



**STATES OF ALDERNEY**

**POLICY AND FINANCE COMMITTEE**

**ANNUAL REPORT**

**2014**

## **POLICY AND FINANCE COMMITTEE ANNUAL REPORT 2014**

### **THE POLICY AND FINANCE COMMITTEE**

2014 has been the first full year of the new 10 Member Committee structure. This has resulted in every States Member being fully engaged in the decision making process at an early stage. All members have had the opportunity to take part in informed debate of the important issues that continue to challenge our Island community. It has been an encouraging feature of this committee that a very high percentage of the decisions reached have had the support of a significant majority of the members.

The Strategic Plan developed in 2013 has provided an index of our objectives. We have prioritised the crucial elements and recruited Island residents with the required expertise to assist the States in the development and implementation of the projects. In addition where the expertise could not be sourced locally we have recruited outside consultants within our budget constraints.

We have again met our budget forecasts. It is particularly pleasing that we have for the third year running we have held down the Occupiers Rates (decreased in real terms) and have been able to keep the Water Rates to a R.P.I. increase.

The Alderney Gambling Control Commission has again delivered surplus funds above our expectation. They continue to evolve new strategy's to meet the challenges from changes to U.K. gambling regulations and emerging jurisdictions. The surplus funds are reserved for our capital projects.

Our policy of establishing a mutual understanding of the problems facing both Islands, and sound working relationship with Guernsey Politicians is making good progress. A review of our financial arrangements is being undertaken, and a constructive dialogue about the operation and costs of the Transferred Services is taking place. We have also established regular contact with politicians and officials in Jersey and France with the object of developing our shared interest in commerce and transport communications.

We have finally reached an agreement with Aurigny on a satisfactory contingency plan to support the transition from the Tri-landers to the Dorniers. We expect this to remain in place until the transition is complete.

Throughout this year we have sought to improve our communications with the public. These efforts have been well received and we will continue to seek ways strengthen these links in 2015.

Francis Simonet – Chairman

### **FINANCE**

#### **Report by Robert McDowall, Chairman Finance Committee**

2014 has been a mixed year. On the achievements side:

- Operating procedures continue to be refined.
- Financial reporting and financial risk continues to be accurate and timely. More major projects are coming to Finance for review before being delivered to the Policy Committee.
- The Committee works cohesively and congenially. The Committee contains broad range of talents and experience, essential for effective discharge of business.

- The Committee has achieved the agreement of Guernsey to review the financial relationship, including the cost, value and services standards of the transferred services.
- Outlining plans to meet International Accounting and Financial Reporting requirements through asset and liability accounting, profit and loss accounts and cash flow forecasts. These measures will all provide more transparent and meaningful accounts. We do hope that the States of Guernsey will collaborate in the initiative so that they too meet international financial reporting requirements.

The major challenge has been:

- Balancing the budget for 2014 has been formidable. The redundancy programme was accompanied by a reduction in revenue contribution from Guernsey in excess of £100k as part of the demand for Alderney to contribute to Financial Transformation programme, rather than spreading the redundancy programme over 2-3 years ,is forecast to result in a current worst case revenue deficit of £71k for 2014 . However, the Committee anticipates the deficit will be less than that figure on the basis of timings of certain costs and revenues. The Revenue Budget forecast a small surplus for 2015.
- From a financial perspective ensuring that the States has the capacity and resources to meet the forecast expenditure on capital projects. A change in internal resources and improved project management should address these problems.

The year ahead presents a number of challenges chief of which are:

- Creating new forms of Revenue for the Revenue Account.
- Commencing the step to asset and liability accounting, profit and loss accounting and cash flow forecasting
- Ensuring that complete and adequate data is provided for analysis review and appropriate changes to the cost, quality and scale of transferred services.

I would like to thank the Treasurer and Treasury Staff for their work and support in a difficult year.

## **BUSINESS DEVELOPMENT, TOURISM and MARKETING**

### **Report by Norma Paris, Head of Tourism**

#### Tourism

2014 has been a successful summer. Most of our tourist accommodation has been fully booked and there has been an increase of 18% in general aviation visitors and 13% in yacht visitors. Statistics from Aurigny are still hard to come by despite numerous requests. Visit Alderney has continued the promotion of our niche marketing strategy and the employment of social media. Two years behind us Guernsey has come round to the view that our strategies are the way forward.

Awareness of Alderney as a holiday destination is improving all the time, greatly helped by the development of a sound marketing product in the Living Island Project. This is now half way through its two year programme and has been given extra funding to extend it until December 2015 in the first instance.

Great improvements have been made to the appearance and operation of the Visitor Information Centre, although more remains to be done. The appointment of a part time Tourist Assistant has been very successful.

We are looking to introduce a grading scheme for our tourist accommodation to bring us up to date with the rest of Europe. The compulsory registration of guests will help to provide us with useful statistical information to fine tune our marketing efforts. We move into 2015 with our tourism strategy firmly in place and a large diary of events to attract visitors.

**Report by Neil Harvey, Chairman Business Development, Tourism and Marketing Committee**

Business Development

One of our main objectives this year, to develop the MovetoAlderney concept, with further work on the website, on-island support and direct marketing exercise have been frustrated by delays in obtaining Guernsey T & R sign off to our budget. These activities are to be funded from AGCC accumulated monies, and the project finance was agreed by Policy and Finance as far back as March 2014. Now that T & R sign off has been received we hope to move quickly forward in 2015.

