



X
2022

BILLET D'ÉTAT

TUESDAY, 28th JUNE, 2022

VOLUME 2

BUSINESS OF THE MEETING

3. States' Trading Supervisory Board - Ports Accounts 2021, P.2022/45
4. States' Trading Supervisory Board - Guernsey Water Accounts 2021, P.2022/46
5. States' Trading Supervisory Board - Guernsey Dairy Accounts 2021, P.2022/47
6. States' Trading Supervisory Board - States Works Accounts 2021, P.2022/48
7. States' Trading Supervisory Board - Guernsey Waste Accounts 2021, P.2022/49
8. Committee *for* Employment & Social Security - Social Security Contributory Fund Accounts 2021, P.2022/50

APPENDIX REPORTS

States' Trading Supervisory Board - Channel Islands Lottery, Guernsey Report & Accounts for the year ended 31 December 2021
Elizabeth College Annual Report and Audited Financial Statements for the year ended 31 August 2021
The Ladies' College Annual Report and Financial Statements for the year ended 31 August 2021

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD

PORTS ACCOUNTS 2021

The States are asked to decide:-

1. Whether they are of the opinion to agree with the States' Trading Supervisory Board's approval of the Ports Accounts for the year ending 31 December 2021.

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

States of Guernsey
States' Trading Supervisory Board
Ports

Annual Report and Financial Statements

For the year ended 31 December 2021

States' Trading Supervisory Board Ports

STATES' TRADING SUPERVISORY BOARD MEMBERS, PRINCIPAL OFFICERS AND PROFESSIONAL ADVISERS 3

CHAIRMAN'S REPORT 5

MANAGING DIRECTOR'S REPORT 7

CORPORATE GOVERNANCE 12

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY – STATES' TRADING SUPERVISORY BOARD – PORTS 14

STATEMENT OF COMPREHENSIVE INCOME 18

STATEMENT OF FINANCIAL POSITION..... 19

STATEMENT OF CHANGES IN EQUITY 20

STATEMENT OF CASH FLOWS 21

NOTES TO THE FINANCIAL STATEMENTS..... 22

States' Trading Supervisory Board Ports

States' Trading Supervisory Board Members, Principal Officers and Professional Advisers

States' Trading Supervisory Board Members

Deputy P. Roffey	President
Deputy C. Parkinson	
Deputy N. Moakes	
Mr S. Falla CBE	
Mr J. Hollis	resigned 15 October 2021
Dr S. Thornton	appointed 16 October 2021

The constitution of the States' Trading Supervisory Board ("STSB") provides that the membership of the STSB shall be a President and up to two members who shall be members of the States and two members who shall not be members of the States. If and when the STSB is inquorate and an urgent decision is required, the States' Rules of Procedure allow for the insufficiency of members to be replaced by members of the States chosen, in the first instance, from members of the Policy & Resources Committee.

Principal Officers to the States' Trading Supervisory Board

- Mr S. Elliott, Managing Director, States Trading Group
- Mr S. Gardiner, Finance Business Partner, States Trading Group
- Mr A. Ford, Head of Shareholder Executive, States Trading Group

Ports Board Members

Mr S. Falla CBE	Chairman
Deputy P. Roffey	
Mr S. Holden	non-voting adviser
Mr B. Smillie	non-voting adviser
Mr C. Le Ray	non-voting adviser
Mr C. McGinn	non-voting adviser
Mr R. Coppolo	non-voting adviser
Mr B. Le Huray	non-voting adviser

States' Trading Supervisory Board Ports

States' Trading Supervisory Board Members, Principal Officers and Professional Advisers – continued

At its meeting of 4 May 2017, the STSB agreed to establish political sub-committees (company boards) for the trading assets including Ports.

The constitution of the Ports Board ("PB") was determined by the STSB at its meeting 4 May 2017.

Further information on the role of the PB is provided in the section on Corporate Governance.

Principal Officers to the Ports Board

Mr C. Le Ray, Managing Director, Ports
Mr D. Barker, Harbourmaster, Harbour
Mr D. Wright, Commercial Manager, Ports
Mr C. McGinn, Senior Finance Manager, Ports
Mr R. Coppolo, Chief Operations Officer, Ports
Mr B. Le Huray, Chief Commercial & Infrastructure Officer, Ports

In these Financial Statements any reference to "President" refers to the President of the STSB and any reference to "Chairman" refers to the Chairman of the PB.

Legal Advisers

Law Officers of the Crown
St James Chambers
St James Street
St Peter Port
GY1 2PA

Independent Auditor

Grant Thornton Limited
PO Box 313
Lefebvre House
Lefebvre Street
St Peter Port
GY1 3TF

States' Trading Supervisory Board Ports

Chairman's Report

Overview

2021 was another challenging trading year, with passenger numbers at both the Harbour and the Airport continuing to be impacted following the COVID-19 pandemic. Thankfully these impacts were less significant than in 2020, with some recovery in passenger activity being experienced in the latter part of the year.

In light of the collapse in income due to COVID-19, every effort has been made by the team at Ports to contain and limit cost exposures over the year. This cost reduction has been balanced against the need to still maintain viable port facilities to provide continuity for limited lifeline access to and from the island for cargo, medical flights and some passenger activity. We have also been conscious of the need to maintain an ability to respond to a recovery back to normal levels of port activity, in the medium term.

Business performance

The impact of continued suppressed demand for travel in 2021 is reflected in the results contained within these accounts. Income at both ports remained lower than the 2021 budget, although income at the Harbour was much closer to budget given a faster recovery in sea travel than by air. Whilst passenger traffic across all ports increased in 2021 by 59% compared to 2020, it remained at just 28% of 2019 (pre-COVID-19) levels.

Our community

As the operator of the main gateways to the island, Ports is aware of the need to balance financial performance with the greater needs of the island. To this end, Ports is constantly striving to minimise the impact of passenger charges on the general public and propensity to travel. Alongside this, support for the community continues with a range of public realm maintenance liabilities, particularly around the Harbour.

States' Trading Supervisory Board Ports

Chairman's Report - continued

Our team

The last year has continued to challenge all of Ports' teams and the PB is encouraged by how they have continued to adapt to ensure core services can be maintained to keep the economy functioning. Recruitment to certain vacant posts has proved challenging, particularly in areas where Ports is competing for staff with sectors of the local economy which have flourished, such as the building industry. Existing staff have had to respond to continued staff shortages in some areas of the business and their resilience and determination has been important in maintaining our core functions. In addition, staff have been working closely with the COVID-19 response team to manage aspects of the island's response, including management of port-related essential worker permits, supporting the operation of testing facilities at the Airport and Harbour and more general input on changes to the lockdown strategy. The extensive and diligent testing regime applied to our own operational staff to ensure business continuity has also ensured the ports continued to provide lifeline essential services throughout 2021 without interruption.

I would like to thank the dedicated staff and employees for continuing to meet the additional challenges in another exceptional year and to their ongoing commitment.

Our business strategy and future

The PB updated and published its Business Plan in early 2021 to reflect an amended set of strategic objectives which took into account the immediate challenges created by COVID-19 in 2020. Work on the Future Harbour Requirements Project resulted in a comprehensive policy letter, debated by the States of Deliberation in June 2021, which sought to provide strategic direction for future harbour provision. Whilst those proposals were rejected, opportunities to provide additional marina facilities are being pursued and Ports' project team is now fully engaged in assessing and delivering proposals for future marina provision to the States. The Ports' team will also be providing input into the formation of a Development Agency for the Eastern Seaboard and anticipates this agency will be key to establishing the future strategy for the Harbours. Work on forming a Guernsey Airport Masterplan was approved in 2021 and technical advice on a potential runway extension at Guernsey Airport continues to be provided.

There can be no doubt that 2021 was a difficult trading year, but Ports is committed to playing its part in facilitating a recovery and establishing a more sustainable financial model that will serve these islands well for many years to come.

States' Trading Supervisory Board

Ports

Managing Director's Report

The STSB presents its annual report and the audited financial statements for the year ended 31 December 2021. These comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 26.

Principal activities

The Airport provides for safe and expeditious movement of commercial and private aircraft, passengers and cargo to and from the Island on the most cost-effective basis.

The Airport also looks to ensure that policies, facilities and services are commensurate with the requirements of the island in respect of air transport services, general aviation and meeting appropriate Aviation Regulatory Standards.

The Harbours provide essential services including sea passenger and freight facilities for the commercial operators. Additional facilities include the provision of berthing and/or marina facilities for local and visiting boat-owners, together with berthing and handling facilities for the commercial sea transport requirements of the island.

The finances of the Harbours of St Peter Port and St Sampson and the Airport have been presented in an amalgamated format since 1962, following a States of Guernsey Resolution in the Billet D'État XVI, 1961, on the basis that the ports exist for the common purpose of facilitating the entry and exit from Guernsey of goods and passengers and that the States of Guernsey, as owners of the ports, are responsible for the expenditure needed to provide such facilities. Uneconomic expenditure may be forced upon them from time to time by the vagaries of the demand for facilities as between one port and another.

Under this group arrangement the trading position of the Guernsey Airport and Guernsey Harbours is separately identified, but the assets and liabilities are consolidated in recognition of the States of Guernsey's strategic asset in the form of the combined Ports.

Financial performance

The continued financial impact of COVID-19 on Ports' finances is evident from these accounts. Ports made a deficit of £10.1m in 2021 (2020: deficit £10.7m). Although income in 2021 did increase by £2m (+17%) when compared to 2020, it remained at only 60% of the pre-COVID-19 income levels. The continued suppression of revenue is primarily due to the impact of COVID-19 restrictions on passengers' appetite to travel by sea or air. Passenger movements through Guernsey Airport whilst 36% higher than in 2020, were still at only 29% of the pre-COVID-19 levels. Guernsey Harbours saw its passenger movements increase by 284% when compared to 2020, but were still at only 24% of the pre-COVID-19 2019 levels.

States' Trading Supervisory Board

Ports

Managing Director's Report - continued

Income at both ports were below budget. Airport's income was 38% below budget and Harbours' result was 4% below budget.

Expenses across Ports totalled £21.0m, increasing by £1.1m compared to 2020. Airport expenses increased by £0.3m which compared to increased expenses at the Harbour amounting to £0.8m. Investigative works throughout the Harbour infrastructure continued into 2021. These essential works led to important concrete survey outputs which enabled programmes of work to progress, including the Pool Marina Project. Other expenses contributing to the increase included essential repair works on the QEII Marina wall with other operational expenses also increasing in 2021 including costs relating to the Coastguard and other public realm costs.

Additional expenses incurred at the Airport were mainly related to maintenance works. Essential radar repair works were undertaken and other essential works were commissioned in the terminal building. Other expense increases were incurred in airport security, infrastructure and navigation works. The Guernsey Airport Master Plan (GAMP) was also commissioned in 2021. Continued pressures on revenue streams have resulted in significant additional challenges on cash and funding. Cash & cash equivalents brought forward from 2020 amounted to a deficit of £5.0m. The closing balance as at 31 December 2021 amounts to a relatively small £5K cash surplus following funding provided from General Revenue to write off Ports' overdraft of £5m as at 31 December 2020 and a further £8.9m in 2021. An overdraft facility has been extended through 2022 whilst recovery plans continue to be established and delivered.

	Actual 2021 £'000	Budget 2021 £'000	Actual 2020 £'000
Airport revenue	5,477	8,803	4,200
Harbour revenue	8,233	8,546	7,468
Total revenue	13,710	17,349	11,668
Airport deficit for the financial year	(9,716)	(5,948)	(10,072)
Harbour deficit for the financial year	(185)	(1,241)	(336)
Net investment loss and interest expense	(176)	(210)	(279)
Total deficit for the financial year	(10,077)	(7,399)	(10,687)
Airport capital expenditure	4,379	6,307	714
Harbour capital expenditure	858	2,358	260
Total capital expenditure	5,237	8,665	974

States' Trading Supervisory Board Ports

Managing Director's Report - continued

Operational performance

	2021	2020	Change %
Passenger movements			
Airport	252,567	185,707	36%
Harbour	73,195	19,058	284%
Total	325,762	204,765	59%
Airport			
Full emergencies declared	-	1	(100%)
Aircraft accidents	-	-	-
Full time equivalent employees			
Airport	123	122	1%
Harbour	79	79	-

Our customers

Ports' client base comprises commercial airlines and shipping companies, along with freight companies, private plane owners, vessel owners and cruise ship companies. The team is aware that this client base passes on its costs to their ultimate customers who are largely residents of the Bailiwick.

Statement of responsibilities for the preparation of financial statements

The STSB is required to prepare financial statements for each financial year, and for selecting suitable accounting policies for Ports. In preparing those financial statements, the STSB is required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on a going concern basis, unless it is inappropriate to do so, and
- state whether applicable accounting standards have been followed.

The STSB is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time Ports' financial position. The STSB is also responsible for identifying and installing internal controls, including financial controls, which are adequate

States' Trading Supervisory Board

Ports

Managing Director's Report - continued

for its own purposes and to safeguard the assets of Ports and the States of Guernsey in its care, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of financial controls

The STSB, is responsible for the economic, efficient and effective operations and management of Ports and has a duty to ensure that they fulfil their obligations.

Ports' internal financial controls and monitoring procedures include:

- Annually reported and approved budgets monitored against monthly management accounts with additional operational detail reported in monthly management reports, which monitor actual income and expenditure against that anticipated. All such detail is regularly reviewed at meetings of the STSB and PB, to ensure that all board members are informed of Ports' financial affairs,
- Customer invoices are subjected to a range of pre-determined computerised integrity checks prior to dispatch in order to ensure accuracy,
- Regular review of debtors to ensure that any delinquent debtors are identified at an early stage and dealt with appropriately,
- The control of materials and stores purchases are managed using a computerised job-costing programme with specific authorisation limits for purchases and segregated areas of responsibility for processing of payments, all of which maintain detailed audit trails,
- Manpower expenditure is monitored and controlled at source via time sheets, which are authorised and reconciled with the wage bill,
- Capital expenditure authorisation is subject to strict valuation guidelines and purchase procedures,
- Regular review of charges, and
- Consideration of all audit reports by the STSB.

The STSB strives to ensure that all staff with financial responsibility in Ports have appropriate integrity, skills and motivation to professionally discharge their duties.

Ports' internal controls and accounting policies have been and are subject to continuous review and improvement. In addition the financial statements are subject to an independent external audit by an auditor, appointed by the States of Guernsey.

States' Trading Supervisory Board Ports

Managing Director's Report - continued

Going concern

The financial statements have been prepared on the going concern basis of accounting. The STSB and its Principal Officers have reviewed the cash flows and projected income and expenses over the next 12 months (including the assessment of the impact of COVID-19), prepared by management, and deem that Ports, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that Ports is a going concern for at least 12 months from approval of the financial statements.

Auditors

Grant Thornton Limited have expressed their willingness to continue in office as auditor.

States' Trading Supervisory Board

Ports

Corporate Governance

The purpose of the PB is to support the delivery of the STSB's mandate, ensuring the efficient and effective management, operation and maintenance of Ports.

The PB is accountable to the STSB and operates by challenging established practices and assumptions and seeking to support the business in establishing clear strategic direction, business planning and operational delivery in support of the outcomes of the Government Work Plan, the Public Service Reform Agenda, Service Guernsey and other strategic reviews and organisational drivers.

The PB membership is a minimum of a Chairman who is not a States Member, a political member of the STSB, a Senior Executive of an Incorporated Company or one or more Senior Officers of the States of Guernsey, the Ports Managing Director and the Financial Manager.

All members other than the Ports Managing Director and the Financial Manager are appointed by the STSB.

As a sub-committee of the States of Guernsey, the quorum will be two members of the STSB.

The PB does not hold a fiduciary responsibility.

The PB will take into account the States of Guernsey's political direction with regard to the operation of Ports, as directed from time to time by the STSB. It must ensure that Ports' operations and operational policies align with the wider strategy and policy framework of the States of Guernsey and/or the STSB. The PB may generate policy for endorsement by the STSB and onward to the States of Guernsey as required.

The STSB specifically confers the following responsibilities and delegated authority to the PB to:

- Approve capital and revenue annual budgets in line with the long-term budgets approved by the STSB,
- Approve annual business plans in line with long-term strategy and planning approved by or directed by the STSB,
- Approve and issue annual reports, and
- Guide and steer Ports.

In carrying out these responsibilities the PB is bound and enabled by States of Guernsey rules for financial and resource management and the rules, directives policies and procedures of the States of Guernsey, such as, but not limited to: Finance; Procurement; Property; Human Resources; Data Protection; Health and Safety Management; Risk and Issue Management; Managing Matters of Litigation; and Relevant legislation. The PB has the authority delegated by the STSB to direct the Ports Managing Director in the day-to-day operation of Ports in line with approved budget and business plans.

The PB acts as a political sub-committee of the STSB.

States' Trading Supervisory Board Ports

Corporate Governance - continued

The STSB can disband the PB at any time without notice or recourse to any other body.

In the event due process has not been followed, the PB must render itself unable to make a decision until such time process has been followed.

States' Trading Supervisory Board

Ports

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board – Ports

Opinion

We have audited the financial statements of The States of Guernsey – States' Trading Supervisory Board ("STSB") – Ports for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102).

In our opinion, the financial statements:

- give a true and fair view of the state of Ports' affairs as at 31 December 2021 and of its deficit for the year then ended; and
- are in accordance with FRS 102.

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 Ports in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter — Basis of Accounting and Restriction on Distribution and Use

We draw attention to note 2 to the financial statements, which describes the basis of accounting. Specifically, no full impairment review has been undertaken on Ports' Fixed Assets. This is not in compliance with FRS 102, which would require a full impairment review in light of the accounting losses. The financial statements are prepared to assist Ports to comply with its financial reporting requirements. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for Ports and should not be distributed to or used by parties other than Ports. Our opinion is not modified in respect of this matter.

States' Trading Supervisory Board Ports

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board – Ports - continued

Other information

The STSB are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

Responsibilities of the STSB for the financial statements

As explained more fully in the statement of responsibilities for the preparation of financial statements set out on page 9, the STSB are responsible for the preparation of the financial statements which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, and for such internal control as the STSB 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 STSB are responsible for assessing Ports' 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 STSB either intend to liquidate Ports or to cease operations, or have no realistic alternative but to do so.

States' Trading Supervisory Board

Ports

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board – Ports - continued

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 Ports' 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 Ports' 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 Ports 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 those charged with governance 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.

States' Trading Supervisory Board Ports

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board – Ports - continued

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

Use of our report

This report is made solely to the members of the STSB. Our audit work has been undertaken so that we might state to the members of the STSB 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 Ports and the members of the STSB, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey

16 May 2022

States' Trading Supervisory Board Ports

Statement of Comprehensive Income

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue	2 & 4		
Airport fees, charges and other income		5,477	4,200
Harbour dues, charges and other income		8,233	7,468
		13,710	11,668
Expenses	2 & 5		
Airport expenses		(13,726)	(13,356)
Harbours expenses		(7,294)	(6,530)
		(21,020)	(19,886)
Operating deficit before depreciation and amortisation and loss on disposal of fixed assets		(7,310)	(8,218)
Depreciation and amortisation	9	(5,500)	(5,535)
Impairment of assets	11	(414)	-
Revaluation of investment property	10 & 17	1	23
Operating deficit for the year		(13,223)	(13,730)
Amortisation of asset specific contributions	2 & 18	3,322	3,322
Interest payable	7	(176)	(279)
Deficit for the financial year		(10,077)	(10,687)

All material activities derive from continuing operations.

There are no recognised gains or losses or other movements in reserves for the current or preceding financial years, other than as stated in the Statement of Comprehensive Income.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Statement of Financial Position

as at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Tangible fixed assets – Airport	9	82,052	84,990
Tangible fixed assets – Harbours	9	132,794	134,264
Investment property	10	460	398
Assets under construction	11	5,079	1,348
		<u>220,385</u>	<u>221,000</u>
Current assets			
Inventories	12	406	375
Debtors and prepayments	13	4,324	4,080
Balances with States Treasury		5	-
		<u>4,735</u>	<u>4,455</u>
Creditors: amounts falling due within one year			
Balances with States Treasury		-	(5,001)
Other creditors	14	(3,150)	(2,523)
		<u>(3,150)</u>	<u>(7,524)</u>
Net current assets/(liabilities)		<u>1,585</u>	<u>(3,069)</u>
Creditors: amounts falling due after more than one year			
	15	<u>(2,167)</u>	<u>(2,257)</u>
Total net assets		<u>219,803</u>	<u>215,674</u>
Reserves		<u>219,803</u>	<u>215,674</u>

Signed on behalf of the States of Guernsey - States' Trading Supervisory Board

Deputy P. Roffey

16 May 2022

President

Signed on behalf of the States Trading Group

Mr S. Elliott

16 May 2022

Managing Director

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Statement of Changes in Equity

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Balance at 1 January		215,674	229,509
Deficit for the financial year		(10,077)	(10,687)
Write off of revaluation reserve	17	61	-
Amortisation of asset specific contributions	18	(3,322)	(3,322)
Capital funding from General Revenue	18	3,555	174
Cash funding from General Revenue		13,912	-
Balance at 31 December	17	<u>219,803</u>	<u>215,674</u>

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Statement of Cash Flows

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Net cash flows from operating activities	19	<u>(6,958)</u>	<u>(10,382)</u>
Cash flows from investing activities			
Purchase of fixed assets	11	<u>(5,237)</u>	<u>(974)</u>
Net cash flows used in investing activities		<u>(5,237)</u>	<u>(974)</u>
Cash flows from financing activities			
Capital funding from General Revenue	18	3,555	174
Cash funding from General Revenue		13,912	-
Capital repaid	16	(90)	(90)
Interest paid		<u>(176)</u>	<u>(279)</u>
Net cash flows from financing activities		<u>17,201</u>	<u>(195)</u>
Net increase/(decrease) in cash and cash equivalents		5,006	(11,551)
Cash and cash equivalents at the beginning of the year		<u>(5,001)</u>	<u>6,550</u>
Cash and cash equivalents at the end of the year		<u>5</u>	<u>(5,001)</u>
Reconciliation to cash at bank and in hand:			
Balances with States Treasury		<u>-</u>	<u>(5,001)</u>
Cash and cash equivalents		<u>5</u>	<u>(5,001)</u>

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Ports

Notes to the Financial Statements

1. General information

Ports is an unincorporated business, the management, operation and maintenance of which is the responsibility of the States of Guernsey - STSB. The nature of Ports' operations and principal activities are set out in the Managing Director's report.

Ports' principal places of business are Guernsey Airport, La Villiaze, Forest, Guernsey, GY8 0DS and Guernsey Harbour, St Julians Emplacement, St Peter Port, Guernsey, GY1 3DL.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

The financial statements are prepared in accordance with the stated accounting policies and under the historical cost convention as modified to include certain items at fair value and broadly following the principles of the Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council. The two exceptions below render the accounts non-compliant with FRS102.

i) Fixed asset impairment

In respect of Ports' Fixed Assets the impairment review undertaken has not included a full impairment review of the Fixed Assets as the primary objective is to facilitate travel to and from the island and not generate an economic return. This is not in compliance with FRS 102 which would have a full impairment review in the light of negative operating cash flows.

ii) Amortisation of asset specific contributions

Asset specific contributions are initially recognised in the capital contributions reserve and released to the revenue account over the anticipated useful life of the asset concerned, on a basis consistent with the depreciation of the underlying asset.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Functional and presentational currency

The financial statements are presented in Pounds Sterling, which is the functional and presentational currency of Ports and have been rounded to the nearest thousand.

Going concern

The financial statements have been prepared on the going concern basis of accounting. The STSB and its Principal Officers have reviewed the cash flows and projected income and expenses over the next twelve months (including the assessment of the impact of COVID-19), prepared by management, and deem that Ports, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that Ports is a going concern for at least twelve months from the approval of the financial statements.

Tangible fixed assets

i) Investment properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the Statement of Comprehensive Income.

ii) Property, plant and equipment

Property, plant and equipment is stated at cost or valuation, net of depreciation and any provision for impairment. Property, plant and equipment is depreciated over their expected useful life except assets in the course of construction.

iii) Assets under construction

Assets under construction are capitalised and are transferred to tangible fixed assets and depreciated once brought into use. All costs associated with capital projects, including professional fees are capitalised.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Depreciation

Depreciation is calculated at the following annual rates so as to write off the cost of tangible fixed assets over their anticipated expected useful lives using the straight-line method. Depreciation commences from the beginning of the month of acquisition of an asset or, in the case of constructed assets, the asset being brought into a condition to be used as intended.

