

THE STATES OF DELIBERATION

Of the

ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE STATES OF GUERNSEY ACCOUNTS 2023

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 2023.

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

STATES OF GUERNSEY ACCOUNTS 2023



States of
Guernsey

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SECTION 1

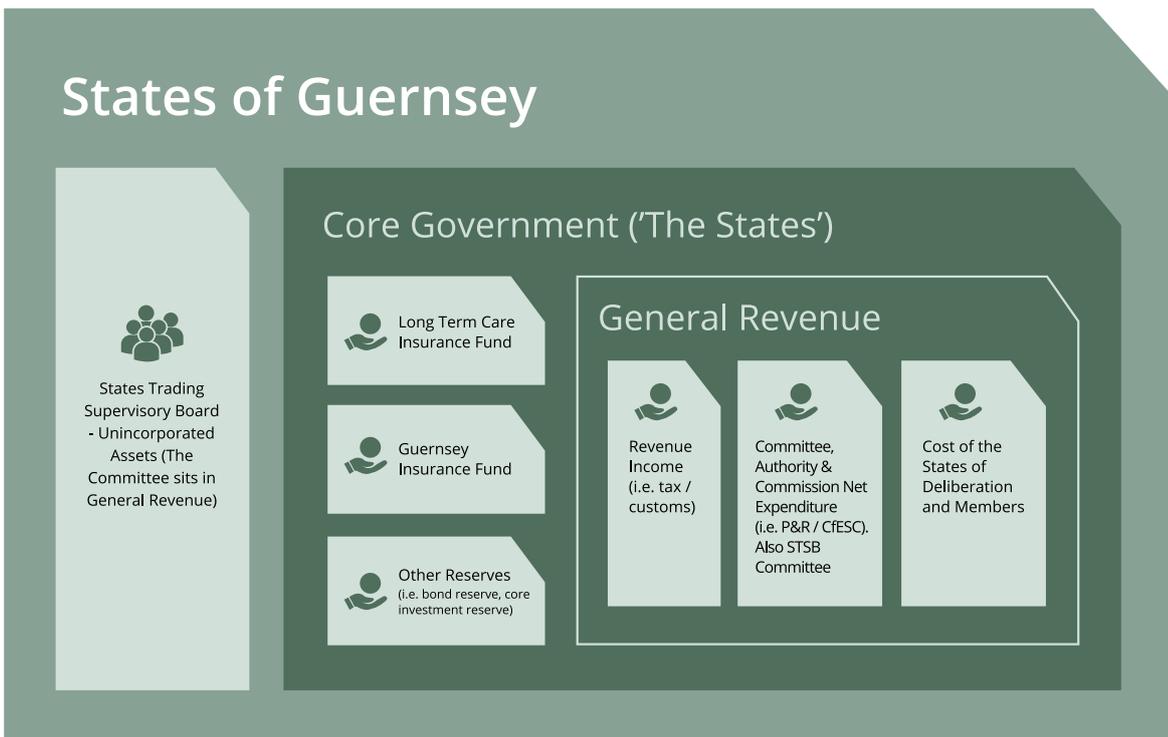
STATES TREASURER'S REPORT



1. Introduction

These financial statements and associated appendices represent Core Government activities of the States of Guernsey [SOG] and comply with the published accounting policies.

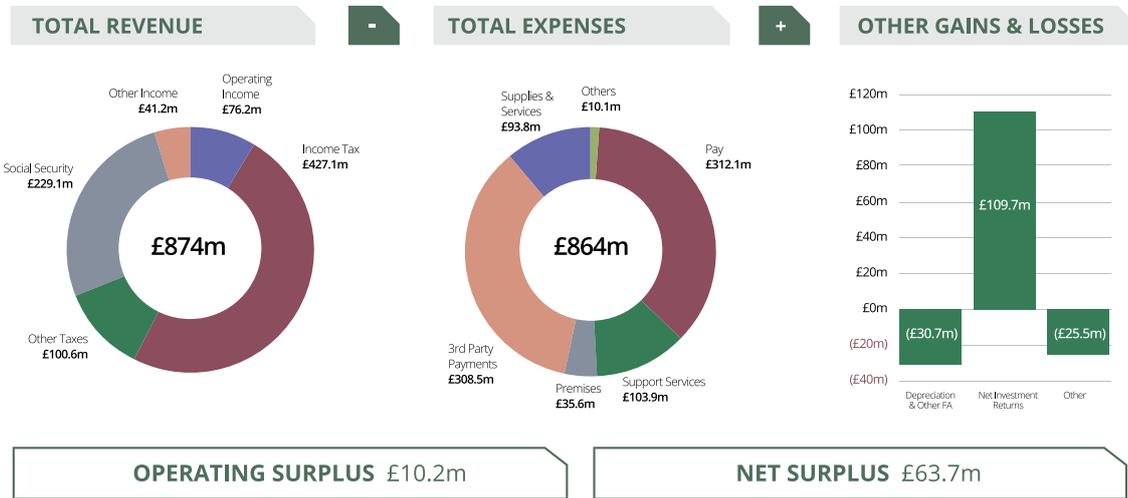
SOG manages finances at multiple levels. The key levels relating to these accounts are shown below:



Terms and abbreviations used in these accounts are explained in Appendix I – Glossary.

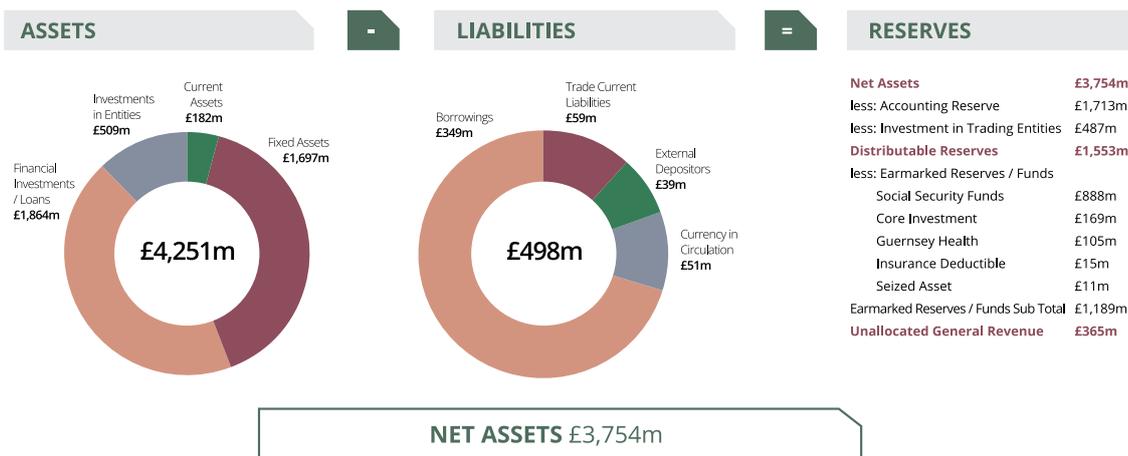
2. Summary Financial Performance - The States

2.1 Revenue & Expense Performance



Total revenue across SOG exceeded expenses in 2023 by £10.2m. Improved tax take, driven by wage inflation and higher interest rates leading to increased banking profits, along with improved operating income more than offset the increase in pay costs and benefit payments which were also driven by inflationary increases. Strong investment returns, turning around the loss in 2022, resulted in a net surplus of £63.7m. It should be noted that most investment returns are unrealised or reinvested.

2.2 Net Assets Performance



The States of Guernsey is maintaining a healthy balance sheet with a balanced split of assets across the fixed asset base, financial investments through the General Investment Portfolio [GIP] and the investments in the unincorporated assets (Ports, Waste, Water, Works and Dairy). The removal of the Public Servants' Pension Scheme [PSPS] assets in 2023 results in a clear picture of assets that SOG can deploy to meet its objectives. Liabilities are split between the 2014 bond issue and day to day operating liabilities.

3. Financial Performance Year on Year

	2023	2022	Movement	Movement
	£m	£m	£m	%
Income	874.2	806.6	67.6	8.4%
Pay Expenditure	(312.1)	(287.3)	(24.9)	(8.7%)
Non-Pay Expenditure	(551.8)	(524.4)	(27.4)	(5.2%)
Operating Surplus	10.2	(5.1)	15.3	>100%
Investment Returns	109.7	(88.6)	198.3	>100%
Fixed Asset Charges	(30.7)	(29.5)	(1.2)	(4.0%)
Finance Charges and Other Costs	(25.5)	(16.5)	(9.0)	(54.3%)
Net Surplus / (Deficit)	63.7	(139.7)	203.4	>100%

The net surplus for 2023 was £63.7m turning around a 2022 deficit position (£139.7m).

Income was broadly in line with economic factors (lower document duty offset by higher tax take from individuals) the main driver. Inflation was a key factor in expenditure increasing by 6% on 2022.

Pay, the largest expenditure increase, was 8.7% (£24.9m) up on 2022. This increase was due to pay awards in line with the three year pay deals agreed (£16.3m), backdating of the award to certain groups not finalised in 2022 (£6.1m) and the increase in FTEs (142).

Non pay expenditure increased 5.2%; most items were close to this increase except premises costs which increased by 12.3% due to repairs & maintenance.

Overall, this results in an Operating Surplus of £10.2m versus an Operating Deficit in 2022 of £5.1m. The growth in income (linked to earnings) was significantly more than the growth in costs which have a delayed link to inflation.

Investment returns offset the 2022 losses and returned a 3-year growth of £23.1m or 1.2%.



3.1 Financial Performance Versus Budget

The comparison to budget focuses on General Revenue, including all Committee income and expenditure.

	2023 Actual £m	2023 Budget £m	Variance £m	Variance %
Income	600.2	582.2	18.0	3.1%
Pay Expenditure	(307.1)	(309.6)	2.5	0.8%
Non-Pay Expenditure	(253.5)	(262.7)	9.2	3.5%
Operating Surplus / (Deficit)	39.5	9.9	29.6	>100%
Capital Income	1.6	3.0	(1.4)	(47.0%)
General Revenue Surplus / (Deficit)	41.1	12.9	28.2	>100%
Investment Gains / (Losses)	34.3	26.6	7.7	28.8%
Transfer to General Reserve	75.4	39.5	7.7	19.4%

Income was £18.0m favourable to budget with Tax from employment income [ETI] (£8.5m) and Other Taxation, mainly Banks (£11.3m) more than compensate for a shortfall in Document Duty (£6.6m).

Total expenditure was £11.7m favourable to the budget made up of:

- Committee net expenditure (operational income less expenditure) which was £3.4m (0.6%) adverse to budget; and
- Centrally held amounts (savings targets, budget reserve and service developments) of which £15.2m was unspent.

The Committee net expenditure adverse variance was predominately due to the Committee for Health & Social Care (CfHSC) which was £4.0m (1.8%) overspent versus budget. This was due to increased cost pressure in staffing, prescriptions and children's services. The total of other Committees was £0.6m favourable to the budget with CfESC £0.6m adverse, and favourable variances in both CfESS (£0.7m) and Overseas Aid & Development Commission (£0.5m). The remaining Committees had variances of less than £0.25m to budget.

Centrally held amounts are established each year for unforeseen situations and improvement in services or net cost neutral opportunities. In response to the fiscal challenges, The Policy & Resources Committee [P&R] asked for restraint in in these areas in early 2023. Control and prudent management of this area leads to the significant residual balance of £15.2m against a starting budget allocation of £33.8m.

In 2023, funding was provided in order to fund the overdraft of the Ports while recovery plans are put in place. The final 2022 total was £4.9m (£6.2m budget).

4. Changes in Presentation

4.1 Changes relating to the future transition to IPSAS

SOG is continuing the approved path to compliance with International Public Sector Accounting Standards [IPSAS]. The 2023 accounts represent the second year of the final three-year realignment of accounting policies that will see the next set of accounts (Year ended December 2024) being fully compliant with IPSAS. The 2023 accounts are not compliant with IPSAS and continue to follow the published accounting policies as described in the accounts. The realignments introduced in these accounts are concentrated on four elements:

4.1.1 Recognition of Trading Entities

The asset value of the States' internal unincorporated trading entities (Guernsey Ports, Guernsey Water, Guernsey Dairy, States Works and Guernsey Waste) has been recognised on the Statement of Financial Position. This has had the effect of increasing assets by £396m when restating the position at 1st January 2022. The value at the end of 2023 stood at £391m. This change also means that any owner contributions, whether for capital spend or the elimination of losses, will no longer be recognised as expenditure but will be shown in the Statement of Financial Position and the Statement of Movement in Reserves. The Statement of Financial Performance will include any annual impairment on the investment.

4.1.2 Social Benefits

A change in accounting policy with respect to Social Benefits to align with IPSAS 42. Social Benefits are classed as cash transfers to individuals or households who meet the eligibility criteria with the intention of mitigating the effect of social risks and addressing the needs of society as a whole. This results in additional disclosures and the recognition of the full value of social benefits once the conditions for the benefit to be paid have been met. The current assets balance fell by £4.3m at the beginning of 2022 due to the full cost of the benefit being recognised in the year the qualifying criteria are met, as opposed to prepaying the benefit based on the period the benefit covers which was previously the policy.

4.1.3 Intangible Assets

The impact of recognising intangible assets is significantly less than when tangible fixed assets were recognised in the 2022 Accounts as only those intangible assets acquired from 2023 onwards or the development of internally generated intangible assets commenced in 2023 being recognised.

4.1.4 Investments

SOG has increased the level of disclosure in relation to investments in this year's accounts. This moves the financial instrument reporting significantly closer to requirements of IPSAS 28 & 30. This also helps the users of the accounts better understand the returns and the risk and liquidity profiles of the investments. See Notes Relating to Portfolio Investments & Financial Risk Management section in the accounts.

4.2 Other Changes

4.2.1 Public Servant's Pension Scheme Investment Portfolio (PIP)

On 1st January 2023, following separate legal advice provided, the SOG concluded that the PIP assets should be held on a segregated basis from the States' other investments. Whilst it had previously been included in the Consolidated Investment Fund pool of assets, the advice was that it should be held on a segregated basis from the rest of the States' investments. Previously the scheme assets were shown as part of the Consolidated Investment Fund and an equal amount showing in liabilities as a depositor. There is no change in the net assets, contribution rates or other costs in the SOG accounts as a result of this change. SOG has elected to continue to report the same level of disclosure in the notes to the accounts for the scheme to ensure that users of the accounts retain the same level of information. See the Notes Relating to the Public Servants' Pension Scheme section in the accounts.

4.2.2 Accounting Adjustment Reserve

SOG has changed the name of the Fixed Asset Recognition Reserve to the Accounting Adjustment Reserve. This reserve was established in 2022 for the purpose of recognising the fixed assets in the accounts. This was a material change and the only transaction in this reserve. With additional changes resulting from accounting policy amendments, it is proper to rename this reserve. It is also envisaged that this name will re-enforce the position that this is purely a bookkeeping reserve and it is not a distributable reserve.

4.2.3 Other Funds

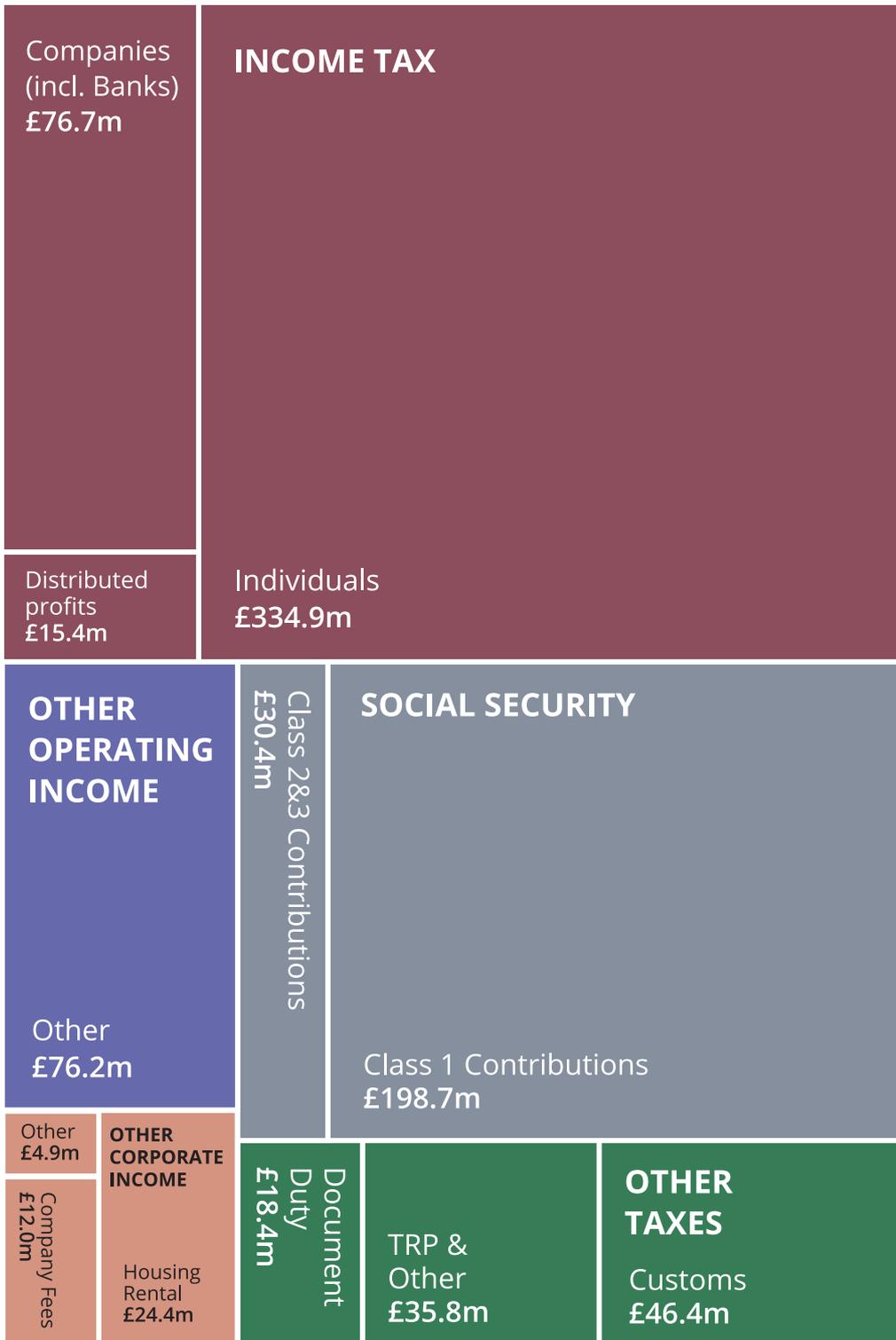
SOG has elected to maintain additional detail on the investment returns, costs and transfers associated with the Guernsey Insurance Fund [GIF] and the Long-Term Care Insurance Fund [LTCIF]. Both funds have a requirement to prepare, audit and lay accounts before the States of Deliberation [SoD] annually. The Committee for Employment & Social Security [CfESS], with guidance from the SOG finance team, has determined that the level of detail provided in this report and the accounts satisfies the requirements for accounts under the legislation. This will be reviewed on an ongoing basis.



5. Financial Performance

5.1 Income Review

Total income for the year to December 2023 was £874.2m



5.1.1 Income Tax

48.9% of the States income was from income tax in 2023, up from 48.3% in 2022. Income tax increased £37.9m on 2022.

Tax from employment income (ETI) was £334.9m an 8.7% nominal increase on 2022. This represents 1.4% real terms increase driven by wage inflation (median earnings up 7.0%) and employment which increased by 0.9% with 31,592 people employed or self-employed at the end of December 2023.

Other income tax was £92.1m up from £81.0m in 2022. Banking profits increased in 2023 in large part due to rapidly increasing interest rates widening margins. This resulted in an increased tax take in 2023 which is likely to start to normalise in 2024. This represented £10.2m of the £11.1m increase.

5.1.2 Social Security Contributions

Social Security Contributions totalled £229.1m up £20.6m on 2022 (9.9% nominal / 2.5% real terms). Similar to income tax this was driven by wage inflation and higher employment.

5.1.3 Other Taxes

The income from Other Taxes, comprising Excise and Import Duties, Tax on Real Property, Document Duty and Vehicle First Registration Duty, totalled £100.6m in 2023 a decrease of £4.0m (3.8% nominal) from 2022.

Customs Duties increased £2.8m on 2022 to £46.4m, a 0.7% real terms decrease. Motor fuel (45% of the 2023 performance) was up £0.9m. Duty charges increased on tobacco (11%), alcohol (7.5%) and fuel (6%).

Document Duty decreased significantly by £10.6m in 2023 to £18.4m. Local market transactions were down 20.5% on 2022 with both 2021 and 2022 being peak years in the housing market cycle. 2023 activity was impacted by cost of living and increased mortgage rates.

5.1.4 Other Corporate & Operating Income

Other corporate income & operating income together increased £13.1m to £117.4m. Fees & Charges increased £5.6m to £32.6m (13.2% real terms) and sales income increased £1.2m to £16.4m (1.2% real terms). Of this total increase of £6.8m:

- CfHSC increased £2.7m to £11.2m a 24% real terms increase; and
- Housing rental increased £2.5m to £24.4m (4.7% real terms).

5.2 Expenditure Review

5.2.1 Pay

The total expenditure on Pay (which includes temporary and agency staff together with States Members' remuneration) during 2023 was £312.1m (2022: £287.3m). This is a real terms increase of 1.4%.

Pay awards across most pay categories of 7.0% / £16.3m basic pay were the main driver, together with an increased FTE of 142 from 4,916 in 2022 to 5,058 in 2023. This is an increase of 2.9% of total headcount. 72% of the increase in FTE was in frontline services (nurses and consultants up 65 and teachers, lecturers & teaching assistants up 42). Finally, the pay awards in several areas, including nursing and teaching had elements backdated to 2022 as the pay award was not agreed until 2023 totalling £6.1m across all categories affected.

Pay costs were 36.1% of overall revenue expenditure (up from 35.4% in 2022).

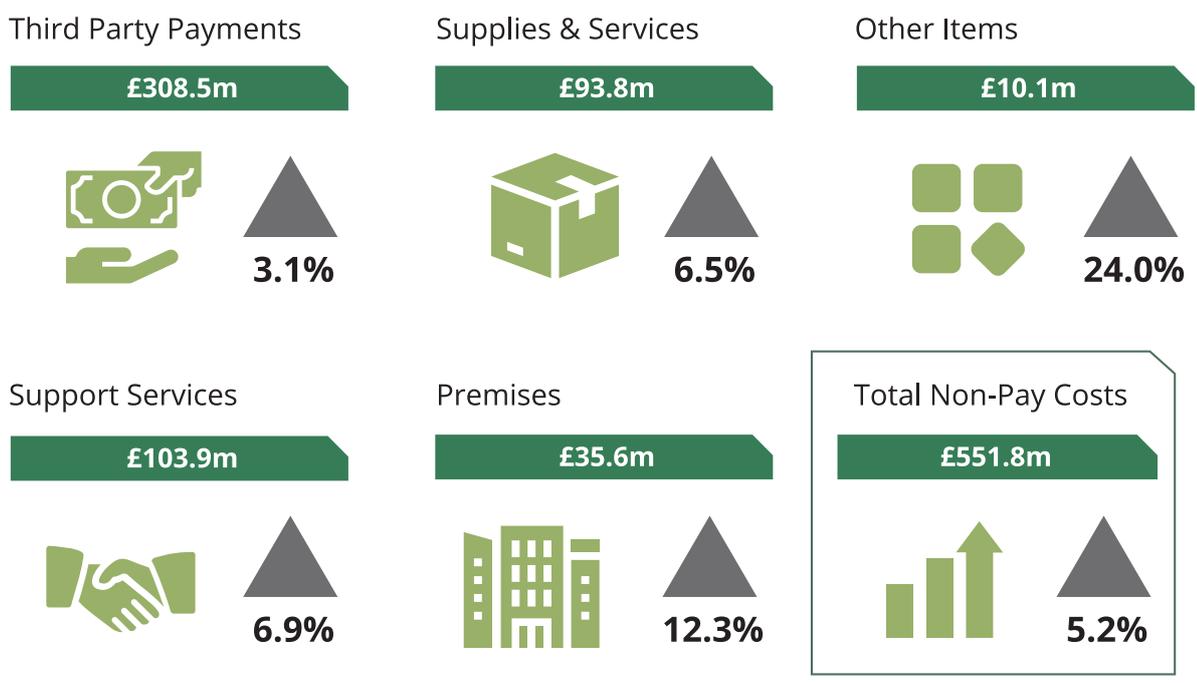
Note 5 in the accounts details the number of employees whose gross cost of employment exceeds £105,000. This £105,000 threshold does not simply relate to employees' salary or wages but to the total costs of employment which include employer pension and social insurance contributions along with any other ancillary costs. An employee with a total cost of employment of £105,000 is likely to earn approximately £90,000 per annum (including overtime and allowances, if applicable). The changes in numbers at each banding level when compared to 2022 are in the main due to the impact of 2023 pay awards.

This group represents 11% of the total pay of the States. There has been a material increase in the number of staff in this group up 71 to 230 with the majority being nurses (up 46) and teachers (up 13). These increases have been impacted by the backdated pay award that was paid in 2023 but included pay increase relating to 2022. Without this backdating the increase would be 46 with nurses (up 22) and teachers (up 9).

5.2.2 Non-Pay

Consolidated non-pay expenditure totalled £551.8m in 2023, up 5.2% on 2022. Inflation was the largest driver of cost increases during 2023. Stripping out inflation there was a real terms reduction in non-pay expenditure of 1.8%.

The diagram overleaf shows the total 2023 spend and the nominal increase on 2022 spend for the key areas in non-pay.



5.2.3 Depreciation

Depreciation stood at £29.0m down £0.2m versus 2022.

5.2.4 Investment Return

2023 provided a positive investment return totalling £108.8m, including £7.1m of interest. This compares to a loss in 2022 of £88.6m. Details of the investment performance are in the notes to the accounts (Note 13 and the Portfolio Investments & Financial Risk Management Section) and in the investments' section of this report. In addition, the States' Investment Board Annual Report is included as Appendix X

5.3 Financial Position

5.3.1 Fixed Assets

The net book value of assets (additions less depreciation) increased by £9.8m (0.6%) in 2023. This included £39.2m of spend in 2023 and £19.2m of projects completed and capitalised. Details of project expenditure are in appendix IV.

5.3.2 Financial Investments

An investment return is the gain or loss that an investment generates over a period of time. A positive return indicates a profit, while a negative return indicates a loss. The return on an investment includes any income that the investment generates (e.g., interest, dividends) as well as capital gains (price increases) and often includes the management expenses. Gains in the General Investment Portfolio (GIP) are primarily unrealised. An unrealised gain is when the investment has not been sold but the fair market value has increased. A realised gain is when an investment is sold for a higher price than it was purchased.

The closing balance of the Consolidated Investment Fund as at 31 December 2022 was £3,214m. On 1 January 2023, £1.521bn of investments were transferred out of the GIP. They were moved into the separate PIP, to reflect the scheme members' beneficial ownership of the scheme assets. The total value of financial investments in the GIP and Cash Portfolio at the end of 2023 was £1,689m. The PIP position was £1,593m.

Activity in 2023 saw a £108m investment gain (with an additional £104m relating to the PIP outside of the consolidated States position) and net cash withdrawals of £107m to cover in-year operational and capital expenditure commitments.

The 31st December valuations of private assets and some other illiquid investments are often not finalised until after the cut off for the production of the accounts. Therefore, the latest available valuations are used which may be based on 30th September, or earlier. Since finalising the accounts, the 2023 accounts for the Guernsey Investment Fund have been received showing a fall in the value of that fund which would have an impact of reducing financial assets by £10.4m. This change has not been reflected in the 2023 accounts and is unrealised.

SOG manage the GIP as a single portfolio of investments and all investments are held in the name of the States of Guernsey and accounted for as an asset within the Statement of Financial Position. Note 2.6 in the Notes Relating to Portfolio Investments & Financial Risk Management section to the Accounts includes a list of the managers of the GIP.

The Statement of Financial Position includes Depositors, which are separate entities or parties which have deposited cash balances with SOG, as current liabilities.

After a challenging 2022, investment markets recovered in 2023. The first quarter of the year saw markets rising as investors gained confidence that the anomaly of 2022, when both bond and equity markets fell, was not going to be repeated. However, quarter two saw renewed fears about stagnating growth rates, combined with fears that, despite aggressive interest rate hikes by central banks, the spectre of inflation had not been defeated. And finally geopolitical tensions continued with the ongoing conflict in Ukraine compounded by the start of a new conflict between Israel and Palestine, sending markets lower.

By the final quarter of 2023, a growing belief that growth was proving more than acceptable, and interest rates would soon start heading lower stimulating growth further prevailed. Consequently, markets rallied into year end, producing the returns shown in the box below. It is worth mentioning that not every market was positive over the year. Notably, China registered a negative return as the country continued to grapple with the after effects of the COVID pandemic.

Investment Type	Reference Benchmark	2023 Return
Global Equities	MSCI All World Count Index in £ Terms	15.3%
Global Bond	FTSE World Government Bond Index £ Hedged	5.5%
Emerging Market Equities	MSCI Emerging Markets in £ Terms	3.6%
UK Equities	FTSE All Share Index	7.9%
UK Bonds	FTSE Actuaries UK Conventional Gilts All Stocks Index	3.7%

Against this backdrop, the two portfolios overseen by the States' Investment Board performed positively but below expectations. The GIP generated a positive return of 6.7% and the PIP 6.9%. The underperformance was largely due to poor performance from large legacy holdings in property and private assets, both of which are being restructured to better position them for improved performance moving forward.

The following table details the returns achieved by the GIP compared to the targets:

	Trailing 1 Year Per Annum	Trailing 3 Year Per Annum	Trailing 5 Year Per Annum
Return at 31 December 2023	6.7%	1.2%	4.7%
Target: Consumer Price Index +5%	9.1%	11.9%	9.5%

In line with SOG's Permitted Investment Rules P&R has appointed an independent specialist sub-committee, known as the States Investment Board (SIB), to oversee the investment management and administration of the investment Funds under the Committee's delegated responsibility. The SIB acts on behalf of P&R, as detailed in its Terms of Reference, to fulfil the mandate and achieve the investment objectives agreed with P&R. The SIB Annual Report is included in these accounts in Appendix X.

5.4 Movement on Reserves

5.4.1 General Revenue Reserve

The purpose of the General Revenue Reserve is to hold funds for the ongoing operations of the States of Guernsey for both revenue and capital expenditure.

The unallocated balance on the General Revenue Reserve increased to £361.9m at the end of 2023, driven by the surplus. The majority of this balance is earmarked for the funding of future capital projects.

Appendix IV details the capital expenditure which comprises £9.9m of major capital projects and £21.0m of minor capital spend on the everyday replacement of equipment and vehicles, renewal of roads and investment in property assets.

5.4.2 Core Investment Reserve

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.

The balance of the Core Investment Reserve increased to £168.6m at the end of 2023 representing 29% of the General Revenue Income which is in line with 2022. To attain the target of 100% of General Revenue Income an additional £419m (2022: £384m) would need to be added to this reserve.

5.4.3 Bond Reserve

At the end of 2023, there was a balance of £309.7m (2022: £300.2m) outstanding in respect of loans made from the proceeds of the £330m States of Guernsey bond issue (Appendix V). 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 5.5%. The agreed policy 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.

6. Governance

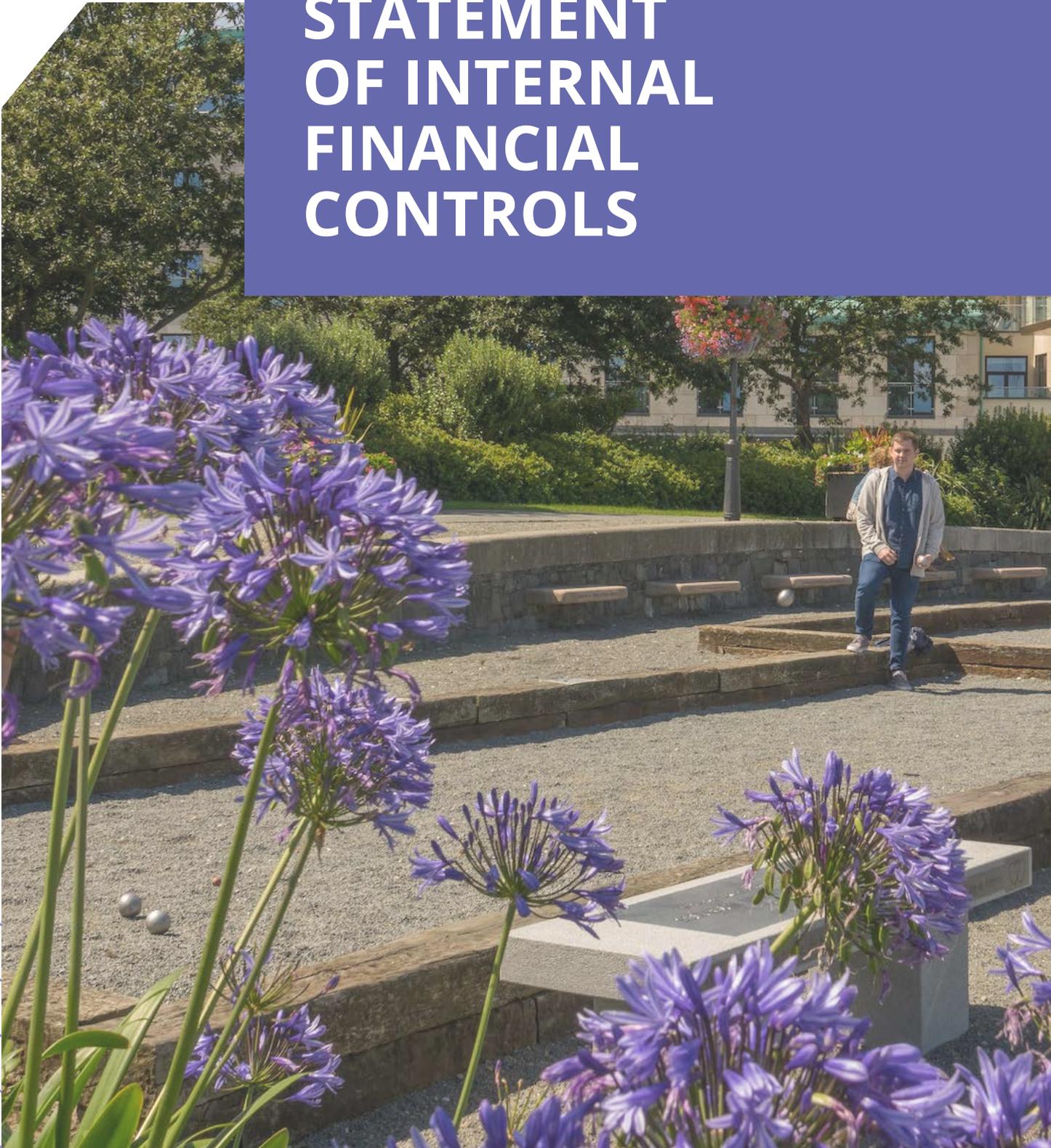
Guernsey is a Crown Isle situated in the Bay of St. Malo west of the Normandy coast, with its own laws and customs based originally on Norman practice. Effectively independent yet coming under the protective wing of the British Government, Guernsey is a part of the British Isles but not the United Kingdom (UK). The UK Government is responsible only for the Bailiwick's international representation and defence.

