



BILLET D'ETAT FOR 24-10-2007

Date: 23rd October, 2007

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 24th October 2007. His Excellency Vice Admiral Sir Fabian Malbon, KBE, Lieutenant-Governor of the Bailiwick of Guernsey will be in attendance. This will be preceded by the People's Meeting, which will be held on Wednesday 17th October 2007 at 7:00 p.m. in the Island Hall.

Sir Norman Browse
President

Item 1 Budgets for 2008 and Expected Outturn 2007

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

"1. As required by section 58 of the Government of Alderney Law, I enclose the budget estimates of income and expenditure for 2008 and the expected outturn for 2007.

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 2007

Under the financial procedures, the agreed net revenue cash allocation for 2007 was set at £1,450,000, leaving a balance of £232,000 to be met from the accumulated unspent balances. The probable outturn is predicting some improvement in this position as shown in the following table: -

Budget Probable Outturn

Cash Limit 2007 £1,450,000 £1,450,000

Predicted use of accumulated balance £232,000 £207,100

Excess of expenditure over income £1,682,000 £1,657,100

The Probable Outturn for 2007 shows revenue income to be about £58,000 more than the original

estimate, an increase of 5%. Revenue expenditure is approximately £33,000 more than the original estimate, an increase of less than 2%.

6. Budget Estimates for 2008

6.1 The Treasury and Resources Department of the States of Guernsey has set the net revenue cash allocation for the year 2008 at £1,500,000.

Although this is an increase of £50,000, the cash limit had effectively been frozen for five years whilst wages and other costs continued to increase roughly in line with inflation. The small increase in allocation, whilst welcome, does little to improve the financial position. 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 by approx £25,000. The reserve was boosted by a transfer of £100,000 from the Currency Reserve at the end of 2006 and will thus be sufficient to fund the predicted shortfall of £106,300 in 2008 with a small balance to carry forward to 2009. However this transfer can only be seen as a short term remedy, as with wages and other costs rising year on year by at least RPI, we can expect similar shortfalls on revenue account in future years. 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, and the revenue cash allocation made to Alderney. As a result of the new zero ten tax regime that will come in effect from 1st January 2008 all Guernsey Government Department's spending has now been limited to increases of RPI or less. We do not expect that Alderney will be immune from these limitations and for that reason we will need to find alternative ways of balancing income and expenditure. Work is in hand to review all of the States operations and also to explore the feasibility of raising differential occupier's rates from those properties which may be classified as "second homes" owned by those not registered in the bailiwick for tax purposes.

6.2 Occupier's Rate now accounts for about 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. However, with waste disposal costs in Guernsey increasing substantially in 2007 and staff and other costs continuing to rise, a further increase in the region of 5% will be necessary in 2008.

7. Salaries, Wages and Pensions

7.1 The staff costs for 2008 have been increased in accordance with known pay changes and a provision made for pay awards not exceeding 3.5%. An addition 1% on the employer's social insurance contribution has also increased costs. This will constitute the major part of the increase in expenditure compared with 2007.

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 are being retained by Alderney as capital income. A request for a further allocation for 2007/8 has been lodged with Treasury and Resources but the outcome will not be known until the States of Deliberation discuss the Guernsey budget, but is anticipated to be £200,000. Post 2008, total capital spending in the Bailiwick will be much reduced and we do not anticipate receiving allocations from Guernsey in excess of £200k until the full impact of the zero ten strategy is apparent. There is one exception to this and that relates to the commercial quay. £4m has already been voted by Guernsey for this item and an additional £2m has been prioritised but still requires formal approval by the States of Guernsey. It is anticipated that proposals for the quay will be brought forward in the Alderney States in November 2007 and submitted to the Guernsey

States in January 2008. The States has been advised that the likely cost of proceeding with the rebuilding of the commercial quay is likely to be in the order of £9.5m if it was to proceed with the plans previously approved by the States. Modified proposals are under negotiation at present, but whatever the outcome, the costs are likely to be materially in excess of £6m. Each month that passes will result in yet higher costs for the project and for this reason the States is recommending that it proceed in principle with Geomarine (the current successful tendered) as the preferred contractor and work in partnership to produce an affordable scheme.

