



STATES OF ALDERNEY

POLICY AND FINANCE COMMITTEE

ANNUAL REPORT

2012

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THE POLICY AND FINANCE COMMITTEE

2012 has seen the implementation of the plans highlighted in 2011. We have adhered to our budget plans not to increase charges above RPIX excepting Water rates which we agreed to increase by 5%. We have done better than expected. By deferring the water rise by 6 months we have in fact increased this by RPIX only. We have reduced harbour dues for cargo vessels via the introduction of the max charge. We have not increased visitor mooring fees, crane dues or harbour dues this year. BDCC fees, import fees etc. have not increased during 2012. Company fees have risen by RPIX and minor fees have risen by RPIX or less, cesspit fees have been retained at 2010 levels. States Members have worked hard to hold down costs and have been supported by the Chief Executive and his staff.

In 2011 we agreed that we would only start projects when we had the money available and this we have done. The Alderney Gambling Control Commission provides the bulk of the money for the capital fund and it continues to perform well. This money has been used to upgrade Alderney's infrastructure and, after years of neglect, bring this to the standard appropriate to the 21st century. There is much more to do. We have completed Water Phase Three and commenced work on Phase Four (distribution improvements). We have paid for road resurfacing. We have agreed to the work on St Anne's Church. We have upgraded the campsite facilities. We have agreed to purchase a new crane and have replaced vehicles and plant for the States Works Department, Harbour and for the Fire Brigade. We have also purchased cliff rescue equipment and paid for training. In 2012 we have seen the new slaughterhouse open at Kiln Farm. Mike Cox should be congratulated on his efforts. He has spent a great deal of time and money providing Alderney with a slaughterhouse suitable for modern times. The States has contributed to the abattoir equipment and supported this project. This is a real bonus for future farming development on Alderney.

We have already committed some funds for 2013 in our continued drive to improve our infrastructure. The budget for 2013 has been passed and we have agreed that Occupiers' Rates will not increase. We have once again limited Water rates increases and it should be noted that States Members themselves have agreed to a pay freeze for 2013.

The recent actuarial review of the existing pension scheme has highlighted a deficit in the fund which must be addressed in the near future. The States has taken the first step by closing the States Pension Scheme to new members. This was a vital first step but a first step only. We are currently evaluating alternative pension schemes for new members. There is more to be done.

We have continued with discussions with the other Channel Islands both at Political and at Officer level. Meetings have taken place with almost all of Guernsey's key politicians. Discussions have taken place in London to advance the case of tidal energy and interconnector projects. ACRE continues its good work in establishing rules and procedures, ensuring that we remain at the forefront of tidal power development.

A new Harbour Master has been appointed and the Chief Executive continues to seek improvements in the way States departments operate.

John Beaman - Chairman

EMPLOYMENT ADVISORY GROUP and CONSTITUTION, LEGISLATION ADVISORY GROUP

Employment Permits

The number of permits issued (to 23rd November) 2012 was as follows:

	<u>2012</u>	<u>2011(12 Months)</u>
New Applications	215	211
Renewal Applications	80	113
Indefinite applications granted	32	45
<u>TOTAL</u>	<u>327</u>	<u>369</u>
<i>Self Employed</i>	26	36
<i>Employed</i>	212	262
<i>Contract Applications</i>	92*	72*

(*Includes new & renewal applications)

International Relations and Legislation During the year the Committee has dealt with many items: International Conventions, European Directives, and Protocols, United Kingdom legislation and United Nations Sanctions, affecting Alderney. The States has also been wholly supportive of, and has endorsed, all necessary changes to Bailiwick Legislation.

During the year the Committee considered 2 new Alderney Projets de Loi; 11 new Ordinances and 4 Statutory Instruments and, where necessary, submitted them to the States for approval.

FINANCE

Report by Geoffrey Sargent, Chairman Finance Advisory Group

The main function of the Finance Advisory Group is to analyse financial data and to make recommendations to the Policy and Finance Committee. In particular this involves tracking the current year's accounts against the budget and preparing recommendations for the following year budget. Present members are Geoffrey Sargent (Chair), John Beaman, Ian Tugby, Boyd Kelly and Matt Birmingham.

Coins

The Committee and the Royal Mint continue to work together in designing, producing and marketing Alderney Commemorative coins.

Alderney has continued to benefit from the positive sales figures and the subsequent royalties that are paid for every coin sold.