The Parliament is referred to as the States of Deliberation [SoD], and has the power to raise taxation, determine expenditure and pass legislation within the Bailiwick. The States of Guernsey (SOG) refers to the function of government. The Policy & Resources Committee (P&R) is the senior Committee of the States and has mandated responsibility for submitting the annual Accounts to the SoD.



SECTION 2

STATEMENT OF INTERNAL FINANCIAL CONTROLS



1. Statement of Internal Financial Controls

It is the responsibility of the Policy & Resources Committee, on behalf of the States of Deliberation to identify and install a system of internal controls, including financial control, which is adequate for the purposes of the States of Guernsey. This system of internal controls is then passed to each Committee, Authority and Board which they work within to deliver the same controls in each area. 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 internal audit reports to be distributed to Senior Leadership, the Scrutiny Management Committee and external audit; and
- Regular review of the performance and security of the States' financial assets.

The States of Guernsey 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 regular review and improvement. Changes to accounting policies are reviewed and approved by the Policy & Resources Committee.



SECTION 3

INDEPENDENT AUDITORS REPORT

Independent Auditor's Report to the Policy & Resources Committee

1. Opinion

We have audited the financial statements of the States of Guernsey (the 'States') for the year ended 31 December 2023 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 financial statements for the year ended 31 December 2023 are prepared, in all material respects, in accordance with the accounting policies stated in note 1 to the financial statements.

2. 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.

3. Emphasis of matter - Basis of Accounting

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. Our opinion is not modified in respect of this matter.

4. 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. 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.

5. Matters on which we have agreed 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 financial statements are not in agreement with the accounting records; or
- the States Treasurer's Report is 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.

6. Responsibilities of the Committee for the financial statements

As explained more fully in the Statement of Responsibilities for the Preparation of Annual Accounts, the Committee is responsible for the preparation of the financial statements 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.

7. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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.
- 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 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.

8. Use of our report

This report is made to the States of Guernsey. Our audit work has been undertaken so that we might state to the Policy & Resources 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 States of Guernsey, for our audit work, for this report, or for the opinions we have formed.



Grant Thornton Limited

Chartered Accountants
St Peter Port, Guernsey

Date: 28th May 2024

SECTION 4

PRIMARY FINANCIAL STATEMENTS



Statement of Financial Performance

	Note	2023 £'000s	2022# £'000s
Income			
Income Taxes	2	427,082	389,195
Social Security Contributions	3	229,140	208,580
Other Taxes and Duties	4	100,587	104,566
Income from Operating Activities		76,163	66,382
Other Corporate Income	5	41,192	37,858
		874,164	806,581
Expenditure			
Pay	6	(312,132)	(287,278)
Third Party Payments	7	(308,532)	(299,385)
Support Services	7	(103,869)	(97,148)
Supplies and Services	7	(93,753)	(88,061)
Premises	7	(35,573)	(31,675)
Staff Related Non-Pay Costs	7	(8,437)	(6,390)
Transport	7	(1,685)	(1,773)
		(863,981)	(811,710)
		10,183	(5,129)
Operating Surplus / (Deficit)			
Non-Operating Income and Expenditure			
Depreciation	14	(28,953)	(29,159)
Finance Charges and Other Costs	8	(25,501)	(16,523)
Loss on Disposal of PPE & Other Derecognition Costs		(1,723)	(323)
		(56,177)	(46,005)
Investment Returns			
Net Investment Returns on States' Investment Portfolio		104,840	(93,878)
Interest Receivable on Loans and Overdraft Facilities Granted		7,113	5,597
Fair Value Loss on Investment Property	17	(2,250)	(299)
		109,703	(88,580)
		63,709	(139,714)
Net Surplus /(Deficit) for the Year			
Retained by:			
General Revenue Reserve	24	25,642	(90,339)
Bond Reserve	30	(4,568)	(6,706)
Core Investment Reserve	31	10,520	(20,782)
States' Trading Entities Reserve	32	(11,588)	(10,366)
Guernsey Insurance Fund	33	21,828	(22,332)
Long-Term Care Insurance Fund	34	21,875	10,811
		63,709	(139,714)

Statement of Movement in Reserves

For the Year Ended 31 December 2022 (Restated)

	Total Reserves	General Revenue Reserve	Bond Reserve	Core Investment Reserve	States' Trading Entities Reserve#	Guernsey Insurance Fund	Long-Term Care Insurance Fund	Accounting Adjustment Reserve ¹
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Opening Balance	3,829,622	569,194	147	178,882	509,066	740,784	118,407	1,713,142
(Deficit)/Surplus for Year	(139,714)	(90,339)	(6,706)	(20,782)	(10,366)	(22,332)	10,811	-
Transfers In-Year	-	(4,173)	5,804	-	-	(1,631)	-	-
Closing Balance	3,689,908	474,682	(755)	158,100	498,700	716,821	129,218	1,713,142

For the Year Ended 31 December 2023

	Total Reserves	General Revenue Reserve	Bond Reserve	Core Investment Reserve	States' Trading Entities Reserve#	Guernsey Insurance Fund	Long-Term Care Insurance Fund	Accounting Adjustment Reserve ¹
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Opening Balance	3,689,908	474,682	(755)	158,100	498,700	716,821	129,218	1,713,142
(Deficit)/Surplus for Year	63,709	25,642	(4,568)	10,520	(11,588)	21,828	21,875	-
Transfers In-Year	-	(3,450)	5,252	-	-	(1,802)	-	-
Closing Balance	3,753,617	496,874	(71)	168,620	487,112	736,847	151,093	1,713,142

¹The States of Guernsey elected to change the name of the Fixed Asset Recognition reserve to the Accounting Adjustment

Statement of Financial Position as at 31st December 2023

	Note	2023 £'000s	2022# £'000s
Non-Current Assets			
Investments	13	1,691,177	3,213,983
Property, Plant and Equipment	14	1,580,675	1,590,854
Shareholdings in States' Trading Entities	10/11	508,558	512,186
Receivables	18	151,012	135,438
Investment Properties	17	72,079	77,194
Assets Under Construction	14	44,249	24,244
		4,047,750	5,553,899
Current Assets			
Receivables	18	184,339	140,647
Prepayments		8,148	10,060
Stock		7,591	7,680
Cash and Cash Equivalents	37	3,636	2,291
		203,714	160,678
Current Liabilities			
Revolving Credit Facility	19	(30,000)	(30,000)
Creditors	20	(59,424)	(58,902)
Short-Term Provisions		(71)	(488)
Depositors	21	(38,603)	(1,564,414)
Currency in Circulation	22	(51,153)	(52,600)
		(179,251)	(1,706,404)
Non-Current Liabilities			
Bond Issue	23	(318,596)	(318,265)
Net Assets		3,753,617	3,689,908
Represented by:			
General Revenue Reserve	24	496,874	474,682
Bond Reserve	30	(71)	(755)
Core Investment Reserve	31	168,620	158,100
States' Trading Entities Reserve	32	487,112	498,700
Guernsey Insurance Fund	33	736,847	716,821
Long-Term Care Insurance Fund	34	151,093	129,218
Accounting Adjustment Reserve	35	1,713,142	1,713,142
Reserves		3,753,617	3,689,908

These financial statements were approved by the Policy & Resources Committee on 21 May 2024.



Deputy Lyndon Trott
President of the
Policy & Resources Committee



Bethan Haines
States Treasurer

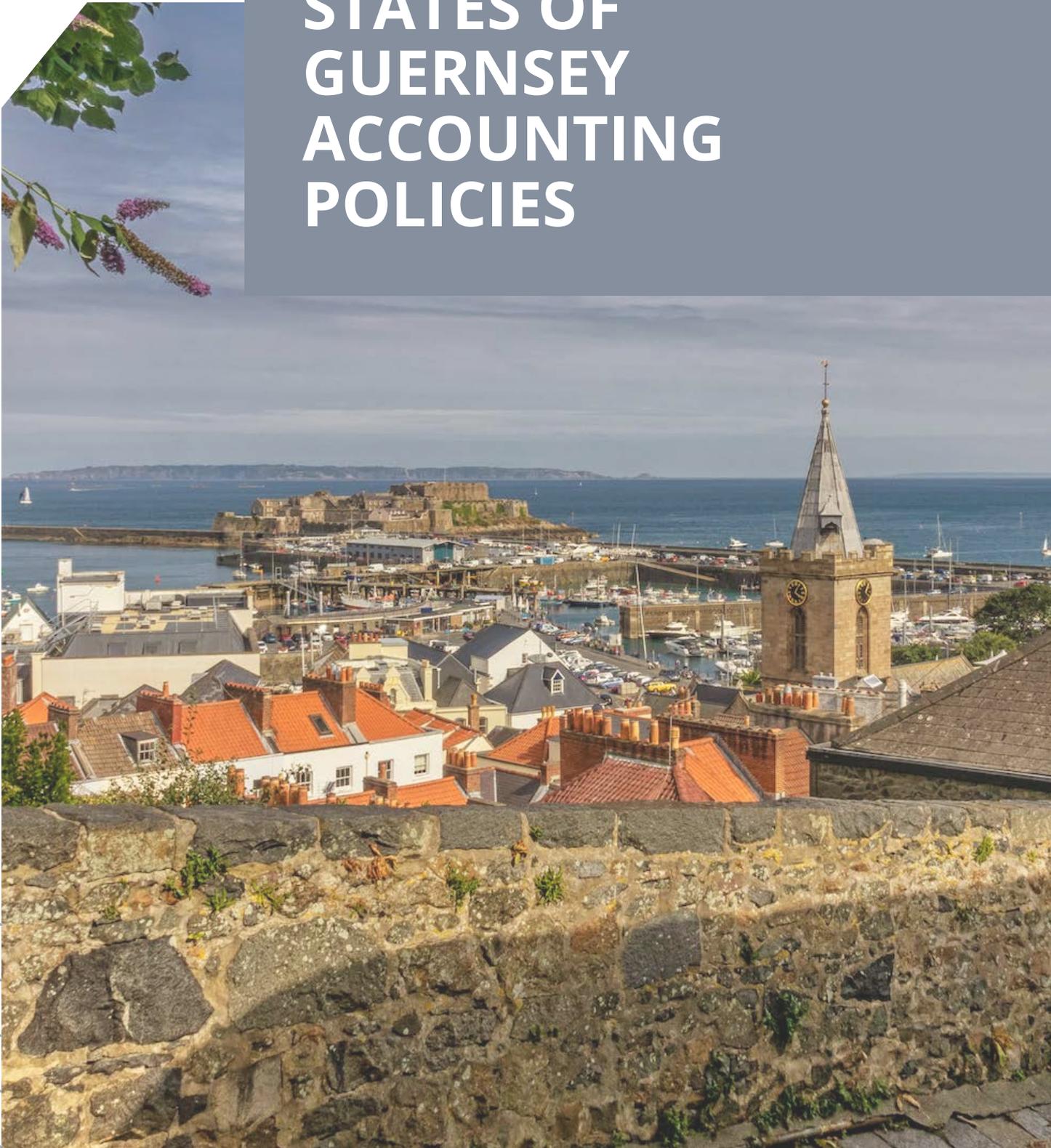
Cashflow Statement

	Note	2023 £'000s	2022# £'000s
Net Cash Flows from Operating Activities	36	(21,276)	(34,512)
Cash Flows from Investing Activities			
Net Proceeds from the Purchase and Sale of Investments		109,695	114,530
Proceeds from Sale of Property, Plant and Equipment		1,586	4,230
Dividends Received		-	500
Net Cash Funding Provided to Trading Entities		(8,548)	(12,047)
Capital Expenditure on Property, Plant and Equipment		(38,607)	(22,127)
Issue of Loans Financed from the Bond		(36,015)	(2,200)
Repayment of Loans Financed from the Bond		6,534	4,366
Net Cash Flows from Investing Activities		34,645	87,252
Cash Flows from Financing Activities			
Short Term Borrowings (Revolving Credit Facility)	19	-	(45,000)
Net Cash Flows from Financing Activities		(12,024)	(56,752)
Net (Decrease)/ Increase in Cash at Bank and in Hand	37	1,345	(4,012)
Cash and Cash Equivalents at the Beginning of the Year	37	2,291	6,303
Cash and Cash Equivalents at the End of the Year		3,636	2,291



SECTION 5

STATES OF GUERNSEY ACCOUNTING POLICIES



States of Guernsey Accounting Policies

1. Basis of Accounting

The accounts of the States, set out on pages 26 to 128, are prepared in accordance with the accounting policies included within note 1.

The accounts are prepared under the historical cost convention, modified where appropriate to account for the revaluation of certain assets and liabilities as set out within the relevant accounting policies below. Unless detailed otherwise, income and expenditure are accounted for on an accruals basis.

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.

i. Going Concern

The Policy & Resources Committee [P&R], at the time of approving the accounts, has a reasonable expectation that the States have adequate resources to continue operating 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 accounts.

ii. Revenue Recognition

Revenue income arises from transactions between the States and other entities, including the public, private corporations, the third sector and other governments.

iii. Rendering of Services

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.

iv. Charging for Services Across States' Functions

In addition to externally generated revenue, 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.

v. Income Taxes

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.

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.

vi. Social Security Contributions

Contributions are recognised as they fall due, however, some elements of Contribution 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.

vii. Pay Costs

The total pay costs within the Statement of Financial Performance includes amounts relating to agency staff, who are legally employed by another entity but work for the States providing operational capacity.

Pay costs exclude those charged to capital projects. Capitalisation of pay costs only occurs where:

- additional staff are directly employed to progress the capital project; or
- existing staff are seconded directly to a project.

In both instances the costs need to meet the definition of a capital cost. Such costs are included within non-current assets or assets under construction in the Statement of Financial Position.

viii. Social Benefits

Social Benefits additional disclosure is being presented in respect of benefits classified as social benefits. Not all benefits paid by the States meet the definition of social benefits, so they have been shown separately as Targeted Benefits. Previously these were shown in 2022 as an aggregated figure.

Social benefits are amounts paid by the States to specific individuals and/or households to mitigate the effect of social risk and which address the needs of society.

These include, but are not limited to, retirement benefits, incapacity benefits, income support and unemployment benefits. Social benefits are accrued by the States when eligibility criteria to receive a social benefit payment are met, for example:

- Reaching retirement age (in the case of the States Pension)
- The death of a partner (in the case of a survivor benefit)
- Level of income falling below a set level (in the case of income support)
- Becoming unemployed (in the case of an unemployment benefit)
- Becoming unfit to work (in the case of incapacity benefit)

Recognition

The States recognises a liability in the Statement of Financial Position for a Social Benefit Scheme when:

- it has a present obligation for an outflow of resources that results from a past event, and
- the present obligation can be measured reliably.

The past event that gives rise to a liability for a social benefit scheme is the satisfaction by each beneficiary of all eligibility criteria to receive a social benefit payment.

Social benefits are charged as an expense to the Social Benefits line in the Statement of Financial Performance at the same point that a liability is recognised.

Therefore, the States recognises a liability and an expense for social benefit payments when the eligibility criteria for the next payment are satisfied.

Initial Measurement of the Liability

The liability for each social benefit scheme is measured by the States at the best estimate of the social benefit payments that it expects to make in fulfilling the present obligation represented by the liability. Satisfaction of the eligibility criteria for each social benefit payment is a separate event, and the liability for each payment is measured separately.

The maximum amount to be recognised as a liability is the cost the States expects to incur in making the next social benefit payment. Payments beyond this point are future events for which there is no present obligation. Since the liability in respect of social benefits cannot extend beyond the point at which eligibility criteria for the next payment will be next satisfied, they are classified as short-term liabilities in the Statement of Financial Position.

Amounts are recognised as an expense in the Statement of Financial Performance throughout the year when the criteria for the next benefit payment is met. Liabilities for the next Social Benefit payment due are recognised when the criteria are satisfied.

Subsequent Measurement of the liability

The liability for a social benefit scheme is reduced as social benefit payments are made. Any difference between the cost of making the social benefit payments and the carrying amount of the liability in respect of the social benefit scheme is recognised in the Social Benefits line in the Statement of Financial Performance in the period in which the liability is settled.

Where the States makes a social benefit payment before all eligibility criteria for the next payment has been satisfied, a payment in advance is recognised as an asset in the Statement of Financial Position. The States pursues all options to recover any Social Benefit overpayments. However, in the unusual event that an amount becomes irrecoverable, it is recognised as an expense in the Social Benefits line in the Statement of Financial Performance.

ix. Retirement Benefit Costs and Pension Disclosures

The pension costs charged within the Statement of Financial Performance are the contributions paid by the States on behalf of its employees, as approved by State of Deliberation [SoD] with reference to the latest triennial valuation.

The accounting approach is similar to that used for a defined contribution scheme, such that the net asset/liability position of the Public Servant's Pension Scheme [PSPS] is not recognised in the Statement of Financial Position.

Details of the PSPS are included within the Notes Relating to the Public Servant's Pension Scheme section. 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 (within the PSPS) are included within these reported totals.

x. Lease Payments

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.

xi. Bad Debts

Bad debts written off during the year are charged to the Statement of Financial Performance within the expenditure category Finance Charges and Other Costs.

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.

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.

xii. Investment Returns

The States manages a range of investments that generates dividend income, bond interest income (which are usually reinvested in the General Investment Portfolio [GIP]), as well as realised and unrealised gains/losses on financial investments within the GIP. Adjustments are made to the investment returns to reflect the amounts earned rather than cash received.

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.

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 a depositor is credited or debited directly to the individual depositor's balance 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.

xiii. Capital Receipts

Where the States has 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 credited to the Statement of Financial Performance.

xiv. Investments in States' Trading Entities

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.

All other incorporated and unincorporated trading entities are accounted for at cost less impairment/provision for losses.

xv. Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities or equity instruments are recognised when the States becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

All financial assets and liabilities are initially measured at transaction price, except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Statement of Financial Position when there exists a legally enforceable right to set off the recognised amounts and the States intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Investments

Investments are included in the accounts at fair value. Details of the valuation techniques and principal assumptions are given in the Notes to the Accounts where used. The methods of determining fair value for the principal classes of investments are:

Quoted/Actively Traded Investments

Investments that are listed or quoted on a recognised market are valued at the last traded or closing market price in the relevant market as at the year-end date.

Unquoted/Not Actively Traded Investments

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.

Exchange traded futures and Swaps are valued at the current settlement value.

Over the counter options are valued using generally accepted pricing models, where inputs are based on market data at the valuation date.

Forward exchange contracts are valued at the gain or loss that would arise from closing out the contract at the reporting date by entering an equal and opposite contract at that date.

Where the States has future funding commitments to investments these are disclosed in the Notes to the Accounts. These are not recognised as a liability at the year-end.

Derivatives

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.

Realised and unrealised movement on Investments

Realised profits and losses on investments are calculated by reference to the net proceeds on disposal and the average cost attributable to those investments.

Realised surpluses and deficits on the partial sale of investments are arrived at by deducting the average cost of such investments from the sales proceeds. The purchase and sale of investments are accounted for on the trade date.

Unrealised profits and losses on investments are calculated by reference to the carrying value at the year end and the carrying costs of investments held. All realised and unrealised profits and losses on investments are reflected in the Statement of Financial Performance.

Derecognition of basic financial instruments

Financial assets are derecognised only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the States transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the States, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

xvi. Current Assets

An asset is classified as current when it meets any of the following criteria:

- It is expected to be realised, or is held for sale or consumption, in the States' normal operating cycle (usually 12 months);
- It is held primarily for the purpose of being traded;
- It is expected to be realised within 12 months after the reporting period; or
- It is cash or considered to be a cash equivalent.

All other assets are classified as non-current.

xvii. Current Liabilities

A liability is classified as current when it meets any of the following criteria:

- It is expected to be settled in the States' normal operating cycle;
- It is held primarily for the purpose of being traded; or
- It is expected to be settled within 12 months after the reporting period.

All other liabilities are classified as non-current.

xviii. Receivables

Loans receivable, 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 to external parties from the proceeds of the States of Guernsey Bond Issue, then the interest received from external borrowers is credited to the Statement of Financial Performance and allocated to the Bond Reserve.

Receivables comprising contributions due or benefits prepaid at the reporting date are recognised at amortised cost, less any impairment loss.

xix. Intangible Non-Current Assets

Expenditure on non-monetary assets without physical substance is capitalised only when it is expected that future economic benefits or service potential will flow from the intangible asset to the States.

Initial Recognition

Intangible assets are initially recognised at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value (established by reference to an active market) at the date of the exchange.

Internally Generated Intangible Non-Current Assets

The States capitalises the development costs of internally generated intangible assets only when it can demonstrate:

- the technical feasibility of completing the intangible asset and that adequate technical, financial and other resources are available to complete its development;
- that it intends to complete the project and is able to use (or sell) the asset;
- its ability to generate future economic benefits or deliver service potential through the use of the asset; and
- its ability to reliably measure the expenditure attributable to the intangible asset during its development.

Research expenditure incurred on acquired or internally generated intangible assets is charged directly to the Statement of Financial Performance in the period in which the expenditure is incurred.

Measurement

Following initial recognition, the States carries intangible assets at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation

The depreciable amount of intangible assets is amortised on a systematic basis over their useful lives to the Depreciation & Amortisation line in the Statement of Financial Performance:

Asset Category	Life
Software Licences	Up to 5 Years
Software	Up to 10 Years
Long-term Strategies	Up to 5 Years

The estimated useful life and amortisation method for intangible assets is reviewed at the end of each reporting period. The effect of any changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is treated as a change in accounting estimate.

Impairment

Intangible assets are tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the Impairment Losses on Non-Financial Assets line in the Statement of Financial Performance.

During the period of development, an internally generated intangible is tested for impairment annually with any impairment losses recognised in the Impairment Losses on Non-Financial Assets line in the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised from the Statement of Financial Position on disposal or when no future economic benefits are expected from their use or disposal.

The gain or loss arising from the derecognition of an intangible asset represents the difference between the carrying amount and any proceeds received and is recognised in Other Gains and Losses in the Statement of Financial Performance when the asset is derecognised.

First Time Recognition of Intangible Non-Current Assets

Expenditure related to the purchase or construction of Intangible Assets, where purchase or construction commenced prior to 1 January 2023, is written off to the Statement of Financial Performance in the year in which it is incurred.

No projects which commenced after 1 January 2023 were completed prior to 31 December 2023. All intangible non-current assets are therefore classed as assets under construction and no completed intangible non-current assets are shown in the Statement of Financial Position as at 31 December 2023.

xx. Tangible Non-Current Assets

Capitalisation thresholds

There is no capitalisation threshold for the initial acquisition of land and buildings assets and vehicles. For all other items of Property, Plant and Equipment the capitalisation threshold is £10,000. Groups of similar items that are individually below the capitalisation threshold level, but which collectively exceed it are grouped together for recognition purposes.

The threshold for the capitalisation of subsequent expenditure on an existing asset is £10,000.

Property, Plant and Equipment

Property, Plant and Equipment assets are tangible items that are held for use in the production or supply of goods or services, for rental to others, where it is used in the delivery of the States' services or for administrative purposes, and that are expected to be used during more than one financial year.

Recognition

Expenditure on the acquisition of property, plant and equipment is capitalised on an accruals basis when it is probable that the future economic benefits or service potential associated with the item will flow to the States and the cost of the item can be measured reliably.

Expenditure that maintains but does not increase an asset's capacity to provide services or generate cashflows is charged as an expense to the Statement of Financial Performance in the year in which it is incurred.

Measurement

The States applies the cost model to all property, plant and equipment assets and measures them at cost, less accumulated depreciation, and impairment loss.

Cost includes the purchase price, costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs required to dismantle and remove the item and restore the site on which it is located.

Borrowing costs are not capitalised whilst assets are under construction but are expensed in the period in which they are incurred. When assets under construction are completed, they are transferred into their relevant asset category.

When parts of items of property, plant and equipment are replaced, insofar as they meet the recognition criteria, the cost of replacing the part is recognised in the carrying value of the item of property, plant and equipment. The carrying amount of the replaced part is derecognised.

When the carrying amount of the replaced part cannot be determined, the cost of the replacement part may be used as an indication of the cost of the replaced part at the time it was acquired or constructed.

Where an item of property, plant or equipment is transferred to the States for nil or nominal consideration, it is brought onto the Statement of Financial Position at its fair value. The difference between fair value and any consideration paid is credited to the Statement of Financial Performance as [non-exchange] revenue.

Depreciation

Depreciation is provided to write off the cost less estimated residual value of property, plant and equipment assets, on a straight-line basis, over their estimated useful lives. This excludes land which, in most cases, has an unlimited useful life, and assets under construction, which are not yet available for use.

The major categories of property, plant and equipment are depreciated over the following useful lives:

Asset Category	Life
Freehold Land	Not depreciated
Operational Buildings	Up to 100 Years
Social Housing (excludes land)	Up to 80 Years
Infrastructure (includes roads & coastal defences)	Up to 70 Years
Vehicles, Plant & Equipment	Up to 10 Years
Information Technology	Up to 5 Years

The useful lives of buildings, social housing and infrastructure is estimated by professionals with relevant experience working for the States or external professional valuers.

Where property, plant and equipment assets have major components with substantially different useful lives or methods of depreciation, then each component is depreciated over its individual useful life or method of depreciation.

Depreciation methods, useful lives and, where applicable, residual values are reviewed at the end of each financial year and adjusted if appropriate. The effect of such adjustment is prospectively recognised as a change in accounting estimate.

Derecognition

Property, plant and equipment is derecognised on disposal or when no future economic benefits or service potential is expected from its use.

Any gains or losses arising from the derecognition of property, plant and equipment are included under the heading Gain/Loss on Disposal of Property, Plant & Equipment and Other Derecognition Costs within the Statement of Financial Performance.

For tangible Information Technology assets, and other assets with generally short useful economic lives, original cost below £25,000 and minimal residual values, the assets will be derecognised in the financial year, when their net book value is written down to nil. Grouped assets will also be derecognised when the net book value reaches zero.

Impairment

At each reporting date the States assesses whether there is any indication that its property, plant & equipment assets are impaired. If any indication exists, the States estimates the recoverable service amount of the asset. The recoverable service amount is the higher of an asset's fair value less costs to sell and its value in use.

For property, plant & equipment assets, which are primarily held for service delivery purposes, value in use represents the present value of the asset's remaining service potential. The States uses the Depreciated Replacement Cost approach to determine the asset's remaining service potential.

Where an asset's carrying amount exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. The resultant loss is charged to the Statement of Financial Performance.

Heritage Assets

Heritage assets that are used for the States' operational purposes are recognised and measured on the same basis as other items of property, plant, and equipment.

Heritage assets that are not used for operational purposes but instead have cultural, environmental, or historical significance and include monuments, archaeological sites, conservation areas, nature reserves, works of art and some historical buildings are not recognised in the Statement of Financial Position.

Non-Current Asset Purchases Funded from Insurance Claims

Following a loss event pertaining to a recognised non-current asset(s) within the Statement of Financial Position, the affected asset(s) are impaired to reflect the extent of that loss via a reduction in cost and a corresponding impairment loss is charged to the Statement of Financial Performance.

The value of the related insurance claim would equate to the insurance proceeds receivable, which are accrued only when there is a high degree of certainty of receipt and should consider any attached conditions, such as whether the receipt of proceeds is conditional upon the asset(s) being replaced or rebuilt.

Subsequent purchase of replacement non-current asset(s) is treated as a non-current asset addition in the year.

Non-Current Asset Purchases Funded from the Seized Asset Fund

Exceptionally, asset purchases may be funded from the proceeds of seized assets, retained in the Seized Asset Fund. In such cases, an appropriation is made from the Seized Asset Fund Reserve to the General Revenue Reserve equivalent of the cost of the asset.

xxi. Investment Property

Recognition

Investment properties are property assets held for the purpose of earning rental income, for capital appreciation or both. A property that is used to facilitate the delivery of services, for administrative purposes, to produce goods or is held for sale does not meet the definition of investment property.

Measurement

Investment properties are measured initially at cost, including any transaction costs, and subsequently at fair value. Fair value is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Investment properties are not depreciated but are revalued annually to reflect market conditions at the year-end. Fair value gains or losses arising from revaluation are included in the Statement of Financial Performance in the Investment Returns section.

Derecognition

Investment property is derecognised either on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

xxii. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank and deposits that are immediately available for cash. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

xxiii. Functional and Presentational Currency

The accounts are presented in Pounds Sterling (GBP), which is the functional and presentational currency of the States.

Where investments are held in a currency other than GBP, these are translated into GBP at the rate of exchange ruling as at the year-end.

Foreign Currency transactions within the reporting period are translated into GBP at the rate ruling at the date of each transaction. Exchange gains/losses are recognised in the Statement of Financial Performance.

xxiv. Stock

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.

xxv. Currency in Circulation

The States issues banknotes and coins in the name of the States of Guernsey. Commemorative notes and coins may also be issued from time to time. All banknotes and coins issued by the States can be exchanged or redeemed at face value.

The value of notes and coins in circulation is accounted for as a liability within the Statement of Financial Position.

Demand for the 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.

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.

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.

xxvi. Long Term Liabilities

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.

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.

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.

xxvii. Reserves

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.

Not all the net surplus or deficit is attributed to the General Revenue Reserve, as the SoD 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.

The balance of reserves will amount to the value of the net assets of the States.

xxviii. Cashflow Statement

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.

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.

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.

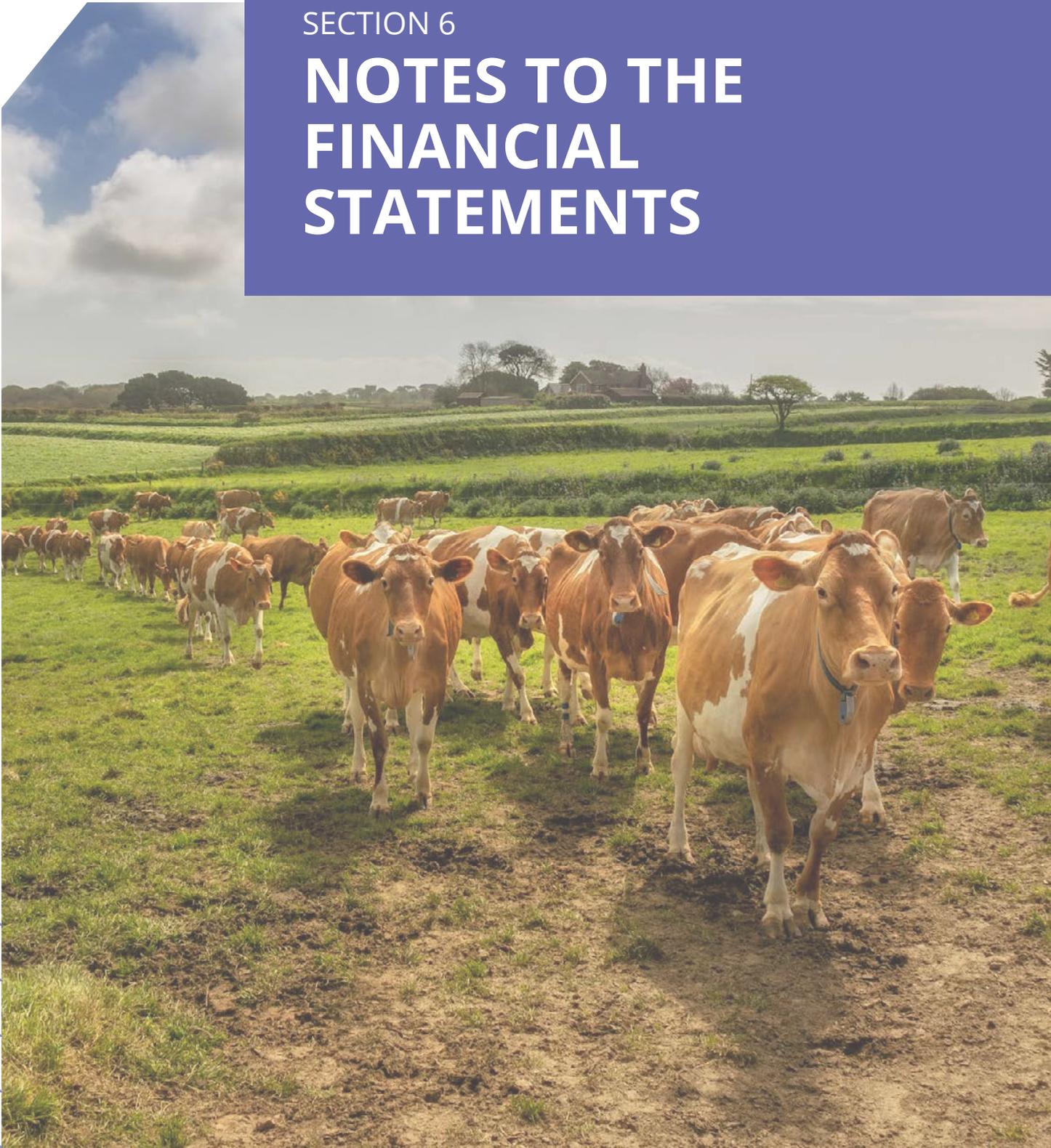
Receipts generated from interest received are included within Operating Activities.

xxix. Restatement

2022 Accounts columns marked with “#” includes figures that have been restated for comparative purposes. The Notes Relating to the Restatement of the Comparative Year section explains each of the restatements and provides the restatement by primary financial statement line.

