



## BILLET D'ETAT FOR 18-04-2007

**Date: 17th April, 2007**

Members of the States:

I have the honour to inform you that the Meeting of the States will be held at 5:30p.m. on Wednesday 18th April 2007. This will be preceded by the People's Meeting, which will be held on Wednesday 11th April 2007 at 7:00p.m. in the Island Hall.

Sir Norman Browse  
President

### Item 1 Audited Accounts, 2006

The following letter has been received from Mr Richard Willmott, Chairman of the Policy and 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 31st December 2006.

States of Alderney Accounts

Revenue Account

The detailed breakdown of the income and expenditure of the three committees is given in the published accounts, with the accounts 2005, original budget and revised budget (Probable Outturn) 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

Variations between actuals and budgets were insignificant.

General Services Committee

The General Services Committee has continued to deliver the range of public services under its mandate and although there were some variations between the individual budget heads, income was £8,000 more than the revised budget and overall expenditure was £58,000 less than budget.

In the Public Services section Refuse Disposal and Recycling was £28,000 over estimate and £89,000 more than the previous year, due of course to the increasing costs of off-island disposal coupled with a growing emphasis on recycling. However reductions in expenditure on other headings, principally housing maintenance, reduced the overall spend to £19,000 less than estimate, and only £19,000 more than 2005. The Harbour trading loss was £17,000 less than budget, this being due to a combination of an increase in income and a reduction in expenditure on quay repairs. Increased passenger movements made a welcome contribution to income.

The General Services Committee also fulfils the functions of the Water Board, which in 2006 returned a deficit on operating costs of £120,000, against an estimated deficit of £100,000. After interest on bank balances is added the overall deficit was £105,000. In 2005 the deficit was £8,000. A number of factors contributed to this large increase, the principle item being Consultancy fees, Maintenance, Fuel and Electricity and Water Treatment under expenditure, combined with a loss of income from garden hose charges.

#### Policy and Finance Committee

Expenditure by the Policy and Finance Committee was £94,000 less than budget, main reductions being on Staff, Supplies and Services and Tidal Power Commission expenses.

Income exceeded the estimate by £23,000, numismatic sales and royalties showing an increase of the same amount.

#### Currency reserve

My Committee has been advised by the Guernsey Treasury that a reserve representing at least 35% of the value of base metal coins issued is an adequate reserve to provide for the redemption of unwanted coins. The surplus of £100,000 that was held in reserve over this amount since 2004 has therefore been added to the accumulated unspent balances from previous years. The reduced reserve will now represent 41.6% of the issued value.

#### Overall position

The overall position on Revenue Account at the end of 2006 shows that income was £29,000 more than estimate and expenditure was £148,000 less than estimate, with the result that the shortfall on revenue account to be recovered from the States of Guernsey at £1,397,000 was £177,000 less than estimate, thus avoiding any withdrawal from the accumulated balance.

#### Staff Pension Scheme

An extract from the report of the scheme actuary produced in accordance with Financial Reporting Standard 17 is included under Note 2. This is in effect a "snapshot" of the financial position of the scheme as at the 31st December 2006. Although it shows that the scheme has a deficit of £853,000, this is a welcome improvement in comparison with the position at 31st December 2005 when the deficit stood at £1,376,000. These projections are based on the assumption that 50% of members who joined before 1st January 2006 will retire at age 60. If this assumption were changed to 25% retiring at age 60 the projected deficit would reduce to £715,000.

Since 1st January 2006 normal retirement age for any new members joining after that date has been changed to 65.

#### Capital Account

Expenditure on Capital Account was only £273,000 against an estimate of £983,000. Several budgeted projects have not been completed and others, including the Commercial Quay renovations, were not commenced before the end of the year.

Income on Capital Account at £551,000 exceeded the estimate by £14,000. Property transfer duties, including mainly CongÃ©, raised a total of £437,000, and property sales £101,000.

#### Capital Spending Priorities

The continued slippage in the capital programme remains of considerable concern. The problems associated with the capital programme were highlighted in the Island Plan published in November 2006. One of the recommendations of the Plan was that particular attention be given to prioritising the capital expenditure programme and that a fresh look be taken at the way the programme is managed. I am pleased to report that since the beginning of the year much work has been done in this area and proposals will be brought before the May or June States to discuss the prioritisation and plans for delivery of the essential infrastructure, housing and other long awaited projects. Already approval has been given for the construction of the replacement of the Vallee sewer and funds are already in place for this project.

Assuming capital receipts continue to show the buoyancy of recent years we anticipate sufficient funds will be forthcoming to augment the allocation from Guernsey to deliver the proposed programme at the pace anticipated, bearing in mind the physical impossibility of carrying all projects simultaneously.

#### Alderney Gambling Control Commission

Provisional results, subject to final signature by the auditors, for the Alderney Gambling Control Commission are attached. These show revenues from licence fees in 2006 amounted to £1,885,650. After the addition of fee income and interest, and after deducting operating expenses the Commission made a surplus in the year of £1,325,823. This was its best year ever. Under the skilful leadership of the Commissioners and the Chief Executive, the Commission has most successfully positioned Alderney as a leading and highly regarded jurisdiction in which to operate. Although the future is always difficult to predict in a very fast moving industry the immediate future remains promising, and continuation of current conditions can be anticipated in 2007. At its meeting on 26 March the Policy and Finance Committee resolved that in future, as a general principle, it would allocate the Gambling surpluses to fund those elements of the Capital Expenditure programme, such as Housing related projects, that would otherwise be unlikely to happen.

#### Conclusion

The outcome for net revenue expenditure in 2006 has been most satisfactory. Total expenditure has been below that forecast and there has been no requirement to draw on unspent balances to fund the deficit as was previously expected. The States has kept a very tight control on expenditure and for the seventh year running has managed with a revenue allocation from Guernsey that in real terms is now materially lower than it was in 2000. Since 2000 the allocation has increased in absolute terms by just 12%. In 2008 and beyond it is almost certain that it will be necessary to request an increase in the revenue allocation from Guernsey. It is considered that such a request is both equitable and reasonable given the very real sacrifices that have been made over the past seven years.

I should be grateful if you would place this matter before the States with the appropriate proposition.

R Willmott  
Chairman"

The States are asked to approve of the Annual Accounts for 2006 in respect of

- (a) the States of Alderney and
- (b) the States Water Board

## **Item II Questions and Reports**

Issued Thursday 5th April 2007

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