

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE STATES OF GUERNSEY ACCOUNTS 2020

The States are asked to decide:-

1. Whether they are of the opinion to agree with the Policy & Resources Committee's approval of the States of Guernsey Accounts for the year ending 31 December 2020.

The above Proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.



THE STATES OF GUERNSEY
ACCOUNTS 2020

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STATES TREASURER'S REPORT

1. Introduction

- 1.1. Guernsey is a Crown Isle situated in the Bay of St. Malo west of the Normandy coast, with its own laws and customs based originally on Norman practice. Effectively independent, yet coming under the protective wing of the British Government, Guernsey is a part of the British Isles but not the United Kingdom (UK). The UK Government is responsible only for the Bailiwick's international representation and defence.
- 1.2. The Parliament is referred to as the States of Deliberation, and has the power to raise taxation, determine expenditure and pass legislation within the Bailiwick. The States of Guernsey (States) refers to the function of government.
- 1.3. The Policy & Resources Committee is the senior Committee of the States and has mandated responsibility for submitting the annual Accounts to the States.

2. Scope

- 2.1. The income and expenditure of the States contained within this Report is for the income principally accruing from general taxation and the expenditure funded therefrom – 'General Revenue', and does not include all government income and expenditure.
- 2.2. Income does not include revenues from Social Security contributions paid into the Social Security Funds or contributory benefits and pensions paid from these Funds. The consolidated accounts of the Social Security Funds are published in full in this Billet. These Accounts include only the General Revenue grants to Social Security Funds, non-contributory benefits and some general administration costs.
- 2.3. Furthermore, there is currently no consolidation in respect of the States' internal trading entities (Guernsey Ports, Guernsey Water, Guernsey Dairy, States Works and Guernsey Waste) or for the States Trading Companies (Guernsey Post Ltd, Guernsey Electricity Ltd, the Aurigny Group and JamesCo750 Ltd). The Accounts for the States' internal trading entities are published in this Billet; those of Guernsey Post Ltd and Guernsey Electricity Ltd are published as an item for debate in a Billet d'État; the Accounts of the Aurigny Group (with minor redactions) are publicly released. For reasons of commercial confidentiality, the full Accounts of JamesCo750 Ltd are not published.

3. Changes to the Statement of Accounts

- 3.1. The States prepare a form of single entity accounts, which are audited and presented to the States of Deliberation for approval. The accounts have evolved with consideration for both the budgetary framework by which the States govern the finances of the organisation, as well as accounting principles. There is some divergence between the budgetary framework and accounting principles that exist within internationally recognised accounting standards. Consequently, the accounts are prepared in accordance with the stated accounting policies rather than a recognised accounting framework.

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- 3.2. The States have decided¹ to implement International Public Sector Accounting Standards (IPSAS), a recognised accounting framework which focuses on the requirements of the public sector. As such, this framework should be more applicable to the financial reporting requirements of the States than other accounting frameworks. This accounting framework which will be transitioned to over a number of years, has a proposed methodology for first time adoption which sets out specific exemptions or provisions that impact upon the preparation of the financial statements and the extent of compliance, within prescribed timeframes.
- 3.3. In recognition of the substantial resource implications required for such a transition, IPSAS is being introduced in a phased manner over a number of years. This is due to the requirement to develop and embed the systems and processes necessary for generating the appropriate financial information for the accounts. The current phase of the transition is primarily concentrating on the identification, classification and valuation of tangible fixed assets for inclusion within the Statement of Financial Position.

4. External Audit

- 4.1. Grant Thornton Limited has performed the audit of the States' 2020 financial statements in accordance with International Standards on Auditing and applicable law. The Auditor's Report gives the opinion that *"the accounts for the year ended 31 December 2020 are prepared, in all material respects, in accordance with the accounting policies stated in note 1 to the accounts."*

5. COVID-19

- 5.1. The overall impact of the COVID-19 pandemic on the 2020 States' financial position is estimated to be £83.9m comprising the deficit of £43.9m plus the transfer of £40m which would otherwise have been made to the Capital Reserve.

- 5.2. This comprises:

- £51.3m of business and personal support expenditure including £7.5m paid out in grants to small businesses; £35.6m in payroll co-funding; and £7.7m in specific support packages;
- £28.3m as an increased charge for accumulated Aurigny losses;
- £5.3m as a provision for the overdraft requirement of Guernsey Ports; and
- £3.3m of net revenue income shortfalls

Offset by £4.3m of net expenditure being lower than budgeted.

- 5.3. There was significant additional expenditure in certain areas as a result of COVID-19, most notably in health and social care services which incurred specific additional costs of nearly £4m; and Income Support payments which exceeded budget by over £4m. However, these were more than offset by reduced expenditure elsewhere because of the limitations placed on normal operational activity, including the deferral of non-urgent surgical procedures.

¹ Billet d'État V, 2012

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5.4. This is a significant improvement to the position forecast in the 2021 Budget Report (estimated impact of £99.1m) and this improvement of £15.2m will be retained in the unallocated balance of the General Revenue Reserve and be available to part-fund the impact of the 2021 lock-down.

6. Financial Performance

6.1. The overall deficit for 2020 was £63.8m (2019: surplus of £105.6m); the following table analyses it between General Revenue (ie in accordance with the Budget framework) and the Funds and Reserves:

	Total £'000s	General Revenue £'000s	Funds and Reserves £'000s
Income	527,210	511,566	15,644
Pay Expenditure	(250,976)	(248,149)	(2,827)
Non-Pay Expenditure	(294,478)	(268,797)	(25,681)
Operating Deficit	(18,244)	(5,380)	(12,864)
Investment Returns	66,355	5,465	60,890
Finance Charges and Other Costs	(68,747)	(56,588)	(12,159)
Transfer to Fiduciary Account	(3,855)	-	(3,855)
Capital Receipts	1,229	-	1,229
Capital Expenditure	(40,586)	-	(40,586)
Deficit	(63,848)	(56,503)	(7,345)
Adjustments:			
Overseas Aid & Development			
Commission Fund	-	(2,036)	2,036
Insurance Deductible Fund	-	(1,620)	1,620
Channel Islands Lottery (Guernsey) Fund	-	1,045	(1,045)
Appropriation for Aurigny Loss	-	15,210	(15,210)
Adjusted Deficit	(63,848)	(43,904)	(19,944)

6.2. The General Revenue deficit of £43.9m compares to the original budget for 2020 which was balanced and a probable outturn of a deficit of £59.1m which was included in the 2021 Budget Report:

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	Actual £m	Probable Outturn £m	Original Budget £m
Revenue Income	473.8	446.8	477.1
Revenue Expenditure (net of allowance for delayed delivery of savings)	(425.9)	(430.2)	(430.3)
COVID-19 business and personal support	(51.3)	(51.7)	-
Revenue (Deficit) / Surplus	(3.4)	(35.1)	46.8
Capital Income	-	2.7	3.5
Operating (Deficit) / Surplus	(3.4)	(32.4)	50.3
Provision for Aurigny Loss	(35.2)	(24.0)	(6.8)
Provision for Ports overdraft	(5.3)	-	-
Transfer to Capital Reserve	-	(2.7)	(43.5)
Net (Deficit)	(43.9)	(59.1)	-

[Note: the figures in this table are presented in line with the Budget framework].

- 6.3. Appendix II is a schedule of the Income and Expenditure Account presented in the same format as included within the annual Budget Report and previous Accounts including expenditure by Committee².
- 6.4. It shows that net revenue expenditure (excluding the £51.3m expended on the COVID-19 support schemes) increased by £17.2m between 2019 and 2020 which is an increase of 4.2% in nominal terms / £10.6m or 2.6% in real terms. This real terms' increase is attributable to an increase in the costs of delivery of States IT Services³ (£4m); service developments approved by the States as part of the 2020 Budget (£2.9m of the £6.3m prioritised was approved in 2020); services provided by the Committee for Health & Social Care (£2.5m excluding service developments) including as a result of the impact of pay awards; and net £2.8m in services provided by the Committee for Employment & Social Security (where additional expenditure on Income Support has been partially offset by reduced expenditure on other services).

² For the purposes of this Report, the term 'Committee' includes the seven Principal Committees (Policy & Resources Committee; Committee for Economic Development; Committee for Education, Sport & Culture; Committee for Employment & Social Security; Committee for the Environment & Infrastructure; Committee for Health & Social Care; and Committee for Home Affairs) plus the following that are also allocated General Revenue Cash Limits: Development & Planning Authority, Overseas Aid & Development Commission, States' Trading Supervisory Board, Scrutiny Management Committee, Corporate Services; Pooled Budgets, Royal Court, Law Officers and States of Alderney.

³ The profile of the contract value is for higher costs in the early years which will gradually reduce over the terms of the contract as the partner, Agilisys Guernsey Limited delivers contractually guaranteed savings.

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6.5. Overall, expenditure was £4.3m lower than Cash Limits which comprises:

- £4.1m of in-year savings identified by Committees and transferred to the Budget Reserve;
- £2m remaining unallocated within the Budget Reserve;
- £3.4m of service development funding approved as part of the 2020 Budget Report which was not required in 2020;

Offset by:

- £5.3m of savings targets which were not realised in 2020 – including £3.3m which was known when the 2020 Budget was prepared and appropriate provision made.

6.6. The Corporate Services authorised budget was overspent by £1.7m which is predominantly additional expenditure on staff rent allowances and recruitment fees. This is a reflection of the high-level of recruitment activity, particular in the areas of health and social care and education, driven by factors such as high staff turnover, recruitment to vacant posts carried over from 2019 and the extent of off-island recruitment. The formula-led expenditure by the Committee *for* Employment & Social Security exceeded budget estimate by £2.6m which comprises additional Income Support Scheme payments of £4.2m offset by reductions in other areas, including the Guernsey Insurance Fund Grant and Legal Aid. These overspends were collectively offset by underspends of authorised budgets by other Committees.

6.7. The Budget Reserve is the instrument used to hold provision for pay awards and manage overall budget contingencies and deal with any one-off, unexpected, in-year cost pressures. Individual Committees do not routinely hold specific budget contingencies, which invariably would not be fully utilised every year. Funding is instead available for any Committee from the Budget Reserve and the Policy & Resources Committee has delegated authority to approve use of the Budget Reserve (detailed in Appendix VIII).

6.8. In 2020 there was a Budget Reserve of £20m of which £13.6m was used for funding pay awards (including £7.3m in respect of 2019 pay awards which had not been settled at the time of the preparation of the 2020 budget) and £4.4m approved for other in-year revenue expenditure.

6.9. £4.1m was transferred from Committees to the Budget Reserve in 2020 following an exercise to identify in-year savings including those that arose as a result of the COVID-19 pandemic, including vacancies that were not filled and reductions in discretionary expenditure. This included £1m from the Overseas Aid & Development Commission.

7. Income

Income Tax

7.1. Income tax receipts decreased from £349.2m in 2019 to £328.5m in 2020, a decrease of £20.7m (5.9%). The majority of income tax is collected from individuals and this revenue stream decreased by £9.6m to £267m which is a 3.5% nominal or 5.1% real reduction.

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7.2. However, in terms of ETI (Employees Tax Instalment Scheme), which is the best real-time indicator of economic performance, collections in the fourth quarter of 2020 showed an increase of 2.8% compared to the same period in 2019. Remunerations data for this quarter showed that total pay was just under 1% higher than during the equivalent period in 2019 and twelve of the nineteen business sectors had an above inflation increase in remuneration, including construction, retail and real estate.

7.3. In respect of companies, income tax receipts decreased by £9.4m to £52.9m. Excluding the effect of a specific settlement of £5.3m in 2019, the reduction is £4.1m and reflects the impact of COVID-19 on companies who are subject to income tax, including large retail groups; regulated entities; and property development and rental.

Other Taxes

7.4. The income from Other Taxes, comprising Excise and Import Duties; Tax on Real Property; Document Duty and Vehicle First Registration Duty, totalled £104.3m in 2020 an increase of £15m from 2019.

7.5. Income from Excise and Import Duties increased by £6.8m compared to 2019, which included the effect of the increases in excise duty rates approved as part of the 2020 Budget Report. Although the COVID-19 lock-down period resulted in a reduction of motor fuel duty income, there were significant increases in alcohol duty income of £2.6m and tobacco duty income of £6.2m. This is understood to be as a result of limited access to duty free products and an increase in stocks held (there is often material volatility in tobacco excise duty receipts between years due to the timing of imports).

7.6. Tax on Real Property income increased by £3.7m which reflects the revised tariffs approved as part of the 2020 Budget Report including:

- a 10.2% increase in domestic tariffs;
- the final phase of the introduction of tiered tariffs for domestic buildings;
- a 10% increase in commercial tariffs; and
- the first phase of an increase in the tariff for the General Office and Ancillary Accommodation category.

7.7. Document Duty receipts in 2020 were £23m which is £4.8m (26.4%) higher than 2019. Overall, the number of transactions increased from 845 to 932 and the £18.2m budget for Document Duty, which was set in mid-2019, was exceeded by £4.8m in 2020.

7.8. The number of open market transactions increased from 67 in 2019 to 92 in 2020 although the accompanying Document Duty receipts increased significantly to £6.1m (2019: £4.2m).

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Income from Operating Activities

- 7.9. Income from Operating Activities decreased by £3.4m to £56m in 2020 of which £1.9m relates to reduced income generated by the Committee *for* Education, Sport & Culture in respect of Beau Sejour Leisure Centre and the College of Further Education. There were also income shortfalls in other areas including Alderney Airport; Lottery ticket sales; and scheduled bus services.

Other Corporate Income

- 7.10. Other Corporate Income, which includes States' housing rental income; company fees; and dividend income from States' trading entities, remained at £38.4m in 2020.

8. Expenditure

Pay Costs

- 8.1. The total expenditure on pay (which includes temporary and agency staff together with States Members' remuneration) during 2020 was £251m (2019: £245m) which, is a nominal increase of £6m or 2.4% (real terms increase of 0.8% or £2m). However, the effect of 2020 pay awards were £6.3m.
- 8.2. Pay costs continue to form the largest single item of expenditure totalling 46% of total revenue spend (50.8% excluding COVID-19) (2019: 51.3%) and a paid workforce of 4,720 Full Time Equivalent staff (FTEs), an increase of 36 FTEs compared to 2019. The number of FTEs within Health & Social Care increased by 115 including: due to the establishment of the autism hub at Le Vieux Jardin which will enable the repatriation of service users from the United Kingdom; to support the COVID-19 response including testing facilities; to deliver the service developments for which funding was prioritised as part of the Budget; to respond to an increase in new service users; and the filling of vacant posts. This is offset by a net reduction in other service areas, including 53 FTEs in Corporate Services as a result of the change in model for provision of States IT Services.
- 8.3. Note 6 details the number of employees whose gross cost of employment exceeds £80,000. This £80,000 threshold does not simply relate to employees' salary or wages but to the total costs of employment which include employer pension and social insurance contributions along with any other ancillary costs. The increase of eighty employees between 2019 and 2020 is in the lower bandings and is due to the effect of pay awards meaning that a certain grade which was below the threshold in 2019 now has total costs of employment which are above £80,000. Future pay awards will lead to additional salary scales falling within the criteria each year.

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8.4. The following table analyses the number of employees whose total costs of employment which are above by £80,000 by group:

Pay Group	2020	2019	Change
Established staff	194	186	8
Nurses and medical consultants	119	62	57
Teachers and lecturers	51	35	16
Police, Fire, Prison and Guernsey Border Agency Officers	34	35	(1)
Crown Officers and Judges	7	7	-
Total	405	325	80

8.5. Approximately fifty of the increase in the number of nurses and medical consultants whose total costs of employment are above £80,000 is due to the effect of the 2019 and 2020 pay awards for Agenda for Change staff (5% with effect from 1 January 2019 and a further 5% from 1 September 2019) which were implemented in 2020 including payment of arrears for 2019. Similarly, approximately ten of the increase in the teachers and lecturers category is due to the effect of the 2019 pay award (2.4% with effect from 1 September 2019) which was implemented in 2020 including payment of arrears for 2019.

8.6. There has been a general trend to provide information within financial statements regarding remuneration of senior management. Some of this is framed in legislative requirements, other elements are set out within accounting rules. Whilst the States are not required to report such information, it has been decided that for the purpose of enhancing transparency, details of the remuneration attributed to members of the Strategic Leadership Team will be included.

8.7. The Strategic Leadership Team, which comprises the Chief Executive and his senior management team, is responsible for the delivery of an efficient and effective public service in support of Government objectives. The Strategic Leadership Team is remunerated on standard established staff pay scales. The following table details the remuneration paid to the Strategic Leadership Team, identified by way of job title:

Post Title	Grade	2020			2019
		Gross Pay	Pension Contribution	Total	Total
Chief Executive	SO12	158,271	22,316	180,587	180,587
States Treasurer	SO11	144,972	19,294	164,266	164,527
Strategic Lead for Operational Delivery and Support	SO11	143,218	19,123	162,341	157,568
Strategic Lead for People Policy*	SO11	143,218	19,123	162,341	39,781
Chief Information Officer	SO11	139,187	18,409	157,596	149,664
Strategic Lead for Place Policy	SO11	135,895	18,244	154,139	149,583
Strategic Lead for Supporting Government *	SO11	129,260	17,448	146,708	36,396

* In post from 1 October 2019

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8.8. The remuneration paid excludes social security contributions which are made by the employer. If these are included these employees would be placed within the following bands of the Senior Employees 2020 Gross Cost Analysis (as set out in Note 6):

- £140,000 - £159,999 : 1 employee
- £160,000 - £179,999 : 5 employees
- £180,000 - £199,999 : 1 employee

Non-Pay

8.9. Non-pay expenditure totalled £294.5m in 2020 which is an increase of £61.9m compared to 2019. This is primarily due to expenditure on COVID-19 business support measures (£51.3m) and an increase in Income Support payments (£5.8m).

Investment Returns

8.10. In 2020, there was a net investment gain (largely unrealised) of £66.4m compared to £86.3m in 2019. This includes £6.1m of interest from loans made from the proceeds of the States of Guernsey Bond Issue and a gain of £60.2m from the Consolidated Investment Fund (paragraphs 9.4 to 9.11 are commentary on the financial investments). This investment gain has been allocated to various reserves, based upon their individual balance throughout 2020. These include the Core Investment Reserve (£17m); Bond Reserve (£14.8m); and Capital Reserve (£22.7m).

Impairment for Cabernet Limited Losses

8.11. Cabernet Limited is the holding company for Aurigny Air Services Limited and Anglo-Normandy Anglo-Engineering Limited. The States of Guernsey owns all of the shares in Cabernet Limited.

8.12. The States provide funding and financing to Cabernet Ltd through various forms, including share capitalisation, long term loans, temporary overdraft facilities, and guaranteeing loan facilities from other lenders.

8.13. Since 2017 the States have appropriated amounts between the General Reserve and the States' Trading Entities Reserve for losses incurred by Cabernet Limited. The balance set aside within the States' Trading Entities Reserve for Cabernet Limited's losses up to 31 December 2019 was £15.2m. In addition, there was an assumption that the company continued to have a value equivalent to the purchase price of £5.1m.

8.14. The 2020 loss by Cabernet Limited (included within its draft 2020 Accounts) was £28.3m which includes £4.2m of impairment charge in respect of the valuation of aircraft.

8.15. Given the significant impact of COVID-19 on the trading activities of Cabernet Ltd, an impairment review of the amounts due to the States by Cabernet Ltd as at 31 December 2020 has been carried out and a provision made against those receivable amounts within the Statement of Financial Position (£43.5m against the overdraft facility and £6.9m against the loans from the States of Guernsey bond issue). This provision totals £50.4m comprising the £15.2m losses incurred up to 31 December 2019; £5.1m

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purchase price; £28.3m for 2020 losses; and £1.8m of fair value adjustments in respect of financial instruments held by Cabernet Ltd. The net effect of this impairment review on the General Reserve is a reduction of £35.2m.