SECTION 6

NOTES TO THE FINANCIAL STATEMENTS



Notes to the Financial Statements

2. Income Taxes

	2023 £'000s	2022 £'000s
Individuals	334,949	308,173
Companies (Including banks)	76,725	65,731
Distributed profits	15,408	15,291
	427,082	389,195

3. Social Security Contributions

	2023 £'000s	2022 £'000s
Employer and Employee Contributions	198,738	181,698
Self-employed Contributions	19,389	16,758
Non-employed Contributions	10,586	9,428
Other Contributions	427	696
	229,140	208,580

4. Other Taxes and Duties

	2023 £'000s	2022 £'000s
Customs - Excise and Import Duties		
Motor Fuel	20,884	19,897
Tobacco	9,168	7,498
Wine	6,538	6,365
Beer	4,412	4,211
Spirits	4,072	4,208
Cider	865	934
Import duties	509	526
	46,448	43,639
Tax on Real Property	34,071	31,025
Document Duty – Conveyancing	18,364	28,946
Vehicle First Registration Duty	1,704	956
Total Other Taxes and Duties	100,587	104,566

5. Other Corporate Income

	2023 £'000s	2022 £'000s
Housing rental income	24,366	21,828
Company fees	11,962	11,700
Rental income from commercial property	3,039	2,840
Dividend income from States' trading entities	-	500
Other income	1,825	990
Total Other Corporate Income	41,192	37,858

6. Pay

6.1 Pay Costs by Group

	2023 £'000s	2022 £'000s
Established staff	106,606	98,538
Nurses and medical consultants	100,079	90,765
Teachers, lecturers and learning support assistants	53,165	49,502
Public service employees	18,647	17,613
Police officers	10,634	9,552
Border Agency officers	4,317	4,228
Fire officers	4,672	3,696
Prison officers	3,821	3,762
Home support staff	3,209	2,779
Crown Officers and Judges	2,003	1,886
Other pay groups	2,995	3,091
	310,148	285,412
States Members remuneration	1,984	1,866
Total Other Corporate Income	312,132	287,278

6.2 Full Time Equivalents by Pay Group Included Within Pay Costs

	2023 No of FTE	2022# No of FTE
Established staff	1,683	1,639
Nurses and medical consultants	1,492	1,427
Teachers, lecturers and learning support assistants	925	883
Public service employees	470	483
Police officers	154	153
Border Agency officers	71	77
Fire officers	78	74
Prison officers	72	77
Home support staff	59	57
Crown Officers and Judges ²	8	8
Other pay groups	46	38
Full Time Equivalents by Pay Group Included Within Pay Costs	5,058	4,916



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.

²This includes the six Crown Officer posts which, although paid by the States of Guernsey, are not employees. Reserve.

6.3 Senior Employees Gross Cost Analysis

	2023 Employees	2022# Employees
£105,000 to £129,999	118	72
£130,000 to £149,999	38	21
£150,000 to £169,999	24	29
£170,000 to £189,999	17	18
£190,000 to £214,999	15	8
£215,000 to £234,999	7	3
£235,000 to £254,999	3	1
£255,000 to £274,999	3	2
£275,000 to £299,999	2	2
£300,000 to £319,999	2	3
£320,000 and above	1	-
	230	159



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. An employee with a total cost of employment of £100,000 is likely to earn in the range of approximately £85,000 per annum (including any overtime and allowances). As an example, an employee at the 3rd point of SO5 would earn £91,502 as a basic salary, with employer's Social Insurance of £6,222 (6.8%) and employer's pension cost of £9,242 (10.1%) resulting in a gross cost of £106,966, then captured in the first banding range above.

7. Operating Expenditure (Non-Pay) by Category

	2023 £'000s	2022# £'000s
Third Party Payments		
Social Benefit payments ³	238,760	220,142
Targeted Benefit payments ³	28,863	26,542
Grants and Subsidies	40,909	52,701
	308,532	299,385
Support Services		
Contracted out work	68,750	64,916
Consultants' fees	13,328	12,197
Communications and IT	10,897	12,078
Risk management and insurance	5,338	3,033
Advertising, marketing and public relations	2,373	2,175
Postage, stationery and printing	1,865	1,586
Bank charges	899	692
Audit fees	389	443
Incidental and other costs	30	28
	103,869	97,148
Supplies and Services		
Services	48,333	45,645
Supplies	45,420	42,416
	93,753	88,061
Premises		
Repairs, maintenance and servicing	20,392	17,873
Utilities	8,062	7,081
Rents and leasing	6,024	5,369
Equipment, fixtures and fittings	1,095	1,352
	35,573	31,675
Staff Related Non-Pay Costs		
Recruitment	5,321	3,533
Training	2,406	2,202
Other staff costs	710	655
	8,437	6,390
Transport		
Vehicles and vessels	1,685	1,773
Total Operating Expenditure (Non-Pay) by Category	551,849	524,432

³Further disclosures regarding social benefits and targeted benefits are in the 'Notes Relating to Social & Targeted Benefits' Section.

8. Finance Charges and Other Costs

	2023 £'000s	2022 £'000s
Bond interest charges	11,472	11,460
Revolving credit facility interest charges including non-utilisation fees	883	611
Bad debt expenses and adjustment for impairment of receivables	970	(18,286)
Impairment of value of investments in States' trading Entities	12,176	22,738
	25,501	16,523

9. Investments in States' Trading Entities

The States via the States' Trading Supervisory Board [STSB] has shareholdings in a small number of incorporated trading entities and these are shown at cost less impairment 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.

On 16 March 2023 the States of Guernsey entered into a joint arrangement with Condor VesselCo Holdings Limited to establish a joint venture, Condor VesselCo Limited with the purpose of purchasing a vessel and leasing that to Condor Ferries entities. The States is presenting the investment in the joint venture using the equity method.

STSB also controls a number of unincorporated trading entities which are also shown at cost less impairment on the Statement of Financial Position.

	2023 £'000s	2022# £'000s
Investment in Incorporated Trading Entities		
Guernsey Electricity Limited	105,209	105,209
Guernsey Post Limited	7,886	7,886
Cabernet Limited	4,756	5,344
JamesCo750 Limited	16	-
Alderney Electricity Limited	3	3
	117,870	118,442
Joint Venture		
VesselCo Limited	3,000	-
Investment in Unincorporated Trading Entities		
Guernsey Ports	214,329	217,392
Guernsey Water	134,822	136,239
Guernsey Waste	23,798	25,645
States Works	11,531	11,531
Guernsey Dairy	3,208	2,937
	387,688	393,744
Balance at 31 December	508,558	512,186

10. Incorporated Trading Entities

10.1 Guernsey Electricity Limited

SOG owns all of the allotted and fully paid shares of Guernsey Electricity Limited. No dividend was received during 2023 (2022: nil).

The total value of Guernsey Electricity Limited's net assets as at 30 September 2023 was £113.9m (2022: £113.1m). However, this is after a pension surplus of £8.1m was reported under FRS102 (2022 pension surplus £4.8m).

10.2 Guernsey Post Limited

SOG owns all of the allotted and fully paid shares of Guernsey Post Limited. No dividend was received during 2023 (2022: £0.5m).

The total value of Guernsey Post Limited's net assets as at 31 March 2023 was £24.1m (£27.3m as at 31 March 2022).

10.3 Cabernet Limited

Cabernet Limited (holding company of Aurigny Air Services Limited and Anglo Normandy Engineering Limited) was initially purchased by SOG in 2003 for the amount of £5.060m. Recapitalisation and impairments are shown in the table below:

	2023 £'000s	2022 £'000s
Purchase Cost (2003)	5,060	5,060
Recapitalisation during 2016	25,212	25,212
Recapitalisation during 2021	46,800	46,800
Recapitalisation during 2022	17,716	17,716
Cost at 31 December	94,788	94,788
Provision for amounts written down due to accumulated losses	(89,444)	(77,072)
Impairment charged during the financial year	(588)	(12,372)
Cumulative impairment	(90,032)	(89,444)
Balance at 31 December	4,756	5,344

10.4 Alderney Electricity Limited

SOG owns 17.1% of the ordinary share capital of Alderney Electricity Limited.

10.5 JamesCo750 Limited

SOG owns the two ordinary £1 shares of JamesCo750 Limited.

11. Unincorporated Trading Entities

For the first time in 2023, the value of the investment in the unincorporated trading entities is recognised in the accounts of the States, restating the opening position of investments for 2022. As part of these balances, the States has funded the purchase or construction of property, plant and equipment for the benefit of the unincorporated trading entities.

	Total £'000s	Guernsey Ports £'000s	Guernsey Water £'000s	Guernsey Waste £'000s	States Works £'000s	Guernsey Dairy £'000s
Investment in Unincorporated Trading Entities						
Cost at 1 Jan 2022	395,968	219,803	136,769	24,465	11,531	3,400
Direct capital investment in 2022	1,702	1,702	-	-	-	-
Capital Contributions in 2022	6,440	3,465	-	2,975	-	-
Cost at 31 Dec 2022	404,110	224,970	136,769	27,440	11,531	3,400
Impairment Charged in 2022	(10,366)	(7,578)	(530)	(1,795)	-	(463)
Balance at 31 Dec 2022	393,744	217,392	136,239	25,645	11,531	2,937
Opening Cost at 1 Jan 2023	404,110	224,970	136,769	27,440	11,531	3,400
Direct capital investment in 2023	121	121	-	-	-	-
Capital Contributions in 2023	5,411	4,878	-	172	-	361
Cost at 31 Dec 2023	409,642	229,969	136,769	27,612	11,531	3,761
Accumulated Impairment at 1 Jan 2023	(10,366)	(7,578)	(530)	(1,795)	-	(463)
Impairment Charged in 2023	(11,588)	(8,062)	(1,417)	(2,019)	-	(90)
Balance at 31 December	387,688	214,329	134,822	23,798	11,531	3,208

12. Social Investment Fund

During 2020, SOG 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 SOG representatives. Its primary purpose is to use funds to invest in the Bailiwick's charitable and community sector organisations.

13. Portfolio Investments

The States of Guernsey manages a portfolio of investments through different investment managers.

13.1 Public Servants' Pension Scheme Investment Portfolio [PIP]

On 1 January 2023, following legal advice, £1.521bn of investments were reallocated from the Consolidated Investment Fund into separate custody accounts solely attributable to the PSPS, to reflect the scheme member's beneficial ownership of those assets.

Whilst the reallocation will not have any financial impact upon the overall net asset value of the SOG or the States and the equivalent reserves, it will reduce the gross value of investments shown in the States accounts for 2023, as well as reduce the depositor balance (reported as a liability within the Statement of Financial Position), by the same amount.

The depositor balance held with the SOG as at 31 December 2022 amounted to £1.519bn. The difference between the value of the investments transferred and the depositor balance on 31 December 2022, reflects the transfer of investment related debtor and creditor balances to the PIP, and an adjustment for the small residual balance held with the States.

The PSPS will continue to draw cash from the States' bank account to pay benefits through the payroll system. However, where these payments exceed the inward contributions due to the scheme it will periodically transfer cash amounts from its portfolio to the GIP to cover the shortfall.

Details of the investment returns and net position of the PIP are shown in the Notes Relating to The Public Servants' Pension Scheme section.

13.2 Social Security Contribution Funds

These funds are invested in the GIP but the balances, the returns and the withdrawals of the two Funds are monitored separately in accordance with the provisions of the Social Insurance (Guernsey) Law, 1978 and the Long-term Care Insurance (Guernsey) Law, 2002.

13.3 General Investment Portfolio [GIP]

Following the amalgamation of the Social Security Contributory Funds within these accounts from the start of 2022, the value of the investments held at 1 January 2022 amounted to £3.6bn. The GIP is now treated as a single portfolio, held by the States and managed through different investment managers and overseen by the States' Investment Board [SIB].

Treasury continually reviews cash balances and where necessary transfer amounts into or out of the GIP, depending on whether there is a surplus or a shortfall in cash balances held.

P&R is responsible for setting investment policy. SIB, a sub-committee of P&R is responsible for investment strategy and implementation, on advice from an external advisor. SIB oversees the management and performance of the GIP, 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.

The governance of SOG's Investments [both GIP and PIP] is supported by Northern Trust, the Custodian. With effect July 2022, the professional Investment Advisor to the Portfolio was Cambridge Associates Limited. The contracts with International Asset Monitor Limited and Redington Limited, the former Investment Advisors were terminated on 30 June 2022. HSBC is custodian of the Cash Portfolio, which holds deposits and short-term certificates of deposit. Ravenscroft is Investment Manager of the Cash Portfolio.

The table below shows the change in the value of the GIP (known as the Consolidated Investment Fund in 2022) during the financial year.

	2023 £'000s	2022 £'000s
Balance at 1 January	3,213,982	2,683,092
Amalgamation of ESS funds' balance of investments	-	945,942
Public Servants' Pension Scheme Investment Portfolio Transfer	(1,521,007)	-
Revised balance at 1 January	1,692,976	3,629,034
Net Returns on investments* ⁴	107,896	(300,521)
Net withdrawal of cash during the year	(109,695)	(114,530)
Balance at 31 December	1,691,177	3,213,983

Further disclosures regarding Portfolio Investments and Financial Risk Management are in the Notes Relating to Portfolio Investments & Financial Risk Management section.



⁴Including realised & unrealised gains / (losses) on revaluation of investments, net of investment management fees and other expenses.

14. Property, Plant & Equipment

14.1 Movement and position for the year ended 31st December 2023

	Total PP&E	Land	Buildings	Infrastructure Assets	Vehicles & Vessels	Plant & Equipment	IT	PP&E Under Construction
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cost or Valuation								
At 1 Jan 2023	1,694,472	526,452	596,206	502,656	12,036	17,785	15,093	24,244
Additions	39,223	-	-	-	-	-	-	39,223
Derecognition - Disposals	(5,304)	(380)	(2,887)	(809)	(917)	(311)	-	-
Re-classifications and Transfers	2,715	888	12,194	3,798	1,628	1,513	1,912	(19,218)
At 31 Dec 2023	1,731,106	526,960	605,513	505,645	12,747	18,987	17,005	44,249
Depreciation and Impairment								
At 1 Jan 2023	(79,374)	-	(32,729)	(20,454)	(5,839)	(7,937)	(12,415)	-
Depreciation Charge	(28,953)	-	(15,177)	(10,106)	(920)	(1,917)	(833)	-
Derecognition - Disposals	2,145	-	958	183	877	127	-	-
At 31 December 2023	(106,182)	-	(46,948)	(30,377)	(5,882)	(9,727)	(13,248)	-
Net Book Value at 31 Dec 2023	1,624,924	526,960	558,565	475,268	6,865	9,260	3,757	44,249
Net Book Value at 1 Jan 2023	1,615,098	526,452	563,477	482,202	6,197	9,848	2,678	24,244

14.2 Movement and position for the year ended 31st December 2022

	Total PP&E	Land	Buildings	Infrastructure Assets	Vehicles & Vessels	Plant & Equipment	IT	PP&E Under Construction
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cost or Valuation								
At 1 Jan 2022	1,676,979	527,136	597,490	500,469	11,394	15,061	14,404	11,025
Additions	22,526	-	-	-	-	-	-	22,526
Derecognition - Disposals	(5,085)	(736)	(3,292)	(782)	(275)	-	-	-
Re-classifications and Transfers	52	52	2,008	2,969	917	2,724	689	(9,307)
At 31 Dec 2022	1,694,472	526,452	596,206	502,656	12,036	17,785	15,093	24,244
Depreciation and Impairment								
At 1 Jan 2023	(50,847)	-	(17,592)	(10,306)	(5,330)	(6,214)	(11,405)	-
Depreciation Charge	(29,159)	-	(15,385)	(10,257)	(784)	(1,723)	(1,010)	-
Derecognition - Disposals	493	-	248	109	275	-	-	-
At 31 December 2022	(79,374)	-	(32,729)	(20,454)	(5,839)	(7,937)	(12,415)	-
Net Book Value at 31 Dec 2022	1,615,098	526,452	563,477	482,202	6,197	9,848	2,678	24,244
Net Book Value at 1 Jan 2022	1,626,132	527,136	579,898	490,163	6,064	8,847	2,999	11,025

15. Analysis of Operational Land and Buildings

15.1 Position as at 31st December 2023

	31 Dec 2023 Total £'000s	31 Dec 2023 Land £'000s	31 Dec 2023 Buildings £'000s
Schools, Museums and Libraries	374,033	223,909	150,124
Social Housing ⁵	215,117	63,978	151,139
Hospitals and Social Care	182,493	36,967	145,526
Administrative properties	84,697	27,154	57,543
Prison, Police and Fire Stations	49,820	23,477	26,343
Other Land ⁶	17,648	17,033	615
Recreational Assets	14,170	2,856	11,314
Non-operational Properties	12,314	12,314	-
Industrial Buildings and Storage Facilities	4,011	1,322	2,689
Landfill Sites	1,201	1,201	-
Other	16,026	2,754	13,272
Balance at 31 December	971,530	412,965	558,565



⁵ Including Key Worker Accommodation

⁶ Including Agricultural & Amenity Land

15.2 Position as at 31st December 2022

	31 Dec 2022 Total £'000s	31 Dec 2022 Land £'000s	31 Dec 2022 Buildings £'000s
Schools, Museums and Libraries	379,153	223,909	155,245
Social Housing	211,176	63,616	147,560
Hospitals and Social Care	186,540	36,967	149,573
Administrative properties	85,314	27,154	58,160
Prison, Police and Fire Stations	51,054	23,477	27,577
Other Land ⁶	17,496	16,873	623
Recreational Assets	14,459	2,856	11,603
Non-operational Properties	12,314	12,314	-
Industrial Buildings and Storage Facilities	4,049	1,322	2,727
Landfill Sites	1,201	1,201	-
Other	13,178	2,768	10,410
	975,934	412,457	563,477

Derecognition of property, plant and equipment refers to both derecognitions linked to a sale of an asset to a third party, and derecognition through extinguishing any future economic benefit derived from its use (net book value of nil). For the year ended 31 December 2023, £1,250k of asset disposals related to third party sales (2022: £3,513k) and £4,054k of assets were derecognised by virtue of having no future economic benefit (2022: £940k).



16. Analysis of Infrastructure Assets

16.1 Position as at 31st December 2023

	31 Dec 2023 Total £'000s	31 Dec 2023 Land £'000s	31 Dec 2023 Buildings £'000s
Coastal Defences	357,909	-	357,910
Road Network	231,353	113,995	117,358
Balance at 31 December	589,262	113,995	475,268

16.2 Position as at 31st December 2022

	31 Dec 2022 Total £'000s	31 Dec 2022 Land £'000s	31 Dec 2022 Buildings £'000s
Coastal Defences	363,487	-	363,487
Road Network	232,710	113,995	118,715
Balance at 31 December	596,197	113,995	482,202



17. Investment Properties

17.1 Position as at 31st December 2023

	31 Dec 2023 Total	31 Dec 2023 Investment Property	31 Dec 2023 Under Construction
	£'000s	£'000s	£'000s
Balance at 1 January	77,194	77,194	-
Additions	-	-	-
Disposals	(150)	(150)	-
Re-classifications and Transfers	(2,715)	(2,715)	-
Fair Value Gain/(Loss)	(2,250)	(2,250)	-
Balance at 31 December	72,079	72,079	-

17.2 Position as at 31st December 2022

	31 Dec 2022 Total	31 Dec 2022 Investment Property	31 Dec 2022 Under Construction
	£'000s	£'000s	£'000s
Balance at 1 January	77,645	77,645	-
Additions	-	-	-
Disposals	(100)	(100)	-
Re-classifications and Transfers	(52)	(52)	-
Fair Value Gain/(Loss)	(299)	(299)	-
Balance at 31 December	77,194	77,194	-

The States' portfolio of investment properties was valued at the end of year by Savills (Guernsey), for both the financial year 2023 and 2022. Rental income generated from Investment Properties is included within the Statement of Financial Performance, under the heading "Other Corporate Income". Currently, the States has no contractual obligation to purchase, construct or develop investment property or for any related repairs, maintenance or enhancement.

Whilst the fair valuation model is adopted for completed investment property, it is also applied to investment properties under construction, subject to fair value being reliably determinable.

In all cases the valuer would be expected to provide a transparent account of the valuation methodology used and key assumptions made and any risk cost factored.

18. Receivables

18.1 Position as at 31st December 2023

	31 Dec 2023 Total	31 Dec 2023 Non- Current	31 Dec 2023 Current
	£'000s	£'000s	£'000s
External Loans			
Guernsey Housing Association LBG*	91,886	82,031	9,855
Condor VesselCo Limited	25,333	22,667	2,666
Cabernet Limited*	13,974	8,006	5,968
Guernsey Electricity Limited*	13,000	13,000	-
Guernsey Water*	11,802	11,474	328
JamesCo750 Limited*	7,519	6,744	775
Alderney Housing Association*	2,599	2,525	74
Guernsey Harbour*	2,058	1,955	103
Golf Course Management	807	774	33
Office of the Data Protection Authority	799	799	-
Guernsey Dairy*	665	646	19
Home Loans Scheme	419	387	32
Higher Education Loans Fund	6	4	2
Sports Loans Fund	2	-	2
	170,869	151,012	19,857
Other Receivables			
Income tax	85,041	-	85,041
Social security contributions	38,781	-	38,781
Other taxes and duties	5,171	-	5,171
	128,979	-	128,979
Trade debtors	31,486	-	31,486
Other debtors	4,017	-	4,017
	35,503	-	35,503
Balance at 31 December	335,251	151,012	184,339

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.

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 previously set by the Investment & Bond Sub-Committee of P&R.

18.2 Position as at 31st December 2022

	31 Dec 2022# Total	31 Dec 2022 Non- Current	31 Dec 2022 Current
	£'000s	£'000s	£'000s
External Loans			
Guernsey Housing Association LBG*	87,819	84,907	2,912
Cabernet Limited*	15,449	13,472	1,977
Guernsey Electricity Limited*	13,000	13,000	-
Guernsey Water*	10,118	9,848	270
JamesCo750 Limited*	8,265	7,519	746
Alderney Housing Association*	2,670	2,599	71
Guernsey Harbour*	2,158	2,058	100
Office of the Data Protection Authority	899	899	-
Guernsey Dairy*	683	665	18
Home Loans Scheme	466	390	76
Higher Education Loans Fund	7	6	1
Sports Loans Fund	8	2	6
	141,542	135,365	6,177
Other Receivables			
Income tax	59,669	-	59,669
Social security contributions	33,624	-	33,624
Other taxes and duties	3,273	-	3,273
	96,566	-	96,566
Trade debtors	31,440	-	31,440
Other debtors	6,537	73	6,464
	37,977	73	37,904
Balance at 31 December	276,085	135,438	140,647

19. Revolving Credit Facility

SOG agreed an RCF with Lloyds Bank Corporate Markets PLC, for a sum of up to £100m. This facility agreement commenced in March 2022, and covers a period of three years, although there is provision for the contract to be extended beyond the initial termination date.

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.

This RCF provides the SOG with additional liquidity and the lender is under obligation to advance money when requested.

At the end of 2023 £30m (2022: £30m) was drawn on the facility.

20. Creditors

	2023 £'000s	2022 £'000s
Trade creditors	44,042	56,532
Deferred income	2,509	1,162
Other creditors	12,873	1,208
	59,424	58,902

21. Depositors

	2023 £'000s	2022# £'000s
PIP	945	1,519,019
States incorporated trading entities	248	4,603
States un-incorporated trading entities	4,585	5,122
HM Receiver General, charity and other deposit balances	32,825	35,670
	38,603	1,564,414

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 SOG, including any balances transferred to the States by the depositors.

22. Currency in Circulation

	2023 £'000s	2022 £'000s
All notes and coins in circulation at 1 January	63,395	67,110
Issued during the year	63,158	67,997
Withdrawn during the year	(64,485)	(71,712)
All notes and coins in circulation at 31 December	62,068	63,395
Nominal value of notes and coins which are considered unlikely to be either redeemed or exchanged at 31 December		
Commemorative coins	(8,815)	(8,695)
General notes and coins	(2,100)	(2,100)
	(10,915)	(10,795)
Estimated Value of Liability at 31 December	51,153	52,600

Although the nominal value of the notes and coins in circulation amounted to £62.1m as at 31 December 2023 (2022: £63.4m), 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 2023 was £9.5m (2022: £9.3m). The liability has been reduced by £8.8m (2022: £8.7m), 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 marketplace.

23. Bond Issue

SOG 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 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.

Details of the loans issued to external parties are included within Appendix V – States Bond Loans.

24. General Revenue Reserve

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

The purpose was to create a simplified structure that would increase flexibility around the use of funding; provide clarity on uses authorised by the SoD and delegated authority given; and increase transparency. It also progresses alignment of the Budgeting Framework towards that used for the preparation of the Accounts.

Within the General Revenue Reserve there are a small number of earmarked funds that were 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.

	31 Dec 2023 £'000s	31 Dec 2022# £'000s
Earmarked funds		
Guernsey Health Reserve	105,217	112,447
Insurance Deductible Fund	15,049	15,034
Seized Asset Fund	11,448	14,507
	132,074	141,988
Unallocated balance	364,800	332,694
Balance	496,874	474,682

The following table shows the movement for each of the earmarked reserves, as well as the unallocated balance of the General Revenue Reserve.

	31 Dec 2023 £'000s	31 Dec 2022# £'000s
Earmarked funds		
Seized Asset Fund	813	(5,134)
Channel Island Lottery (Guernsey) Fund	700	700
Insurance Deductible Fund	(738)	(802)
	775	(5,236)
Unallocated balance	24,867	(85,103)
Surplus / (Deficit) Reported within General Revenue Reserve	25,642	(90,339)

25. General Revenue Reserve (Unallocated Balance)

The table below shows the movement in the unallocated balance of the General Revenue Reserve, including appropriations to and from other ring-fenced reserves.

	31 Dec 2023 £'000s	31 Dec 2022# £'000s
Balance at 1 January	332,694	414,066
Revenue (Deficit)/Surplus	24,867	(85,103)
Appropriations to (31 December)		
Insurance Deductible Reserve	(1,113)	(1,577)
Bond Reserve	(5,252)	(5,804)
	(6,365)	(7,381)
Appropriations from (31 December)		
Guernsey Health Reserve	7,230	7,712
Seized Asset Fund	3,872	1,069
Guernsey Insurance Fund	1,802	1,631
Channel Islands Lottery (Guernsey) Fund	700	700
	13,604	11,112
Balance at 31 December	364,800	332,694

26. Guernsey Health Reserve

Under the "Reform of Health Care Funding" the governance of all health services provision was brought under the mandate of the Committee for Health & Social Care [CfHSC]. Revenues continue to be collected via the social security contributions system, but with effect 1 January 2022, the contributions previously directed towards the Guernsey Health Service Fund are credited to General Revenue 2023: £32.8m (2022: £31.4m). Consequently, the Guernsey Health Service Fund Reserve has been transferred to an earmarked reserve within the General Revenue Reserve at the date of amalgamation.

	31 Dec 2023 £'000s	31 Dec 2022 £'000s
Balance at 1 January	112,447	120,159
Appropriations -		
To General Reserve	(7,230)	(7,712)
Balance as at 31 December	105,217	112,447

27. Seized Asset Fund

	31 Dec 2023 £'000s	31 Dec 2022 £'000s
Balance at 1 January	14,507	20,710
Net investment return	860	(1,899)
Operating Income	193	171
Operating expenditure	(240)	(3,406)
Net movement for the year	813	(5,134)
Appropriations -		
To Unallocated Balance of General Revenue Reserve	(3,872)	(1,069)
Balance as at 31 December	11,448	14,507

28. Insurance Deductible Reserve

	31 Dec 2023 £'000s	31 Dec 2022 £'000s
Balance at 1 January	15,034	14,259
Operating expenditure	(738)	(802)
Appropriations -		
From Unallocated Balance of General Revenue Reserve	1,113	1,577
Balance as at 31 December	15,409	15,034

29. Channel Islands Lottery (Guernsey) Fund

	31 Dec 2023 £'000s	31 Dec 2022 £'000s
Balance at 1 January	-	-
Operating income	14,212	13,394
Operating expenditure	(12,634)	(11,911)
Contributions to third parties	(878)	(783)
Net movement for the year	700	700
Appropriations -		
To General Revenue Reserve	(700)	(700)
Balance as at 31 December	-	-

30. Bond Reserve

	31 Dec 2023 £'000s	31 Dec 2022 £'000s
Balance at 1 January	(755)	147
Investment return	434	(756)
Interest received from loans	6,566	5,530
Total Income	7,000	4,774
Interest charge	(11,472)	(11,460)
Other expenses	(96)	(20)
Total Expenditure	(11,568)	(11,480)
Net movement for the year	(4,568)	(6,706)
Appropriations -		
To General Revenue Reserve	-	-
From General Revenue Reserve	5,252	5,804
Balance as at 31 December	(71)	(755)

31. Core Investment Reserve

	31 Dec 2023 £'000s	31 Dec 2022 £'000s
Balance at 1 January	158,100	178,882
Investment return	10,520	(20,782)
Balance as at 31 December	168,620	158,100

32. States' Trading Entities Reserve

See notes 9-11 for additional disclosures.

	31 Dec 2023 £'000s	31 Dec 2022# £'000s
Balance at 1 January	498,700	509,066
Impairment Charged in year	(11,588)	(10,366)
Balance as at 31 December	487,112	498,700

33. Guernsey Insurance Fund (GIF)

Further disclosures regarding GIF are in the 'Notes Relating to Social & Targeted Benefits' Section.

	31 Dec 2023 £'000s	31 Dec 2022# £'000s
Balance at 1 January	716,812	740,784
Total Surplus / (Deficit)	21,828	(22,332)
Appropriations -		
To General Revenue Reserve	(1,802)	(1,631)
Balance as at 31 December	736,847	716,821

34. Guernsey Long-term Care Insurance Fund (LTCIF)

Further disclosures regarding LTCIF are in the 'Notes Relating to Social & Targeted Benefits' Section.

	31 Dec 2023 £'000s	31 Dec 2022 £'000s
Balance at 1 January	129,218	118,407
Total Surplus / (Deficit)	21,875	10,811
Balance as at 31 December	151,093	129,218

35. Accounting Adjustment Reserve

	31 Dec 2023 £'000s	31 Dec 2022 £'000s
Balance at 1 January	1,713,142	1,713,142
Balance as at 31 December	1,713,142	1,713,142

The Accounting Adjustment Reserve was created principally for the capitalisation of fixed assets values and will be utilised for further accounting presentation adjustments. The States has changed the name of the Fixed Asset Recognition Reserve to the Accounting Adjustment Reserve. This reserve was established in 2022 for the purpose of recognising the fixed assets in the accounts. This was a material change and the only transaction in this reserve. With additional changes resulting from accounting policy amendments, it is proper to rename this reserve. It is also envisaged that this name will re-enforce the position that this is not a distributable reserve.

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

	31 Dec 2023 £'000s	31 Dec 2022# £'000s
Overall surplus / (deficit)	63,709	(139,714)
Adjustment for depreciation	28,953	29,159
Adjustment for property revaluation	2,250	299
Adjustment for profit and loss on disposal and derecognition	1,723	323
Adjustment for dividends received	-	(500)
Adjustment for coupon payment	12,024	11,752
(Gains)/Losses on investments	(107,896)	300,521
Decrease/(Increase) in stock	89	(748)
Decrease in other loans	154	607
(Increase) in debtors and prepayments	(28,027)	(12,245)
(Decrease)/Increase in creditors	(1,958)	5,170
(Decrease) in depositors	(4,804)	(234,342)
Increase in carrying value of long-term loans (EIR)	331	319
Adjustment for Impairment of Incorporated Trading Entities	588	(5,479)
Adjustment for Impairment of Unincorporated Trading Entities	11,588	10,366
Net Cash Outflows from Operating Activities	(21,276)	(34,512)

The surplus / (deficit) 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.

37. Analysis of Cash Balances

	At 31 Dec 2023 £'000s	Movements 2023 £'000s	At 1 Jan 2023 £'000s	Movements 2022 £'000s	At 1 Jan 2022 £'000s
Cash in banks	3,580	1,352	2,228	(4,028)	6,256
Cash in hand	56	(7)	63	16	47
Total	3,636	1,345	2,291	(4,012)	6,303

38. Reconciliation of Liabilities Arising from Financing Activities

38.1 For the twelve months to 31st December 2023

	At 31 Dec 2023 £'000s	Net Cash Movements £'000s	Net Non-Cash Movements £'000s	At 1 Jan 2023 £'000s
Long Term Borrowings				
Bond Issue	318,596	-	331	318,265
Short Term Borrowings				
Revolving credit facility	30,000	-	-	30,000
Total Liabilities from Financing Activities	348,596	-	331	348,625

38.2 For the twelve months to 31st December 2022

	At 31 Dec 2023 £'000s	Net Cash Movements £'000s	Net Non-Cash Movements £'000s	At 1 Jan 2023 £'000s
Long Term Borrowings				
Bond Issue	318,265	-	319	317,946
Short Term Borrowings				
Revolving credit facility	30,000	(45,000)	-	75,000
Total Liabilities from Financing Activities	348,625	(45,000)	319	392,946

39. Public Servants' Pension Scheme

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

	At Dec 2023 £'000s	Movements in Net Funds 2023 £'000s	At Dec 2022 £'000s	Movements in Net Funds 2022 £'000s	At 1 Jan 2022 £'000s
Combined Pool	1,534,732	72,671	1,462,061	(219,316)	1,681,377
Teachers' Fund	61,321	2,028	59,293	(9,230)	68,523
States Members' Fund	3,341	(79)	3,420	(782)	4,202
Total Fund	1,599,394	74,620	1,524,774	(229,328)	1,754,102

Further disclosures regarding PIP are in the Notes Relating to the Public Servants' Pension Scheme section.

40. Non-Audit Services

Grant Thornton Limited did not provide any non-audit services during 2023 or 2022.

41. 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.

The following guarantees are considered to be contingent liabilities.

41.1 Cabernet Limited

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

On 20 December 2018, the SOG guaranteed a loan facility entered into by Aurigny Air Services Limited 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 2023 amounted to £36.2m (2022: £38.5m).

SOG 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 2023 amounted to £nil (2022: £nil).