	Estimated life in years	Depreciation % per annum
Land	-	-
Infrastructure	15 - 60	1.7% - 6.7%
Buildings	25 - 60	1.7% - 4.0%
Plant and Equipment	5 - 25	4.0% - 20.0%
Vehicles and Vessels	5 - 25	4.0% - 20.0%
Computers and ICT	3	33.3%

Impairment of assets (excluding inventories)

Assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income. An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. The exception being as noted under the Accounting Convention.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Costs include an appropriate proportion of processing expenses and are calculated at average value method. Provisions are made for obsolete and slow-moving items where appropriate.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Basic financial instruments

i) Trade debtors

Trade debtors are recognised initially at original invoiced amount. Subsequent to initial recognition they are measured at amortised cost, less any impairment losses. Trade debtors are stated less a specific provision against debtor balances that are identified as irrecoverable.

ii) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and balances held by States Treasury on behalf of Ports. Whilst Ports operates a treasury account, the entity will make payments and receive money via bank accounts held centrally by the States of Guernsey. The net cash balance held with the States Treasury at the year-end is treated as cash and cash equivalents in Ports' Statement of Financial Position. This net cash balance may change on a daily basis, with surplus cash balances generating financial returns, and balances in deficit being charged interest. Any net cash balance held with the States Treasury could be reduced over a very short period of time without detriment, and therefore is considered to be a highly liquid investment, readily convertible to known amounts of cash and subject to an insignificant risk of any change in notional value.

iii) Trade creditors

Trade creditors are recognised initially at original invoiced amount plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost.

iv) Loans from the States of Guernsey

Loans from the States of Guernsey are initially recognised at cost. These loans are subsequently measured at amortised cost.

v) Derecognition of basic financial instruments

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Business Unit transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Business Unit, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Financial liabilities are derecognised only when the obligation specified in a contract is discharged, cancelled or expires.

Revenue and expenses

Revenue and expenses are accounted for on an accruals basis. Revenue comprises amounts in respect of Harbour and Airport dues, fees and charges arising from commercial operations in the year.

Pension costs

Pension costs are treated as described in note 22.

Amortisation of asset specific contributions

Asset specific contributions are initially recognised in the capital contributions reserve and released to the revenue account over the anticipated useful life of the asset concerned on a basis consistent with the depreciation of the underlying asset.

Investment return and interest receivable/payable

Investment return on balances held with the States Treasury and interest receivable/payable is accounted for on an accruals basis.

Leases

i) As lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

ii) As lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of Ports' accounting policies, which are described in note 2, the STSB are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the STSB have made in the process of applying Ports' accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i) Valuation of investment property

As stated in the accounting policies above, Ports' investment properties are stated at fair value as accounted for by management based on an independent external appraisal. The estimated fair value may differ from the price at which the properties could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also certain estimates require an assessment of factors not within management's control such as overall market conditions. As a result, actual realisable proceeds could differ from the valuations in these financial statements, and the difference could be significant.

ii) Depreciation rates

Ports' infrastructure assets have no definite life of the assets, so management makes an assumption based on previous experience of the usage of the assets. The rate used for each type of asset that makes up the infrastructure assets has been disclosed in note 2.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Ports

Notes to the Financial Statements – continued

4. Revenue

All revenue is derived from activities within the Bailiwick of Guernsey.

An analysis of Ports' revenue by class of business is set out below:

	2021	2020
	£'000	£'000
Airport	5,477	4,200
Harbours	8,233	7,468
Ports revenue	13,710	11,668
Airport		
Advertising & Sundries	323	184
Airport development charge	209	157
Car parking fees	306	311
Rents	1,126	911
Traffic receipts	3,326	2,445
Recovery from Alderney	187	192
Airport revenue	5,477	4,200
Harbour		
Commercial port operations	4,780	3,789
Property	980	1,002
Leisure	2,432	2,131
Non-commercial port	5	85
Ships registry	36	26
Grant Aid – States of Guernsey	-	435
Harbour revenue	8,233	7,468

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

5. Expenses

	2021	2020
	£'000	£'000
Airport		
Aerodrome fire service	2,193	2,427
Airport infrastructure	2,306	2,553
Airport security	2,636	2,459
Navigational services	4,265	4,136
Administration	2,326	1,781
	<u>13,726</u>	<u>13,356</u>
Harbour		
Commercial ports operations	2,809	2,288
Property	999	850
Leisure	1,880	1,671
Non-commercial ports operations	1,541	1,652
Ships registry	65	69
	<u>7,294</u>	<u>6,530</u>

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

6. Staff numbers and costs

The average monthly number of full time employees (including senior management) was:

	2021	2020
Airport		
Operational	109	108
Administration and support	14	14
	<u>123</u>	<u>122</u>
 Harbour		
Operational	67	67
Administration and support	12	12
	<u>79</u>	<u>79</u>

Their aggregate remuneration comprised:

	Note	2021	2020
		£'000	£'000
Wages and salaries		10,142	9,797
Social security costs		665	642
Pension costs	22	1,304	1,261
		<u>12,111</u>	<u>11,700</u>

Pension costs include only those items within operating and management expenses.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

7. Interest

	2021	2020
	£'000	£'000
Interest payable		
Interest payable on overdraft with States Treasury	(92)	(190)
Interest payable on loans	(84)	(89)
	<u>(176)</u>	<u>(279)</u>

8. Deficit for the financial year

Deficit for the financial year is stated after charging:

	Note	2021	2020
		£'000	£'000
Auditor's remuneration		28	26
Depreciation of tangible fixed assets	9	5,500	5,535
Impairment of tangible fixed assets	11	414	-
		<u>5,942</u>	<u>5,561</u>

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

9. Tangible fixed assets

	1 January			31
Airport	2021	Additions	Disposals	December
	£'000	£'000	£'000	2021
Cost				£'000
Land	2,687	-	-	2,687
Infrastructure	64,846	-	-	64,846
Buildings	33,605	-	-	33,605
Plant & equipment	23,211	974	-	24,185
Vehicles & vessels	1,600	82	-	1,682
Information technology	156	-	-	156
	<u>126,105</u>	<u>1,056</u>	<u>-</u>	<u>127,161</u>
Depreciation				
Land	-	-	-	-
Infrastructure	16,210	1,891	-	18,101
Buildings	7,818	580	-	8,398
Plant & equipment	15,713	1,450	-	17,163
Vehicles & vessels	1,218	73	-	1,291
Information technology	156	-	-	156
	<u>41,115</u>	<u>3,994</u>	<u>-</u>	<u>45,109</u>
Net Book Value	<u>84,990</u>			<u>82,052</u>

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

9. Tangible fixed assets– continued

	1 January			31
Harbour	2021	Additions	Disposals	December
	£'000	£'000	£'000	2021
				£'000
Cost				
Land	87,515	-	-	87,515
Infrastructure	9,228	(800)	-	8,428
Buildings	48,824	800	-	49,624
Plant & equipment	9,380	-	-	9,380
Vehicles & Vessels	1,182	36	-	1,218
Information technology	283	-	-	283
	<u>156,412</u>	<u>36</u>	<u>-</u>	<u>156,448</u>
Depreciation				
Land	-	-	-	-
Infrastructure	2,067	414	-	2,481
Buildings	13,817	742	-	14,559
Plant & equipment	5,809	217	-	6,026
Vehicles & Vessels	258	58	-	316
Information technology	197	75	-	272
	<u>22,148</u>	<u>1,506</u>	<u>-</u>	<u>23,654</u>
Net Book Value	<u><u>134,264</u></u>			<u><u>132,794</u></u>

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

10. Investment properties

	1 January 2021 £'000	Additions/ Disposals £'000	Revaluations £'000	31 December 2021 £'000
Airport	398	-	62	460
	<u>398</u>	<u>-</u>	<u>62</u>	<u>460</u>

Investment properties, which are all freehold, were valued to fair value at 31 December 2021, based on a valuation undertaken by an independent valuer with recent experience in the location and class of the investment property being valued. The method of determining fair value was using the Red Book value. There are no restrictions on the realisability of investment property.

As at the 31 December 2021 the investment property was valued at £460k (2020: £398k). The original book value of the investment property was £436k.

As set out in note 4, property rental income earned during the year was £nil (2020: £nil). No contingent rents have been recognised as income in the current or prior year.

At the Statement of Financial Position date, Ports was not contracted with tenants for any future minimum lease payments on investment properties (2020: £nil).

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

11. Assets under construction

	1 January 2021 £'000	Additions £'000	Impairment £'000	Transfers to Tangible Fixed Assets £'000	31 December 2021 £'000
Airport	968	4,379	(414)	(1,056)	3,877
Harbour	380	858	-	(36)	1,202
2021 Total	<u>1,348</u>	<u>5,237</u>	<u>(414)</u>	<u>(1,092)</u>	<u>5,079</u>
2020 Total	1,058	974	-	(684)	1,348

Assets under construction completed in 2021 and transferred to fixed assets includes the Harbour Rib Boat and replacement vehicles and equipment. Other transfers to fixed assets include capital expenditure related to maintaining the Airport Radar. Impairment is as a result of a difference between net book value and market value of X-Ray equipment.

Assets under construction as at 31 December 2021 mainly relate to the Harbour IT project and replacement fire appliances at the Airport.

12. Inventories

	2021 £'000	2020 £'000
Airport	65	65
Harbours	341	310
	<u>406</u>	<u>375</u>

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

13. Debtors and prepayments

	2021	2020
	£'000	£'000
Trade debtors - Airport	902	903
Trade debtors - Harbour	3,400	3,134
Prepayments - Airport	10	17
Prepayments - Harbour	12	26
	<u>4,324</u>	<u>4,080</u>

14. Other creditors: amounts falling due within one year

	Note	2021	2020
		£'000	£'000
Trade creditors - Airport		608	119
Trade creditors - Harbour		479	78
Accruals - Airport		1,092	908
Accruals - Harbour		635	970
Deferred income - Airport		75	72
Deferred income - Harbour		170	285
Harbour operational license and security deposits		1	1
Loan from States of Guernsey	16	90	90
		<u>3,150</u>	<u>2,523</u>

15. Creditors: amounts falling due after more than one year

	Note	2021	2020
		£'000	£'000
Loan from States of Guernsey	16	2,167	2,257
		<u>2,167</u>	<u>2,257</u>

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

16. Loan from the States of Guernsey

	2021	2020
	£'000	£'000
Balance at 1 January	2,347	2,436
Capital repaid	(90)	(89)
Balance at 31 December	2,257	2,347

The loan from the States of Guernsey is repayable on a quarterly basis over a period of 20 years at an annual interest rate charged at 3.625%.

	2021	2020
	£'000	£'000
Within one year	90	90
Between one and two years	96	96
Between two and five years	303	303
More than five years	1,768	1,858
	2,257	2,347

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

17. Reserves

	2021	2020
	£'000	£'000
Balance at 1 January	215,674	229,509
Deficit for financial year	(10,077)	(10,687)
Write back of revaluation reserve	61	-
Amortisation of asset specific contributions	(3,322)	(3,322)
Capital funding from General Revenue Reserve	3,555	174
Cash funding from General Revenue Reserve	13,912	-
	<hr/>	<hr/>
Balance at 31 December	219,803	<u>215,674</u>

Included within Reserves are amounts contributed by the States of Guernsey specifically for the Guernsey Airport Pavements Rehabilitation and the Airport Hold Baggage System projects. As the contributions are specifically related to assets acquired or constructed under those projects, the contributions reserve has been released back to the Statement of Comprehensive Income to match the depreciation expense on those specific assets. Amounts are released to the Statement of Comprehensive Income in line with the expected useful lives of the underlying assets for which contribution is provided for on a basis which is consistent with the depreciation policy for that asset.

All reserves are distributable

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

18. Asset specific contributions

	2021	2020
	£'000	£'000
As at 1 January	57,580	60,728
Capital funding from the General Revenue	<u>3,555</u>	<u>174</u>
	61,135	60,902
Released to Statement of Comprehensive Income during the year	<u>(3,322)</u>	<u>(3,322)</u>
Net book value of projects funded by the States of Guernsey not yet released to the Statement of Comprehensive Income	<u>57,813</u>	<u>57,580</u>

19. Reconciliation of operating deficit to net cash flows from operating activities

	2021	2020
	£'000	£'000
Operating deficit for the year	(13,223)	(13,731)
Depreciation charges	5,500	5,535
Impairment of assets	414	-
Revaluation of investment property	(1)	(23)
(Increase)/decrease in inventories	(31)	16
Increase in debtors	(244)	(2,000)
Increase/(decrease) in creditors due within one year	<u>627</u>	<u>(179)</u>
Net cash flows from operating activities	<u>(6,958)</u>	<u>(10,382)</u>

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

20. Financial commitments and contingent liabilities

Ports has no financial commitments as at 31 December 2021 (2020: £nil) which are not provided for in the financial statements.

Ports has no contingent liabilities as at 31 December 2021 (2020: £nil).

21. Financial instruments

Port's financial instruments may be analysed as follows:

	Note	2021 £'000	2020 £'000
Financial Assets at amortised cost			
Cash and cash equivalents		5	(5,001)
Debtors	13	4,302	4,037
Financial liabilities at amortised cost			
Creditors: amounts falling due within one year	14	(1,178)	(288)
Creditors: amounts falling due after more than one year	15	(2,157)	(2,257)

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

22. Employee benefits

The employees of Ports are members of the States of Guernsey Public Servants' Pension Scheme. These arrangements provide defined benefits on a career average revalued earnings (CARE) basis up to a salary cap (£94,081 as at 31 December 2021) for members joining from 1 May 2015 and, on a different CARE basis, for the service from 1 March 2016 of members who joined before 1 May 2015. There is a defined contribution section for earnings in excess of this salary cap. The arrangements for service before 1 March 2016 for members who joined before 1 May 2015 and for the future service of those closer to pension age remains final salary. The scheme is funded by contributions from both employer and employee. The employer rates for the defined benefits are determined on the basis of independent actuarial advice, and calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives.

Although the scheme is a multi-employer plan, it is not possible to identify Ports' share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. There is neither an agreement nor a policy in place to allocate any of the deficit of the pension scheme across the participating entities. The States of Guernsey is liable for any obligations that arise from the States of Guernsey Superannuation Fund in respect of employees of the States of Guernsey. All employees of Ports are considered to be ultimately employees of the States of Guernsey.

Consequently, Ports has accounted for the plan as if it were a defined contribution plan, whereby it has expensed employer contributions through the Statement of Comprehensive Income. The employees also contribute to the States of Guernsey Superannuation Fund. The contribution rates are determined by a qualified actuary on the basis of periodic valuations.

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £1,304k (2020: £1,261k).

Further details relating to the funding of the Superannuation Scheme are included within the States of Guernsey Accounts 2021.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

23. Statement of control

Ports is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of Ports has been delegated to the members of the STSB appointed by the States of Guernsey.

24. Related party transactions

The STSB is of the opinion that there have been no related party transactions in the current or preceding financial years other than as described in these financial statements. All transactions are conducted as normal business arrangements carried out at "arm's length".

The total remuneration for key management personnel in 2021 (including salaries and other benefits) was £606k (2020: £529k).

Related party transactions between Ports and other entities controlled by the States of Guernsey have not been disclosed in accordance with the exemptions available within FRS102 Section 33 "Related Party Disclosures".

STSB member Mr S. Falla CBE has declared certain related party transactions under FRS 102 section 33. The aggregate of all of these transactions is not of a material nature to either party and all were conducted at arms-length in the normal course of business. Where any conflict of interest may exist, Mr Falla, as under normal rules would excuse himself from any STSB or other meetings, and has not participated in any discussions or voting regarding awarding any contracts leading to these transactions.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

25. Subsequent events

Management knows of no events subsequent to the end of the reporting period that would materially affect the financial statements.

26. Off balance-sheet arrangements

There are no commitments or contingent liabilities other than detailed in note 20 relating to 2021 which would affect these financial statements (2020: None).

Notes 1 to 26 form an integral part of these financial statements.

States of Guernsey

States' Trading Supervisory Board

Ports

Supplemental Information

The additional information has been prepared for the accounting records of the States' Trading Supervisory Board. While it does not form part of the financial statements, it should be read in conjunction with them.

States' Trading Supervisory Board Ports

Guernsey Airport

2021 Original Budget £'000	2021 Probable Outturn £'000	Net expenditure by category	2021 Actual £'000	2020 Actual £'000
8,803	4,219	Income		
		Operating income	5,477	4,200
(8,219)	(7,781)	Expenditure		
		Pay costs	(7,980)	(7,938)
		Non-Pay costs		
(189)	(158)	Staff Non-Pay costs	(154)	(116)
(1,326)	(1,286)	Support services	(1,461)	(1,301)
(1,511)	(1,501)	Premises	(1,292)	(1,245)
(119)	(142)	Transport	(105)	(220)
(2,264)	(2,672)	Supplies & services	(2,734)	(2,536)
(5,409)	(5,759)		(5,746)	(5,418)
(4,825)	(9,321)	Operating deficit for the financial year	(8,249)	(9,156)
		Depreciation and impairment (net of amortisation of asset specific contributions) and revaluation of Investment Property	(1,467)	(916)
(1,123)	(996)			
(5,948)	(10,317)	Operating deficit	(9,716)	(10,072)

States' Trading Supervisory Board

Ports

Guernsey Airport

2021 Original Budget £'000	2021 Probable Outturn £'000	Net expenditure by service area	2021 Actual £'000	2020 Actual £'000
		Income		
333	68	<i>Advertising, picketing etc</i>	323	184
482	159	<i>Airport development charge</i>	209	157
555	166	<i>Car parking fees</i>	306	311
1,650	1,204	<i>Rents</i>	1,126	911
5,646	2,435	<i>Traffic receipts</i>	3,326	2,445
137	187	<i>Recovery from Alderney Airport</i>	187	192
8,803	4,219		5,477	4,200
		Expenditure		
(1,680)	(1,643)	<i>Administration</i>	(2,193)	(1,781)
(2,313)	(2,109)	<i>Aerodrome fire service</i>	(2,306)	(2,427)
(3,078)	(2,908)	<i>Airport infrastructure</i>	(2,636)	(2,553)
(2,241)	(2,624)	<i>Airport security</i>	(2,326)	(2,459)
(4,316)	(4,256)	<i>Navigational services</i>	(4,265)	(4,136)
(13,628)	(13,540)		(13,726)	(13,356)
(4,825)	(9,321)	Operating deficit for the financial year	(8,249)	(9,156)
		Depreciation and impairment (net of amortisation of asset specific contributions) and revaluation of Investment Property		
(1,123)	(996)		(1,467)	(916)
(5,948)	(10,317)	Operating deficit	(9,716)	(10,072)

States' Trading Supervisory Board

Ports

Guernsey Airport

2021 Original Budget £'000	2021 Probable Outturn £'000		2021 Actual £'000	2020 Actual £'000
		Capital expenditure		
(50)	(271)	Miscellaneous capital works	(279)	(211)
(390)	(304)	IT projects and equipment	-	-
(1,181)	(1,341)	Equipment, machinery and vehicles	(458)	(503)
(1,621)	(1,916)	Routine capital expenditure	(737)	(714)
-	-	Airports pavements project	-	(10)
(4,686)	(1,542)	Hold baggage system	(3,642)	(162)
4,686	1,542	Capital funding from General Revenue	3,555	172
(1,621)	(1,916)	Net capital expenditure	(824)	(714)

States' Trading Supervisory Board Ports

Guernsey Harbours

2021 Original Budget £'000	2021 Probable Outturn £'000	Net expenditure by category	2021 Actual £'000	2020 Actual £'000
8,546	7,174	Income		
		Operating income	8,233	7,468
(4,331)	(4,039)	Expenditure		
		Pay costs	(4,131)	(3,762)
		Non-Pay costs		
(142)	(78)	Staff Non-Pay costs	(32)	(75)
-	(196)	Peripheral activities	(18)	(19)
(1,255)	(1,237)	Support services	(1,413)	(1,554)
(2,168)	(1,607)	Premises	(1,231)	(797)
(106)	(78)	Transport	(46)	(43)
(485)	(502)	Supplies & services	(423)	(280)
(4,156)	(3,698)		(3,163)	(2,768)
59	(563)	Operating surplus/(deficit) for the financial year	939	938
		Depreciation and impairment (net of amortisation of asset specific contributions) and revaluation of Investment Property		
(1,300)	(1,300)		(1,124)	(1,274)
(1,241)	(1,863)	Operating deficit	(185)	(336)

States' Trading Supervisory Board

Ports

Guernsey Harbours

2021 Original Budget £'000	2021 Probable Outturn £'000	Net income/(expenditure) by service area	2021 Actual £'000	2020 Actual £'000
1,468	2,055	<i>Commercial ports</i>	1,967	1,501
(104)	836	<i>operations</i>	(18)	152
299	921	<i>Property</i>	555	460
		<i>Leisure</i>		
(1,577)	(4,338)	<i>Non-commercial ports</i>	(1,536)	(1,567)
(27)	(37)	<i>operations</i>	(29)	(43)
-	-	<i>Ships registry</i>	-	435
		<i>Grant aid</i>		
59	(563)	Operating surplus/(deficit) for the financial year	939	938
		Depreciation and impairment (net of amortisation of asset specific contributions) and revaluation of Investment Property	(1,124)	(1,274)
(1,300)	(1,300)			
(1,241)	(1,863)	Operating deficit	(185)	(336)

States' Trading Supervisory Board

Ports

Guernsey Harbours

2021 Original Budget £'000	2021 Probable Outturn £'000		2021 Actual £'000	2020 Actual £'000
		Capital expenditure		
(825)	(320)	Miscellaneous capital works	(247)	-
-	(219)	IT projects and equipment	(113)	(19)
(1,533)	(584)	Equipment, machinery and vehicles	(498)	(241)
(2,358)	(1,123)	Routine capital expenditure	(858)	(260)
-	-	Crane strategy	-	(2)
-	-	Capital funding from General Revenue	-	2
(2,358)	(1,123)	Net capital expenditure	(858)	(260)

States' Trading Supervisory Board Ports

Ports Holding Account

2021 Original Budget £'000	2021 Probable Outturn £'000		2021 Actual £'000	2020 Actual £'000
		Operating (deficit)/surplus before depreciation		
(4,825)	(9,321)	Guernsey Airport	(8,249)	(9,156)
59	(563)	Guernsey Harbours	939	938
<u>(4,766)</u>	<u>(9,884)</u>		<u>(7,310)</u>	<u>(8,218)</u>
(210)	(50)	Interest expense	(176)	(279)
<u>(4,976)</u>	<u>(9,934)</u>		<u>(7,486)</u>	<u>(8,497)</u>
		Capital expenditure		
(6,307)	(3,458)	Guernsey Airport	(4,379)	(714)
(2,358)	(1,123)	Guernsey Harbours	(858)	(260)
<u>(8,665)</u>	<u>(4,581)</u>	Total capital expenditure	<u>(5,237)</u>	<u>(974)</u>
<u>(13,641)</u>	<u>(14,515)</u>	Deficit for the year	<u>(12,723)</u>	<u>(9,471)</u>
		Balance at 1 January	(3,069)	6,318
(4,262)	(3,069)	Deficit for the year before depreciation	(12,723)	(9,471)
(13,641)	(14,515)	Capital funding from General Revenue	3,555	174
4,686	1,542	Cash funding from General Revenue	13,912	-
-	-	Capital repaid	(90)	(90)
(89)	(93)			
<u>(13,306)</u>	<u>(16,135)</u>	Balance at 31 December	<u>1,585</u>	<u>(3,069)</u>

Notes:

Guernsey Ports has continued to be significantly impacted by the Covid-19 pandemic and anticipates further revenue pressures into 2022.

The Policy & Resources Committee has agreed to make an overdraft facility of £6.3 million available to Ports until the end of 2022.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD

GUERNSEY WATER ACCOUNTS 2021

The States are asked to decide:-

1. Whether they are of the opinion to agree with the States' Trading Supervisory Board's approval of the Guernsey Water Accounts for the year ending 31 December 2021.

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

States of Guernsey
States' Trading Supervisory Board
Guernsey Water

Annual Report and Financial Statements

For the year ended 31 December 2021

States' Trading Supervisory Board Guernsey Water

STATES' TRADING SUPERVISORY BOARD MEMBERS, PRINCIPAL OFFICERS AND PROFESSIONAL ADVISERS 3

CHAIRMAN'S REPORT 5

MANAGING DIRECTOR'S REPORT 9

CORPORATE GOVERNANCE 14

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY - STATES' TRADING SUPERVISORY BOARD - GUERNSEY WATER 16

STATEMENT OF COMPREHENSIVE INCOME 20

STATEMENT OF FINANCIAL POSITION..... 21

STATEMENT OF CHANGES IN EQUITY 22

STATEMENT OF CASH FLOWS 23

NOTES TO THE FINANCIAL STATEMENTS..... 24

States' Trading Supervisory Board Guernsey Water

States' Trading Supervisory Board Members, Principal Officers and Professional Advisers

States' Trading Supervisory Board Members

Deputy P. Roffey	President	
Deputy C. Parkinson		
Deputy N. Moakes		
Mr S. Falla CBE		
Mr J. Hollis		resigned 15 October 2021
Dr S. Thornton		appointed 16 October 2021

The constitution of the States' Trading Supervisory Board ("STSB") provides that the membership of the STSB shall be a President and up to two members who shall be members of the States and two members who shall not be members of the States. If and when the STSB is inquorate and an urgent decision is required, the States' Rules of Procedure allow for the insufficiency of members to be replaced by members of the States chosen, in the first instance, from members of the Policy & Resources Committee.

Principal Officers to the States' Trading Supervisory Board

Mr S. Elliott, Managing Director, States Trading Group
Mr S. Gardiner, Finance Business Partner, States Trading Group
Mr A. Ford, Head of Shareholder Executive, States Trading Group

Guernsey Water Board Members

Dr S. Thornton	Chairman	appointed 16 October 2021
Mr J. Hollis	Chairman	resigned 15 October 2021
Deputy C. Parkinson		
Mr A. Bates	non-voting adviser	
Mr M. Lawther	non-voting adviser	
Mr S. Langlois	non-voting adviser	
Mr A. Morton	non-voting adviser	

States' Trading Supervisory Board Guernsey Water

States' Trading Supervisory Board Members, Principal Officers and Professional Advisers – continued

At its meeting of 4 May 2017, the STSB agreed to establish political sub-committees (company boards) for the trading businesses including Guernsey Water.