- 8.16. The corresponding charge has been made within the Statement of Financial Performance under the heading of 'Finance Charges and Other Costs'.

Impairment for Guernsey Ports Losses

- 8.17. The COVID-19 pandemic had a severe impact on the trading results of Guernsey Ports which have experienced a significant and sustained reduction in passenger numbers as a result of the travel restrictions. The Policy & Resources Committee agreed to make a short-term loan facility to Guernsey Ports as it is unable to meet its operational cash requirements from within its existing resources. Guernsey Ports recorded a deficit of £10.7m in 2020 and utilised £5.3m of the short-term loan facility. As a prudent measure, a provision against this receivable amount has been made within the Statement of Financial Position and a corresponding charge made within the Statement of Financial Performance under the heading of 'Finance Charges and Other Costs'.

9. Statement of Financial Position

- 9.1. The Statement of Financial Position provides a snapshot of the financial position as at 31 December 2020. It sets out the assets and liabilities of the States. However, it should be noted that the assets are limited to financial assets as it is currently not the policy of the States to capitalise fixed assets but the intention is that these will be included as IPSAS are incrementally introduced.
- 9.2. This Statement of Financial Position does not include the deficit on the Superannuation Fund. Note 46 includes disclosures showing pension costs and changes in the pension liability based upon specified assumptions.
- 9.3. At the year end the States' net assets had decreased to £693m (2019: £757m) as a result of the overall deficit.

Financial investments (Consolidated Investment Fund and Cash Pool)

- 9.4. The total amount of financial investments at the year end was £2,496m (2019: £2,340m) comprising the Consolidated Fund of £2,466m (2019: £2,296m) and the Cash Pool of £30m (2019: £44m). The States manage the Consolidated Investment Fund as a single portfolio of investments and all investments are held in the name of the States and accounted for as an asset within the States' Statement of Financial Position. Note 14 to the Accounts includes a list of the managers of the Consolidated Investment Fund.
- 9.5. The Statement of Financial Position includes Depositors, who are separate entities or parties which have deposited cash balances with the States, as current liabilities. This includes £1,610m (2019: £1,498m) in respect of the Superannuation Fund.

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9.6. Following a very substantial fall in equity markets during the first quarter of 2020 as a result of COVID-19 related concerns, both developed and international and emerging markets recovered strongly to post healthy returns at the end of the year.

9.7. At 31 December 2020, global equity markets, as measured by the MSCI All Countries World Index, had increased by 12.3% over the year in sterling terms. UK government bonds, as measured by the Citigroup UK Government Bond Index, returned 5.7%, whilst the commercial property sector posted modestly negative returns following some significant valuation adjustments within the retail and leisure sectors. Sterling traded in a wide range during the year, weakening significantly in the first few months of the year, but ended 2020 just over 3% up versus the US dollar.

9.8. The Consolidated Investment Fund, through its diversified portfolio of investments, recorded an investment return of 8.4% in 2020 which was 3.2% ahead of the target.

9.9. The following table details the returns achieved compared to the targets:

	Trailing 1 Year	Trailing 3 Years pa	Trailing 5 Years pa
Return	8.4%	5.4%	8.0%
<i>Target: Retail Price Index +4%</i>	5.2%	6.1%	6.6%

9.10. The following table summarises the asset allocation:

Asset Allocation	Equities	Alternatives	Bonds and Fixed Interest Securities	Property	Cash
2020	53%	13%	17%	10%	7%
2019	52%	13%	18%	10%	7%

9.11. The Policy & Resources Committee’s Investment & Bond Sub-Committee (IBSC) is responsible for investment policy, strategy and implementation, on advice from an external advisor (currently International Asset Monitor Limited). The IBSC oversees the management and performance of the Consolidated Investment Fund, as well as regularly reviewing the risk management policies and procedures underpinning the management of the Fund and ensuring that they are complied with by investment managers and other responsible parties.

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Capital Reserve

9.12. The balance on the Capital Reserve decreased in 2020 by £15.7m to £290.2m. The movements on the Capital Reserve for the year are summarised in the table below:

	2020 £m		2019 £m	
Opening Balance		305.9		241.2
Capital Returns	1.2		4.3	
Net Investment Return	22.7		34.5	
Expenditure	(41.1)		(33.0)	
		(17.2)		5.8
Transfers from General Reserve:				
Appropriation	-		54.5	
Capital Income	-		2.1	
Guernsey Post Ltd – Special Dividend	1.0		0.5	
States Works – Distribution of Reserves	0.5		1.8	
		1.5		58.9
Closing Balance		290.2		305.9

9.13. The 2020 budget included the transfer of £43.5m to the Capital Reserve (including £3.5m of capital income) which was in line with the minimum specified within the Fiscal Policy Framework. The 2021 Budget Report included: *“In light of the impact of the COVID-19 pandemic on the States’ financial position, transfers to the Capital Reserve could only be made be either increasing the draw-down from the Core Investment Reserve or by borrowing.”* Therefore, the States agreed that appropriations are not made to the Capital Reserve in either 2020 or 2021.

9.14. Expenditure in 2020 totalled £41.1m which included £13.1m in respect of minor capital projects. Appendix IV details the Capital Reserve expenditure which included £9.4m on IT Transformation and £6.3m on Transforming Transactional and Business Support Services.

General Revenue Reserve

9.15. As part of the 2021 Budget Report, the States approved the creation of the General Revenue Reserve by the closure, on 31 December 2020, of:

- (a) The Capital Reserve (£290.2m); and
- (b) The following funds and reserves from the existing General Reserve:

- The Transformation and Transition Fund (£12.3m);
- The Future Guernsey Economic Fund (£2.8m);
- The Corporate Housing Programme Fund (£21.3m);
- The Insurance Deductible Fund (£13.7m);
- The Brexit Transition Fund (£2.3m); and
- The General Revenue Account Reserve (Unallocated Balance) (£43.4m)

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9.16. Together with £4.1m of other minor balances (which will be utilised or transferred in 2021), the General Revenue Reserve had a balance of £390.1m at the end of 2020.

9.17. In respect of the General Revenue Account Reserve (Unallocated Balance), The States have a policy⁴ for an amount equivalent to 5% of annual revenue income to be retained within the General Reserve to be used to manage any in year shortfalls in income, short term cyclical variations and any other timing issues. This would require a balance of £23m to be retained.

9.18. However, the States agreed, as part of the 2021 Budget Report that up to £32m (£9m in 2020 and £23m in 2021) would be used to fund the forecast General Revenue deficits. Due to the improvement in the financial position in 2020 compared to the probable outturn forecast in the 2021 Budget Report, the £9m set aside for 2020 was not required and the General Revenue Account Reserve (Unallocated Balance) was £43.4m at the end of 2020. However, it is likely that all of the 2021 budgeted allocation of £23m will be utilised and, due to the financial impact of the lock-down in early 2021, the remaining balance may well also be required to fund the revenue deficit.

Core Investment Reserve

9.19. The Core Investment Reserve is a long-term reserve, the capital value of which is only available to be used in the exceptional and specific circumstances of severe and structural decline or major emergencies. The States have a policy for the target balance of the Core Investment Reserve being 100% of General Revenue income.

9.20. The movements on this Reserve are summarised in the following table:

	2020 £m	2019 £m
Opening Balance	195.7	174.9
Plus:		
Transfer to General Reserve	(50.0)	-
Net Investment Return	17.0	20.8
Closing Balance	162.7	195.7

9.21. As part of the 2021 Budget Report, the States agreed the transfer of £50m from the Core Investment Reserve in 2020 to part-fund the impact of the COVID-19 pandemic on General Revenue.

9.22. The balance of the Core Investment Reserve represents 35% of the 2021 General Revenue income budget. An amount of approximately £300m would need to be added to this Reserve to attain the target balance of 100% of General Revenue income.

⁴ Billet d'État XII, 2017

STATES TREASURER'S REPORT

Bond Reserve

9.23. At the end of 2020, there was a balance of £158m (2019: £163.3m) outstanding in respect of loans made from the proceeds of the £330m States of Guernsey bond issue. These loans have been made at rates of interest fixed in accordance with a formula which reflects the term of the borrowing, any change in market conditions compared to when the Bond was issued in 2014 and the 'credit-risk' of each entity, and range from 3.625% to slightly in excess of 4%.

9.24. The Bond issue proceeds which have not yet been lent on to entities form part of the Consolidated Investment Fund. Over the thirty two year life of the bond there will inevitably be periods in which there are varying amounts of funds invested due to the maturity profile of the on-lending and the investment returns in these periods will also vary and may be above or below the coupon rate. The model put in place by the IBSC is designed to ensure that the Bond issue can be serviced fully - that is, the annual coupon payments made, the costs of issuance recovered and the capital sum repaid in full at the end of the term without recourse to General Revenue. At the end of 2020, the Bond Reserve had a balance of £27.2m (2019: £17.8m) which will mitigate against the potential for investment returns being lower than the coupon rate in future years.

Superannuation Fund

9.25. The Superannuation Fund exists to pay the pensions of the employees of the States of Guernsey and other members of the Scheme. It is predominantly a defined benefit scheme funded by contributions from both the employer and employee. In 2015, the States agreed revised pension arrangements for members joining after 1 May 2015 and for service from 1 March 2016 for those members who are not protected members (those close to retirement age). The revised arrangements replace the final salary defined benefit arrangements with defined benefits on a career average re-valued earnings (CARE) basis up to a salary cap (which was £87,434 from 1 May 2016, increasing to £92,236 from 1 December 2019) with a defined contribution scheme for earnings in excess of this cap. The revised arrangements include a fixed cost ceiling (excluding the investment risk) on the employer's future contribution rate.

9.26. The transactions on the Fund are summarised in the table below:

Superannuation Fund	2020 £m	2019 £m
Opening Balance	1,501.7	1,357.8
Plus:		
Contributions	53.0	50.7
Net appreciation of investments	127.7	159.8
Less:		
Pensions and lump sums paid	(67.1)	(66.6)
Closing Balance	1,615.3	1,501.7

STATES TREASURER'S REPORT

- 9.27. Although the deficit in the Fund is not included in the Statement of Financial Position, detailed disclosures pertaining to the Superannuation Fund are included as Note 46. The funding level, prepared under accounting assumptions, has decreased to 57.1% (2019: 58.6%). Once the accounting standard IPSAS 39 (Employee Benefits) is applied, the full impact of any increase in the pension deficit will be charged to the States' reserves.
- 9.28. The Policy & Resources Committee commissions periodic actuarial valuation of the Superannuation Fund. A valuation as at 31 December 2020 is being undertaken and it is anticipated that the results will be reported to the States during the latter part of 2021. A valuation as at 31 December 2016 was undertaken and showed that the funding level was 93.5% (2013: 93.4%) of the accrued benefits. The results of this valuation were reported to the States in July 2018 (Billet d'État XIX, 2018), and it was agreed that the base employer rate would remain at 14.1%.
- 9.29. The reason for the difference between the accounting position and the funding position reported within an Actuarial Valuation is because the discount rate assumption used in the accounting position is based solely on the yield on government bonds and does not reflect the actual asset classes in which the Superannuation Fund is invested in.
- 9.30. The Fund is largely invested in return seeking assets which are expected to provide substantially higher returns than corporate bonds over the long-term. The investment funds have a target rate of return of inflation plus 4% and, as set out in paragraph 9.9, actual returns over the last 5 years have averaged 5.4% above inflation per annum. The 2016 Actuarial Valuation was based on an assumption of investment returns of inflation plus 2.5% (which is in line with that used when determining the revised pension arrangements) compared to the accounting based assumption of inflation less 1.3% (the return on an AA corporate bond). The two bases result in material differences in the calculation of liabilities and the resultant net funding position of the scheme.

10. Cash Flow Statement

- 10.1. This statement summarises the total cash movements during the year for both capital and revenue purposes, arising from income and payments and movements in working capital. The cash flow shows a net decrease in cash of £10.3m (2019: increase of £5.7m).

STATEMENT OF RESPONSIBILITIES FOR THE PREPARATION OF ANNUAL ACCOUNTS

The Policy & Resources Committee is responsible for the preparation of accounts for each financial year and for selecting suitable accounting policies. In preparing those accounts the Policy & Resources Committee relies on information supplied by States' Committees, Authorities and the States' Trading Supervisory Board. Each States' Committee, Authority and Board is expected to:

- apply the accounting policies on a consistent basis; and
- make judgements and estimates that are reasonable and prudent.

Each States' Committee, Authority and Board acknowledges responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the States of Guernsey.

STATEMENT OF INTERNAL FINANCIAL CONTROLS

It is the responsibility of each Committee, Authority and Board to identify and install a system of internal controls, including financial control, which is adequate for its own purposes. Thus each Committee, Authority and Board is responsible for safeguarding the assets of the States in their care and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each Committee, Authority and Board is also responsible for the economical, efficient and effective management of public funds and other resources entrusted to it.

It is acknowledged that each States' Committee, Authority and Board is subject to financial and manpower restrictions. Nevertheless, they have a duty to ensure that they fulfil their obligations to install and maintain adequate internal controls and safeguard the States resources for which they are responsible.

The States' internal financial controls and monitoring procedures include:

- An annual budget and planning process to allocate, control and monitor the use of resources;
- Review and appraisal by States Internal Audit of the soundness, adequacy and application of internal controls;
- Collation of risk registers, which are subject to regular review and update in compliance with internal Risk Management Directives;
- The requirement for all audit reports to be tabled at a meeting of the relevant States' Committee, Authority or Board to ensure that all Committee, Authority or Board members are aware of their financial affairs; and
- Regular review of the performance and security of the States' financial assets.

Through their staff recruitment and training, each States' Committee, Authority and Board strives to ensure that all those with financial responsibilities have the necessary skills and motivation to discharge their duties with the proficiency that the community has the right to expect.

The States' internal controls and accounting policies have been and are subject to continuous review and improvement.

INDEPENDENT AUDITOR'S REPORT TO THE POLICY & RESOURCES COMMITTEE

Opinion

We have audited the financial statements of the States of Guernsey (the "States") for the year ended 31 December 2020 which comprise the Statement of Financial Performance, the Movement in Reserves Statement, the Statement of Financial Position, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accounts for the year ended 31 December 2020 are prepared, in all material respects, in accordance with the accounting policies stated in note 1 to the accounts.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the States in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to note 1 to the accounts, which describes the basis of accounting. The accounts are prepared to assist the States in complying with their financial reporting obligations. As a result, the accounts may not be suitable for another purpose. Our report is intended solely for the Policy & Resources Committee (the "Committee") and should not be distributed to or used by parties other than the Committee. Our opinion is not modified in respect of this matter.

Other information

The Committee is responsible for the other information. The other information comprises the States Treasurer's Report, the Statement of Responsibility for the Preparation of Annual Accounts and the Statement of Internal Financial Controls.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

INDEPENDENT AUDITOR'S REPORT TO THE POLICY & RESOURCES COMMITTEE

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where our engagement letter requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the accounts are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of the Committee for the Accounts

As explained more fully in the Statement of Responsibilities for the Preparation of Annual Accounts, the Committee is responsible for the preparation of the accounts in accordance with the accounting policies in note 1 to the financial statements. The Committee is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Committee is responsible for assessing the States' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Committee either intend to liquidate the States or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the States' internal control.

INDEPENDENT AUDITOR'S REPORT TO THE POLICY & RESOURCES COMMITTEE

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the States' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the States to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Use of our report

This report is made solely to the Committee in accordance with our engagement letter dated 7 September 2017. Our audit work has been undertaken so that we might state to the Committee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Committee, for our audit work, for this report, or for the opinions we have formed.



Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey

Date: 20 May 2021

STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 31 December 2020

	Note	2020 £'000s	2019# £'000s
Income			
Income Taxes	3	328,450	349,176
Other Taxes and Duties	4	104,308	89,254
Income from Operating Activities		56,009	59,409
Other Corporate Income	5	38,443	38,446
		527,210	536,285
Expenditure			
Pay	6	(250,976)	(245,012)
Staff Related Non-Pay Costs	7	(6,021)	(6,238)
Support Services	7	(47,847)	(39,462)
Premises	7	(27,147)	(28,560)
Third Party Payments	7	(162,625)	(103,101)
Transport	7	(1,272)	(1,518)
Supplies and Services	7	(49,566)	(53,657)
		(545,454)	(477,548)
Operating (Deficit)/Surplus		(18,244)	58,737
Other Income and Expenditure			
Finance Charges and Other Costs	9	(68,747)	(12,082)
Amounts Transferred from Reserves to Other Entities			
Balance of Wilfred Carey Funds Transferred to Depositor Account	10	(3,855)	-
Balance of Working Capital Transferred to Guernsey Waste	10	-	(1,345)
		(3,855)	(1,345)
Investment Returns			
Net Returns from the Consolidated Investment Fund		60,202	80,827
Interest Receivable on Loans and Overdraft Facilities Granted		6,153	5,483
		66,355	86,310
Capital Receipts and Expenditure			
Capital Receipts	11	1,229	6,423
Capital Expenditure	12	(40,586)	(32,487)
		(39,357)	(26,064)
Net (Deficit)/Surplus for the Year		(63,848)	105,556
Retained by:			
General Reserve		(63,631)	78,935
Capital Reserve		(17,206)	5,804
Core Investment Reserve		16,989	20,817
		(63,848)	105,556

The 2019 totals have been amended for comparative purposes and details of the changes are included within Note 2.

MOVEMENT IN RESERVES STATEMENT

For the Year Ended 31 December 2019

	Total Usable Reserves	General Reserve (Including Bond Reserve)	Capital Reserve	Core Investment Reserve	States' Trading Entities Reserve
	£'000s	£'000s	£'000s	£'000s	£'000s
Opening Balance	651,429	116,680	241,218	174,909	118,622
Surplus for Year	105,556	78,935	5,804	20,817	-
Transfers in Year	-	(68,547)	58,861	-	9,686
Closing Balance	756,985	127,068	305,883	195,726	128,308

For the Year Ended 31 December 2020

	Total Usable Reserves	General Revenue Reserve	General Reserve	Bond Reserve	Capital Reserve	Core Investment Reserve	States' Trading Entities Reserve
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Opening Balance	756,985	-	127,068	-	305,883	195,726	128,308
(Deficit)/ Surplus for Year	(63,848)	-	(63,631)	-	(17,206)	16,989	-
Transfers In-Year	-	-	63,710	-	1,500	(50,000)	(15,210)
Transfers At Year End	-	390,127	(127,147)	27,197	(290,177)	-	-
Closing Balance	693,137	390,127	-	27,197	-	162,715	113,098

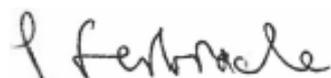
The Bond Reserve is reported as a separate reserve on the Statement of the Financial Position from 31 December 2020. Any changes to the balance of the Bond Reserve up to that date, have been included with those reported under the General Reserve.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 £'000s	2019 £'000s
Non-Current Assets			
Shareholdings in States' Trading Entities	13	113,098	113,098
Investments	14	2,496,355	2,339,766
Receivables	15	149,561	156,815
		2,759,014	2,609,679
Current Assets			
Cash and Cash Equivalents	44	2,019	12,347
Receivables	15	85,067	93,550
Stock		6,417	5,117
Prepayments		9,213	10,395
		102,716	121,409
Current Liabilities			
Revolving Credit Facility	16	(75,000)	-
Creditors	17	(39,763)	(40,526)
Short-Term Provisions		(288)	(238)
Depositors	18	(1,677,947)	(1,565,403)
Currency in Circulation	19	(57,957)	(50,596)
		(1,850,955)	(1,656,763)
Non-Current Liabilities			
Bond Issue	20	(317,638)	(317,340)
Net Assets			
		693,137	756,985
Represented by:			
General Revenue Reserve	24	390,127	-
General Reserve (Including Bond Reserve)	22	-	127,068
Bond Reserve		27,197	-
Capital Reserve	40	-	305,883
Core Investment Reserve	41	162,715	195,726
States' Trading Entities Reserve	42	113,098	128,308
Reserves			
		693,137	756,985

These financial statements were approved by the Policy & Resources Committee on 18 May 2021.