41.2 Guernsey Housing Association Limited (by Guarantee)

During 2017, P&R 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 concluded in March 2022. In March 2022, Guernsey Housing Association Limited (GHA) agreed to a new Revolving Credit Facility with Butterfield Bank (Guernsey) Limited, following a tendering exercise. The new agreement allowed for a maximum of £15m to be borrowed, which is guaranteed by SOG. At 31 December 2023 the GHA had drawn £nil (2022: £5.5m) against the facility.

41.3 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 unaudited net assets of AHA as at 31 December 2023 amounted to £1.6m (2022: £1.6m). 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.

41.4 Loan Guarantee Scheme

In March 2020 the SoD authorised the P&R to facilitate a Loan Guarantee Scheme to enable additional liquidity support to be made available to Bailiwick businesses during the COVID-19 outbreak.

SOG has 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 2023, 39 businesses (2022: 47) have existing loans drawn under the Scheme with a total exposure to the SOG and the States of £1.3m (2022: £1.7m).

41.5 The Ladies' College, Guernsey

The Ladies' College has a bank loan with the Royal Bank of Scotland International Limited (RBSI) to assist with building development. The loan of £3 million is repayable over 20 years from January 2017. SOG has undertaken to assume the obligations to the RBSI under the loan agreement, should there be an event of default under that loan agreement. As at 31 December 2023, the balance of the loan was £2.1m (2022: £2.2m).

42. Table of Grants and Subsidies Payable

	2023 £'000s	2022# £'000s
Description of Grant or Subsidy		
Medical Specialist Group	4,540	4,278
Higher Education Grants	3,930	3,963
Overseas Aid Grants (various)	3,484	2,540
Guernsey Therapy Group (need to check name)	3,331	2,929
St John Ambulance and Rescue Service	2,896	2,598
Guernsey Finance LBG	2,500	2,500
Alderney PSO/Air service	1,971	2,000
Guille-Alles Library	1,831	1,736
Pre School	1,818	1,789
Elizabeth College (College Grants)	1,688	1,754
The Ladies College (College Grants)	1,272	1,394
Dairy Farm Management Payments (Various)	1,268	1,025
Health Improvement Commission	926	1,035
Social Investment Fund	898	3,890
H E Lieutenant Governor	746	716
Student Nurses' Bursary	712	653
Youth Service Administration	699	644
Guernsey Training Agency	628	628
Guernsey Employment Trust	591	591
Guernsey Sports Commission	640	751
Blanchelande College (College Grant)	490	422
Guernsey Competition and Regulatory Authority	392	1,156
Priaulx Library	362	344
Action for Children grant	320	313
Channel Islands Brussels Office	300	327
Alderney Island Medical Centre	253	235
Grow Limited	237	237
Apprenticeship Grants (Various)	201	244
School Uniform Clothing and Educational Maintenance Grants	175	180
Choices LBG	160	145
Dyslexia Day Centre	157	251
Guernsey Arts Commission	120	147
Guernsey Housing Association	0	8,400
COVID-19 Grant Payments (Various)	0	776
War in Ukraine Crisis Emergency (Various)	0	486
British Red Cross	0	321
UNHCR	0	250
Friends of St James Association	0	58
Other grant payments less than £100k in both years (various)	1,373	995
	40,909	52,701

The States provides grant funding and subsidies to a number of different entities. Details of amounts that were payable during 2023 and 2022 are in the table above.

43. Payments to States of Deliberation Members

In accordance with the Resolutions of the SoD of 27 January 2012 (Billet d'État III) and 13 December 2012 (Billet d'État XXV), P&R 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.

Name	2023 £'000s	2022# £'000s
S E Aldwell	40,587	40,547
C P Blin	44,193	41,872
A H Brouard	57,096	54,150
Y Burford	54,832	54,779
T L Bury	44,193	41,872
A Cameron	44,193	41,872
D de G De Lisle	42,262	40,081
H L De Sausmarez	59,704	56,569
A C Dudley-Owen	59,704	56,569
J F Dyke	38,814	39,383
S Fairclough	44,193	41,872
S J Falla	44,193	41,872
P T R Ferbrache	74,310	70,474
A Gabriel	44,193	41,872
J A B Gollop	44,957	41,872
S P Haskins	44,193	41,872
M A J Helyar	59,704	56,569
N R Inder	59,704	56,569
A Kazantseva-Miller	44,193	41,872
C J Le Tissier	42,262	18,935
J P Le Tocq	59,704	56,569
M P Leadbeater	44,193	41,872
D J Mahoney	59,704	56,569
A D S Matthews	44,193	41,872

<i>Continued</i>	2023 £'000s	2022# £'000s
L J McKenna	44,193	41,872
C P Meerveld	59,704	56,569
N G Moakes	44,193	41,872
R C Murray	57,096	41,590
V S Oliver	44,193	41,872
C N K Parkinson	42,262	40,081
R G Prow	57,096	54,150
L C Queripel	42,262	40,081
S Roberts	23,326	22,122
P J Roffey	59,704	56,569
E A J Snowdon	24,392	23,110
H J R Soulsby MBE	44,957	55,324
G A St. Pier	44,193	41,872
A W Taylor	44,193	41,872
L S Trott	45,845	41,872
S P J Vermeulen	44,193	41,872
Total Payments to SoD Members	1,917,076	1,801,055

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

The total cost reported above differs from the amount disclosed within Note 6.1. 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.

44. Related Party Transactions

There were no material related party transactions that require to be disclosed in accordance with the reporting requirements approved by the SoD (Billet d'État XVIII, 1997).

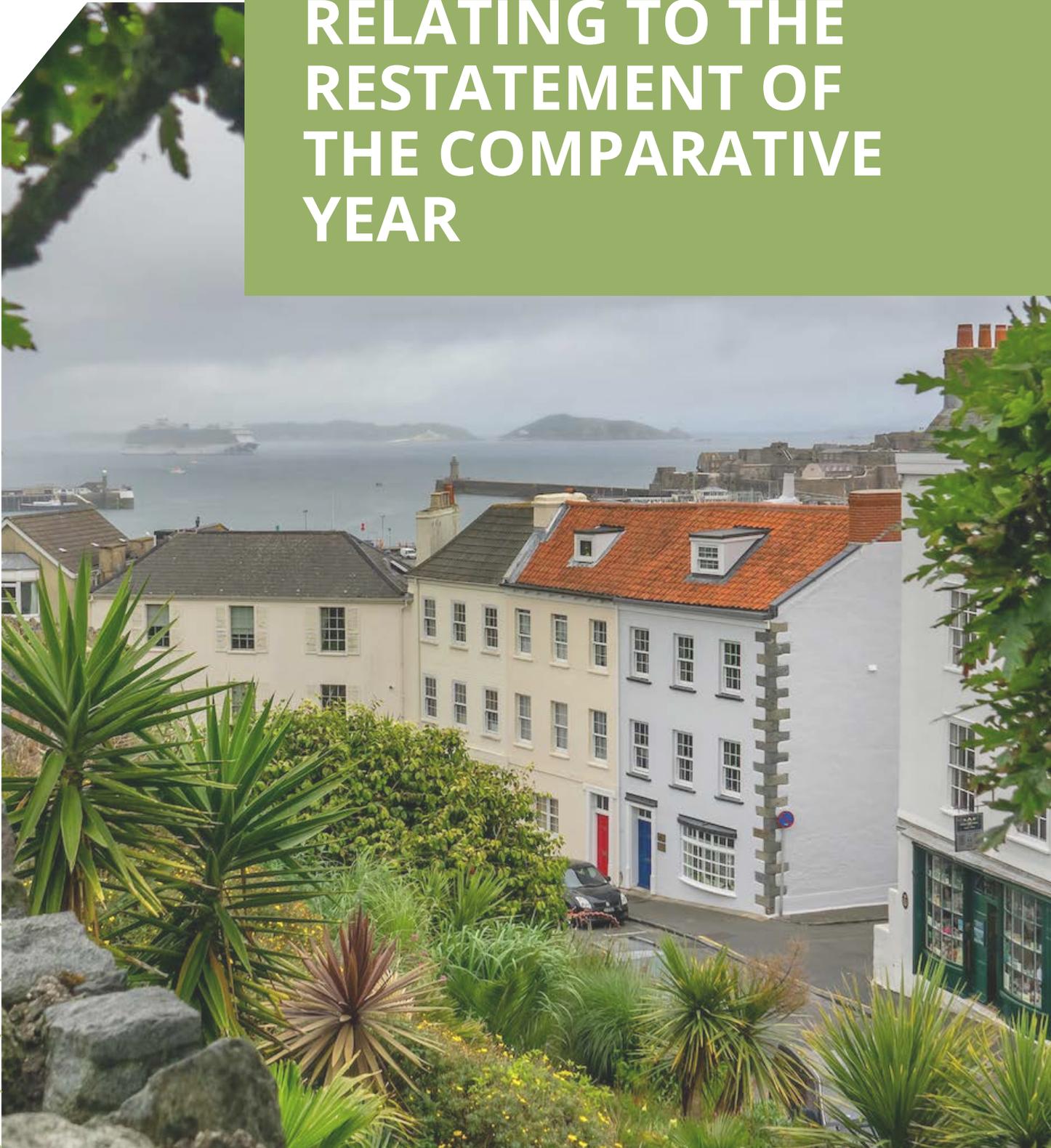
All SoD Members are required to provide Declarations of Members' Interests, which are available at the Greffe for public inspection and published on the SOG website.

45. Events After the Reporting Date

The building at Les Ozouets campus has been approved to be demolished. P&R approved this on 30th April 2024. The book value of the assets carried in the Statement of Financial Position are £3.1m.

SECTION 7

NOTES RELATING TO THE RESTATEMENT OF THE COMPARATIVE YEAR



Notes Relating to the Restatement of the Comparative Year

46. Restatement of 2022 States Accounts

Several changes to the accounting policies have been introduced for the preparation of the 2023 States Accounts. This has impacted upon the presentation of financial information within the principal financial statements. The adoption of the changes to the accounting policies has also resulted in the restatement of some balances and transactions that were otherwise reported in the 2022 States Accounts, in order that they can be used for comparative purposes.

The changes have been categorised within the following key adjustments which are summarised for the purpose of disclosing the overall changes at an appropriate level of detail.

46.1 Adjustment 1: Investment in Unincorporated Trading Assets

In the 2023 accounts the unincorporated trading assets have been recognised as investments with corresponding owner contributions, direct capital contributions and any impairment to the asset. Previously the investments were not included and any contributions, whether direct capital or owner contributions were recognised through the Statement of Financial Performance as an expense in Contributions Payable to Related Parties with no recognition of the investment on the Statement of Financial Performance.

46.2 Adjustment 2: Social Benefits

To align with IPSAS 42 Social Benefits are now recognised in full once all eligibility criteria for the benefit have been met. Social Benefits are described in detail in the Notes Relating to Social Benefits & Targeted Benefits section.

47. Restated Statement of Financial Performance

	Note 47.	2022 Restated £'000s	2022 Adjustment £'000s	2022 Published £'000s
Income				
Income Taxes		389,195	-	389,195
Social Security Contributions		208,580	-	208,580
Other Taxes and Duties		104,566	-	104,566
Income from Operating Activities		66,382	-	66,382
Other Corporate Income		37,858	-	37,858
		806,581	-	806,581
Expenditure				
Pay		(287,278)	-	(287,278)
Third Party Payments	2.1/2.2	(299,385)	(2,865)	(296,520)
Support Services	1.1/2.1	(97,148)	899	(98,047)
Supplies and Services		(88,061)	-	(88,061)
Premises		(31,675)	-	(31,675)
Staff Related Non-Pay Costs		(6,390)	-	(6,390)
Transport		(1,773)	-	(1,773)
		(811,710)	(1,966)	(809,744)
Operating Deficit				
		(5,129)	(1,966)	(3,163)
Non-Operating Income and Expenditure				
Depreciation		(29,159)	-	(29,159)
Finance Charges and Other Costs	1.2/1.3	(16,523)	(6,901)	(9,622)
Loss on Disposal of Property, Plant & Equipment and Other Derecognition Costs		(323)	-	(323)
		(46,005)	(6,901)	(39,104)
Investment Returns				
Net Returns on States' Investment Portfolio		(93,878)	-	(93,878)
Interest Receivable on Loans and Overdraft Facilities Granted		5,597	-	5,597
Fair Value Loss on Investment Property		(299)	-	(299)
		(88,580)	-	(88,580)
Contributions Towards Project Costs				
Contributions to Related Parties	1.1 / 1.4	-	3,975	(3,975)
		-	3,975	(3,975)
Net Deficit for the Year Retained by:				
General Revenue Reserve	1.5	(90,339)	5,275	(95,614)
Bond Reserve		(6,706)	-	(6,706)
Core Investment Reserve		(20,782)	-	(20,782)
States' Trading Entities Reserve	1.3	(10,366)	(10,366)	-
Guernsey Insurance Fund	2.2	(22,332)	199	(22,531)
Long-Term Care Insurance Fund		10,811	-	10,811
		(139,714)	(4,892)	(134,822)

Key presentational changes are:

47.1 Adjustment 1: Investment in Unincorporated Trading Assets

47.1.1. SOG Funded Projects - Non-Capital

In 2022 £2,273k was recognised as being contributed to the Unincorporated Trading Assets for directly funded non-capital projects. Previously this was recognised in Contributions to Related Parties but now is a Support Services Cost

Net impact increases Support Services and decreases Contributions to Related Parties by £2,273k.

47.1.2. Bad Debt Adjustment

In the 2022 States Accounts the States of Guernsey covered the losses of certain of the Unincorporated Trading Entities totalling £3,465k. This is now included in the asset value.

Net impact decreases Finance Charges and Other Costs and increases General Revenue Reserve by £3,465k.

47.1.3. Impairment

The Unincorporated Trading Entities are now impaired. The impairment in 2022 to be included is £10,366k.

Net impact increases Finance Charges and Other Costs and decreases States' Trading Entity Reserve by £10,366k.

47.1.4. SOG Funded Projects - Capital

In 2022 £1,702k was recognised as being contributed to the Unincorporated Trading Assets for directly funded capital projects. Previously this was recognised in Contributions to Related Parties but now is a recognised in the asset value.

Net impact decreases Finance Charges and Other Costs and increases General Revenue Reserve by £1,702k.

47.1.5. General Revenue Reserve

Note 47.1.2 (Increase 3,465k), Note 47.1.4 (increase £1,702k), Note 47.2.2 (increase £108k).

47.2 Adjustment 2: Social Benefits

47.2.1. Grants in Contracted out Work

A small amount of CfESS grants (£243k) along with CfHSC grants (£2,929k to Guernsey Therapy Group) were recognised in contracted out work in 2022. These have been moved to grants and subsidies to align with the updated policy.

Net impact increases Third Party Payments and decrease Support Services by £3,172k.

47.2.2. Social Benefit recognition

The change in recognition results in a net impact of a reduction in costs in 2022 of £307k. £108k relates to General Revenue funded benefits and £199k to GIF funded benefits.

Net impact decreases Third Party Payments by £307k, increases General Revenue Reserve by £108k and increases GIF Reserve by £199k.



48. Restated Statement of Financial Position

	Note 48.	2022 Restated £'000s	In-Year Adjustment £'000s	Opening Adjustment £'000s	2022 Published £'000s
Non-Current Assets					
Investments		3,213,983	-	-	3,213,983
Property, Plant and Equipment		1,590,854	-	-	1,590,854
Shareholdings in States' Trading Entities	1.1 / 1.2	512,186	(2,224)	395,968	118,442
Receivables		135,438	-	-	135,438
Investment Properties		77,194	-	-	77,194
Assets Under Construction		24,244	-	-	24,244
		5,553,889	(2,224)	395,968	5,160,155
Current Assets					
Receivables	1.2	140,647	(1,425)	-	142,072
Prepayments	2.1	10,060	307	(4,380)	14,133
Stock		7,680	-	-	7,680
Cash and Cash Equivalents		2,291	-	-	2,291
		160,678	(1,118)	(4,380)	166,176
Current Liabilities					
Revolving Credit Facility		(30,000)	-	-	(30,000)
Creditors		(58,902)	-	-	(58,902)
Short-Term Provisions		(488)	-	-	(488)
Depositors	1.2	(1,564,414)	(1,550)	-	(1,562,864)
Currency in Circulation		(52,600)	-	-	(52,600)
		(1,706,404)	(1,550)	-	(1,704,854)
Non-Current Liabilities					
Bond Issue		(318,265)	-	-	(318,265)
Net Assets		3,689,908	(4,892)	391,588	3,303,212
Represented by:					
General Revenue Reserve	1.2/2.2	474,682	5,275	-	469,407
Bond Reserve		(755)	-	-	(755)
Core Investment Reserve		158,100	-	-	158,100
States' Trading Entities Reserve	1.1	498,700	(10,366)	395,968	113,098
Guernsey Insurance Fund	2.1/2.2	716,821	199	(3,447)	720,069
Long-Term Care Insurance Fund		129,218	-	-	129,218
Accounting Adjustment Reserve		1,713,142	-	(933)	1,714,075
Reserves		3,689,908	(4,892)	391,588	3,303,212

Key presentational changes are:

48.1 Adjustment 1: Investment in Unincorporated Trading Assets

48.1.1. Investment and Impairment

The inclusion of the Unincorporated Trading Assets as investments results in a net opening investment of £396m, owner contributions of £8.1m and an impairment of £10.4m.

48.1.2. Contributions

The contributions (£8.1m) were split between debtors (£1.4m), depositor balances with SOG (£1.6m) and expensed through General Revenue (£5.1m).

48.2 Adjustment 2: Social Benefits

48.2.1. Reversal of Prepayment (opening balance adjustment):

As described above there is no prepayment of Social Benefits where the criteria have been met. Social Benefits are paid from both the General Revenue and from the Guernsey Insurance Fund. Adjustments to General Revenue for accounting policy changes flow through the Accounting Adjustment Reserve.

The total opening impact was a reduction in prepayments (£4.4m) relating to GIF (£3.5m) and General Revenue which is adjusted in the Accounting Adjustment Reserve (0.9m).

48.2.2. In-year Adjustments

The adjustment relating to the recognition of the Social Benefits in-year result in an increase in prepayments (£0.3m) relating to GIF (£0.2m) and General Revenue (£0.1m)

49. Restated Movement in Reserves

For the Year Ended 31 Dec 2022	Total Reserves	General Revenue Reserve	Bond Reserve	Core Investment Reserve	States' Trading Entities Reserve	Guernsey Insurance Fund	Long- Term Care Insurance	Accounting Adjustment Reserve
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Published								
Opening Balance	3,438,034	569,194	147	178,882	113,098	744,231	118,407	1,714,075
(Deficit)/ Surplus for Year	(134,822)	(95,614)	(6,706)	(20,782)	-	(22,531)	10,811	-
Transfers In-Year	-	(4,173)	5,804	-	-	(1,631)	-	-
Closing Balance	3,303,212	469,407	(755)	158,100	113,098	720,069	129,218	1,714,075
Adjustments								
Opening Balance	391,588	-	-	-	395,968	(3,447)	-	(933)
(Deficit)/ Surplus for Year	(4,892)	5,275	-	-	(10,366)	199	-	-
Transfers In-Year	-	-	-	-	-	-	-	-
Closing Balance	386,696	5,275	-	-	385,602	(3,248)	-	(933)
Restated								
Opening Balance	3,829,622	569,194	147	178,882	509,066	740,784	118,407	1,713,142
(Deficit)/ Surplus for Year	(139,714)	(90,339)	(6,706)	(20,782)	(10,366)	(22,332)	10,811	-
Transfers In-Year	-	(4,173)	5,804	-	-	(1,631)	-	-
Closing Balance	3,689,908	474,682	(755)	158,100	498,700	716,821	129,218	1,713,142

50. Restated Cash Flow Statement

	Note	2022 Restated £'000s	2022 Adjustment £'000s	2022 Published £'000s
Net Cash Flows from Operating Activities		(34,512)	4,678	(39,190)
Cash Flows from Investing Activities				
Net Proceeds from the Purchase and Sale of Investments		114,530	-	114,530
Proceeds from Sale of Property, Plant and Equipment		4,230	-	4,230
Dividends Received		500	-	500
Capital Expenditure on Investment Properties		-	-	-
Net Cash Funding Provided to Trading Entities		(12,047)	(4,678)	(7,369)
Capital Expenditure on Property, Plant and Equipment		(22,127)	-	(22,127)
Net Cash Flows from Investing Activities		85,086	(4,678)	89,764
Cash Flows from Financing Activities				
Short Term Borrowings (Revolving Credit Facility)		(45,000)	-	(45,000)
Interest Paid		(11,752)	-	(11,752)
Issue of Loans Financed from the Bond		(2,200)	-	(2,200)
Repayment of Loans Financed from the Bond		4,366	-	4,366
Net Cash Flows from Financing Activities		(54,586)	-	(54,586)
Net (Decrease)/ Increase in Cash at Bank and in Hand		(4,012)	-	(4,012)
Cash and Cash Equivalents at the Beginning of the Year		6,303	-	6,303
Cash and Cash Equivalents at the End of the Year		2,291	-	2,291

50.1 Note i: Net Cash Flows from Operating Activities (Restated)

	Note	2022 Restated £'000s	2022 Adjustment £'000s	2022 Published £'000s
Overall (deficit)/surplus		(139,714)	(4,892)	(134,822)
Adjustment for depreciation		29,159	-	29,159
Adjustment for property revaluation		299	-	299
Adjustment for profit and loss on disposal and derecognition		323	-	323
Adjustment for dividends received		(500)	-	(500)
Adjustment for coupon payment		11,752	-	11,752
Losses on investments		300,521	-	300,521
Increase in stock		(748)	-	(748)
Decrease in other loans		607	-	607
Increase in debtors and prepayments		(12,245)	1,118	(13,363)
Increase in creditors		5,170	-	5,170
Decrease in depositors		(234,342)	1,550	(235,892)
Increase in carrying value of long-term loans (EIR)		319	-	319
Adjustment for Impairment of Incorporated Trading Entities		(5,479)	-	(5,479)
Adjustment for Impairment of Unincorporated Trading Entities		10,366	6,902	3,464
Balance as at 31 December		(34,512)	4,678	(39,190)

SECTION 8

NOTES RELATING TO SOCIAL BENEFITS & TARGETED BENEFITS



Notes Relating to Social Benefits & Targeted Benefits

51. ESS Contributory Funds

As detailed in note 13, the amalgamation of the Social Security Contributory Funds, which consist of the Guernsey Insurance Fund (GIF) and the Long-Term Care Insurance Fund (LTCIF), was effective 1 January 2022, at which date the assets and liabilities of the combined operations were pooled. The balance, returns and withdrawals are monitored separately in accordance with “The Social Insurance (Guernsey) Law, 1978” and with “The Long-term Care Insurance (Guernsey) Law, 2002”.

	Total 2023 £'000s	GIF 2023 £'000s	LTCIF 2023 £'000s	Total 2022 £'000s	GIF 2022 £'000s	LTCIF 2022 £'000s
Income						
Contributions	196,292	159,176	37,116	177,204	144,633	32,571
Expenditure						
Social Benefits	(176,324)	(176,324)	-	(163,434)	(163,434)	-
Targeted Benefits	(24,480)	(954)	(23,526)	(22,826)	(710)	(22,116)
Grants	(217)	(217)	-	(244)	(244)	-
Administration	(5,052)	(4,740)	(312)	(4,792)	(4,517)	(275)
	(206,073)	(182,235)	(23,838)	(191,296)	(168,905)	(22,391)
Operating (deficit)/surplus before depreciation charge	(9,781)	(23,059)	13,278	(14,092)	(24,272)	10,180
Depreciation charge	(80)	(80)	-	(73)	(73)	-
Operating (deficit)/surplus	(9,861)	(23,139)	13,278	(14,165)	(24,345)	10,180
Investment returns	53,565	44,968	8,597	2,644	2,013	631
Transfer to General Reserve ⁶	(1,803)	(1,803)	-	(1,631)	(1,631)	-
Net surplus/(deficit)	41,901	20,026	21,875	(13,152)	(23,963)	10,811
Opening balance of reserves*	846,039	716,821	129,218	859,191	740,784	118,407
Net (deficit)/surplus for year	41,901	20,026	21,875	(13,152)	(23,963)	10,811
Closing balance of reserves	887,940	736,847	151,093	846,039	716,821	129,218

⁶Transfer to General Reserve is for the ESS contribution towards the new revenue services IT platforms.

52. Funding of benefits

The following information is presented to show the allocation of Employment and Social Security operating activity between General Revenue (GR), and the Social Security Contributory Funds.

	Total 2023	GIF 2023	LTCIF 2023	GR 2023	Total 2022	GIF 2022	LTCIF 2022	GR 2022
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
States Pension	154,198	154,198	-	-	142,805	142,805	-	-
Sickness Benefit	5,212	5,212	-	-	5,001	5,001	-	-
Incapacity Benefit	11,246	11,246	-	-	10,414	10,414	-	-
Bereavement Benefit	1,463	1,463	-	-	1,388	1,388	-	-
Unemployment Benefit	703	703	-	-	381	381	-	-
Parental Benefit	2,646	2,646	-	-	2,656	2,656	-	-
Industrial Injury Benefit	273	273	-	-	255	255	-	-
Industrial Disablement Benefit	584	584	-	-	534	534	-	-
Income Support	46,876	-	-	46,876	42,678	-	-	42,678
Family Allowance	6,622	-	-	6,622	6,301	-	-	6,301
Severe Disability Benefit	5,819	-	-	5,819	5,059	-	-	5,059
Carer's Allowance	3,119	-	-	3,119	2,669	-	-	2,669
Total Social Benefits	238,760	176,324	-	62,436	220,142	163,434	-	56,708
Death	544	462	-	82	522	456	-	66
Back to Work	220	220	-	-	119	119	-	-
Medical	3,773	142	-	3,631	3,138	145	-	2,993
Other	800	129	-	670	647	(10)	-	658
Residential Home Care	12,469	-	12,469	-	11,147	-	11,147	-
Nursing Home Care	11,057	-	11,057	-	10,969	-	10,969	-
Total Targeted Benefits	28,863	954	23,526	4,383	26,542	709	22,116	3,717
Total Benefits Paid	267,623	177,278	23,526	66,820	246,684	164,144	22,116	60,425

Residential Home Care benefit is available to eligible residents of private residential homes to assist with the cost of their long-term care.

Nursing Home Care benefit is the equivalent benefit for eligible residents of private nursing homes.

53. Benefit Liabilities at the year end

	2023 £'000s	2022# £'000s
Social benefits at the reporting date		
Income Support	-	2
	-	2

54. Characteristics of the Social Benefit Schemes

54.1 General

Some social benefits are funded from social security contributions to the Guernsey Insurance Fund. The legislation applicable to those items funded by the Guernsey Insurance Fund is "The Social Insurance (Guernsey) Law, 1978".

Where social benefits are noted as funded through General Revenue these are non-contributory benefits.

Further information about social benefits is available on the States of Guernsey Website on the Benefits Allowances & Support page (which can be found [here](#) if viewing the digital version).

54.2 States Pension

The scheme provides a States Pension to those that have achieved States Pension age in accordance with "The Social Insurance (Guernsey) Law, 1978". Pensions are payable when a person reaches pension age. Pension age is set depending on date of birth and is between sixty-five years old and seventy years old.

To be entitled to receive a full States Pension a person must have contributed an average of at least fifty social insurance contributions per year over a forty-five-year period. If this test is not met then a reduced pension may be payable. If the yearly average is less than ten no Pension will be payable unless contributions paid to another country can be used to raise the average. If you were a married or divorced woman as of 31 December 2003, you may be assisted by your husband or ex-husband's contribution record up to that date.

States Pension is funded from GIF.

54.3 Sickness Benefit

A person who is unable to work due to illness or injury may qualify for Sickness Benefit if they meet certain contribution conditions.

- A person must have paid at least 26 social insurance contributions as an employed or self-employed person at any time in their working life; and
- They must have paid or had credited at least 26 social insurance contributions as an employed or self-employed person, in the relevant contribution year.

In order to receive sickness benefit the claimant must have a medical certificate, from a doctor, dentist, physiotherapist, osteopath or chiropractor, to say that the claimant is unfit for work.

This benefit is funded from the GIF.

54.4 Incapacity Benefit

If a person in receipt of sickness benefit is still unable to work after a period of six months, they will cease to be paid sickness benefit but may instead be paid incapacity benefit. As with sickness benefit, there are certain contribution conditions that must be met before incapacity benefit can be paid:

- A person must have paid at least 26 social insurance contributions as an employed or self-employed person at any time in their working life; and
- They must have paid or had credited at least 26 social insurance contributions as an employed or self-employed person, in the relevant contribution year.

In order to receive incapacity benefit the claimant must have a medical certificate, from a doctor, dentist, physiotherapist, osteopath or chiropractor, to say that the claimant is unfit for work.

This benefit is funded from GIF.

54.5 Bereavement Benefit

The bereavement benefits include Bereavement Allowance, Bereavement Payment, and Widowed Parent's Allowance. To be paid at the full rate, the deceased must have paid or had credited an average of at least fifty social insurance contributions per year, between the age of twenty and their date of death (or pension age).

If this test is not met then a reduced benefit may be payable, provided that at least one hundred and fifty-six social insurance contributions that count towards benefit were paid during the deceased's working life. Benefits are not payable if at the time

of death, the claimant was divorced from the deceased, had married someone else or was still married but co-habiting with someone else.

Bereavement Payment is a single lump sum payment for widows and widowers. Bereavement Allowance is a weekly allowance paid for up to fifty-two weeks to people under pensionable age who are widowed and who are not in receipt of Widowed Parent's Allowance. Widowed Parent's Allowance is a weekly allowance available to widows and widowers who have not reached pensionable age, who have a child under the age of eighteen for which they are receiving family allowance.

These benefits are funded from GIF.

54.6 Unemployment Benefit

Unemployment benefit is a cash benefit paid to unemployed people who are looking for work with an employer. To receive unemployment, benefit the claimant must:

- be unemployed, available for and actively seeking work.
- have made at least 26 social insurance contribution payments as an employed person in Guernsey, at any time in your working life.
- have made at least 26 contribution payments as an employed person or have received contribution credits as an employed person during the relevant contribution year.
- hold a valid residency certificate or employment permit.

This benefit is funded from GIF.

54.7 Parental Benefit

Parental Benefits consists of several different sub benefits depending on circumstances.

- The Maternity Grant is a one-off payment made to pregnant women or new mums to help with the cost of having a baby.
- The Adoption Grant is a one-off payment made to parents who are adopting a child.
- Maternal Health Allowance can only be claimed by the birth mother while she is off work in the pre-birth or initial post-birth period.
- Two weeks after the birth, Maternal Health Allowance switches automatically to Newborn Care Allowance. This allowance can be claimed by whichever parent is taking time off work to care for their baby.

- Parental Allowance is payable for up to 26 weeks to a parent who takes time off work to care for a child they have adopted.

Certain contribution conditions must be met for a person to qualify for Maternal Health Allowance, Newborn Care Allowance, and Parental Allowance.

- A person must have paid at least 26 social insurance contributions as an employed or self-employed person during their working life.
- They must have paid, or had credited, at least 26 contributions as an employed or self-employed person during the relevant contribution year.

This benefit is funded from GIF.

54.8 Industrial Injury Benefit

Industrial Injury Benefit is a weekly benefit payable to a person who is incapable of all work as a result of an accident at work or prescribed industrial disease.

In order to receive industrial injury benefit the person must have a medical certificate, from a doctor, dentist, physiotherapist, osteopath or chiropractor, to say that the claimant is unfit for work.

Industrial injury benefit isn't paid if a person is already entitled to or receiving States pension, unemployment benefit or parental benefits.

This benefit is funded from GIF.

54.9 Industrial Disablement Benefit

Industrial Disablement Benefit is a weekly benefit payable to a person to compensate for loss of physical or mental faculty resulting from an accident at work or prescribed industrial disease. The degree of disability is assessed by an independent Medical Board.

The rate of benefit payable is dependent on the degree of disablement assessed by a Medical Board. The benefit is only payable if the degree of disablement is 20% or more.

This benefit is funded from the GIF.

54.10 Income Support

Income support is a means-tested benefit that enables all households in Guernsey and Alderney to access financial support sufficient to ensure an acceptable standard of living.

If a person's household income is not sufficient to meet their needs (requirement rate) Income Support provides financial assistance to bring their household income up to the required level.

Other support is available through Income Support in relation to medical cover, aids and adaptations, winter fuel costs, and the additional costs associated with living with a disability.

In order to receive income support the person must:

- be ordinarily resident in Guernsey and have a valid residency certificate or permit.
- be over the age of 18
- No longer be in full time education
- have savings below the set capital limits (see table below)

Anyone claiming income support who is under pensionable age and all dependants who are of working age (i.e. over school leaving age but under pensionable age) and who have left full-time education, must also be in full-time work, or acting in compliance with work requirements relating to them, in order to be eligible for income support.

Household	Capital Limit £'000s
Single Person	15
Couple	18
Family, one child	20
Family, two children	25
Family, three children or more	27

This benefit is paid in accordance with "The Income Support (Guernsey) Law, 1971". Income support is a non-contributory benefit funded through General Revenue.

54.11 Family Allowance

Family Allowance can be claimed by anyone responsible for bringing up a child who is, under eighteen and still in full-time education, provided that their gross household income is less than £120,000 per annum. Family allowance is paid in accordance with 'The Family Allowance (Guernsey) Law, 1950'.

Family Allowance is a non-contributory benefit funded through General Revenue.

54.12 Severe Disability Benefit

A person who has a physical or mental disability which requires frequent attention by day or by night in connection with their bodily functions, or constant supervision throughout the day or night to avoid substantial danger to themselves or others, may be eligible to receive Severe Disability Benefit.

Severe Disability Benefit is not payable if a person's annual household income exceeds £113,400.

This benefit is paid in accordance with "The Severe Disability Benefit and Carer's Allowance (Guernsey) Law, 1984". It is a non-contributory benefit funded through General Revenue.

54.13 Carer's Allowance

A person over 18 who is assisting someone in receipt of Severe Disability Benefit with their bodily functions for at least 35 hours per week may qualify for Carer's Allowance.

This benefit is paid in accordance with "The Severe Disability Benefit and Carer's Allowance (Guernsey) Law, 1984". It is a non-contributory benefit funded through General Revenue.

54.14 Other Social Benefits

These are benefits paid which are infrequent and of low value in aggregate. These benefits are paid in accordance with 'The Social Insurance (Industrial Injuries Benefits) (Guernsey) Regulations, 1978' and with 'The Income Support (Guernsey) Law, 1971'. Industrial injuries benefits are funded from the GIF, income support is funded from General Revenue.