The constitution of the Guernsey Water Board ("GWB") was determined by the STSB at its meeting of 4 May 2017.

Further information on the role of the GWB is provided in the section on Corporate Governance.

Principal Officers to the Guernsey Water Board

Mr S. Langlois, Managing Director, Guernsey Water
Mr C. Falla, Capital Delivery Manager, Guernsey Water
Mr J. Holt, Operations Manager, Guernsey Water
Mrs M. McGuinness, Water Quality Risk Manager, Guernsey Water
Mr A. Morton, Senior Finance Manager, Guernsey Water

In these Financial Statements any reference to "President" refers to the President of the STSB and any reference to "Chairman" refers to the Chairman of the GWB.

Legal Advisers

Law Officers of the Crown
St James Chambers
St James Street
St Peter Port
GY1 2PA

Independent Auditor

Grant Thornton Limited
PO Box 313
Lefebvre House
Lefebvre Street
St Peter Port
GY1 3TF

States' Trading Supervisory Board

Guernsey Water

Chairman's Report

Overview

It was a challenging year financially for Guernsey Water, with rising costs matching the revenue increase from a small rise in customers' bills (on average 1.34% for metered and 2.32% for unmetered customers). The result is a third successive annual deficit. During this time our charges have increased by less than inflation as we have sought to keep bills down as much as possible. However, growing cost pressures and a need for ongoing investment in our infrastructure is expected to put increasing pressure on customers' bills.

Our sewage collection service transferred over 170,000 loads between 5,500 cesspit customers' homes and emptying points on our sewerage network last year. Demand on this service reduced from 2020 but was still significantly higher than pre-pandemic levels. Pressure on the service was most acute in January due to the COVID-19 pandemic and double the average monthly rainfall. Despite intense pressure the service proved resilient because of the commitment of the people that deliver it.

Later in the year we made changes to the sewage collection service, by transferring customer contact from States Works to Guernsey Water. This was the first step in a long term programme of improvement in our sewage collection service. Our business plan includes other elements of this programme, such as restarting our investment in sewerage network extension, which is planned for 2023 and will span many decades.

The GWB remains committed to providing a more equitable level of service between customers that are connected to the public sewer and those on cesspits. Planning for replacement of the cesspit emptying management system that States Works operates for Guernsey Water is ongoing, this system will go live in 2022. At the same time Guernsey Water will take full responsibility for cesspit billing.

The COVID-19 pandemic slowed delivery of our capital programme in 2021, when we invested £4,059k in renewing and improving our infrastructure. This was below our planned investment of £5,277k, but left Guernsey Water with £892k cash and cash equivalents at the end of 2021 (2020: £2,319k). This means that borrowing will be required to fund infrastructure renewal in 2022.

Work in 2021 included the ongoing refurbishment of St Saviour water treatment works. This major project is due to complete in 2024, and will reduce water treatment costs, increase resilience and improve drinking water quality.

States' Trading Supervisory Board

Guernsey Water

Chairman's Report - continued

We also completed three new water network extensions last year, which enabled 10 customers to connect to the public water supply for the first time. Some of these customers did not have access to safe clean drinking water due to contamination of their private water supply. These schemes resulted from a change in our charging policy, and more are planned as part of a prioritised programme over the coming years.

Looking forward; to maintain our current standard of service our business plan requires increased investment in some parts of our infrastructure. Customers have also told us that improving wastewater discharges to the environment and extending our sewerage network is important to them. These investments will be partially funded by borrowing to ensure that future customers who benefit also contribute towards paying for them. The remaining funding will come from Guernsey Water's revenue.

Business performance

Water quality is vital for public health, so we have robust sampling programmes in place for monitoring the water quality of streams, drinking water and wastewater discharges from Bellegreve wastewater facility. Safeguarding tap water quality is the top priority for our customers, so I am pleased to report that we achieved 100% compliance with drinking water standards for the first time in 2021 (2020: 99.95%), making it our best year of drinking water quality since we began reporting this in 2011.

We also received our lowest number of water quality complaints since we began recording them 11 years ago. 2020 was our best year of drinking water quality, so to continue improving and reach a new high point again in 2021 is a significant achievement. Improved reservoir management and investment in new disinfection processes have made important contributions, but it is the people that make all this happen that have achieved the success.

Leakage levels remained low in 2021 and were unchanged from 2020. We also achieved our target for minimising the impact of water supply interruptions on customers throughout the year. Total rainfall during 2021 was 7.8% below the average for the period 1981-2010. A dry start to the winter recharge period meant that water resources were slightly below the 10 year average at 88.5% full by the end of the year.

Our community

2021 was another busy year for Guernsey Water in the community. We continued to promote the Refill Guernsey initiative, which included supporting a wide range of island sports events by providing temporary standpipes to enable the public to refill their bottles with tap water. Three permanent refill stations were also provided during the year, this helped reduce plastic waste and provided an affordable and healthy hydration option for the public.

States' Trading Supervisory Board

Guernsey Water

Chairman's Report - continued

Guernsey Water continues to maintain the Millennium Walk around St Saviour Reservoir for the island community. To enable more islanders to use the walk an accessible section was opened in 2021, which will help the States of Guernsey deliver its disability and inclusion strategy. The accessible walkway connects with a new outdoor learning space for schools and community groups to use, which supports learning and will help the States of Guernsey deliver its Strategy for Nature.

Our team

Our Licence to Operate development programme started in 2021. The aim of this is to upskill our technicians, improve retention and attract further talent into vital operational roles. Delivery of the programme was disrupted by the COVID-19 pandemic, but sufficient progress was made to enable 79% of those eligible to sign up for the next stage which begins in 2022 (those that did not sign up are due to retire in 2022).

Our annual people survey showed that 81% (2020: 91%) of respondents were proud to work for Guernsey Water. We also asked people about the statement 'I would recommend Guernsey Water as a great place to work', 74% (2020: 89%) of the 31 (2020: 44) respondents agreed or strongly agreed with it. This question is asked periodically to understand people satisfaction over time. Following significant improvement in people satisfaction between 2016 and 2020, engagement scores fell from the peak in 2020 last year.

This year has been a challenging year with several vacancies in various departments. However, the average length of service at Guernsey Water remains high and the team has not allowed these vacancies to impact on the service provided to customers.

During a particularly challenging year due to the COVID-19 pandemic, I would like to thank all our people for their dedication, hard work and commitment to providing excellent service.

Our business strategy and future

In the future Guernsey Water will need to become more flexible to meet new regulatory requirements, keep up with the rapid pace of technological change and meet ever increasing customer expectations. This will all be set against a backdrop of growing pressure on our island's resources and a squeeze on household budgets. These challenges cannot be met by Guernsey Water alone, so cross-committee collaboration and partnership working will become even more important in the future.

How Guernsey Water plans to meet these challenges is included in its strategic direction statement. This establishes Guernsey Water's purpose, which is to 'provide water for life' and a vision that it will continually strive for:

States' Trading Supervisory Board

Guernsey Water

Chairman's Report - continued

"Customers always value the quality of our drinking water and the safe return of our wastewater to the environment."

The strategic direction statement sets out the following outcomes;

- Proud performing people,
- Valued by customers,
- Drinking water of choice,
- Sustainable drainage,
- Protect our environment,
- Sufficient and resilient,
- Firm financial foundations,

The strategic direction statement provided direction for a new business plan that was approved by the GWB at the end of 2021 and subsequently endorsed by the STSB. As an island infrastructure provider Guernsey Water is an asset intensive business. Efficient investment in this infrastructure requires long term planning and proactive asset renewal. This is why the new business plan has been developed in tandem with the development of an asset management system. Asset management principles underpin the new business plan, which covers the period to 2025 in detail. However, it is set within an infrastructure plan that looks at investment needs up to 2060.

In a busy year we also brought forward a review of our Water Resources and Drought Management Plan, which sets the strategy for meeting the island's demand for water between now and 2080. The review will consider whether it is appropriate to provide the same level of drought protection for the island that is planned for water customers in England. This would increase our current level of resilience and help mitigate the risk of more severe droughts in future due to climate change.

The review will also assess the impact on drought resilience of changing levels of per- and poly-fluoroalkyl substances ("PFAS") and glyphosate in the island's streams, which has reduced our ability to collect water. It will continue throughout 2022 to inform a debate by the States Assembly on the future use of Les Vardes Quarry the following year.

States' Trading Supervisory Board

Guernsey Water

Managing Director's Report

The STSB presents its report and the audited financial statements for Guernsey Water for the year ended 31 December 2021. These comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 27.

Principal activities

Guernsey Water delivers to its customers:

- A reliable supply of high quality drinking water in sufficient quantity that satisfies normal daily demand at the lowest cost consistent with meeting a high level of customer service and confidence.
- A reliable wastewater collection service which treats and returns flow to the environment sustainably and efficiently.

Contributions to the States of Guernsey

Towards the end of 2021 Guernsey Water made a repayment to the States of Guernsey of £1,229k (2020: £1,229k) in relation to grants previously received. This also required a revenue adjustment of £210k (2020: £197k) on grants repaid in the year.

States' Trading Supervisory Board

Guernsey Water

Managing Director's Report – continued

Financial performance

Guernsey Water has reported a deficit of £460k in 2021 (2020: deficit £329k), and during 2021 there were no significant changes that had a material impact on the financial position.

Operating surplus for the year was £4,570k, a decrease of 0.72% from 2020. This is due to extra revenue from an increase in charges being utilised to cover increased operational costs, and a return to a more normal level of activity that had been curtailed in 2020 by COVID-19 pandemic restrictions. Despite this increase in costs, Guernsey Water was able to make savings of 1.4% compared to budget in relation to operating and management expenses.

Guernsey Water's capital programme was under budget as a result of pressure on the availability of both internal and external resources, particularly in relation to the construction industry.

	Actual 2021 £'000	Budget 2021 £'000	Actual 2020 £'000
Revenue	16,725	16,663	16,370
Expenditure	12,155	12,327	11,767
Deficit for the financial year	(460)	(1,217)	(329)
Capital expenditure	4,045	5,277	4,363

In relation to capital expenditure in the year, the major works include work on St Saviour water treatment works (£912k), replacement of the cesspit emptying scheduling and billing software (£269k), refurbishment of wastewater pumping stations (£344k), work on the transfer main from Forest Road to Frie Plaidy (£218k), replacement of meters (£100k) and rolling capital work (£517k).

States' Trading Supervisory Board

Guernsey Water

Managing Director's Report – continued

Operational performance

	2021	2020	Change %
Volume supplied in million litres (ML):			
Delivered to customers paying by measure	2,729	2,706	0.9%
Delivered to other customers	1,114	1,194	(6.7%)
Operational use, fire fighting and losses	573	601	(4.7%)
	<hr/> 4,416	<hr/> 4,501	(1.9%)
Service:			
Restrictions on supply	None	None	
Burst mains	27	28	(3.6%)
Discolouration - claims paid	-	3	
Unit costs (partially weather related):			
Water production (per ML)	£393	£365	7.7%
Water distribution (per supply)	£20	£18	11.1%
Full time equivalent employees	80	77	3.9%
Average number of employees	81	78	3.9%

Our customers

Guernsey Water provides water to the majority of the residents and businesses on Guernsey. Guernsey Water also collects and treats wastewater from all properties on the island.

	2021	2020	Change %
Number of supplies:			
Paying by tax on real property	7,853	7,953	(1.3%)
Paying by measure	18,646	18,393	1.4%
	<hr/> 26,499	<hr/> 26,346	<hr/> 0.6%
Total	<hr/> 26,499	<hr/> 26,346	<hr/> 0.6%

States' Trading Supervisory Board

Guernsey Water

Managing Director's Report – continued

Statement of responsibilities for the preparation of financial statements

The STSB is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of Guernsey Water and of the surplus or deficit of Guernsey Water for that period. In preparing those financial statements, the STSB is required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so, and
- state whether applicable accounting standards have been followed.

The STSB is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time Guernsey Water's financial position. The STSB is also responsible for identifying and installing internal controls, including financial controls, which are adequate for its own purposes and to safeguard the assets of Guernsey Water's and the States of Guernsey in its care, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of financial controls

The STSB is responsible for the economic, efficient and effective operations and management of Guernsey Water and has a duty to ensure that they fulfil their obligations.

Guernsey Water's internal financial controls and monitoring procedures include:

- Annually reported and approved budgets monitored against monthly management accounts with additional operational detail reported in monthly management reports, which monitor actual revenue and expenditure against that anticipated. All such detail is regularly reviewed at meetings of the STSB and GWB, to ensure that all board members are informed of Guernsey Water's financial affairs,
- Customer invoices are subjected to a range of pre-determined integrity checks prior to dispatch in order to ensure accuracy,
- Regular review of debtors to ensure that any delinquent debtors are identified at an early stage and dealt with appropriately,
- The control of materials and purchases are managed using a computerised programme with specific authorisation limits for purchases and segregated areas of responsibility for processing of payments, all of which maintain detailed audit trails,
- Manpower expenditure is monitored and controlled at source via time sheets, which are authorised and reconciled with the wage bill,

States' Trading Supervisory Board

Guernsey Water

Managing Director's Report – continued

- Capital expenditure authorisation is subject to approval and review against budget by the Capital Investment Group which is constituted from the Principal Officers of Guernsey Water,
- Regular review of charges for water supplies and other services, and
- Consideration of all audit reports by the STSB.

The STSB strives to ensure that all staff with financial responsibility in Guernsey Water have the appropriate integrity, skills and motivation to professionally discharge their duties.

Guernsey Water's internal controls and accounting policies have been and are subject to continuous review and improvement. In addition the financial statements are subject to an independent external audit by an auditor appointed by the States of Guernsey.

Going concern

The financial statements have been prepared on the going concern basis of accounting. The STSB and its Principal Officers have reviewed the cash flows and projected income and expenses over the next 12 months (including the assessment of the impact of COVID-19), prepared by management, and deem that Guernsey Water, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that Guernsey Water is a going concern for at least 12 months from the approval of the financial statements.

Auditors

Grant Thornton Limited have expressed their willingness to continue in office as auditors.

States' Trading Supervisory Board

Guernsey Water

Corporate Governance

The purpose of the GWB is to support the delivery of the STSB's mandate, ensuring the efficient and effective management, operation and maintenance of Guernsey Water.

The GWB is accountable to the STSB and operates by challenging established practices and assumptions and seeking to support the business in establishing clear strategic direction, business planning and operational delivery in support of the outcomes of the Government Work Plan, the Public Service Reform Agenda, Service Guernsey and other strategic reviews and organisational drivers.

The GWB membership is a minimum of a Chairman who is not a States Member, a political member of the STSB, a Senior Executive of an Incorporated Company or one or more Senior Officers of the States of Guernsey, the Guernsey Water Managing Director and the Financial Manager.

All members other than the Guernsey Water Managing Director and the Financial Manager are appointed by the STSB.

As a sub-committee of the States of Guernsey, the quorum will be two members of the STSB.

The GWB does not hold a fiduciary responsibility.

The GWB will take into account the States of Guernsey's political direction with regard to the operation of Guernsey Water, as directed from time to time by the STSB. It must ensure that Guernsey Water's operations and operational policies align with the wider strategy and policy framework of the States of Guernsey and/or the STSB. The GWB may generate policy for endorsement by the STSB and onward to the States of Guernsey as required.

The STSB specifically confers the following responsibilities and delegated authority to the GWB to:

- Approve capital and revenue annual budgets in line with the long-term budgets approved by the STSB,
- Approve annual business plans in line with long-term strategy and planning approved by or directed by the STSB,
- Approve and issue annual reports, and
- Guide and steer Guernsey Water.

In carrying out these responsibilities the GWB is bound and enabled by States of Guernsey rules for financial and resource management and the rules, directives policies and procedures of the States of Guernsey, such as, but not limited to: Finance; Procurement; Property; Human Resources; Data Protection; Health and Safety Management; Risk and Issue Management; Managing Matters of Litigation; and Relevant legislation. The GWB has the authority delegated by the STSB to direct the Guernsey Water Managing Director in the day-to-day operation of Guernsey Water in line with approved budget and business plans.

The GWB acts as a political sub-committee of the STSB.

States' Trading Supervisory Board Guernsey Water

Corporate Governance - continued

The STSB can disband the GWB at any time without notice or recourse to any other body.

In the event due process has not been followed, the GWB must render itself unable to make a decision until such time process has been followed.

States' Trading Supervisory Board Guernsey Water

Independent auditor's report to the members of The States of Guernsey - States' Trading Supervisory Board - Guernsey Water

Opinion

We have audited the financial statements of The States of Guernsey – States' Trading Supervisory Board ("STSB") – Guernsey Water for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102).

In our opinion, the financial statements:

- give a true and fair view of the state of Guernsey Water's affairs as at 31 December 2021 and of its deficit for the year then ended; and
- are in accordance with FRS 102.

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 Guernsey Water in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

States' Trading Supervisory Board

Guernsey Water

Independent auditor's report to the members of The States of Guernsey - States' Trading Supervisory Board - Guernsey Water - continued

Other information

The STSB are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

Responsibilities of the STSB for the financial statements

As explained more fully in the statement of responsibilities for the preparation of financial statements set out on page 10, the STSB are responsible for the preparation of the financial statements which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, and for such internal control as the STSB 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 STSB are responsible for assessing Guernsey Water's 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 STSB either intend to liquidate Guernsey Water or to cease operations, or have no realistic alternative but to do so.

States' Trading Supervisory Board

Guernsey Water

Independent auditor's report to the members of The States of Guernsey - States' Trading Supervisory Board - Guernsey Water - continued

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 Guernsey Water's 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 Guernsey Water's 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 Guernsey Water 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 those charged with governance 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.

States' Trading Supervisory Board Guernsey Water

Independent auditor's report to the members of The States of Guernsey - States' Trading Supervisory Board - Guernsey Water - continued

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

Use of our report

This report is made solely to the members of the STSB. Our audit work has been undertaken so that we might state to the members of the STSB 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 Guernsey Water and the members of the STSB, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited

Chartered Accountants
St Peter Port, Guernsey

16 May 2022

States' Trading Supervisory Board

Guernsey Water

Statement of Comprehensive Income

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue	2 & 4		
Water supplies		5,567	5,506
Wastewater supplies		9,527	9,349
Other income		1,631	1,515
		<u>16,725</u>	<u>16,370</u>
Expenses	2 & 5		
Operating expenses		(8,330)	(8,095)
Management expenses		(3,825)	(3,672)
		<u>(12,155)</u>	<u>(11,767)</u>
Operating surplus before depreciation and amortisation, impairment and gain/(loss) on disposal of fixed assets		4,570	4,603
Depreciation and amortisation	9 & 10	(4,841)	(4,696)
Impairment of assets	10	(9)	-
Gain/(loss) on disposal of fixed assets		20	(31)
		<u>(260)</u>	<u>(124)</u>
Operating deficit for the year		(260)	(124)
Investment return and net interest receivable	7	100	102
Interest payable	7	(300)	(307)
Deficit for the financial year		(460)	(329)

All material activities derive from continuing operations.

There are no recognised gains or losses or other movements in reserves for the current or preceding financial years, other than as stated in the Statement of Comprehensive Income.

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Statement of Financial Position

as at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Intangible fixed assets	9	195	112
Tangible fixed assets	10	144,313	145,119
Investment property	11	837	837
Assets under construction	12	4,842	4,910
		<u>150,187</u>	<u>150,978</u>
Current assets			
Inventories	13	1,949	1,708
Debtors and prepayments	14	1,792	2,021
Cash at bank and in hand		693	1,455
Balances with States Treasury		199	864
		<u>4,633</u>	<u>6,048</u>
Creditors: amounts falling due within one year	15	<u>(2,870)</u>	<u>(4,414)</u>
Net current assets		<u>1,763</u>	<u>1,634</u>
Creditors: amounts falling due after more than one year	16	<u>(15,181)</u>	<u>(15,383)</u>
Total net assets		<u>136,769</u>	<u>137,229</u>
Reserves	19	<u>136,769</u>	<u>137,229</u>

Signed on behalf of the States of Guernsey - States' Trading Supervisory Board

Deputy P. Roffey
President

16 May 2022

Signed on behalf of the States Trading Group

Mr S. Elliott
Managing Director

16 May 2022

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board Guernsey Water

Statement of Changes in Equity

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Balance at 1 January		137,229	137,558
Deficit for the financial year		<u>(460)</u>	<u>(329)</u>
Balance at 31 December	19	<u>136,769</u>	<u>137,229</u>

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Statement of Cash Flows

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Net cash flows from operating activities	20	<u>4,238</u>	<u>5,494</u>
Cash flows from investing activities			
Purchase of fixed assets	12	(4,059)	(4,177)
Proceeds from disposal of fixed assets		<u>20</u>	<u>5</u>
Net cash flows used in investing activities		<u>(4,039)</u>	<u>(4,172)</u>
Cash flows from financing activities			
Grants repaid in year	18	(1,229)	(1,229)
Capital repaid	17	(197)	(191)
Interest paid		(300)	(307)
Investment return and interest received		<u>100</u>	<u>102</u>
Net cash flows from financing activities		<u>(1,626)</u>	<u>(1,625)</u>
Net decrease in cash and cash equivalents		(1,427)	(303)
Cash and cash equivalents at the beginning of the year		<u>2,319</u>	<u>2,622</u>
Cash and cash equivalents at the end of the year		<u>892</u>	<u>2,319</u>
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		693	1,455
Balances with States Treasury		<u>199</u>	<u>864</u>
Cash and cash equivalents		<u>892</u>	<u>2,319</u>

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements

1. General information

Guernsey Water is an unincorporated business, the management, operation and maintenance of which is the responsibility of the States of Guernsey – STSB. The nature of Guernsey Water's operations and principal activities are set out in the Managing Director's Report.

Guernsey Water's principal place of business is Brickfield House, St Andrew, Guernsey, GY1 3AS.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

The financial statements are prepared in accordance with the stated accounting policies and under the historical cost convention as modified to include Investment Properties at fair value and in accordance with Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council.

Functional and presentational currency

The financial statements are presented in Pounds Sterling, which is the functional and presentational currency of Guernsey Water and have been rounded to the nearest thousand.

Going concern

The financial statements have been prepared on the going concern basis of accounting. The STSB and its Principal Officers have reviewed the cash flows and projected income and expenses over the next 12 months (including the assessment of the impact of COVID-19), prepared by management, and deem that Guernsey Water, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that Guernsey Water is a going concern for at least 12 months from the approval of the financial statements.

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

2. Principal accounting policies - continued

Intangible assets

i) Long-term strategies

Expenditure on reports that are designed to inform the long-term strategies of Guernsey Water are capitalised as an intangible fixed asset and amortised over the period for which the GWB expects to be able to rely on the usefulness of the recommendations within the report. This period is five years. Provision is made for any impairment.

If the expenditure is only relevant to a decision in relation to a single asset then the expenditure is expensed as incurred. Expenditure on reports into the implementation of GWB decisions are capitalised as part of the tangible fixed asset constructed as a result of those decisions.

Tangible fixed assets

i) Investment properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the Statement of Comprehensive Income.

ii) Property, plant and equipment

Property, plant and equipment is stated at cost or valuation, net of depreciation and any provision for impairment. Property, plant and equipment is depreciated over their expected useful life except assets in the course of construction.

iii) Assets under construction

Assets under construction are capitalised and are transferred to tangible fixed assets and depreciated once brought into use. All costs associated with capital projects, including professional fees are capitalised.

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

2. Principal accounting policies - continued

Depreciation

Depreciation is calculated at the following annual rates so as to write off the cost of tangible fixed assets over their anticipated expected useful lives using the straight-line method. Depreciation commences from the beginning of the month following the acquisition of an asset or, in the case of constructed assets, the asset being brought into a condition to be used as intended.

	Estimated life in years	Depreciation % per annum
Land		
Land and quarries	-	-
Land and quarries improvements	10 – 50	2% - 10%
Buildings		
Structures and buildings	10 – 50	2% - 10%
Infrastructure		
Dam	50	2%
Distribution meters	12	8.3%
Fixed plant (machinery)	5 – 15	6.7% - 20%
Mains	10 – 50	2% -10%
Mobile plant and tools	5	20%
Pumping stations – Civil	50	2%
Pumping stations – Mechanical and Electrical	15	6.7%
Pumping stations – Control/Instrumentation	10	10%
Rising Mains	50	2%
Rolling Capital Programmes	7	14.3%
Sewers – Pipes	70	1.4%
Sewers – Chambers	20	5%
Sewers – Manhole Covers	5	20%
Furniture, fixtures and fittings		
Computer equipment	5	20%
Office furniture, fittings and equipment	5 – 10	10% - 20%
Motor vehicles		
Motor vehicles	7	14.3%

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

2. Principal accounting policies - continued

Impairment of assets (excluding inventories)

Assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income. An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Costs include materials and are calculated using the average cost method. Provisions are made for obsolete, slow-moving or defective items where appropriate.