Successful issues this year have included the 100th Anniversary of the Launch of the Titanic which has proved to be highly popular in the coin market as well as the first coins in the Queens Diamond Jubilee series, which will continue into 2013. A coin has also been released to coincide with Remembrance Day which has already achieved significant sales within the first few weeks of release.

Looking forward, 2013 is set to see the issue of a number of coins including a proposed series depicting the London Underground together with further coins in the Diamond Jubilee series.

The Alderney Wildlife Trust continued to act as the on-island agent for all commemorative coin sales up until October of this year when they decided to relinquish their contract. All of

their efforts over the term of contract to maximise on Island coin sales have been greatly appreciated and I extend my Committee's thanks to them.

I am pleased to advise that, following advertisement, The Bookshop has now been appointed as the new on-Island commemorative coin agency. Coins are now available from this outlet and may I take this opportunity to wish Mrs Walter success in this new venture.

As always, I would like to thank the Royal Mint for all of their work during the year in ensuring that Alderney continues to be highly regarded in the Coin industry.

COMMERCE, TOURISM and MARKETING

Report by Matt Birmingham - Member responsible for Commerce, Tourism and Marketing.

2012 has proved to be a difficult year for all forms of business in Alderney.

The backdrop of the slide of the UK back into recession, the ongoing debt crisis in the euro zone, the continued difficulties of available credit after the banking crisis of 2008, the changes to low value consignment relief, (LVCR), by the UK government, the worst summer weather for 20 years and the combined effects of the Jubilee celebrations and the Olympics on tourist numbers has produced an extremely tough trading environment for the private sector.

All these factors in addition to the evident structural weaknesses within the Alderney economy as a whole have produced a bleak picture over the past year.

In order to address some of these problems the States of Alderney has undertaken a number of initiatives to attempt to remedy these problems.

During 2012 the States formed the Alderney Town partnership in association with the Alderney Chamber of Commerce. The aim of this body was to try to improve the amenity of the town centre by attempting to deal with the appearance of Victoria Street through finding alternative usages for of empty commercial property. This will have to continue to be an on-going process while island retail outlets continue to have to deal with the combined problems of transportation costs and competition from the internet.

Also the States has undertaken the process of commissioning a strategic economic plan for the island to attempt to find solutions to halt the economic decline of the private sector in Alderney. However, this process has taken longer then was first hoped due to the complex nature of the problems that the island faces. A green paper has now been produced and is now in the process of consideration by the States. It is hoped that the adoption of some the recommendations can now be considered and that this will lead to a formula to take the Alderney economy into the future.

Legislative Changes have been made to Alderney Company law to level the playing field between Alderney registered companies and those in Guernsey. Unfortunately the UK changes to LVCR have had a major negative effect on island employment prospects and it is unlikely that the closure of this perceived loophole by the British government is likely to be reversed. The effect of decisions made by outside jurisdictions is a major concern for the Alderney trading environment and one that Alderney can do little to influence. It is imperative therefore that any proposed changes are continued to be monitored so that ways to mitigate the effects of any changes can be identified.

The Alderney tourism sector has had a difficult year with all passenger figures into Alderney substantially down. The effect of weather interruptions on yachtsman figures and private

pilot numbers has had a significant effect despite the initiatives from the private sector in association with States financial support towards attracting more private pilots.

During 2012 Jo Parmentier the islands marketing officer has left the States to pursue a new career. I would like to take this opportunity to thank Ms Parmentier for her hard work over the previous seven years.

The States is taking this opportunity to review its marketing strategy and examining its options in regard to outsourcing marketing product and to review its approach to assistance of the islands tourism sector.

Alongside this the States are attempting to assist the private sector in increasing the number of events on the island to diversify its product. I would like to take this opportunity to thank those dedicated individuals that organise islands events and emphasise the States continued support for them in helping develop those events. I would also like to thank the hard working volunteers that Staff the islands tourist information centre for their time and effort. In an attempt to improve information distribution on the island, a dedicated tourist information point was established at the Harbour for yachtsmen.

2012 saw 2 major new events in the Rock Island Trails and the Alderney Cancer Relief summer pop concert. It is hoped that these events can be expanded and more new events can be added to the Alderney calendar and I urge any individuals who have any proposals for an event to contact States tourism.

In this area, States tourism has proposed the re-development of the corporation quarry as an events venue and plans are continuing to be developed for this to take place.

Trading conditions remain tough for the Alderney private sector and it is essential that communication between Alderney business bodies such as the Chamber Of Commerce continue to help identify areas of priority where the States can assist.