55. Characteristics of the Targeted Benefit Schemes

55.1 General

Targeted benefits do not meet the definition of social benefits as they are not cash benefits paid to an individual or household but are instead paid to a third party on behalf of the individual or household.

Some targeted benefits are funded from social security contributions to the GIF and LTCIF. The legislation applicable 'The Social Insurance (Guernsey) Law, 1978' for the GIF and 'The Long-term Care Insurance (Guernsey) Law, 2002' for the LTCIF.

Where targeted benefits are noted as funded through General Revenue these are non-contributory benefits.

Further information about targeted benefits is available on the States of Guernsey Website on the Benefits Allowances & Support page (which can be found [here](#) if viewing the digital version).

55.2 Death Grant

Death Grant provides a single lump sum payment to assist with funeral expenses upon the death of a person. To be paid at the full rate, the deceased must have paid or had credited an average of between 45 and 52 social insurance contributions per year, between the age of twenty and their date of death (or pension age).

If this test is not met then a reduced benefit may will be payable provided the deceased had paid or had credited an average of ten social insurance contributions per year, between the age of twenty and their date of death (or pension age).

Death Grant is funded from GIF.

55.3 Back to Work Benefits

Back to work benefits may be provided at the discretion of Social Security on the recommendation of the Administrator and are aimed at people who are getting sickness benefit, incapacity benefit, industrial injury benefit, industrial disablement benefit, unemployment benefit or income support and would like some help in getting back to work. The Back to Work benefits are a suite of benefits intended to facilitate a person to enter or return to employment. These benefits include:

- Back to work bonus - a lump sum paid to a person who has started a new job after being sick or unemployed for six months or longer.
- Grants towards the cost of interview attire, work-related equipment, etc.

- Funding for work-related skills training.
- Recruitment grant for employers – available to employers that recruit someone who has been claiming an incapacity or job seeking benefit for more than six months.

These benefits are funded from the GIF.

55.4 Medical Benefits

Medical benefits consist of Pharmaceutical Service which assists with prescription charges, Health Benefit provides a grant towards a consultation with a doctor and Specialist Medical Benefit which provide grants towards medical treatment provided by the medical specialist group.

The majority of these benefits are funded from General Revenue.

55.5 Residential Home Care & Nursing Home Care

A person is eligible for residential home care benefit or nursing home care benefit if they meet the criteria below:

- At any time in your life, you must have lived in Guernsey or Alderney for a continuous period of five years;
- You must have lived in Guernsey or Alderney for at least the last twelve months before making your claim;
- You must have been assessed as needing care in a residential home or nursing home setting;
- You have a valid care certificate issued by the Needs Assessment Panel which is operated by the Committee for Health & Social Care; and
- You have a room in a private residential or nursing home.

These benefits are funded from LTCIF.

56. Significant amendments to benefits during the reporting period

56.1 Inflation

RPIX for the year ending June in the prior year is used as a core measure for increasing the majority of benefits. RPIX in June 2022, used for 2023 changes was 7.0% (2021: 2.3%).

Figures in the tables below are for 31st December each year with the change representing the increase in benefits rates during 2023.

56.2 Income Support

Due to the significant increases in inflation during 2022 and 2023 Income Support benefits were increased twice in both financial years. Increases are usually implemented in January each year. In 2022 an emergency increase was applied in October and in 2023 an interim uprating was applied in August. The figures shown in the table below are at 31st December each year with the change being the total change for 2023.

Income support requirement rates were also subject to a re-basing exercise informed by the research into an updated Minimum Income Standard for Guernsey, completed in 2021 by Loughborough University's Centre for Research in Social Policy. The previous review of baskets was performed by the same organisation in 2010. This review identified that short-term support payments required the largest increase. Short-term support claims represent a small percentage of total claims (January 2022: 4.8% of the claim volume).

	Frequency	2023 £	2022 £	Change (%)
Income Support				
Couple householder short term	Weekly	249.84	198.96	25.6%
Couple householder long term	Weekly	355.52	326.47	8.9%
Single Householder short term	Weekly	149.77	113.88	31.5%
Single Householder long term	Weekly	213.83	197.18	8.5%
Single non-householder 18 years or over short term	Weekly	114.31	86.85	31.6%
Single non-householder 18 years or over long term	Weekly	162.81	148.26	9.8%
Member of household:				
Aged 11 and over short term	Weekly	109.66	81.11	35.2%
Aged 11 and over long term	Weekly	124.90	115.60	8.0%
Aged 5 – 10 years short term	Weekly	85.83	61.00	40.1%
Aged 5 – 10 years long term	Weekly	95.02	86.86	9.4%
Under five years short term	Weekly	70.37	40.90	72.1%
Under five years long term	Weekly	82.95	58.13	42.7%
RENT Addition for a non-householder	Weekly	88.50	80.50	9.9%

Income Support Maximum Rent Allowances were increased twice in 2022 in response to the sharp increase in costs in that year. As a result, Income Support Maximum Rent Allowances as at 31 December 2023 were 4.9% higher than the same date in 2022 but increases in-line with RPIX were applied in January 2023 compared to January 2022.

In addition, the income support limit of weekly income for people living in the community was removed.

56.3 Other Social Benefits

The rates of most of the other non-contributory benefits and all the contributory benefits were increased in 2023 in line with the cost-of-living for the year ending 30 June 2022 (7.3%).

57. Key Demographic, Economic and Other External Factors that Influence the Level of Expenditure under the Social Benefit Schemes

57.1 Demographic Factors

The ability to finance the social benefits funded through social security is affected by both the level of contribution incomes, the number of contributors and the volume of claims, which is related to the size and makeup of the population.

Guernsey's published population projections (available at www.gov.gg/population) show the potential for a downward pressure on the number of working people, who make the largest financial contributions, as the largest age cohorts move into retirement and are replaced by a smaller generation of younger people as a result of the reduction in fertility rates to below the replacement rate.

This is balanced by inward net migration, which tends to be focused among economically active individuals. Higher levels of net inward migration (as experienced in the last four years) could increase the revenues associated with the provision of Social Benefit Schemes under the Social Security contributions system; lower levels of net inward migration could reduce the funding available. Migration levels tend to be closely linked to economic conditions.

The movement of these larger cohorts into older age groups, combined with increased life expectancy is placing a sustained upward pressure on multiple Social Benefits, including, but not limited to the States pension, income support, severe disability benefits, carers allowance and bereavement benefits. Projected costs could be affected by changes in life expectancy from the expected trends, or an increase in net inward migration of older people.

The current low fertility rates exert a downward impact on the cost of providing parental benefits and family allowance. Higher or lower fertility rates could impact the cost of these.

57.2 Public Health Factors

The cost of social benefit schemes was significantly impacted by the Covid-19 pandemic during 2020 and 2021, with shorter term impacts on benefits such as Income Support and Sickness Benefits. There has been an upward movement in invalidity benefits since 2020 and while this cannot be definitively linked to longer term health impacts resulting from Covid-19 it is a possible contributing factor. Another widespread public health crisis could result in similar short- and long-term increases.

Other health factors such as levels of obesity and related conditions such as type 2 diabetes, the mental health of the community and long waiting lists for medical treatment may also have an impact on the cost of health and incapacity related social benefits. They may also impact the cost of providing income support benefits.

57.3 Economic Factors

The cost of social benefits is impacted by a number of economic factors including:

57.3.1. The rate of inflation (as measured by RPIX).

RPIX is used to determine the increase in the rates of the non-contributory social benefits and is one of the metrics used in the determination of the annual uprating of the States pension and other contributory social benefits. High levels of price inflation therefore directly increase costs. In exceptional circumstances, this may also trigger an increase in the benefit rates outside the normal budgeting cycle, as was the case in 2023 in respect of income support. It is also expected that higher levels of inflation would increase earnings (albeit at a lag) resulting in higher contribution revenues.

57.3.2. Median earnings growth

This is one of the metrics used in the determination of the annual uprating of the States pension and other contributory benefits. Therefore, earnings growth in excess of inflation increases costs. Earnings growth in the community may also reduce the need for income support and increase contribution revenues.

57.3.3. Rates of employment and unemployment

This directly impacts the number of unemployment benefit claims but may also influence the number and value of individual claims for income support and contribution revenues.

57.3.4. The cost and availability of housing

Housing costs form a part of the income support assessment process. Changes in housing costs may impact demand for income support and the value of individual claims.

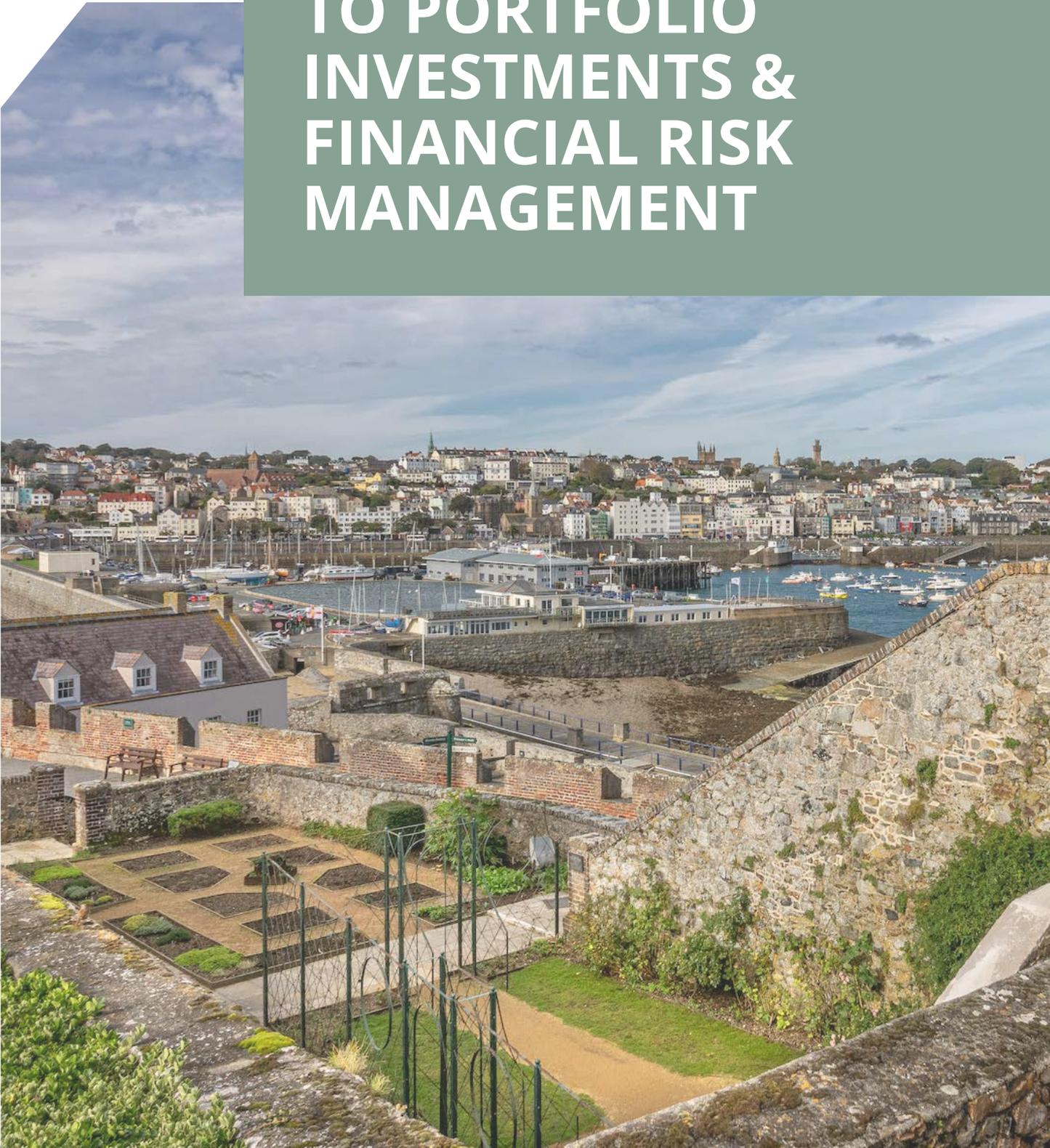
57.4. Other external factors

There are currently no other known factors that would impact the level of social benefits payable.



SECTION 9

NOTES RELATING TO PORTFOLIO INVESTMENTS & FINANCIAL RISK MANAGEMENT



Notes Relating to Portfolio Investments & Financial Risk Management

58. Fair Value of Investments

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 valuation techniques and other inputs used in the calculations.

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.

Where Collective Investment Funds are held and the underlying investments comprise of a variety of different asset types, effort has been made to broadly identify the proportions of each asset category when classifying the portfolio.

However, the assessment of where the holding sits within the Fair Value Hierarchy relates to the fund security itself. This is because liquidity can only be achieved through selling the fund securities. The investor has no direct access to the underlying investments. Consequently, where cash is held by the fund, this cash will be assessed for Fair Value based on the overall Fund and therefore may not be considered Level 1.

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 publicly available information.

The fair valuation level 3 investments require the exercise of professional judgement and the fair values derived will have an element of estimation uncertainty as well as a range of potential valuation outcomes.

Level 3 investments consist of pooled investment vehicles including, private equity and venture capital funds, real estate funds and infrastructure funds which typically have longer expected investment periods, legally enforceable future commitments to invest and limited opportunity for early realisations. Most level 3 investments have therefore been measured at fair value using the reported net asset value (“NAV”), as this is based on the most up-to-date information available provided by the underlying investment fund.

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

Transfers between levels

There has been one transfer of £2m between the levels during the year (2022: None).

59. General Investment Portfolio (GIP)

It should be noted that the figures shown for 2022 below represent the previously referred to “Consolidated Investment Fund”, which included assets attributable to both the GIP and the PIP.

59.1 GIP as at 31st December 2023

	Total £'000s	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s
Investments Measured at Fair Value				
Cash and cash equivalents (held by investment managers)	84,643	81,217	3,426	-
Equities and derivatives	658,439	339,873	318,566	-
Alternatives	172,931	4,976	167,955	-
Bonds and fixed interest securities	504,069	249,833	254,236	-
Property	82,450	2,889	52,932	26,629
Private market investments	188,646	-	128	188,518
Balance at 31 December	1,691,177	678,788	797,243	215,147

59.2 Combined Value of GIP & PSPS as at 31st December 2023

This table is purely for comparison purposes with the 2022 position.

	Total £'000s	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s
Investments Measured at Fair Value				
Cash and cash equivalents (held by investment managers)	258,104	247,565	10,539	-
Equities and derivatives	1,322,188	702,686	619,502	-
Alternatives	359,294	83,942	275,352	-
Bonds and fixed interest securities	818,850	468,491	350,359	-
Property	166,460	7,608	105,146	53,706
Private market investments	360,652	-	128	360,524
Balance at 31 December	3,285,548	1,510,292	1,361,026	414,230

59.3 Consolidated Investment Fund as at 31 December 2022

	Total £'000s	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s
Investments Measured at Fair Value				
Cash and cash equivalents (held by investment managers)	156,514	141,353	15,161	-
Equities and derivatives	1,247,877	1,103,030	144,847	-
Alternatives	520,779	43,410	477,370	-
Bonds and fixed interest securities	699,850	425,194	274,656	-
Property	289,903	15,535	202,947	71,421
Private market investments	299,059	-	479	298,580
Balance at 31 December	3,213,983	1,728,522	1,115,460	370,001

59.4 Private Equity Commitments

The GIP had the following commitments to Private Equity Funds as at 31st December each period.

	Total £'000s	Level 1 £'000s	Level 2 £'000s
InfraBridge Global Infrastructure Fund	7,845	7,845	-
Blackstone Strategic Capital Holdings II SCSp	19,612	11,170	8,442
Cambridge Associates Discretionary Portfolio	157,319	17,919	139,400
CBRE Global Investors (UK) Funds Limited	121,760	119,753	2,008
Guernsey Investment Fund PCC Limited GIF Technology & Innovation Cell	31,250	27,541	3,709
Guernsey Investment Fund PCC Limited GIF Property Cell	40,000	6,600	33,400
JP Morgan Asset Management - Private Equity	7,845	7,687	158
Morgan Stanley Investment Management Limited ⁷	51,678	35,278	13,433
Partners Group Direct Equity 2019	15,690	11,924	3,766
Total Commitments	453,000	245,718	204,316

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

⁷The Morgan Stanley Investment Management Limited total commitment does not equal the sum of the drawn and the balance as there are commitments in foreign exchange. Once drawn the FX rate is fixed at that point in time while the total and the balance are revalued at 31st December 2023.



59.5 Investment Managers

The GIP is managed by the investment managers as listed below:

Investment Manager	Opened	Closed / Sold
24AM Vontobel		Dec 23
Aberdeen Asset Managers Limited		Mar 23
AMP Capital Investors Limited		
AQR Funds		
Arga Emerging Market Equity Fund	Nov 23	
Blackstone Strategic Capital Advisors LLC		
BlackRock Investment Management (UK) Limited		
Brooks Macdonald Asset Management (International) Limited		
Canaccord Genuity Wealth (International) Limited		
CBRE Global Investors (UK) Funds Limited		
CQS Global Funds		Dec 23 ⁸
Credit Suisse (Channel Islands) Limited		
Federated Hermes		
FIL Pensions Management Limited		
Franklin Templeton Fund Management Limited	Dec 23	
Generation IM Fund plc	Jun 23	
GMO UK Limited		Dec 23
GQG Global UCITS ICAV	Jun 23	
JP Morgan Asset Management		Nov 23
Bank Julius Baer & Co Limited Guernsey Branch		
M&G Investments		
MAN funds		
Ravenscroft Balanced Strategy ⁹		Oct 23
Morgan Stanley Investment Management Limited		
Odey Wealth Management (C.I.) Limited		Jun 23
Osmosis (Holdings) Limited		Oct 23
Overlook Partners Fund LP	Jul 23	
Partners Group (Guernsey) Limited		
Payden Global Funds plc	Apr 23	
Ravenscroft Investment Management		
RBC Bluebay Asset Management Limited	Dec 23	
Rocq Capital Management Limited		
Royal London Asset Management Limited		
Sarasin & Partners LLP		
Schroders Investment Management Limited		
Silchester International Investors (Ireland)	Sep 23	
State Street Global Advisors		
Stewart Investors Global Emerging Markets Sustainability Fund	Nov 23	
Sustainable Growth Management GP Sàrl		
Viking Global Investors LP	Nov 23	
White Star Capital Guernsey Limited		

⁸ Sold Dec 23 but still held at year end.

⁹ Formerly MitonOptimal Portfolio Management (CI) Limited.

60. Financial Risk Management and Associated Risks

The States' activities expose it to a number of financial and associated risks, especially with regard to the investing activities of the GIP and the possibility that an event or situation arises that reduces the likelihood of achieving its financial objectives.

In respect of the GIP, there are many different types of specific risk including: governance risk, financial exposure market risk; performance risk; demographic exposure risk; and operational risk.

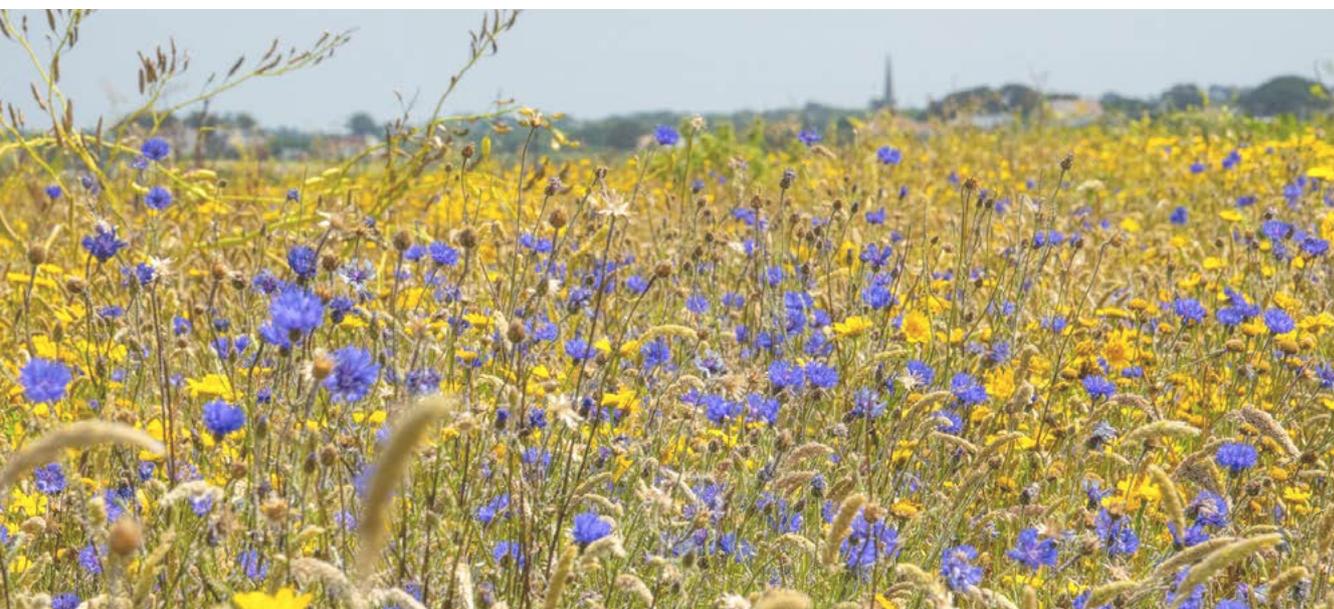
60.1 Governance Risk

The risk associated with poor governance essentially occurs where there is a failure to act as issues emerge.

Governance is the framework within which other risks are considered. The result of this consideration should, where appropriate, lead to action. Key controls and risk mitigation include:

- Objectives are well understood;
- Fund manager and other provider mandates are well defined;
- Strategic review of the Contributory Funds is undertaken regularly; and
- Fund managers and providers are asked to articulate how their strategies might perform in different market and economic conditions.

Once this is done, the risks in the other areas can be defined and evaluated. The focus is then on designing metrics and benchmarks that are consistent with the conditions identified above.



60.2 Financial Exposure Risk

Financial exposure risk is the potential for losses (compared to objectives) from falling asset values resulting from market movements.

The States considers financial exposure risk in three categories and makes use of three modelling approaches to help understand each of these.

Regular Market Volatility can be measured using a value-at-risk type model which can estimate the expected volatility of an investment strategy in normal market conditions.

Risk	Cause	Indicative Magnitude of Loss	Time to Recover
Regular Market Volatility	Trading activity and market sentiment	5% - 10%	Months to 1 Year
Market Stress	Market issues e.g. credit/ currency or demand/ supply issues	10% - 15%	1 to 2 Years
Permanent Loss	Overvaluation or economic regime change	10% - 20%	Can be decades

Market Stress is measured by calculating the effect of one-off market shocks e.g. a sharp fall in equity values or significant rise in inflation.

To measure the risk of permanent loss, a range of economic scenarios are identified and projections made as to how the strategy would perform in each of these situations.

In each case the States will develop, through the investment advisor, with each investment manager, explicit constraints within which risk is managed. The risk of Permanent Loss is the initial focus of any analysis as these are the biggest and longest-lived risks faced by the States of Guernsey.

In order to fully test an investment strategy all three of the models will be used to assess how robust the strategy is against the three different types of risk. When considering a strategy the States' advisors will use models to test robustness and as a useful comparison between strategies but will also apply a qualitative assessment of the strategy to ensure the results are sensible, dependable and meet the non-financial needs of the States. The investment advisors will report back to the States on a quarterly basis.

60.3 Market Risk

The fair value of future cash flows of a financial instrument held by the GIP may fluctuate because of changes in market prices.

Market price risk sensitivity

The following table illustrates the sensitivity of the GIP to a movement in the fair values of the all asset classes. A 10% variance in the fair values is considered a reasonable expectation of movement, which would create a significant movement in valuation. A 10% variance would have resulted in an increase or decrease of equal value.

	2023 £'000s	2022 £'000s
Fair Value at year end	1,677,456	3,207,850
Variance of 10% in fair value	+/- 167,746	+/- 320,785

The market risk comprises of five other elements – currency risk, interest rate risk, credit risk, counterparty risk and liquidity risk. Information to enable an evaluation of the nature of these four elements is given in (i) to (iv) below, together with sensitivity analyses where appropriate.

The States reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. Each investment manager assesses exposure to market risk as part of their investment decision making process and monitors the overall level of market risk on the investment portfolio under its management on an ongoing basis. Overall portfolio risk is monitored by the investment consultant and regular reporting provided to the States' Investment Board [SIB].



60.4 Currency Risk

Certain of the GIP's assets and liabilities and income are denominated in currencies other than sterling, which is the base currency of the portfolio and the States' financial statements. As a result, movements in exchange rates will affect the Sterling reported value of those items.

60.4.1. Management of currency risk

Some investment managers are responsible for managing currency risk and monitoring exposure to foreign currencies within their mandates. Investment managers are permitted to use forward foreign currency exchange contracts to limit the exposure to anticipated changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. Overall portfolio currency exposure is monitored by the investment consultant and managed within agreed parameters.

60.4.2. Open forward foreign currency contracts

There were no open forward currency contracts at the year-end.

60.4.3. Foreign currency exposure

At the year-end, the net currency exposure of the GIP:

Currency	Total	FX Forward	Monetary	Non-Monetary
	£'000s	£'000s	£'000s	£'000s
Australian dollar	2,900	-	-	2,900
Canadian dollar	9,033	-	49	8,984
Euro	13,601	-	427	13,174
United States dollar	420,970	-	6,849	414,121
Swiss franc	2,210	-	15	2,195
Danish krone	986	-	7	979
Japanese yen	4,228	-	61	4,167
Total FX Exposure	453,928	-	7,408	446,520

Monetary assets and liabilities include financial instruments that are cash and cash equivalent.

60.5 Interest Rate Risk

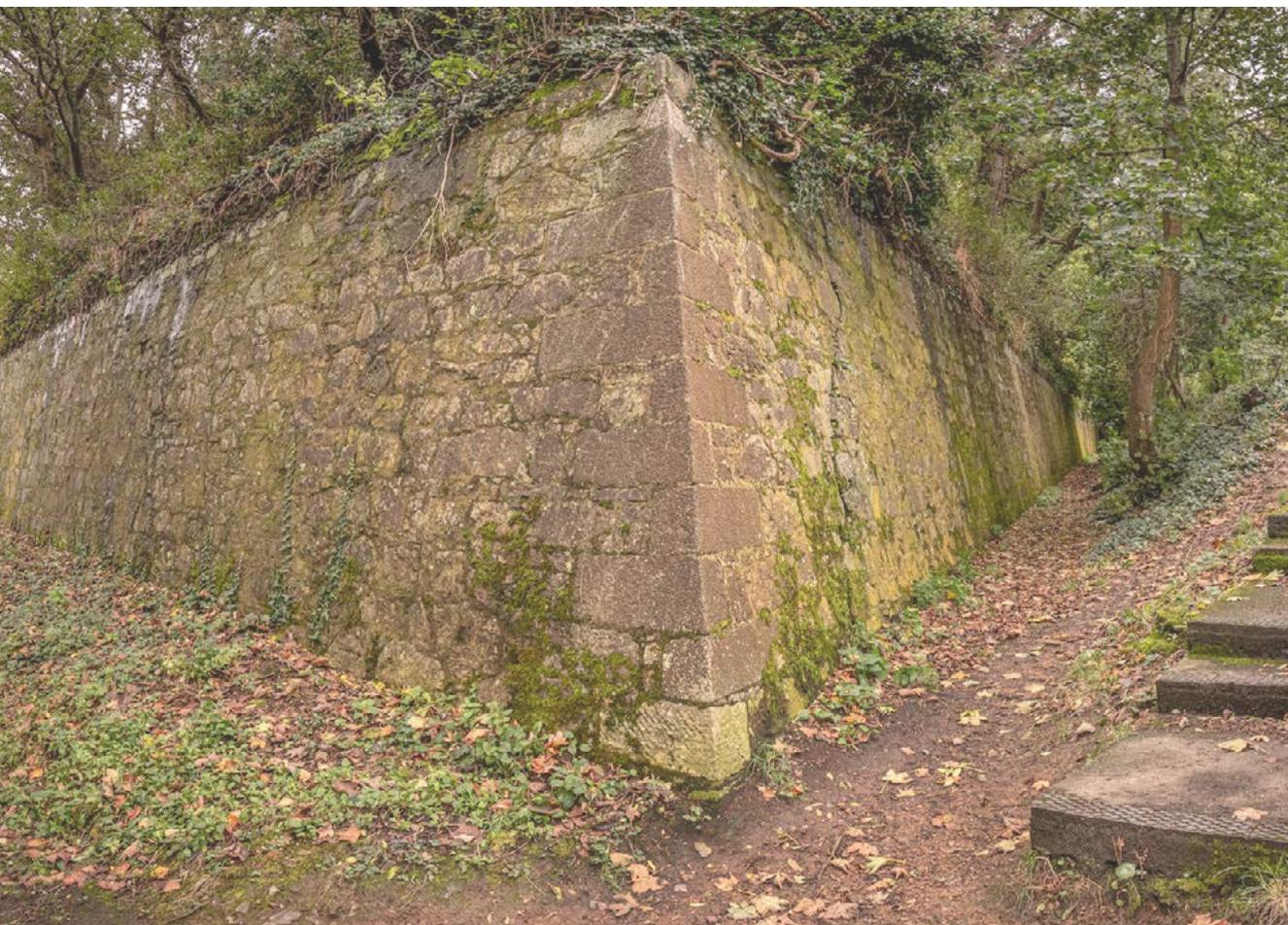
Interest rate risk is the risk that the fair value and future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

60.5.1. Management of interest rate risk

The interest rate profile of the fixed income assets held in GIP at year-end is as follows (2022 data not available):

Interest Rate Profile	Total £'000s
Less than 12 months	91,793
Less than 5 years	163,738
Less than 10 years	139,355
Greater than 10 years	109,183
Total	504,069

Monetary assets and liabilities include financial instruments that are cash and cash equivalent.



60.6 Credit Risk

Credit risk is the assessed likelihood that the issuer of a security or loan is unable to discharge its contractual obligations which could result in loss to the GIP. It is the responsibility of the investment managers to monitor dealing activity to ensure best execution, which involves measuring various indicators including the quality of the trade settlement and incidence of failed trades.

The credit profile of fixed income securities held in the portfolio is summarised in the table below.

Currency	Total £'000s	GIP £'000s	PSPS Fund £'000s
Rating			
AAA	59,457	45,342	14,115
AA	212,990	106,036	106,954
A	126,561	60,114	66,447
BBB	221,996	130,892	91,104
BB	102,725	88,005	14,720
B	42,711	37,551	5,160
CCC	2,191	1,041	1,150
CC	46	46	-
C	43	43	-
D	26	26	-
NR	50,104	34,973	15,131
Total Fixed Income	818,850	504,069	314,781

The Custodian is Northern Trust Limited which has a credit rating of AA- from Standard & Poor's, Aa2 from Moody's, and AA from Fitch Ratings. The States' investments are held in accounts which are segregated from the Custodian's own trading assets. If the Custodian were to become insolvent, the States of Guernsey's right of ownership is clear and they are therefore protected. However, the States' cash balances, which are held with the Custodian, may be at risk in this instance as the States would rank alongside other creditors of the Custodian. This risk is minimised through the use of daily cash sweeps which invest excess overnight balances over £1,000 into money markets funds. These funds contain highly diversified range of counterparties, with credit ratings of "A" or better.

60.7 Counterparty Risk

Counterparty risk is the risk of the counterparty to an agreement not carrying out his side of the deal. Where derivatives are used, the risk of counterparty default is reduced through the requirement in the relevant documentation that regular collateral or margin payments be made. It is also considered in the selection of counterparties and the incorporation of protection mechanisms in the documentation in the event of a downgrade in credit quality of an existing counterparty.

60.8 Liquidity Risk

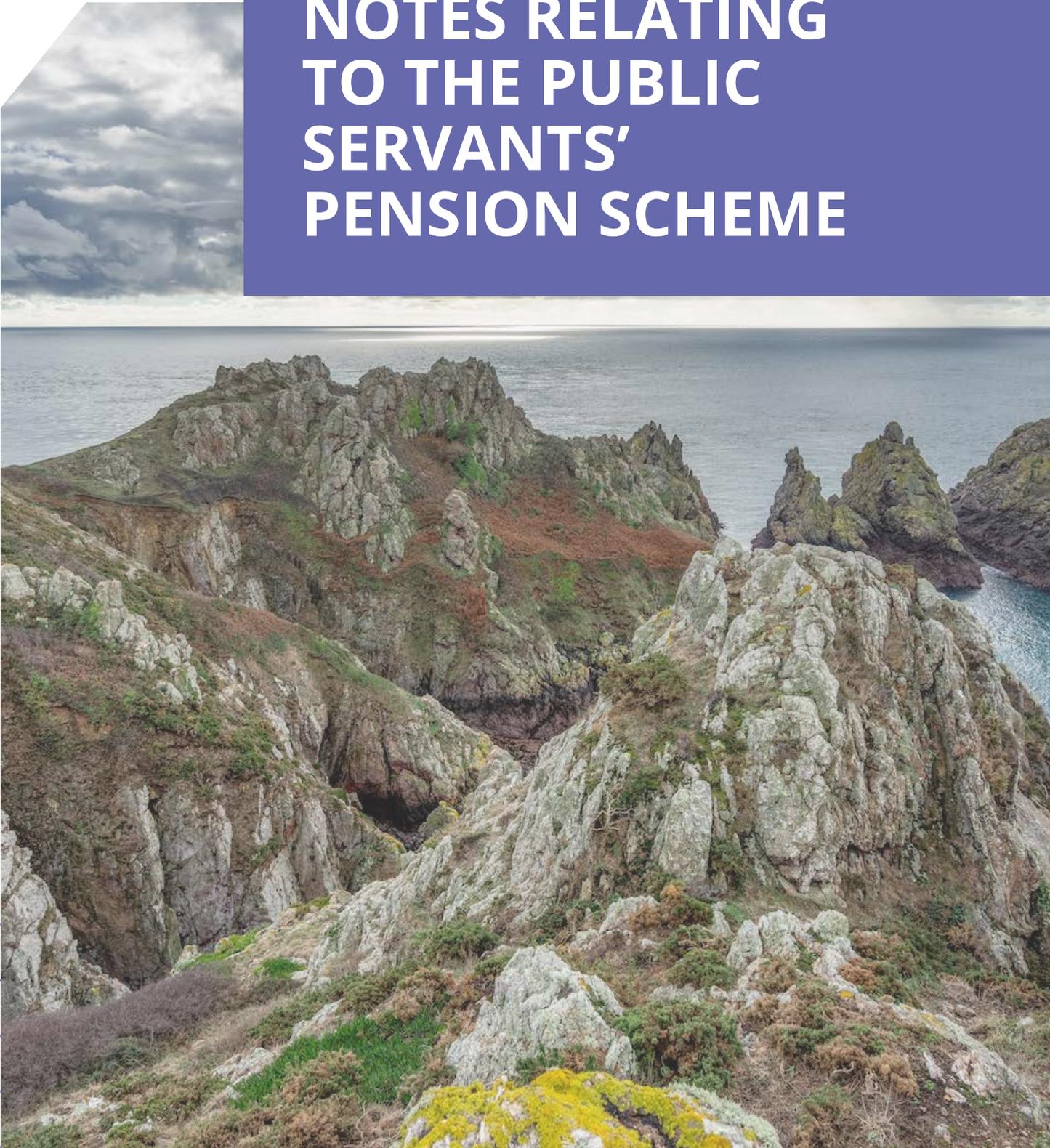
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the cash flow requirements of the States need to be monitored to control the timing of investment and divestment to and from the GIP. As the States has entered a long-term period of annual operating deficits, cash flow management including increased short-term fixed income features increasingly in the management and governance of the GIP.

