EXECUTIVE COUNCIL

CONFIDENTIAL

Title of Report: £10 & £20 Currency Notes

Paper No: 195/10

Date: 19 August 2010

Report of: Commissioners of Currency

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1. **Purpose**

1.1 To consider the production of a new series of £10 & £20 currency notes.

2. **Recommendation**

2.1 It is recommended that the attached Order is made to prescribe the printing of a new series of £10 & £20 currency notes (as set out in paragraph 4.2) in accordance with the provisions of the Currency Ordinance (Title 25.1)

3. **Summary of Financial Implications**

3.1 The costs of production of notes and coins are met by the Currency Fund and therefore there are no direct costs on the Consolidated Fund.

4. **Background**

4.1 There are 17,000 (approx 1 years supply) unissued £10 notes and 31,000 (approx 2 years supply) unissued £20 notes left in the Treasury vault. Due to the lengthy lead in time for printing and shipping of currency, it is therefore necessary for the Commissioners of Currency to arrange the printing of a further supply. Before the Commissioners can arrange a further supply of notes to be printed, they need to be prescribed by regulations on the order of the Governor in Council, since they will be new note series.

4.2 The Commissioners agreed the following specifications (which are essentially the same as the current notes):

Paper: Mould made banknote paper "F" watermark incorporating a new De La Rue feature "Cornerstone™ *

Design: £10 & £20 – current design last printed in 1984 (£20) and 1986 (£10) with the following amendments:

- A revised date of 1 January 2011;
- A new Series 'B' to start at 000001;
- The replacement of one signature of a former sole Commissioner with the signatures of the three current Commissioners: K Padgett, M C Eccles and L M Lyse.

Size: 75 mm x 145 mm
Printer: De La Rue Currency
Quantity: 200,000 of each denomination

4.3 In deciding the continuation of the current design for the notes the Commissioners agreed that:

- The current design appears popular.
- The other notes feature the same design and there is around 14 years supply of £5 notes and many more years supply of £50 notes in stock.
- A new design would incur additional costs in connection with design work and producing a new master plate.

4.4 It should be noted that a lengthy lead in time is needed for the supply of new currency notes (and coins) as a legislative order is required to be in place before the acceptance of the quotation can be confirmed to allow production to proceed.

5. **Financial Implications**

5.1 The Government has used De La Rue to print currency for a number of years. Quotations were therefore sought for the production of the new notes from that company. In addition to the quotes for the 'normal' note production, figures were requested for notes incorporating a "Post-Print Varnish". The varnish reduces wear and tear thus extending the useful lifetime of the notes. However, given that 200,000 standard notes can be purchased for the costs of 100,000 notes with the varnish, they would need to last twice as long for this to be worthwhile. From the data provided this is not likely and therefore the purchase of standard notes is proposed. The table below shows the quotations received, which are valid until 31 August:

Quantity	Standard Notes	Price per note	Notes with 'Post Print' Varnish	Price per note
100,000	£67,584	68p	£79,257	79p
200,000	£78,888	39p	£88,606	44p
300,000	£86,187	29p	£93,951	31p
400,000	£93,624	23p	£103,444	26p

5.2 It can be seen that the unit price is much greater if fewer notes are produced. This is partly because there is a significant amount of time involved in setting up the equipment for a new currency run and partly because the equipment involved is really intended to produce millions of notes. As a result, it is expensive to produce relatively small numbers of notes. Therefore a decision needs to be made on the number of notes to be ordered by balancing unit price against the number of years the notes will be available for. It is proposed that 200,000 of each note be ordered (which represents 15 to 20 years supply). Based on these numbers, the estimated total costs of the purchase of standard notes will be £157,776 (excluding freight).

5.3 For comparison the price for 200,000 (unvarnished) notes in 2004 was £44,036 or 22p per note. The current figures reflect an increase of some 79% over the 6 year period. Attempts were therefore made to gain other quotations. However, it would appear that De La Rue have taken over most of their competitors in the currency printing field. Only two other potential suppliers could be identified; one in Spain that may not be a politically wise choice at this time and one in Germany that deals with Euro notes (and as a result would not be interested in the small numbers we require). De La Rue have stated that their increase is the result of the small numbers involved and that previous print runs have been carried out at a loss to them.