Deputy Peter Ferbrache
President of the Policy & Resources Committee



Bethan Haines
States Treasurer

CASH FLOW STATEMENT

For the Year Ended 31 December 2020

	Note	2020 £'000s	2019 £'000s
Net Cash Flows from Operating Activities	43	(27,303)	42,243
Cash Flows from Investing Activities			
Capital Expenditure		(40,586)	(32,487)
Capital Receipts		1,229	6,423
Net Sale of Investments		36,170	23,671
Dividends Received		1,944	2,810
Issue of New External Loans Financed from the Bond		(2,000)	(31,150)
Overdraft Facilities Provided to Trading Entities		(48,911)	-
Repayment of External Loans Financed from the Bond		5,714	5,340
Net Cash Flows from Investing Activities		(46,440)	(25,393)
Cash Flows from Financing Activities			
Short Term Borrowings (Revolving Credit Facility)		75,000	-
Interest Paid		(11,585)	(11,141)
Net Cash Flows from Financing Activities		63,415	(11,141)
Net (Decrease)/Increase in Cash at Bank and in Hand		(10,328)	5,709
Cash and Cash Equivalents at the Beginning of the Year	44	12,347	6,638
Cash and Cash Equivalents at the End of the Year		2,019	12,347

NOTES TO THE ACCOUNTS

1. States of Guernsey Accounting Policies

Basis of Accounting

- i. The Accounts of the States of Guernsey, set out on pages 24 to 74, are prepared in accordance with the accounting policies included within note 1. The accounts are prepared under the historical cost convention, except for financial investments that are measured at re-valued amounts or fair values at the end of each reporting period. Unless detailed otherwise below, income and expenditure is accounted for on an accruals basis.
- ii. The accounting policies noted below may depart from rules within internationally recognised accounting frameworks, in order to adhere to internal reporting conventions. Consequently these accounts have not been prepared in accordance with a particular accounting framework, but instead follow the accounting policies as noted.

Going Concern

- iii. The Policy & Resources Committee, at the time of approving the Accounts, has a reasonable expectation that the States have adequate resources to continue in operational existence for the foreseeable future. This is based on the income, expenditure, financial position and cash flows monitored and projected for the States. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

Income Taxes

- iv. Income tax is normally treated as revenue income when a taxable event has occurred. However, some elements of that revenue income can only be confirmed in subsequent years and therefore consideration is given to future cash flows that may arise from assessments relating to the reporting period (and earlier), as well as levels of recoverability.
- v. The total income tax reported in the Statement of Financial Performance is net of any repayment of tax receipts, reduction in tax assessments or balances written off for previous years.

Bad Debts

- vi. Bad debts written off during the year are charged to the Statement of Financial Performance within the expenditure category Finance Charges and Other Costs.
- vii. Any increase in the bad debt provision will also result in a charge to that category of expenditure. Conversely, any reduction in bad debt provision will result in a credit to that expenditure category.
- viii. Provisions are based on the assessment of non-recoverability of debts as at the year-end date. The receivables balance shown on the Statement of Financial Position and detailed in the Notes to the Accounts is net of any bad debt provision.

Charging for Services Across States' Functions

- ix. The States currently recharges between different parts of the reporting entity, in other words for a particular transaction, one function will report income and another expenditure (of an equal and opposite value). These amounts have not been eliminated within the Statement of Financial Performance.

NOTES TO THE ACCOUNTS

Rendering of Services

- x. The net income relating to contracts to provide services is recognised by reference to the stage of completion of the contract. This is estimated according to when the majority of services are provided.

Lease Payments

- xi. The accounting treatment adopted for Finance Leases and Operating Leases is the same. The entire value of the lease payment is charged as an expense in the financial year to which it relates. Neither an asset nor a liability will be recognised on the Statement of Financial Position, even where substantially all the risks and rewards incidental to ownership are transferred to the States.

Investment Returns

- xii. The States manage a portfolio of investments that generates dividend income, bond interest income, as well as realised and unrealised gains/losses on financial investments. Adjustments are made to the investment returns to reflect the amounts earned rather than cash received.
- xiii. There are associated costs with managing the portfolio including investment management fees and other charges. Adjustments are made to the investment fees and other costs, in order that they are charged in the reporting period to which they relate, as opposed to when they are paid.
- xiv. The net investment return or charge reported within the Statement of Financial Performance equates to the amount attributable to the States. The net investment return or charge attributable to the depositors is credited or debited directly to the depositors and is not reported within the Statement of Financial Performance. The performance of the entire investment portfolio during the reporting period is included within the Notes to the Accounts.

Capital Receipts

- xv. Capital receipts generated from the sale of property are accounted for on a completion basis.
- xvi. Where the States have provided a capital contribution to an external entity and accounted for it as capital expenditure in a previous financial year, any refund of that contribution in the current reporting period will be accounted for as a capital receipt.

Capital Expenditure

- xvii. The States do not capitalise expenditure related to the purchase or construction of fixed assets. Expenditure is written off during the financial year in which it is incurred.

Pay Costs

- xviii. The total pay costs within the Statement of Financial Performance also includes amounts relating to agency staff, who are legally employed by another entity but work for the States providing operational capacity. However, it excludes any pay costs that are charged to capital projects. This only occurs where additional staff are directly employed to progress the capital project or to backfill for those seconded to the project. These costs are included within the Statement of Financial Performance under the heading of Capital Expenditure.

NOTES TO THE ACCOUNTS

Retirement Benefit Costs and Pension Disclosures

- xix. The pension costs charged within the Statement of Financial Performance are the contributions paid by the States on behalf of its employees, in accordance with the latest triennial actuarial valuation. The accounting approach is similar to that used for a defined contribution scheme, such that the net asset/liability position of the Consolidated Superannuation Fund is not recognised in the Statement of Financial Position.
- xx. Details of the Consolidated Superannuation Fund are included within the Notes to the Accounts. Whilst the disclosure of pension costs, income, assets and liabilities follow a prescribed format, it is important to note that it differs insofar as the transactions and balances relating to the Defined Contribution Scheme (Public Servants' Pension Scheme) are included within these reported totals.

States of Alderney

- xxi. The States of Alderney receive an annual revenue allocation from the States of Guernsey each year to part-fund the provision of certain services. The amount that is paid by the States of Guernsey to the States of Alderney is treated as a grant payment and reported within the Statement of Financial Performance.

Current Assets and Non-Current Assets

- xxii. An asset is classified as current when it meets any of the following criteria -
 - (a) It is expected to be realised, or is held for sale or consumption, in the States' normal operating cycle (usually 12 months);
 - (b) It is held primarily for the purpose of being traded;
 - (c) It is expected to be realised within 12 months after the reporting period or;
 - (d) It is cash or considered to be a cash equivalent.

All other assets are classified as non-current.

Current Liabilities and Non-Current Liabilities

- xxiii. A liability is classified as current when it meets any of the following criteria -
 - (a) It is expected to be settled in the States' normal operating cycle;
 - (b) It is held primarily for the purpose of being traded or;
 - (c) It is expected to be settled within 12 months after the reporting period.

All other liabilities are classified as non-current.

Financial Investments

- xxiv. Investments are measured at fair value as at the year-end date.
- xxv. Those investments that are listed or quoted on a recognised market are valued at the mid-market price in the relevant market as at the year-end date.

NOTES TO THE ACCOUNTS

- xxvi. Where investments are part of an investment fund that is neither quoted nor listed, then the valuation will be based upon the latest information available. That information will be provided by the underlying investment fund. Where the valuation date for the investment fund is not coterminous with the year end of the States, the most recent valuation before the valuation date, as received from the underlying fund manager or administrator, is used as the basis of the valuation. This basis is then adjusted for underlying fund level cash flows that have occurred between the last valuation date and the year-end date. From time to time, non-cash flow related adjustments may also be made if deemed to be of a material nature. The net asset value reported by the fund manager or administrator may be unaudited and in some cases, the notified net asset value is based on estimates.
- xxvii. Derivative contracts are recognised at fair value on the date at which they are entered into and are subsequently re-measured at their fair value. Fair value is determined using market observable inputs and recognised valuation models used by third party service providers.
- xxviii. Where investments are in a currency other than pounds sterling (being the currency the financial statements are presented in), then these are translated into pounds sterling at the rate of exchange ruling as at the year-end.
- xxix. Where the States have future funding commitments on investments these are disclosed in the Notes to the Accounts and are not recognised as a liability as at the year-end.

Investments in States' Trading Entities

- xxx. Investments in respect of Guernsey Post Limited and Guernsey Electricity Limited reflect the basis of the transfer valuation attributed to the net undertaking transferred from the States Trading Boards to the commercialised entities in accordance with The States Trading Companies (Bailiwick of Guernsey) Law, 2001. There is no on-going impairment review for these entities. If shares are re-purchased by Guernsey Post Limited or Guernsey Electricity Limited, then an adjustment will be made to the carrying value of the investment on the Statement of Financial Position.
- xxxi. All other incorporated trading entities are accounted for at cost less impairment/provision for losses.
- xxxii. The unincorporated trading entities are not accounted for within the principal financial statements. The value of net assets for each of the unincorporated trading entities is disclosed within the Notes to the Accounts.
- xxxiii. Where the accumulated losses incurred by an incorporated trading entity exceed the gross value of the investment, then the impairment charged to the Statement of Financial Performance will be limited to an amount that reduces the carrying value of the investment down to nil. Thereafter consideration for excess losses is accommodated through appropriations between the General Reserve and the States' Trading Entities Reserve.

Stock

- xxxiv. Stock is valued at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those costs incurred to bring the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion.

NOTES TO THE ACCOUNTS

Loans Receivable

- xxxv. Loans made by the States, which have fixed or determinable payments and are not quoted in an active market, are measured at their outstanding capital value as at the year-end date. They are not subject to a formal impairment review for accounting purposes, but will be assessed for recoverability during the repayment period. Where the loans have been made from the proceeds of the States of Guernsey Bond Issue, then the interest received from borrowers is credited to the Statement of Financial Performance and allocated to the Bond Reserve.
- xxxvi. Some of the loans made by the States are internal to the organisation. These loans are linked with trading functions that operate within the States. The expenditure is capitalised and written off over the period of the internal loan, which is similar to an expected life of the related asset. These internal loans have been disclosed separately within the Notes to the Accounts.

Currency in Circulation

- xxxvii. The States issue banknotes and coins in the name of The States of Guernsey. The States may issue commemorative notes and coins from time to time. All banknotes and coins issued by the States can be exchanged or redeemed at face value.
- xxxviii. The value of notes and coins in circulation is accounted for as a liability within the Statement of Financial Position.
- xxxix. Demand for the States' issued currency may fluctuate, consequently the liability may rise or fall depending upon the value of notes and coins in circulation at any point in time. At the end of their useful life, they are removed from circulation and destroyed. At that time they will be treated as being withdrawn from circulation, such that both the asset and liability will reduce accordingly. Any cost associated with the issue or destruction of notes and coins will be charged to the Statement of Financial Performance.
- xl. The net liability takes account of the intrinsic value of coinage in circulation and an estimation of the value of notes and coins in circulation that are unlikely to be redeemed.
- xli. Banknotes and coins that have not been issued previously, are recognised as stock and measured at the cost of either printing or minting. When these notes and coins are issued, their corresponding stock value will be charged to the Statement of Financial Performance.

Long Term Liabilities

- xlii. The issue of a States of Guernsey Government Bond has been categorised as a long term liability. Long term liabilities are valued in the Statement of Financial Position at amortised cost. Any costs associated with the States Bond will be met from the Bond Reserve.
- xliii. The amortised cost is the amount at which the bond loan is measured at initial recognition, less any principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

NOTES TO THE ACCOUNTS

- xliv. The effective interest method is the means of calculating the amortised cost of the bond loan and of allocating the interest charge over the period of the loan. The effective interest rate is the rate that exactly discounts the future cash payments through the expected life of the bond. The calculation includes all fees associated with the issuance of the bond.

Reserves

- xlv. All income and expenditure is included within the Statement of Financial Performance. Any net surplus or deficit reported within the Statement of Financial Performance will be credited or debited only to a reserve.
- xlvi. Not all of the net surplus or deficit is attributed to the General Reserve, as the States have earmarked a number of reserves for specific purposes. The Movement in Reserves Statement provides details of the surplus or deficit for the financial year relating to those earmarked reserves. This surplus or deficit is separate from any transfer between the reserves. Any transfer between reserves is classified as an appropriation.
- xlvii. The balance of reserves will amount to the value of the net assets of the States.

Cash Flow Statement

- xlviii. The Cash Flow Statement identifies the sources of cash inflows, the items on which cash was expended during the reporting period, and the cash balance as at the reporting date. It is presented using the indirect method, whereby the overall surplus or deficit is adjusted for the effects of transactions of a non-cash nature, as well as items that are classified as either an Investing or Financing Activity.
- xliv. The investment managers may hold cash balances on behalf of the States to be used for investment purposes. Any such balances held at the reporting date will be classified as investments, and not cash or cash equivalents.
 - I. Coupon payments associated with the bond loan and interest charges for the revolving credit facility are classified as Financing Activities. Any other interest charges are included within Operating Activities.
 - li. Receipts generated from interest received are included within Operating Activities.

Restatement

- lii. 2019 Accounts columns marked with “#” includes figures that have been restated for comparative purposes.

NOTES TO THE ACCOUNTS

2. Restatement of 2020 Accounts

Adjustments to the 2019 Comparative Totals Within the Statement of Financial Performance

The table below shows amendments that have been made to the 2019 comparative totals within the Statement of Financial Performance, to reflect the change in accounting policy for payments made to the States of Alderney.

The States of Alderney receives an annual revenue allocation from the States of Guernsey to part-fund the provision of certain services. This is now being accounted for as a grant payment by the States of Guernsey and reported within the expenditure category “Third Party Payments” in the Statement of Financial Performance.

Previously, the States of Alderney provided details of income and expenditure for the financial year, and these totals would be reported within the States of Guernsey’s Statement of Financial Performance against the appropriate headings.

During 2019, the States of Guernsey paid £1.827m to the States of Alderney. For the purpose of reporting the restatement, the income and expenditure totals previously reported within the Statement of Financial Performance have been separately identified, excluded from the reported totals and replaced with a single grant payment.

This change does not affect the net surplus reported in the Statement of Financial Performance for 2019, as it merely reclassifies transactions within it.

NOTES TO THE ACCOUNTS

	2019 Published Statement of Financial Performance	2019 Alderney Income & Expenditure Reported in Published Accounts	2019 Alderney Expenditure Restated as a Grant Payment	2019 Restated Statement of Financial Performance
	£'000s	£'000s	£'000s	£'000s
Income				
Income taxes	349,176	-	-	349,176
Other taxes and duties	89,254	-	-	89,254
Income from operating activities	61,390	(1,981)	-	59,409
Other corporate income	38,446	-	-	38,446
	538,266	(1,981)	-	536,285
Expenditure				
Pay	(246,953)	1,941	-	(245,012)
Staff related non-pay costs	(6,307)	69	-	(6,238)
Support services	(40,151)	689	-	(39,462)
Premises	(29,094)	534	-	(28,560)
Third party payments	(101,560)	286	(1,827)	(103,101)
Transport	(1,704)	186	-	(1,518)
Supplies and services	(53,760)	103	-	(53,657)
	(479,529)	3,808	(1,827)	(477,548)
Operating Surplus	58,737	1,827	(1,827)	58,737
Other Income and Expenditure				
Finance charges and other costs	(12,082)	-	-	(12,082)
	(12,082)	-	-	(12,082)
Balance of Working Capital Transferred to Guernsey Waste	(1,345)	-	-	(1,345)
Investment returns	86,310	-	-	86,310
Capital receipts and expenditure	(26,064)	-	-	(26,064)
Net Surplus for the Year	105,556	1,827	(1,827)	105,556

NOTES TO THE ACCOUNTS

3. Income Taxes

	2020 £'000s	2019 £'000s
Individuals	267,019	276,634
Companies (including banks)	52,905	62,297
Distributed profits	8,526	10,245
Total Income Taxes	328,450	349,176

4. Other Taxes and Duties

	2020 £'000s	2019 £'000s
Customs - Excise and Import Duties		
Beer	3,946	3,782
Cider	1,003	899
Motor fuel	18,845	20,625
Spirits	5,221	3,855
Tobacco	13,850	7,654
Wine	6,717	5,759
Import duties	1,730	1,887
	51,312	44,461
Tax on Real Property	29,075	25,344
Document Duty – Conveyancing and Bonds	23,029	18,221
Vehicle First Registration Duty	892	1,228
Total Other Taxes and Duties	104,308	89,254

5. Other Corporate Income

	2020 £'000s	2019 £'000s
Housing rental income	20,828	20,094
Company fees	10,894	11,012
Rental income from commercial property	2,974	3,099
Dividend income from States' trading entities	1,944	2,810
Public donations towards COVID-19 expenditure	272	-
Other income	1,531	1,431
Total Other Corporate Income	38,443	38,446

NOTES TO THE ACCOUNTS

6. Pay

Pay Costs by Pay Group	2020 £'000s	2019# £'000s
Established staff	90,178	91,783
Public service employees	16,769	16,134
Nurses and medical consultants	69,504	63,831
Teachers, lecturers and learning support assistants	45,923	44,756
Fire officers	3,527	3,453
Police officers	9,182	9,144
Home support staff	2,487	2,138
Border Agency officers	3,610	3,803
Prison officers	3,664	3,575
Crown officers and judges	1,644	1,804
Other pay groups	2,567	2,662
	249,055	243,083
States Members' remuneration	1,921	1,929
Total Pay Costs by Pay Group	250,976	245,012

The comparative figures for 2019 have been re-stated (refer to Note 2). The pay costs for Established Staff and Public Service Employees have been reduced by £1.130m and £811k respectively, which are the amounts attributed to Alderney during 2019.

Full Time Equivalents by Pay Group Included Within Pay Costs	2020 Average FTE	2019# Average FTE
Established staff	1,644	1,713
Public service employees	531	530
Nurses and medical consultants	1,256	1,151
Teachers, lecturers and learning support assistants	839	846
Fire officers	58	58
Police officers	148	148
Home support staff	51	47
Border Agency officers	67	72
Prison officers	76	76
Crown officers and judges	6	7
Other pay groups	44	36
Total Full Time Equivalents by Pay Group Included Within Pay Costs	4,720	4,684

The average number of Full Time Equivalents (FTE) includes all employees (permanent, temporary, casual and agency) and takes account of additional hours worked through overtime etc. For example, one member of Established Staff (full time hours 36) working an average of 18 hours a week over six months of the year would be included above as 0.25 FTE. Equally, one member of Established Staff working on average 39 hours per week over a period of a year, would be included above as 1.08 FTE.

The figures contained in the tables headed 'Pay Costs by Pay Group' and 'Full Time Equivalents by Pay Group Included within Pay Costs', do not include those staff charged to capital projects. Those pay costs and associated FTEs are detailed within Appendix III.

NOTES TO THE ACCOUNTS

Senior Employees⁵ Gross Cost Analysis

	2020 Number of Employees	2019 Number of Employees
£80,000 to £99,999	236	172
£100,000 to £119,999	73	54
£120,000 to £139,999	25	34
£140,000 to £159,999	29	31
£160,000 to £179,999	27	19
£180,000 to £199,999	5	6
£200,000 to £219,999	4	2
£220,000 to £239,999	1	1
£240,000 to £259,999	2	1
£260,000 to £279,999	-	2
£280,000 to £299,999	2	2
£300,000 and above	1	1
	405	325

The bandings in the table above relate to the total cost incurred by the States in employing those individuals. The total cost will include the gross salary and any other forms of remuneration, the related pension contribution made by the States, as well as social insurance contributions.

⁵ This includes the four Crown Officer posts which, although paid by the States of Guernsey, are not employees.

