



## BILLET D'ETAT FOR 19-10-2005

**Date: 18th October, 2005**

Members of the States:

I have the honour to inform you that the Meeting of the States will be held at 5.30 p.m. on Wednesday 19th October 2005. This will be preceded by the People's Meeting, which will be held on Wednesday 12th October 2005 at 7:00 p.m. in the Island Hall.

Sir Norman Browse

President

### Item 1 Budgets for 2006 and Expected Outturn 2005

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

"1. As required by section 58 of the Government Law, I enclose the budget estimates of income and expenditure for 2006 and the expected outturn for 2005.

2. The main aim of the annual budget is to ensure that adequate funds are available to meet the revenue costs of the various public services and the capital expenditure requirements. The Law requires the States to consider the budgets and directs that thereafter they should be forwarded to the States of Guernsey.

3. The States receives an annual agreed net revenue cash allocation from the States of Guernsey, which makes it necessary to prioritise the areas of public services that can be provided from the finite resources available. The existence of an annual cash allocation emphasises that budgets provide a framework. They do not bind the States to spend in any particular area and nor do they preclude the States from choosing to vary the levels and standards of service it provides. They are nonetheless clear indicators of expected income and expenditure.

4. In preparation of the annual budgets, Committees have had to consider: -

- a) Is the service necessary and appropriate in the present economic situation?
- b) Is there an alternative, possibly more efficient, way of providing the service?
- c) Are charges and fees adequate? When were they last reviewed?

5. Revenue Account - Expected Outturn 2005

Under the financial procedures, the agreed net revenue cash allocation for 2005 was set at £1,444,000, leaving a balance to be met from the accumulated unspent balances. The probable outturn is predicting some improvement in this position as is shown in the following table: -

Budget Probable Outturn

Non-Formula Led Cash Limit 2005 £1,420,000 £1,420,000

Formula Led Estimate 2005 £24,000 £16,000

Cash Limit 2005 £1,444,000 £1,436,00

Predicted use of accumulated balance £130,000 £96,800

Excess of expenditure over income £1,574,000 £1,532,800

The Probable Outturn for 2005 shows revenue income to be about £13,000 less than the original estimate. However as Occupier's Rate will produce £59,000 less than was originally budgeted it will be seen that an extra £46,000 is expected from other sources. Revenue expenditure is approximately £55,000 less than the original estimate, mainly due to a reduction in the estimated cost of the export of waste. This revised estimate was taken into account in setting the level of Occupier's Rate for 2005.

## 6. Budget Estimates for 2006

6.1 The Treasury and Resources Department of the States of Guernsey has set the net revenue cash allocation for the year 2006 at £1,427,000 as shown below: -

£

Non-Formula Led Cash Limit 2006 1,420,000

Formula Led Estimate 2006 7,000

Cash Limit 2006 1,427,000

The cash limit has now effectively been frozen for five years whilst wages and other costs have continued to increase roughly in line with inflation. Through a combination of increased income and savings wherever possible we have been able to limit the amount we have had to draw from the accumulated reserve, but if the predicted shortfall of £188,000 in 2006 proves correct it will reduce the reserve to less than £100,000, which would be insufficient to fund a similar shortfall in 2007. With wages and other costs rising year on year by at least RPI, it is difficult to see how savings or increases of income in the order of £200,000 in order to balance the Revenue account are possible. As has been mentioned before, some of our major items of income, for example the numismatic royalties, depend almost entirely on factors outside our control and we have limited scope for increasing income.

The major income streams of Income Tax, Document Duty, Impôt Duties and Motor Tax arising in Alderney are collected by the States of Guernsey and help finance Education, Health and Social Services etc, together with the Alderney cash allocation. My Committee, whilst striving to contain or reduce costs, will before long have to seek an increase in the annual allocation to offset the ever increasing costs of the services which have to be provided by the States of Alderney.

6.2 Occupier's Rate now accounts for over 30% of local revenue. Having been increased considerably in 2005 in order to meet increased waste disposal costs it is now set at a higher level than any parish in Guernsey. My Committee is currently proposing an increase for 2006 at or near the increase in the Retail Price Index, but may have to review this nearer the end of the year in the light of a full year's actual costs of the waste export experiment.

## 7. Salaries, Wages and Pensions

7.1 The staff costs for 2006 have been increased in accordance with known pay changes and a provision made for pay awards not exceeding 4.0%. This will constitute the major part of the increase in expenditure compared with 2005.