Basic financial instruments

i) Trade debtors

Invoiced trade debtors are recognised initially at original invoiced amount. Subsequent to initial recognition they are measured at amortised cost, less any impairment losses. Trade debtors are stated less a specific provision against debtor balances that are identified as irrecoverable.

ii) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and balances held by States Treasury on behalf of Guernsey Water. Whilst Guernsey Water operates two bank accounts, the Business Unit will make payments and receive money via bank accounts held centrally by the States of Guernsey. The net cash balance held with the States Treasury at the year-end is treated as cash and cash equivalents on Guernsey Water's Statement of Financial Position. This net cash balance may change on a daily basis, with surplus cash balances generating financial returns, and balances in deficit being charged interest. Any net cash balance held with the States Treasury could be reduced over a very short period of time without detriment, and therefore is considered to be a highly liquid investment, readily convertible to known amounts of cash and subject to an insignificant risk of any change in notional value.

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

2. Principal accounting policies - continued

iii) Trade creditors

Trade creditors are recognised initially at original invoiced amount plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost.

iv) Loans from the States of Guernsey

Loans from the States of Guernsey are initially recognised at cost. These loans are subsequently measured at amortised cost.

v) Derecognition of basic financial instruments

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the business transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the business, 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 a contract is discharged, cancelled or expires.

Revenue and expenses

Revenue and expenses are accounted for on an accruals basis and also includes the estimated value of unbilled water and wastewater supplies and cesspit emptying income which is calculated by reference to the value at which supplies will be invoiced. This total estimated value of unbilled supplies is included in debtors.

Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year. When the work has been completed this is recognised immediately as income.

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

2. Principal accounting policies - continued

Pension costs

Pension costs are treated as described in note 23.

Capital grants

Grants from the States of Guernsey relating to tangible fixed assets are treated as deferred income and released to the Statement of Comprehensive Income over the anticipated useful life of the assets concerned on a basis consistent with the depreciation of the underlying asset. Other grants are credited to the Statement of Comprehensive Income as the related expenditure is incurred.

Where the original amount of a grant is repaid any deferred income that has previously been released to the Statement of Comprehensive Income is treated as a reduction in income in the Statement of Comprehensive Income in the period that the repayment is made.

Investment return and interest receivable/payable

Investment return on balances held with the States of Guernsey and interest receivable/payable is accounted for on an accruals basis.

Leases

i) As lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

ii) As lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of Guernsey Water's accounting policies, which are described in note 2, the STSB are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the GWB Members have made in the process of applying Guernsey Water's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i) Valuation of investment property

As stated in the accounting policies above, Guernsey Water's investment properties are stated at fair value, as accounted for by management based on an independent external appraisal. The estimated fair value may differ from the price at which the properties could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also certain estimates require an assessment of factors not within management's control such as overall market conditions. As a result, actual realisable proceeds could differ from the valuations in these financial statements, and the difference could be significant.

ii) Depreciation rates

Guernsey Water's infrastructure assets have no definite life, so management makes an assumption based on previous experience of the usage of the assets. The rate used for each type of asset that makes up the infrastructure assets has been disclosed in note 2.

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

3. Critical accounting judgement and key sources of estimation uncertainty - continued

iii) Reassessment of the useful life of St Saviour water treatment works assets

As a result of the approval of Guernsey Water's Water Treatment Strategy in September 2020, the decision was taken to replace the membranes at St Saviour water treatment works with Rapid Gravity Filters. The assets that constitute the membranes have been reviewed and their end of life has been adjusted in line with the expected completion of the project. The results of this are disclosed in note 10.

iv) Rolling capital and meters

As a result of past experience and due to the nature of these assets, management has automatically treated these assets as disposals when they are at the end of their useful lives.

v) Unbilled services

Measured and unmeasured water supplies and wastewater and cesspit emptying are billed on a quarterly cycle which means at the year-end a significant volume of water has been supplied and wastewater treated that has not been invoiced. Management estimates the value of these services based on subsequent invoicing.

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

4. Revenue

All revenue is derived from activities within the Bailiwick of Guernsey.

An analysis of Guernsey Water's revenue by class of business is set out below:

	2021	2020
	£'000	£'000
Water Supplies		
Unmeasured	1,721	1,749
Measured	3,846	3,757
	<u>5,567</u>	<u>5,506</u>
Wastewater Supplies		
Unmeasured	3,091	3,074
Measured	6,436	6,275
	<u>9,527</u>	<u>9,349</u>
Other Income		
Cesspit emptying income	1,301	1,320
Net surplus on other trading activities (below)	343	156
Net government grant released (note 18)	(13)	39
	<u>1,631</u>	<u>1,515</u>
	<u>16,725</u>	<u>16,370</u>

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

4. Revenue - continued

	2021 £'000	2020 £'000
Net surplus on other trading activities		
Standard charges for service laying	402	168
Charges for work at ascertained cost	13	7
Property rental income	126	123
Notional rental income	10	7
Cost of items issued from stores	(2)	(40)
	<hr/>	<hr/>
	549	265
Expenditure	(206)	(109)
	<hr/>	<hr/>
	343	156

5. Expenses

	2021 £'000	2020 £'000
Operating expenses		
Tactical support	336	322
Water production	1,734	1,644
Water distribution	522	464
Asset management	444	411
Pumping	1,280	1,293
Sewers	4,014	3,961
	<hr/>	<hr/>
	8,330	8,095
Management expenses		
Management and general	1,377	1,326
Water quality and risk management	464	517
Customer services	913	848
Finance and support services	1,071	981
	<hr/>	<hr/>
	3,825	3,672
	<hr/>	<hr/>
Total expenses	12,155	11,767

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

6. Staff numbers and costs

The average monthly number of full time employees (including senior management) was:

	2021	2020
Capital delivery	11	9
Operations	36	34
Customer services	22	22
Administration and support	4	4
Water quality risk management	7	8
	80	77

Their aggregate remuneration comprised:

	Note	2021	2020
		£'000	£'000
Wages and salaries		3,509	3,272
Social security costs		232	211
Pension costs	23	458	427
Remuneration costs transferred to capital assets		(552)	(326)
		3,647	3,584

Pension costs include only those items within operating and management expenses.

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board Guernsey Water

Notes to the Financial Statements - continued

7. Interest

	2021	2020
	£'000	£'000
Interest receivable		
Investment return	99	101
Interest receivable and similar income	1	1
	100	102
Interest payable		
Interest payable on loans	(300)	(307)
	(300)	(307)

8. Deficit for the financial year

Deficit for the financial year is stated after charging/(crediting):

	Note	2021	2020
		£'000	£'000
Auditor's remuneration		21	21
Net government grants released	18	13	(39)
Notional rental income		(10)	(7)
Amortisation of intangible fixed assets	9	63	74
Depreciation of tangible fixed assets	10	4,787	4,622
Impairment of tangible fixed assets	10	9	-
(Gain)/loss on disposal of fixed assets		(20)	31
		4,863	4,702

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board Guernsey Water

Notes to the Financial Statements - continued

9. Intangible fixed assets

	1 January 2021 £'000	Additions £'000	Disposals £'000	31 December 2021 £'000
Cost				
Long-term strategies	458	146	-	604
	<u>458</u>	<u>146</u>	<u>-</u>	<u>604</u>
	1 January 2021 £'000	Charge for the year £'000	Disposals £'000	31 December 2021 £'000
Amortisation				
Long-term strategies	346	63	-	409
	<u>346</u>	<u>63</u>	<u>-</u>	<u>409</u>
Net Book Value	<u>112</u>			<u>195</u>

Long-term strategies represent reports prepared to inform the long-term decision making of Guernsey Water.

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

10. Tangible fixed assets

	1 January 2021 £'000	Additions £'000	Disposals £'000	31 December 2021 £'000
Cost				
Land	3,140	14	-	3,154
Infrastructure	201,490	3,669	(5)	205,154
Buildings	17,626	59	-	17,685
Motor vehicles	750	233	(128)	855
Office equipment	1,017	6	(16)	1,007
	<u>224,023</u>	<u>3,981</u>	<u>(149)</u>	<u>227,855</u>
	1 January 2021 £'000	Charge for the year £'000	Disposals £'000	31 December 2021 £'000
Depreciation				
Land	298	30	-	328
Infrastructure	72,366	4,178	(5)	76,539
Buildings	4,779	462	-	5,241
Motor vehicles	541	81	(128)	494
Office equipment	920	36	(16)	940
	<u>78,904</u>	<u>4,787</u>	<u>(149)</u>	<u>83,542</u>
Net Book Value	<u>145,119</u>			<u>144,313</u>

As a result of changes to the useful life of the membranes at St Saviour water treatment works in September 2020, additional depreciation of £105k (2020: £35K) was charged in the year.

An impairment of £9k has been made against Infrastructure Assets at Creux Mahie as a result of the need to replace the control panels at the pumping station at that location. This has been included in the depreciation charge for the year.

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

11. Investment properties

	1 January 2021 £'000	Additions/ Disposals £'000	Revaluations £'000	31 December 2021 £'000
Investment properties	837	-	-	837
	837	-	-	837

Investment properties, which are all freehold, were revalued to fair value at 31 December 2013, based on a valuation undertaken by the States Property Services, an independent valuer approved by RICS with recent experience in the location and class of the investment property being valued. The method of determining fair value was the comparable basis. There are no restrictions on the realisability of investment property.

The original book value of the investment properties was £254k.

On 29 April 2020 Guernsey Water signed a lease with Guernsey Housing Association LBG in relation to Shamrock Cottage for a term of 15.5 years. The terms of the lease provided for the cost of the property refurbishment to be borne by the lessee in return for a rental of £1 per annum over the life of the lease. Guernsey Water is able to void the lease at any time should the property be required for operational reasons by paying the lessee the outstanding balance on the loan taken out by the lessee to cover the cost of the refurbishments.

Guernsey Water has accounted for the cost of the refurbishments carried out by the lessee (£186k) as an addition to the value of the property and is holding a balance of deferred income that represents the balance of the loan taken out by the lessee. As the lessee makes capital repayments the value of those repayments is charged to the revenue account as rental income. Guernsey Water spent a further £1k on the property.

In 2021, Guernsey Water received £10k (2020: £7k) in notional rent for the property.

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

12. Assets under construction

	1 January £'000	Expense in the year £'000	Transfer to Tangible & Intangible Fixed Assets £'000	31 December £'000
2021 Total	4,910	4,059	(4,127)	4,842
2020 Total	3,043	4,363	(2,496)	4,910

Assets under construction completed in 2021 and transferred to fixed assets include HSS pumping station refurbishment (£1,887), work on water mains replacement (£560k), rolling capital work (£517k), refurbishment of wastewater pumping stations (£435k) and replacement vehicles (£233k).

Assets under construction as at 31 December 2021 relate principally to work on returning St Saviour water treatment works to rapid gravity filters (£925k), improvements to the treated water storage at Forest Road (£394), replacement of the cesspit emptying scheduling and billing software (£339k) and work on the transfer main from Forest Road to Frie Plaidy (£218k).

13. Inventories

	2021 £'000	2020 £'000
Water production	698	543
Water distribution	520	499
Wastewater	731	666
	1,949	1,708

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

14. Debtors and prepayments

	2021	2020
	£'000	£'000
Customers' billed accounts outstanding	342	488
Cesspit emptying income receivable	82	19
	424	507
Unbilled water supplies	396	399
Unbilled wastewater	676	678
Unbilled cesspit income	200	228
Other debtors and prepayments	96	209
	1,792	2,021

15. Creditors: amounts falling due within one year

	Note	2021	2020
		£'000	£'000
Trade creditors		1,214	902
Accruals		1,169	1,718
Deferred income		272	358
		2,655	2,978
Loan from States of Guernsey	17	205	197
Capital grants	18	-	1,229
Deferred income (below)		10	10
		2,870	4,414

In 2020 Guernsey Water entered into a lease agreement for Shamrock Cottage with Guernsey Housing Association LBG (see note 11). As a result of this transaction £10k (2020: £10k) of deferred income has been recognised as due within one year.

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

16. Creditors: amounts falling due after more than one year

	Note	2021 £'000	2020 £'000
Loan from States of Guernsey	17	7,960	8,165
Capital grants	18	7,062	7,049
Deferred income		159	169
		<u>15,181</u>	<u>15,383</u>

The deferred income represents notional rental income that is due after more than one year in relation to Shamrock Cottage (see note 11).

17. Loan from States of Guernsey

	2021 £'000	2020 £'000
Balance at 1 January	8,362	8,553
Capital repaid	<u>(197)</u>	<u>(191)</u>
Balance at 31 December	<u>8,165</u>	<u>8,362</u>

The loan from the States of Guernsey is repayable on a quarterly basis over a period of 29.5 years commencing on 30 September 2017 at an annual interest rate of 3.625%.

	2021 £'000	2020 £'000
Within one year	205	197
Between one to two years	212	205
Between two to five years	685	661
More than five years	<u>7,063</u>	<u>7,299</u>
	<u>8,165</u>	<u>8,362</u>

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

18. Capital grants

	2021	2020
	£'000	£'000
Balance at 1 January	8,278	9,546
Grants repaid	<u>(1,229)</u>	<u>(1,229)</u>
	7,049	8,317
Released to revenue account during the year	(210)	(236)
Reversal of amounts released in relation to grants repaid	<u>223</u>	<u>197</u>
Net government grants released	<u>13</u>	<u>(39)</u>
Balance at 31 December	<u>7,062</u>	<u>8,278</u>

An amount of £210k was released to the Statement of Comprehensive Income in 2021 (2020: £236k). This represents an apportionment of the States of Guernsey grants received over the life of the assets to which the grants relate. This offsets the depreciation on those assets. The release of the grant is commenced on the date of recognition of the asset.

On 31 December 2021 Guernsey Water repaid £1,229k (2020: £1,229k) in relation to grants previously received from the States of Guernsey resulting in an adjustment of £223k (2020: £197k) for the value of those grants released to the revenue account prior to the repayment.

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

19. Reserves

	Non- Statutory - Revenue Reserve £'000	Funding from the States of Guernsey – Merger Reserve £'000	Revenue Account £'000	Total £'000
Balance at 1 January	803	75,178	61,248	137,229
Deficit for the financial year	-	-	(460)	(460)
Transfer of non-water surplus	92	-	(92)	-
Balance at 31 December	895	75,178	60,696	136,769

On 13 December 2021 the GWB approved the renaming of the Property Development Fund to the Non-Statutory Revenue Reserve to better reflect its purpose. Transfers to the Reserve comprise property related surpluses/deficits and other non-water/non-wastewater related surpluses/deficits. In addition, it was approved that this Reserve should be utilised for the following purposes:

- i) Fund projects that are not related to the core services of providing water and removing wastewater;
- ii) Fund projects that are related to the diversification of the use of our assets in relation to leisure activities;
- iii) Fund projects in relation to biodiversity on our operational sites; and
- iv) Provide a mechanism for making returns to the States of Guernsey.

Funding from the States of Guernsey – Merger Reserve represents the net book value of the assets transferred by the States of Guernsey Public Services Department ("PSD") to Guernsey Water on the amalgamation of Guernsey Water and Guernsey Wastewater effective 1 January 2012.

All reserves are distributable.

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

20. Reconciliation of operating deficit to net cash inflow from operating activities

	2021	2020
	£'000	£'000
Operating deficit for the year	(260)	(124)
Notional rental income received	(10)	(7)
Depreciation and amortisation charges	4,841	4,696
Impairment of assets	9	-
(Gain)/loss on disposal of fixed assets	(20)	31
Net government grants released	13	(39)
Increase in inventories	(241)	(60)
Decrease in debtors	229	95
(Decrease)/increase in creditors due within one year	(323)	902
Net cash flows from operating activities	<u>4,238</u>	<u>5,494</u>

21. Financial commitments and contingent liabilities

	2021	2020
	£'000	£'000
Commitments for fixed asset acquisitions at 31 December for which no provision has been made in these financial statements	<u>171</u>	<u>850</u>

The financial commitments are in relation to projects where elements have been awarded to suppliers but the work has not yet been undertaken. The only commitments at the year end related to the work on the cesspit scheduling system.

Guernsey Water has no contingent liabilities as at 31 December 2021 (2020: £nil).

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

22. Financial instruments

Guernsey Water's financial instruments may be analysed as follows:

	Note	2021 £'000	2020 £'000
Financial assets at amortised cost			
Cash and cash equivalents		892	2,319
Debtors	14	424	507
Financial liabilities at amortised cost			
Creditors: amounts falling due within one year	15	(1,419)	(1,099)
Creditors: amounts falling due after more than one year	16	(7,960)	(8,165)

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

23. Employee benefits

The employees of Guernsey Water are members of the States of Guernsey Public Servants' Pension Scheme. These arrangements provide defined benefits on a career average revalued earnings (CARE) basis up to a salary cap (£94,081 as at 31 December 2021) for members joining from 1 May 2015 and, on a different CARE basis, for the service from 1 March 2016 of members who joined before 1 May 2015. There is a defined contribution section for earnings in excess of this salary cap. The arrangements for service before 1 March 2016 for members who joined before 1 May 2015 and for the future service of those closer to pension age remains final salary. The Scheme is funded by contributions from both employer and employee. The employer rates for the defined benefits are determined on the basis of independent actuarial advice, and calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives.

Although the scheme is a multi-employer plan, it is not possible to identify Guernsey Water's share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. There is neither an agreement nor a policy in place to allocate any of the deficit of the pension scheme across the participating entities. The States of Guernsey is liable for any obligations that arise from the States of Guernsey Superannuation Fund in respect of employees of the States of Guernsey. All employees of Guernsey Water are considered to be ultimately employees of the States of Guernsey.

Consequently, Guernsey Water has accounted for the plan as if it were a defined contribution plan, whereby it has expensed employer contributions through the Statement of Comprehensive Income. The employees also contribute to the States of Guernsey Superannuation Fund. The contribution rates are determined by a qualified actuary on the basis of periodic valuations.

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £458k (2020: £427k).

Further details relating to the funding of the Superannuation Scheme are included within the States of Guernsey Accounts 2021.

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board Guernsey Water

Notes to the Financial Statements - continued

24. Statement of control

Guernsey Water is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of Guernsey Water has been delegated to the members of the STSB appointed by the States of Guernsey.

25. Related party transactions

The STSB is of the opinion that there have been no material related party transactions in the current or preceding financial years other than as described in these financial statements. All transactions are conducted as normal business arrangements carried out at "arm's length".

The total compensation of key management personnel in 2021 (including salaries and other benefits) was £397k (2020: £447k).

Related party transactions between Guernsey Water and other entities controlled by the States of Guernsey have not been disclosed in accordance with the exemptions available within FRS102 Section 33 "Related Party Disclosures".

STSB member Mr S. Falla CBE has declared certain related party transactions under FRS102 section 33. The aggregate of all of these transactions is disclosed below and all were conducted at arms-length in the normal course of business. Where any conflict of interest may exist, Mr Falla, as under normal rules, would excuse himself from any STSB or other meetings and has not participated in any discussions or voting regarding awarding any contracts leading to these transactions.

	2021	2020
	£'000	£'000
Garenne Group		
Expenses	226	66
Assets under construction	1,134	1,171
	1,360	1,237
Trade Creditors	22	2

Of which £376k (2020: £796k) was the result of open public tenders and £968k (2020: £248k) of the remainder coming from a pre-existing framework agreement and the balance of £16k (2020: £193k) being ad hoc work.

Notes 1 to 27 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

26. Subsequent events

Management knows of no events subsequent to the end of the reporting period that would materially affect the financial statements.

27. Off balance-sheet arrangements

There are no commitments or contingent liabilities other than detailed in note 21 relating to 2021 which would affect these financial statements (2020: None).

Notes 1 to 27 form an integral part of these financial statements.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD

GUERNSEY DAIRY ACCOUNTS 2021

The States are asked to decide:-

1. Whether they are of the opinion to agree with the States' Trading Supervisory Board's approval of the Guernsey Dairy Accounts for the year ending 31 December 2021.

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

States of Guernsey
States' Trading Supervisory Board
Guernsey Dairy

Annual Report and Financial Statements

For the year ended 31 December 2021

States' Trading Supervisory Board Guernsey Dairy

STATES' TRADING SUPERVISORY BOARD MEMBERS, PRINCIPAL OFFICERS AND PROFESSIONAL ADVISERS 3

CHAIRMAN'S REPORT 5

MANAGING DIRECTOR'S REPORT 7

CORPORATE GOVERNANCE12

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY – STATES' TRADING SUPERVISORY BOARD - GUERNSEY DAIRY14

STATEMENT OF COMPREHENSIVE INCOME18

STATEMENT OF FINANCIAL POSITION.....19

STATEMENT OF CHANGES IN EQUITY20

STATEMENT OF CASH FLOWS21

NOTES TO THE FINANCIAL STATEMENTS.....22

States' Trading Supervisory Board Guernsey Dairy

States' Trading Supervisory Board Members, Principal Officers and Professional Advisers

States' Trading Supervisory Board Members

Deputy P. Roffey	President	
Deputy C. Parkinson		
Deputy N. Moakes		
Mr S. Falla CBE		
Mr J. Hollis		resigned 15 October 2021
Dr S. Thornton		appointed 16 October 2021

The constitution of the States' Trading Supervisory Board ("STSB") provides that the membership of the STSB shall be a President and up to two members who shall be members of the States and up to two members who shall not be members of the States. If and when the STSB is inquorate and an urgent decision is required, the States' Rules of Procedure allow for the insufficiency of members to be replaced by members of the States chosen, in the first instance, from members of the Policy & Resources Committee.

Principal Officers to the States' Trading Supervisory Board

- Mr S. Elliott, Managing Director, States Trading Group
- Mr S. Gardiner, Finance Business Partner, States Trading Group
- Mr A. Ford, Head of Shareholder Executive, States Trading Group

Dairy Management Board Members

Mr S. Falla CBE	Chairman	
Deputy P. Roffey		
Mr D. Cowley	Guernsey Farmers' Association representative	appointed 1 January 2021
Mr A. Tabel	non-voting adviser	
Mrs C. Edwards	non-voting adviser	
Mr S. Langlois	non-voting adviser	
Mrs S. Macknight	non-voting adviser	

States' Trading Supervisory Board Guernsey Dairy

States' Trading Supervisory Board Members, Principal Officers and Professional Advisers – continued

The constitution of Guernsey Dairy Management Board ("DMB") is laid out in Billet d'État XIII dated 5 April 2007 and amended in Billet d'État XX dated 15 August 2014.

Further information on the role of the DMB is provided in the Corporate Governance section.

Principal Officers to Guernsey Dairy Management Board

Mr A. Tabel, Managing Director, Guernsey Dairy
Mrs C. Edwards, Senior Finance Manager, Guernsey Dairy

In these Financial Statements any reference to "President" refers to the President of the STSB and any reference to "Chairman" refers to the Chairman of the DMB.

Legal Advisers

Law Officers of the Crown
St James Chambers
St James Street
St Peter Port
GY1 2PA

Independent Auditor

Grant Thornton Limited
PO Box 313
Lefebvre House
Lefebvre Street
St Peter Port
GY1 3TF

States' Trading Supervisory Board

Guernsey Dairy

Chairman's Report

Overview

2021 has been another challenging year for the Dairy as it faced the continued disruption posed by the COVID-19 pandemic as well as ongoing difficulties arising from ageing plant and equipment.

Despite a second COVID-19 lockdown in January there was no disruption to the supply of fresh liquid milk to the island throughout this period.

Milk volumes in 2021 increased slightly year on year, the first increase seen after five years of declining milk sales. This may be related to the increased number of people on the island as a result of the lack of overseas travel due to restrictions in place during the pandemic. However, the marketing programme which the Dairy began in 2021 and the positive PR surrounding the launch of lactose free milk is thought to also have had an impact.

In 2021 work continued on the design stage of the Future Guernsey Dairy Project. An outline business case ("OBC") is currently being drafted with inputs from Dairy technical experts, as well as the Committee *for the Environment & Infrastructure*. This should enable the project to move from the "Pipeline" category of the Government Work Plan to the "Delivery" category, which would allow the project to go ahead to the next stage of the design process.

In the interim, a prioritised capital plan is in place to replace essential ageing equipment with new equipment that could be used either in the existing Dairy or in a new facility, to be financed, where necessary, via a short-term overdraft facility agreed by the Policy & Resources Committee

Business performance

Supplying milk to the island's population is Guernsey Dairy's primary responsibility and purpose. Liquid milk sales account for 76.9% of turnover, and the volumes sold in 2021 increased by 1% compared to 2020 which was an encouraging sign following five years of decline. Butter, cheese, cream and ice-cream are all produced from the cream and milk left over from the processing of liquid milk. Butter represents the most important by-product and is the best commercial use of this cream, however all milk derived products require the corresponding sale of liquid milk to be profitable.

Guernsey Dairy continues to manage its cost base and in 2021 continued to work on a programme of efficiencies to identify and realise cost reduction opportunities.

States' Trading Supervisory Board

Guernsey Dairy

Chairman's Report – continued

Our community

The dairy industry provides a sustainable-farmed countryside and thereby protects the environment and biodiversity of the island, so facilitating a healthy community. Through providing a financially viable Guernsey Dairy and dairy farming business, the dairy industry protects and promotes our unique identity and rich heritage, ensuring our island is strong and sustainable.

Guernsey Dairy works closely with the Guernsey Farmers' Association ("GFA") to maintain and improve the quality of raw milk. We have elected to adopt the highest standard of animal welfare with the RSPCA Farm Assured Scheme. I am pleased to report that all farms had achieved accreditation by the end of 2021 and in 2022 the Dairy will start using the RSPCA assured logo on its packaging.