NOTES TO THE ACCOUNTS

7. Operating Expenditure (Non-Pay) by Category

	2020 £'000s	2019# £'000s
Staff Related Non-Pay Costs		
Recruitment	4,155	3,490
Training	1,390	2,064
Other staff costs	476	684
	6,021	6,238
Support Services		
Advertising, marketing and public relations	1,970	2,375
Audit fees	244	210
Bank charges	910	298
Communications and IT	2,580	12,333
Consultants fees	3,497	3,409
Contracted out work	34,848	16,998
Incidental and other costs	56	87
Postage, stationery and printing	1,243	1,420
Risk management and insurance	2,499	2,332
	47,847	39,462
Premises		
Equipment, fixtures and fittings	907	1,093
Rents and leasing	4,490	4,276
Repairs, maintenance and servicing	16,184	17,223
Utilities	5,566	5,968
	27,147	28,560
Third Party Payments		
Benefit payments	62,498	56,358
Grants and subsidies	100,127	46,743
	162,625	103,101
Transport		
Vehicles and vessels	1,272	1,518
Supplies and Services		
Services	34,759	38,902
Supplies	14,807	14,755
	49,566	53,657
Total Operating Expenditure (Non-Pay) by Category	294,478	232,536

The comparative figures for 2019 have been re-stated, to reflect the revised accounting treatment of payments to the States of Alderney (refer to Note 2). The total operating expenditure (non-pay) reported in 2019, has been reduced by £40k.

NOTES TO THE ACCOUNTS

8. Formula-led Costs

Whilst the costs associated with Formula-led activities have been allocated across the different income and expenditure categories in the Statement of Financial Performance, the total expenditure per activity is noted below.

	2020 £'000s	2019 £'000s
Policy & Resources Committee		
Costs incurred in relation to States' Members	1,980	1,947
Committee for Employment & Social Security		
Legal Aid	1,992	2,531
Concessionary TV Licences for the Elderly	30	222
Family Allowance	8,459	8,485
Severe Disability Benefit and Carers' Allowance	6,749	6,326
Social Insurance Grant	16,332	16,737
Income Support Scheme	46,910	41,114
	80,472	75,415
Total Formula-led Costs	82,452	77,362

9. Finance Charges and Other Costs

	2020 £'000s	2019 £'000s
Bond interest charges	11,439	11,428
Revolving credit facility interest charges including non-utilisation fees	444	-
Bad debt expenses and adjustment for impairment of receivables	56,084	438
Notional loan charges	780	216
	68,747	12,082
Total Finance Charges and Other Costs	68,747	12,082

The COVID-19 pandemic had a significant impact on the trading activities of Cabernet Ltd and Guernsey Ports, and in particular their ability to repay amounts owing to the States. As a prudent measure, provisions have been made against the amounts that would be recoverable from these trading entities (£50.4m for Cabernet Ltd and £5.3m for Ports). The associated cost of £55.7m has been charged to the Statement of Financial Performance in 2020.

NOTES TO THE ACCOUNTS

10. Amounts Held as a Reserve Transferred to Other Entities

During 1990, the States approved the sale of two paintings and the establishment of the Wilfred Carey Purchase Fund. The proceeds were credited to the Fund and were to be used solely for the purchase of items of specific local interest to add to the museum's collection. The income and expenditure associated with the Fund has been reported within the Statement of Financial Performance.

The balance of the fund at 31 December 2020 amounted to £3.855m. This was included as an earmarked fund within the General Reserve. This was transferred to a deposit account on 31 December 2020. As a result, the balance of this earmarked fund has been written down to nil and a corresponding charge included within the Statement of Financial Performance, to reflect the reduction in the net assets of the States.

In 2018 the States approved the creation of Guernsey Waste (Billet d'État XXIV, 2018). Guernsey Waste is an un-incorporated trading business unit operating under a commercially based structure, which carries out the operational functions of the Waste Disposal Authority, including administering the Solid Waste Trading Account, albeit as a separate entity.

The closing balance on the Solid Waste Trading Account reported within the 2018 States Accounts was £1.345m. This was transferred to Guernsey Waste on 1 January 2019, the date on which the new entity started trading. The transfer of the working capital balances to Guernsey Waste in 2019 resulted in a reduction to the States' overall level of net assets by an equivalent amount. In order to reflect this transaction, a charge of £1.345m was made to the Statement of Financial Performance, which was allocated against the Solid Waste Trading Account (earmarked reserve held as part of the General Reserve).

11. Capital Receipts

	2020 £'000s	2019 £'000s
Repayment of capital grant from -		
Guernsey Water	1,229	1,308
Ports	-	3,000
	1,229	4,308
Property Sales -		
Land at Guernsey Dairy	-	1,000
Fort Richmond	-	918
Sale of other property, plant and equipment	-	197
	-	2,115
Total Capital Receipts	1,229	6,423

In previous years, the States have funded the cost of a range of capital projects implemented by Ports and Guernsey Water. The capital contributions were paid to Ports and Guernsey Water as the expenditure was incurred. These amounts were written off by the States against the balance of the Capital Reserve, in the year that the payments were made.

NOTES TO THE ACCOUNTS

The States' Trading Supervisory Board took a decision to repay during 2020, £1.229m of the contribution previously paid to Guernsey Water. During 2019, the States' Trading Supervisory Board repaid £3m of the capital funding previously received by Ports, and £1.308m received by Guernsey Water.

Given that the contributions were treated as capital expenditure in the year that they were paid, any repayment of the contributions are treated as capital receipts and credited to the Capital Reserve.

12. Capital Expenditure

The following is a breakdown of the capital expenditure associated with the purchase or creation of fixed assets. The States' accounting policy is to write off the expenditure in the year in which it was incurred.

Capital Expenditure Charged to the Statement of Financial Performance	2020 £'000s	2019 £'000s
Capital works on land, buildings and infrastructure	13,302	13,946
IT projects and equipment	23,054	13,808
Equipment, machinery and vehicles	4,230	4,733
Total Capital Expenditure Charged to the Statement of Financial Performance	40,586	32,487

NOTES TO THE ACCOUNTS

13. Investments in States' Trading Entities

The States have shareholdings in a small number of incorporated trading entities and these are shown at cost on the Statement of Financial Position. The values presented in the accounts may therefore not represent the amount that the States could realise upon any sale of their holdings.

They also control a number of un-incorporated trading entities and the Social Security Contributory Funds, but these have not been attributed any cost or value within the States' Statement of Financial Position.

Incorporated Trading Entities

	2020 £'000s	2019 £'000s
Guernsey Electricity Limited	105,209	105,209
Guernsey Post Limited	7,886	7,886
Cabernet Limited		
Purchase cost and subsequent re-capitalisation	30,272	30,272
Provision for amounts written down due to accumulated losses	(30,272)	(30,272)
	-	-
Alderney Electricity Limited	3	3
Balance at 31 December	113,098	113,098

Guernsey Electricity Limited

The States own all of the allotted and fully paid shares of Guernsey Electricity Limited.

The States did not receive a dividend during 2020 (2019: nil).

The total value of Guernsey Electricity Limited's net assets as at 31 September 2020 was £93.596m (£108.139m as at 31 March 2019). However, this is after provision has been made for a pension deficit reported under FRS102 of £18.515m (2019: £8.601m).

Guernsey Post Limited

The States own all of the allotted and fully paid shares of Guernsey Post Limited.

The States received a dividend of £1.444m (2019: £1.060m).

The total value of Guernsey Post Limited's net assets as at 31 March 2020 was £23.969m (£23.548m as at 31 March 2019).

Cabernet Limited

Cabernet Limited (holding company of Aurigny Air Services Limited and Anglo Normandy Engineering Limited) was initially purchased by the States in 2003 for the amount of £5.060m. In 2016, the States provided funding to re-capitalise the group's balance sheet. The States' shareholding increased by £25.212m in April 2016.

NOTES TO THE ACCOUNTS

Cabernet Limited has continued to report losses during the intervening period. The accumulated losses reported up to the end of December 2020 amounts to £73.356m (2019: £45.023m). This exceeds the gross cost of the investment held by the States (£30.272m), by £43.084m.

The total value of the investment including the recapitalisation, has been written down from £30.272m to nil in previous years. A further adjustment has been made to the carrying value of the loans and the overdraft facility provided by the States during 2020, to reflect the continued losses and the potential for Cabernet Ltd to repay the amounts due, given their current financial position.

Alderney Electricity Limited

The States of Guernsey own 17.1% of the ordinary share capital of Alderney Electricity Limited.

JamesCo750 Limited

The States of Guernsey own the two ordinary £1 shares of JamesCo750 Limited.

Social Investment Fund

During 2020, the States established the Social Investment Fund LBG, which is a company limited by guarantee. No share capital has been issued. The Fund is registered as a charity and managed by a Board of Directors, comprising three independent members and two States' representatives. Its primary purpose is to use funds to invest in the Bailiwick's charitable and community sector organisations.

Un-incorporated Trading Entities

The following table shows each of the States' un-incorporated trading entities, which are controlled by the States' Trading Supervisory Board, along with their net asset value at the year end. These amounts are not reported in the Statement of Financial Position.

	2020 £'000s	2019 £'000s
Ports	215,674	229,509
Guernsey Water	137,229	137,558
Guernsey Waste	26,967	29,574
States Works	11,106	10,924
Guernsey Dairy	3,623	3,817
Balance at 31 December	394,599	411,382

The States received a dividend of £0.5m (2019: £1.750m) from States Works.

The States have funded from the Capital Reserve, the purchase or construction of property, plant and equipment for the benefit of the un-incorporated trading entities

Both Ports and Guernsey Waste account for these transactions as capital contributions, which increases the value of the net assets of that entity, by an equivalent amount.

Guernsey Water account for these transactions as a capital grant. Consequently, any contribution from the Capital Reserve to Guernsey Water will not result in a corresponding increase in the value of their net assets.

NOTES TO THE ACCOUNTS

The table below shows the contributions made to the un-incorporated trading entities for capital projects that were funded from the Capital Reserve during the reporting period.

	2020 £'000s	2019 £'000s
Guernsey Waste	244	2,308
Ports	-	58
Balance at 31 December	244	2,366

Social Security – Contributory Funds

The Committee *for* Employment & Social Security manages and controls the Social Security Contributory Funds. The balances in the table below reflect the net value of each fund as at the end of the financial year. These funds are held in order to meet future obligations (benefit payments). The adequacy of each Contributory Fund is subject to actuarial review at least once every five years to determine contribution rates that would be levied in future years.

	2020 £'000s	2019 £'000s
Guernsey Insurance Fund	702,366	740,783
Guernsey Health Service Fund	114,137	120,034
Long-Term Care Insurance Fund	99,810	92,748
Balance at 31 December	916,313	953,565

14. Investments

The States manages a single portfolio of investments through different investment managers. In 2015, the States transferred all of the investments held by the Superannuation Fund into this portfolio of investments. These investments totalling £1.4bn were not segregated for the benefit of the Superannuation Fund, but became part of a larger investment portfolio. The portfolio of investments is controlled solely by the States and all investments are held in the name of the States. It is for this reason that all investments within that portfolio are accounted for as an asset within the States' Statement of Financial Position.

The States continually reviews their cash balances and where necessary transfers amounts into or out of the investment portfolio, depending on whether there is a surplus or a shortfall in cash balances held.

The Long-Term and Medium-Term Funds were amalgamated at the start of 2018, into a single fund called the Consolidated Investment Fund under the existing guidelines of the Long-Term Fund.

NOTES TO THE ACCOUNTS

The Consolidated Investment Fund is managed by a number of different investment managers, and these are listed below.

Consolidated Investment Fund Managers - 2020

Aberdeen Asset Managers Limited	Newton Investment Management Limited
Allan Gray Africa Equity Fund Limited	Odey Wealth Management (C.I.) Limited
AMP Capital Investors Limited	Osmosis (Holdings) Limited
Brooks Macdonald Asset Management (International) Limited	Partners Group (Guernsey) Limited
Canaccord Genuity Wealth (International) Limited	Ravenscroft Investment Management
CBRE Global Investors (UK) Funds Limited	Rocq Capital Management Limited
Credit Suisse (Channel Islands) Limited	Royal London Asset Management Limited
FIL Pensions Management Limited	Sarasin & Partners LLP
GAM (U.K.) Limited	Schroders Investment Management Limited
JP Morgan Asset Management	State Street Global Advisors
Bank Julius Baer & Co Limited Guernsey Branch	Sustainable Growth Management GP Sàrl
MitonOptimal Portfolio Management (CI) Limited	Wellington Management International Limited
Morgan Stanley Investment Management Limited	White Star Capital Guernsey Limited

The governance of the Funds is supported by the custodian, Northern Trust and a professional investment advisor, International Asset Monitor Limited (trading as IAM Advisory).

	2020 £'000s	2019 £'000s
Balance at 1 January	2,339,766	2,115,634
Returns on investments (including realised and unrealised gains/(losses) on revaluation of investments) net of investment management fees and other expenses	192,759	247,803
Net withdrawal of cash during the year	(36,170)	(23,671)
Balance at 31 December	2,496,355	2,339,766

The tables below show a breakdown of the financial investments that are included within the Statement of Financial Position at 'fair value'. The measurement of this fair value can in some cases be subjective, and can depend on the inputs used in the calculations.

NOTES TO THE ACCOUNTS

The investments have been classified using a fair value hierarchy. There are three different levels.

- Level 1 – Fair values are measured using quoted prices in an active market (one where transactions are taking place regularly on an arm’s length basis);
- Level 2 – Fair values are measured using Inputs, other than quoted prices included within Level 1 that are observable either directly (that is, as prices) or indirectly (that is, derived from prices) and;
- Level 3 – Fair values are measured using inputs and assumptions that are not based on observable market data.

An investment that is categorised within Level 2 or 3 would include instances where there are few transactions for the instrument, the price is not current, price quotations vary substantially either over time or among market makers (for example, some brokered markets) or there is little publically available information.

The States employ the services of Northern Trust to provide valuations of investments held within the portfolio, through their network of independent and internal pricing sources.

Investments Measured at Fair Value	Level 1 2020 £'000s	Level 2 2020 £'000s	Level 3 2020 £'000s	Total 2020 £'000s
Cash (held by investment managers)	161,335	20,156	-	181,491
Equities	990,622	304,514	-	1,295,136
Alternatives	8,672	187,285	-	195,957
Bonds and fixed interest securities	321,384	113,443	-	434,827
Property	18,194	188,201	54,328	260,723
Private market investments	-	-	128,221	128,221
Balance at 31 December	1,500,207	813,599	182,549	2,496,355

Investments Measured at Fair Value	Level 1 2019 £'000s	Level 2 2019 £'000s	Level 3 2019 £'000s	Total 2019 £'000s
Cash (held by investment managers)	152,469	20,301	-	172,770
Equities	774,022	445,302	-	1,219,324
Alternatives	13,205	193,480	-	206,685
Bonds and fixed interest securities	303,759	120,032	-	423,791
Property	6,627	153,503	64,814	224,944
Private market investments	-	-	92,252	92,252
Balance at 31 December	1,250,082	932,618	157,066	2,339,766

NOTES TO THE ACCOUNTS

The States had the following commitments in Private Equity Funds as at 31 December 2020.

	Total Commitment 31 December 2020 £'000s	Drawn Commitment 31 December 2020 £'000s	Undrawn Commitment 31 December 2020 £'000s	31 December 2019 £'000s
CBRE Global Investors (UK) Funds Limited	61,347	58,627	2,720	42,730
Guernsey Investment Fund PCC Limited GIF Property Cell	40,000	6,600	33,400	40,000
Morgan Stanley	38,645	25,239	13,406	20,832
Guernsey Investment Fund PCC Limited GIF Technology and Innovation Cell	25,000	21,291	3,709	10,888
White Star Capital	7,327	6,740	587	1,665
Partners Group (Guernsey) Limited	7,327	6,698	629	1,232
Sustainable Growth Fund	8,994	8,966	28	143
AMP Capital Investors Limited	7,327	7,327	-	675
JP Morgan Asset Management	7,327	6,774	553	759
Total	203,294	148,262	55,032	118,924

The capital calls for the undrawn commitments will be met by the States through active management of the investment portfolio.

NOTES TO THE ACCOUNTS

15. Receivables

	Non-Current	Current	Non-Current	Current
	2020 £'000s	2020 £'000s	2019 £'000s	2019 £'000s
External Loans				
Guernsey Housing Association LBG*	90,652	2,730	93,382	2,633
Cabernet Limited* ⁶	20,735	-	25,976	3,604
Guernsey Electricity Limited*	13,000	-	10,724	276
JamesCo750 Limited*	8,982	690	9,672	663
Guernsey Water*	8,164	198	8,362	191
Home Loans Scheme	832	48	1,043	74
Alderney Housing Association*	2,739	66	2,805	64
Guernsey Dairy*	701	17	718	16
Higher Education Loans Fund	13	7	20	10
Farm Loans Fund	83	32	111	17
Sports Loans Fund	37	6	43	15
Guernsey Harbour*	2,253	125	2,379	89
Office of the Data Protection Authority	1,241	-	-	-
	149,432	3,919	155,235	7,652
Internal Loans				
Committee for Health & Social Care - Accommodation Fund*	-	-	1,390	128
Company Registry*	129	61	190	58
	129	61	1,580	186
Other Receivables				
Income tax	-	42,559	-	48,138
Other taxes and duties	-	3,807	-	3,631
	-	46,366	-	51,769
Trade debtors	-	28,128	-	29,997
Amounts due from Trading Entities ⁷	-	2,671	-	-
Other debtors	-	3,922	-	3,946
	-	34,721	-	33,943
Balance at 31 December	149,561	85,067	156,815	93,550

The loans marked * refer to those that have been funded using proceeds from the States of Guernsey Bond Issue. The loans have been issued at rates of interest fixed in accordance with a formula set by the Investment & Bond Management Sub-Committee of the Policy & Resources Committee.

Taxation and duties that are receivable, represent all liabilities due to the States that have been established as at the year end. This is irrespective of whether the amounts are due or overdue as at that date.

⁶ The carrying balance of the loans has been reduced by £6.9m to reflect the impairment of amounts receivable from Cabernet Ltd.

⁷ The carrying balance has been reduced by £48.8m to reflect the impairment of amounts receivable from Cabernet Ltd (£43.5m) and Guernsey Ports (£5.3m).

NOTES TO THE ACCOUNTS

16. Revolving Credit Facility

During 2020, the Policy & Resources Committee entered into an agreement for a Revolving Credit Facility (RCF) of up to £225m underwritten by a syndicate of five Banks comprising: Lloyds Bank Corporate Markets plc, Guernsey Branch; Butterfield Bank (Guernsey) Limited; The Royal Bank of Scotland International Limited; HSBC Bank PLC, Guernsey Branch; and Barclays Bank PLC.

This RCF provides the States with additional liquidity and the lenders are under obligation to advance money when requested. The facility agreement has an initial termination date of two years and contains an option for the States, which they are not obliged to exercise, to extend the termination date of the facility by two 1 year periods. The RCF is unsecured and the States do not have to provide any assets as security.

There were initial costs of £893k to put the agreement in place and these were charged to the Statement of Financial Performance.

The revolving element of the facility allows for separate loan tranches to be drawn and repaid over a period of either 1, 2, 3 or 6 months. During 2020, the States were provided with loans that had repayment periods of 3 months and at the end of 2020, the States had drawn 2 loans totalling £75m.

There are interest charges associated with the balances that have been drawn and these amounted to £283k during 2020. There are also non-utilisation fees that are charged by the lenders, based upon the value of the undrawn element of the facility and these, which amounted to £246k in 2020, are also treated as interest charges.

17. Creditors

	2020 £'000s	2019 £'000s
Trade creditors	36,991	37,811
Deferred income	2,506	2,543
Other creditors	266	172
Balance at 31 December	39,763	40,526

18. Depositors

	2020 £'000s	2019 £'000s
Superannuation Fund	1,610,042	1,498,198
States incorporated trading entities	8,943	8,144
States un-incorporated trading entities	8,020	18,243
HM Receiver General, charity and other deposit balances	50,942	40,818
Balance at 31 December	1,677,947	1,565,403

The depositors are considered separate entities or parties that have deposited cash balances with the States. All assets reported within the Statement of Financial Position are held in the name of the States, including any balances transferred to the States by the depositors.