7.2 In the budgets of each department the costs of salaries, wages, employers pension and Social Insurance contributions are combined into the heading of "Staff".

## 8. Capital Account

8.1 Capital income and expenditure as with the revenue account is subject to a net cash allocation. With effect from 2004 the monies raised from Congé and other property transfer duties is being retained by Alderney as capital income. A request for a further allocation for 2005/6 has been lodged with Treasury and Resources but the outcome will not be known until the States of Deliberation discuss the Guernsey budget. The capital account position for the period 2005/2006 is summarised as follows: -

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-Balance of Allocation at 30.6.05 411,416

-Less net overspends on open votes 388,967

22,449

- Plus budgeted Capital Income 1.7.05 to 31.12.05.05 287,377

- Plus budgeted Capital Income 2006 1,249,900

- Total 1,559,726

Total new Capital expenditure in the budget for 2005 amounts to 150,000\*

and for 2006 is - 1,625,000\*

Total £1,775,000

\*These sums do not include the cost of renovations and improvements to the Commercial Quay, which are to be funded from the Guernsey Capital Reserve.

It will be seen from the above figures that there is a forecast shortfall of £215,000 before taking account of any additional capital allocation by Guernsey. It should be noted that my Committee has already agreed in principle that £500,000 should be transferred from the Gambling reserve towards the cost of replacing the Vallee sewer, and that a further £299,000 from the closure of the housing loans fund be used to part finance the Whitegates housing renovations. Both these proposed sources of capital funding are included in the budgeted income for 2006. This budget deals only with the period up to the end of 2006, but capital spending requirements for essential upgrading of the sewerage system, church repairs, and property renovations etc amount to a further estimated expenditure in excess of £2,000,000 over the next four to five years. Further substantial expenditure may be needed if the evaluation of the current waste export trial and decisions by Guernsey on its future waste strategy point to an on island incinerator as the best option for Alderney.

In view of the predicted "Black Hole" in the Bailiwick finances it seems certain that we can expect only limited capital allocations for the foreseeable future. Alderney's capital projects will therefore in the main have to be financed from the income from CongÃ©, some property sales and transfers from Gambling Commission profits.

8.2 It is important to recognise that the approval by the States of the overall capital budgets does not mean that any individual project can proceed without further approval under the revised procedures, which were agreed with the Guernsey Advisory and Finance Committee and were reported to the States in July 1999.

8.3 The capital budgets are therefore to be seen as an indication of probable projects, rather than a firm schedule.

9. Copies of these estimates have been considered and approved by the Guernsey Treasury and Resources Department.

10. Water Board

The estimates for the Water Board show an operating deficit of £28,700 in 2005 and £35,600 in 2006.

Although the Board holds a sizeable reserve it cannot sustain continued deficits and the Board will soon have to consider an increase in Water Rate in order to reduce or eliminate any deficit.

11. The draft budgets have been displayed on the States Office public notice board for several weeks in order to allow interested parties to make comments.

I should be grateful if you would lay this matter before the States with appropriate propositions.

P. F. Walter

Chairman"

The States is asked, after consideration of the Budget Reports -

to accept the Revenue Budgets for 2006

to accept the Capital Budgets for 2006

to accept the Water Board Budget for 2006.

## **Item II Proposal to enact legislation whereby the Law Reform (Tort) (Guernsey) Law, 1979 be given effect to in Alderney, subject to appropriate adaptation and modification.**

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

"I attach a letter on the above subject received from the Procureur. The Policy and Finance Committee considered this at its meeting on 15 September 2005 and has also consulted the Greffier. The Committee supports this proposal and recommends to the States that it approves in principle the enactment of legislation whereby the Law Reform (Tort) (Guernsey) Law, 1979 be given effect to in Alderney, subject to appropriate adaptation and modification. This will enable Alderney to comply with international conventions on carriage by air (in relation to the law of contributory negligence) and also carries with it the more general benefit of uniformity within the Bailiwick of private rights in relation to civil wrongs. A copy of the Law Reform (Tort) (Guernsey) Law, 1979 is available for inspection at the States Offices. I would be grateful if you could place this matter before the States at its October meeting with a suitable proposition.

P.F. Walter  
Chairman"

The States is asked to approve in principle the enactment of legislation whereby the Law Reform (Tort) (Guernsey) Law, 1979 be given effect to in Alderney, subject to appropriate adaptation and modification.

## **Item III Questions and Reports**

Issued 7th October, 2005

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