The investments categorised under the level 1 Fair Value hierarchy are valued at £679m at the year-end (2022: £1,722m). Investments with quoted prices and traded on an active market could usually be liquidated within one month. However, due to the size of certain of the level 1 holdings, it is assumed it that may take longer to liquidate some of these holdings and as such they have been analysed as 1-3 months.



SECTION 10

NOTES RELATING TO THE PUBLIC SERVANTS' PENSION SCHEME



Notes Relating to the Public Servants' Pensions Scheme (PSPS)

61. Fund Positions

The tables below details the movement for each fund, for that financial year.

61.1 Combined Pool	2023 £'000s	2022 £'000s
Employers' contributions	28,043	30,199
Employees' contributions	20,123	17,771
Refund of contributions repaid	67	172
Transfer values received	1,302	589
	49,535	48,731
Pensions	(61,721)	(56,571)
Lump sum payments	(12,351)	(13,186)
Contributions refunded	(2,153)	(2,257)
Transfer values paid	(695)	(1,257)
	(76,920)	(73,271)
Returns on investments (including realised and unrealised gains on revaluation of investments) net of investment management fees and other expenses	100,056	(194,776)
Net Increase / (Decrease) in Fund for the Year	72,671	(219,316)

61.2 Teachers' Fund	2023 £'000s	2022 £'000s
Employers' contributions	66	379
Teachers' contributions	47	212
	113	591
Pensions	(1,873)	(1,674)
Lump sum payments	(208)	(234)
	(2,081)	(1,908)
Returns on investments (including realised and unrealised gains on revaluation of investments) net of investment management fees and other expenses	3,996	(7,913)
Net Increase / (Decrease) in Fund for the Year	2,028	(9,230)

61.3 States Members' Pension Fund

	2023 £'000s	2022 £'000s
Pensions	(305)	(301)
	(305)	(301)
Returns on investments (including realised and unrealised gains on revaluation of investments) net of investment management fees and other expenses	226	(481)
Net Decreases in Fund for the Year	(79)	(782)

61.4 Consolidated PSPS

	2023 £'000s	2022 £'000s
Employers' contributions	28,109	30,578
Employees' contributions	20,170	17,983
Refund of contributions repaid	67	172
Transfer values received	1,302	589
	49,648	49,322
Pensions	(63,899)	(58,546)
Lump sum payments	(12,559)	(13,420)
Contributions refunded	(2,153)	(2,257)
Transfer values paid	(695)	(1,257)
	(79,306)	(75,480)
Returns on investments (including realised and unrealised gains on revaluation of investments) net of investment management fees and other expenses	104,278	(203,170)
Net Increase / (Decrease) in Fund for the Year	74,620	(229,328)

62 Nature of the Fund

The PSPS operated by P&R is primarily a funded defined benefit arrangement which provides retirement benefits based on final pensionable salary for service to 29 February 2016, and based on career average revalued earnings from 1 March 2016. Some protected members will continue to accrue benefits linked to final pensionable salary after 1 March 2016. Employees hired after 1 May 2015 accrue benefits based on career average revalued earnings up to a salary cap of £106,235 in 2023. There is a defined contribution section for earnings in excess of this salary cap.

The most recent formal actuarial valuation of the Fund was carried out as at 31 December 2020 and indicated that the Fund had a surplus based on a 100% funding target. P&R recommended, and the States of Deliberation [SoD] approved, to retain the surplus in the Fund and pay contributions in line with the future service contribution rate of 10.3% of pensionable salary.

For the disclosures as at 31 December 2023 we have determined the defined benefit obligation based on the actuarial valuation of the Fund as at 31 December 2020, projected forward to 31 December 2023, taking account of changes in benefit levels and market conditions.

SOG has 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 PSPS is not included in the Statement of Financial Position.

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 PSPS's liabilities. The actuary has applied a discount rate of 4.5% (2022: 4.8%) 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 5.6%, 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.

63 Funding Policy

The Fund is funded by means of regular contributions to cover current benefit accrual, with the rates of contribution set after each triennial actuarial valuation. The funding method currently employed is the Projected Unit Method, which sets contribution rates based on the benefits expected to be accrued in the year following the valuation date. This contribution rate is then adjusted to take account of any surplus or shortfall in the Fund. The States of Guernsey determine the level of contributions payable to the Fund following advice from the Fund's actuary. The same contribution rate for future benefit accrual is set for each of the employers participating in the Fund, except for employers who operate their own Actuarial Accounts.

64 Fund Amendments

There have been no amendments to the Fund during the year and no special events have occurred.

65 Assumptions

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

	2023 % p.a.	2022 % p.a.
Discount Rate at End of Year	4.5	4.8
Discount Rate at Start of Year	4.8	1.8
Inflation	3.0	3.0
Rate of Increase in Pensionable Salaries	3.75	3.75
Rate of Increase in Pensionable Care Benefits	3.0	3.0
Rate of Increase in Deferred Pensions – Teachers' Scheme	2.7	2.7
Rate of Increase in Deferred Pensions – All Other Sections	3.0	3.0
Rate of Increase in Pensions in Payment – Teachers' Scheme	2.7	2.7
Rate of Increase in Pensions in Payment – All Other Sections	3.0	3.0
Mortality assumptions:		
Female pensioners aged 65 will live until	89	89
Male pensioners aged 65 will live until	86	87
Female employees aged 45 who attain age 65 will live until	90	90
Male employees aged 45 who attain age 65 will live until	87	88

66 Analysis of Changes in Scheme Deficit

66.1 Movements in the scheme deficit for the year were as follows:

	2023 £'000s	2022 £'000s
Current service cost	26,442	89,098
Net interest on net defined liability		
Interest on obligation	84,281	54,111
Interest on assets	(72,477)	(31,338)
	11,804	22,773
Cumulative amounts of re-measurements		
Return on assets (not included in interest)	(33,010)	233,669
Actuarial gains / (losses) on obligation	127,773	(1,335,143)
	94,763	(1,101,474)
Administration expenses	1,210	839
	134,219	(988,764)
Contributions by employer	(28,109)	(30,578)
Net Increase / (Decrease) in Deficit for the Year	106,110	(1,019,342)

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

	2023 £'000s	2022 £'000s
Defined benefit obligation at 1 January	1,794,832	3,043,502
Service cost	26,442	89,098
Contribution by members	20,170	17,983
Benefits paid	(77,936)	(74,719)
Interest on obligation	84,281	54,111
Experience gains	71,733	116,634
Losses from changes in assumptions	56,040	(1,451,777)
Defined Benefit Obligation at 31 December	1,975,562	1,794,832

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

	2023 £'000s	2022 £'000s
Fair value of fund assets at 1 January	1,524,774	1,754,102
Interest on assets	72,477	31,338
Return on assets (not included in interest)	33,010	(233,669)
Contributions by employer	28,109	30,578
Contributions by members	20,170	17,983
Benefits paid	(77,936)	(74,719)
Administration expenses	(1,210)	(839)
Fair Value of Fund Assets at 31 December	1,599,394	1,524,774

66.4 The major categories of Fund Investments as a percentage of the total fund Investments are as follows:

	2023 %	2022 %
Equities	42	54
Fixed Income	20	14
Real Estate	5	5
Cash	11	5
Private Markets	11	9
Alternative	12	13
Total Fund Assets	100	100

SOG 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 of Guernsey. The total amount held by BWCI at the end of December 2023 was £4.8m (2022: £3.5m).

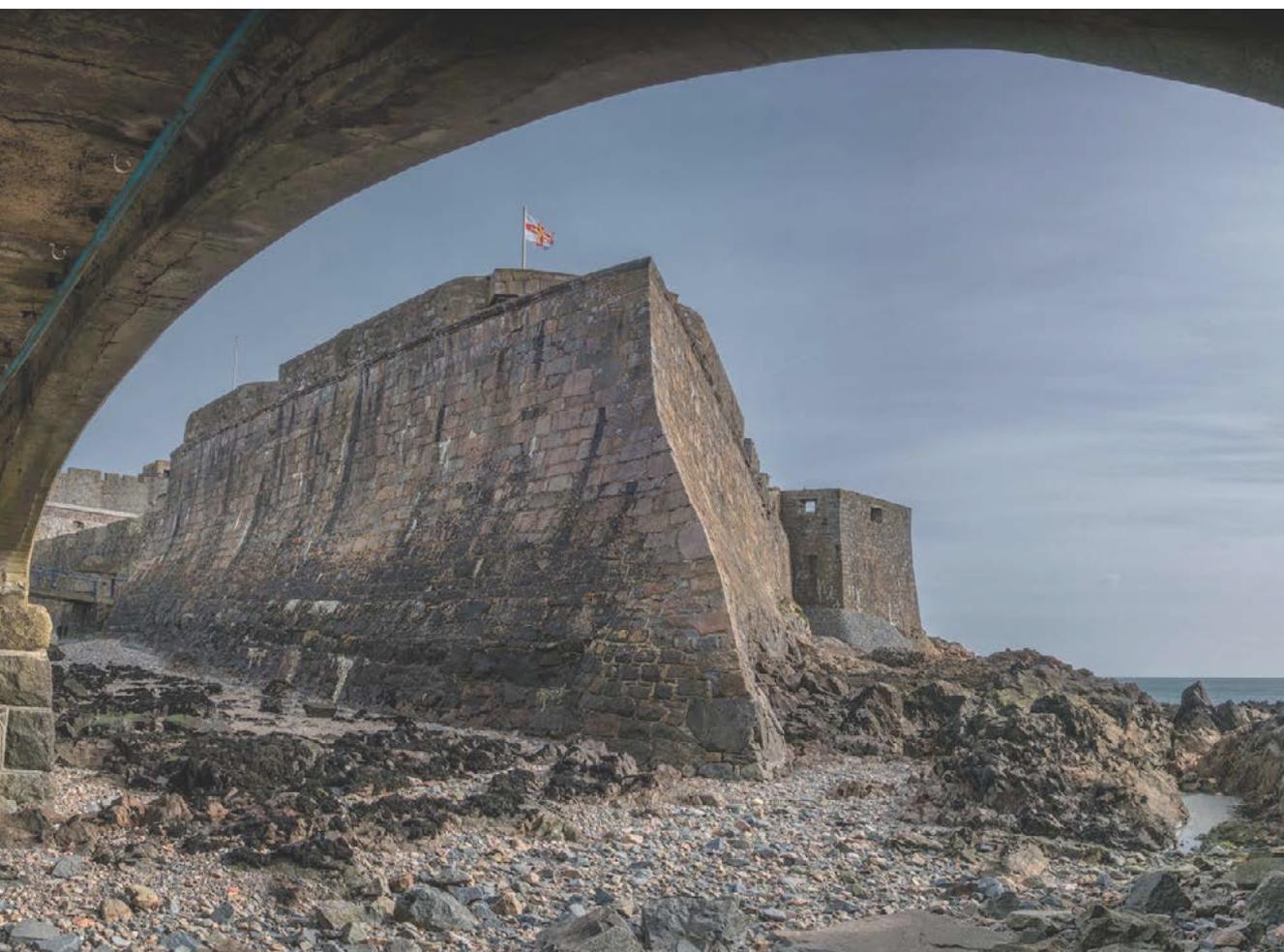
The Total Fund Assets valued at £1.599bn (2021: £1.525bn) reported in the table above includes amounts deposited with both the States of Guernsey and BWCI.

The employer expects to contribute £29m to the Fund from 1 January 2024 to 31 December 2024. Contributions by members of the Fund are expected to total £21m over the same period. Administration expenses paid from the Fund are expected to total £1,250,000 for the year from 1 January 2024 to 31 December 2024.

66.5 The overall scheme deficit is as follows:

	2023 £'000s	2022 £'000s
Defined benefit obligation as at 31 December	1,975,562	1,794,832
Fair value of fund assets as at 31 December	(1,599,394)	(1,524,774)
Net defined benefit liability	376,168	270,058

On 27 January 2012 the SoD 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.



SECTION 11

APPENDICES

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



Appendix I - Glossary

1. 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. The States is the combination of Category 'A' and Category 'B', General Revenue is Category 'A' only. Only those functions noted within Category A are included within the Segmental Analysis (Appendix II).

1.1 Category A - 'General Revenue'

- General Revenue Income
- Corporate Services
- 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
- Policy & Resources Committee – Core Services
- 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

1.2 Category B

- Insurance Deductible Fund
- Channel Islands Lottery (Guernsey) Fund
- Seized Asset Fund (as part of the General Revenue Reserve)
- Bond Reserve
- Core Investment Reserve
- States' Trading Entities Reserve
- Guernsey Health Reserve
- Guernsey Insurance Fund
- Guernsey Long Term Care Fund
- Accounting Adjustment Reserve

1.3 Key Terms with Abbreviation in the Accounts

States of Guernsey [SOG]: The States of Guernsey, officially the States of Deliberation and sometimes referred to as the Government of Guernsey, is the parliament and government of the British Crown dependency of Guernsey. For the purposes of these accounts SOG is all activities covering the administration, political and other activities of the government where they do not relate to a specific area.

States of Deliberation [SoD]: The elected chamber of the States of Guernsey and decision-making authority.

Policy & Resources Committee [P&R]: The senior committee of the States of Deliberation responsible for leadership and co-ordination of the work of the States, including developing and promoting the States' overall policy objectives and leading the policy planning process. P&R includes costs for:

- P&R Core, including Treasury, Strategy and Policy, Income Tax, Cadastre, Regulatory and Financial Crime Policy, External and Constitutional Relations
- P&R Corporate: including procurement, communications, data & analysis, finance, human resources, internal audit, vendor services, corporate customer services and information systems & services

Committee for Home Affairs [CfHA]: A Principal Committee responsible for crime prevention, law enforcement, justice policy, immigration, population management, prison and probation, fire and rescue, trading standards, data protection, emergency planning, civil defence, lotteries and gambling, electoral roll. These were previously mainly functions of Home and Housing.

Committee for Health & Social Care: [CfHSC]: A Principal Committee responsible for adult social care, welfare and protection of children, young people and families, prevention, diagnosis and treatment of acute and chronic diseases, illnesses and conditions, mental health, care of the elderly, health promotion, environmental health, public health. These were previously mainly functions of Health and Social Services.

Committee for The Environment & Infrastructure [CfE&I]: A Principal Committee responsible for planning appeals, strategic use plan, agriculture, farms, animal imports/exports, states vet, vale common, traffic signs and lines, bus contract, public service vehicles, driving tests, driving licences, vehicle registrations, road closures, road repairs, renewable energy, waste policy, marine policy, water policy, environmental policy, traffic policy, planning policy. These were previously mainly functions of the Environment Department.

Committee for Employment & Social Security [CfESS]: A Principal Committee responsible for education, apprenticeships, sport, leisure and recreation, libraries, museums, galleries and heritage, archaeology, the arts, island archives, civic celebrations including Liberation Day. These were previously mainly functions of Education and Culture & Leisure.

Committee for Economic Development [CfED]: A Principal Committee responsible for promotion and development of all sectors of business (e.g. tourism, construction, horticulture, retail, digital, manufacturing, finance), securing and promoting air and sea links, competition and regulation, broadcasting and media, living marine resources (e.g. fishing). These were previously mainly functions of Commerce & Employment.

States Trading Supervisory Board [STSB]: Shareholder responsibilities of incorporated trading bodies and management responsibilities of unincorporated trading bodies and commercial interests. The assets of STSB are held outside of the States. The board itself is part of General Revenue.

Guernsey Insurance Fund [GIF]: The Guernsey Insurance Fund is a contributory social security scheme providing a range of benefits including old age, sickness, and unemployment benefits. The Fund is financed broadly on the pay-as-you-go principle. Under this approach, contribution income in a year is intended to cover expenditure in the year, and no significant fund of assets would be built up out of which to finance future expenditure. This means contribution rates may change significantly over time owing to changes in the benefits provided, the profile of the population or the economic environment. However, a fund is maintained to act as a reserve to meet unforeseen contingencies and to help smooth required increases in the contribution rate.

Guernsey Long-Term Care Insurance Fund [LTCIF]: The Long-term Care Insurance Fund provides weekly benefits towards the cost of private nursing or residential care on either a permanent or respite basis. The Fund is financed broadly on the pay-as-you-go principle. Under this approach, contribution income in a year is intended to cover expenditure in the year, and no significant fund of assets would be built up out of which to finance future expenditure. This means contribution rates may change significantly over time owing to changes in the benefits provided, the profile of the population or the economic environment. However, a fund is maintained to act as a reserve to meet unforeseen contingencies and to help smooth required increases in the contribution rate.

Public Servant's Pension Scheme [PSPS]: The defined benefit pension scheme governed by the rules as agreed by the SoD on 22nd May 2019 and amended from time to time.

Public Servant's Pension Scheme Investment Portfolio [PIP]: The portfolio of investments relating to the Public Servants' Pension Scheme assets.

General Investment Portfolio (GIP): The portfolio of investments held by the States of Guernsey and managed by the States Investment board for short, medium and long term financing including the Long Term Care Insurance Fund and the Guernsey Insurance Fund assets.

1.4 Key Terms

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.

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.

The States - All areas noted as Category 'A' and Category 'B' in This Section (1.1) above.

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.

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 (out with 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.

General Revenue Reserve - retains the net balance of surpluses and deficits arising from the operational activities of the States. Within the General Revenue 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 Revenue Reserve is the Unallocated Balance, which is used for managing any in year shortfalls in income, short term cyclical variations and other timing issues.

General Revenue - All areas note as Category 'A' in This Section (1.1) above.

General Revenue Surplus / (Deficit) – The surplus or deficit relating to General Revenue

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.

Intangible Asset – an identifiable non-monetary asset without physical substance.

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.

Investment property – property (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both, rather than for:

- Use in the production or supply of goods or service or for administrative purposes; or
- Sale in the ordinary course of operations.

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.

Net Surplus / (Deficit) - The differences between how much revenue comes in, and how much expenditure goes out. A deficit means more has been spent than comes in. A surplus means more was raised than was spent. Net surplus / (deficit) includes all accounting transactions.

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.

Operating Surplus / (Deficit) – The differences between how much revenue comes in, and how much expenditure goes out. A deficit means more has been spent than comes in. A surplus means more was raised than was spent. An operating surplus / (deficit) does not take account of depreciation, finance gains/ losses or investments in subsidiaries.

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.

Property, plant and equipment [PPE] – are tangible items that:

- Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- Are expected to be used during more than one reporting period.

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

Statement of Financial Performance - presents the total revenue income generated and expenditure incurred by the States during the calendar year (in accordance with the accounting policies).

Statement of Financial Position - presents the value, as at 31 December, of the assets, liabilities and other balances recognised by the States (in accordance with the accounting policies).

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 (i.e. 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.

Appendix II - Segmental Analysis

2023 Original Budget £'000s	2023 Total Authorised £'000s		2023 Actual £'000s	2022 Actual £'000s
582,200	582,200	Revenue Income	593,887	554,382
582,200	582,200	Total Income	593,887	554,382
		Net Revenue Expenditure		
68,925	71,050	Corporate Services	70,593	66,381
10,400	10,843	Committee for Economic Development	10,809	9,469
82,855	88,697	Committee for Education, Sport & Culture	89,222	82,044
80,400	80,678	Committee for Employment & Social Security	79,978	81,545
13,175	13,525	Committee for the Environment & Infrastructure	13,406	13,365
212,000	220,236	Committee for Health & Social Care	224,220	210,860
37,990	38,401	Committee for Home Affairs	38,365	34,851
15,125	15,477	Policy & Resources Committee – Core Services	14,047	15,272
600	600	Scrutiny Management Committee	549	517
1,615	1,506	Development & Planning Authority	1,360	801
3,855	3,981	Overseas Aid & Development Commission	3,522	2,645
2,500	2,050	States' Trading Supervisory Board	2,115	1,590
2,635	2,812	Royal Court	2,801	2,436
6,675	6,702	Law Officers	6,656	6,235
550	550	Pooled Budgets	511	543
-	-	States of Alderney	-	-
12,400	12,651	Government Work Plan/Service Developments	-	-
22,000	2,836	Budget Reserve	-	-
(600)	(320)	Savings Targets	-	-
573,100	572,275	Total Cash Limits	558,152	528,553
-	-	COVID-19 Business and Personal Support	(177)	384
9,100	9,925	Net Surplus/(Deficit)	35,911	25,445
3,000	3,000	Capital Income - Sale of Property	1,591	4,230
26,600	26,600	Investment Return	38,774	(72,649)
-	-	Impairment of Incorporated Trading Entities	(588)	5,978
38,700	39,525	Net Surplus/(Deficit) to/(from) General Revenue Reserve	75,689	(36,996)

Appendix III - Pay Costs & FTE Totals

Committees	2023	2023	2022#	2022#
	Actual	Average	Actual	Average
	£'000s	FTE	£'000s	FTE
Corporate Service ¹⁰	34,124	601	32,002	580
Committee for Economic Development ¹¹	4,434	63	3,970	58
Committee for Education, Sport & Culture	69,519	1,239	63,661	1,172
Committee for Employment & Social Security	3,871	63	3,558	68
Committee for the Environment & Infrastructure	2,955	46	2,897	46
Committee for Health & Social Care	131,811	2,118	121,393	2,079
Committee for Home Affairs	34,499	559	31,819	559
Policy & Resources Committee – Core Services	9,532	136	8,801	130
Scrutiny Management Committee	514	6	490	6
Development & Planning Authority	2,430	35	2,263	35
Overseas Aid & Development Commission	38	0	33	1
States' Trading Supervisory Board	2,019	27	1,769	25
Royal Court	4,518	59	4,069	54
Law Officers	6,418	52	6,126	51
Pooled Budgets	510	7	537	7
	307,192	5,011	283,388	4,871
Other Functions				
Social Security Funds (Consolidated) ¹⁰	1,351	22	1,190	25
Guernsey Registry ¹¹	-	-	-	-
Channel Islands Lottery (Guernsey) Fund	79	1	75	1
Notes and Coins Trading Account	97	2	85	2
Major Projects (written off to Gen Rev)	1,429	22	674	17
	2,956	47	2,024	45
States Members	1,984	-	1,866	-
Total expenditure reported as Pay Costs within the Statement of Financial Performance and equivalent FTE's	312,132	5,058	287,278	4,916
Major Projects (Assets Under Construction)	460	6	463	8
Total Pay Costs and Equivalent FTE's	312,592	5,064	287,741	4,924

¹⁰ 14 FTE (£620k) transferred from Corporate Services to Social Security Funds (Consolidated) in 2022.

¹¹ Committee for Economic Development includes Guernsey Registry which was shown separately in 2022. 2023: £719k, 12 FTE, 2022: £604k, 10 FTE

Appendix IV - States Project Expenditure

Note	2023	2022	GWP Spend to Date
	£'000s	£'000s	£'000s ¹²
Policy & Resources Committee			
IT Transformation	1,730	1,758	8,526
Revenue Services Programme	5,190	3,571	8,418
MyGOV (Transforming Transactional & Business Support Services)	87	1,452	5,331
Guernsey Registry IT System Replacement	1,098	1,443	2,541
Cremator and Emissions Equipment	213	325	2,166
Dell Hardware for Accelerated legacy DC	1,912	-	1,912
Avance Fleche	1,525	-	1,525
Sarnia Cherie Ballast Water Management System	-	724	1,045
Le Friquet, Bailifs Cross	900	-	900
Contributions System Replacement	145	148	691
SAP IT System Upgrade	209	188	397
Property Rationalisation	99	114	269
Vive La Vallette (Grant)	-	250	250
Botanical Gardens (Grant)	16	90	199
Les Effards Land Purchase	160	-	160
Future Digital Services	92	523	91
MyGov Digital	63	-	63
St James LBG (Grant)	-	-	54
Supply Chain Relocation	49	3	52
IT Transition	-	-	15
Committee for Economic Development			
MoneyVal Case Management	286	-	286
Seafront Enhancement Area	-	-	7

¹²GWP runs from 2019-2024. Projects with spend prior to the current GWP period will only show values from 2019.

<i>Continued</i>	Note	2023	2022	GWP Spend to Date
		£'000s	£'000s	£'000s ¹²
Committee for Education, Sport & Culture				
Transforming Education Digital		3,501	1,445	6,376
Les Ozouets Campus		518	2,664	4,249
Footes Lane Refurbishment		419	(2)	423
Transforming Education Programme Delivery Costs		(20)	215	290
Committee for Employment & Social Security				
Funding Affordable Housing		-	-	6,500
Committee for the Environment & Infrastructure				
Digital Infrastructure		2,225	1,669	3,894
Fermain Wall Repair		10	-	10
Royal Court				
Digital Court		327	115	672
Committee for Health & Social Care				
Hospital Modernisation – Phase 1		16,405	8,248	26,169
Electronic Patient Record		2,806	990	4,234
Radiology Equipment Replacement (£1.246m)		-	11	813
Lockdown Exit 5c		-	-	398
Clinical & Animal Waste Solution		172	97	271
Covid-19 Vaccination Programme		-	(35)	133
Covid-19 Surveillance Testing		-	-	29
Electronic Health and Social Care Record		-	-	3
Committee for Home Affairs				
Upland Road Business Centre Refurbishment		3,553	1,069	4,636
Tetra Public Safety Network		110	640	1,445
St Sampson Fire Main		-	169	574
Home Affairs Estate Rationalisation		-	-	142

<i>Continued</i>	Note	2023	2022	GWP Spend to Date
		£'000s	£'000s	£'000s ¹²
States' Trading Supervisory Board				
Guernsey Airport Hold Baggage System		166	1,225	4,947
Mont Crevelt Breakwater Reinstatement		103	1,187	1,290
Alderney Airport Runway Rehabilitation		396	111	734
Havelet Slip Repairs		(44)	478	434
Future Guernsey Dairy		-	79	329
Airport Pavements Rehabilitation (£78.2m)		-	-	234
Future Harbour Requirements		-	-	167
Environment Impact Assessment- Land Reclamation and Development		(8)	24	105
Repair/Replacement of Castle Bridge		54	14	68
Household Waste Recycling Centre (£2.2m)		-	-	24
Airport Radar Replacement (£3.25m)		-	-	24
St Peter Port Harbour Crane Strategy (£13.675m)		-	-	2
Waste Transfer Station (£29.5m)		-	(22)	(5)
Total Major Project Costs		44,467	30,980	104,512
Minor Capital Projects				
Property maintenance and minor works		9,908	7,949	23,976
Information Technology		3,271	2,835	7,763
Vehicles and other equipment		2,868	2,281	6,767
Medical Equipment		1,423	1,121	4,098
		17,470	14,186	42,604
Total Project Costs		61,938	45,166	147,116

Appendix V - States Bond Loans

The following loans from the proceeds of the States of Guernsey bond issue were allocated or outstanding at the end of 2023.

Entity	Amount Agreed	Allocated or Outstanding 31/12/2023	Anticipated Repayment	Purpose
	£m	£m	Date(s)	
Approved in 2015				
GHA ¹³	51.0	42.4	2045	Refinancing of existing borrowings for social housing development
GHA	24.0	16.9	2036	Refinancing of existing borrowings for social housing development
Cabernet Ltd	27.1	8.6	2024 - 2025	Refinancing of existing borrowings for purchase of aircraft
JamesCo750 Ltd	13.1	7.5	2028	Refinancing of existing borrowings for purchase of two tankships
Approved in 2016				
Cabernet Ltd	7.0	5.4	2028	Purchase of a new Dornier aircraft
GHA	5.1	4.3	2046	Development of social housing
GHA	10.0	8.7	2046	Development of social housing
Approved in 2017:				
Guernsey Water	9.0	7.7	2046	Refinancing of Belle Greve Long Sea Outfall replacement
Approved in 2018:				
AHA ¹⁴	2.9	2.6	2046	Refinancing of existing borrowings for social housing development
Guernsey Dairy	0.8	0.7	2046	Site purchase
Guernsey Harbour	2.5	2.1	2039	Refinancing of works on Berths 4/5/6
Approved in 2019:				
GHA	14.0	12.6	2046	Development of social housing
Guernsey Electricity Ltd	13.0	13.0	2045	Part-funding the replacement of the GJ1 cable
Approved in 2021:				
General Revenue	160.0	140.0	2046	Part-fund the capital portfolio
Approved in 2022:				
Guernsey Water	4.2	4.1	2046	Refurbish water treatment works
GHA	7.2	7.0	2046	Development of social housing
Approved in 2023:				
Golf Course Management	0.8	0.8	2041	Installation of a replacement irrigation system
VesselCo Ltd	26.0	25.3	2032	To purchase a new vessel
Total	377.7	309.7		

¹³ Guernsey Housing Association LBG

¹⁴ Alderney Housing Association LBG

Appendix VI - Analysis of Income & Expenditure 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".

It was also agreed that the financial arrangements between the two islands would be modified such that:

- Guernsey retains responsibility to fund all transferred services, and the Social Security Funds, through the pooled income sources of Income Tax and Social Security Contributions; and
- the States of Alderney are responsible for funding all other public services in Alderney (including the harbour, drainage [foul and surface water], roads, coastal defences and water), from all other levies, rates, taxes, permit fees, rents, duties and other income collected from sources based in Alderney (such as tax on real property, occupiers' rates, import duties and excise duties, fees in lieu of Congé, document duty, numismatic and philatelic profits, and company registration fees).

As part of the revised financial arrangements with Alderney that were introduced in 2021, the States of Alderney retains income raised in Alderney from: Tax on Real Property (now part of Alderney Property Tax) (2020: £1.1m); excise duty on motor fuel (2020: £0.4m); and document duty (2020: £0.3m). This was offset by a commensurate adjustment to the States of Alderney grant which, from 2022, will be nil. However, there was a grant of £0.3m provided to the States of Alderney for the transitional year of 2021. The States of Alderney is now expected to raise sufficient income to fund its expenditure on all public services which are not transferred services.