NOTES TO THE ACCOUNTS

19. Currency in Circulation

	2020 £'000s	2019 £'000s
All notes and coins in circulation at 1 January	60,181	58,676
<i>Issued during the year</i>	75,874	89,323
<i>Withdrawn during the year</i>	(68,122)	(87,817)
All notes and coins in circulation at 31 December	67,933	60,182
Nominal value of notes and coins which are considered unlikely to be either redeemed or exchanged at 31 December		
<i>Commemorative coins</i>	(7,876)	(7,486)
<i>General notes and coins</i>	(2,100)	(2,100)
	(9,976)	(9,586)
Estimated Value of Liability at 31 December	57,957	50,596

Although the nominal value of the notes and coins in circulation amounted to £67.933m as at 31 December 2020 (2019: £60.182m), it has been estimated that a certain proportion of this total would not be redeemed at any point in the future. Consequently, it has been assumed that the liability would reduce accordingly.

This estimate has been calculated using formulae, which considers the type of note or coin, as well as the levels of redemption in past years.

With regard to commemorative coins, the nominal value of coins issued as at 31 December 2020 was £8.419m (2019: £7.989m). The liability has been reduced by £7.876m (2019: £7.486m), due to the negligible levels of redemption in previous years. The commemorative coins may have a market value that exceeds their nominal value, due to either the value of the metals contained within the coins, and/or their demand within the market place.

20. Bond Issue

The States issued a public bond for general sale in December 2014. It was admitted to the Official List of the Channel Islands Securities Exchange Authority Limited on 12 December 2014. The notional value of the bond amounted to £330m, and is due to be fully repaid on a maturity date of 12 December 2046.

The total costs associated with the issuance of the bond amounted to £14.589m and the annual coupon payment amounts to £11.141m. The bond has been valued at amortised cost, such that the issuance costs and the coupon payments have been used to determine an effective interest rate. The effective interest rate has been used to calculate the amount that is charged to the Statement of Financial Performance and the carrying balance of the loan on the Statement of Financial Position.

NOTES TO THE ACCOUNTS

21. Financial Instruments

The following note provides a breakdown of balances that relate to financial instruments. A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Consequently, there are some balances within the Statement of Financial Position that are not deemed to be financial contracts and therefore excluded from the table below.

The following table shows the different categories of financial instruments held by the States of Guernsey, and the valuation technique that has been applied to calculate their carrying amount as reported in the Statement of Financial Position.

Financial Assets Classified as Financial Instruments	2020 £'000s	2019# £'000s
Financial assets at fair value		
Consolidated Investment Fund	2,496,355	2,339,766
Financial assets at amortised cost		
External loans (associated entities)	151,052	161,554
External loans (other external parties)	2,299	1,333
Trade debtors	28,128	29,997
Other debtors	2,671	-
Cash and cash equivalents	2,019	12,347
	<hr/>	<hr/>
	186,169	205,231
Financial assets at cost		
Shareholdings in States' Trading Entities	113,098	113,098
	<hr/>	<hr/>
Total Financial Assets Classified as Financial Instruments	2,795,622	2,658,095
	<hr/>	<hr/>
Financial Liabilities Classified as Financial Instruments		
Financial liabilities at fair value		
Depositors	(1,677,947)	(1,565,403)
Financial liabilities at amortised cost		
Trade creditors	(36,991)	(37,811)
Bond issue	(317,638)	(317,340)
	<hr/>	<hr/>
	(354,629)	(355,151)
Financial liabilities at cost		
Revolving credit facility	(75,000)	-
	<hr/>	<hr/>
Total Financial Liabilities Classified as Financial Instruments	(2,107,576)	(1,920,554)
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

22. General Reserve

The General Reserve retains the net balance of surpluses and deficits arising from the operational activities of the States. Within the General Reserve there are a number of earmarked funds that have been created for a specific purpose. The remaining balance is unallocated and thus available to meet future funding commitments, as may be decided upon at a later date.

A decision was taken during 2020 to change the structure of the reserves, such that on 31 December 2020, the balance of the General Reserve would be appropriated between the General Revenue Reserve and the Bond Reserve.

A summary of the balances that existed prior to the final appropriations are detailed below.

	Note	2020 £'000s	2019 £'000s
Earmarked funds at 31 December			
Bond Reserve	35	27,197	17,820
Corporate Housing Programme Fund	25	21,342	23,660
Insurance Deductible Fund	26	13,674	12,939
Transformation and Transition Fund	27	12,344	15,163
Future Guernsey Economic Fund	28	2,761	4,553
Brexit Transition Fund	29	2,251	2,564
Higher Education Loans Fund	30	1,135	1,044
Participatory Budgeting Fund	31	1,000	1,000
Overseas Aid & Development Impact Investment Fund	32	982	1,000
Overseas Aid & Development Commission Fund	33	842	1,492
Sports Loans Fund	34	269	319
Wilfred Carey Purchase Fund	36	-	3,556
Channel Islands Lottery (Guernsey) Fund	37	-	2,442
Health and Social Care Accommodation Fund	38	-	762
		83,797	88,314
Unallocated balance at 31 December	23	43,350	38,754
Amount held in General Reserve prior to year-end appropriations		127,147	127,068
Appropriations -			
To General Revenue Reserve		(99,950)	-
To Bond Reserve (as a separate reserve)		(27,197)	-
General Reserve Balance at 31 December		-	127,068

NOTES TO THE ACCOUNTS

23. General Reserve (Unallocated Balance)

	2020 £'000s	2019 £'000s
Balance at 1 January	38,754	35,839
Revenue (Deficit)/Surplus	(56,503)	76,117
	(17,749)	111,956
Appropriations from		
Channel Islands Lottery (Guernsey) Fund	1,045	605
Core Investment Reserve	50,000	-
States Trading Entities Reserve	15,210	-
	66,255	605
Appropriations to		
Capital Reserve	(1,500)	(58,861)
Overseas Aid & Development Commission Fund	(2,036)	(2,960)
Insurance Deductible Fund	(1,620)	(1,400)
Future Guernsey Economic Fund	-	(900)
States' Trading Entities Reserve	-	(9,686)
	(5,156)	(73,807)
Balance at 31 December	43,350	38,754

The net appropriation of £1.5m to the Capital Reserve during 2020 was made up of –

- (i) £1m (Billet d'État XXI,2019) – special dividend from Guernsey Post Limited
- (ii) £0.5m (Billet d'État XXI,2019) – dividend from States Works

The net appropriation of £58.861m to the Capital Reserve during 2019 was made up of –

- (i) £54.5m (Billet d'État XXIV,2018)
- (ii) £2.111m (Billet d'État XXIV,2018) – sale of property
- (iii) £1.750m (Billet d'État XXIV,2018) – dividend from States Works
- (iv) £0.5m (Billet d'État XXIV,2018) – special dividend from Guernsey Post Limited

NOTES TO THE ACCOUNTS

24. General Revenue Reserve

As part of the 2021 Budget Report (Billet d'État XXVI, 2020), the States approved the creation of the General Revenue Reserve with the transfer on 31 December 2020 of various earmarked funds and the unallocated balance previously held within the General Reserve and the balance of the Capital Reserve.

This simplified structure will increase flexibility around the use of funding; provide clarity on uses authorised by the States and delegated authority given; and increase transparency. It also progresses alignment of the Budgeting Framework towards that used for the preparation of the Accounts.

	Note	2020 £'000s	2019 £'000s
Balance at 1 January		-	-
Appropriations from			
Capital Reserve	40	290,177	-
General Reserve (Unallocated Balance)	23	43,350	-
Corporate Housing Programme Fund	25	21,342	-
Insurance Deductible	26	13,674	-
Transformation & Transition Fund	27	12,344	-
Future Guernsey Economic Fund	28	2,761	-
Brexit Transition Fund	29	2,251	-
Higher Education Loans Fund	30	1,135	-
Participatory Budgeting Fund	31	1,000	-
Overseas Aid & Development Impact Investment Fund	32	982	-
Overseas Aid & Development Commission Fund	33	842	-
Sports Loans Fund	34	269	-
Balance at 31 December		390,127	-

25. Corporate Housing Programme Fund

	2020 £'000s	2019 £'000s
Balance at 1 January	23,660	24,524
Operating expenditure	(2,318)	(864)
Closing Balance Prior to Transfer	21,342	23,660
Appropriations -		
To General Revenue Reserve	(21,342)	-
Balance at 31 December	-	23,660

NOTES TO THE ACCOUNTS

26. Insurance Deductible Fund

	2020 £'000s	2019 £'000s
Balance at 1 January	12,939	12,084
Operating expenditure	(885)	(545)
Appropriations - From General Reserve	1,620	1,400
Balance at 31 December	13,674	12,939

27. Transformation and Transition Fund

	2020 £'000s	2019 £'000s
Balance at 1 January	15,163	20,247
Operating income	114	168
Operating expenditure	(2,933)	(5,252)
Net deficit for the year	(2,819)	(5,084)
Closing Balance Prior to Transfer	12,344	15,163
Appropriations - To General Revenue Reserve	(12,344)	-
Balance at 31 December	-	15,163

28. Future Guernsey Economic Fund

	2020 £'000s	2019 £'000s
Balance at 1 January	4,553	5,732
Operating income	175	366
Operating expenditure	(1,967)	(2,445)
Net deficit for the year	(1,792)	(2,079)
Appropriations - From General Reserve	-	900
Closing Balance Prior to Transfer	2,761	4,553
Appropriations - To General Revenue Reserve	(2,761)	-
Balance at 31 December	-	4,553

NOTES TO THE ACCOUNTS

29. Brexit Transition Fund

	2020 £'000s	2019 £'000s
Balance at 1 January	2,564	3,000
Operating expenditure	(313)	(436)
Closing Balance Prior to Transfer	2,251	2,564
Appropriations - To General Revenue Reserve	(2,251)	-
Balance at 31 December	-	2,564

30. Higher Education Loans Fund

	2020 £'000s	2019 £'000s
Balance at 1 January	1,044	934
Investment return	88	106
Interest received on loans issued	1	-
Operating expenditure (adjustment for impairment of loan balances)	2	4
Net surplus for the year	91	110
Closing Balance Prior to Transfer	1,135	1,044
Appropriations - To General Revenue Reserve	(1,135)	-
Balance at 31 December	-	1,044

31. Participatory Budgeting Fund

	2020 £'000s	2019 £'000s
Balance at 1 January	1,000	1,000
Appropriations - To General Revenue Reserve	(1,000)	-
Balance at 31 December	-	1,000

NOTES TO THE ACCOUNTS

32. Overseas Aid & Development Impact Investment Fund

	2020 £'000s	2019 £'000s
Balance at 1 January	1,000	1,000
Investment charge	(18)	-
Closing Balance Prior to Transfer	982	1,000
Appropriations - To General Revenue Reserve	(982)	-
Balance at 31 December	-	1,000

33. Overseas Aid & Development Commission Fund

	2020 £'000s	2019 £'000s
Balance at 1 January	1,492	1,137
Total grants payable	(2,686)	(2,605)
Appropriations - From General Reserve	2,036	2,960
Closing Balance Prior to Transfer	842	1,492
Appropriations - To General Revenue Reserve	(842)	-
Balance at 31 December	-	1,492

34. Sports Loans Fund

	2020 £'000s	2019 £'000s
Balance at 1 January	319	319
Operating expenditure	(50)	-
Closing Balance Prior to Transfer	269	319
Appropriations - To General Revenue Reserve	(269)	-
Balance at 31 December	-	319

NOTES TO THE ACCOUNTS

35. Bond Reserve

The Bond Reserve has been reported as an earmarked reserve within the General Reserve. However, from 31 December 2020 this will be reported as a separate reserve within the Statement of Financial Position.

	2020 £'000s	2019 £'000s
Balance at 1 January	17,820	3,339
Investment return	14,779	20,596
Interest received from loans	6,084	5,394
Total income	20,863	25,990
Interest charge	(11,439)	(11,428)
Other expenses	(47)	(81)
Total expenditure	(11,486)	(11,509)
Net surplus for the year	9,377	14,481
Balance at 31 December	27,197	17,820

36. Wilfred Carey Purchase Fund

	2020 £'000s	2019 £'000s
Balance at 1 January	3,556	3,228
Investment return	308	381
Operating expenditure	(9)	(53)
Net surplus for the year	299	328
Closing Balance Prior to Transfer	3,855	3,556
Balance Transferred to Depositor Account	(3,855)	-
Balance at 31 December	-	3,556

NOTES TO THE ACCOUNTS

37. Channel Islands Lottery (Guernsey) Fund

	2020 £'000s	2019 £'000s
Balance at 1 January	2,442	1,932
Operating income	12,920	13,637
Operating expenditure	(11,493)	(12,207)
Contributions to third parties	(2,824)	(315)
Net (deficit)/surplus for the year	(1,397)	1,115
Appropriations - To General Reserve	(1,045)	(605)
Balance at 31 December	-	2,442

38. Health and Social Care Accommodation Fund

	2020 £'000s	2019 £'000s
Balance at 1 January	762	1,020
Net investment (charge)/return	(42)	19
Operating income	2,435	2,352
Operating expenditure	(3,155)	(2,629)
Net deficit for the year	(762)	(258)
Balance at 31 December	-	762

39. Solid Waste Trading Account

	2020 £'000s	2019 £'000s
Balance at 1 January	-	1,345
Transfer of balance of working capital to Guernsey Waste	-	(1,345)
Net surplus for the year	-	-
Balance at 31 December	-	-

NOTES TO THE ACCOUNTS

40. Capital Reserve

	2020 £'000s	2019 £'000s
Balance at 1 January	305,883	241,218
Investment return	22,701	34,474
Capital receipts	1,229	4,308
Expenditure on capital votes	(40,586)	(32,487)
Operating expenditure	(550)	(491)
	(17,206)	5,804
Appropriations - From General Reserve	1,500	58,861
Closing Balance Prior to Transfer	290,177	305,883
Appropriations - To General Revenue Reserve	(290,177)	-
Balance at 31 December	-	305,883

A breakdown of the appropriation from the General Reserve, is included in Note 23.

41. Core Investment Reserve

	2020 £'000s	2019 £'000s
Balance at 1 January	195,726	174,909
Investment return	16,989	20,817
Appropriations - To General Reserve	(50,000)	-
Balance at 31 December	162,715	195,726

NOTES TO THE ACCOUNTS

42. States' Trading Entities Reserve

	2020 £'000s	2019 £'000s
Alderney Electricity Limited	3	3
Guernsey Electricity Limited	105,209	105,209
Guernsey Post Limited	7,886	7,886
Cabernet Limited		
Balance at 1 January	15,210	5,524
Appropriations -		
From General Reserve	-	9,686
To General Reserve	(15,210)	-
Balance at 31 December	-	15,210
Total Balance at 31 December	113,098	128,308

Given the significant impact of COVID-19 on the trading activities of Cabernet Ltd, an impairment review of the amounts due to the States by Cabernet Ltd as at 31 December 2020 has been carried out and a provision of £50.4m made against those receivable amounts within the Statement of Financial Position (£43.5m against the overdraft and £6.9m against the Bond loans) with a corresponding charge made within the Statement of Financial Performance under the heading of 'Finance Charges and Other Costs'. This provision comprises the £15.2m losses incurred up to 31 December 2019 for which an appropriation was made from the General Reserve to the States' Trading Entities Reserve; £5.1m purchase price; £28.3m for 2020 losses; and £1.8m of fair value adjustments in respect of financial instruments held by Cabernet Ltd.

NOTES TO THE ACCOUNTS

43. Reconciliation of Overall (Deficit)/Surplus to Net Cash Flows from Operating Activities

	2020 £'000s	2019 £'000s
Overall (deficit)/surplus	(63,848)	105,556
Adjustment for net capital expenditure charged to revenue	40,586	32,487
Adjustment for net capital receipts credited to revenue	(1,229)	(6,423)
Adjustment for dividends received	(1,944)	(2,810)
Adjustment for coupon payment	11,585	11,141
Adjustment for Effective Interest Rate charged to amortised loan	298	287
Adjustment for interest charged to trading entity overdrafts	(1,105)	-
Increase in provision for the non-payment of overdrafts by trading entities	55,709	-
(Gains)/losses on revaluation of investments	(192,759)	(247,803)
Increase in stocks	(1,300)	(371)
Decrease/(Increase) in debtors and prepayments	8,478	(3,113)
(Increase)/Decrease in other loan balances	(966)	477
Increase in depositor balances	112,544	146,208
Increase in creditors and short term provisions	6,648	6,607
Net cash inflows from Operating Activities	(27,303)	42,243

The (deficit)/surplus reported within the Statement of Financial Performance includes elements of income and expenditure that are either not a cash transaction, or they are categorised as an Investing or Financing Activity within the Cash Flow Statement. Consequently an adjustment has been made to exclude them from Operating Activities and re-categorise them accordingly.

NOTES TO THE ACCOUNTS

44. Analysis of Cash Balances

	At 1 January 2019 £'000s	Movements During 2019 £'000s	At 31 December 2019 £'000s	Movements During 2020 £'000s	At 31 December 2020 £'000s
Cash at banks	6,564	5,742	12,306	(10,337)	1,969
Cash in hand	74	(33)	41	9	50
Total	6,638	5,709	12,347	(10,328)	2,019

45. Reconciliation of Liabilities Arising from Financing Activities

	At 1 January 2020 £'000s	Cash Flows During 2020 £'000s	Non-Cash Changes During 2020 £'000s	At 31 December 2020 £'000s
Long Term Borrowings				
Bond issue	317,340	-	298	317,638
Short Term Borrowings				
Revolving credit facility	-	75,000	-	75,000
Total Liabilities from Financing Activities	317,340	75,000	298	392,638

	At 1 January 2019 £'000s	Cash Flows During 2019 £'000s	Non-Cash Changes During 2019 £'000s	At 31 December 2019 £'000s
Long Term Borrowings				
Bond issue	317,053	-	287	317,340
Total Liabilities from Financing Activities	317,053	-	287	317,340

NOTES TO THE ACCOUNTS

46. Consolidated Superannuation Fund

The tables below show the movement in the different funds, which arise from income and expenditure for that financial year.