States marketing will continue to investigate methods for attracting new business to Alderney such as the e-commerce expo at Earl's court and developing improved social media strategies. As part of this during 2012 the government website has been revamped and modernised and plans are in development to improve the ability for online payment.

Economic conditions are likely to remain tough for the medium term. However the States will continue to investigate possible solutions to these problems and support island business to the best of its abilities.

ACTIVITIES IN KEY AREAS

Alderney Electricity Limited – Report by Boyd Kelly, States nominated Director

Following his election to the States of Guernsey, Mr. Gavin St. Pier resigned as the company's Chairman at this year's Annual General Meeting. As a result of advertising within the Bailiwick, Mr. Michael Richards a Southampton based accountant with experience in the energy industry was appointed to replace Mr. St. Pier. At the same time Mr. Robert McDowall an Alderney resident who is a shareholder and director in a Guernsey based broking and tax structuring business joined the board as a non-executive director, filling the vacancy caused by the departure of Mr. Geoffrey Sargent. I would like to take this opportunity to thank Messrs. St. Pier and Sargent for their hard work and welcome their successors.

The company has continued its five year plan to renew the islands electrical infrastructure and in addition to its routine maintenance has carried out a number of works in this renewal, including replacing a 220 meter section of High Voltage cable on Braye Common, making a High Voltage connection from the Grand Hotel site to the Dairy Sub-station, the commissioning of new switchgear and fault protection settings in the new Dairy Substation and replacing 120 meters of overhead lines in the Murette area with underground cabling. It is the company's aim to replace all overhead lines with such cabling as soon as possible thereby reducing the potential for the problems recently encountered by customers in the Little Street area.

At the power station a major maintenance program of one of the large generators was successfully carried out enabling the company to run this generator for another 10000hrs until the next major overall. For a period from Easter to July a changeover from the larger Paxman generators to the smaller Blackstone generators took place in order to improve efficiencies. This produced good overall efficiencies for the summer period. This efficiency has been mirrored throughout the whole of the year with power station usage showing an increase in efficiency of production with station usage down.

On the commercial side this year has seen an ongoing trend of reduced demand on the Island. This is in some way due to customers replacing white goods and lighting products to more efficient models, a greater awareness in the use of electricity but also unfortunately a reduction in customers.

New terms were agreed with the local chandlery Mainbrayce to try and stimulate sales of marine diesel hopefully increasing the numbers of visiting boats and making it easier for local boats to purchase diesel.

The volatility in the price of Avgas together with the significant associated costs has meant that the Avgas price is currently higher than the other islands. This is down to the volatility in the AVGAS market, reduced demand, the inability to forward buy and the restrictions on when the product can be delivered. Research is being conducted in attempts to reduce the cost to aviators.

The company's office has also reviewed a number of its tasks to successfully reduce costs, has enabled online payments to be made and implemented longer opening hours.

Finally I would like to express my thanks to all the company staff who have continued to work hard, sometimes in difficult circumstances but always for the benefit of the customers on the island they all live on.

Alderney Gambling Control Commission

During the year to date (8th November 2012) the Commission has received a total of 28 applications for licences (17) and certificates (11). Of these applications the Commission has issued 15 licences and 8 certificates in total.

At mid-November, a total of 56 entities were licensed, holding a total of 43 Category 1 and 39 Category 2 licences. In addition, AGCC had a total of 10 Foreign Gambling Associate Certificates; 31 Associate Certificates; and 4 Restricted Use licences in hand.

The Commission is expecting to generate revenues that will meet its original forecast of £2.14 million for the year.

Alderney eGambling Limited – Report by Boyd Kelly

I am pleased to report that during the past year there has been a steady stream of applicants for licensing and certification with many being high profile operators of the highest standing.

The main thrust of the company's marketing is through the attendance and participation in industry specific events such as conferences, seminars and trade shows. This year AeGL participated in 15 such events with the two main events being ICE in London and EIG in Barcelona where we utilise the large exhibition stand provided by the States of Alderney. We are supported at these two events by Team Alderney; a marketing co-operative made up of locally based companies such as the telecommunications providers and legal and fiduciary companies. The Team provide more than personnel and their financial contributions towards the costs of exhibiting provide essential extra resources for Alderney's marketing actions. Other promotional activity involves frequent contact with advisors from the legal and accountancy professions and the answering of general enquiries from industry itself, the writing of articles and promotional brochures and the regular distribution of press releases etc.