1. Analysis of Income & Expenditure Attributable to Alderney

	Note	2023 £'000s	2022 £'000s
Income			
Taxation & duty revenue received by the States of Guernsey	1	8,449	8,273
States of Alderney - Net Revenue Income	2	-	813
States of Alderney - Capital receipts		88	10
Alderney Gambling Control Commission		1,858	1,287
		10,395	10,383
Expenditure			
States of Alderney - Net Revenue Expenditure		(275)	-
States of Alderney - Capital Expenditure		(1,467)	(1,473)
States of Alderney - Economic Development Expenditure		(300)	(300)
Transferred Services - Net Revenue Expenditure	3	(13,963)	(12,910)
Transferred Services - Capital Expenditure	4	(1,034)	(769)
Aurigny operating loss in respect of Alderney routes		(1,971)	(1,950)
COVID-19 Business Support Expenditure		-	-
		(19,010)	(17,402)
Net Cost		8,615	7,019

2. Analysis of Social Security Attributable to Alderney

	Note	2023 £'000s	2022 £'000s
Income			
Contributions			
Guernsey Insurance Fund		2,815	2,426
Long-Term Care Insurance Fund		657	559
		3,472	2,985
Benefits and Administration Costs			
Guernsey Insurance Fund		5,255	6,967
Long-Term Care Insurance Fund		1,078	1,078
		6,333	8,045
Investing Activities		1,132	918
Net Cost		1,729	4,142

Appendix VII - Notes to Appendix VI

1. Taxation & Duty Revenue received by States of Guernsey

	Note	2023 £'000s	2022 £'000s
Income			
Individuals - ETI		5,354	4,837
Individuals - Other		1,839	2,299
Companies		248	293
Banks		25	20
Distributions		150	51
		7,616	7,500
Customs - Excise and Import Duties			
		833	773
		8,449	8,273

2. States of Alderney - Net Revenue Expenditure

	Note	2023 £'000s	2022 £'000s
Building and Development Control Services			
Expenditure		134	107
Income		(237)	(46)
		(103)	61
General Services Committee			
Expenditure		2,050	1,893
Income		(186)	(154)
		1,864	1,739
Policy and Finance Committee			
Expenditure		1,865	1,824
Income		(3,351)	(4,437)
		(1,486)	(2,613)
		275	(813)

3. Transferred Services - Net Revenue Expenditure

Note	2023 £'000s	2022 £'000s
Corporate Services		
Digimap services	(28)	(24)
Information Systems & Services	465	280
Shared Services Centre	18	13
States' Property Services	39	22
Cadastre	22	29
Alderney civil service	58	81
Insurance	71	63
	645	464
Committee for Economic Development		
	7	11
Committee for Education, Sport & Culture		
St Anne's School	1,859	1,749
Special Schools	3	11
College of Further Education	209	180
Higher Education	72	87
Institute of Health & Social Care Studies	28	85
Central support services and management	142	126
Special Needs Support	85	70
Other	76	110
	2,474	2,418
Committee for Employment & Social Security		
Administration	57	61
Legal Aid	4	11
Medical Expenses Assistance Scheme	-	-
Severe Disability Benefit & Carers' Allowances	292	250
Family Allowance	136	125
Income Support Scheme	1,110	886
Concessionary TV Licences for the Elderly	-	-
Social Insurance Fund - Grant	-	-
Health Service Fund - Grant	-	-
	1,599	1,333

<i>Continued</i>	Note	2023 £'000s	2022 £'000s
Committee for the Environment & Infrastructure			
Alderney Breakwater		130	92
Other		(31)	(34)
		99	58
Committee for Health & Social Care			
Mignot Memorial Hospital		2,395	2,687
Princess Elizabeth Hospital - inpatient		592	557
Diagnostic Services and Hospital Administration		1,268	1,109
Emergency & Day Patient Hospital Services		257	220
Private patient income		(403)	(342)
Children's Services		86	86
Adult Services		162	128
Off island - complex placement		-	-
Acute Off islands treatment		495	538
Management & Strategy		568	580
		5,420	5,563
Policy & Resources Committee - Core Services			
Policy & Strategy		37	35
External Affairs		20	20
Payments to States Members		51	47
HE Lieutenant Governor		30	27
Revenue Service		113	106
Treasury		38	55
		288	290
Committee for Home Affairs			
TETRA		-	-
Domestic Abuse Strategy		7	5
Data Protection		-	-
Law Enforcement		1,183	1,095
Prison Service		-	-
Probation Service		2	2
Trading Standards		-	-
		1,192	1,102
Scrutiny Management Committee			
		18	16
Overseas Aid & Development Commission			
		115	83
Law Officers			
		335	321
States' Trading Supervisory Board			
Alderney Airport		1,772	1,251
		13,963	12,910

4. Transferred Services - Capital Expenditure

	Note	2023 £'000s	2022 £'000s
Policy & Resources Committee			
Alderney Airport - Fire Service Equipment	-	-	24
Committee for Education, Sport & Culture			
	-	-	-
Committee for the Environment & Infrastructure			
Alderney Breakwater		546	461
Tipper & Forklift trucks for Breakwater		-	58
		546	519
Committee for Health & Social Care			
	-	-	-
Committee for Home Affairs			
	-	-	-
States' Trading Supervisory Board			
Alderney Airport - Runway		396	111
Alderney Airport - Electronics & Other		92	115
		488	226
		1,034	769



Appendix VIII - Use of Delegated Financial Authority

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

1. Revenue Budget Increases

The Committee approved the following increases in 2023 revenue budgets:

	£'000s
Pay awards	16,365
Committee for Education, Sport & Culture	
Turnover Factor	402
Committee for Employment & Social Security	
Social Security – Interim Uprating	515
Committee for the Environment & Infrastructure	
Dairy Framers – Support Payment	243
Committee for Health & Social Care	
St John's Residential – Income Shortfall	252
Policy & Resources Committee	
St John's Residential – Operations	211
Policy & Resources Committee – Core Services	
Sea Links – Vessel Purchase	250
Sea Links – forward Planning	510
States' Trading Supervisory Board	
Alderney Airport Runway – Urgent Repairs	375
Miscellaneous Non-Recurring Cost Pressures	41
Total	19,164

2. Major Capital Projects

The following projects have been approved, funded from the General Revenue Reserve:

	£'000s
TEP Digital	3,994
Avanche Fleche	1,525
Dell hardware for the Accelerated Legacy DC Exit Programme	1,163
Alderney Airport Pavements Rehabilitation	1,013
Upland Road Business Centre Refurbishment	811
Repair/Replacement of Castle Emplacement Bridge	520
MoneyVal Case Management	434
Mont Crevelt Breakwater Reinstatement	166
St Peter Port Harbour Action Plan	100
TEP Transport Workstream	74
SMART Court	72
Clinical & Animal Waste Solution	65
Total Major Capital Projects	9,937

3. Minor Capital Projects

The following projects have been approved, funded from the General Revenue Reserve:

	£'000s
Housing	
Committee for Employment & Social Security	
Housing Modernisation projects – refurbishment	1,000
Upvc Replacement Programme	140
General Roofing	100
Other (less than £50,000 per project)	45
	1,285

<i>Continued</i>	£'000s
Information Technology	
Policy & Resources Committee	
Devices contingency	383
TETRA	359
Automated CTR Assessments	250
BLE Network	200
Employer Compliance & Reporting	170
Gov.gg Replacement	150
Employee Record System upgrade	85
Other (less than £50,000 per project)	124
	1,721
Committee for Employment & Social Security	
MV – Themis Phase 3a	150
Committee for Employment & Social Security	
Other (less than £50,000 per project)	40
Committee for Home Affairs	
CfHA Themis	277
Development of the online applications system 'H2O2'	237
Other (less than £50,000 per project)	6
	520
Total Information Technology	2,431
Medical Equipment	
Policy & Resources Committee	
Ophthalmic Operating Microscope	130
Committee for Health & Social Care	
X-Ray Rooms	901
Orthopaedic Operating Equipment Replacement	249
Optical Coherence Tomography (OCT)	210
Mobile X-Rays	150
Patient Transport Equipment	142
Defibrillators x 7 – hospital wide	131
Platelets	102
Bladder Scanners	87
RO Units – Renal	76
Immunocytochemistry Analyser	66
Other (less than £50,000 per project)	457
	2,571
Total Medical Equipment	9,937

<i>Continued</i>	£'000s
Property Maintenance and Minor Works	
Policy & Resources Committee	
Royal Court AHU & VRV condensers Phase 2	235
SCFH & ETWH AC/Generation	200
Royal Court Lighting	149
Icart Public Conveniences refurbishment	61
SPU Fire safety audits/ actions	58
Rousse Public Conveniences	53
Other (less than £50,000 per project)	274
	1,030
Committee for Education, Sport & Culture	
Castel School damp remedials	322
Grammar School Roof - Phase 4	207
La Houquette School roof	165
Grammar School refurbishment	112
Vale School provide covered walkway	95
Les Beaucamps School heatpumps	94
Beau Sejour concourse kitchens refurb	82
Beau Sejour theatre dressing rooms	59
Vauvert Fire alarm system replacement	59
Guille Alles Refurbishment Transfer	50
Other (less than £50,000 per project)	419
	1,664
Committee for the Environment & Infrastructure	
Alderney Breakwater Dive Survey 2023-2026	1,069
Animal Waste Incinerator Emergency Repairs	140
Petit Port renovation works	121
Alderney Breakwater Concrete Facing 2023-2026	50
Other (less than £50,000 per project)	20
	1,400
Committee for Health & Social Care	
Pathology Refurbishment Programme	573
PEH chilled water plant	290
Victoria Ward upgrade private rooms	207
PEH Phase 4 Refurbishment	70
Other (less than £50,000 per project)	130
	1,270
Committee for Home Affairs	
Prison Heating Main Replacement	585
Prison hot water	210
Prison Buildings Exterior Repair/Repaint	198
Prison J Wing Showers	190
Other (less than £50,000 per project)	42
	1,225
States' Trading Supervisory Board	
Other (less than £50,000 per project)	4
Total Property Maintenance and Minor Works	6,593

<i>Continued</i>	£'000s
Coastal Repairs	
Committee for the Environment & Infrastructure	
La Saline	298
L'Ancrese East Rock Armouring	264
Imperial Slipway (Phase 1)	233
Fermain North	182
Route du Port	162
Other (less than £50,000 per project)	12
Total Coastal Repairs	1,151
Vehicles & Other Equipment	
Policy & Resources Committee	
States Fleet Replacement Programme 2023	872
Lt-Governor's Replacement Vehicle	70
Other (less than £50,000 per project)	85
	1,027
Royal Court	
Royal Court Audio	218
Committee for Education, Sport & Culture	
Beau Sejour Centre - Theatre Seating	135
ESC Swimming Pool Filters	78
PRCPA Theatre Seating	71
BSJ - Gym equipment upgrades 2023	54
Other (less than £50,000 per project)	239
	577
States' Trading Supervisory Board	
Mont Cuet Greenwaste	324
Other (less than £50,000 per project)	35
	359
Committee for Health & Social Care	
Food Trolleys	58
Other (less than £50,000 per project)	63
	121
Committee for Home Affairs	
Replacement Water Carrier Appliance	233
Cotag system replacement	182
Police Non-Standard Vehicles replace	150
Replacement Herm Firefighting Trailers	108
Other (less than £50,000 per project)	83
	756
Total Vehicle & Other Equipment	3,058

<i>Continued</i>	£'000s
Roads Resurfacing	
Committee for the Environment & Infrastructure	
Pleinheume Road and Rue des Cottés	234
La Neuve Rue and D'Albecq (part)	202
Rue de la Porte	200
Ports Soif Lane	196
Rue de Felconte	184
La Charoterrie	137
Route de Pulias	134
Rue de Pres	118
Port Soif and Portinfer Road (part)	118
Route de St. Andrew	109
Rue de Closel	104
Ruette de Fries	89
Les Clotures Road	86
Rue de Bordes	84
Allez Street Footways	83
Rue Jehannet	82
Rue de Mares	82
Rue des Buttes and Les Raies	80
Route des Capelles	80
Rue de la Planque	75
Damouettes Lane	74
Rue de la Rocque	74
Oberlands	73
Forest Road Major Patching	70
Rue des Fontenils	68
Rue Generotte	67
Route de Bordage/Picques and Rue de Gron	66
Les Amarreurs	64
Hurette Lane	64
Brock Road	58
Other (less than £50,000 per project)	284
	3,439

Continued

£'000s

Integrated Transport Strategy**Committee for the Environment & Infrastructure**

Better Transport Plan improvements – phase 1	165
Accessibility Improvements - Roads Programme 2023	75
Road Safety Improvement	70
Accessibility Improvements - Gravees to High Street	55
Other (less than £50,000 per project)	15

380**Total Minor Capital****21,038****States of Alderney**

Pontoon extensions	140
Airport land purchase	100
Tractor – replacement	69
St Annes Church - repair	50
Other (less than £50,000 per project)	543

Total States of Alderney**902**

1. Property Purchases & Sales

The following property purchases and sales have been approved by the Policy & Resources Committee:

	£'000s
Purchases	
Conveyance	
Le Friquet	900
Doyle Monument Toilet Block	0*
Land for Bus Stop at Four Cabot ¹⁵	0*
Fields at Les Effards	160
Avanche Fleche	1,525
	2,585
Right of Way	
None	
Wayleave	
Land adjacent to 24 Paris Street	1
Right of Conveyance by way of exchange and agreement (definition of boundaries)	
None	
Total Purchases	2,586
Sales	
Conveyance	
Government House Land bordering Queens Lodge	14
24A & 24B Paris Street	350
Victoria Avenue Playing Fields	200
North View	1,000
	1,564
Right of Way	
None	
Wayleave	
St Sampson High School	1
Victoria Avenue	1
Les Ozouets Campus	1
Footes Lane	1
	4
Conveyance by way of exchange and agreement (definition of boundaries)	
None	
Total Sales	1,568

¹⁵Purchases for £1

Appendix IX - Consolidated Health & Social Care

These consolidated Health & Social Care Accounts comprise net income and expenditure incurred by the Committee for Health & Social Care, Pooled Budgets in relation to Multi Agency Safeguarding costs and health and social care expenditure incurred by the Committee for Employment & Social Security.

	2023 Total £'000s	2023 E&SS £'000s	2023 PB £'000s	2023 H&SC £'000s	2023 Total £'000s	2023 E&SS £'000s	2023 PB £'000s	2023 H&SC £'000s
Primary Health Care								
Ambulatory Services	2,891	-	-	2,891	2,598	-	-	2,598
Emergency Department	2,501	-	-	2,501	2,386	-	-	2,386
Covid Primary Care Support	-	-	-	-	-	-	-	-
GP & Nurse Consultation Grants	4,570	-	-	4,570	4,591	-	-	4,591
	9,962	-	-	9,962	9,575	-	-	9,575
Secondary & Tertiary Health Care								
Acute Services Provided Off Island	10,711	-	-	10,711	12,476	-	-	12,476
Guernsey Therapy Group	3,331	-	-	3,331	2,929	-	-	2,929
Hospital Services	68,060	-	-	68,060	59,534	-	-	59,534
Medical Specialist Group	23,474	-	-	23,474	21,404	-	-	21,404
Prescription Drugs & Medicines	22,724	-	-	22,724	21,290	-	-	21,290
Travel Costs	4,418	-	-	4,418	4,449	-	-	4,449
	132,719	-	-	132,719	122,082	-	-	122,082
Community Care Services								
Children & Adult Disability	20,585	-	-	20,585	17,888	-	-	17,888
Children & Adult Mental Health	15,383	-	-	15,383	13,955	-	-	13,955
Community & Social Care	31,166	-	511	30,656	30,575	543	-	30,032
Older People	30,927	23,838	-	7,089	29,391	22,391	-	7,000
	98,061	23,838	511	73,713	91,809	22,391	543	68,875
Public Health Services								
Prevention & Awareness	6,899	-	-	6,899	9,527	-	-	9,527
Treatments	503	-	-	503	445	-	-	445
	7,402	-	-	7,402	9,973	-	-	9,973
Total Health & Social Care Services	248,145	23,838	511	223,796	233,439	22,391	543	210,505

The above includes an element of administrative and central costs amounting to £15.8m (2022: £13.7m) that have been allocated to Hospital Services.

Appendix X - States Investment Board Annual Report



STATES INVESTMENT BOARD

ANNUAL
REPORT
2023



States of
Guernsey

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Chairman's Report

Welcome to the 2023 States' Investment Board ("the Board" or SIB) report to the Policy and Resources Committee.

Following the difficult market conditions in 2022, both bonds and equities produced positive returns in 2023, albeit with volatility. Against this backdrop, the two balanced portfolios, under the oversight of the States' Investment Board, performed a little short of expectations. The General Investment Portfolio generated a total return of 6.7% and the Public Servants' Pension Scheme 6.9%. Both have the same long term real (in excess of inflation) target of UK Consumer Prices Index + 5% per annum. With inflation remaining elevated over the year, both portfolios fell short of their inflation targets.

It is not possible to generate the target levels of real return, particularly in high inflation environments, without taking reasonable levels of investment risk and those investments cannot be expected to deliver the real return target on the nose every year. Accordingly, guided by our investment advisors, Cambridge Associates, we have derived a market-based benchmark for both portfolios, which comprises components of cash, bonds, equities, real estate and hedge funds. Modelling suggests that this benchmark allocation should enable the States to meet its real return investment targets over the long term and so, whilst not losing sight of the long term real

return objective, our short and medium terms efforts are focused on portfolio construction that seeks to meet or outperform that benchmark return. In 2023, that benchmark returned 7.6% and so both portfolios underperformed. More information on performance can be found on page 16 of this report.

Our efforts during the year were focused primarily on portfolio construction. 2023 was a year of material transition for both portfolios as we moved away from the old allocations and sought to align them with the new modelled benchmarks and our long term objectives. Much of that work is now complete and more information on the transition is provided on page 13 of the report. Aside from



private assets, which I discuss below, most of the remaining components of the transition should be completed in the first half of 2024. This transition has involved very considerable work from Cambridge Associates, the Board and the civil servants who support us. Since the approval of the Strategic Asset Allocation, 25 new investments have been approved, and 22 have now been fully implemented. The remaining legacy investments continue to be redeemed. We expect to have

sold out of all the liquid positions by the end of June. Every manager that has been exited and every manager allocated to has received detailed analysis and discussion. I am grateful to everyone for

the significant efforts made and very frequent meetings attended. We believe that we have laid the foundations for strong, risk-adjusted investment returns over the longer term.

Despite the difficult market conditions of the last two years, the timing of the transition has been fortuitous in one particular context. Our new asset allocation is designed to have materially larger allocations to private assets than in the past. Our liquidity profile and long time horizon allows us this opportunity to invest in these assets alongside some of the premier endowments, pension funds and sovereign wealth funds of the world. The reward should be superior returns in the long term. Recent volatility



has given us the opportunity to allocate to world class private equity, private debt, infrastructure and real estate managers on the basis of access or terms that might otherwise have been unavailable to us. Building a successful private assets portfolio requires considerable skill and patience and it is important to pace that investment over time. Cambridge Associates are renowned for their skills in private assets, and we have moved, through them, to front load some of our commitment programme and deployment over the last year or so, given the current opportunity. Over the coming years, we expect to revert to a more measured pace as we ramp up this part of the portfolio. The long term nature of private asset investment means that it will take some time to see the benefits feed through, but these should be felt clearly in the second half of this decade and beyond.

Important considerations in our investment decision making are environmental, social and governance factors. The States has given us a clear mandate in this regard, and we integrate this and the impact of our investments into our decision making. Some components of this have clear States objectives, such as carbon emissions. We are seeking to align the portfolio with these objectives and we are, this year, for the first time reporting on the outputs of our efforts. Acknowledging that the portfolio was still in transition, we are pleased to report that the portfolios' ESG credentials are ahead of market. More detail on our policy is provided on page 9 and key metrics are shown on pages 11 and 12.

A relatively significant component of the

General Investment Pool is allocated to investment managers with a presence in Guernsey. In support of wider economic enablement, the States has mandated us to invest at least 10% of the General Investment Portfolio through "local managers". We have commenced a review process of existing local managers and more information can be found on page 8. We anticipate some changes to this component of the portfolio in 2024 as we continue to support local industry and will report on this in more detail in next year's report.

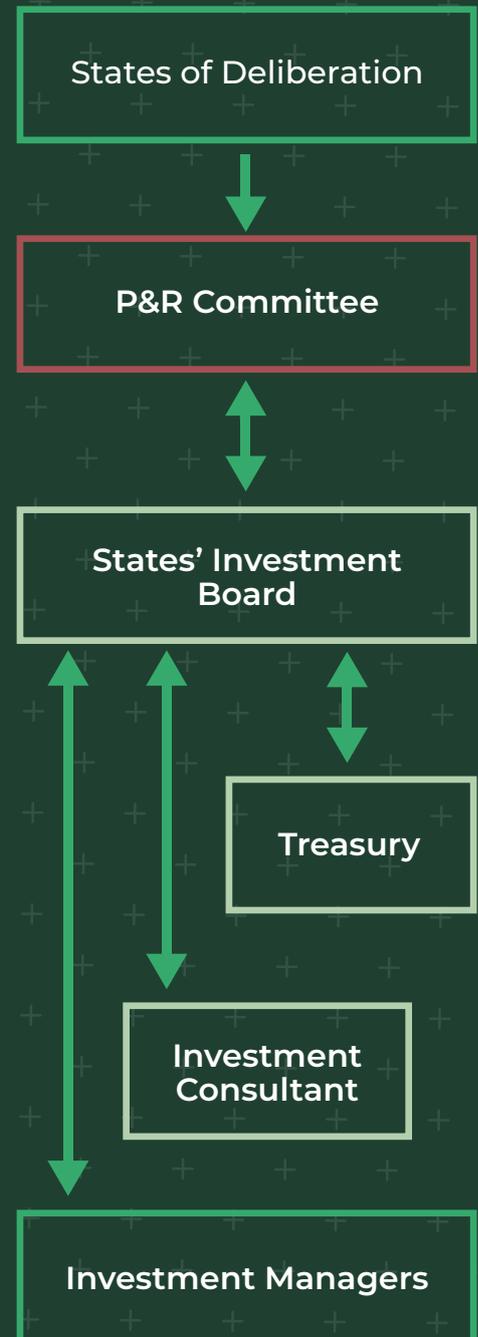
The members of the States' Investment Board were appointed at the very start of 2022. The three independent members were Richard Crowder (Chairman), Henry Freeman and Paul Meader and we sit alongside Bethan Haines, the States' Treasurer. At the end of 2023, after two years, Richard Crowder stepped aside and I would like to thank Richard for his leadership during that two year period.

To conclude, with continued economic and geo-political uncertainty in the world, it is likely that investment conditions will remain challenging for the foreseeable future. Predicting the vagaries of markets in the short term is extremely hard and we do not seek to do so. What we do seek to do is to build a portfolio for the States of Guernsey which should provide resilience in tougher markets and perform well in kinder times. We believe that much of that work is now complete and the benefits should begin properly to flow in the coming years. We look forward to reporting on our progress in next year's report.

States of Guernsey Investment Portfolios

Governance Structure

- The States set the permitted investment rules specifying eligible investments
- The Policy and Resources Committee (P&R) sets investment objectives (which can be found on page 22) and monitors performance through a standing invitation to attend meetings (as a non-voting observer) and through the Annual Report prepared by the SIB
- The States Investment Board, appointed by the Committee, sets and implements the investment strategies to seek to achieve the agreed objectives
- The States' Treasury provides day-to-day management and administration
- Independent consultants provide expert investment advice to the Board on strategy and manager selection



Local Managers

P&R wishes to support locally based investment managers, to encourage the growth and the development of the finance industry within the Bailiwick. It also, however, recognises that local managers may not always provide a compelling case for investment in relation to the full global universe of managers available.

The Committee, therefore, has directed the SIB to invest a minimum of 10% of non-pension assets with local managers, where suitable opportunities exist. These managers will need to be able to demonstrate their existing or likely future positive contribution to the local investment industry and satisfy the SIB and its advisors of their financial stability and investment credentials.

Consideration may be given to investment firms that do not meet all these criteria on a case by case basis. For example, firms that are principally sales, marketing or administration operations may be considered. All potential managers must meet the first two conditions. Firms that do not meet these two conditions will not be eligible for inclusion in the local managers pool.

It should be noted that meeting all five criteria is not a guarantee for investment. Preference may be given to managers who are able to demonstrate specialisation in any of the single asset class strategies mentioned below, over multi-asset or 'fund of fund' style managers.

To qualify for investment, managers should meet the following criteria:

- 1** Have a Guernsey office, employing Guernsey residents
- 2** Pass a manager evaluation, led by Cambridge Associates
- 3** Have true investment decision makers based in Guernsey
- 4** Offer a strategy in one of the following areas: direct equities, fixed income, alternatives, private assets
- 5** Their presence should enhance the investment and finance industry of the island

Environmental, Social and Governance (ESG)

The Board recognises that material sustainability factors, such as environmental, social and governance (ESG) factors, can impact long-term investment performance as well as being a force for good. The Board, therefore, views consideration of these factors as being integral to each investment, in line with the objective of long-term value creation and the States of Guernsey's wider policy on sustainability.

Therefore, while taking due regard of the primary duty to generate strong risk-adjusted returns, the Board believes that:

- 1 Working to incorporate material environmental, social and governance criteria into the investment decision making processes is required.
- 2 In accordance with the States' Climate Change policy, pursuing an investment approach informed by the scientific consensus on climate change and consistent with the goals of the 2015 Paris agreement is required.

The SIB expects to avoid narrowly focused strategies which may have meaningful exposure to controversial areas and will, instead, orientate towards strategies with enhanced environmental, social or governance impact.

To facilitate this, the SIB through its advisors and managers shall:

- Consider the portfolios' investments which may have a positive ESG impact. Where applicable, align the portfolios' investments with the goals of the 2015 Paris agreement to limit global warming to close to 1.5°C by eliminating net emissions of carbon and other GHGs by mid-century.
- Provide annually, and to the extent disclosure allows, a report outlining the sustainability/ESG profile of the portfolios, flagging up potential issues.
- Consider, as part of its due diligence, whether a new investment might give rise to a material exposure to ESG issues.

Further details of the approach being adopted to align with the States' net zero goals can be found in Appendix II.

The full mandate and objectives are available on the following webpage:

[gov.gg/investmentgov](https://www.gov.gg/investmentgov)



The ESG data on the following two pages are a standard set of metrics that are collected annually. It is obtained by analysing the portfolios' listed equities using MSCI ESG tools. It allows our advisor, Cambridge, to monitor how the portfolios are behaving versus the ESG considerations set out in the agreed policy.

As noted elsewhere, 2023 was a year of transition for the portfolios and the changes in the results are mostly the product of portfolio turnover.

Of note, a decrease in Emerging Markets in the General Investment Portfolio has caused a general improvement of some social and environmental metrics, while for the Public Servants' Pension portfolio, the diversification in global equities has made many results move closer to the benchmark. These results were broadly expected.

Cambridge Associates' ESG data provider is MSCI Inc, via their MSCI ESG database and analytics tool. This provides access to a deep database, large choice of metrics and robust methodologies. It is a useful tool for gathering high level insights from a large volume of data. As some of the reported information is backward looking in nature, Cambridge overlay a materiality assessment before reaching conclusions, to allow for the fact that companies operate in different ecosystems and regulatory environments.

Key for ESG Scorecard

-  Improvement
-  Decline
-  Neutral or minor change

Data relates to public equity only

Environmental, Social and Governance (ESG) - General Investment Portfolio

Results remain positive versus the Global Equity Index. The increase in funds and strategies within Global Equities inevitably brings a pull towards the index levels for some social and governance indicators. However, for environment, the direction of travel is encouraging.

2023 ESG 'Scorecard'

Metric	General Investment Portfolio (2022)	General Investment Portfolio (2023)	Global Index (MSCI ACWI)	Relative vs MSCI ACWI	Relative vs 2022
Controversial Businesses					
Exposure to civilian firearms (producers and retailers)	0.0%	0.3%	0.5%		
Exposure to controversial weapons	0.1%	0.2%	0.6%		
Exposure to adult entertainment	0.0%	0.1%	0.1%		
Exposure to gambling	0.3%	0.9%	1.0%		
Labour Rights					
Exposure to labour norms violations or watch list	3.9%	9.0%	12.7%		
Gender					
% Weight of companies with no female directors	1.6%	1.3%	1.2%		
Companies violating UN Global Compact					
% weight of companies posing reputational risks because they violate UN Global Compact principles	0.6%	0.0%	0.2%		
Carbon Footprint					
Carbon emissions tons CO2 / \$ million invested	112.4	81.9	82.5		
Weighted Average Carbon Intensity					
Tons CO2 / \$ million sales	124.5	108.3	119.9		
Fossil Fuels					
Exposure to companies with any fossil fuel reserves	4.1%	4.3%	6.8%		
Social Impact					
Revenue exposure to business activities with positive impact on society	3.3%	4.4%	2.8%		
Environmental Impact					
Revenue exposure to business activities with positive impact on the environment	2.9%	3.3%	2.8%		

Environmental, Social and Governance (ESG) - Public Servants' Pension Scheme Portfolio

Results remain positive versus the Global Equity Index. The starting point for the Public Servants' Pension Scheme Portfolio in 2022 was very conservative given the rather focussed portfolio. This year, increases in strategies within Global Equities and Emerging Markets has brought results more in line with the General Investment Portfolio.

2023 ESG 'Scorecard'

Metric	Pension Portfolio (2022)	Pension Portfolio (2023)	Global Index (MSCI ACWI)	Relative vs MSCI ACWI	Relative vs 2022
Controversial Businesses					
Exposure to civilian firearms (producers and retailers)	0.1%	0.4%	0.5%		
Exposure to controversial weapons	0.2%	0.3%	0.6%		
Exposure to adult entertainment	0.0%	0.0%	0.1%		
Exposure to gambling	0.1%	0.5%	1.0%		
Labour Rights					
Exposure to labour norms violations or watch list	3.0%	7.0%	12.7%		
Gender					
% Weight of companies with no female directors	1.0%	1.2%	1.2%		
Companies violating UN Global Compact					
% weight of companies posing reputational risks because they violate UN Global Compact principles	0.1%	0.0%	0.2%		
Carbon Footprint					
Carbon emissions tons CO2 / \$ million invested	62.0	79.9	82.5		
Weighted Average Carbon Intensity					
Tons CO2 / \$ million sales	96.9	108.4	119.9		
Fossil Fuels					
Exposure to companies with any fossil fuel reserves	3.2%	3.6%	6.8%		
Social Impact					
Revenue exposure to business activities with positive impact on society	2.9%	3.8%	2.8%		
Environmental Impact					
Revenue exposure to business activities with positive impact on the environment	4.1%	3.3%	2.8%		

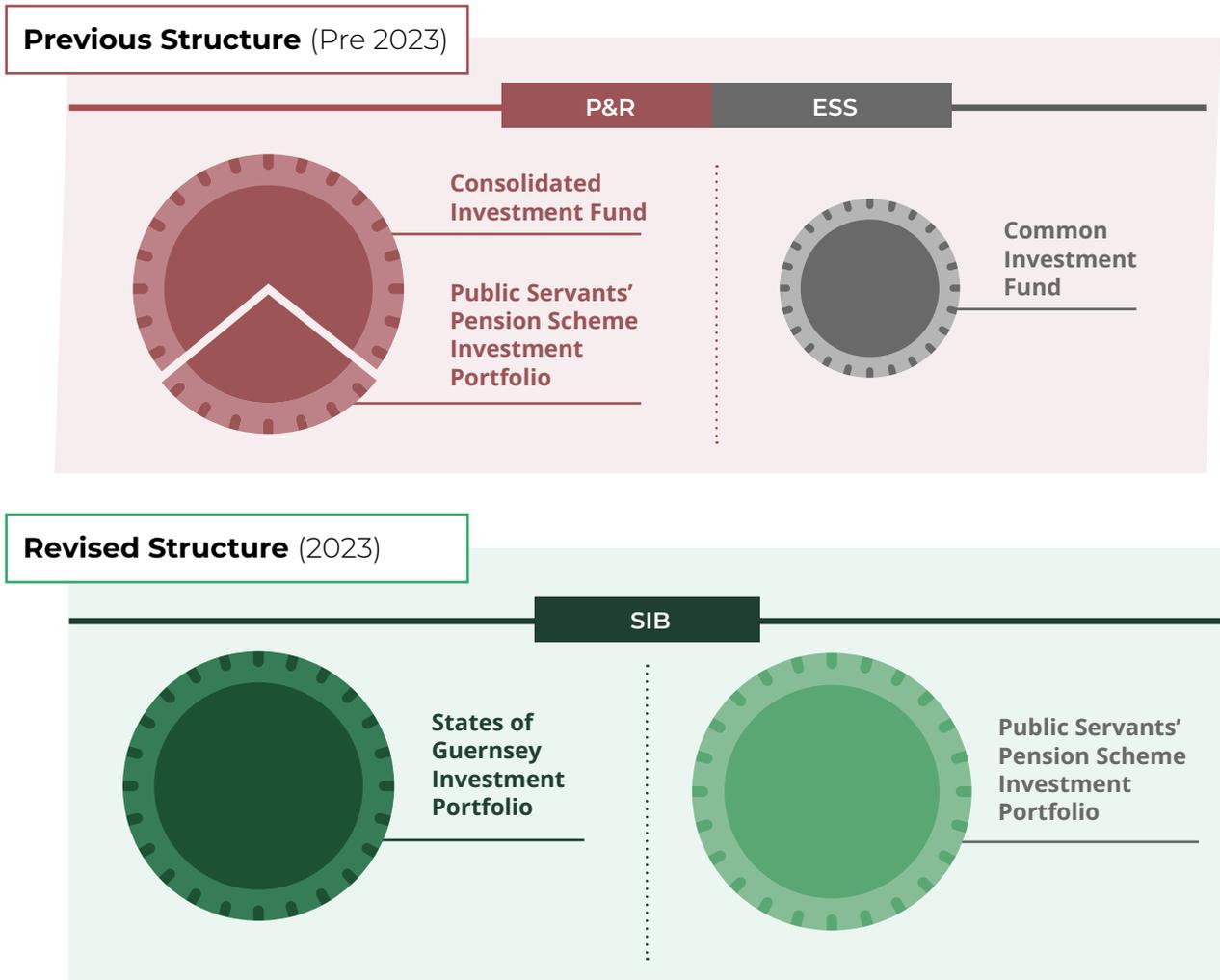
Restructuring of Investment Pools

Following a review of investment governance in 2020 it was agreed that the two investment pools which were previously overseen independently by ESS and P&R would be merged into one pool of assets to create increased efficiencies and economies of scale.

Alongside this, separate legal advice provided to the States had concluded that the Public Servants' Pension Scheme's assets should be held on a

segregated basis. Whilst it had previously been included in the Consolidated Investment Fund pool of assets, the advice was that it should be held on a segregated basis from the rest of the States' investments.

The process to merge the two investment pools, whilst simultaneously separating out the pension assets started in Q4 2022 and concluded in 2023. The changes are shown below.

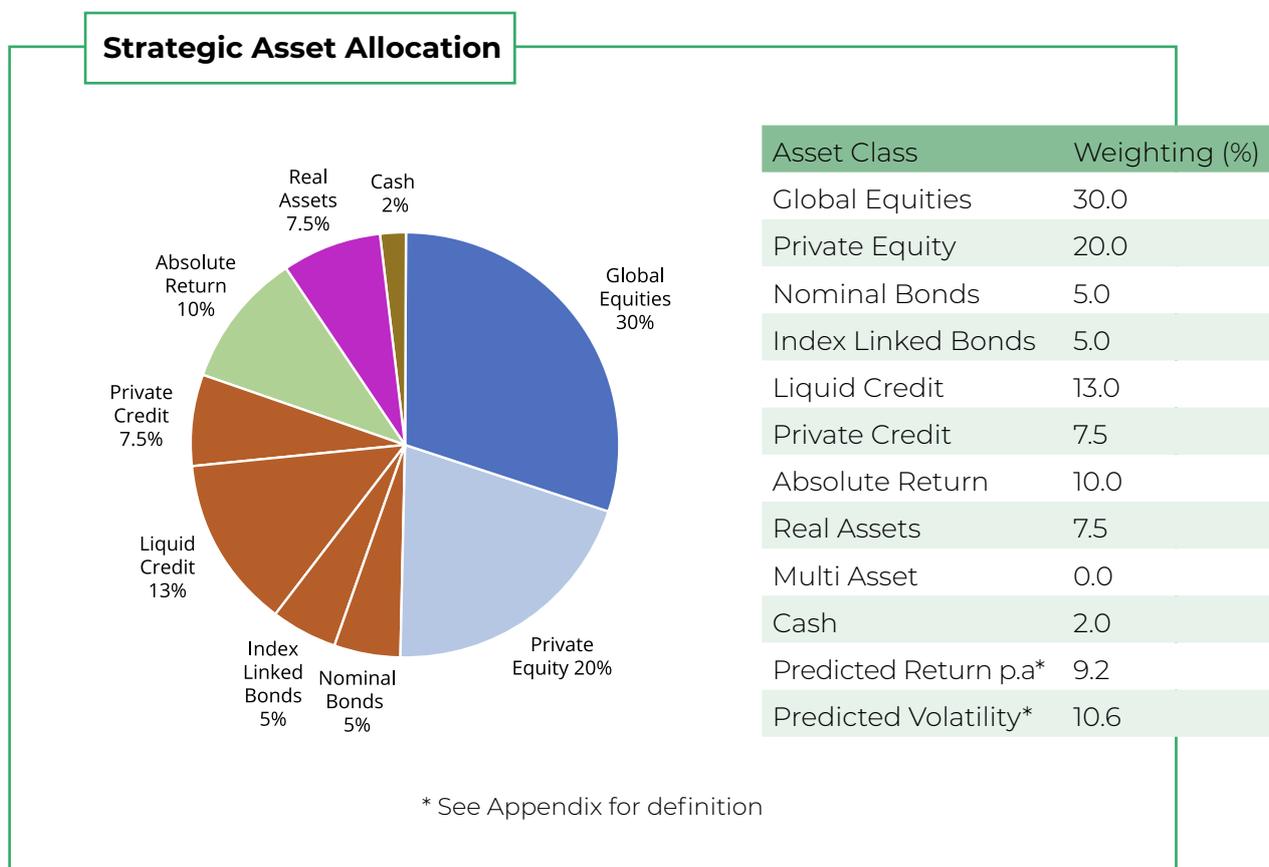


Investment Strategy and Asset Allocation

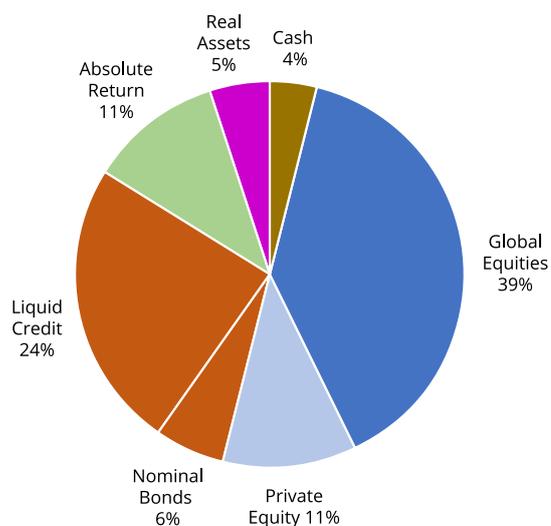
During 2023 the Board continued to undertake a full review of underlying managers and funds in the portfolios with guidance from Cambridge Associates, as well as moving forward with the programme to reposition the portfolios with managers better aligned with the revised target asset allocation.