	At 1 January 2019 £'000s	Movements in Net Funds 2019 £'000s	At 31 December 2019 £'000s	Movements in Net Funds 2020 £'000s	At 31 December 2020 £'000s
Combined Pool	1,298,507	138,650	1,437,157	109,914	1,547,071
Teachers' Fund	55,510	5,014	60,524	3,605	64,129
States Members' Fund	3,817	220	4,037	102	4,139
Total	1,357,834	143,884	1,501,718	113,621	1,615,339

Combined Pool	2020 £'000s	2019 £'000s
Employers' contributions	33,072	30,556
Employees' contributions	17,160	16,283
Refund of contributions repaid	94	102
Transfer values received	2,315	3,391
	52,641	50,332
Pensions	(51,595)	(49,257)
Lump sum payments	(11,053)	(12,772)
Contributions refunded to employees	(1,509)	(1,496)
Transfer values paid	(898)	(1,038)
	(65,055)	(64,563)
Returns on investments (including realised and unrealised gains/(losses) on revaluation of investments) net of investment management fees and other expenses	122,328	152,881
Net Increase in Fund for the Year	109,914	138,650

NOTES TO THE ACCOUNTS

Teachers' Fund	2020 £'000s	2019 £'000s
Employers' contributions	139	150
Teachers' contributions	70	74
	209	224
Pensions	(1,496)	(1,510)
Lump sum payments	(201)	(176)
Contributions refunded to teachers	-	(7)
	(1,697)	(1,693)
Returns on investments (including realised and unrealised gains/(losses) on revaluation of investments) net of investment management fees and other expenses	5,093	6,483
Net Increase in Fund for the Year	3,605	5,014

States Members' Pension Fund	2020 £'000s	2019 £'000s
Capital payment	163	160
Pensions	(295)	(290)
Transfer values paid	(85)	(87)
	(380)	(377)
Returns on investments (including realised and unrealised gains/(losses) on revaluation of investments) net of investment management fees and other expenses	319	437
Net Increase in Fund for the Year	102	220

Consolidated Superannuation Fund	2020 £'000s	2019 £'000s
Employers' contributions	33,211	30,706
Employees' contributions	17,230	16,357
Capital payments	163	160
Refund of contributions repaid	94	102
Transfer values received	2,315	3,391
	53,013	50,716
Pensions	(53,386)	(51,057)
Lump sum payments	(11,254)	(12,948)
Contributions refunded	(1,509)	(1,503)
Transfer values paid	(983)	(1,125)
	(67,132)	(66,633)
Returns on investments (including realised and unrealised gains/(losses) on revaluation of investments) net of investment management fees and other expenses	127,740	159,801
Net Increase in Fund for the Year	113,621	143,884

NOTES TO THE ACCOUNTS

The employees of the States are members of the States of Guernsey Public Servants' Pension Scheme. These arrangements provide defined benefits on a career average revalued earnings (CARE) basis up to a salary cap (£92,236 as at 31 December 2020) for members joining from 1 May 2015 and, on a different CARE basis, for the service from 1 March 2016 of members who joined before 1 May 2015. There is a defined contribution section for earnings in excess of this salary cap. The arrangements for service before 1 March 2016 for members who joined before 1 May 2015 and for the future service of those closer to pension age remains final salary. The scheme is funded by contributions from both employer and employee. The employer rates for the defined benefits are determined on the basis of independent actuarial advice, and calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives.

The scheme is a multi-entity arrangement and the States have contracted the fund's qualified independent actuaries to identify the actuarial account of each entity and therefore the value of the pension scheme assets and liabilities attributable to each entity. The fund is under the control of the Policy & Resources Committee, which has arranged for it to be invested by professional advisers in a wide range of securities.

Employer contributions to the pension scheme are charged to staffing costs so as to spread the cost of pensions over employees' working lives with the States. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The assumptions which have the most significant effect on the results of the valuations are those relating to the rate of return on investments and the rates of increase in salaries and pensions. Contributions to the scheme were last increased from 1 January 2010 based on the actuarial recommendations of the valuation undertaken as at 31 December 2007.

A full actuarial valuation of the Fund as at 31 December 2016 was carried out. The results of this valuation were reported to the States in July 2018 (Billet d'État XIX, 2018), and it was agreed that the base employer rate (including teachers) would remain at 14.1%.

The Statement of Financial Performance includes only net amounts contributed by the States to the Superannuation Fund for staff employed during the reporting period.

The States have contracted the fund's qualified independent actuaries to calculate the pension obligation based upon accounting assumptions that allow for comparisons to be made with other entities. The approach taken to valuing the pension obligation for accounting purposes is different to that applied for determining contribution rates and associated funding levels.

The actuarial balances disclosed for accounting purposes have not been incorporated within the principal financial statements, and the deficit on the Consolidated Superannuation Fund is not included in the Statement of Financial Position.

NOTES TO THE ACCOUNTS

Accounting rules require the pension assets to be presented at their current value. However, these rules specify that the future pension liability be discounted at a prescribed rate. This discount rate should have regard to the current rates of return on high quality corporate bonds of a currency and term consistent with the Consolidated Superannuation Fund's liabilities. The actuary has applied a discount rate of 1.4% (2019: 1.9%) which is equivalent to a bond that has been rated at a level of AA or equivalent status.

This compares with the discount rate of over 6%, used by the actuary in determining future funding levels and contribution rates. The lower discount rate applied for accounting purposes, results in a much greater pension liability and pension deficit. It should also be noted that for accounting purposes, the assumptions are reviewed annually and may be subject to short term fluctuations, whereas the valuation for funding and contribution rates, is normally carried out every 3 years taking account of medium and longer term trends.

The valuation for accounting purposes was updated by the actuary as at 31 December 2020.

The major assumptions used by the actuary in this valuation were:

	31 December 2020 % p.a.	31 December 2019 % p.a.
Discount rate	1.40%	1.90%
Rate of inflation	2.70%	2.80%
Increases to deferred benefits during deferment - Teachers Scheme	2.40%	1.90%
Increases to deferred benefits during deferment - Other Schemes	2.70%	2.80%
Increases to pensions in payment - Teachers Scheme	2.40%	1.90%
Increases to pensions in payment - Other Schemes	2.70%	2.80%
Increases to salaries	3.45%	3.55%
Mortality assumptions:		
Female pensioners aged 65 will live until	88	88
Male pensioners aged 65 will live until	86	86
Female employees aged 45 will live until	90	90
Male employees aged 45 will live until	88	88

The following tables also include amounts attributed to the Defined Contribution Scheme.

NOTES TO THE ACCOUNTS

Analysis of Changes in Scheme Deficit

Movements in the scheme deficit for the year were as follows

	2020 £'000s	2019 £'000s
Current service cost	63,429	58,727
Net interest on net defined liability		
Interest on obligation	48,067	62,573
Interest on assets	(28,399)	(37,797)
Cumulative amounts of re-measurements		
Return on assets (not included in interest)	(100,174)	(122,717)
Actuarial losses/(gains) on obligation	204,036	221,363
Administration expenses	833	713
	187,792	182,862
Contributions by employer	(33,374)	(30,865)
Net Increase in Deficit for the Year	154,418	151,997

Movements in the present value of the defined benefit obligations in the year were as follows:

	2020 £'000s	2019 £'000s
Defined benefit obligation at 1 January	2,562,204	2,266,323
Service cost	63,429	58,727
Contribution by members	17,230	16,357
Benefits paid	(64,723)	(63,139)
Interest on obligation	48,067	62,573
Experience gains	(39,879)	(18,986)
Losses from changes in assumptions	243,915	240,349
Defined Benefit Obligation at 31 December	2,830,243	2,562,204

Movements in the fair value of Fund assets in the year were as follows:

	2020 £'000s	2019 £'000s
Fair value of fund assets at 1 January	1,501,718	1,357,834
Interest on assets	28,399	37,797
Return on assets (not included in interest)	100,174	122,717
Contributions by employer	33,374	30,865
Contributions by members	17,230	16,357
Benefits paid	(64,723)	(63,139)
Administration expenses	(833)	(713)
Fair Value of Fund Assets at 31 December	1,615,339	1,501,718

NOTES TO THE ACCOUNTS

The major categories of Fund investments as a percentage of the total Fund investments are as follows:

	2020 £'000s	2020 %	2019 £'000s	2019 %
Cash (held by investment managers)	117,439	7.3	110,888	7.4
Equities	838,055	51.9	782,591	52.1
Alternatives	126,800	7.9	132,655	8.9
Bonds and fixed interest securities	281,368	17.4	271,999	18.1
Property	168,708	10.4	144,375	9.6
Private market investments	82,969	5.1	59,210	3.9
Total Fund Assets	1,615,339	100.0	1,501,718	100.0

The States operates a Defined Contribution Account which holds balances for those staff that receive pensionable benefits in the form of defined contributions, as well as those members who have made additional voluntary contributions. This balance is held by BWCI and is separate to the amount deposited with the States. The total amount held by BWCI at the end of December 2020 was £2.606m (2019: £1.928m).

All other investments held by the Consolidated Investment Fund are in the name of the States, therefore the figures presented in the table above reflect an equivalent share of that portfolio. Any cash introduced to or withdrawn from the Superannuation Fund during the reporting period, is directly managed through the States operating cash balances, and not the Consolidated Investment Fund.

The Total Fund Assets valued at £1,615m (2019: £1,502m) reported in the table above includes amounts deposited with both the States and BWCI.

The employer expects to contribute £35m to the Fund from 1 January 2021 to 31 December 2021.

The overall scheme deficit is as follows:

	2020 £'000s	2019 £'000s
Defined benefit obligation at 31 December	2,830,243	2,562,204
Fair value of fund assets at 31 December	(1,615,339)	(1,501,718)
Net defined benefit liability	1,214,904	1,060,486

On 27 January 2012 the States agreed that the existing States Members pension scheme be closed for service for current or new States Members with effect from 30 April 2012 and Members and former States Members be provided with the additional option to transfer accrued benefits in respect of all service into alternative pension arrangements on terms to be advised by the actuary.

NOTES TO THE ACCOUNTS

47. Non-Audit Services

In 2020, Grant Thornton Limited was contracted to undertake forensic investigations for Guernsey Border Agency. The total paid to Grant Thornton Limited in 2020 for these non-audit services amounted to £30,000, and the service provided did not affect the audit process.

During 2019 Grant Thornton Limited provided some additional staffing support within the States' tax office. This was for a short period of time, at a relatively junior level and did not affect the audit process. The total paid to Grant Thornton Limited in 2019 for these non-audit services was £11,050.

48. Contingent Liabilities

The following guarantees are considered to be contingent liabilities. A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the States. The obligation has not been recognised as a liability within the Statement of Financial Position, because there is a current expectation that no payment will be required to settle that obligation.

Cabernet Limited

On 29 June 2005 (Billet d'État IX, 2005), the States' authorised the provision of guarantees relating to borrowings from third parties by Cabernet Ltd (the holding company of Aurigny Air Services Ltd and Anglo Normandy Engineering Ltd).

On 20 December 2018, the States guaranteed a loan facility entered into by Aurigny Air Services Ltd with the Royal Bank of Scotland International Limited (RBSI) for the replacement of ATR72-500 aircraft with three ART72-600 aircraft subject to a maximum amount guaranteed of £51m. The guarantee includes provision for any interest rate and/or currency exchange swap agreements that may be required. The balance drawn against this facility as at 31 December 2020 amounted to £43.0m (2019: £45.3m).

On 4 February 2019, an amendment and restatement agreement was entered into by Aurigny Air Services Limited and RBSI (relating to an £8m bullet facility agreement dated 5 February 2008 as amended by an amendment agreement dated 20 August 2008). This facility was repaid in full during the year and as such RBSI released the States from the guarantee.

On 4 December 2019, the States were party to an amendment and restatement agreement (relating to a £15m revolving credit facility agreement dated 20 June 2019) guaranteeing to a maximum of £25.7m, a loan facility by Aurigny Air Services Limited with RBSI. At the beginning of the year the drawn down balance was £14m. The loan facility was replaced during the year and as such RBSI released the States from the guarantee.

The States guarantees the company's trading operational loan facilities with RBSI comprising of an overdraft facility up to a maximum of £1.25m. The balance drawn against this overdraft facility as at 31 December 2020 amounted to £nil (2019: £0.364m).

NOTES TO THE ACCOUNTS

Guernsey Housing Association Limited (by Guarantee)

During 2017, the Policy & Resources Committee provided a letter of comfort in respect of a revolving credit facility for £15m with the Royal Bank of Scotland International Limited. This agreement commenced in April 2017, and the balance drawn against this facility as at 31 December 2020, amounted to £2.0m (2019: £nil). The facility will expire on 31 March 2022.

Alderney Housing Association Limited (by Guarantee)

Under the terms of the Framework Agreement between the States of Alderney and the Alderney Housing Association Limited (AHA), the States of Alderney have Step-In rights for the assets and liabilities of the AHA in the event that the latter was unable to meet its obligations.

If it becomes necessary for the States of Alderney to exercise their Step-In rights, then all assets and liabilities of the AHA would revert to the States of Alderney at that time. The net assets of AHA as at 31 December 2020 amounted to £9.5m (2019: £9.5m) and comprised of year-end reserves adjusted to include a revaluation to market value of property and excluding the States of Alderney grant liability in respect of deferred income. The States of Guernsey have agreed to 'step-in' if the States of Alderney were unable to service the facility or repay any amounts due.

In June 2013 the States of Alderney provided a Step-In Letter in respect of the AHA's overdraft facility of £3m with a private financial institution. In August 2013 the States of Guernsey guaranteed the obligations of the States of Alderney under the Step-In Letter.

Loan Guarantee Scheme

In March 2020 the States authorised the Policy & Resources Committee to facilitate a Loan Guarantee Scheme to enable additional liquidity support to be made available to Bailiwick businesses during the COVID-19 outbreak.

The States have entered into agreements with four local banks and will provide underwriting guarantees of up to 80% of additional lending up to a maximum of £40m. The Scheme does not provide underwriting support for lending in place prior to the introduction of the Scheme, so there is no transfer of existing risk to the States. The original scheme was agreed until 31 December 2020. An extension of up to six months was approved on 22 December 2020.

As at 31 December 2020, 49 businesses have existing loans drawn under the Scheme with a total exposure to the States of £3.07m.

NOTES TO THE ACCOUNTS

49. Table of Grant Payments

The States provides grant funding to a number of different entities. Details of those grants that were payable during 2020 and 2019 are as follows.

Description	2020 £'000	2019# £'000
COVID-19 Business Support	50,919	-
Social Insurance Fund Grant	16,332	16,738
Overseas aid grants (various)	2,686	2,600
Social Investment Fund LBG	2,494	-
St John Ambulance and Rescue Service	2,466	2,350
States of Alderney	1,973	1,827
Pre-schools (various)	1,964	1,974
Elizabeth College (College Grant)	1,896	2,049
The Ladies College (College Grant)	1,613	1,778
Guille-Alles Library	1,668	1,642
Guernsey Finance LBG	1,500	1,200
Guernsey Housing Association	1,219	267
Dairy farm management payments (various)	1,025	1,025
Health Improvement Commission	879	391
H E Lieutenant Governor	674	657
Guernsey Training Agency	628	703
Youth Commission	601	588
Guernsey Sports Commission	503	409
Guernsey Employment Trust	500	497
Blanchelande College (College Grant)	416	391
Priaulx Library	335	330
2021 Island Games	325	125
Channel Islands Brussels Office	317	300
Action for Children	299	314
Dyslexia Day Centre	262	209
Guernsey Competition and Regulatory Authority	244	146
Flybe Limited (Heathrow Air Route Subsidy)	200	1,025
Guernsey Contraceptive Service	145	137
Grow Limited	141	141
Events Group	128	157
Guernsey Arts Commission	114	114
Guernsey Retail Group LBG	110	-
Friends of St James Association	58	58
Guernsey Enterprise Agency (Start Up Guernsey)	11	112
Other grant payments less than £50,000 (various)	5,482	5,307
Office of Data Protection Authority	-	998
Association of Guernsey Charities	-	184
Total Grant Payments	100,127	46,743

The total reported in 2019 has been amended to reflect the change in accounting treatment of amounts paid to the States of Alderney for transferred services (refer to Note 2).

NOTES TO THE ACCOUNTS

50. Payments to States Members

In accordance with the Resolutions of the States of 27 January 2012 (Billet d'État III) and 13 December 2012 (Billet d'État XXV), the Policy & Resources Committee is publishing the total remuneration received during the preceding calendar year by each States Member in respect of his or her performance of States business.

	2020	2020	2020	2019
	1 January to 15 October	16 October to 31 December	Total	Total
	£	£	£	£
S E Aldwell	-	8,496	8,496	-
C P Blin	-	8,496	8,496	-
B L Brehaut	43,265	-	43,265	54,161
A H Brouard	43,265	11,479	54,744	54,161
Y Burford	-	11,479	11,479	-
T L Bury	-	8,496	8,496	-
A Cameron	-	8,496	8,496	-
D de G De Lisle	30,646	8,138	38,784	38,363
H L De Sausmarez	32,025	11,479	43,504	40,089
M H Dorey	32,025	-	32,025	40,089
A C Dudley-Owen	32,025	11,479	43,504	40,089
J F Dyke	-	8,496	8,496	-
S Fairclough	-	8,496	8,496	-
S J Falla	-	8,496	8,496	-
M J Fallaize	43,265	-	43,265	54,161
P T R Ferbrache	30,646	14,309	44,955	38,363
A Gabriel	-	8,496	8,496	-
J A B Gollop	32,025	8,496	40,521	40,089
R H Graham LVO, MBE	30,646	-	30,646	38,363
C J Green	43,265	-	43,265	54,161
S T Hansmann Rouxel	29,738	-	29,738	37,629
S P Haskins	-	8,496	8,496	-
M A J Helyar	-	11,479	11,479	-
N R Inder	43,265	11,479	54,744	54,161
A Kazantseva-Miller	-	8,496	8,496	-
J Kuttelwascher (Deceased)	3,231	-	3,231	38,363
S L Langlois	28,458	-	28,458	36,008
M K Le Clerc	43,265	-	43,265	54,161
P R Le Pelley	30,646	-	30,646	38,363
C J Le Tissier	-	8,138	8,138	-
J P Le Tocq	43,265	11,479	54,744	54,161
M P Leadbeater	32,025	8,496	40,521	40,089
M M Lowe	38,446	-	38,446	48,648
D J Mahoney	-	11,479	11,479	-
A Matthews	-	8,496	8,496	-
L J McKenna	-	8,496	8,496	-
E A McSwiggan	29,738	-	29,738	37,629
C P Meerveld	32,025	11,479	43,504	40,089
J S Merrett	32,025	-	32,025	40,089

NOTES TO THE ACCOUNTS

	2020 1 January to 15 October £	2020 16 October to 31 December £	2020 Total £	2019 Total £
N G Moakes	-	8,496	8,496	-
J I Mooney	32,025	-	32,025	40,089
R C Murray	-	8,138	8,138	-
V S Oliver	32,025	8,496	40,521	40,089
B J E Paint	30,646	-	30,646	38,363
C N K Parkinson	41,403	8,138	49,541	52,400
R G Prow	28,457	10,995	39,452	36,008
L B Queripel	29,738	-	29,738	37,629
L C Queripel	30,646	8,138	38,784	38,363
S Roberts	16,914	4,492	21,406	19,518
P J Roffey	32,025	11,479	43,504	40,089
J C S Smithies	30,646	-	30,646	38,363
E A J Snowdon	17,676	4,689	22,365	20,396
H J R Soulsby MBE	43,265	11,479	54,744	54,161
G A St. Pier	56,309	8,496	64,805	70,490
T J Stephens	41,403	-	41,403	51,829
A W Taylor	-	8,496	8,496	-
D A Tindall	32,025	-	32,025	40,089
R H Tooley	32,025	-	32,025	40,089
L S Trott	43,265	8,496	51,761	54,161
S P J Vermeulen	-	8,496	8,496	-
Total	1,349,718	371,364	1,721,082	1,723,605

States' Members are considered to have self-employed status for social security purposes.

The total cost reported above differs from the amount disclosed within Note 8. This is because the figure above excludes pension payments in respect of previous service, Non States Members attendance allowances, IT equipment expenditure and expenses incurred in respect of the travel expenses of Alderney Representatives.

The entry regarding Deputy J Kuttelwascher relates to the period from 1 January 2020 to 23 January 2020 (the date of his death).

NOTES TO THE ACCOUNTS

51. Related Party Transactions

The following disclosures have been made in accordance with the reporting requirements approved by the States (Billet d'État XVIII, 1997).

Mr Stuart Falla M.B.E., who is a Non-States Member of the States' Trading Supervisory Board, is a shareholder with a controlling interest in the Garenne Group. The Garenne Group charged the States' Trading Supervisory Board £2.2k (2019: £0.446m) in respect of goods and services provided by companies within that Group to the States' Trading Supervisory Board (non-trading responsibilities) during 2020. The Accounts of each States' Trading Supervisory Board trading entity (incorporated and unincorporated) include a related party transaction note.

Deputy Mark Dorey was a member of the Committee *for the* Environment & Infrastructure (up to 15 October 2020), which is responsible for issuing payments to farmers under the Dairy Farm Management Payment Scheme (introduced in 2001 and amended in September 2014 – Billet d'État XX, 2014). During the period from January 2020 to October 2020, a relation of Deputy Dorey received £38k (full calendar year 2019: £55k) from the Dairy Farm Management Payment Scheme. The payment was governed by the rules as set out in the scheme and Deputy Dorey had no involvement in the transaction.

