

# STATES OF ALDERNEY



# BILLET D'ETAT

WEDNESDAY 17<sup>TH</sup> APRIL 2013

Price: £1.90

**STATES OF ALDERNEY**  
**BILLET D'ETAT**  
**FOR WEDNESDAY 17<sup>TH</sup> APRIL 2013**

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 17<sup>th</sup> April 2013. This will be preceded by the People's Meeting, which will be held on Wednesday 10<sup>th</sup> April 2013 at 7:00 pm in the Island Hall.

W Stuart Trought  
President

**Item I**      **Audited Accounts 2012**

The following letter has been received from Mr Paul Arditti, Chairman of the Policy & 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 31<sup>st</sup> December 2012.*

**States of Alderney - Revenue Account**

*The overall position on the Revenue Account at the end of 2012 shows a surplus of £10.5K which given the current financial climate is a satisfactory outcome. As there is no longer any provision for year-end flexibility a case has been made to Treasury & Resources to retain this surplus, in a similar way to last year.*

*As previously reported departmental managers have now officially been delegated complete control of their budgets together with the responsibilities attached. There will be pressure on all departments to keep expenditure strictly within their budget as there are no unspent balances available to meet any deficit in the revenue account.*

*The detailed breakdown of the income and expenditure of the three Committees is given in the attached accounts, together with details of the accounts for 2011, and the original and revised budgets for 2012, 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 was slightly less than budgeted, and remain at 2009 levels pending re-submission of the item to the States.*

***General Services Committee (now know as Estates & Services Committee)*** - *The General Services Committee has continued to deliver the range of public services under its mandate, and although there are variations between individual headings, due to deployment of staff etc, overall income is lower than predicted, mainly due to the deficit on the harbour trading account of £98K as mentioned below.*

*This is partially offset by significantly lower expenditure than predicted of £76K. Waste disposal costs at £505K are slightly higher than the previous cap of £500K due to the purchase of additional containers.*

**General Services Committee - Harbour** - *The above figures include the Harbour trading deficit of £98K which is mainly due to increased expenditure due to cost of hiring of temporary crane following the crane failure in August, together with increased consultants fees. Meanwhile income is mainly as predicted.*

**Policy and Finance Committee (now know as Policy Committee)** - *Overall income was up by £4.5K due to a combination of factors. Coin sales continue to provide an important income stream, with future issues in 2013 expected to continue to generate significant royalties.*

*Expenditure was £35K higher than predicted mainly due to unforeseen expenditure items which were made possible by savings in other areas.*

### **States of Alderney - Capital Account**

*The overall position on the capital account for 2012 shows a surplus of £1.3M. Capital income is derived mainly from Alderney Gambling Control Commission (AGCC) surpluses (amounting to £2.3M in 2012), sales of States property/assets, and income from Conge. It has been necessary to build up these reserves due to over expenditure in previous years on the large capital projects (in excess of £1M), which, with the exception of the revetment remediation have now reached completion.*

*Overall capital expenditure is significantly less than anticipated, although in some cases this is due to the timing of the projects (i.e. funds have been committed but not spent at year end for example St Annes Church refurbishment). The ongoing Water Board Capital projects, which are funded by grants from the States of Alderney capital account, continue successfully (see below).*

*Looking forward to 2013 improvements to the Islands infrastructure include the replacement Harbour Office, the first stage of the Mouriaux to Platte Saline Sewer, and further improvements to the campsite facilities, in addition to those projects mentioned above.*

### **Water Board – Revenue Account**

*The General Services Committee also fulfils the functions of the Water Board, which in 2012 returned an overall deficit on revenue account of £23.5K which although significantly worse than the 2011 surplus of £43K, is a slight improvement on the £47K deficit predicted at budget time. Increased expenditure in other areas, particularly fuel & electricity, and rates are due to the additional costs of the new plant and associated equipment, including depreciation.*

*The figure shown for salaries & wages at £198K is the net figure, after the transfer of £22K to capital projects as a result of using in-house labour. As reported in the budget report a revised pay structure was adopted in Spring 2012 and whilst it has improved the rota system it has resulted in additional wage costs, which was not the original intention. Further progress is therefore required in this area, including greater reliance on the telemetry system.*

*Although the ultimate aim of the Board is to achieve an operating surplus with a view to building the depleted reserves in order to fund future capital requirements, at present a further deficit is budgeted in 2013.*

### **Water Board - Capital Account**

*The ongoing improvements at the Water Board continue, funded by capital grants from the States of Alderney, totalling £1.6M as at the end of 2012.*

*Phase 1 and 2 relating to water collection, filtration and treatment are complete.*

*Phase 3, the new storage tanks, are built and should be commissioned by summer 2013. The project has been completed within the £420K capital grant.*

*Phase 4, relating to improvement/replacement of the distribution network throughout the Island, is being carried out as a series of small projects, at approx £250K per annum over the next few years. The first 6 stages commenced in 2012 within the budget of £210K. The first 4 stages of the 2013 program have been approved, again funded by capital grants from the States of Alderney.*

