



STATES OF ALDERNEY

POLICY AND FINANCE COMMITTEE

ANNUAL REPORT

2013

**POLICY AND FINANCE COMMITTEE (also referred to as the *Policy Committee*)
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THE POLICY AND FINANCE COMMITTEE

Early in 2013 the way we do business changed with the formation of the new Policy Committee having a reduced membership of 5. Other changes to the Committee structure were also implemented but some members felt they had been excluded from the decision making process and the Committee reverted to 10 members from September 2013.

This new States inherited a report which recommended a change in the way we do our work. It was proposed, and agreed, that the States undertake a strategic planning process which would set out our objectives and priorities designed to improve the way the island is governed and managed. States Members have readily engaged with the process, through a series of workshops and the result is a Strategic Plan which has now been approved unanimously by the Committee.

We have adhered to our budget plans and in many areas have done better than expected. States Members have worked hard to hold down costs and have been supported by the Chief Executive and his staff.

We have been encouraged by a strong performance from the Alderney Gambling Control Commission and as a result our capital fund has shown signs of growth. We know that there are a number of threats to the work done by AGCC but we are not complacent and a range of initiative have been started which will help to bolster those funds. AGCC's surplus is used to fund our capital projects, and in particular the renewal of our water network. The work on St Anne's Church has at last started and our new crane arrived at the harbour.

The Alderney Enterprise Group, under the leadership of Neil Harvey and the Business Development Marketing and Tourism Committee has been instrumental in identifying innovative ways to help our failing economy. Other States Members have contributed to the work to recover our economy and there are some particularly exciting developments in the pipeline for 2014, not least a new regulatory facility and some innovative proposals to make Alderney self-sufficient in the production of energy.

In April this year we undertook our own census. The headline figure is that there are 1903 people in Alderney, probably higher than some people feared but clearly demonstrating a worrying downward trend. It is significant that there is a marked reduction in younger people in Alderney, both school age and those who would normally fall into the economically active category. We are taking action to put in place a strategy to reverse that trend.

We have committed some funds for 2014 to improve our infrastructure. The budget for 2014 has been approved and we have agreed that Occupiers' Rates will not increase. Water rates increases have been limited.

A proposal to deal with the pension deficit has been approved and we expect to see some positive results in 2014.

We have continued with discussions with the other Channel Islands both at Political and at Officer level. In January this year we agreed to set up a Liaison Group with politicians from Guernsey. Meetings have taken place with almost all of Guernsey's key politicians. A lot more needs to be done.

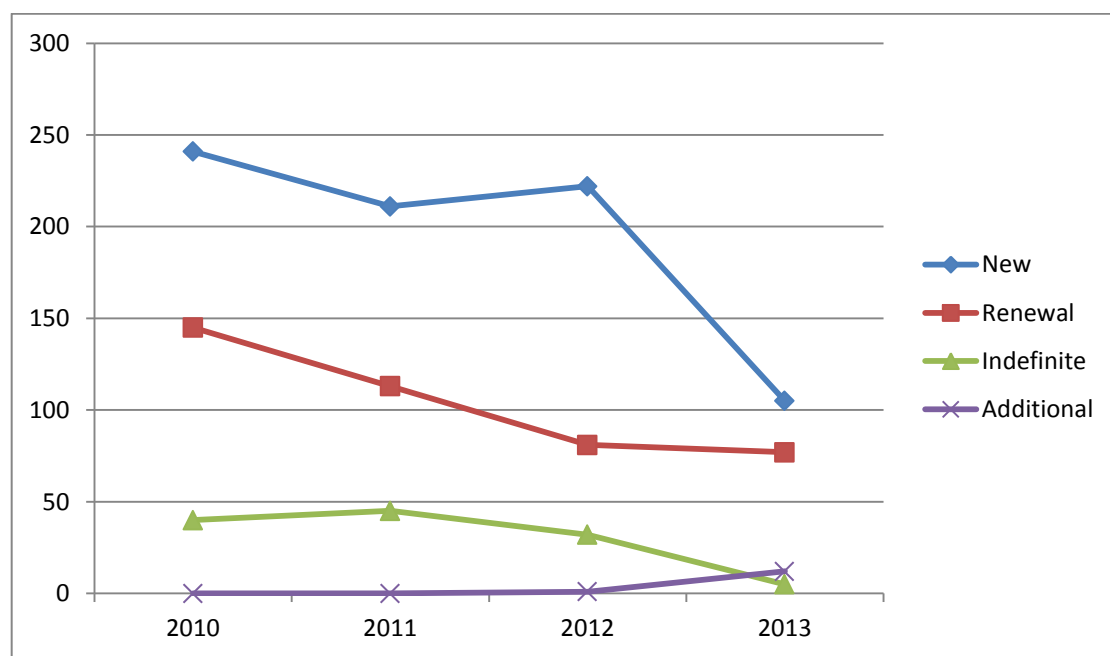
We continue to support the work of ARE in developing the interconnector and the tidal turbine project. Officials hold discussions with their counterparts in UK Government Departments and other lobbying continues.