Discussions have continued with PwC regarding establishment of an Anti-Money Laundering and KYC Centre of Excellence on Alderney. Premises have now been secured for the pilot, to begin early in 2015 and regular dialogue is maintained with their project team.

Young Entrepreneur Scheme which provides mentoring and cash grants to suitable applicants is now established. Two grants have been awarded, and two further applications are under consideration. A strong mentoring team of three local business people supports the scheme.

Considerable dialogue has taken place regarding reviving Alderney's economy, mostly through the Alderney Liaison Group. These will culminate in the States of Guernsey debate entitled 'The Airport and Economic Development in Alderney' in December, details at: <http://www.gov.gg/article/114863/2014-December-10th-Billet-XXVI>  
[It is intended that a series of measures to improve the Alderney economy will be initiated through this process, with an interim report by the end of Q1.2015](#)

Transport

Sea

A PSO document was issued to all ferry operators in the English Channel (and advertised in trade journal) seeking bids for subsidies from any operator interested in offering a regular ferry service to/from Alderney. Only one positive response received and discussions initiated with that respondent. However a requirement from the States to provide 100% finance costs plus significant annual subsidies militate against the success of this proposal. Discussions continue at high level within Conseil Général de Manche who control and subsidise Manche Iles Express. There may be a possibilities for a States of Alderney subsidised or underwritten seasonal service between Alderney and Dielette.

Air

Our pressure for a Service Level Agreement with Aurigny is now producing support from Chief and Senior Ministers in Guernsey, and initial base data has been sought from Aurigny. Although we have no formal relationship with Aurigny, nor responsibility for their actions, considerable lobbying has taken place with them and States of Guernsey to restore a proper level of service, after many months of cancellations, delays and technical breakdowns. Until an adequate number of Dorniers are acquired, service levels will continue to be a problem, but definitions of satisfactory service levels, with sound monitoring arrangements are urgently required. Discussions have also continued with Ma Compagnie, the small French air charter business. Although never likely to address mass markets, the directors have ambitions to start new routes which could include Alderney, and we have encouraged them

to approach the States if they feel we can help, e.g. rebate landing fees, accommodate staff etc.

In conclusion I should like to thank the small but hard-working Tourism Team in the Island Hall for their endeavours over the course of 2014.

## **ACTIVITIES IN KEY AREAS**

### **ALDERNEY COMMISSION FOR RENEWABLE ENERGY**

Report by Mark Wordsworth, Chairman

The Renewable Energy (Alderney) Law, 2007 established the Alderney Commission For Renewable Energy ('the Commission') with powers to license and regulate the operation, deployment, use or management of all forms of renewable energy on the island of Alderney and in its territorial waters.

The Commission is an independent statutory body that is separate from the States of Alderney ('the States'). Since its establishment the Commission has been primarily focused on the generation of tidal power.

In 2008 Alderney Renewable Energy Limited ('ARE') was granted a 65 year licence from the States and the Commission over 48 square miles, or approximately 50%, of Alderney's waters in order to begin to plan for the development of a large scale tidal power operation. ARE is a private commercial company funded by its shareholders and is unconnected to the States or the Commission.

The strategy to harness tidal power has continued to evolve both in Alderney and in other locations around the world. This is unsurprising in a nascent industry with an as yet unproven technology. Strategies have changed as a better understanding of the issues around developing commercial scale sub-surface marine turbines and also the technologies required to connect them to the electricity grid have become better understood.

In June 2014 ARE and OpenHydro ('OH') announced that it is their intention to apply to the Commission in June 2017 for consent for a 300MW tidal project in the Alderney Race. To put this scheme into context, the maximum peak load on Alderney is believed to be around 1.6MW. Consenting is expected to complete in 2018 and turbine installation is expected to follow the completion of the FAB interconnector link in 2020. The FAB Link is an electricity transmission cable that would be laid in future and which would run from France to Alderney and then onto the UK. It should be noted that any slippage in the FAB Link timetable has a direct impact on the turbine installation schedule. The Commission does not expect electricity to be generated from this project until 2021 at the earliest.

One of the hurdles for all tidal power schemes is the development of commercial scale turbines. In this regard the French government is sponsoring a pilot scheme in 2015 and 2016 to test up to four different commercial turbines on the French side of the Race. This project is being funded by a European Union grant of 120 million Euros. OpenHydro, ARE's partner, are expected to participate in the pilot scheme which should give a very good insight into what will be possible in the long term in Alderney's waters.

Following the publicity that arose over ARE's announcement of a 300MW tidal project, two further parties have approached the Commission with a view to enquire about licences in the 50% of Alderney waters that are not licensed to ARE. Both these parties are focusing on much smaller scale tidal arrays that would feed directly into the Alderney grid with the intention of supplying the needs of the island in the first instance. The Commission will be

taking forward discussions with these parties in 2015 in conjunction with Alderney Electricity Limited ('AEL').

The timelines for some of these projects are very long and are dependent on factors that equally affect all tidal schemes around the world. However, in the meantime, ARE continues to pay £545,000 per annum in fees to the Commission and the Commission pays £200,000 per annum to AEL which it uses directly to subsidise electricity bills on Alderney. With regard to the balance of the fees, the Commission continues to run at a surplus of income of expenditure and the surplus reserves are invested via the States of Guernsey treasury department.