The continued purchase of raw Guernsey milk contributes to the local economy and each litre purchased helps to preserve the Guernsey countryside, its biodiversity, traditional farming heritage and safeguards the iconic Guernsey cattle breed.

Our team

Guernsey Dairy has a committed team of production and support staff. Despite the challenges of the impact of COVID-19 as well as the ongoing challenges of maintaining old plant and equipment, the team ensured the continuity of supply of fresh liquid milk.

I would like to thank the dedicated staff and employees for all their hard work, and commitment throughout the year.

Our business strategy and future

In 2020 Guernsey Dairy published its revised business plan. Some of the key areas the Dairy is working on are as follows:

- arrest the decline of local liquid milk sales whilst seeking new sales opportunities,
- reduce the amount of liquid milk received from farmers whilst recognising the sustainability of farm businesses, and
- remodel the operations at Guernsey Dairy to become more efficient and in doing so continue to support a viable dairy industry in Guernsey.

States' Trading Supervisory Board

Guernsey Dairy

Managing Director's Report

The STSB presents its report and the audited financial statements for Guernsey Dairy for the year ended 31 December 2021. These comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 24.

Principal activities

Guernsey Dairy operates to:

- Support a viable dairy industry in Guernsey by purchasing all locally produced cows' milk, and
- Satisfy the total consumer demand for fresh liquid milk in Guernsey at an acceptable price to the consumer.

The principal reason for the Guernsey Dairy is to act as an enabler to Guernsey's dairy industry and, in doing so, support the conservation of our unique rural environment, enhance biodiversity, and uphold the genetic integrity of the Guernsey breed. The processing of milk at the States of Guernsey owned Guernsey Dairy and the sale of liquid milk and milk products is the financial mechanism that facilitates the continuation of the dairy farming industry designed to maintain Guernsey's traditional countryside.

States' Trading Supervisory Board

Guernsey Dairy

Managing Director's Report – continued

Financial performance

	Actual 2021 £'000	Budget 2021 £'000	Actual 2020 £'000
Revenue	8,552	8,586	8,561
Expense	(8,469)	(8,864)	(8,462)
Operational surplus/(deficit)	83	(278)	99
Deficit for the financial year	(223)	(675)	(194)
Capital expenditure	56	335	560

Guernsey Dairy made a deficit in 2021 of £223k, compared to 2020's deficit of £194k. However, in 2020 the Dairy benefited from a £69k one off credit as 2019 costs relating to the ongoing dairy improvement project were charged to the centrally funded capital project in 2020, resulting in a credit in 2020. Excluding this the 2020 deficit was £263k - by comparison 2021's deficit was a £40k improvement year-on-year.

Guernsey Dairy's fixed asset base of £3,016k has been reviewed for impairment. No impairment loss was reflected following a review of the fixed assets register (2020: nil).

Reserves have decreased by £223k from £3,623k to £3,400k, due to the in-year deficit.

Operational performance

The following report highlights the reasons for some of the key variances in the financial statements and provides a summary of the year.

Overall revenues were £9k (0.1%) lower than 2020.

- Liquid milk revenues increased by 0.7% compared to the previous year. The gate price for liquid milk was held level in 2021.
- Butter sales were below 2020 with a 3.3% decrease in sales revenues commensurate with a reduction in raw milk intake. Butter exports to the UK decreased by 5.8% compared to 2020, while exports to The Netherlands were £79k (92.9%) below 2020. The impact of the spread of COVID-19 in the EU and, to a lesser degree Brexit, affected the exports to the Netherlands. However, there has been an upturn in local sales with demand being maintained throughout the trading period.
- Butter prices were benchmarked against other like-for-like products and gate prices were adjusted during the year to reflect market conditions demand, and availability.

States' Trading Supervisory Board

Guernsey Dairy

Managing Director's Report – continued

- Cheese sales, which saw an increase in demand in 2020 due to a switch from supermarket to online grocery buying, reduced by 28.8% year-on-year, to levels just under 2019's sales. However, this was largely due to the after-effects of suspending production due to staff availability as mitigation measures were introduced to prevent the spread of COVID-19.
- Ice cream sales had seen a large reduction in 2020 as the Dairy was unable to make enough to satisfy demand during the first lockdown. In 2021 sales improved by 11.1% year-on-year, but remained 8.6% below 2019 levels.

Cost of sales was £52k (0.8%) lower than 2020.

- The total cost of raw milk purchases reduced by 3.2% in 2021.
- There was no change to the price paid to farmers, other than farmers receiving an additional 1.24p per litre (2.0%) on achieving RSPCA accreditation.
- The volume of milk intake at Guernsey Dairy decreased by 4.6% (360,332 litres) on the same period in 2020. Guernsey Dairy and farmers are working together to ensure the ideal production level of liquid milk for the islands' needs is met. To achieve this, production levels need to align closely with demand with as little over or under production as possible and intake maintained equally over a rolling 12-month period.
- Production wages saw a £83k (9.2%) year-on-year increase partially due to an increase in pay rates, grade increases and vacancies in 2020.

Administration expenses:

- Total administration expenses were £59k higher than in 2020, however after adjusting for the one-off credit in 2020, administration costs were £10k lower than 2020.
- Repairs and maintenance continue to be a lower than the average spend prior to 2020 with Government restrictions on travel relating to COVID-19 affecting planned maintenance.

Capital:

- Capital spend in the year was £56k compared to a £335k budgeted spend.
- To produce a range of milks and milk products, the Dairy operates an extensive amount of highly specialised complex plant and equipment. A high proportion of this is approaching or has exceeded the end of its anticipated useful service life.
- The difficulties in getting contractors due to travel restrictions have impacted the Dairy's ability to deliver its capital plans in 2021, however the Dairy team worked hard to maintain the ageing plant and equipment using internal and local resources where practicable.

States' Trading Supervisory Board

Guernsey Dairy

Managing Director's Report – continued

Our customers

Guernsey Dairy's immediate customers are Trade Account holders who purchase milk and other dairy products from Guernsey Dairy and deliver them to shops, the food-service sector or to doorsteps. Guernsey Dairy acts as a wholesaler, it does not set the retail price of milk, which allows retail outlets to set their own selling price and offer discounts as they see fit.

Statement of responsibilities for the preparation of financial statements

The STSB is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs for Guernsey Dairy and of the surplus or deficit of Guernsey Dairy for that period. In preparing those financial statements, the STSB is required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on a going concern basis, unless it is inappropriate to do so, and
- state whether applicable accounting standards have been followed.

The STSB is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time Guernsey Dairy's financial position. The STSB is also responsible for identifying and installing internal controls, including financial controls, which are adequate for its own purposes and to safeguard Guernsey Dairy's assets and the States of Guernsey in its care, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of financial controls

The STSB is responsible for the economic, efficient and effective operations and management of Guernsey Dairy and has a duty to ensure that they fulfil their obligations.

Guernsey Dairy's internal financial controls and monitoring procedures include:

- Annually reported and approved budgets monitored against monthly management accounts with additional operational detail reported in monthly management reports, which monitor actual income and expenditure against that anticipated. All such detail is regularly reviewed at meetings of the STSB and DMB, to ensure that all board members are informed of Guernsey Dairy financial affairs,
- Customer invoices are subjected to a range of pre-determined computerised integrity checks prior to dispatch to ensure accuracy,

States' Trading Supervisory Board

Guernsey Dairy

Managing Director's Report – continued

- Regular review of debtors to ensure that any delinquent debtors are identified at an early stage and dealt with appropriately,
- The control of materials and stores purchases are managed using Guernsey Dairy's stores database software with minimum stock levels set to ensure production continuity. Specific authorisation limits for purchases and segregated areas of responsibility for processing of payments are controlled by SAP, which maintains detailed audit trails,
- Staff resource expenditure is monitored and controlled at source via time sheets, which are authorised and reconciled with the wage bill,
- Capital expenditure authorisation is subject to approval and review against budget by the Capital Investment Group, which is constituted from the principal officers of the Guernsey Dairy,
- Regular review of milk and milk product prices, and
- Consideration of all audit reports by the STSB.

The STSB strives to ensure that all staff with financial responsibility in Guernsey Dairy have the appropriate integrity, skills and motivation to professionally discharge their duties.

Guernsey Dairy's internal controls and accounting policies have been and are subject to continuous review and improvement. In addition, the financial statements are subject to an independent external audit by an auditor appointed by the States of Guernsey.

Going concern

The financial statements have been prepared on the going concern basis of accounting. The STSB and its Principal Officers have reviewed the cash flows and projected income and expenses over the next 12 months (including the assessment of the impact of COVID-19), prepared by management, and deem that Guernsey Dairy, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that Guernsey Dairy is a going concern for at least 12 months from the approval of the financial statements.

Auditors

Grant Thornton Limited have expressed their willingness to continue in office as auditors.

States' Trading Supervisory Board

Guernsey Dairy

Corporate Governance

The purpose of the DMB is to support the delivery of the STSB's mandate, ensuring the efficient and effective management, operation and maintenance of Guernsey Dairy.

The DMB is accountable to the STSB and operates by challenging established practices and assumptions and seeking to support the business in establishing clear strategic direction, business planning and operational delivery in support of the outcomes of the Government Work Plan, the Public Service Reform Agenda, Service Guernsey and other strategic reviews and organisational drivers.

The DMB membership is primarily defined in Billet d'État XIII dated 5 April 2007 and amended in Billet d'État XX dated 15 August 2014.

At its meeting of 4 May 2017, the STSB agreed to establish 'company' boards for the trading assets including Guernsey Dairy. The DMB has therefore been supplemented with the addition of either a Senior Executive of an Incorporated Company or one or more Senior Officers of the States of Guernsey, the Managing Director and the Financial Manager.

All members of the DMB other than the Managing Director and the Financial Manager are appointed by the STSB.

The quorum is the Chairman, the political member of the STSB and the Senior Executive of an Incorporated Company or one or more Senior Officers of the States of Guernsey.

The DMB does not hold a fiduciary responsibility.

The DMB will take into account the States of Guernsey's political direction with regard to the operation of Guernsey Dairy, as directed from time to time by the STSB. It must ensure that Guernsey Dairy's operations and operational policies align with the wider strategy and policy framework of the States of Guernsey and/or the STSB. The DMB may generate policy for endorsement by the STSB and onward to the States of Guernsey as required.

The STSB specifically confers the following responsibilities and delegated authority to the DMB to:

- Approve capital and revenue annual budgets in line with the long-term budgets approved by the STSB,
- Approve annual business plans in line with long-term strategy and planning approved by or directed by the STSB,
- Approve and issue annual reports, and
- Guide and steer Guernsey Dairy.

States' Trading Supervisory Board

Guernsey Dairy

Corporate Governance - continued

In carrying out these responsibilities the DMB is bound and enabled by States of Guernsey rules for financial and resource management and the rules, directives policies and procedures of the States of Guernsey, such as, but not limited to: Finance; Procurement; Property; Human Resources; Data Protection; Health and Safety Management; Risk and Issue Management; Managing Matters of Litigation; and Relevant legislation. The DMB has the authority delegated by the STSB to direct the Guernsey Dairy Managing Director in the day-to-day operation of Guernsey Dairy in line with approved budget and business plans.

The DMB acts as a political sub-committee of the STSB.

In the event that due process has not been followed, the DMB must render itself unable to make a decision until such time process has been followed.

States' Trading Supervisory Board

Guernsey Dairy

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board - Guernsey Dairy

Opinion

We have audited the financial statements of The States of Guernsey - States' Trading Supervising Board ("STSB") - Guernsey Dairy for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ("FRS 102").

In our opinion, the financial statements:

- give a true and fair view of the state of the Guernsey Dairy's affairs as at 31 December 2021 and of its deficit for the year then ended; and
- are in accordance with FRS 102.

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 Guernsey Dairy in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

States' Trading Supervisory Board

Guernsey Dairy

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board - Guernsey Dairy - continued

Other information

The STSB is responsible for the other information. The other information comprises the information included in the chairman's report and the managing director's report, other than the financial statements and our auditor's report thereon. 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.

Responsibilities of the STSB for the financial statements

As explained more fully in the statement of responsibilities for the preparation of financial statements set out on page 10, the STSB are responsible for the preparation of the financial statements which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, and for such internal control as the STSB 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 STSB are responsible for assessing Guernsey Dairy's 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 STSB either intend to liquidate Guernsey Dairy or to cease operations, or have no realistic alternative but to do so.

States' Trading Supervisory Board

Guernsey Dairy

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board - Guernsey Dairy - continued

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 Guernsey Dairy's 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 Guernsey Dairy's 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 Guernsey Dairy 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 those charged with governance 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.

States' Trading Supervisory Board Guernsey Dairy

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board - Guernsey Dairy - continued

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

Use of our report

This report is made solely to the members of the STSB, as a body. Our audit work has been undertaken so that we might state to the members of the STSB 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 Guernsey Dairy and the members of the STSB as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey

16 May 2022

States' Trading Supervisory Board

Guernsey Dairy

Statement of Comprehensive Income

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue	2 & 4		
Liquid milk		6,577	6,528
Dairy products		1,959	2,017
Sundry or other income		16	16
		8,552	8,561
Expenses	2 & 5		
Production costs		(6,366)	(6,418)
Administration expenses		(2,103)	(2,044)
		(8,469)	(8,462)
Operating surplus before depreciation and gain on disposal of fixed assets		83	99
Depreciation	9	(294)	(263)
Gain on disposal of fixed assets		12	-
Operating deficit for the year		(199)	(164)
Investment return/(loss) and net interest receivable	7	2	(4)
Interest payable	7	(26)	(26)
Deficit for the financial year		(223)	(194)

All material activities derive from continuing operations.

There are no recognised gains or losses or other movements in reserves for the current or preceding financial years, other than as stated in the Statement of Comprehensive Income.

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Dairy

Statement of Financial Position

as at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Tangible fixed assets	9	3,016	3,303
Assets under construction	10	58	10
		<u>3,074</u>	<u>3,313</u>
Current assets			
Inventories	11	495	610
Debtors and prepayments	12	944	893
Cash at bank and in hand		-	106
Balances with States Treasury		605	530
		<u>2,044</u>	<u>2,139</u>
Creditors: amounts falling due within one year	13	<u>(1,035)</u>	<u>(1,128)</u>
Net current assets		<u>1,009</u>	<u>1,011</u>
Creditors: amounts falling due after more than one year	14	<u>(683)</u>	<u>(701)</u>
Total net assets		<u>3,400</u>	<u>3,623</u>
Reserves	16	<u>3,400</u>	<u>3,623</u>

Signed on behalf of the States of Guernsey - States' Trading Supervisory Board

Deputy P. Roffey 16 May 2022
President

Signed on behalf of the States Trading Group

Mr S. Elliott 16 May 2022
Managing Director

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Dairy

Statement of Changes in Equity

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Balance at 1 January		3,623	3,817
Deficit for the financial year		<u>(223)</u>	<u>(194)</u>
Balance at 31 December	16	<u>3,400</u>	<u>3,623</u>

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Dairy

Statement of Cash Flows

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Net cash flows from operating activities	17	<u>54</u>	<u>528</u>
Cash flows from investing activities			
Proceeds from disposal of fixed assets		12	-
Purchase of fixed assets	10	<u>(56)</u>	<u>(560)</u>
Net cash flows used in investing activities		<u>(44)</u>	<u>(560)</u>
Cash flows from financing activities			
Capital repaid		(17)	(17)
Interest paid	7	(26)	(26)
Investment return/(loss) and interest received	7	<u>2</u>	<u>(4)</u>
Net cash flows from financing activities		<u>(41)</u>	<u>(47)</u>
Net decrease in cash and cash equivalents		(31)	(79)
Cash and cash equivalents at the beginning of the year		<u>636</u>	<u>715</u>
Cash and cash equivalents at the end of the year		<u>605</u>	<u>636</u>
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		-	106
Balances with States Treasury		<u>605</u>	<u>530</u>
Cash and cash equivalents		<u>605</u>	<u>636</u>

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements

1. General information

Guernsey Dairy is an unincorporated business, the management, operation and maintenance of which is the responsibility of the States of Guernsey - STSB. The nature of Guernsey Dairy's operations and principal activities are set out in the Managing Director's Report.

Guernsey Dairy's principal place of business is Bailiff's Cross, St Andrew, Guernsey, GY6 8RJ.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

The financial statements are prepared in accordance with the stated accounting policies and under the historical cost convention and in accordance with Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council.

Functional and presentational currency

The financial statements are presented in Pounds Sterling, which is the functional and presentational currency of Guernsey Dairy and have been rounded to the nearest thousand.

Going concern

The financial statements have been prepared on the going concern basis of accounting. The STSB and its Principal Officers have reviewed the cash flows and projected income and expenses over the next 12 months (including the assessment of the impact of COVID-19), prepared by management, and deem that Guernsey Dairy, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that Guernsey Dairy is a going concern for at least 12 months from the approval of the financial statements.

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Tangible fixed assets

i) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation, net of depreciation and any provision for impairment. Property, plant and equipment are depreciated over their expected useful life.

Depreciation

Depreciation is calculated at the following annual rates so as to write off the cost of tangible fixed assets over their anticipated expected useful lives using the straight-line method. Depreciation commences from the beginning of the month of acquisition of an asset or, in the case of constructed assets, the asset being brought into a condition to be used as intended.

	Estimated life in years	Depreciation % per annum
Land	-	-
Buildings	10 - 50	2% - 10%
Plant and machinery	5 - 20	5% - 20%
Motor vehicles	5 - 20	5% - 20%
Information technology	3 - 5	20% - 33.3%

Impairment of assets (excluding inventories)

Assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income. An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Costs include an appropriate

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

proportion of processing expenses and are calculated using the FIFO (first-in, first-out) method. Provisions are made for obsolete and slow-moving items where appropriate.

Basic financial instruments

i) Trade debtors

Trade debtors are recognised initially at original invoiced amount. Subsequent to initial recognition they are measured at amortised cost, less any impairment losses. Trade debtors are stated less a specific provision against debtor balances that are identified as irrecoverable.

ii) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and balances held by States Treasury on behalf of Guernsey Dairy. Whilst Guernsey Dairy operates two bank accounts, the entity will make payments and receive money via bank accounts held centrally by the States of Guernsey. The net cash balance held with the States Treasury at the year-end is treated as cash and cash equivalents on Guernsey Dairy's Statement of Financial Position. This net cash balance may change on a daily basis, with surplus cash balances generating financial returns, and balances in deficit being charged interest. Any net cash balance held with the States Treasury could be reduced over a very short period of time without detriment, and therefore is considered to be a highly liquid investment, readily convertible to known amounts of cash and subject to an insignificant risk of any change in notional value.

iii) Trade creditors

Trade creditors are recognised initially at original invoiced amount plus attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost.

iv) Loans from the States of Guernsey

Loans from the States of Guernsey are initially recognised at cost. These loans are subsequently measured at amortised cost.

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

v) Derecognition of basic financial instruments

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the business transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the business, 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 a contract is discharged, cancelled or expires.

Revenue and expenses

Revenue is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Revenue from the sale of goods is recognised when the customer collects the goods. Expenses are accounted for on an accruals basis.

Pension costs

Pension costs are treated as described in note 20.

Investment return and interest receivable/payable

Investment return on balances held with the States of Guernsey and interest receivable/payable is accounted for on an accruals basis.

Leases

i) As lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

ii) As lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of Guernsey Dairy's accounting policies, which are described in note 2, the Board members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the critical judgement, apart from those involving estimations (which are dealt with separately below), that the STSB have made in the process of applying Guernsey Dairy's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i) Depreciation rates

Guernsey Dairy's building and equipment assets have no definite life, so management makes an assumption based on previous experience of the usage of the assets. The rates used for each type of asset that makes up the Building and equipment assets have been disclosed in note 2.

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

4. Revenue

A geographical analysis of Guernsey Dairy's revenue is set out below:

	2021	2020
	£'000	£'000
Bailiwick of Guernsey	8,121	8,025
UK	425	451
The Netherlands	6	85
	<u>8,552</u>	<u>8,561</u>

An analysis of Guernsey Dairy's revenue by class of business is set out below:

	2021	2020
	£'000	£'000
Milk	6,563	6,515
Organic milk	14	13
Butter	1,395	1,442
Cheese	94	132
Cream	300	290
Ice-cream	170	153
Sundry or other income	16	16
	<u>8,552</u>	<u>8,561</u>

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

5. Expenses

	2021	2020
	£'000	£'000
Cost of sales		
Production wages	982	899
Milk	4,439	4,665
Milk - working loss	216	143
Dairy product ingredients	54	43
Packaging materials	602	588
Freight	73	80
	<u>6,366</u>	<u>6,418</u>
Administration expenses		
Advertising and promotion	25	31
Cleaning materials	64	62
Fuel, light, power, water, rates	310	273
General administration costs	58	32
Laboratory materials and equipment	191	211
Motor vehicles	42	24
Professional fees	350	378
Provision for bad debts	-	8
Repairs, maintenance and insurance	347	310
Salaries	671	677
Other expenses	45	38
	<u>2,103</u>	<u>2,044</u>
Total expenses	<u><u>8,469</u></u>	<u><u>8,462</u></u>

During 2016 Guernsey Dairy incurred an exceptional expense in relation to ex-gratia payments made to the milk distributors. The States of Guernsey resolved, at their meeting on 8 March 2016, that Guernsey Dairy would make ex-gratia payments not exceeding £750k in total. £40k remains unpaid at 31 December 2021 (2020: £40k).

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

6. Staff numbers and costs

The average monthly number of full-time employees (including senior management) was:

	2021	2020
Production staff	30	29
Administration staff	7	7
	37	36

Their aggregate remuneration comprised:

	Note	2021	2020
		£'000	£'000
Wages and salaries		1,386	1,342
Social security costs		93	86
Pension costs	20	174	148
		1,653	1,576

Pension costs include only those items within cost of sales and administration expenses.

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board Guernsey Dairy

Notes to the Financial Statements – continued

7. Interest

	2021	2020
	£'000	£'000
Interest receivable		
Investment return/(loss)	<u>2</u>	<u>(4)</u>
	<u>2</u>	<u>(4)</u>
Interest payable		
Interest payable on loans	<u>(26)</u>	<u>(26)</u>
	<u>(26)</u>	<u>(26)</u>

8. Deficit for the financial year

Deficit for the financial year is stated after charging:

	Note	2021	2020
		£'000	£'000
Auditor's remuneration		12	14
Depreciation of tangible fixed assets	9	294	263
Gain on disposal of fixed assets		<u>(12)</u>	<u>-</u>
		<u>294</u>	<u>277</u>

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

9. Tangible fixed assets

	1 January 2021 £'000	Additions £'000	Reclassifi cations £'000	Write offs/ Disposals £'000	31 December 2021 £'000
Cost					
Land	1,000	-	-	-	1,000
Buildings	1,601	-	4	-	1,605
Plant & equipment	4,261	4	(6)	(241)	4,018
Motor vehicles	284	-	-	-	284
Information technology	31	4	2	-	37
	<u>7,177</u>	<u>8</u>	<u>-</u>	<u>(241)</u>	<u>6,944</u>
	1 January 2021 £'000	Charge for the year £'000	Reclassifi cations £'000	Disposals £'000	31 December 2021 £'000
Depreciation					
Buildings	997	41	(1)	-	1,037
Plant & equipment	2,588	249	(1)	(240)	2,596
Motor vehicles	258	3	-	-	261
Information technology	31	1	2	-	34
	<u>3,874</u>	<u>294</u>	<u>-</u>	<u>(240)</u>	<u>3,928</u>
Net Book Value	<u>3,303</u>				<u>3,016</u>

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

10. Assets Under Construction

	1 January £'000	Expense in the year £'000	Transfer to Tangible Fixed Assets £'000	31 December £'000
2021 Total	10	56	(8)	58
2020 Total	116	560	(666)	10

Assets under construction completed in 2021 and transferred to fixed assets includes an intruder alarm (£4k) and a Lactose testing machine (£4k).

Assets under construction as at 31 December 2021 relates to Tanker metering systems (£35k), Cream Platform Floor (£10k), Chilled Water Pumps (£7k) and Stock management system (£6k).

11. Inventories

	2021 £'000	2020 £'000
Milk and dairy products	160	204
Packaging materials	242	306
Other inventories	93	100
	495	610

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

12. Debtors and prepayments

	2021	2020
	£'000	£'000
Trade debtors	778	758
Accrued income	154	117
Other debtors and prepayments	12	18
	944	893

13. Creditors: amounts falling due within one year

	Note	2021	2020
		£'000	£'000
Trade creditors		503	545
Accruals & Deferred Income		514	566
Loan from States of Guernsey	15	18	17
		1,035	1,128

Included as part of Accruals is £40k of unpaid Ex-gratia payments (2021: £40k). See Note 5.

14. Creditors: amounts falling due after more than one year

	Note	2021	2020
		£'000	£'000
Loan from States of Guernsey	15	683	701
		683	701

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

15. Loan from States of Guernsey

	2021	2020
	£'000	£'000
Balance at 1 January	718	734
Capital repaid	<u>(17)</u>	<u>(16)</u>
Balance at 31 December	<u>701</u>	<u>718</u>

A loan of £750k was taken out from the States of Guernsey Bond on 1 January 2019 which is due for repayment on 31 December 2046. The interest rate on the loan is fixed at 3.625% over the life of the loan.