A proposal to restructure our public services has been agreed by States Members and 2014 will see a re-launched States Works with a mission to serve the people of Alderney in a more responsive way.

The staff working for the States of Alderney should be congratulated on their enthusiasm for change. It is clear that a significant amount of work on the changes has already been done, and that there is a lot more to come.

Francis Simonet – Chairman

EMPLOYMENT PERMITS



The number of permits issued (to 26th November) 2013 was as follows:

| | <u>2013</u> | <u>2012 (12 Months)</u> |
|-----------------------------------|--------------------|--------------------------------|
| New Applications | 105 | 222 |
| Renewal Applications | 77 | 81 |
| Indefinite applications granted | 5 | 32 |
| Additional employment application | 12 | 1 |
| <u>TOTAL</u> | <u>199</u> | <u>336</u> |

International Relations and Legislation

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

The Committee has considered 1 new Projet de Loi (The Government of Alderney (Amendment) Law, 2013); 17 new Ordinances and 7 Statutory Instruments and, where necessary, submitted them to the States for approval.

FINANCE

Report by Robert McDowall, Chairman Finance Committee

The Finance Committee, a sub-committee of the Policy Committee, was established in January 2013. The Finance Committee has assumed the responsibilities of the Former Financial Advisory Group but has extended its remit to approval of small amounts of Capital expenditure.

The Finance Committee has extended its scope of monitoring and review to financial exposure and risk management both of routine operational transactions and capital projects. Monitoring of the scope and costs of capital projects has been a particular area of weakness. The monitoring and review processes are working with increasing success, though the States Treasury Department has to produce more detailed reports for review. I expect the reports will be subject to continual revision and refinements over 2014.

The major area of improvement has been in the annual States of Alderney budget process. The budgeting process commence in the individual departments of States in June/July. The budget is presented to the Finance Committee for review in August and the process is reiterated for comment and review in September. By the time budget it is presented to the Policy Committee in September it is in robust form and only subject to minor adjustments.

My key area of concern is the continued revenue contribution from Guernsey. Guernsey's revenue contribution (£1,960,000) remained the same for 2014 as for 2013. As I noted in my budget speech in the States of Alderney, I would confidently predict that Guernsey will seek to reduce its revenue contribution in 2015 because of its own predicted revenue deficits for the next 5/7 years. Alderney has to generate further contributions on its own account to offset Guernsey's predicted reduction in revenue contribution.

BUSINESS DEVELOPMENT, TOURISM and MARKETING

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

Tourism

During the year we have rolled out the new tourism strategy aimed at the 6 key sectors – Heritage, Wildlife, Walking, Fishing, Sailing and Flying. In this we have been helped by the new 'Living Islands' project, funded jointly by the States of Alderney and the UK Wildlife Trust organisation, and focusing on the economic benefits of the island's wildlife and heritage assets. Living Islands is still at an early stage of development, but shows good promise for the years ahead. The States are represented on the board of Living Islands Ltd.