All States Members are required to provide Declarations of Members' Interests, which are available at the Greffe for public inspection and published on the States' website.

NOTES TO THE ACCOUNTS

52. Segmental Analysis

The States prepared the 2020 Budget in a format that is different to that reported within these accounts. It is important to note that the Segmental Analysis (Appendix II) only includes income and expenditure attributed to Committee functions and certain corporate activities (recovery of taxes and other non-exchange transactions, capital receipts etc.). Equally, the totals within the segmental analysis includes amounts that are treated as an appropriation between reserves within these accounts.

The following is a reconciliation between the totals included within these financial statements and the overall surplus included within the segmental analysis.

Reconciliation Between Totals Reported in Statement of Financial Performance and the Segmental Analysis

NOTES TO THE ACCOUNTS

	Note	2020 £'000s	2019 £'000s
(Deficit)/Surplus for the year as per the Statement of Financial Performance		(63,848)	105,556
Adjustments for (surplus)/deficit on earmarked balances within the General Reserve			
Corporate Housing Programme Fund	25	2,318	864
Insurance Deductible Fund	26	885	545
Transformation and Transition Fund	27	2,819	5,084
Future Guernsey Economic Fund	28	1,792	2,079
Brexit Transition Fund	29	313	436
Higher Education Loans Fund	30	(91)	(110)
Overseas Aid & Development Impact Investment Fund	32	18	-
Overseas Aid & Development Commission Fund	33	2,686	2,605
Sports Loans Fund	34	50	-
Bond Reserve	35	(9,377)	(14,481)
Wilfred Carey Purchase Fund	36	3,556	(328)
Channel Islands Lottery (Guernsey) Fund	37	1,397	(1,115)
Health and Social Care Accommodation Fund	38	762	258
Solid Waste Trading Account	39	-	1,345
		7,128	(2,818)
Adjustment for balances debited/(credited) to the Capital Reserve	40	17,206	(5,804)
Adjustment for balances credited to the Core Investment Reserve	41	(16,989)	(20,817)
(Deficit)/Surplus credited to General Reserve (Unallocated Balance)		(56,503)	76,117
Other adjusting items included within the Segmental Analysis			
Transfer to Insurance Deductible Fund	26	(1,620)	(1,400)
Transfer to Overseas Aid & Development Commission Fund	33	(2,036)	(2,960)
Transfer from Channel Islands Lottery (Guernsey) Fund	37	1,045	605
Adjustment for balances debited/(credited) to the States' Trading Entities Reserve	42	15,210	(9,686)
		12,599	(13,441)
(Deficit)/Surplus reported within the Segmental Analysis		(43,904)	62,676

The following pages do not form part of the audited financial statements and are presented for information purposes only.

Accounting Boundary

The functions noted within Category A and B in the table below denote the constituent parts of the States of Guernsey that are included for the purpose of preparing this set of financial statements.

Only those functions noted within Category A are included within the Income and Expenditure Account, which is reported as part of the Segmental Analysis (Appendix II).

Category A

General Revenue Income
Policy & Resources Committee
Committee *for* Economic Development
Committee *for* Education, Sport & Culture
Committee *for* Employment & Social Security
Committee *for the* Environment & Infrastructure
Committee *for* Health & Social Care
Committee *for* Home Affairs
Scrutiny Management Committee
Development & Planning Authority
Transport Licensing Authority
Overseas Aid & Development Commission
States' Trading Supervisory Board
Royal Court
Law Officers
Pooled Budgets
COVID-19 Business and Personal Support
States of Alderney

Category B

Corporate Housing Programme Fund
Transformation and Transition Fund
Insurance Deductible Fund
Future Guernsey Economic Fund
Bond Reserve
Wilfred Carey Purchase Fund
Brexit Transition Fund
Channel Islands Lottery (Guernsey) Fund
Solid Waste Trading Account
Overseas Aid & Development Commission Fund
Health and Social Care Accommodation Fund
Overseas Aid & Development Impact Investment Fund
Participatory Budgeting Fund
Higher Education Loans Fund
Sports Loans Fund
Capital Reserve
Core Investment Reserve
States' Trading Entities Reserve

Accruals Basis - is a basis of accounting under which transactions and other events are recognised when they occur, and not when cash or its equivalent is received or paid. Consequently the transactions and events are included in the financial statements for the periods to which they relate.

Appropriation – the transfer of a balance between two or more reserves.

Assets - resources controlled by the States as a result of past events, and from which future economic benefits or service potential are expected to flow.

Bond Reserve – an earmarked reserve, used to hold the issue proceeds prior to any onward allocation and to accumulate funds for eventual repayment at the end of the life of the bond. The Bond Reserve also funds the issue costs and any ongoing expenses.

Brexit Transition Fund – an earmarked reserve used to support urgent and necessary measures to manage Brexit in a controlled and timely manner and mitigate against any risks that may arise, without adversely impacting on funding for existing States' priorities. This will be used to implement projects, inter alia, concerning: amendments to the customs and immigration systems; extension of the UK's membership of the World Trade Organization to Guernsey; and participating in any new economic partnership agreed by the UK, such as Free Trade Agreements. It could also be used to: manage any contingency risk including in relation to supply chains; implement measures to minimise risk to transport links; and maintain critical infrastructure. This fund was closed on 31 December 2020 and the balance transferred to the General Revenue Reserve.

Capital Reserve - is an earmarked long term reserve. It has been created to provide funding for the States' programme of capital expenditure. The profile of funding may differ markedly year on year from the programme of expenditure. The Capital Reserve allows for the funding and expenditure to be managed over the longer term, without there being any significant impact on other reserves. This fund was closed on 31 December 2020 and the balance transferred to the General Revenue Reserve.

Channel Islands Lottery (Guernsey) Fund - an earmarked reserve that is used to report income and expenditure associated with the operation of the Channel Islands Lottery.

Contingent Liability – A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The obligation is not recognised as a financial liability within the Statement of Financial Position because it is not probable that an outflow of resources will occur (in order to settle the obligation) or the amount cannot be quantified with any sufficient reliability.

Core Investment Reserve – an earmarked long term reserve, the capital value of which is only available to be used in the exceptional and specific circumstances of severe and structural decline in public sector finances or major emergencies.

Cost – the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

Coupon payment – is the interest payment made by the States to the bond holders.

Credit Risk – the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

GLOSSARY

Appendix I

Currency Risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Depositors – external parties and entities (outwith those functions noted in the Accounting Boundary) who place surplus funds with the States of Guernsey.

Earmarked Reserve - an amount that is set aside for a specific purpose.

Effective Interest Rate – a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest returns or charges over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument. These cash flows will consider all contractual terms of the financial instrument (including all fees, premiums, discounts and other transactions costs).

Financial Year/Reporting Period – the States' financial statements are prepared for accounting periods that span the calendar year. The year end is 31 December.

Future Guernsey Economic Fund - an earmarked reserve used to provide funding for initiatives which deliver on the objectives within the Future Guernsey Programme for Government (in Phase One of the Policy & Resources Plan) and which ensure that the right conditions exist for businesses to set up, grow and operate; improve or protect economic growth; and have measurable economic and fiscal benefits. This fund was closed on 31 December 2020 and the balance transferred to the General Revenue Reserve.

General Reserve – retains the net balance of surpluses and deficits arising from the operational activities of the States. Within the General Reserve there are a number of earmarked funds that have been created for a specific purpose and these are detailed within the Note to the Accounts. Also within the General Reserve is the Unallocated Balance, which is used for managing any in year shortfalls in income, short term cyclical variations and other timing issues. The States have a policy for the Unallocated Balance to maintain a value that equates to 5% of annual General Revenue income. This fund was closed on 31 December 2020 and the balance transferred to the General Revenue Reserve.

Health and Social Care Accommodation Fund - an earmarked reserve that is used to report income and expenditure associated with the provision of accommodation for staff employed by the States working for the Committee for Health & Social Care.

Higher Education Loans Fund - an earmarked reserve that is used to fund the issue of loans to students and to record operating income (interest receivable) and expenditure associated with the scheme. No new loans have been issued in recent years. This fund was closed on 31 December 2020 and the balance transferred to the General Revenue Reserve.

Impairment - a diminution in value of an asset resulting from particular circumstances.

Insurance Deductible Fund - an earmarked reserve that is used to fund expenditure on the self-insured element of insurance settlements that are paid during the financial year.

Interest Rate Risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

GLOSSARY

Appendix I

IPSAS – are International Public Sector Accounting Standards that are issued by the International Public Sector Accounting Standards Board (IPSASB). The IPSASB encourages public sector entities to adopt the accrual basis of accounting – which will improve financial management and increase transparency resulting in a more comprehensive and accurate view of a government’s financial position.

Liabilities - are present obligations of the States arising from past events, the settlement of which is expected to result in a future outflow of assets.

Liquidity Risk – the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market Risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three different elements, namely currency risk, interest rate risk and other price risk.

Materiality - an item is material if its omission, non-disclosure or misstatement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.

Movement in Reserves Statement – presents a reconciliation of the balances held in reserves at the start and the end of the financial year, and the summary changes that have come about during that reporting period.

Non-exchange Transactions – this type of transaction occurs when an entity either receives value from another entity without directly giving approximately equal value in return, or gives value to another entity without directly receiving approximately equal value in exchange.

Other Price Risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or the issuer, or factors affecting all similar financial instruments traded in the market.

Overseas Aid & Development Commission Fund - is an earmarked reserve that is used to make grant payments associated with programmes of overseas aid and development, as well as contribute to emergency and disaster relief schemes. This fund was closed on 31 December 2020 and the balance transferred to the General Revenue Reserve.

Overseas Aid & Development Impact Investment Fund – is an earmarked reserve to provide funding for investments designed in a manner to have the ability to make a different, more lasting impact in the world’s least developed countries and with sustainable objectives in mind. This fund was closed on 31 December 2020 and the balance transferred to the General Revenue Reserve.

Participatory Budgeting Fund – is an earmarked reserve. Participatory (or community) budgeting is a means of the community engaging with government and deciding where to spend part of a public budget. This is an increasingly popular initiative in other communities which should deliver social and economic dividends including through community building by participants prioritising projects requiring one-off funding that they assess will address the greatest community need. This reserve is a pilot scheme for funding initiatives identified through the participatory budgeting process. This fund was closed on 31 December 2020 and the balance transferred to the General Revenue Reserve.

GLOSSARY

Appendix I

Reserves – collectively the total balances held within the reserves equate to the net assets of the States as at 31 December.

Solid Waste Trading Account – an earmarked reserve that is used to report income and expenditure associated with the management of all solid waste related activities. The balance of this reserve was transferred to Guernsey Waste on 1 January 2019.

Sports Loans Fund – an earmarked reserve that is used to provide funding for the issue of loans (subject to certain conditions) to sporting organisations or playing field authorities. This fund was closed on 31 December 2020 and the balance transferred to the General Revenue Reserve.

Statement of Financial Performance - presents the total revenue income generated and expenditure incurred by the States during the calendar year.

Statement of Financial Position - presents the value, as at 31 December, of the assets, liabilities and other balances recognised by the States.

States' Trading Entities Reserve - is an earmarked long term reserve. It represents the book value of the shares held in Guernsey Electricity Limited and Guernsey Post Limited (ie the value of the assets transferred at commercialisation less any subsequent share buy-backs), as well as Alderney Electricity Limited. It also includes amounts held for potential liabilities or future impairments that may arise in respect of Cabernet Limited.

Taxable Event – an event that the States have determined will be subject to taxation and result in a liability for either an individual or external entity.

Wilfred Carey Purchase Fund - an earmarked reserve that is used to report expenditure on the purchase of items of specific local interest from this fund. This fund was closed on 31 December 2020 and the balance transferred to a depositor account.

SEGMENTAL ANALYSIS

2020 Original Budget £'000s	2020 Total Authorised £'000s		2020 Actual £'000s	2019 Actual £'000s
477,075	477,075	Revenue Income	473,843	479,035
3,450	3,450	Capital Income	-	2,115
480,525	480,525	Total Income	473,843	481,150
		Net Revenue Expenditure		
39,473	40,490	<i>Corporate Services</i>	42,189	36,579
5,985	5,953	<i>Committee for Economic Development</i>	5,746	6,275
79,770	82,073	<i>Committee for Education, Sport & Culture</i>	81,242	80,168
89,600	89,742	<i>Committee for Employment & Social Security</i>	91,352	87,134
12,535	12,285	<i>Committee for the Environment & Infrastructure</i>	12,355	11,971
124,665	134,960	<i>Committee for Health & Social Care</i>	134,231	128,807
31,500	32,291	<i>Committee for Home Affairs</i>	31,868	32,125
10,170	11,256	<i>Policy & Resources Committee – Core Services</i>	10,666	10,183
531	530	<i>Scrutiny Management Committee</i>	518	532
1,290	1,392	<i>Development & Planning Authority</i>	1,204	1,296
3,080	2,082	<i>Overseas Aid & Development Commission</i>	2,081	2,960
1,257	1,556	<i>States' Trading Supervisory Board</i>	1,556	1,002
2,540	3,248	<i>Royal Court</i>	3,032	2,229
5,300	5,780	<i>Law Officers</i>	5,451	5,193
507	531	<i>Pooled Budgets</i>	527	507
1,875	1,973	<i>States of Alderney</i>	1,973	1,827
-	-	<i>COVID-19 Business and Personal Support</i>	51,257	-
19,987	6,112	<i>Budget Reserve</i>	-	-
6,250	3,392	<i>Service Developments</i>	-	-
(2,700)	(2,031)	<i>Savings Targets</i>	-	-
(3,340)	(3,340)	<i>Delayed Delivery of Budget Reductions</i>	-	-
430,275	430,275	Net Revenue Expenditure	477,248	408,788
6,800	6,800	<i>Impairment of Loans and Overdraft Provided to Cabernet Ltd</i>	35,209	9,686
-	-	<i>Impairment of Overdraft Provided to Guernsey Ports</i>	5,290	-
43,450	43,450	Net (Deficit)/Surplus	(43,904)	62,676

Appendix II

ANALYSIS OF PAY COSTS AND FTE TOTALS

Appendix III

Committee	2020 Actual £'000s	2020 Average FTE	2019 Actual £'000s	2019# Average FTE
Policy & Resources Committee	26,021	428	28,257	477
Committee <i>for</i> Economic Development	2,737	35	2,766	44
Committee <i>for</i> Education, Sport & Culture	61,206	1,199	60,005	1,213
Committee <i>for</i> Employment & Social Security	4,119	85	4,101	88
Committee <i>for the</i> Environment & Infrastructure	3,100	56	2,972	58
Committee <i>for</i> Health & Social Care	104,878	2,150	98,500	2,035
Committee <i>for</i> Home Affairs	29,038	532	28,260	529
Scrutiny Management Committee	469	6	458	6
Development & Planning Authority	2,305	39	2,394	41
Overseas Aid	40	-	-	-
States' Trading Supervisory Board	1,919	27	1,904	28
Royal Court	3,820	51	3,715	51
Law Officers	5,476	50	5,027	45
Pooled Budgets	527	10	507	9
	245,655	4,668	238,866	4,624
Other Functions				
Transformation and Transition Fund	1,448	16	2,286	25
Guernsey Registry	485	7	427	7
Future Guernsey Economic Fund	446	8	454	9
Brexit Transition Fund	192	3	332	5
Portfolio Team	315	6	278	4
Channel Islands Lottery (Guernsey) Fund	68	1	64	1
Health and Social Care Accommodation Fund	265	7	245	6
Corporate Housing Programme Fund	93	2	32	1
Notes and Coins Trading Account	88	2	99	2
	3,400	52	4,217	60
States' Members	1,921	-	1,929	-
Total expenditure reported as Pay Costs within the Statement of Financial Performance and equivalent FTE's	250,976	4,720	245,012	4,684
Capital Reserve projects	1,440	17	619	10
Total Pay Costs and Equivalent FTE's	252,416	4,737	245,631	4,694

CAPITAL RESERVE EXPENDITURE

Appendix IV

	2020 £'000s	2019 £'000s
States Capital Investment Programme		
Policy & Resources Committee		
IT Wide Area Network (£1.09m)	-	54
Cremator and Emissions Equipment – replacement	466	146
Revenue Service Programme	2,675	3,365
Future Digital Services	26	317
Office Rationalisation Project 1 Phase 1 (£2.098m)	-	52
SAP Roadmap	-	105
Strategic Air and Sea Links Infrastructure	36	233
KGV Redevelopment (Grant)	-	250
St Peter Port Christmas Lights (Grant)	3	13
St James LBG (Grant)	123	-
IT Transition	598	2,083
IT Transformation	9,431	2,683
Transforming Transactional and Business Support Services	6,296	476
Contributions System - replacement	335	-
Sarnia Cherie Ballast Water Management System	238	-
Committee for Economic Development		
Seafront Enhancement Area	5	18
Runway Extension	182	-
Committee for Education, Sport & Culture		
Les Beaucamps High School (£36.8m)	-	18
Les Nicolles Secondary and Special Needs Schools (£44.4m)	-	2
La Mare De Carteret Schools (£1.65m)	-	12
Education Estates Development – Phase 1	(16)	2,035
Footes Lane - refurbishment	117	874
11-18 Schools	780	86
Guernsey Institute	931	29
Transforming Education Digital	164	-
Les Ozouets Campus	-	(51)
Castle Cornet - refurbishment	4	-
Committee for the Environment & Infrastructure		
Bus Replacement (£4.745m)	-	90
Hydrocarbon Supplies	-	6
Admiral Park North Piling Work	2	-
Committee for Health & Social Care		
Mental Health and Wellbeing Centre (£24m)	-	(5)
Electronic Health and Social Care record (£3.9m)	-	97
Electronic Patient Record	305	-
Radiology Equipment - replacement (£1.246m)	583	1,746
Princess Elizabeth Hospital Re-Profiling	(19)	-
Hospital Modernisation – Phase 1	1,968	796
Health & Social Care Local Area Network (£1.866m)	104	552
Lockdown Exit Phase 5c	468	-
COVID-19 Vaccination Programme	236	-
Committee for Home Affairs		
Linkworks Information System - replacement (£1.2m)	-	55
CCTV - replacement	24	112
Home Affairs Estate Rationalisation	8	-
St Sampson Fire Main	7	4
Turntable Fire Appliance - replacement	1	683
Cyber Information	-	67

CAPITAL RESERVE EXPENDITURE

Appendix IV

States Capital Investment Programme (Cont.)