### **Pension Scheme**

*The extract from the FRS17 shows that the Pension Scheme deficit has significantly deteriorated during 2012, partly due to further purchase of annuities for retiring members. The Scheme has been closed to new entrants, however some further measures to alleviate the situation, as recommended by the Trustees, and approved by the Policy Committee are outlined in the separate submission in this Billet D'Etat.*

### **Conclusion**

*Overall the results for the year are satisfactory, and reflect the considerable efforts made by States Members and staff to contain costs.*

*However although there are surpluses reported for 2012, keeping expenditure and income in balance will become more and more difficult going forwards, and whilst staff numbers remain under tight control, the States is under pressure to deliver more services for the same or less money. Mindful of the current economic situation Occupiers Rates for 2013 have been retained at the previous year levels.*

*The Capital Account is largely funded by income from the AGCC. The AGCC continues to prosper and attract new licensees. In addition to funding Alderney's Capital Programme, it is important to note that AGCC related business generates revenues for the whole of the Bailiwick.*

*Significant work is currently underway in developing the Strategic Plan which will provide the basis for prioritising future income and expenditure in agreed areas.*

*The structural changes introduced by the States at the beginning of the new term in January include a dedicated Finance Committee whose mandate includes financial supervision and control on behalf of the Policy Committee. These are difficult times for those trying to earn a living in Alderney and others on fixed incomes and it is vital therefore that we get the most from our meagre resources. One function of the Finance Committee is to be vigilant over States spending bringing proposals to the Policy Committee about new ways to get more for less.*

*Stimulating the economy is the other side of the coin. The principal problem with Alderney's economy at this time is 'footfall' and the solution is repopulation. Businesses which thought nothing about their TRP bill before, are now in difficulty because turnover has reduced. In order to repopulate we need to provide work for young families and up to date transport links for all, this will involve investment from Guernsey. In the meantime we need to exploit any and all opportunities to stimulate the economy with what we have got. This is the focus of recommendations which the new Business Development, Tourism and Marketing committee will be bringing to the Policy Committee.*

*Expenditure and revenue: the two new committees complement each other while the Alderney Liaison Group works on behalf of the Policy Committee with Guernsey to tackle the economy and repopulation.*

*We are also taking the opportunity of publishing extracts from the financial statements of the Alderney Gambling Control Commission, the Alderney Commission for Renewable Energy, Alderney e-Gambling Ltd and the Royal Connaught Residential Home for information purposes.*

*I shall be grateful if you will place this report before the States with the propositions below.*

*Paul Arditti  
Chairman”*

**The States is asked to approve:-**

- (a) The States of Alderney 2012 Accounts, and**
- (b) The States of Alderney Water Board 2012 Financial Statements**

**Item II      Census 2013**

The following letter has been received from Mr Paul Arditti, Chairman of the Policy & Finance Committee:-

*“It is quite clear that the people of Alderney want a census. When considering policy options States Members need to know how many people live here and Policy Committee are unanimous in the view that we should carry out an Island census to obtain accurate demographic and other details to inform needs assessment for service delivery.*

*A proposal to carry out the Island census and a draft ordinance to ensure that the census is compulsory, entitled “The Census (Alderney) Ordinance, 2013” were tabled at the March meeting of the Policy Committee. The Committee resolved unanimously to approve the ordinance, the proposed date of the census, Sunday 28<sup>th</sup> April 2013, and capital expenditure of £30,000 to finance the project. It is advised that the project will be delivered on island but will be analysed off island to ensure confidentiality of information.*

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

*Paul Arditti  
Chairman”*

**The States is asked to approve “The Census (Alderney) Ordinance, 2013”.**

**Item III      By- Election**

The following letter has been received from Mr Paul Arditti, Chairman of the Policy & Finance Committee

*“Due to the resignation of States Member Mr Anthony Llewellyn, there will be a need to hold a by-election for the remaining term of his office. The following arrangements are proposed:*

*Nominations to be received during the seven days ending at 4pm on 29<sup>th</sup> April 2013;*

*The Polling day to be Saturday, 11<sup>th</sup> May 2013 and that the Polling room be the Members Room of the Island Hall Royal Connaught Square.*

*The successful candidate will hold office for the remainder of Mr Llewellyn's term of office which ends on 31<sup>st</sup> December 2014.*

*Paul Arditti  
Chairman"*

**The States is asked to approve of the arrangements for the By-Election to be held on Saturday, 11<sup>th</sup> May 2013.**

**Item IV      The Alderney Road Traffic and Public Highways (Amendment) Regulations, 2013**

The following letter has been received from Mr Louis Jean, Chairman of the General Services Committee

*"I attach a copy of the above, which were made on 12<sup>th</sup> March 2013. The amendment to Schedule 1 creates a disc parking zone on Victoria Street between Martyn House and Number 40 Victoria Street on the north-west side between 0900 and 1230 hours and 1330 and 1700 hours on any weekday.*

*Section 35(2) of the Alderney Road Traffic and Public Highways Ordinance, 1966 provides that regulations made under the Ordinance be laid before the States as soon as may be after the making thereof and, if at that meeting or the next subsequent meeting, the States resolve that the regulations be annulled, the regulations shall cease to have effect. I will recommend that the States resolves not to annul them.*