The targeted increase in allocation to private investments will take several years to fully implement as the pace at which commitments are drawn is largely dictated by the underlying managers. However, full ramp up is modelled to occur by 2028 to 2031, depending upon strategy.

Aside from these private assets, the transition of the portfolios to the new structure is expected to be fully completed by mid 2024. This will bring the portfolios more closely in line with the Strategic Asset Allocation

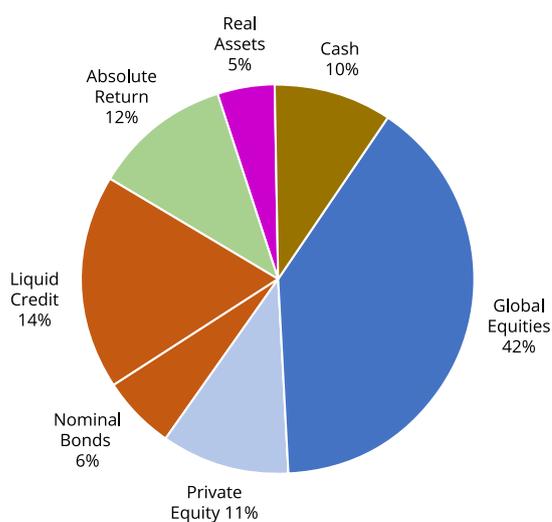


Allocation at 31/12/2023 - General Investment Portfolio



Asset Class	Weighting (%)
Global Equities	39
Private Equity	11
Nominal Bonds	6
Index Linked Bonds	0
Liquid Credit	24
Private Credit	0
Absolute Return	11
Real Assets	5
Multi Asset	0
Cash	4

Allocation at 31/12/2023 - Public Servants' Pensions Scheme Portfolio



Asset Class	Weighting (%)
Global Equities	42
Private Equity	11
Nominal Bonds	6
Index Linked Bonds	0
Liquid Credit	14
Private Credit	0
Absolute Return	12
Real Assets	5
Multi Asset	0
Cash	10

Portfolios are shown on a look through basis to account for multi asset holdings.

Manager Changes

Investments with 12 new managers were made during 2023. The new investments are exclusively via fund solutions providing cost effective exposure to specialist strategies, aligned with the long term strategy adopted for the

portfolios.

Details of the new investments can be found on page 25 in Appendix III.

Performance

Investment Performance - 2023

Fund	Bal £m	2023 Return
States of Guernsey General Investment Portfolio	1,771	6.7%
Target - UK CPI + 5%		9.0%
Policy Benchmark		7.6%
The States of Guernsey Public Servants' Pension Scheme Portfolio	1,593	6.9%
Target: UK CPI +5%		9.0%
Policy Benchmark		7.6%

Returns are calculated using year end prices provided by the audited Custodian valuation on 18th January 2024.

The Policy Benchmark consists of MSCI ACWI (50%), Bloomberg Global Aggregate Bond Index £-hedged (20.5%), Hedge Fund Research Fund of Funds Diversified Index £-hedged (10%), FTSE® EPRA/NAREIT Developed Real Estate Index (7.5%), Bloomberg World Government Inflation-Linked Bond Index £-hedged (5%), FTSE World Government Bond Index £-hedged (5%), SONIA (2%)

Policy benchmark data is lagged to account for delayed pricing of private investments.

After a challenging 2022, investment markets recovered in 2023.

The first quarter of the year saw markets rising as investors gained confidence that the anomaly of 2022, when both bond and equity markets fell, was not going to be repeated. However, Q2 saw renewed anxiety about stagnating growth combined with fears that, despite aggressive interest rate hikes by central banks in the second half of the year, the spectre of inflation had not been defeated. In addition, geopolitical

tensions continued with the ongoing conflict in Ukraine compounded by the start of a new conflict in the Middle East, sending markets lower.

By the final quarter of 2023, investors became more confident that a return to growth was being witnessed, and that interest rates could soon start heading lower stimulating further growth. Consequently, markets rallied, driven by a small number of mega-cap tech stocks. It is worth mentioning that not every market was positive over



the year. Notably, China registered a negative return as the country continued to grapple with the after effects of the COVID pandemic and domestic economic issues.

In the Public Servants' Pension Scheme Portfolio, higher exposure to equities via

the multi manager holdings contributed to the slightly greater return over the year. Both portfolios experienced weakness in their property investments as the cost of borrowing rose in line with interest rates. The performance of the main asset classes is shown below.

		2023 Performance
Global Equities	MSCI All Country World Index in £ terms	16.8%
Global Bonds	FTSE World Government Bond Index £ Hedged	5.5%
Emerging Market Equities	MSCI Emerging Markets in £ terms	3.6%
UK Equities	FTSE All Share Index	7.9%
UK Bonds	FTSE Actuaries UK Conventional Gilts All Stocks Index	3.7%

Source: Cambridge Associates

Performance of Managers

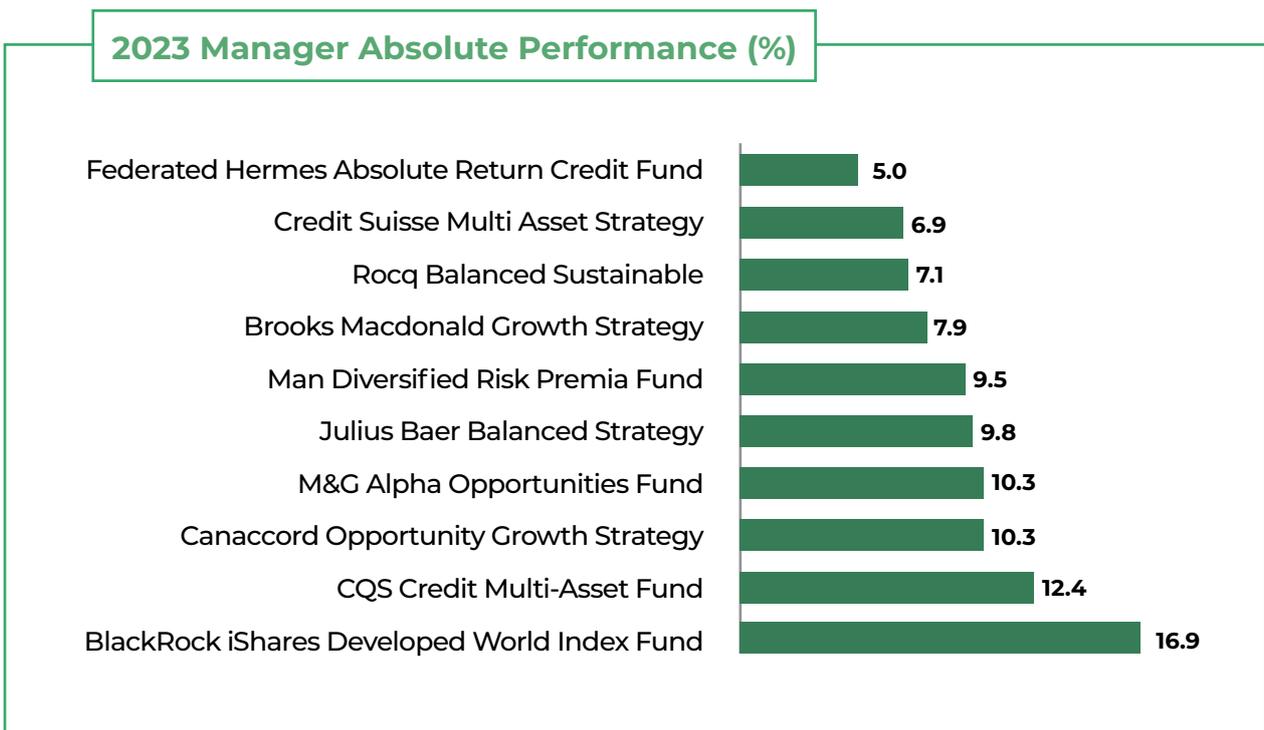
General Investment Portfolio

(Investments held for the full year)

As discussed earlier, 2023 was a year of transition for the two portfolios, with many new investments being made at various times during the year. In order to provide a like for like comparison, the charts on the following pages only report the performance of investments that were held for the full 12 months of 2023.

A complete table of performance figures for all investments can be found in Appendix II.

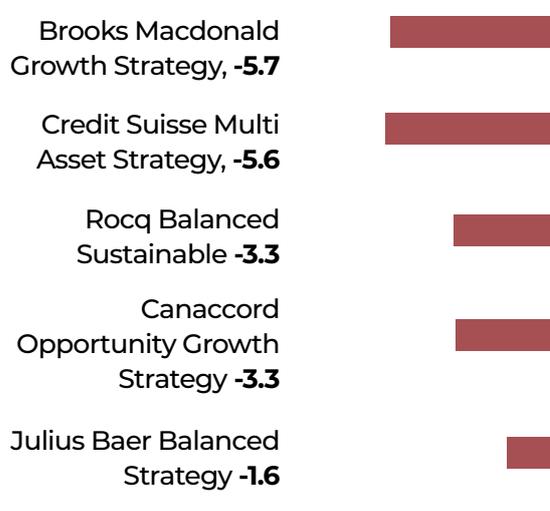
A full list of the new managers invested in during 2023 can be found in Appendix III.



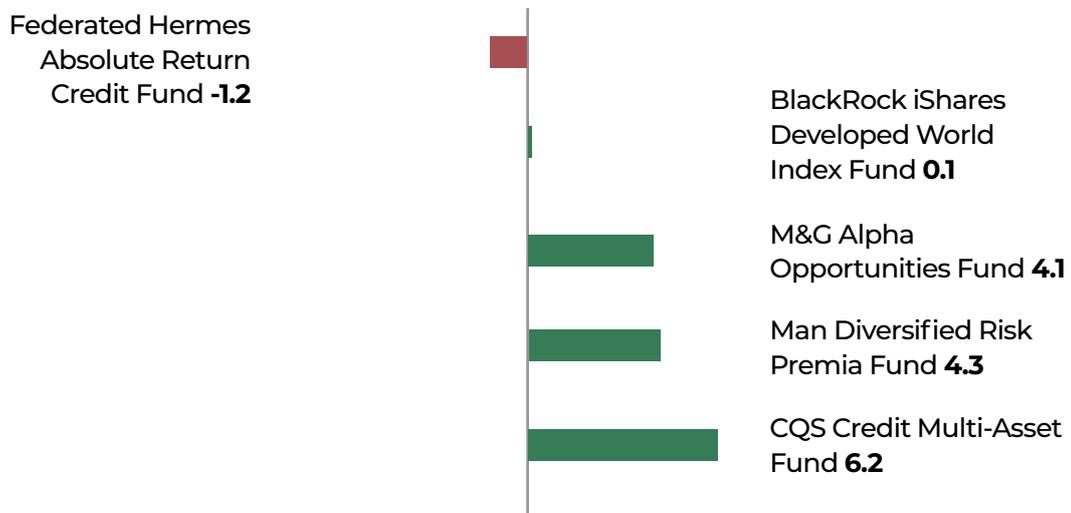
In contrast to 2022, when most managers generated negative returns, all managers held for the full year produced a positive return in 2023, reflecting the recovery in investment markets.

2023 Manager Performance Relative to their Benchmarks (%)

Multi Asset Strategies



Focussed Strategies



Relative to benchmarks, the managers with more focussed, dedicated asset class strategies generally fared better than multi asset managers.

Performance of Managers

Public Servants' Pension Scheme Portfolio

(Investments held for the full year)

Similar to the managers in the General Investment Portfolio, all the managers in the Pension Portfolio held for the full year generated a positive return in 2023.

2023 Manager Absolute Performance (%)



2023 Manager Performance Relative to their Benchmark (%)



Managers using more dedicated strategies, rather than following a multi asset approach generated a positive performance relative to benchmarks.

Performance figures for all investments can be found in Appendix II.

Please see Appendix III for a list of the new managers invested in during 2023.

Board Members and Other Information



States' Investment Board Members

Paul Meader (Chairman)
Henry Freeman
Bethan Haines (States Treasurer)
Richard Crowder (retired 31st December 2023)



Advisor to the States' Investment Board

Cambridge Associates



States Committee with overall responsibility for investment

Policy & Resources Committee



Policy & Resources sub Committee responsible for Investment Strategy

States' Investment Board



Custodians

Northern Trust
Credit Suisse



Administration

States Treasury



Appendix I

SIB Investment Objectives

Overview

In line with the States' Permitted Investment Rules, the Policy & Resources Committee (P&R) has appointed an independent specialist sub-committee, known as the States Investment Board (SIB), to oversee the investment management and administration of the investment funds under the Committee's delegated responsibility. The SIB will act in its capacity, as detailed in its Terms of Reference, to fulfil the mandate and achieve the investment objectives set by P&R.

General Investment Considerations

While the overarching objective in any commercial investment scenario is to achieve the best returns possible, a prudent investment programme will be constrained by relevant risks and other factors that must be considered when setting a strategy. Some of the constraints the Committee will expect the SIB to consider include:

- Volatility & risk of investments versus return
- Investment time horizon
- Cashflow requirements
- Environmental, Social & Governance considerations

Special Situations

There may be special situations where the Policy and Resources Committee will advise the SIB that other, non-financial benefits or outcomes give rise for the States to consider specific investments which wouldn't otherwise meet the SIB's criteria. These situations will be clearly identified with indications of expected levels of capital commitment and the specific objectives set by the Committee. The SIB will assist with the implementation of these investments and help ensure they achieve the specific objectives set. The SIB are not accountable for the performance of these investments. They will, however, endeavour to target the best return available within the limited discretion they are set by the Committee.

Special Situations will be separately benchmarked and investor participation will be assessed against their wider objectives and risk profile to ensure they are appropriate for each stakeholder/investor.

Appendix II

Performance of Underlying Managers

General Investment Portfolio

	Inception Date	2023* Performance	Annualised Since Inception	Cumulative Since Inception
Growth Assets - Developed Equity				
BlackRock iShares Developed World Index Fund	31/08/2020	16.9	9.9	11.3
<i>MSCI World</i>		16.8	9.8	11.2
<i>Relative</i>		0.1	0.1	0.1
Generation IM Global Equity Fund	30/06/2023	10.1	-	-
<i>MSCI World</i>		7.3	-	-
<i>Relative</i>		2.8	-	-
GQG Partners Global Equity Fund	07/07/2023	13.7	-	-
<i>MSCI World</i>		9.7	-	-
<i>Relative</i>		4.0	-	-
Silchester International Equity Exclusion UCITS	01/10/2023	3.3	-	-
<i>MSCI EAFE</i>		5.7	-	-
<i>Relative</i>		-2.4	-	-
Ravenscroft Global Blue Chip Fund	01/12/2023	4.1	-	-
<i>MSCI World</i>		3.9	-	-
<i>Relative</i>		0.2	-	-
Growth Assets - Emerging Markets Equity				
ARGA Emerging Market Equity Fund	22/11/2023	1.8	-	-
<i>MSCI Emerging Markets</i>		1.9	-	-
<i>Relative</i>		-0.1	-	-
Overlook Partners Fund L.P.	31/08/2023	0.0	-	-
<i>MSCI All Countries Far East ex Japan</i>		0.8	-	-
<i>Relative</i>		-0.8	-	-
Stewart Investors Global Emerging Markets Sustainability Fund	22/11/2023	4.4	-	-
<i>MSCI Emerging Markets</i>		1.9	-	-
<i>Relative</i>		2.5	-	-

Diversifiers - Absolute Return

Viking Global Equities III Fund	30/11/2023	-0.8	-	-
<i>HFRI Fund of Funds Diversified Index</i>		1.4	-	-
<i>Relative</i>		-2.2	-	-

Diversifiers - Liquid Credit

Bluebay Global Investment Grade Corporate Bond	12/12/2023	2.7	-	-
<i>BBG Global Aggregate Corp (Hgd) - £</i>		2.3	-	-
<i>Relative</i>		0.4	-	-

CQS Credit Multi-Asset Fund	01/01/2017	12.4	2.9	2.9
<i>BBG Global Aggregate (Hgd) - £</i>		6.2	-2.8	0.7
<i>Relative</i>		6.2	5.7	2.2

Federated Hermes Absolute Return Credit Fund	01/11/2021	5.0	n/a	1.4
<i>BBG Global Aggregate (Hgd) - £</i>		6.2	n/a	-3.0
<i>Relative</i>		-1.2	n/a	4.4

FTF Brandywine Global Income Optimiser	12/12/2023	3.2	-	-
<i>BBG Global Aggregate (Hgd) - £</i>		2.3	-	-
<i>Relative</i>		0.9	-	-

M&G Alpha Opportunities Fund	30/04/2017	10.3	2.3	3.0
<i>BBG Global Aggregate (Hgd) - £</i>		6.2	-2.8	0.7
<i>Relative</i>		4.1	5.1	2.3

Multi-Asset

Brooks Macdonald Balanced Strategy	15/04/2016	7.9	1.0	4.4
<i>70% MSCI World Index / 30% Global Agg £ Hedged</i>		13.6	6.0	9.0
<i>Relative</i>		-5.7	-5.0	-4.6

Canaccord Opportunity Strategy	15/04/2016	10.3	2.6	7.1
<i>70% MSCI World Index (N) / 30% Global Agg £ Hedged</i>		13.6	6.0	9.0
<i>Relative</i>		-3.3	-3.4	-1.9

Credit Suisse Premium GBP RPI+3.5% Target Strategy	31/08/2004	5.5	-0.1	4.0
<i>70% MSCI World Index (N) / 40% Global Agg £ Hedged</i>		12.5	4.7	7.5
<i>Relative</i>		-7.0	-4.8	-3.5

Julius Baer Balanced Strategy	03/12/2018	9.8	1.6	5.2
<i>50% MSCI World Index (N) / 40% Global Agg £ Hedged</i>		11.4	3.4	6.0
<i>Relative</i>		-1.6	-1.8	-0.8

Man Diversified Risk Premia SP Fund	01/08/2017	9.5	11.6	6.1
<i>HFRI FOF Diversified Index Hgd GBP</i>		5.2	2.3	3.1
<i>Relative</i>		4.3	9.3	3.0

Rocq International Balanced Sustainable Strategy	15/04/2016	7.1	-1.7	0.4
<i>40% MSCI World Index / 60% Global Agg £ Hedged</i>		10.4	2.2	5.4
<i>Relative</i>		-3.3	-3.9	-5.0

Nominal Bonds

iShares \$ Treasury Bond 20+yr UCITS ETF	15/12/2023	-0.3	-	-
<i>ICE US Treasury 20+ Year Bond Index</i>		-0.3	-	-
<i>Relative</i>		0.0	-	-
Payden Global Government Bond Index Fund	23/05/2023	3.0	-	-
<i>FTSE World Government Bond Index GBP Hedged</i>		3.3	-	-
<i>Relative</i>		-0.3	-	-

Please see Appendix III for breakdown of new investments made during 2023.

Public Servants' Pension Scheme Portfolio

	Inception Date	2023* Performance	Annualised Since Inception	Cumulative Since Inception
Growth Assets - Developed Equity				
Fidelity Institutional Global Sector Funds	31/10/2010	17.0	9.5	11.8
<i>MSCI World</i>		16.8	9.8	11.4
<i>Relative</i>		0.2	-0.3	0.4
Generation IM Global Equity Fund	30/06/2023	10.1	-	-
<i>MSCI World</i>		7.3	-	-
<i>Relative</i>		2.8	-	-
GQG Partners Global Equity Fund	07/07/2023	13.7	-	-
<i>MSCI World</i>		9.7	-	-
<i>Relative</i>		4.0	-	-
Silchester International Equity Exclusion UCITS	01/10/2023	3.3	-	-
<i>MSCI EAFE</i>		5.7	-	-
<i>Relative</i>		-2.4	-	-
States Street Global Defensive Equity Strategy	31/12/2017	1.3	8.0	6.0
<i>MSCI World</i>		16.8	9.8	10.0
<i>Relative</i>		-15.5	-1.8	-4.0
Growth Assets - Emerging Markets Equity				
ARGA Emerging Market Equity Fund	22/11/2023	1.8	-	-
<i>MSCI Emerging Markets</i>		1.9	-	-
<i>Relative</i>		-0.1	-	-
Overlook Partners Fund L.P.	31/08/2023	0.0	-	-
<i>MSCI All Countries Far East ex Japan</i>		0.8	-	-
<i>Relative</i>		-0.8	-	-
Stewart Investors Global Emerging Markets Sustainability Fund	22/11/2023	4.4	-	-
<i>MSCI Emerging Markets</i>		1.9	-	-
<i>Relative</i>		2.5	-	-

Diversifiers - Absolute Return

AQR Diversified Risk Premia Fund	31/01/2017	9.5	18.1	4.4
<i>HFRI Fund of Funds Diversified Index</i>		5.3	2.3	3.2
<i>Relative</i>		4.2	15.8	1.2
Viking Global Equities III Fund	30/11/2023	-0.8	-	-
<i>HFRI Fund of Funds Diversified Index</i>		1.4	-	-
<i>Relative</i>		-2.2	-	-

Diversifiers - Liquid Credit

Bluebay Global Investment Grade Corporate Bond	12/12/2023	2.7	-	-
<i>BBG Global Aggregate Corp (Hgd) - £</i>		2.3	-	-
<i>Relative</i>		0.4	-	-
FTF Brandywine Global Income Optimiser	12/12/2023	3.2	-	-
<i>BBG Global Aggregate (Hgd) - £</i>		2.3	-	-
<i>Relative</i>		0.9	-	-

Multi-Asset

Morgan Stanley Global Asset Allocation Strategy	28/02/2011	5.9	8.2	6.6
<i>70% MSCI World Index / 30% Global Agg £ Hedged</i>		13.6	6.0	8.4
<i>Relative</i>		-7.7	2.2	-1.8
Royal London Global Sustainable Strategy	30/09/2018	15.3	4.1	9.1
<i>60% MSCI World / 40% BofA Global Corp</i>		11.3	5.2	6.7
<i>Relative</i>		4.0	-1.1	2.4
Sarasin Climate Active Strategy	07/05/2008	6.0	1.3	5.1
<i>70% MSCI World / 30% Global Agg £ Hedged</i>		13.6	6.0	8.0
<i>Relative</i>		-7.6	-4.7	-2.9
Schroder Diversified Growth Strategy	31/07/2009	4.5	-0.2	4.8
<i>60% MSCI World / 40% Global Agg £ Hedged</i>		12.5	4.7	8.3
<i>Relative</i>		-8.0	-4.9	-3.5

Nominal Bonds

iShares \$ Treasury Bond 20+yr UCITS ETF	15/12/2023	-0.3	-	-
<i>ICE US Treasury 20+ Year bond index</i>		-0.3	-	-
<i>Relative</i>		0.0	-	-
Payden Global Government Bond Index Fund	23/05/2023	3.0	-	-
<i>FTSE World Government Bond Index GBP Hedged</i>		3.3	-	-
<i>Relative</i>		-0.3	-	-

Source: Cambridge Associates

Please see Appendix III for breakdown of new investments made during 2023.

*2023 performance is the absolute performance for each investment for the relevant holding period. Please see Appendix III for a breakdown of new investments made during 2023.

Returns are calculated using year end prices provided by the Custodian on 18th January 2024.

Private and Illiquid Investments

	INCEPTION DATE	INTERNAL RATE OF RETURN
General Investment Portfolio		
AMP Capital Global Infrastructure Fund (Non-US), L.P.	23/09/2021	8%
Blackstone Strategic Capital Holdings II L.P.	23/09/2021	12.4%
CBRE Global Real Estate Securities Strategy	26/11/2008	6.7%*
GIF Property Cell	30/09/2020	-0.3%
GIF Technology and Innovation Cell	31/03/2018	-0.8%
Morgan Stanley Multi-Alternative Strategy	31/03/2013	5.2%*
Partners Group Direct Equity IV (USD) C-I, L.P.	26/04/2021	10.1%
PG Impact Investments I, L.P.	30/12/2020	12%
Public Servants' Pension Scheme Portfolio		
CBRE Global Real Estate Securities Strategy	26/11/2008	6.7%*
PEG Global Private Equity Institutional Investors V LLC	15/05/2015	20.6%
Partners Group Direct Equity 2016 (USD) C, L.P.	15/11/2015	17.6%
Sustainable Growth Fund	15/11/2017	7.1%
White Star Capital II Guernsey L.P.	15/08/2017	17.1%
White Star Capital III International L.P.	03/03/2021	2.6%

*Annualised Rate of Return since inception

Source: Cambridge Associates. Data as at 31st December 2023.

Definitions

Volatility is the annualised standard deviation of returns.

Predicted return is the aggregated expected portfolio return on the asset allocation shown and 25 year estimated returns as provided by Cambridge Associates.

Predicted volatility is the expected portfolio annualised standard deviation of returns based on estimated asset class volatility provided by Cambridge Associates.

Appendix III

New Investments

Investments in the following funds were implemented during 2023.

Growth Assets – Developed Equity

- Generation IM Global Equity Fund (invested June 2023)
- GQG Partners Global Equity Fund (invested July 2023)
- Silchester International Equity Exclusion UCITS (invested October 2023)
- Ravenscroft Global Blue Chip Fund (invested December 2023)

Growth Assets - Emerging Markets Equity

- ARGA Emerging Market Equity Fund (invested November 2023)
- Overlook Partners Fund, L.P. (invested July 2023)
- Stewart Investors Global Emerging Markets Sustainability Fund (invested November 2023)

Absolute Return

- Viking Global Equities III Fund (invested November 2023)

Liquid Credit

- Bluebay Global Investment Grade Corporate Bond (invested December 2023)
- FTF Brandywine Global Income Optimiser (invested December 2023)

Nominal Bonds

- Payden Global Government Bond Index Fund (invested May 2023)
- iShares \$ Treasury Bond 20+yr UCITS ETF (invested December 2023)

Appendix IV

Net Zero Goals

The SIB Net Zero goals fall under two broad headings as explained below:

1. MANAGING CLIMATE RISK AND OPPORTUNITY

Transition to a low carbon economy will be a dominant feature of industrial and commercial life for the next several decades. Irrespective of the pace of this transformation, increasing physical effects and damage from climate change are inevitable. Accordingly, The States of Guernsey will ensure the risks and opportunities arising from a low carbon transition are reflected in the way investments are chosen for our Portfolio, making it “climate aware”.

Building climate awareness into our investment approach supports portfolio resilience by protecting the Portfolio from the risks of uncontrolled climate change while simultaneously benefitting from the investment opportunities present in a low carbon transition.

2. CONTRIBUTING TO NET ZERO GOALS

The overarching “Net Zero” goal refers to CO₂ emissions from the global economic system as a whole by 2050. From an investor’s perspective, simply transferring GHG emissions from our balance sheet to someone else’s has limited to no real-world impact, though it may play a role in portfolio risk management. Accordingly, our goals are not simply portfolio decarbonisation – reducing the emissions associated with our portfolio, since in any case no diversified portfolio can achieve net zero by itself, without the companies in the market changing their behaviour. Rather we aim to contribute to broad economic decarbonisation, recognising the material systemic risk that uncontrolled climate change creates for all asset classes and for society in general. Contributing to Net Zero within the global economy helps to ensure that we preserve the economic returns that drive the Portfolio and, consequently, our ability to spend into the future.

As part of our contribution to Net Zero goals we set three specific sub-goals:

- 1.** Provide capital to businesses that can accelerate or otherwise support the low carbon transition.
- 2.** Support and encourage Portfolio companies to adopt business plans and strategies consistent with the goals of the Paris agreement.
- 3.** Encourage and require our investment managers to support us in these goals to the extent practical.

NET ZERO STRATEGY

To implement our goals in the most practical way our strategy has the following elements:

- a)** Explicitly considering climate impact, risks, and opportunities as we decide allocations to assets and strategies.
- b)** Setting Paris-aligned targets for the GHG emissions of the total Portfolio.
- c)** Setting an explicit target for “climate solutions,” that is, investment opportunities that can support and accelerate transition to a low carbon economy while meeting our return goals.
- d)** Selecting investment managers who will be good partners in delivering our goals in a manner appropriate for their mandate.

Since The States of Guernsey invests its Portfolio through third-party investment managers, they are the primary tool through which our goals can be realised. Accordingly, we prioritise these considerations when deciding to select or retain an investment manager:

- **Transparency:** This is a foundational requirement. We expect our managers to report portfolio emissions to us on a regular basis or, at a minimum, to provide sufficient position level information to enable us to calculate this. Ideally, we would also like them to report the breakdown of their portfolio in terms of businesses with Paris-aligned plans, those in the process of aligning, and the remainder.
- **Climate Competence:** We expect our managers to demonstrate understanding of the potential impact of climate change on their investments as well as the impact of those investments on the climate. These considerations should be fully integrated into investment decision-making and into their client reporting.

- Stewardship: Where possible, we expect managers to exercise good stewardship on our behalf in line with our Net Zero goals. We expect managers to vote their shares in support of appropriate climate friendly resolutions and to be prepared to vote against directors where inadequate progress is being made. We further expect managers to engage substantively with Portfolio companies to encourage both emissions transparency and the setting of Paris-aligned targets. We prefer managers to exercise this level of stewardship across all their asset base, not just our mandate or the strategy in which we are invested.

The States of Guernsey will review its managers annually against the above criteria. We wish to implement our Net Zero strategy in the most efficient and effective way possible. Accordingly, we will consider the materiality of climate considerations as well as practicality when setting expectations for any specific asset, strategy, or manager.

NET ZERO TARGETS AND MEASUREMENT

To hold ourselves accountable against the long-term goal of Net Zero emissions by 2050, The States of Guernsey is adopting three high-level Targets, which we can, to at least some degree, control and one Milestone which we cannot by ourselves change but which is fundamental to the goal of our policy. For robustness these were developed to be consistent with the Net Zero Framework of the Paris Aligned Investment Initiative (PAII) (see collaborative frameworks). We recognise that approaches and methodologies in this area are evolving, and we will adapt as new information becomes available, but these robust interim targets account for the fact that emission reductions cannot be back-end loaded.

TARGET 1: Portfolio emissions coming from companies which are aligned with Net Zero or with whom The States of Guernsey or its managers are engaging toward that objective should represent an increasing share of the Portfolio's overall emissions:

- 2030: 70%
- 2040: 100 %

Measurement: The degree to which Portfolio holdings are Paris-aligned will be tracked on an annual basis via manager reporting. The States of Guernsey will also rely upon managers to report where engagement is happening with non aligned holdings.

TARGET 2: "Climate solutions" investments increasing by 5% by the end of 2030.

Measurement: Climate solutions refers to funds investing in both public and private companies whose products support a low carbon transition.

TARGET 3: In-scope asset class emissions at or below relevant benchmarks on an ongoing basis.

Currently, assets considered in scope include public equity. Measurements depend on availability of emissions data, methodologies for target setting, and the means of control for the relevant asset class.

For other asset classes, The States of Guernsey will use its best efforts to understand how climate considerations impact exposure and to communicate to managers any changes consistent with the policy. The States of Guernsey will evaluate all investment opportunities according whether they contribute to or hinder climate goals.

Private Investments

Methodologies and data for Net Zero are less developed around private investments so it is more challenging to include them in a measurement framework. Nevertheless, in an effort to prevent committing any new capital to long-term investments that will impede our Net Zero goals, The States of Guernsey aims to invest new capital in private investment managers who commit to disclosing robust data on emissions from portfolio companies as well as supporting portfolio companies that adopt Paris-aligned targets.

MILESTONE 1: Emission reduction of 50% by 2030

These are milestones rather than targets since achievement is in significant part dependent on the pace of change in the economy as a whole, which we can only influence in a small way.

Measurement: Portfolio GHG emissions will be tracked on an annual basis. See below for details. Paris-alignment of holdings is also tracked on an annual basis via manager reporting. The States of Guernsey is also reliant upon managers to report where engagement is happening with non-aligned holdings.

MEASUREMENT DETAILS

Portfolio GHG emissions are measured in CO₂ equivalent (CO₂e), with a baseline of 2022 and tracked on an annual basis at manager and Portfolio level. The source is either manager reporting or at the security level using MSCI data provided by Cambridge Associates.

Climate Solutions refers to funds investing in both public and private companies whose products support a low carbon transition.



States of
Guernsey