5.4 The cost of the notes would be met from the Currency Fund. As a consequence the transfer of any surplus from the Currency Fund to the Consolidated Fund would be reduced to reflect the cost.

6. **Legal Implications**

Section 6 of the Currency Ordinance provides that the Commissioners are to arrange for the printing of notes in the manner to be prescribed. So a new print run of notes requires an order made by the Governor, under the general regulation making powers in section 22 of the Ordinance; to prescribe the specifications of the notes.

7. **Human Resources Implications**

None

SUBSIDIARY LEGISLATION

CURRENCY

Currency Notes Order 2010

S. R. & O. No: of 2010

Made: ..... August 2010
Published: 2010
Coming into force: upon publication

I make this order under section 22 of the Currency Ordinance (Title 25.1.1) on the advice of Executive Council.

1. Title
This order is the Currency Notes Order 2010.

2. Commencement
This order comes into force on publication in the *Gazette*.

3. New notes
(1) The printing and issue of the notes specified in the schedules to this order are authorised.

(2) The schedules to this order specify the denomination, form, design, plates, paper and authentication of the notes.

Made August 2010

A. E. Huckle,
Governor.

Schedule 1
Specification of Falkland Islands £10 Currency Notes

1.	Denomination:	£10 (TEN POUNDS)
2.	Paper:	Mould made banknote paper "F" watermark with Cornerstone™
3.	Size:	75 mm x 145 mm
4.	Printings – Front:	1 Direct Plate/Engraving 2 Security Lithographic Letterpress
5.	Printings - Back:	2 Security Lithographic
6.	Basic Colour:	Green
7.	Inscription – Front:	The denomination in figures (at lower left and upper right) and in words. The words: "THE GOVERNMENT OF THE FALKLAND ISLANDS" "THESE NOTES ARE LEGAL TENDER FOR THE PAYMENT OF ANY AMOUNT" "FOR THE GOVERNMENT OF THE FALKLAND ISLANDS" "Commissioners of Currency" The facsimile signatures of the Commissioners of Currency The date of issue The series index and serial number at the upper left and lower right
8.	Inscription - Back:	At the top the words: "THE GOVERNMENT OF THE FALKLAND ISLANDS"
9.	Pictorial Content – Front:	Portrait – HM Queen Elizabeth II Vignettes – King Penguins and Sea Lions Insignia – National Coat of Arms Background – Map of the Falkland Islands
10.	Pictorial Content - Back:	Vignettes – Government House and Christchurch Cathedral
11.	Date of issue:	1 January 2011

12.	Signatures of Commissioners of Currency:	K Padgett; M C Eccles; L M Lyse
13.	Series index and serial numbering:	B to start at 000001
14.	Quantity:	200,000
15.	Printer:	De La Rue Currency

Schedule 2
Specification of Falkland Islands £20 Currency Notes

1.	Denomination:	£20 (TWENTY POUNDS)
2.	Paper:	Mould made banknote paper "F" watermark with Cornerstone™
3.	Size:	75 mm x 145 mm
4.	Printings – Front:	1 Direct Plate/Engraving 2 Security Lithographic Letterpress
5.	Printings - Back:	2 Security Lithographic
6.	Basic Colour:	Brown
7.	Inscription – Front:	The denomination in figures (at lower left and upper right) and in words. The words: "THE GOVERNMENT OF THE FALKLAND ISLANDS" "THESE NOTES ARE LEGAL TENDER FOR THE PAYMENT OF ANY AMOUNT" "FOR THE GOVERNMENT OF THE FALKLAND ISLANDS" "Commissioners of Currency" The facsimile signatures of the Commissioners of Currency The date of issue The series index and serial number at the upper left and lower right

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14.	Quantity:	200,000
15.	Printer:	De La Rue Currency

EXPLANATORY NOTE
(not forming part of this order)

This order provides for the printing and issue of a new series (the B series) of 200,000 £10 notes, very similar in design to the 1986 issue of £10 notes, and of 200,000 £20 notes, very similar in design to the 1984 issue of £20 notes, which are necessary to provide for the needs of the Falkland Islands in relation to currency of those denominations for the foreseeable future.