*I would be obliged if the Alderney Road Traffic and Public Highways (Amendment) Regulations, 2013 are placed before the States at its next Meeting together with an appropriate proposition.*

*Louis Jean  
Chairman"*

**The States is asked to resolve that "The Alderney Road Traffic and Public Highways (Amendment) Regulations, 2013" not be annulled.**

**Item V      The States of Alderney Pension Scheme**

The following letter has been received from Mr Paul Arditti, Chairman of the Policy & Finance Committee:-

*"In a report to the States in March 2012, on receipt of the latest valuation, the States agreed to a number of measures to ameliorate the deficit which at that time was in excess of £1.7M as at 31<sup>st</sup> December 2011. These measures included :-*

- *Closing the existing final salary scheme to new entrants with effect from 31<sup>st</sup> December 2011, but to allow those staff already in service at that date to join at the relevant anniversary date.*
- *Directing the Trustees to investigate an alternative compulsory scheme and produce recommendations for further consideration by the Policy & Finance Committee.*
- *To continue to fund the pension of retiring members by drawdown from the Scheme, or from General Revenue for up to the first five years of entitlement, to*

*be considered by the Policy & Finance Committee on a case by case basis in future.*

*Despite these measures, together with those adopted in 2010, the deficit has continued to increase, as highlighted in the International Financial Reporting Standards 17 report in the annual accounts appearing in this Billet D'Etat. As reported in 2009 Aviva had indicated that the present employer's contribution rate of 20% was inadequate and would have to be increased to 22.6% plus an additional monthly contribution of £17,000 until December 2018 to get the Scheme back into surplus. By the 2012 valuation these figures were increased to 23.9% contribution, plus £27,000 per month until December 2021. Such contributions are not good value of tax payers money nor does the investment performance of Aviva warrant such a step.*

*As at 31<sup>st</sup> December 2012 the pension deficit has increased to £3.4 million as a result of deteriorating investment performance, draw-downs from those members of the scheme aged between 60 and 65 and the obligation of the Trustees to purchase annuities for those who wish and are entitled to annuities on reaching the age of 65. The Trustees are aware that the situation is unlikely to improve in the next 5 years based on the current economic and monetary policies of the UK government. Accordingly, they have made further recommendations to the Policy Committee which were considered and approved at its March meetings as follows :-*

- Amending the investment strategy – it is recommended that a structured withdrawal from Aviva using four alternative fund managers to take on the Aviva role, and spreading the investments over, a) Longer-term equities growth ( 30%), b) High Income funds ( 30%), c) Special situations (20%), and d) Alternative investments for pension funds ( 20%). This strategy is designed to achieve both short and long term capital growth and increase income for the fund. Furthermore in regard to the 2013 contributions it was agreed that these would be invested with Investec.*
- Amending the rules in respect of pension payments to younger spouses. Where a married member is more than ten years older than the surviving spouse, and spouses pension becoming payable should be reduced by a percentage (initial suggestion 2%) for each year by which the difference in age exceeds ten years (up to a max of 50%). This will ensure that in the case of a pensioner re-marrying after retirement the Scheme will not be obliged to fund the full entitlement to any younger spouse.*
- Moving from purchasing annuities to payment by draw-down from the fund for all future pensioners. At present the States have agreed that for those retiring at 60 the pension is funded by draw down from the Scheme until age 65, thereby reducing the cost of the annuity at 65. The Trustees are recommending that this policy is now extended to all retiring members for the foreseeable future irrespective of retirement age. This measure will avoid the requirement to purchase expensive annuities which the fund cannot sustain.*
- Formation of a New Defined Contribution Scheme – Since the resolution above discussions continued throughout 2012 following the brief agreed by Policy & Finance Committee, and proposals from various providers were considered. Following the advice of our Pensions Advisor, the Trustees are now in a position to recommend BWCI Consulting as the preferred provider for those employees recruited since the closure of the existing scheme. It is proposed that the employee contribution is set at 6.5%, comparable with the existing, scheme, and the employers contribution rate at 7.5% increasing annually by 0.5% up to a maximum of 12.5%.*

*It is noted that should a total disinvestment from Aviva take place a new actuary will need to be appointed, and also that further measures to reduce the deficit continue to be investigated.*

*I would therefore request the States to endorse the decisions of the Policy Committee set out above.*

*P Arditti  
Chairman”*

**The States is therefore asked to resolve:-**

- 1. To accept the recommendation in respect of a structured withdrawal from Aviva using four alternative fund managers to take on the Aviva role, spreading the investments accordingly, and making the necessary administrative changes, meanwhile investing 2013 contributions with Investec.**
- 2. To amend the rules in respect of pension payments to younger spouses.**
- 3. To fund the pension of all retiring members by drawdown from the Scheme until further notice.**
- 4. The formation of a new Defined Contribution Scheme to be administered by BWCI.**

**Item VI      Questions and Reports**

Issued: **Friday 5<sup>th</sup> April 2013**