The loan from the States of Guernsey Bond is repayable on a quarterly basis over a period of 28 years at an annual interest rate of 3.625%.

	2021	2020
	£'000	£'000
Within one year	18	17
Between one to two years	18	18
Between two to five years	59	57
More than five years	<u>606</u>	<u>626</u>
	<u>701</u>	<u>718</u>

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board Guernsey Dairy

Notes to the Financial Statements – continued

16. Reserves

	2021	2020
	£'000	£'000
Balance at 1 January	3,623	3,817
Deficit for the financial year	<u>(223)</u>	<u>(194)</u>
Balance at 31 December	<u>3,400</u>	<u>3,623</u>

All reserves are distributable.

17. Reconciliation of operating deficit to net cash flows from operating activities

	2021	2020
	£'000	£'000
Operating deficit for the year	(199)	(164)
Depreciation charges	294	263
Gain on disposal of fixed assets	(12)	-
Decrease in inventories	115	168
(Increase)/decrease in debtors	(51)	134
(Decrease)/increase in creditors due within one year	<u>(93)</u>	<u>127</u>
Net cash flows from operating activities	<u>54</u>	<u>528</u>

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

18. Financial commitments and contingent liabilities

Guernsey Dairy has no commitments to make in respect of operating leases as at 31 December 2021 (2020: £Nil).

Guernsey Dairy has no contingent liabilities as at 31 December 2021 (2020: £Nil).

19. Financial instruments

Guernsey Dairy's financial instruments may be analysed as follows:

	Note	2021 £'000	2020 £'000
Financial assets at amortised cost			
Cash and cash equivalents		605	636
Debtors	12	778	758
Financial liabilities at amortised cost			
Creditors: amounts falling due within one year	13	(521)	(562)
Creditors: amounts falling due within more than one year	14	(683)	(701)

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

20. Employee benefits

The employees of Guernsey Dairy are members of the States of Guernsey Public Servants' Pension Scheme. These arrangements provide defined benefits on a career average revalued earnings (CARE) basis up to a salary cap (£94,081 as at 31 December 2021) for members joining from 1 May 2015 and, on a different CARE basis, for the service from 1 March 2016 of members who joined before 1 May 2015. There is a defined contribution section for earnings in excess of this salary cap. The arrangements for service before 1 March 2016 for members who joined before 1 May 2015 and for the future service of those closer to pension age remains final salary. The scheme is funded by contributions from both employer and employee. The employer rates for the defined benefits are determined on the basis of independent actuarial advice and calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives.

Although the scheme is a multi-employer plan, it is not possible to identify Guernsey Dairy's share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. There is neither an agreement nor a policy in place to allocate any of the deficit of the pension scheme across the participating entities. The States of Guernsey is liable for any obligations that arise from the States of Guernsey Superannuation Fund in respect of employees of the States of Guernsey. All employees of Guernsey Dairy are considered to be ultimately employees of the States of Guernsey.

Consequently, Guernsey Dairy has accounted for the plan as if it were a defined contribution plan, whereby it has expensed employer contributions through the Statement of Comprehensive Income. The employees also contribute to the States of Guernsey Superannuation Fund. The contribution rates are determined by a qualified actuary on the basis of periodic valuations.

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £174k (2020: £148k).

Further details relating to the funding of the Superannuation Scheme are included within the States of Guernsey Accounts 2021.

Notes 1 to 24 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

21. Statement of control

Guernsey Dairy is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of Guernsey Dairy has been delegated to the members of the STSB appointed by the States of Guernsey.

22. Related party transactions

The STSB is of the opinion that there have been no related party transactions in the current or preceding financial years other than as described in these financial statements. One member of Guernsey Dairy Management Board is a milk supplier contracted at "arm's length" on the same terms as other milk suppliers.

The total compensation of key management personnel in 2021 (including salaries and other benefits) was £293k (2020: £287k).

Related party transactions between Guernsey Dairy and other entities controlled by the States of Guernsey have not been disclosed in accordance with the exemptions available within FRS102 Section 33 "Related Party Disclosures".

STSB member Mr S. Falla CBE has declared certain related party transactions under FRS102 section 33. The aggregate of all of these transactions is not of a material nature to either party and all were conducted at arms-length in the normal course of business. Where any conflict of interest may exist, Mr Falla CBE, as under normal rules, would excuse himself from any STSB or other meetings and has not participated in any discussions or voting regarding awarding any contracts leading to these transactions.

23. Subsequent events

Management knows of no events subsequent to the end of the reporting period that would materially affect the financial statements.

24. Off balance-sheet arrangements

There are no commitments or contingent liabilities other than detailed in note 18 relating to 2021 which would affect these financial statements (2020: None).

Notes 1 to 24 form an integral part of these financial statements.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD

STATES WORKS ACCOUNTS 2021

The States are asked to decide:-

1. Whether they are of the opinion to agree with the States' Trading Supervisory Board's approval of the States Works Accounts for the year ending 31 December 2021.

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

States of Guernsey
States' Trading Supervisory Board
States Works

Annual Report and Financial Statements

For the year ended 31 December 2021

States' Trading Supervisory Board

States Works

STATES' TRADING SUPERVISORY BOARD MEMBERS, PRINCIPAL OFFICERS AND PROFESSIONAL ADVISERS 3

CHAIRMAN'S REPORT 5

MANAGING DIRECTOR'S REPORT 7

CORPORATE GOVERNANCE 11

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY – STATES' TRADING SUPERVISORY BOARD – STATES WORKS..... 13

STATEMENT OF COMPREHENSIVE INCOME 17

STATEMENT OF FINANCIAL POSITION..... 18

STATEMENT OF CHANGES IN EQUITY 19

STATEMENT OF CASH FLOWS 20

NOTES TO THE FINANCIAL STATEMENTS..... 21

States' Trading Supervisory Board

States Works

States' Trading Supervisory Board Members, Principal Officers and Professional Advisers

States' Trading Supervisory Board Members

Deputy P. Roffey	President	
Deputy C. Parkinson		
Deputy N. Moakes		
Mr S. Falla CBE		
Mr J. Hollis		resigned 15 October 2021
Dr S. Thornton		elected 16 October 2021

The constitution of the States' Trading Supervisory Board ("STSB") provides that the membership of the STSB shall be a President and up to two members who shall be members of the States and two members who shall not be members of the States. If and when the STSB is inquorate and an urgent decision is required, the States' Rules of Procedure allow for the insufficiency of members to be replaced by members of the States chosen, in the first instance, from members of the Policy & Resources Committee.

Principal Officers to the States' Trading Supervisory Board

Mr S. Elliott, Managing Director, States Trading Group
Mr S. Gardiner, Finance Business Partner, States Trading Group
Mr A. Ford, Head of Shareholder Executive, States Trading Group

States Works Board Members

Dr S. Thornton	Chairman	appointed 16 October 2021
Mr J. Hollis	Chairman	resigned 15 October 2021
Deputy N. Moakes		
Mr M. Polli	non-voting adviser	
Mr P. Lickley	non-voting adviser	
Mr M. Hardwick	non-voting adviser	resigned 26 March 2021
Mr I. Merrien	non-voting adviser	
Mr I. Gavet	non-voting adviser	appointed 17 May 2021

States' Trading Supervisory Board

States Works

States' Trading Supervisory Board Members, Principal Officers and Professional Advisers – continued

At its meeting of 4 May 2017, the STSB agreed to establish political subcommittees (company Boards) for the trading assets including States Works.

The constitution of the States Works Board ("SWB") was determined by the STSB at its meeting of 4 May 2017.

Further information on the role of the SWB is provided in the section on Corporate Governance.

Principal Officers to the States Works Board

Mr P. Lickley, Managing Director, States Works
Mr M. Hardwick, Senior Manager, Technical, States Works resigned 26 March 2021
Mr I. Gavet, Senior Manager, Technical, States Works appointed 17 May 2021
Mr M. Torode, Senior Manager, Operations, States Works
Mr I. Merrien, Senior Finance Manager, States Works
Miss C. Prout, Senior Manager, Business and Support Services, States Works

In these financial statements any reference to "President" refers to the President of the STSB and any reference to "Chairman" refers to the Chairman of the SWB.

Legal Advisers

Law Officers of the Crown
St James Chambers
St James Street
St Peter Port
GY1 2PA

Independent Auditor

Grant Thornton Limited
PO Box 313
Lefebvre House
Lefebvre Street
St Peter Port
GY1 3TF

States' Trading Supervisory Board

States Works

Chairman's report

Overview

States Works is responsible for the provision of a number of essential municipal and maintenance services that either maintain and develop the island's infrastructure, or help promote Guernsey's natural beauty for islanders and visitors. Due to the diversity and scale of its service offering, States Works is also able to deploy its resources in providing an emergency support service to unplanned incidents, the cost of which is in part spread across all its activities. This is an added benefit that helps to maintain the safety and security of the island.

States Works was affected by COVID-19 lockdown, but with well documented and tested business continuity plans in place to deal with such circumstances, States Works was well placed to respond to this challenge. Business activities were limited to those required to maintain continuity of essential services during lockdown, and all non-essential operational activity put on hold until restrictions were eased. Despite these challenges a £500k contribution to General Reserve was provided to the States of Guernsey as part of the Medium Term Financial Plan.

States of Guernsey trading businesses account for 55% of States Works activities, with other States of Guernsey customers representing a further 33%. The remaining 12% relates to work for private clients.

Business performance

2021 revenues reduced whilst restrictions on working were in place, but thereafter the situation largely recovered towards pre-lockdown levels.

Contracts with Guernsey Waste are operated on a cost plus basis and these in particular saw savings being passed back to the client. This resulted in income from this section being £1,100k adverse to budget, a situation that was partly offset by the stay at home requirement and home working which resulted in the Sewage Collection Service managing additional loads during 2021.

States' Trading Supervisory Board

States Works

Chairman's report - continued

Our community

States Works mission is to be a 'community focused provider of essential environmental and infrastructure services operating for the long term benefit of the island.'

This benefit is partly achieved through the diverse range of services provided, the majority of which touch of the lives of the whole community in some way. These services ensure the maintenance, safety and security of the islands natural and built environment and help to promote and support the island's natural beauty for islanders and visitors.

The business supports a number of work rehabilitation and return to work initiatives aimed at helping individuals back into the work place following a period of absence, or to overcome barriers to employment. We also recognise the importance of investing in our people and have established a proactive training and development framework to support our staff and the next generation of skilled operatives. This is helping to address the growing skills shortage on island.

Our team

The team at States Works delivers a number of essential services, which is why a significant portion of the business continued to work during lockdown. The way our team responded in dealing with barriers to day-to-day operations due to COVID-19 restrictions demonstrates the resilience of the business, and the importance to the island of maintaining a dedicated resource capable of responding to significant emergency situations.

The efforts of our staff who were required to work through these very difficult and often challenging circumstances must be commended, and I would like to thank all for their dedication, hard work and commitment to providing an excellent service.

Our business strategy and future

The States Works business plan, published in 2020, sets the scene for a period of significant change and transformation and will lead to the establishment of an optimum operating model for the business, based around six outcomes:-

- Improved resilience;
- Customer and client satisfaction;
- Resource optimisation (assets, people, systems and processes);
- Return in the best interest of islanders;
- Corporate Social Responsibility;
- Environmental Sustainability to ensure continued exploring and promotion of sustainable working practices.

States' Trading Supervisory Board

States Works

Managing Director's report

The STSB presents its report and the audited financial statements for States Works for the year ended 31 December 2021. These comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 23.

Principal activities

States Works, a business unit of the STSB, operates as a trading business delivering a wide range of services. Those services require a predominantly manual labour force utilising specialist plant and equipment to maintain the island's public infrastructure and associated services.

Contributions to the States of Guernsey

States Works made a £500k contribution to the General Reserve in 2021 (2020: £500k) and assisted clients in achieving their own target reductions in a way that minimised noticeable impacts on services.

Financial performance

	Actual 2021 £'000	Budget 2021 £'000	Actual 2020 £'000
Revenue	17,024	17,757	16,153
Surplus for the financial year	925	711	682
Capital expenditure	929	2,541	2,321

States' Trading Supervisory Board

States Works

Managing Director's report - continued

Operational performance

	2021	2020
Staffing Statistics		
Number of staff members at year end	212	224
Income generated per employee	£80,300	£72,112
Full time equivalent employees	235	241
Emergency call-out		
Number of calls	217	267
Man hours worked	427.5	508

States Works made a surplus of £925k in 2021 compared to a budgeted surplus of £711k:

- Revenue for 2021 was £17,024k, which was £733k below budget. COVID-19 impacted revenues due to restrictions on working that required the provision of all non-essential works to be paused during lockdown. This mainly affected activities such as Highways and Land Management Services. The amount charged for operation of the waste sites was also lower than budgeted due to lower volumes and associated maintenance costs.
- Operating expenses for 2021 were £15,093k, which reflects the reduction in operations during lockdown, resulting in expenditure being £183k below budget.
- Capital purchases of vehicles and plant were delayed which resulted in depreciation being £343k lower than budget.
- Fair value movement on investment property showed a gain of £90k
- The total investment return for the year was £124k favourable to budget.

Our customers

States Works' customer base is predominantly other States of Guernsey committees and trading businesses for which it undertakes work based on formal service level agreements. The remaining 12% of turnover is undertaken for private clients including Parish Douzaines.

States' Trading Supervisory Board

States Works

Managing Director's report - continued

Statement of responsibilities for the preparation of financial statements

The STSB is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs for States Works and of the surplus or deficit of States Works for that period. In preparing those financial statements, the STSB is required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on a going concern basis, unless it is inappropriate to do so, and
- state whether applicable accounting standards have been followed.

The STSB is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time States Works' financial position. The STSB is also responsible for identifying and installing internal controls, including financial controls, which are adequate for its own purposes and to safeguard States Works' assets and the States of Guernsey in its care, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of financial controls

The STSB is responsible for the economic, efficient and effective operations and management of States Works and has a duty to ensure that they fulfil their obligations.

States Works' internal financial controls and monitoring procedures include:

- Annually reported and approved budgets monitored against monthly management accounts with additional operational detail reported in monthly management reports, which monitor actual revenue and expenditure against that anticipated. All such detail is regularly reviewed at meetings of the company board and the STSB, to ensure that all STSB Members are informed of States Works financial affairs,
- Customer invoices are subjected to a range of pre-determined computerised integrity checks prior to dispatch in order to ensure accuracy,
- Regular review of debtors to ensure that any delinquent debtors are identified at an early stage and dealt with appropriately,
- The control of materials and stores purchases are managed using a computerised job-costing programme with specific authorisation limits for purchases and segregated areas of responsibility for processing of payments, all of which maintain detailed audit trails,

States' Trading Supervisory Board

States Works

Managing Director's report - continued

- Manpower expenditure is monitored and controlled at source via time sheets, which are authorised and reconciled with the wage bill,
- Capital expenditure authorisation is subject to strict valuation guidelines and purchase procedures,
- Regular review of charges, and
- Consideration of all audit reports by the STSB.

The STSB strives to ensure that all staff with financial responsibility in States Works have the appropriate integrity, skills and motivation to professionally discharge their duties.

States Works' internal controls and accounting policies have been and are subject to continuous review and improvement. In addition the financial statements are subject to an independent external audit by an auditor appointed by the States of Guernsey.

Going concern

The financial statements have been prepared on the going concern basis of accounting. The STSB and its Principal Officers have reviewed the cash flows and projected income and expenses over the next 12 months (including the assessment of the impact of COVID-19), prepared by management, and deem that States Works, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that States Works is a going concern for at least 12 months from the approval of the financial statements.

Auditors

Grant Thornton Limited have expressed their willingness to continue in office as auditors.

States' Trading Supervisory Board

States Works

Corporate Governance

The purpose of the SWB is to support the delivery of the STSB's mandate, ensuring the efficient and effective management, operation and maintenance of States Works.

The SWB is accountable to the STSB and operates by challenging established practices and assumptions and seeking to support the business in establishing clear strategic direction, business planning and operational delivery in support of the outcomes of the Government Work Plan, the Public Service Reform Agenda, Service Guernsey and other strategic reviews and organisational drivers.

The SWB membership is a minimum of a Chairman who is not a States Member, a political member of the STSB, a Senior Executive of an Incorporated Company or one or more Senior Officers of the States of Guernsey, the States Works Managing Director and the Financial Manager.

All members of the SWB other than the Managing Director and the Financial Manager are appointed by the STSB.

As a sub-committee of the States, the quorum will be two members of the STSB.

The SWB does not hold a fiduciary responsibility.

The SWB will take into account the States of Guernsey's political direction with regard to the operation of States Works, as directed from time to time by the STSB. It must ensure that States Works' operations and operational policies align with the wider strategy and policy framework of the States of Guernsey and/or the STSB. The SWB may generate policy for endorsement by the STSB and onward to the States of Guernsey as required.

The STSB specifically confers the following responsibilities and delegated authority to the SWB to:

- Approve capital and revenue annual budgets in line with the long-term budgets approved by the STSB,
- Approve annual business plans in line with long-term strategy and planning approved by or directed by the STSB,
- Approve and issue annual reports, and
- Guide and steer States Works.

In carrying out these responsibilities the SWB is bound and enabled by States of Guernsey rules for financial and resource management and the rules, directives, policies and procedures of the States of Guernsey, such as, but not limited to: Finance; Procurement; Property; Human Resources; Data Protection; Health and Safety Management; Risk and Issue Management; Managing Matters of Litigation; and Relevant legislation. The SWB has the authority delegated by the STSB to direct the States Works Managing Director in the day-to-day operation of States Works in line with approved budget and business plans.

The SWB acts as a political sub-committee of the STSB.

States' Trading Supervisory Board States Works

Corporate Governance - continued

The STSB can disband SWB at any time without notice or recourse to any other body.

In the event due process has not been followed, the SWB must render itself unable to make a decision until such time process has been followed.

States' Trading Supervisory Board

States Works

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board – States Works

Opinion

We have audited the financial statements of The States of Guernsey – States' Trading Supervisory Board ("STSB") – States Works for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102).

In our opinion, the financial statements:

- give a true and fair view of the state of States Works' affairs as at 31 December 2021 and of its surplus for the year then ended; and
- are in accordance with FRS 102.

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 States Works in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

States' Trading Supervisory Board

States Works

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board – States Works - continued

Other information

The STSB are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

Responsibilities of the STSB for the financial statements

As explained more fully in the statement of responsibilities for the preparation of financial statements set out on page 10, the STSB are responsible for the preparation of the financial statements which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, and for such internal control as the STSB 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 STSB are responsible for assessing States Works' 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 STSB either intend to liquidate States Works or to cease operations, or have no realistic alternative but to do so.

States' Trading Supervisory Board

States Works

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board – States Works - continued

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 States Works' 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 States Works' 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 States Works 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 those charged with governance 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.

States' Trading Supervisory Board

States Works

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board – States Works - continued

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

Use of our report

This report is made solely to the members of the STSB. Our audit work has been undertaken so that we might state to the members of the STSB 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 States Works and the members of the STSB, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey

16 May 2022

States' Trading Supervisory Board

States Works

Statement of Comprehensive Income

for the year ended 2021

	Notes	2021 £'000	2020 £'000
Revenue	2 & 4	<u>17,024</u>	<u>16,153</u>
Expenses	2 & 5		
Operating expenses		(11,830)	(11,266)
Administration and general expenses		<u>(3,263)</u>	<u>(2,912)</u>
		<u>(15,093)</u>	<u>(14,178)</u>
Operating surplus before depreciation and gain/(loss) on disposal of fixed assets		1,931	1,975
Depreciation	9	(1,427)	(1,446)
Gain/(loss) on disposal of fixed assets	8	207	(18)
Impairment of fixed assets	9	-	(41)
Fair value movement on investment property	10	<u>90</u>	<u>-</u>
Operating surplus for the year		<u>801</u>	<u>470</u>
Investment return and net interest receivable	7	<u>124</u>	<u>212</u>
Surplus for the financial year		<u>925</u>	<u>682</u>

All material activities derive from continuing operations.

There are no recognised gains or losses or other movements in reserves for the current or preceding financial years, other than as stated in the Statement of Comprehensive Income.

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Statement of Financial Position

as at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Tangible fixed assets	9	6,798	7,315
Investment property	10	620	530
		<u>7,418</u>	<u>7,845</u>
Current assets			
Inventories and work in progress	12	643	543
Debtors and prepayments	13	2,594	2,079
Balances with States Treasury		2,590	3,218
		<u>5,827</u>	<u>5,840</u>
Creditors: amounts falling due within one year	14	<u>(1,714)</u>	<u>(2,579)</u>
Net current assets		<u>4,113</u>	<u>3,261</u>
Total net assets		<u>11,531</u>	<u>11,106</u>
Reserves	15	<u>11,531</u>	<u>11,106</u>

Signed on behalf of the States of Guernsey - States' Trading Supervisory Board

Deputy P. Roffey
President

16 May 2022

Signed on behalf of the States Trading Group

Mr S. Elliott
Managing Director

16 May 2022

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Statement of Changes in Equity

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Balance at 1 January		11,106	10,924
Surplus for the financial year		925	682
Transfer to States of Guernsey General Revenue	15	<u>(500)</u>	<u>(500)</u>
Balance at 31 December	15	<u>11,531</u>	<u>11,106</u>

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Statement of Cash Flows

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Net cash flows from operating activities	16	<u>294</u>	<u>3,094</u>
Cash flows from investing activities			
Proceeds from disposal of fixed assets		226	-
Purchase of fixed assets	11	<u>(929)</u>	<u>(2,321)</u>
Net cash flows used in investing activities		<u>(703)</u>	<u>(2,321)</u>
Cash flows from financing activities			
Contribution to States of Guernsey General Revenue	15	(500)	(500)
Investment return received		<u>281</u>	<u>111</u>
Net cash flows from financing activities		<u>(219)</u>	<u>(389)</u>
Net (decrease)/increase in cash and cash equivalents		(628)	384
Cash and cash equivalents at the beginning of the year		<u>3,218</u>	<u>2,834</u>
Cash and cash equivalents at the end of the year		<u>2,590</u>	<u>3,218</u>
Reconciliation to cash at bank and in hand:			
Balances with States Treasury		<u>2,590</u>	<u>3,218</u>
Cash and cash equivalents		<u>2,590</u>	<u>3,218</u>

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements

1. General information

States Works is an unincorporated business unit, the management, operation and maintenance of which is the responsibility of the States of Guernsey - STSB. The nature of States Works operations and principal activities are set out in the General Manager's report.

States Works' principal place of business is La Hure Mare, Vale, Guernsey, GY3 5UD.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

The financial statements are prepared in accordance with the stated accounting policies and under the historical cost convention as modified to include Investment Properties at fair value and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Functional and presentational currency

The financial statements are presented in Pounds Sterling, which is the functional and presentational currency of States Works and have been rounded to the nearest thousand.

Going concern

The financial statements have been prepared on the going concern basis of accounting. The STSB and its Principal Officers have reviewed the cash flows and projected income and expenses over the next 12 months (including the assessment of the impact of COVID-19), prepared by management, and deem that States Works, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that States Works is a going concern for at least 12 months from approval of the financial statements.

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Tangible fixed assets

i) Investment properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the Statement of Comprehensive Income.

ii) Property, plant and equipment

Property, plant and equipment is stated at cost or valuation, net of depreciation and any provision for impairment. Property, plant and equipment is depreciated over its expected useful life.

iii) Assets under construction

Assets under construction are capitalised and are transferred to tangible fixed assets and depreciated once brought into use. All costs associated with capital projects, including professional fees are capitalised. No impairment reviews are undertaken for assets under construction.

Depreciation

Depreciation is calculated at the following annual rates so as to write off the cost of tangible fixed assets over their anticipated expected useful lives using the straight-line method. Depreciation commences from the month of the acquisition of an asset.

	Estimated life in years	Depreciation % per annum
Plant and equipment	3 – 20	5% - 33.3%
Motor vehicles	3 – 10	10% - 33.3%
Office equipment	5	20%
Buildings and fittings	10 – 50	2% - 10%
Land	-	-

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Impairment of assets (excluding inventories)

Assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income. An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Costs include an appropriate proportion of processing expenses and are calculated at average value method. Provisions are made for obsolete and slow-moving items where appropriate.

Work in progress

Work in progress is valued at cost.

Basic financial instruments

i) Trade debtors

Trade debtors are recognised initially at original invoiced amount. Subsequent to initial recognition they are measured at amortised cost, less any impairment losses. Trade debtors are stated less a specific provision against debtor balances that are identified as irrecoverable.

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

ii) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and balances held by States Treasury on behalf of States Works. Whilst States Works operates a treasury account, the entity will make payments and receive money via bank accounts held centrally by the States of Guernsey. The net cash balance held with the States Treasury at the year-end is treated as Cash and Cash Equivalents in States Works' Statement of Financial Position. This net cash balance may change on a daily basis, with surplus cash balances generating financial returns, and balances in deficit being charged interest. Any net cash balance held with the States Treasury could be reduced over a very short period of time without detriment, and therefore is considered to be a highly liquid investment, readily convertible to known amounts of cash and subject to an insignificant risk of any change in notional value.

iii) Trade creditors

Trade creditors are recognised initially at original invoiced amount plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost.

iv) De-recognition of basic financial instruments

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Business Unit transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Business Unit, 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 a contract is discharged, cancelled or expires.