The board of AeGL remains optimistic about the growth prospects for Alderney albeit against a backdrop where the overall economic climate remains difficult and indeed the resilience of the eGambling industry during the current economic turmoil is now showing signs of stress. Consolidation within the industry, through acquisition or company failures remains a threat to us through reduced opportunities for licensing but for as long as we continue to build our reputation and ability to innovate then we can look forward to a solid future.

I would like to thank the company's Chief Executive Officer Robin Le Prevost for his continuing hard work throughout the year and to Martin Edward our bookkeeper for his endeavours providing us with the financial information from which we could make our decisions. It is particularly unfortunate that Martin has decided to leave the company however I do appreciate his reasons and wish him well in the future. Finally I would like to thank my two fellow directors, Tony Llewellyn and John Beaman for their hard work throughout the year. Egaming has been a vital source of revenue for the islands capital account which has and hopefully will continue to fund Alderney's infrastructure.

Alderney Commission for Renewable Energy – Report by PA Dixon, Chairman

The Commission is a legally constituted body, separate from the States, whose prime role is to regulate renewable energy production on Alderney and in Alderney territorial waters, in particular the harvesting of tidal power.

During this year further progress has been made in developing the guidance notes that define the regulatory approach of the Commission. A Land Based Consents Guide and a guideline covering Decommissioning have been published. Guidelines being currently drawn up include Navigation and Health & Safety. Further guidance notes, where appropriate, will be developed during 2012/13.

The production of electricity from Tidal Energy continues to be a developing industry, still in its early stages. There are currently no tidal arrays producing electricity to the grid anywhere in the world. Similarly all developers have to consider solutions to address the logistical challenges that underpin the evolving technology. In order for any Tidal Energy produced in Alderney to be economic subsidies will be required. A continuing issue for Alderney is that

currently no subsidies are available to the Channel Islands; the Commission supports current discussions with the UK to allow such subsidies.

Significant amounts of Commission time has been devoted to liaising with Alderney Renewable Energy Limited (ARE) with regular update meetings. During the year the three year anniversary Business and Development Plan (due November 2011 under the 2008 Contract) was produced by ARE and reviewed by the Commission. It is anticipated that this will be an evolving document. Meetings have been attended to brief the Commission re the commercial relationships between ARE, Open Hydro and DCNS. The Commission continues to keep a watching brief on developments relating to the establishment of an interconnector linking France and the UK via Alderney (FAB).

Overall the Commission continues to establish its reputation of being an independent professional body operating to current worldwide best practice. This involves constantly updating Commission knowledge and skills to keep up to date within this ever changing industry.

Marina Advisory Group

The Marina Advisory Group continued in its search for a developer for a marina in Alderney. This process saw presentations on proposals from interested parties and P&F taking a decision to appoint one as a preferred bidder. At year end there has been some progress but as yet no firm decision on the design of the marina.

The group was chaired by Peter Allen and members include Matt Birmingham, Boyd Kelly and Ian Tugby. We are most grateful to the continued support and input of the two non States Members of the Group: Les Stewart and Neil Harvey.

TRANSFERRED SERVICES

EDUCATION

Report by Boyd Kelly, Member responsible for Education

This is my last report as the Alderney States Member responsible for education and I am pleased to report that again, due to the guidance of Mr. Gaunt and his staff and the hard work of the students, this summer's examination results continued to indicate a level of consistency in G.C.S.E results compared with previous years. My thanks to all the staff.

The results across nearly all areas and key stages are most encouraging but whilst these results indicate that the school is making good progress, there is on-going work to do – especially in Literacy and English. However I am confident that through the hard work of the staff and students this progress will continue.

The school continues to offer a wide curriculum with Drama and Music now being extended to include the whole of key stage 3 and will be offered to GCSE level in the Spring, to the current year 9 students. French is now also part of the curriculum from reception through to GCSE, which given our proximity to France is a wonderful development.

Despite concerns expressed when the policy for new uniform for the senior school was announced it has been very well received. The Primary School has also decided that they wish to adopt a new uniform, which, for Juniors, is the same as the Seniors, minus the blazer and for the Infants is a sweatshirt in the 'Alderney' blue. This ensures a smooth transition and protects those important rites of passage. It also cuts down on cost, as the only expense is a blazer, as a child moves from year 6 to year 7.

Without wishing to state the obvious, Alderney along with the majority of Europe is currently suffering from an economic downturn. Unfortunately, one group most affected seem to be those with young families to support and it is unsurprising that for many a solution to the difficulties is to leave Alderney. In relation to the school this is reflected in the number of young people on the roll which is now 134 a reduction of 46% in five years. This has meant that some classes are now grouped by ability rather than age thus reducing the staffing costs. I am hopeful that this trend will halt but the reasons and remedies are not for this report.