The new Tourism Officer was appointed in the early part of the year, and she has significantly raised Alderney's social media and internet profile, working with our agents Be a Tiger.

A number of new or revived events supported by the States have contributed to a better tourism season, particularly the Performing Arts Festival and the Fly In, which brought large numbers of visitors to the island at an otherwise quiet time. Both events will be repeated next year, and the increased number of visiting private flyers this year suggests a legacy effect of the Fly In.

A trial of a direct Alderney-Jersey air service has been run successfully for 6 weeks, with SoA taking on a charter with Aurigny. Average loads were in excess of 80%, more than break-even with attractive pricing, and the results will be discussed with Aurigny in the wider context of new aircraft types etc.

Overall, despite a further loss of hotel beds, an encouraging season. We should pay tribute to the very hardworking team of Alex and Babs in the Tourism Office.

Alderney Enterprise Group

Arising from a major workshop in May, attended by leading business people, service providers and States Members, several key projects were identified of which two have particular relevance to the work of this committee.

The Transportation Group has looked at all aspects of travel to and from Alderney. A Public Service Obligation proposal has been drafted aimed at ferry operators, and expressions of interest will shortly be sought. In the present climate there may be limited prospects of securing a positive response for a cross-channel service, though we will continue to encourage the smaller operators offering more local services. The main focus of the Group has inevitably been upon air links and the need to more clearly define Alderney's needs in the coming years. Accordingly a suitable consultant to carry out such an investigation has been identified (Aviation Economics) and Terms of Reference agreed with Aurigny and the Alderney Liaison Group, which includes the senior Guernsey ministers. It is expected that the review will inform debates about aircraft types, frequency of services, prices and adequacy of Alderney's airport in the context of our economic development plans for the coming years.

Guernsey have included Alderney airport in their Capital Prioritisation Programme, but purely on the basis of remedial work on the main and longer grass runway. This does not take us forward in any sense and is remedial work only, and incomplete at that as it excludes the short grass runway closed by Guernsey in response to CAA requirements to improve drainage etc. Once the outcome of the Aviation Economics report is to hand, any issues outstanding over the airfield can again be taken up

The Business Development Group has looked at the challenges of repopulation and loss of employment opportunities. A three part approach has been taken to attract both entrepreneurs who will bring or generate jobs, and those who may wish to just buy property here for retirement, or relocation:

- Advertising in key printed media, with a suite of attractive, informative advertisements tailored to the type of publication and following clear consistent brand guidelines.
- A new website, www.movetoalderney.com providing helpful information on the benefits, social, environmental and fiscal of moving to Alderney.
- Appointment of a dedicated Relocation Officer to act as both a first point of contact and 'hand holder' for enquirers, and to follow up any contacts received by phone, email or in person.

Although not part of the Business Development Group mandate we have also since March 2013 been supporting moves by PwC to consider setting up in Alderney a 'Centre of Excellence' for processing Anti-money Laundering activities for the Bailiwick. Input has been provided on local issues and senior politicians in Guernsey have been lobbied in support of the scheme. Subject to a feasibility study to be undertaken internally by PwC, we hope to see a full scale pilot in Alderney next year.

Marina

During the year various presentations and discussions have been held. Gordon Owen/Robin Walters presented revised plans for a development in the Toulouse Rock area and maintain their preferred bidder status for that location. Test marketing is to be carried out at the January London Boat show – if successful final surveys will be quickly undertaken to allow formulation of a detailed Development Plan, with financial backing by spring 2014. In the meantime a group of local individuals have submitted a proposal for detailed surveying and feasibility work in the harbour area and western side of Braye Bay.

We are most grateful for the input and energy of all those private individuals who have given freely of their time and knowledge to help the island through these projects, and I should also like to thank the members of this committee for their commitment and support over a formative year.

ACTIVITIES IN KEY AREAS

Alderney Electricity Limited – Report by Robert McDowall, States nominated Director

2013 has seen AEL at the centre of much of the Political and Economic debate in Alderney, some of it through deliberate disinformation. Energy along with transport is one of the major cost of living components for most of the Island's population over 40% more than the cost of energy in Guernsey. Alderney Electric remains the monopoly distributor of electricity, gas and most liquid power fuels and related products.