States' Trading Supervisory Board

	2020 £'000s	2019 £'000s
Airport Pavements Rehabilitation (£78.2m)	-	10
St Peter Port Harbour Crane Strategy (£13.675m)	-	48
Alderney Airport Runway Rehabilitation	193	18
Household Waste Recycling Centre (£2.2m)	48	738
Waste Transfer Station (£29.5m)	196	1,570
Mont Crevelt Breakwater Reinstatement	9	1
Environment Impact Assessment-Land Reclamation and Development	245	-
Future Harbour Requirements	565	16
Future Guernsey Dairy	149	-

Total Major Capital Project Costs Charged to the Capital Reserve

27,486	19,404
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Minor Capital Projects

Property maintenance and minor works	6,834	7,040
Information technology	2,885	3,954
Medical equipment	2,252	1,292
Vehicles and other equipment	1,129	797

Total Minor Capital Project Costs Charged to the Capital Reserve

13,100	13,083
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Total Project Costs Charged to the Capital Reserve

40,586	32,487
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Portfolio Administration Costs

550	491
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Total Expenditure Charged to the Capital Reserve

41,136	32,978
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LOANS OUTSTANDING FROM THE STATES OF GUERNSEY BOND ISSUE

Appendix V

The following loans from the proceeds of the States of Guernsey bond issue were outstanding at the end of 2020:

Entity	Amount Agreed £m	Outstanding 31/12/2020 £m	Anticipated Repayment Date(s)	Purpose
Approved in 2015:				
Guernsey Housing Association LBG	51.0	45.9	2045	Refinancing of existing borrowings for social housing development
Guernsey Housing Association LBG	24.0	19.8	2036	Refinancing of existing borrowings for social housing development
Cabernet Ltd	31.7	21.3	2021 - 2025	Refinancing of existing borrowings for purchase of aircraft (plus purchase of a new Dornier aircraft)
JamesCo750 Ltd	13.1	9.7	2028	Refinancing of existing borrowings for purchase of two tankships
Approved in 2016:				
Cabernet Ltd	6.8	6.3	2027	Purchase of a new Dornier aircraft
Guernsey Housing Association LBG	5.1	4.6	2046	Development of social housing
Guernsey Housing Association LBG	10.0	9.4	2046	Development of social housing
Approved in 2017:				
Guernsey Registry	0.3	0.2	2023	Introduction of a Beneficial Ownership Register
Guernsey Water	9.0	8.4	2046	Refinancing of Belle Greve Long Sea Outfall replacement
Approved in 2018:				
Alderney Housing Association LBG	2.9	2.8	2046	Refinancing of existing borrowings for social housing development
Guernsey Dairy	0.8	0.7	2046	Site purchase
Guernsey Harbour	2.5	2.3	2039	Refinancing of works on Berths 4/5/6
Approved in 2019:				
Guernsey Housing Association LBG	14.0	13.6		Development of social housing
Guernsey Electricity Ltd	13.0	13.0		Part-funding the replacement of the GJ1 cable
Total	184.2	158.0		

CONSOLIDATED HEALTH AND SOCIAL CARE ACCOUNTS

Appendix VI

These consolidated Health & Social Care Accounts comprise net income and expenditure incurred by the Committee *for* Employment & Social Security (E&SS), the Committee *for* Health & Social Care (H&SC) and within Pooled Budgets (PB).

	2020			
	Total £'000s	E&SS £'000s	H&SC £'000s	PB £'000s
Primary Health Care				
<i>Ambulatory Services</i>	2,551	-	2,551	-
<i>Emergency Department</i>	1,905	-	1,905	-
<i>COVID-19 Primary Care Support</i>	1,105	-	1,105	-
<i>GP and Nurse Consultation Grants</i>	3,284	3,284	-	-
	8,845	3,284	5,561	-
Secondary and Tertiary Health Care				
<i>Acute Services provided Off-Island</i>	8,470	-	8,470	-
<i>Guernsey Therapy Group Services</i>	2,665	2,665	-	-
<i>Hospital Services</i>	56,193	4,442	51,751	-
<i>Medical Specialist Group Services</i>	20,472	20,472	-	-
<i>Prescription Drugs and Medicines</i>	17,674	17,674	-	-
<i>Travel Costs</i>	2,868	2,586	282	-
	108,342	47,839	60,503	-
Community Care				
<i>Children and Adult Disability Services</i>	14,745	243	14,502	-
<i>Children and Adult Mental Health Services</i>	14,524	472	14,052	-
<i>Community and Social Care Services</i>	26,763	-	26,236	527
<i>Older People Services</i>	27,267	20,753	6,514	-
	83,299	21,468	61,304	527
Public Health Services				
<i>Prevention and Awareness</i>	6,355	98	6,257	-
<i>Treatments</i>	350	-	350	-
	6,705	98	6,607	-
Net Cost of Providing Health and Social Care Services	207,191	72,689	133,975	527

CONSOLIDATED HEALTH AND SOCIAL CARE ACCOUNTS

Appendix VI

	2019			
	Total £'000s	E&SS £'000s	H&SC £'000s	PB £'000s
Primary Health Care				
<i>Ambulatory Services</i>	2,509	-	2,509	-
<i>Emergency Department</i>	1,742	-	1,742	-
<i>GP and Nurse Consultation Grants</i>	3,288	3,288	-	-
	<u>7,539</u>	<u>3,288</u>	<u>4,251</u>	<u>-</u>
Secondary and Tertiary Health Care				
<i>Acute Services provided Off-Island</i>	11,866	-	11,866	-
<i>Guernsey Therapy Group Services</i>	2,549	2,549	-	-
<i>Hospital Services</i>	55,226	4,383	50,843	-
<i>Medical Specialist Group Services</i>	19,134	19,134	-	-
<i>Prescription Drugs and Medicines</i>	17,499	17,499	-	-
<i>Travel Costs</i>	2,907	2,625	282	-
	<u>109,181</u>	<u>46,190</u>	<u>62,991</u>	<u>-</u>
Community Care				
<i>Children and Adult Disability Services</i>	13,932	319	13,613	-
<i>Children and Adult Mental Health Services</i>	12,304	428	11,876	-
<i>Community and Social Care Services</i>	25,898	-	25,391	507
<i>Older People Services</i>	27,603	20,926	6,677	-
	<u>79,737</u>	<u>21,673</u>	<u>57,557</u>	<u>507</u>
Public Health Services				
<i>Prevention and Awareness</i>	3,424	76	3,348	-
<i>Treatments</i>	320	-	320	-
	<u>3,744</u>	<u>76</u>	<u>3,668</u>	<u>-</u>
Net Cost of Providing Health and Social Care Services	<u>200,201</u>	<u>71,227</u>	<u>128,467</u>	<u>507</u>

Notes:

The above includes an element of administrative and central costs amounting to £19.7m (2019: £20.0m) that have been apportioned across each of the expenditure lines. It excludes costs attributable to the States' Analyst, which are funded from the Committee for Health & Social Care's revenue budget.

Income and Expenditure relating to Non-Government providers of health and social care services, such as General Practitioner's (GPs) is not included. However, the Committee for Employment & Social Security does fund an element of GP and Nurse Consultation Fees.

ATTRIBUTABLE TO ALDERNEY

In February 2016 (Billet d'État III, 2016) the States considered a Policy Letter from the Policy Council entitled "*The Review of the Financial Relationship between Guernsey and Alderney*" and resolved, inter alia: "*To direct the Treasury and Resources Department (and its successors) (in liaison with Departments and Committees) to produce and publish annually best estimate figures for the income derived from sources based in Alderney, and expenditure incurred from the Guernsey Budget on public services provided for Alderney....*" and "*....to establish a simple formulaic method to estimate annually in arrears with effect from December 2016 the contributions to both islands of the e-Gaming sector in Alderney*".

	Note	2020 £'000s	2019 £'000s
Income			
Taxation and duty revenue received by the States of Guernsey	1	8,275	8,623
States of Alderney - capital receipts		8	7
Alderney Gambling Control Commission		1,246	1,413
Total Income		9,529	10,043
Expenditure			
States of Alderney - Net Revenue Expenditure	2	1,710	1,827
States of Alderney - Capital Expenditure		1,286	931
States of Alderney - Economic Development Expenditure		300	300
Transferred Services - Net Revenue Expenditure	3	11,646	11,146
Transferred Services - Capital Expenditure	4	645	548
Aurigny operating loss in respect of Alderney routes		3,500	2,800
COVID-19 Business Support Expenditure		1,175	-
Total Expenditure		20,262	17,552
Net Cost		10,733	7,509

The total direct gross economic contribution to the Bailiwick of the e-Gaming Sector in Alderney is estimated to be £32.3m in 2019 (2018: £28.7m) which comprises £5.5m in respect of Alderney (2018: £5.4m) and £26.8m in respect of Guernsey (2018: £23.3m) including £1.93m (2018: £1.68m) in personal income tax and social security contributions.

ANALYSIS OF SOCIAL SECURITY ATTRIBUTABLE TO ALDERNEY

Appendix VII

	2020 £'000s	2019 £'000s
Income		
Contributions		
Guernsey Insurance Fund	2,169	2,265
Guernsey Health Service Fund	803	837
Long-Term Care Insurance Fund	545	563
States Grant	319	334
Total Income	3,836	3,999
Benefits and Administration Costs		
Guernsey Insurance Fund	5,839	4,892
Guernsey Health Service Fund	1,806	1,700
Long-Term Care Insurance Fund	915	914
Total Expenditure	8,560	7,506
Investing Activities	151	2,266
Net Deficit	4,573	1,241

NOTES

1. Taxation and duty revenue received by States of Guernsey

Income Tax

Individuals - ETI

Individuals - Other

Companies

Banks

Distributions

Total Income Tax

Customs - Excise and Import Duties

Tax on Real Property

Document Duty

Appendix VII

	2020 £'000s	2019 £'000s
Individuals - ETI	3,222	3,642
Individuals - Other	1,906	2,274
Companies	163	185
Banks	24	16
Distributions	131	101
Total Income Tax	5,446	6,218
Customs - Excise and Import Duties	1,405	1,154
Tax on Real Property	1,080	929
Document Duty	344	322
	8,275	8,623

2. States of Alderney - Net Revenue Expenditure

Building and Development Control Services

Expenditure

Income

General Services Committee

Expenditure

Income

Policy and Finance Committee

Expenditure

Income

	2020 £'000s	2019 £'000s
Expenditure	65	70
Income	(26)	(36)
	39	34
Expenditure	1,400	1,603
Income	(42)	(202)
	1,358	1,401
Expenditure	1,554	1,605
Income	(1,241)	(1,213)
	313	392
	1,710	1,827

3. Transferred Services - Net Revenue Expenditure

Policy & Resources Committee

Policy & Strategy

External Affairs

Digimap services

Information Systems & Services

Shared Services Centre

States' Property Services

Payments to States Members

HE Lieutenant Governor

Revenue Service

Cadastre

Alderney civil service

Treasury

Insurance

	2020 £'000s	2019 £'000s
Policy & Strategy	42	53
External Affairs	19	18
Digimap services	(7)	(13)
Information Systems & Services	232	198
Shared Services Centre	21	14
States' Property Services	23	22
Payments to States Members	59	57
HE Lieutenant Governor	26	25
Revenue Service	73	73
Cadastre	16	20
Alderney civil service	87	94
Treasury	33	17
Insurance	56	53
	680	631

3. Transferred Services - Net Revenue Expenditure (continued)

	2020 £'000s	2019 £'000s
Committee for Economic Development	15	61
Committee for Education, Sport & Culture		
St Anne's School	1,712	1,810
Special Schools	6	5
College of Further Education	244	167
Higher Education	120	91
Travel, Subsistence and Accommodation	11	53
School and Pupil Support Services	1	2
Central support services and management	106	115
Special Needs Support	51	42
Other	87	82
	2,338	2,367
Committee for Employment & Social Security		
Administration	74	78
Legal Aid	48	17
Severe Disability Benefit and Carers' Allowances	210	199
Family Allowance	152	169
Income Support	1,030	899
Concessionary TV Licences for the Elderly	2	13
Social Insurance Fund – Grant	319	334
	1,835	1,709
Committee for the Environment & Infrastructure		
Alderney Breakwater	88	83
Other	(28)	(30)
	60	53
Committee for Health & Social Care		
Mignot Memorial Hospital	2,108	1,937
Princess Elizabeth Hospital - inpatient	432	423
Diagnostic Services and Hospital Administration	785	755
Emergency & Day Patient Hospital Services	161	149
Private patient income	(304)	(287)
Children's Services	87	129
Adult Services	95	137
Off island - complex placement	12	14
Acute Off islands treatment	245	342
Management & Strategy	440	267
	4,061	3,866

NOTES

3. Transferred Services - Net Revenue Expenditure (continued)

Committee *for* Home Affairs

Domestic Abuse Strategy	4	5
Law Enforcement	1,066	1,081
Probation Service	2	3
Trading Standards	1	2

Appendix VII

	2020 £'000s	2019 £'000s
	1,073	1,091
Scrutiny Management Committee	16	17
Overseas Aid & Development Commission	65	93
Law Officers	288	269
States' Trading Supervisory Board		
Alderney Airport	1,215	989
	11,646	11,146

4. Transferred Services - Capital Expenditure

Policy & Resources Committee

Committee *for the* Environment & Infrastructure

Alderney Breakwater

States' Trading Supervisory Board

Alderney Airport

	2020 £'000s	2019 £'000s
	-	51
	434	399
	211	98
	645	548

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VIII

The States financial procedures require the Policy & Resources Committee to report annually on the use of delegated financial authority.

The Committee approved the following increases in 2020 revenue budgets:

	£
Pay Awards	13,564,850
COVID-19 response	
Primary Care	1,065,500
Revolving Credit Facility – set-up costs	860,517
Travel testing	535,000
Alderney Airport – income	254,500
Beau Sejour	150,000
IT projects – revenue impact	138,200
Other	198,300
2020 General Election	589,400
Committee for Health & Social Care	
Seasonal flu vaccine	226,000
Orthopaedic inpatient waitlist initiative	222,000
Miscellaneous non-recurring cost pressures	183,900
Total	17,988,167

The following capital projects have been approved, funded from the Capital Reserve:

Major Capital Projects	£
Guernsey Airport Hold Baggage System - upgrade	5,026,851
Revenue Service Programme	4,150,000
Hospital Modernisation (Phase 1) - project planning	2,850,000
Cremator and emissions equipment - replacement	2,840,000
Guernsey Institute – project planning	1,908,200
Future Guernsey Dairy – project planning	1,895,000
Law Enforcement radios – replacement	1,556,000
Radiology Equipment - replacement	1,253,000
Electronic Patient Record system - replacement	1,200,000
COVID-19 airport & harbour testing facilities	1,013,500
Transforming Transactional and Business Support Services	916,241
Online Passport system – upgrade	857,000
Education end user devices – life cycle refresh	704,300
St Sampson Fire Main - replacement	570,000
Social Security contributions system - replacement	550,000
COVID-19 Vaccination Programme IT System	350,000
IT Transformation	285,000
Seafront Enhancement Area – project planning	250,000
Guernsey Runway Extension – project planning	181,650
St James LBG – Grant	177,000
The Guernsey Botanical Trust LBG - Grant	100,000
Other (less than £50,000 per project)	65,000
Total Major Capital Projects	28,698,742

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VIII

Minor Capital Projects

Information Technology

£

Corporate

End user devices - life cycle refresh	2,104,912
Virtual Call Centre	140,800
Managed Print Service	138,000
COVID-19 testing IT system	85,000
Other (less than £50,000 per project)	339,878

2,808,590

Committee for Economic Development

Registry System - upgrade	204,750
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Committee for Education, Sport & Culture

End user devices - life cycle refresh	81,768
IT equipment - upgrade	27,112

108,880

Committee for Health & Social Care

COVID-19 Track & Trace IT software	197,545
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Committee for Home Affairs

Economic Crime Reporting System - upgrade	175,000
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Total Information Technology

3,494,765

Medical Equipment

£

Committee for Health & Social Care

COVID-19 - additional medical equipment	714,112
Radiopharmacy - refurbishment	242,000
Radiology Information System - replacement	239,348
Nursecall system- replacement	200,000
Hospital Beds - replacements	294,641
COVID-19 - On-island testing laboratory equipment	62,000
Other (less than £50,000 per project)	471,600

Total Medical Equipment

2,223,701

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VIII

Property Maintenance and Minor Works	£
Corporate	
Sir Charles Frossard House Meeting Rooms - refurbishment	128,094
L'Eree Public Conveniences - refurbishment	55,000
Other (less than £50,000 per project)	111,743
	294,837
Committee for Education, Sport & Culture	
Delancey Campus pitched roof – replacement (phase 2)	159,000
Beau Sejour boiler - replacement (phase 2)	155,000
Maritime Museum environmental control plant - replacement	150,000
Grammar School roofing - replacement (Phase 2)	118,250
Le Rondin School roof - repairs	54,000
Other (less than £50,000 per project)	114,375
	750,625
Committee for the Environment & Infrastructure	
Alderney Breakwater – maintenance contract	400,000
Bus Yard resurfacing	135,000
Alderney Breakwater - repairs	105,000
South Coast cliff path - repairs	59,930
Slaughterhouse hot water cylinder – replacement	25,646
	725,576
Committee for Health & Social Care	
COVID-19 - Princess Elizabeth Hospital preparation works	250,000
De Sausmarez Ward - reconfiguration	145,781
Princess Elizabeth Hospital Building Management System Control - replacement	124,510
Incinerator - repairs	119,222
Princess Elizabeth Hospital electrical distribution board - replacement	72,763
Other (less than £50,000 per project)	83,254
	795,530
Committee for Home Affairs	
Police Garage roof & fascia - replacements	170,000
Prison Gym air handling units - replacements	64,100
Town Arsenal roof - replacement	85,000
Guernsey Prison hot water cylinder - replacement	63,771
Other (less than £50,000 per project)	24,585
	407,456
States' Trading Supervisory Board	
Alderney Airport Terminal roof - repairs	23,860
Total Property Maintenance and Minor Works	2,997,884
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Coastal Repairs	
£	
Committee for the Environment & Infrastructure	
Cobo Bay Sea Wall - repointing and repairs	476,000
Other (less than £50,000 per project)	52,240
	528,240
Total Coastal Repairs	528,240
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USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VIII

Road Resurfacing and Reconstruction	£
Committee for the Environment & Infrastructure	
Val Des Terres	240,000
Icart Road	171,000
Route Des Sages and Rue De L'Eglise	145,000
Rue De La Lande, Castel	127,000
Rue du Friquet	118,000
Les Portes and Route Des Quartiers	111,000
Sohier Road	87,000
La Croute Lane and La Ruelle	81,000
Rohais de Bas	81,000
La Rue Des Agneaux and La Villiaze Road	76,000
Ruelle Des Courtillets	73,000
La Vielle Rue, St Sampson	69,000
Roland Road	66,000
Le Foulon	65,000
La Neuve Rue, St. Peter Port	63,000
La Rue Des Escaliers	61,000
Rue De Houmet	59,000
Other (less than £50,000 per project)	409,000
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Total Road Resurfacing and Reconstruction	2,102,000
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Vehicles & Other Equipment	
	£
Committee for Education, Sport & Culture	
Beau Sejour pool filters - replacement	54,000
Other (less than £50,000 per project)	71,348
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	125,348
Committee for Health & Social Care	
3 Roll Ironer - replacement	300,000
General Service vehicles - replacements	189,409
Blast Chillers - replacement	118,200
Adult Disability vehicles - replacement	92,365
Other (less than £50,000 per project)	67,349
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	767,323
Committee for Home Affairs	
Body-worn video cameras – replacement	103,339
ION scanner – replacement	86,516
Bomb Disposal equipment - replacement	53,141
Other (less than £50,000 per project)	132,657
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	375,653
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Total Vehicles & Other Equipment	1,268,324
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Total Minor Capital	12,614,914
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USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VIII

States of Alderney	£
Connaught (Phase 3)	1,290,000
Connaught (Phase 2)	400,000
Refuse Collection vehicle - replacement	93,000
Water Board Distribution Improvements (Phase 9 – Upper Section)	55,000
Other (less than £50,000 per project)	538,000
Total States of Alderney	2,376,000

Future Guernsey Economic Fund	£
Guernsey Retail Group	280,000
University Working Group	250,000
Locate Guernsey	200,000
Total Future Guernsey Economic Fund	730,000

Transformation and Transition Fund	£
Transforming Health & Social Care	1,189,000
International Public Sector Accounting Standards	1,000,000
Public Service Reform	210,000
Total Transformation and Transition Fund	2,399,000

The following property purchases and sales have been approved by the States' Trading Supervisory Board:

<u>Purchases</u>	£
Wayleave	
Irene & Robin Quarries, Route de Cobo	1
Les Naftiaux Villa	1
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	2
Conveyance by way of exchange and agreement (definition of boundaries)	
Area of Land and Substation at Le Petit Marais / Marais Quarry	1
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Total Purchases	3
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<u>Sales</u>	
Conveyance by way of exchange and agreement (definition of boundaries)	
Area of Land and Substation at Le Petit Marais / Marais Quarry	1
Area of Land, Rue du Pont Vaillant	-
Installation / access to drain, Fontaine Vinery	-
Le Caprice / Le Guet, Albecq	-
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	1
	<hr/>
Total Sales	1
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