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Revenue and expenses

Revenue is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Revenue from the sale of goods is recognised when the goods are physically delivered to the customer. Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year. Expenses are accounted for on an accruals basis.

Pension costs

Pension costs are treated as described in note 19.

Investment return and interest receivable/payable

Investment return on balances held with the States of Guernsey and interest receivable/payable is accounted for on an accruals basis.

Leases

i) As lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

ii) As lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of States Works' accounting policies, which are described in Note 2, the STSB Members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Board Members have made in the process of applying States Works accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i) Valuation of investment property

As stated in the accounting policies above, States Works' investment properties are stated at fair value, as accounted for by management based on an independent external appraisal. The estimated fair value may differ from the price at which the properties could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also certain estimates require an assessment of factors not within management's control such as overall market conditions. As a result, actual realisable proceeds could differ from the valuations in these financial statements, and the difference could be significant.

ii) Depreciation rates

States Works' building and equipment assets have no definite life, so management makes an assumption based on previous experience of the usage of the assets. The rate used for each type of asset that makes up the building and equipment assets has been disclosed in note 2.

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

4. Revenue

All revenue is derived from activities within the Bailiwick of Guernsey.

An analysis of States Works' revenue by class of business is set out below:

	2021	2020
	£'000	£'000
Administration and stores	493	494
Cleansing	1,593	1,358
Drainage	474	324
Electrical and mechanical	1,033	1,032
Emergency services	98	102
Fleet hire	115	92
Fleet maintenance	707	685
Highway repair	1,155	925
Household Waste Recycling Centre and Waste Transfer Station	2,309	2,243
Land management	1,887	1,797
Landfill and recycling	1,952	1,859
Management services	109	116
Sewage collection	2,993	3,004
Signs and lines	474	459
Waste collection	1,632	1,663
	17,024	16,153

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

5. Expenses

	2021	2020
	£'000	£'000
Operating expenses		
Direct labour	6,894	6,871
Direct materials	4,183	3,701
Vehicles – fuel costs	323	253
Plant and tools – maintenance and replacements	192	203
Building maintenance and charges	238	238
	<u>11,830</u>	<u>11,266</u>
Administration and general expenses		
Salaries, wages and employer's pension costs	1,995	1,962
Travel and training	52	48
Post, stationery and telephone	43	46
Information technology	57	44
Insurance	233	297
Audit fee	20	20
Professional fees and office expenses	863	494
Debt Write Off	-	1
	<u>3,263</u>	<u>2,912</u>
Total expenses	<u><u>15,093</u></u>	<u><u>14,178</u></u>

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

6. Staff numbers and costs

The average monthly number of full time equivalent employees (including senior management) was:

	2021	2020
Operational staff	197	202
Administration staff	38	39
	235	241

Their aggregate remuneration comprised:

	Note	2021	2020
		£'000	£'000
Wages and salaries		7,839	7,376
Social security costs		516	485
Pension costs	18	920	882
		9,275	8,743

Pension costs include only those items within operating and administration and general expenses.

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

7. Interest

	2021	2020
	£'000	£'000
Interest receivable		
Investment return	<u>124</u>	<u>212</u>
	<u>124</u>	<u>212</u>

8. Surplus for the financial year

Surplus for the financial year is stated after charging/(crediting):

	Note	2021	2020
		£'000	£'000
Auditor's remuneration		20	20
Depreciation of tangible fixed assets	9	1,427	1,446
(Gain)/loss on disposal of fixed assets		(207)	18
Impairment of tangible fixed assets		-	41
Gain on fair value movement of investment property		(90)	-
		<u>1,150</u>	<u>1,525</u>

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

9. Tangible fixed assets

	1 January 2021 £'000	Additions £'000	Write offs/ Disposals £'000	31 December 2021 £'000
Cost				
Land	649	-	-	649
Buildings & fittings	4,269	53	(20)	4,302
Plant & equipment	2,133	79	-	2,212
Motor vehicles	10,836	795	(1,411)	10,220
Office equipment	283	2	(55)	230
	<u>18,170</u>	<u>929</u>	<u>(1,486)</u>	<u>17,613</u>
	1 January 2021 £'000	Charge for the year £'000	Write offs/ Disposals £'000	31 December 2021 £'000
Depreciation				
Land	-	-	-	-
Buildings & fittings	2,460	106	(20)	2,546
Plant & equipment	1,546	211	-	1,757
Motor vehicles	6,599	1,094	(1,396)	6,297
Office equipment	250	16	(51)	215
	<u>10,855</u>	<u>1,427</u>	<u>(1,467)</u>	<u>10,815</u>
Net Book Value	<u>7,315</u>			<u>6,798</u>

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

10. Investment Property

	1 January 2021 £'000	Additions/ Disposals £'000	Revaluations £'000	31 December 2021 £'000
Investment Property	530	-	90	620
	<u>530</u>	<u>-</u>	<u>90</u>	<u>620</u>

This investment property, which is freehold, was purchased on 1 January 2007. The fair value of this property at 31 December 2021 was based on a valuation undertaken by an independent valuer with recent experience in the location and class of the investment property being valued. The historic cost of this property was £625k.

Operating lease of investment property

The investment property is rented out under an operating lease.

At the Statement of Financial Position date, States Works had contracted with tenants for the following future minimum lease payments:

	2021 £'000	2020 £'000
Within one year	<u>38</u>	<u>37</u>
	<u>38</u>	<u>37</u>

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

11. Assets under construction

	1 January 2021 £'000	Expense in the year £'000	Transfers to Tangible Fixed Assets £'000	31 December 2021 £'000
2021 Total	-	929	(929)	-
2020 Total	-	2,321	(2,321)	-

Assets under construction completed in 2021 and transferred to fixed assets primarily comprises replacement plant and vehicles.

12. Inventories and work in progress

	2021 £'000	2020 £'000
Inventories	351	315
Work in progress	292	228
	643	543

13. Debtors and prepayments

	2021 £'000	2020 £'000
Trade debtors	2,337	1,727
Prepayments and other debtors	257	352
	2,594	2,079

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

14. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	260	540
Accruals and deferred income	<u>1,454</u>	<u>2,039</u>
	<u>1,714</u>	<u>2,579</u>

15. Reserves

	2021 £'000	2020 £'000
Balance at 1 January	11,106	10,924
Surplus for the financial year	925	682
Transfer to States of Guernsey General Revenue	<u>(500)</u>	<u>(500)</u>
Balance at 31 December	<u>11,531</u>	<u>11,106</u>

All reserves are distributable

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

16. Reconciliation of operating surplus to net cash flows from operating activities

	2021	2020
	£'000	£'000
Operating surplus for the year	801	470
Depreciation charges	1,427	1,446
(Gain)/loss on disposal of fixed assets	(207)	18
Impairment of fixed assets	-	41
Increase in inventories and work in progress	(100)	(105)
Increase in debtors	(515)	(37)
(Decrease)/increase in creditors due within one year	(865)	1,161
(Decrease)/increase in accrued interest	(157)	100
Revaluation of investment property	(90)	-
	<hr/> 294 <hr/>	<hr/> 3,094 <hr/>
Net cash flows from operating activities	294	3,094

17. Financial commitments and contingent liabilities

	2021	2020
	£'000	£'000
Commitments at 31 December for which no provision has been made in these financial statements.	102	362

Financial commitments are for orders placed for new vehicles not yet delivered.

States Works has a contingent liability of £10,200 as at 31 December 2021 (2020: £21,537).

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

18. Financial instruments

States Works' financial instruments may be analysed as follows:

	2021	2020
	£'000	£'000
Financial assets at amortised cost		
Cash and cash equivalents	2,590	3,218
Debtors	2,337	1,727
Financial liabilities at amortised cost		
Creditors: amounts falling due within one year	(260)	(540)

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

19. Employee benefits

The employees of States Works are members of the States of Guernsey Public Servants' Pension Scheme. These arrangements provide defined benefits on a career average revalued earnings (CARE) basis up to a salary cap (£94,081 as at 31 December 2021) for members joining from 1 May 2015 and, on a different CARE basis, for the service from 1 March 2016 of members who joined before 1 May 2015. There is a defined contribution section for earnings in excess of this salary cap. The arrangements for service before 1 March 2016 for members who joined before 1 May 2015 and for the future service of those closer to pension age remains final salary. The scheme is funded by contributions from both employer and employee. The employer rates for the defined benefits are determined on the basis of independent actuarial advice, and calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives.

Although the scheme is a multi-employer plan, it is not possible to identify States Works' share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. There is neither an agreement nor a policy in place to allocate any of the deficit of the pension scheme across the participating entities. The States of Guernsey is liable for any obligations that arise from the States of Guernsey Superannuation Fund in respect of employees of the States of Guernsey. All employees of States Works are considered to be ultimately employees of the States of Guernsey.

Consequently, States Works has accounted for the plan as if it were a defined contribution plan, whereby it has expensed employer contributions through the Statement of Comprehensive Income. The employees also contribute to the States of Guernsey Superannuation Fund. The contribution rates are determined by a qualified actuary on the basis of periodic valuations.

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £920k (2020: £882k).

Further details relating to the funding of the Superannuation Scheme are included within The States of Guernsey Accounts 2021.

20. Statement of control

States Works is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of States Works has been delegated to the members of the STSB appointed by the States of Guernsey.

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

21. Related party transactions

The STSB is of the opinion that there have been no related party transactions in the current or preceding financial years other than as described in these financial statements. All transactions are conducted as normal business arrangements carried out at "arm's length". There has been a small change in the proportion of business between States of Guernsey Trading Business 55% (2020: 57%), other States of Guernsey 33% (2020: 30%) and private 12% (2020: 13%) clients.

Less than 20% of the value of the organisation's annual expenditure is due to transactions with other States entities.

The total compensation of key management personnel in 2021 (including salaries and other benefits) was £320k (2020: £345k).

STSB member Mr S. Falla CBE has declared certain related party transactions under FRS102 section 33. The aggregate of all these transactions is disclosed below and all were conducted at arms-length in the normal course of business. Where any conflict of interest may exist, Mr Falla, as under normal rules, would excuse himself from any STSB or other meetings and has not participated in any discussions or voting regarding awarding any contracts leading to these transactions.

	2021	2020
	£'000	£'000
Garenne Group		
Revenue	167	186
Expenses	319	1,085
	486	1,271
Trade Debtors	35	98
Trade Creditors	7	13

Of which £Nil (2020: £902k) were the result of open tenders for the acquisition of specialist vehicles.

22. Subsequent events

Management knows of no events subsequent to the end of the reporting period that would materially affect the financial statements.

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board States Works

Notes to the Financial Statements – continued

23. Off balance-sheet arrangements

There are no commitments or contingent liabilities other than detailed in note 17 relating to 2021 which would affect these financial statements (2020: None).

Notes 1 to 23 form an integral part of these financial statements.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD

GUERNSEY WASTE ACCOUNTS 2021

The States are asked to decide:-

1. Whether they are of the opinion to agree with the States' Trading Supervisory Board's approval of the Guernsey Waste Accounts for the year ending 31 December 2021.

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

States of Guernsey
States' Trading Supervisory Board
Guernsey Waste

Annual Report and Financial Statements

For the year ended 31 December 2021

States' Trading Supervisory Board Guernsey Waste

STATES' TRADING SUPERVISORY BOARD MEMBERS, PRINCIPAL OFFICERS AND PROFESSIONAL ADVISERS 3

CHAIRMAN'S REPORT 5

OPERATIONS MANAGER'S REPORT..... 7

CORPORATE GOVERNANCE 11

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY – STATES' TRADING SUPERVISORY BOARD – GUERNSEY WASTE 13

STATEMENT OF COMPREHENSIVE INCOME 17

STATEMENT OF FINANCIAL POSITION..... 18

STATEMENT OF CHANGES IN EQUITY 19

STATEMENT OF CASH FLOWS 20

NOTES TO THE FINANCIAL STATEMENTS..... 21

States' Trading Supervisory Board Guernsey Waste

States' Trading Supervisory Board Members, Principal Officers and Professional Advisers

States' Trading Supervisory Board Members

Deputy P. Roffey	President	
Deputy C. Parkinson		
Deputy N. Moakes		
Mr S. Falla CBE		
Mr J. Hollis		resigned 15 October 2021
Dr S. Thornton		elected 16 October 2021

The constitution of the States' Trading Supervisory Board ("STSB") provides that the membership of the STSB shall be a President and up to two members who shall be members of the States and two members who shall not be members of the States. If and when the STSB is inquorate and an urgent decision is required, the States' Rules of Procedure allow for the insufficiency of members to be replaced by members of the States chosen, in the first instance, from members of the Policy & Resources Committee.

Principal Officers to the States' Trading Supervisory Board

Mr S. Elliott, Managing Director, States Trading Group
Mr S. Gardiner, Finance Business Partner, States Trading Group
Mr A. Ford, Head of Shareholder Executive, States Trading Group

Guernsey Waste Board Members

Dr S. Thornton	Chairman	appointed 16 October 2021
Mr J. Hollis	Chairman	resigned 15 October 2021
Deputy C. Parkinson		
Mr M. Jones	non-voting adviser	
Mr P. Watson	non-voting adviser	
Miss S. Robinson	non-voting adviser	
Mr I. Merrien	non-voting adviser	

States' Trading Supervisory Board Guernsey Waste

States' Trading Supervisory Board Members, Principal Officers and Professional Advisers – continued

At its meeting of 4 May 2017, the STSB agreed to establish political subcommittees (company Boards) for the trading businesses, including the Solid Waste Trading Account which transferred its assets to Guernsey Waste on its inception on 1 January 2019.

The constitution of the company Boards was determined by the STSB at its meeting of 4 May 2017, which was adopted by the Guernsey Waste Board ("GWB") on 1 January 2019.

Further information on the role of the GWB is provided in the section on Corporate Governance

Principal Officers to the Guernsey Waste Board

Miss S. Robinson, Operations Manager, Guernsey Waste
Mr I. Merrien, Senior Finance Manager, Guernsey Waste
Mr R. Roussel, Technical Advisor, Guernsey Waste
Mrs R. Scally, Contracts Manager, Guernsey Waste

In these financial statements any reference to "President" refers to the President of the STSB and any reference to "Chairman" refers to the Chairman of the GWB.

Legal Advisers

Law Officers of the Crown
St James Chambers
St James Street
St Peter Port
GY1 2PA

Independent Auditor

Grant Thornton Limited
PO Box 313
Lefebvre House
Lefebvre Street
St Peter Port
GY1 3TF

States' Trading Supervisory Board

Guernsey Waste

Chairman's report

Overview

Guernsey Waste was established as one of the unincorporated trading businesses, overseen by the STSB, in 2019. The STSB acts as the Waste Disposal Authority ("WDA") and is responsible for implementing the island's Waste Management Plan and the agreed Waste Strategy. Waste policy is set by the Committee *for the* Environment & Infrastructure whilst the WDA advises on its development and implements it. All current sites and services were fully operational in 2019 and the Waste Strategy target of 70% household recycling by 2030 was achieved 11 years early, with a rate of 73% in 2019. This success continued into 2020 and 2021.

Business performance

Although great success has been achieved in terms of the strategy targets, this has left Guernsey Waste with a deficit on its accounts. The average cost per household to recover operational costs was projected in the original financial model to be £6 per week. Since the strategy was introduced, households have paid on average around £4.50 per week. Similarly commercial waste streams were expected to cover their own costs, even contribute a small surplus in the early years to cover lower revenues from residual waste later in the strategy.

As a result, the STSB increased the household fixed and pay as you throw charges in 2021 to partly rebalance income and expenditure. However, Guernsey Waste will need to continue to explore ways to fully address the deficit to achieve a break-even position over the 20 year life of the strategy.

States' Trading Supervisory Board

Guernsey Waste

Chairman's report - continued

Our community

Guernsey Waste's vision is to enable the island to become a leader in sustainable and environmental waste resource management at an affordable cost by delivering services that enable Islanders to deal with their waste as high up the waste hierarchy as is possible. It aims to do this through providing islanders with the means to deal with their waste as sustainably as possible through services and sites such as the Household Waste & Recycling Centre ("HWRC"). The business runs many campaigns and initiatives to encourage islanders to move their waste up the waste hierarchy (reduce, reuse, recycle) such as Love Food Hate Waste, real nappy subsidies and composting kits and also provides an educational programme to the whole community.

Our team

Guernsey Waste is a commissioning organisation comprised of a small administrative team of 9 staff with support, such as finance, being provided from the corporate function of the Trading Group. It contracts out the majority of its operations to States Works and other local contractors but also has contracts with UK based off takers for many waste streams. The Guernsey Waste team oversees the procurement and management of these contracts and provides a customer service function and education on all waste and recycling matters to the island.

I would like to thank the dedicated staff and employees for all their hard work, and commitment throughout the year.

Our business strategy and future

Whilst the main focus in the short term for Guernsey Waste must be on addressing its annual financial deficit, sites and services must continue to be provided. Guernsey Waste will aim to maintain its early success of household recycling rates and continue to improve waste management across the island.

States' Trading Supervisory Board

Guernsey Waste

Operations Manager's report

The STSB presents its report and the audited financial statements for Guernsey Waste for the year ended 31 December 2021. These comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 22.

Principal activities

Guernsey Waste ensures the statutory obligations of the island's WDA are met, at an operational level in accordance with the current Waste Management Plan approved by the States. Its main activities are to:

- make arrangements for and ensure the operation of Guernsey's public waste management system,
- monitor the creation of waste in Guernsey,
- keep under review the systems for collection, transportation, sorting and recycling of waste,
- identify the best practical environmental options for the recovery or disposal of waste,
- comply with the current Waste Management Plan,
- carry out such other functions as may be created, assigned or transferred for or to it by the Environmental Pollution Law or any other enactment.

Financial performance

	Actual 2021 £'000	Budget 2021 £'000	Actual 2020 £'000
Revenue	9,203	8,829	7,906
Operating deficit before depreciation	(606)	(1,868)	(1,030)
Deficit for the financial year	(2,543)	(3,819)	(2,963)
Capital expenditure	15	370	43

In 2018 the States of Deliberation voted to fund the construction costs of the Waste Transfer Station and Household Waste & Recycling Centre from the Capital Reserve and these assets were transferred to Guernsey Waste on its inception in 2019. The depreciation on these assets is outside the breakeven requirement for the 20 year strategy.

States' Trading Supervisory Board

Guernsey Waste

Operations Manager's report – continued

Operational performance

Guernsey Waste improved on the expected position and made an operating deficit before depreciation for the year of £606k compared to a budgeted deficit of £1,868k. The key differences were:

Operating revenue for Guernsey Waste was £9,203k which is £374k higher than budgeted revenue. The main reasons for this are:

- An increase in inert waste revenue, mainly due to increased tonnage.
- An increase in HWRC revenue due to increased tonnages.
- revenue for residual household waste (black bags) was higher than budgeted due to increased tonnages.

Actual expenditure for the year is below budgeted expenditure. The main reasons for the underspend are:

- the temporary closure of the waste sites during the lockdown;
- The contracts with States Works are 'cost-plus' agreements. The budget was based on original modelled costs, however lower expenditure for States Works has continued, resulting in lower charges on to Guernsey Waste.
- expenditure relating to the inert waste project did not take place during 2021 so was deferred into 2022.

Our customers

Guernsey Waste's customer base is predominantly the general public, local businesses and private customers including local parishes.

States' Trading Supervisory Board

Guernsey Waste

Operations Manager's report – continued

Statement of responsibilities for the preparation of financial statements

The STSB is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs for Guernsey Waste and of the surplus or deficit of Guernsey Waste for that period. In preparing those financial statements, the STSB is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis, unless it is inappropriate to do so; and
- state whether applicable accounting standards have been followed.

The STSB is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time Guernsey Waste's financial position. The STSB is also responsible for identifying and installing internal controls, including financial controls, which are adequate for its own purposes and to safeguard Guernsey Waste's assets and the States of Guernsey in its care, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of financial controls

The STSB is responsible for the economic, efficient and effective operations and management of Guernsey Waste and has a duty to ensure that they fulfil their obligations.

Guernsey Waste's internal financial controls and monitoring procedures include:

- Annually reported and approved budgets monitored against monthly management accounts with additional operational detail reported in monthly management reports, which monitor actual revenue and expenditure against that anticipated. All such detail is regularly reviewed at meetings of the STSB, to ensure that all STSB Members are informed of Guernsey Waste's financial affairs,
- Customer invoices are subjected to a range of pre-determined computerised integrity checks prior to dispatch in order to ensure accuracy,
- Regular review of debtors to ensure that any delinquent debtors are identified at an early stage and dealt with appropriately,
- The control of materials and stores purchases are managed using a computerised programme with specific authorisation limits for purchases and segregated areas of responsibility for processing of payments, all of which maintain detailed audit trails,
- Manpower expenditure is monitored and controlled at source,

States' Trading Supervisory Board

Guernsey Waste

Operations Manager's report – continued

- Capital expenditure authorisation is subject to strict valuation guidelines and purchase procedures,
- Regular review of waste charges, and
- Consideration of all audit reports by the STSB.

The STSB strives to ensure that all staff with financial responsibility in Guernsey Waste have the appropriate integrity, skills and motivation to professionally discharge their duties.

Guernsey Waste's internal controls and accounting policies have been and are subject to continuous review and improvement. In addition, the financial statements are subject to an independent external audit by an auditor appointed by the States of Guernsey.

Going concern

The financial statements have been prepared on the going concern basis of accounting. The STSB and its Principal Officers have reviewed the cash flows and projected income and expenses over the next 12 months (including the assessment of the impact of COVID-19), prepared by management, and deem that Guernsey Waste, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that Guernsey Waste is a going concern for at least 12 months from the approval of the financial statements.

Auditors

Grant Thornton Limited have expressed their willingness to continue in office as auditors.

States' Trading Supervisory Board

Guernsey Waste

Corporate Governance

The purpose of the GWB is to support the delivery of the STSB's mandate, ensuring the efficient and effective management, operation and maintenance of Guernsey Waste.

The GWB is accountable to the STSB and operates by challenging established practices and assumptions and seeking to support the business in establishing clear strategic direction, business planning and operational delivery in support of the outcomes of the Government Work Plan, the Public Service Reform Agenda, Service Guernsey and other strategic reviews and organisational drivers.

The GWB membership is a minimum of a Chairman who is not a States Member, a political member of the STSB, a Senior Executive of an Incorporated Company or one or more Senior Officers of the States of Guernsey, the Operations Manager and the Financial Manager.

All members of the GWB other than the Operations Manager and the Financial Manager are appointed by the STSB.

As a sub-committee of the States, the quorum will be two members of the STSB.

The GWB does not hold a fiduciary responsibility.

The GWB will take into account the States of Guernsey's political direction with regard to the operation of Guernsey Waste, as directed from time to time by the STSB. It must ensure that Guernsey Waste's operations and operational policies align with the wider strategy and policy framework of the States of Guernsey and/or the STSB. The GWB may generate policy for endorsement by the STSB and onward to the States of Guernsey as required.

The STSB specifically confers the following responsibilities and delegated authority to the GWB to:

- Approve capital and revenue annual budgets in line with the long-term budgets approved by the STSB;
- Approve annual business plans in line with long-term strategy and planning approved by or directed by the STSB;
- Approve and issue annual reports; and
- Guide and steer Guernsey Waste.

In carrying out these responsibilities the GWB is bound and enabled by States of Guernsey rules for financial and resource management and the rules, directives, policies and procedures of the States of Guernsey, such as, but not limited to: Finance; Procurement; Property; Human Resources; Data Protection; Health and Safety Management; Risk and Issue Management; Managing Matters of Litigation; and Relevant legislation. The GWB has the authority delegated by the STSB to direct the Guernsey Waste Operations Manager in the day-to-day operation of Guernsey Waste, in line with approved budgets and business plans.

The GWB acts as a political sub-committee of the STSB.

States' Trading Supervisory Board Guernsey Waste

Corporate Governance - continued

The STSB can disband GWB at any time without notice or recourse to any other body.

In the event that due process has not been followed, the GWB must render itself unable to make a decision until such time process has been followed.

States' Trading Supervisory Board Guernsey Waste

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board – Guernsey Waste

Opinion

We have audited the financial statements of The States of Guernsey – States' Trading Supervisory Board ("STSB") – Guernsey Waste for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102).

In our opinion, the financial statements:

- give a true and fair view of the state of Guernsey Waste's affairs as at 31 December 2021 and of its deficit for the year then ended; and
- are in accordance with FRS 102.

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 Guernsey Waste in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

States' Trading Supervisory Board

Guernsey Waste

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board – Guernsey Waste - continued

Other information

The STSB are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

Responsibilities of the STSB for the financial statements

As explained more fully in the statement of responsibilities for the preparation of financial statements set out on page 10, the STSB are responsible for the preparation of the financial statements which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, and for such internal control as the STSB 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 STSB are responsible for assessing Guernsey Waste's 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 STSB either intend to liquidate Guernsey Waste or to cease operations, or have no realistic alternative but to do so.

States' Trading Supervisory Board

Guernsey Waste

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board – Guernsey Waste - continued

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 Guernsey Waste's 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 Guernsey Waste's 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 Guernsey Waste 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 those charged with governance 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.