The Company has suffered from years of under investment accompanied by a reduction in electricity and other power consumption as a result of diminishing population, domestic energy saving and power producing initiatives and weak commercial demand for power. The non-exec board of AEL continues to change with too much frequency. The company's ability to make significant economic and operational improvements remains hampered by its shareholder structure, a private company where the majority shareholder structure is the States of Alderney (and the States of Guernsey).

This year there have been some major initiatives:

- *The implementation of new financial and budgeting system.* The system enables better business and financial management and forecasting. The system enables the Board to monitor financial and operational performance and business risk more accurately on a monthly basis.
- *Attempts to overcome the antipathy to the Company by its consumers as a result of high energy prices.* A consumer forum and open day have been held with mixed responses to both initiatives.
- *A review of the future role of AEL within the Island's energy plans and policies.* The non-exec Chairman, though de facto part time exec chairman, resigned for family reasons. This event has focused the Board and the States of Alderney on the future corporate and functional organization of AEL. While the review of options continues, it is likely that AEL will become part of an arm's length State Utility Board where economies of

scale will enable strong executive leadership. The route to that achievement of that goal remains to be documented.

- *Establishment of a 10 year capital maintenance programme to upgrade the electricity distribution system.* AEL has submitted a plan to the States of Alderney for additional capital investment of £ 200k per year, which is to be discussed at the time of writing this report.

The challenges of safety, security and supply of electricity and their attendant costs remain. The challenges will continue until alternative sources of energy have been identified and adopted which provide power at costs significantly below current costs.

Alderney Gambling Control Commission – Report by André Wilsenach, Executive Director, AGCC

During the year to date (20th November 2013) the Commission has received a total of 21 applications for licences (12) and certificates (9). Of these applications the Commission has issued 5 licences and 5 certificates in total.

At 20th November, a total of 52 entities were licensed, holding a total of 38 Category 1 and 36 Category 2 licences. In addition, AGCC had a total of 11 Category 2 Associate Certificates (formerly known as Foreign Gambling Associate Certificates); 35 Associate Certificates; and 1 Restricted Use licences in hand.

The Commission is expecting to generate revenues that will exceed its original forecast of £2.23 million for the year.

Alderney eGambling Limited – Report by Francis Simonet

Activity and interest in Alderney remains at good levels and indeed we reached our annual target for Licence applications during the latter stages of Qtr. 3. Indications are good for the last quarter and if we meet our expectations we will exceed our targets for the year fairly comfortably. Timings can however move and some expected applications may slip into the New Year but we have reasons to be cautiously optimistic.

Alderney remains the preferred destination for high quality applicants with significant interest being shown from companies across the world and in particular America, Australia, Europe, and the UK. However we are always keen to attract the new start-up type of operations and Alderney is able to leverage its global reputation in this respect.

An increasing feature is the hard work the AGCC has put in to building its relationships with other regulators and this is enabling us to explore new ways of inter-jurisdictional co-operation.

This in turn increases the ability of our licensees to use Alderney as a truly global base which attracts further operators, this strategy continues with every expectation that Alderney can remain the jurisdiction of choice for the world's eGambling community.

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

The Commission (ACRE) continues to support Alderney Renewable Energy Limited (ARE) in its efforts to develop the tidal resource for the benefit of Alderney's economy and inhabitants. During the last year the original Business Plan submitted at the three year anniversary of the Contract has had several iterations to reflect the changes in both the business strategy of ARE and the development of the Tidal Industry. On each submission the Commission has reviewed

the plans and sought clarification from ARE regarding details, where required. Regular project update meetings have also been held throughout the year.

During this twelve month period the Commission has further developed its guidance notes for developers and ensured that the regulatory regime for Alderney is both user friendly and reflects the best practice in the tidal industry worldwide, thus ensuring ACRE's continuing reputation as an effective and professional regulatory regime.