Finally in addition to the staff I would like to thank the School Management Committee for their hard work and time in supporting St. Anne's School, I have enjoyed my time spent serving with you.

AIRPORT

Report from Paul Arditti, Public Services Department (Airport) Liaison (Joint)

The Airport working party visited the Scillies with the Chief Executive in order to gain a better understanding about their transport links and in particular their airport. Despite the fact that they have access to UK and EEC funding, which we do not have, useful lessons were learned in relation to their airport security, fire service and Air Traffic Control. The information gathered has contributed to the review of other methods for delivering the airport services in Alderney.

This review was ready for exploratory discussions with our Guernsey counterparts when this was first interrupted by the Guernsey elections in the spring, then by the need for a brand new board at the Public Services Department to take up the reins and finally by the decision of the new board to adopt a wholly new work stream from those under consideration of the two working parties; namely the review of the grass runways.

Latterly the priority has been the runways and the fact that PSD in Guernsey has not kept them up to date with current standards.

This year saw the retirement of Keith Webster, the airport manager. Our thanks to Keith for many years of service in Alderney.

POLICE

Report from Boyd Kelly, Member responsible for Police Liaison

During the first 10 months of 2012 as compared against the same period in 2011 reported crime levels in Alderney have dropped by almost one third (from 64 to 44) and detection rates have risen by more than 50% (from 11 to 17). However it should be noted that whilst it is pleasing to see that the numbers are relatively low these can be significantly statistically influenced by a small number of crimes.

I do however believe that the level of community engagement that Sergeant Colin Solway and his team are maintaining is a great contributory factor in the above figures and should be applauded. The Policing model in Alderney is the clearly one of 'Community Policing' and no better way of showing that is by the recruitment of Special Constables. Special Constable Needham joined this year and should be applauded for doing so. I would however wish to see others following her example. The Island has a strong tradition in volunteer emergency services for which we should be grateful and I hope that other residents will consider assisting by joining the Special Constabulary.

A number of significant incidents this year included:

- Accident in the street. 05.45am 22 May 2012 a young man was found lying in the road at Route Du Braye. He was unconscious with life threatening injuries. After initial treatment at the MMH he was transferred to Guernsey then Southampton. One obvious line of enquiry was to investigate whether he had been involved in a hit and run road traffic collision. A team of nine officers were dispatched from Guernsey to investigate including an SIO roads death investigator, an accident investigator, scenes of crime officer and search team officers. These are able to discount the involvement of a vehicle in this incident and it was ascertained that he had accidentally fallen off a high wall onto the road surface. The investigating officer's conclusions were subsequently confirmed by the man.
- An exercise to test all emergency services, transferred services from Guernsey and Alderney's Civil Service took place which was supported by Police with two participants, Inspector Coule and Sgt Solway.
- On the 20 July The Prince of Wales and the Duchess of Cornwall visited Alderney. The Policing of the visit was supported by a small team of specialist officers. These officers were deployed in conventional uniforms in the public duties roles but provided a capability with regard to Search, Firearms and Improvised Explosive Device Defeat which allowed the visit to go ahead without having an excessive police presence in the Island. Whilst officers were in the island the bomb disposal team took the opportunity to dispose of one artillery projectile which was found on the beach at Braye in poor condition and which had been kept in safe custody until trained officers were available.
- Alderney Week saw one Inspector and four PC'S deployed in support of the resident officers. The event was the usual success. Officers were selected on the basis that they would take part in events with the resident officers engaging in the spirit of the event and this mix of officers was found to be effective. Apart from one arrest for assault the week passed off 'quietly'.
- The Force website has been updated to include some information on the Guernsey Police in Alderney.

HEALTH AND WELFARE AND YOUTH

The responsibility for the Health and Social Services portfolio continued to be held this year by Bill Walden. The Social Care in Alderney Group includes local professionals and colleagues from the relevant Departments in Guernsey and deals with matters relating to Social Care in Alderney. The Chief Executive is a member of the Islands Child Protection Committee, established under the Children (Guernsey and Alderney) Law, 2008. We continue to receive the services of an adult counsellor as well as an experienced youth officer.

Youth Services

The role of Youth Service Manager became a permanent Education transferred post in January 2010. This continues to be a developing role working with multi agencies involved with children and young people in Alderney.

Alderney States continues to support the post with funding for Youth Club rental and the supply of accommodation.

JOHN BEAMAN

Chairman, Policy and Finance Committee