



## STATES OF ALDERNEY

States Office, P.O. Box 1001, Alderney, Channel Islands GY9 3AA

22nd August 2017

Deputy G. St Pier  
President  
Policy & Resources Committee  
Sir Charles Frossard House  
PO Box 43  
St Peter Port  
Guernsey  
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Dear Deputy St Pier

### **Alderney Revenue Budget 2017 & 2018 – Budget Reserve Request**

As you are aware we are currently in the process of compiling the 2018 Budget, together with the Revised Budget for 2017. The 2017 budget, approved by the States of Alderney in October 2016 was a balanced budget. However during 2017 the Policy & Finance Committee has been faced with additional financial pressures which it has been unable to absorb within the routine revenue budget, and which fall outside the guidelines for capital expenditure. These relate to various items over and above the normal course of revenue expenditure, which were unknown at the time of compiling the budget, and which are “one-off” items of expenditure outside the normal/routine governmental business. The two highest value areas relate directly to the FABlink issue, however there are six items in total which are detailed below:-

**PWC – FABlink advice** – The States initially engaged PWC in 2016 to prepare a factsheet on the FABlink project in order to inform all States Members (including those newly elected), and consolidate all agreements/events over the previous years and review the options agreements etc, in order for the States to consider its options going forwards. Given their specialist area of expertise this was subsequently extended to provide commercial energy industry analysis and advice, and to represent the States in the negotiations with FAB Link Ltd in order to secure the most favourable outcome. These negotiations are ongoing and it had been hoped the substantive parts will be resolved by the year end, but it would be reasonable to assume some further expenditure necessary in Q1 and Q2 2018 of say £75k. Expenditure incurred in 2017 amounts to £100k with anticipated further expenditure of up to £85k, which is based on the assumption of an early agreement over the Heads of Terms. If however these negotiations are protracted the amount required may increase by a margin.

**Land Use Plan (LUP) – Additional costs** – In 2015 the States engaged ARUP to progress the Land Use Plan. This work was foreseen and has been duly budgeted and phased over the years 2015-2017. However additional expenses have been incurred in connection with legal advice relating to law changes for section 12 of the BDCC Law (to allow major projects to be considered in the Designated Area otherwise known as the Green-Belt and associated Environmental Impact Assessments), additional call for sites assessments (30 submissions anticipated, 74 received), review of statutory Food & Environmental Protection Agency (FEPA) licences, responses to FAB Link Ltd., etc. Additional costs incurred to date during 2017 amount to £75k, with projected additional amount of £45-£55k required for the LUP Inquiry. The LUP Inspector costs are already been budgeted for, however the additional submissions from FAB are lengthy and detailed and require input from ARUP together with an extended Inquiry.

**Brexit costs** – Since the UK's brexit decision, the Crown Dependencies have found the need to properly consider the implications and risks relating to brexit to ensure these are understood, properly represented, and fed back to the UK government. Although in the main these are being co-ordinated via Guernsey's External Affairs Dept, it is acknowledged that Alderney has some specific local issues i.e. fishing rights, residency rights, legislation etc, where these differ slightly from Guernsey, and where additional advice is required. In order to achieve this additional capacity and support a part time advisor has been engaged at a cost of £30k in 2017 and a further anticipated £30k in 2018.

**UK Overseas Territories & Crown Dependencies Visit** – Following the UK Overseas Territories Conservation Forum held in Gibraltar in 2015, Ministers representing 13 UK Overseas Territories & Crown Dependencies participated in the 2017 Conservation Forum which was held in Alderney. The aim of the meeting was to develop the benefits of joint and collaborative working, and discuss common priorities and approaches to negotiations with the UK Government. Costs incurred in hosting this event totalled £30,100.

**Chief Executive Recruitment etc** – The Chief Executive gave notice in March 2017 incurring additional costs relating to the appointment of the Interim Chief Executive, together with recruitment costs (Odgers Berndtson), and the necessary relocation costs etc. Additional expenditure incurred expected to amount to £80,000, anticipated at £60k 2017 and £20k 2018 depending on date of appointment.

**Director of Business Development Post** – As part of the Review of Governance the requirement for an interim one year post was identified in order to bridge the transitional year between the Chief Executive appointments, and to supplement the Civil Service during the increased workload particularly relating to the FABlink issues, but also, as the title suggests, to help pursue revenue generation opportunities. Costs anticipated at £20k for 2017 (3 months) and £50k for 2018 (9 months).

The costs allocated over 2017 and 2018 are illustrated in the table below:-

	<b>2017</b>	<b>2018</b>
PWC – FABlink negotiations/advice	185,000	75,000
Land Use Plan – Additional costs (FABlink related)	130,000	-
Brexit costs	30,000	30,000
UK Overseas Territories & Crown Dependencies Visit	30,000	-
Chief Executive - Resignation, Cover & Recruitment	60,000	20,000
Director of Business Development – 1 year post	20,000	50,000
<b>Total</b>	<b>£455,000</b>	<b>£175,000</b>

As the States of Alderney has no revenue reserves available to absorb these additional costs, we have been advised to make an application to P&R for additional funding from the Budget Reserve, in order to accommodate these additional one-off items of expenditure.

I should therefore be grateful if P&R could give consideration to approval of an additional allocation to the Alderney 2017 and 2018 revenue budget accordingly from the Budget Reserve.

Yours faithfully



James Dent  
Chairman, Policy & Finance Committee