There has been several recent press announcements of potential tidal developments in the Raz Blanchard, with pilot projects planned for 2014/15. It is important that the Commission keeps a watching brief on these both due to their proximity to the Alderney Race but also as we understand ARE will be seeking to use the DCNS development in the Raz Blanchard as a reference project for their later planned 300MW project in the Race. We note the willingness of the French authorities to engage in mutually beneficial conversations regarding regulatory matters, and useful time has been spent by Commissioners in information exchange with France.

This year has seen the production of a Regional Environment Assessment (REA) covering the Island and its territorial seas. This assessment provides an essential framework for an Environmental Impact Assessment and will assist and speed up any application for consent by a developer. The REA also enables the Commission to actively engage with Statutory and Stakeholder consultees, as well as the public, on the potential for tidal energy within Alderney's territorial waters. In addition, a feasibility study of the Alderney Southbanks Sandbank was completed by the University of Southampton on behalf of the Commission. Such independent impact assessments undertaken by the Commission can further aid interested developers achieve consent. Until recently such an application for two 2MW machines was expected during late 2013/early 2014. However the Commission was finally informed in November 2013 that this deployment is no longer planned and the first application for Consent by ARE will be 2016/17. Both the REA and Guidance Notes produced by the Commission will continue to be updated to ensure that they are current and available to any developer.

The Commission continues to encourage informal discussion with interested parties who may wish to develop some of the Blocks not selected by ARE. Whilst two major players in the Tidal Industry have shown interest it seems likely that, until the FAB project delivers a cable link to France/UK (and with this an export route for power), developers will operate a 'wait and see' policy before showing more tangible interest.

The likely lapse of the Power Purchase Agreement (PPA) in early 2014 will allow development of other renewable energy sources of electricity, particularly on Island. The PPA had blocked these developments and the Commission supports the opportunities that its dissolution provides.

Overall the Commission continues to promote Alderney as a significant source of Tidal Power by attendance at relevant Conferences/Meetings and development of the resultant contacts.

TRANSFERRED SERVICES

EDUCATION

Report by Louis Jean, Member responsible for Education

I have enjoyed getting reacquainted with my old role as States representative on the Management Committee for St Anne's School during the nineties until the end of the millennium year. I held that post for 9 years I am glad to be back doing all I can to help St Anne's School.

The school itself continues in every way to meet the ever changing demands made of it in these difficult times. Whilst coping with cutbacks in staffing levels, the staff, led by head teacher Mike Gaunt, never loses sight of their objectives, which are to deliver a first class service in the unstinting delivery of their educational skills, always imparting those gifts with a generosity I never fail to admire.

During this summer the schools summer fete took place, always a popular event drawing a good crowd. With all those involved with St Anne's School (staff and parents included) playing their part, the Island band and the KFA all helping and adding to an enjoyable afternoon.

Another event which always gives pleasure to those who take part and to those of us who get to see the finished projects is the Art and Technology Exhibition, together with photographs, a truly eye catching display, which now fills the whole of St Anne's School hall once a year, adding another dimension to the already much enjoyed diversity of school life for the pupils at St Anne's.

One of my favourite events is the presentation evening in which the achievements of the pupils at our school are recognised, The presentation evening, took place only a few weeks ago, and I wish to add my congratulations to all those receiving recognition for all they have achieved throughout the school year - well done.

As I end my report for 2013, I am reminded of the recent news that Ormer House School is closing. I was so sorry to hear this news I do hope that I am able to convey in my report a positive message, knowing the Head Teacher and staff at St Anne's School, as I do, that they will do all they can during this difficult time to help and assist those pupils from Ormer House School as they make their decisions along with their parents about what is right for them.

HEALTH AND WELFARE, AND YOUTH SERVICES

The responsibility for the Health and Social Services portfolio was held this year by Chris Rowley. 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.

HSSD have provided us with a profile of the services they deliver in Alderney in order to ensure that appropriate health and social services are available to the residents of Alderney. We are grateful for the continuing support of HSSD in the provision of these services.

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 through the Youth Partnership for Guernsey and Alderney

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