Given the likely shortage of funds for other capital expenditure the Policy and Finance Committee has recommended that, in future, AGCC surpluses should be used to part fund all items on Alderney's capital programme. As at December 2007 it is anticipated that a further £1.5 million will be available in the AGCC reserves. The first call on these funds will be the balance of expenditure on the commercial quay. An up to date summary of the States planned capital spend for the next four years is attached at Annex 1. This differs in some respects from the figures included within the attached budgets. The reason for this is that the Budgets are prepared to a timescale that requires preliminary approval by Treasury and Resources in September in order that they can be incorporated within the Guernsey Budgets in November. No sums are included in the capital income for the sale of Fort Tourgis and no sums are included for the allocation of the sale proceeds, part of which Policy and Finance Committee has voted should be a contribution to the proposed new community/sports centre. These will be brought to the States as a separate item for approval at the appropriate time. At present negotiations continue with the developers Verweij and Partners.

As previously reported the £299,000 from the closure of the housing loans fund has been credited to capital income in order to part the next States Housing project. The Gambling reserve will be used to meet the remaining capital budget shortfall. This budget deals only with the period up to the end of 2008, but capital spending requirements for states housing, residential accommodation for the elderly, sewer installation and treatment plant etc amount to a further estimated expenditure in excess of £7,000,000 over the next four to five years.

In view of the predicted "Black Hole" in the Bailiwick finances it seems certain that we will continue to receive 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 £97,825 in 2007 and £76,300 in 2008. The Board has therefore recently increased water charges by 10% and is likely to have to apply a similar annual increase for a number of years in order to meet its ongoing revenue costs.

Although the Board had built up a sizeable reserve of over £400,000 by the end of 2005, this has been depleted by revenue account deficits since that date and by capital expenditure. There will be no funds available for further projected improvements to the water treatment plant and distribution system without an injection of capital. As recently agreed approval for a capital injection of up to £600,000 from Gambling profits will be sought from Guernsey to meet the cost of these projects.

11. The draft budgets have been displayed on the States Office public notice board for some time in order

to allow interested parties to make comments.

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

Mr R. G. Willmott

Chairman"

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

to accept the Revenue Budgets for 2008

to accept the Capital Budgets for 2008

to accept the Water Board Budget for 2008.

Item II The Alderney Road Traffic and Public Highways (Amendment) Regulations, 2007 and The Alderney Road Traffic and Public Highways (Amendment) (No. 2) Regulations, 2007

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

"The Alderney Road Traffic and Public Highways (Amendment) Regulations, 2007 were laid before the States at its September Meeting and noted. The decision as to whether or not to annul them was deferred until the October Meeting, it already being known that the General Services Committee would in the interim make fresh regulations making permanent the one way designation of the High Street from the junction at Victoria Street to the junction at Le Val and extending the period allowed for parking at the Airport to thirty-six hours. The new regulations - the Alderney Road Traffic and Public Highways (Amendment) (No. 2) Regulations, 2007 - have now been made and will come into effect on Friday 19th October 2007.

The earlier regulations are revoked in part only, it will therefore be necessary not to annul them so that those parts not revoked remain in effect. The new regulations must now be laid before the States as required by section 35(2) of The Alderney Road Traffic and Public Highways Ordinance, 1966 and the power of annulment considered either at the October Meeting or the next following one.

I would be grateful if the new regulations could now be laid before the States at its October Meeting together with an appropriate resolution relating to both sets of regulations.

Mr W. Walden

Chairman"

The States is asked to resolve that "The Alderney Road Traffic and Public Highways (Amendment) Regulations, 2007" and "The Alderney Road Traffic and Public Highways (Amendment) (No. 2) Regulations, 2007" not be annulled.

Item III By-Election

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

"Following Mr Main's resignation from the States a date for a by-election was set (June 30th) and nominations invited. No nominations were received. The Government of Alderney Law is silent on the matter of whether or not the States can call further elections in these circumstances and what the procedure should be. Having sought legal advice and considered all the circumstances, including the length of time left before there will be an ordinary election, the Policy and Finance Committee has resolved that it should be put to the next full States for debate and for a decision as to whether or not to hold an election.

In the light of the foregoing the States is asked to consider whether or not:-

- a. to hold an election to fill the current vacancy and,
- b. if it so resolves put in place the necessary arrangements.

Mr R. G. Willmott

Chairman"

The States is asked to resolve:-

- a. to hold an election to fill the current vacancy and,
- b. if it so resolves put in the place the necessary arrangements as follows:-

That Nominations will be received

during the seven days ending at 4:00pm on Tuesday 20th November 2007

That Polling day be Saturday 1st December 2007

That the Polling Room be the Members' Room, Island Hall.

The successful candidates will hold office until the remainder of Mr Main's term of office, which ends on 31 December 2008.

Item IV Questions & Reports

Issued Friday 12th October 2007

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