (Amendment) Law, 2010

The following letter has been received from Sir Norman Browse, President of the States of Alderney:-

"Please find enclosed a letter from the Bailiff, dated 4th March 2010 seeking approval of the above laws.

I would therefore be obliged if you would debate this matter at your meeting on 21st April 2010 and give your approval as set out in the letter.

Sir Norman Browse
President"

The States is asked to approve:-

"The Banking Supervision (Bailiwick of Guernsey) (Amendment) Law, 2010"

"The Financial Services Commission (Bailiwick of Guernsey) (Amendment) Law, 2010"

"The Regulation of Fiduciaries, Administration Business and Company Directors, etc (Bailiwick of Guernsey) (Amendment) Law 2010"

"The Protection of Investors (Bailiwick of Guernsey) (Amendment) Law, 2010".

(Note: A copy of the Projet de Loi may be seen in the States Office, Island Hall and the Library.)

Item VI

Questions and Reports