States' Trading Supervisory Board

Guernsey Waste

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board – Guernsey Waste - continued

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

Use of our report

This report is made solely to the members of the STSB. Our audit work has been undertaken so that we might state to the members of the STSB 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 Guernsey Waste and the members of the STSB, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey

16 May 2022

States' Trading Supervisory Board

Guernsey Waste

Statement of Comprehensive Income

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue	2 & 4	<u>9,203</u>	<u>7,906</u>
Expenses	2 & 5		
Operating expenses		<u>(8,012)</u>	(7,076)
Administration and general expenses		<u>(1,797)</u>	<u>(1,860)</u>
		<u>(9,809)</u>	<u>(8,936)</u>
Operating deficit before depreciation		(606)	(1,030)
Depreciation	9	<u>(1,929)</u>	<u>(1,905)</u>
Operating deficit for the year		<u>(2,535)</u>	<u>(2,935)</u>
Investment return receivable		-	12
Interest payable	7	<u>(8)</u>	<u>(40)</u>
Deficit for the financial year		<u>(2,543)</u>	<u>(2,963)</u>

All material activities derive from continuing operations.

There are no recognised gains or losses or other movements in reserves for the current or preceding financial years, other than as stated in the Statement of Comprehensive Income.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Statement of Financial Position

as at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Tangible fixed assets	9	<u>26,154</u>	<u>28,027</u>
Current assets			
Inventories	11	255	256
Debtors and prepayments	12	<u>1,503</u>	<u>2,243</u>
		<u>1,758</u>	<u>2,499</u>
Current liabilities			
Balances with States Treasury		(2,253)	(2,579)
Creditors: amounts falling due within one year	13	<u>(1,194)</u>	<u>(980)</u>
		<u>(3,447)</u>	<u>(3,559)</u>
Net current liabilities		<u>(1,689)</u>	<u>(1,060)</u>
Total net assets		<u>24,465</u>	<u>26,967</u>
Reserves	14	<u>24,465</u>	<u>26,967</u>

Signed on behalf of the States of Guernsey – States' Trading Supervisory Board

Deputy P. Roffey
President

16 May 2022

Signed on behalf of the States Trading Group

Mr S. Elliott
Managing Director

16 May 2022

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Statement of Changes in Equity

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Balance at 1 January		26,967	29,574
Deficit for the financial year		(2,543)	(2,963)
Transfer in of Waste Transfer Station & HWRC		<u>41</u>	<u>356</u>
Balance at 31 December	14	<u>24,465</u>	<u>26,967</u>

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Statement of Cash Flows

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Net cash flows from operating activities	15	<u>349</u>	<u>(2,670)</u>
Cash flows from investing activities			
Purchase of fixed assets	10	<u>(15)</u>	<u>(43)</u>
Net cash flows used in investing activities		<u>(15)</u>	<u>(43)</u>
Cash flows from financing activities			
Interest paid		<u>(8)</u>	<u>(40)</u>
Investment return received		<u>-</u>	<u>12</u>
Net cash flows from financing activities		<u>(8)</u>	<u>(28)</u>
Net increase/(decrease) in cash and cash equivalents		326	(2,741)
Cash and cash equivalents at the beginning of the year		<u>(2,579)</u>	<u>162</u>
Cash and cash equivalents at the end of the year		<u>(2,253)</u>	<u>(2,579)</u>
Reconciliation to cash at bank and in hand:			
Balances with States Treasury		<u>(2,253)</u>	<u>(2,579)</u>
Cash and cash equivalents		<u>(2,253)</u>	<u>(2,579)</u>

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements

1. General information

Guernsey Waste is an unincorporated business unit, the management, operation and maintenance of which is the responsibility of the States of Guernsey – STSB. The nature of Guernsey Waste’s operations and principal activities are set out in the Operations Manager's report.

Guernsey Waste's principal places of business are Longue Hougue, Bulwer Avenue, St Sampson, GY2 4LE and La Hure Mare, Vale, Guernsey, GY3 5UD.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

The financial statements are prepared in accordance with the stated accounting policies and under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Functional and presentational currency

The financial statements are presented in Pounds Sterling, which is the functional and presentational currency of Guernsey Waste and have been rounded to the nearest thousand.

Going concern

The financial statements have been prepared on the going concern basis of accounting. The STSB and its Principal Officers have reviewed the cash flows and projected income and expenses over the next 12 months (including the assessment of the impact of COVID-19), prepared by management, and deem that Guernsey Waste, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that Guernsey Waste is a going concern for at least 12 months from approval of the financial statements.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Tangible fixed assets

i) Property, plant and equipment

Property, plant and equipment is stated at cost or valuation, net of depreciation and any provision for impairment. Property, plant and equipment is depreciated over its expected useful life.

ii) Assets under construction

Assets under construction are capitalised and are transferred to tangible fixed assets and depreciated once brought into use. All costs associated with capital projects, including professional fees are capitalised. No impairment reviews are undertaken for assets under construction.

Depreciation

Depreciation is calculated at the following annual rates so as to write off the cost of tangible fixed assets over their anticipated expected useful lives using the straight-line method. Depreciation commences from the month of the acquisition of an asset.

	Estimated life in years	Depreciation % per annum
Buildings and fittings	10 – 50	2% - 10%
Plant and equipment	3 – 20	5% - 33.3%
Office and ICT equipment	3 – 10	10% - 33.3%

Impairment of assets (excluding inventories)

Assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income. An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Costs include an appropriate proportion of processing expenses and are calculated at average value method. Provisions are made for obsolete and slow-moving items where appropriate.

Basic financial instruments

i) Trade debtors

Trade debtors are recognised initially at original invoiced amount. Subsequent to initial recognition they are measured at amortised cost, less any impairment losses. Trade debtors are stated less a specific provision against debtor balances that are identified as irrecoverable.

ii) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and balances held by States Treasury on behalf of Guernsey Waste. Whilst Guernsey Waste operates a treasury account, the entity will make payments and receive money via bank accounts held centrally by the States of Guernsey. The net cash balance held with the States Treasury at the year-end is treated as Cash and Cash Equivalents in Guernsey Waste's Statement of Financial Position. This net cash balance may change on a daily basis, with surplus cash balances generating financial returns, and balances in deficit being charged interest. Any net cash balance held with the States Treasury could be reduced over a very short period of time without detriment, and therefore is considered to be a highly liquid investment, readily convertible to known amounts of cash and subject to an insignificant risk of any change in notional value.

iii) Trade creditors

Trade creditors are recognised initially at original invoiced amount plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

iv) De-recognition of basic financial instruments

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Business Unit transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Business Unit, 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 a contract is discharged, cancelled or expires.

Revenue and expenses

Revenue and expenses are accounted for on an accruals basis. Revenue from the sale of goods is recognised when the goods are physically delivered to the customer. Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date, turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, which includes 'pay-as-you-throw' stickers, the amounts are recorded as deferred revenue and included as part of creditors due within one year.

Pension costs

Pension costs are treated as described in note 18.

Investment return and interest receivable/payable

Investment return on balances held with the States of Guernsey and interest receivable/payable is accounted for on an accruals basis.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Leases

i) As lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

ii) As lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of Guernsey Waste's accounting policies, which are described in note 2, the STSB Members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Board Members have made in the process of applying Guernsey Waste accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i) Depreciation rates

Some of Guernsey Waste's infrastructure assets have no definite life of the assets, so management makes an assumption based on the usage of the assets. The rate used for each type of asset that makes up the infrastructure assets has been disclosed in note 2.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

4. Revenue

All revenue is derived from activities within the Bailiwick of Guernsey.

An analysis of Guernsey Waste revenue by class of business, is set out below:

	2021	2020
	£'000	£'000
WDA Fixed charges	2,442	2,299
HWRC Operations	406	242
Sticker charges	1,840	1,595
Inert Waste	1,719	1,539
Commercial gate fees	1,351	1,035
Mont Cuet	1,010	735
Green Waste	324	307
Other	111	154
	9,203	7,906

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

5. Expenses

	2021	2020
	£'000	£'000
Operating Expenses		
Waste Transfer Station	3,723	3,435
HWRC	583	582
Inert waste	340	375
Mont Cuet	641	525
Kerbside recycling	986	633
Green waste	428	508
Bring bank collections	60	9
Other landfill	508	496
Other operating expenses	743	513
	<u>8,012</u>	<u>7,076</u>
Administration and general expenses		
Salaries, wages and employer's pension costs	455	467
Rent	336	329
Management expenses	382	339
Audit fees	16	10
Insurance premium	481	349
Other administration expenses	127	366
	<u>1,797</u>	<u>1,860</u>
Total expenses	<u><u>9,809</u></u>	<u><u>8,936</u></u>

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board Guernsey Waste

Notes to the Financial Statements – continued

6. Staff numbers and costs

The average monthly number of full time employees (including senior management) was:

	2021	2020
Administration staff	<u>9</u>	<u>9</u>
	<u>9</u>	<u>9</u>

Their aggregate remuneration comprised:

	Note	2021	2020
		£'000	£'000
Wages and salaries		373	388
Social security costs		26	25
Pension costs	18	<u>57</u>	<u>53</u>
		<u>456</u>	<u>466</u>

Pension costs include only those items within administration and general expenses.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board Guernsey Waste

Notes to the Financial Statements – continued

7. Interest

	2021	2020
	£'000	£'000
Interest receivable		
Investment return	-	12
	<u>-</u>	<u>12</u>
 Interest payable		
Interest payable on balances with States Treasury	<u>(8)</u>	<u>(40)</u>
	<u>(8)</u>	<u>(40)</u>

8. Deficit for the financial year

Deficit for the financial year is stated after charging:

	Note	2021	2020
		£'000	£'000
Auditor's remuneration	5	16	10
Depreciation of tangible fixed assets	9	<u>1,929</u>	<u>1,905</u>
		<u>1,945</u>	<u>1,915</u>

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

9. Tangible fixed assets

	1 January 2021 £'000	Transfers/ Additions £'000	Disposals £'000	31 December 2021 £'000
Cost				
Buildings & fittings	18,642	61	-	18,703
Plant & equipment	11,732	(5)	-	11,727
Office equipment	1,276	-	-	1,276
	<u>31,650</u>	<u>56</u>	<u>-</u>	<u>31,706</u>
	1 January 2021 £'000	Charge for the year £'000	Disposals £'000	31 December 2021 £'000
Depreciation				
Buildings & fittings	1,162	625	-	1,787
Plant & equipment	2,217	1,176	-	3,393
Office equipment	244	128	-	372
	<u>3,623</u>	<u>1,929</u>	<u>-</u>	<u>5,552</u>
Net Book Value	<u>28,027</u>			<u>26,154</u>

£41k of fixed assets were paid for by the States of Guernsey and transferred into Guernsey Waste. No cash consideration was given for these assets.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

10. Assets under construction

	1 January 2021 £'000	Expense in the year £'000	Transfers to Tangible Fixed Assets £'000	31 December 2021 £'000
2021 Total	-	15	(15)	-
2020 Total	-	43	(43)	-

Assets under construction completed in 2021 and transferred to fixed assets is for a weighbridge.

11. Inventories

	2021 £'000	2020 £'000
Inventories	255	256
	255	256

12. Debtors and prepayments

	2021 £'000	2020 £'000
Trade debtors	283	196
Prepayments and other debtors	737	1,542
Accrued revenue	483	505
	1,503	2,243

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

13. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	149	176
Accruals	909	674
Deferred revenue	136	130
	<u>1,194</u>	<u>980</u>

14. Reserves

	Revenue reserve £'000	Asset transfer reserve £'000	Total £'000
Balance at 1 January 2021	(5,984)	32,951	26,967
Deficit for the financial year	(2,543)	-	(2,543)
Waste Transfer Station Assets transferred in	-	41	41
	<u>-</u>	<u>41</u>	<u>41</u>
Balance at 31 December 2021	<u>(8,527)</u>	<u>32,992</u>	<u>24,465</u>

All reserves are distributable.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

15. Reconciliation of operating deficit to net cash flows from operating activities

	2021	2020
	£'000	£'000
Operating deficit for the year	(2,535)	(2,935)
Depreciation charges	1,929	1,905
Decrease in inventories	1	11
Decrease/(increase) in debtors and prepayments	741	(1,367)
Increase/(decrease) in creditors due within one year	213	(284)
Net cash flows from operating activities	349	(2,670)

16. Financial commitments and contingent liabilities

There is a constructive obligation to cap the landfill site at Mont Cuët once it has reached the end of its useful life. It is not possible to reliably estimate when this will occur, or the cost of this obligation. As the obligation cannot be measured with sufficient reliability, no provision has been made in these financial statements.

Guernsey Waste has an assumed commitment to monitor all closed landfill sites for a period of time, possibly up to sixty years, from when they closed. The cost of monitoring all landfill sites in 2021 was £501k (2020: £496k), however it is not possible to reliably estimate the extent and longevity of this monitoring due to a number of varying factors and therefore it is also not possible to reliably estimate the costs that will be incurred in monitoring the landfill sites.

The Guernsey Waste Transfer Station and Household Waste Recycling Centre occupies land owned by the States of Guernsey and consequently has paid rent to the States of Guernsey. Although not finalised it is likely that Guernsey Waste will enter into an agreement for future rent.

There are no further contingent liabilities or financial commitments for which no provision has been made in these financial statements.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

17. Financial instruments

Guernsey Waste's financial instruments may be analysed as follows:

	2021	2020
	£'000	£'000
Financial assets at amortised cost		
Debtors	283	196
Financial liabilities at amortised cost		
Overdraft	(2,253)	(2,579)
Creditors: amounts falling due within one year	(149)	(176)

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

18. Employee benefits

The employees of Guernsey Waste are members of the States of Guernsey Public Servants' Pension Scheme. These arrangements provide defined benefits on a career average revalued earnings (CARE) basis up to a salary cap (£94,081 as at 31 December 2021) for members joining from 1 May 2015 and, on a different CARE basis, for the service from 1 March 2016 of members who joined before 1 May 2015. There is a defined contribution section for earnings in excess of this salary cap. The arrangements for service before 1 March 2016 for members who joined before 1 May 2015 and for the future service of those closer to pension age remains final salary. The scheme is funded by contributions from both employer and employee. The employer rates for the defined benefits are determined on the basis of independent actuarial advice and calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives.

Although the scheme is a multi-employer plan, it is not possible to identify Guernsey Waste's share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. There is neither an agreement nor a policy in place to allocate any of the deficit of the pension scheme across the participating entities. The States of Guernsey is liable for any obligations that arise from the States of Guernsey Superannuation Fund in respect of employees of the States of Guernsey. All employees of Guernsey Waste are considered to be ultimately employees of the States of Guernsey.

Consequently, Guernsey Waste has accounted for the plan as if it were a defined contribution plan, whereby it has expensed employer contributions through the Statement of Comprehensive Income. The employees also contribute to the States of Guernsey Superannuation Fund. The contribution rates are determined by a qualified actuary on the basis of periodic valuations.

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £57k (2020: £53k).

Further details relating to the funding of the Superannuation Scheme are included within the States of Guernsey Accounts 2021.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

19. Statement of control

Guernsey Waste is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of Guernsey Waste has been delegated to the members of the STSB appointed by the States of Guernsey.

20. Related party transactions

The STSB is of the opinion that there have been no related party transactions in the current or preceding financial years other than as described in these financial statements. All transactions are conducted as normal business arrangements carried out at "arm's length".

44% of the value of the organisation's annual expenditure is due to transactions with States Works (2020: 34%).

The total compensation of key management personnel in 2021 (including salaries and other benefits) was £202k (2020: £202k).

Related party transactions between Guernsey Waste and other entities controlled by the States of Guernsey have not been disclosed in accordance with the exemptions available within FRS102 Section 33 "Related Party Disclosures".

STSB member Mr S. Falla CBE has declared certain related party transactions under FRS102 section 33. The aggregate of all of these transactions is disclosed below. And all were conducted at arms-length in the normal course of business. Where any conflict of interest may exist, Mr Falla, as under normal rules, would excuse himself from any STSB or other meetings and has not participated in any discussions or voting regarding awarding any contracts leading to these transactions.

	2021	2020
	£'000	£'000
Garenne Group		
Revenue	<u>368</u>	<u>174</u>

The £368k is from tipping of inert waste at published waste disposal prices (2020: £174k).

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

21. Subsequent events

Management knows of no events subsequent to the end of the reporting period that would materially affect the financial statements.

22. Off balance-sheet arrangements

There are no commitments or contingent liabilities other than detailed in note 16 relating to 2021 which would affect these financial statements (2020: None).

Notes 1 to 22 form an integral part of these financial statements.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

SOCIAL SECURITY CONTRIBUTORY FUND ACCOUNTS 2021

The States are asked to decide:-

1. Whether they are of the opinion to note the Committee *for* Employment & Social Security's approval of the Social Security Contributory Fund Accounts for the year ending 31 December 2021.

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

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Incorporating:

Guernsey Insurance Fund

Guernsey Health Service Fund

Long-term Care Insurance Fund

**Controlled and managed by the
States of Guernsey – Committee *for* Employment & Social Security**

Reports and Financial Statements

For the year ended 31 December 2021

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee *for* Employment & Social Security
For the year ended 31 December 2021

REPORTS AND FINANCIAL STATEMENTS

CONTENTS	Pages
Principal Officers	2
Statement of Activities	3-6
Statement of Performance	7-16
Statement of Responsibilities for the preparation of Financial Statements	17
Statement of internal controls and going concern	17-18
Independent Auditor’s Report	19-21
Aggregated Fund Account	22
Aggregated Statement of Financial Position	23
Aggregated Statement of Cash Flows	24
Notes to the Financial Statements	25-52
Constituent Contributory Fund Accounts	53

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee *for* Employment & Social Security
For the year ended 31 December 2021

PRINCIPAL OFFICERS

Committee *for* Employment & Social Security

Title	Name	Date of Election
President	Deputy P J Roffey	19 October 2020
Vice President* & Member	Deputy L De Sausmarez	21 October 2020 23 October 2020*
Member	Deputy T Bury Deputy S Falla	21 October 2020 21 October 2020
	Deputy J Gollop	21 October 2020
Non-Voting Member	Mr R Le Brun Mr M Thompson	18 December 2020 18 December 2020
Director of Operations	Mr E Ashton	
Committee Secretary	Mrs E Pragnell	

STATEMENT OF ACTIVITIES

Activities during the year

From January 2021, all benefits financed from the Guernsey Insurance Fund and the upper and lower earnings and income limits were increased by 2.6%. The RPIX figure for Quarter 1 2020 was used to inform this increase, rather than the Quarter 2 RPIX figure, which is normally used. This was because the 2020 General Election was delayed from April 2020 to October 2020 due to the outbreak of COVID-19, meaning that the Contributory Up-rating Policy Letter needed to be submitted before the RPIX figure for Quarter 2 had been published in order to be able to implement the changes to benefit rates and contribution limits in time for 1 January 2021. The percentage contribution rates remained unchanged in 2021.

Actuarial reviews of the Guernsey Insurance Fund and the Long-term Care Insurance Fund, for the period ending 31 December 2019, were carried out in 2020 and laid before the States of Guernsey (the “States”) as an Appendix to a Billet d’État in February 2021 ([Billet d’État V of 2021](#)). The reviews confirmed that current contribution rates are not expected to be sufficient to support the long-term financial sustainability of the Funds. In its Policy Letter entitled ‘Contributory Benefits and Contributory Rates for 2022’ ([Billet d’État XX of 2021, Article XI](#)), debated by the States on 13 October 2021, the Committee successfully proposed that:

- (i) the percentage contribution rate for employers and employees into the Guernsey Insurance Fund be increased in increments of 0.1% each per year over ten years, and for self-employed persons, and non-employed persons under pension age in increments of 0.2% per year over ten years, with effect from 1 January 2022, and
- (ii) the percentage contribution rate for employees, self-employed persons, and non-employed persons under and over pension age, into the Long-term Care Insurance Fund be increased in increments of 0.1% per year over four years, with effect from 1 January 2022.

During 2021, the Policy & Resources Committee commenced a review of taxation as a critical component of the action in the States’ Government Work Plan (Billet ‘Etat XI of 2021) to ‘Agree a sustainable tax policy’. The review addressed the question: “If it is necessary to increase revenues to the limit of the Fiscal Policy Framework (24% of GDP) to meet the cost of public services, what is the best way to achieve this?”. A Policy Letter entitled ‘The Tax Review’ ([Billet d’État XIX of 2021, Article IX](#)) set out three potential options with accompanying analysis. Two of these options included a restructured social security contributions system. Following debate, the States agreed to note the Tax Review policy letter and direct the Policy & Resources Committee, taking into account the views expressed by Members in debate, to investigate options for raising additional revenue from corporates; undertake an period of extensive consultation and engagements with States Members, the business community and wider public stakeholders; and report back to the States with detailed proposals for a restructure of the tax base and its phased implementation, by no later than July 2022.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee *for* Employment & Social Security
For the year ended 31 December 2021

STATEMENT OF ACTIVITIES (Continued)

The COVID-19 pandemic continued to affect some activities in 2021, but its impact in this respect was not as significant as in 2020. Some legislative changes were made to provide some additional protection to Islanders affected by the pandemic in different ways. People who met certain eligibility criteria were permitted to self-certify to receive Sickness Benefit for up to 14 days. Through [the Social Insurance \(Benefits\) \(Amendment\) Regulations, 2021](#), an additional category of person could be deemed incapable of work, where that person was an essential worker for the purposes of a direction issued under the Emergency Powers (Coronavirus) (General Provision) (Bailiwick of Guernsey) Regulations, 2021, who was requested by the Medical Officer of Health to refrain from attending their place of work (whether specifically or upon a request to self-isolate) and who could not carry out their duties when not at their place of work. The Committee also made [the Social Insurance \(Contributions\) \(Amendment\) Regulations, 2021](#), which amended [the Social Insurance \(Contributions\) Regulations, 2000](#) to award contribution credits to those classified as employed contributors on 23 January 2021 who lacked contributions on their record for the period of the second lockdown due to COVID-19 from 23 January 2021 to 21 March 2021.

A new Reciprocal Agreement on social security between the States of Guernsey and the Government of the Republic of Latvia came into force on 1 June 2021. The Agreement enables people from Latvia who have lived and worked in Guernsey but have not paid enough contributions for a minimum Guernsey pension, to get a small, part pension from Guernsey when they reach pension age. The Agreement will apply in the same way in respect of people from Guernsey who have lived and worked in the Republic of Latvia.

In August 2020, the States considered a package of proposals to address the financial sustainability of the Long-term Care Insurance Fund, as set out in the Policy Letter entitled 'Supported Living and Ageing Well Strategy: Extending the life of the Long-term Care insurance scheme' ([Billet d'État XVI of 2020, Article V](#)). The States agreed to apply an above RPIX increase to the rates of long-term care benefit and to increase the rate of the co-payment paid by residents towards the cost of their living and accommodation services to £280 per week (before inflation is applied) by January 2023. Proposals to investigate the formation of a States-run or supported scheme for deferred property loans to be made available to those seeking or receiving Long-term Care and options to moderate the increase in contributions which would otherwise be required, were rejected by the States. Proposals for how the co-payment would be increased over the two-year period to January 2023 were approved by the States on 25 March 2021 ([Billet d'État VIII of 2021, Article X](#)).

The functions of the Committee *for* Employment & Social Security relating to (i) health service benefits provided under the Health Service (Benefit) (Guernsey) Law, 1990, and (ii) travelling allowance grant under the Social Insurance (Guernsey) Law, 1978, transferred to the Committee *for* Health & Social Care on 1 June 2020 following entry into force of [the Machinery of Government \(Transfer of Functions\) Ordinance, 2020](#). Work continued in 2021 to ensure that all necessary legislative and operational changes required to wholly transfer the administration and financing of these benefits were in place by 1 January 2022.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

STATEMENT OF ACTIVITIES (Continued)

On 25 March 2021, the States approved proposals from the Policy & Resources Committee and the Committee for Employment & Social Security to improve the governance of the States of Guernsey's Investment Funds, including a proposal to transfer responsibility for the management of the Common Investment Fund from the Committee for Employment & Social Security to the Policy & Resources Committee. [The Machinery of Government \(Transfer of Functions\) Ordinance, 2021](#), which came into operation on 15 July 2021, made provision to transfer to the Policy & Resources Committee powers of the Committee for Employment & Social Security in the Social Insurance (Guernsey) Law, 1978 and the Long-term Care Insurance (Guernsey) Law, 2002 to invest any monies in the Guernsey Insurance Fund and the Long-term Care Insurance Fund respectively in investments authorised by the States and the related function to delegate that power to professional fund or investment managers.

[The States Reform \(Performance of Functions\) \(Guernsey Health Service Fund\) Regulations, 2021](#) came into operation on 2 September 2021, and made provision for the investment functions of the Committee for Employment & Social Security relating to the monies held in the Guernsey Health Service Fund to be exercised by the Policy & Resources Committee. This arrangement was temporary until the monies in the Guernsey Health Service Fund were paid into the general revenue account of the States on 1 January 2022, as prescribed under the [Health Service Fund \(Closure and Miscellaneous Amendments\) Regulations, 2021](#). Under the [Health Service Benefit \(Amendment and Miscellaneous Provisions\) \(Guernsey\) Law, 2021](#), these monies within the general revenue account are referred to as the Guernsey Health Reserve.

Work continued on the implementation of a Secondary Pensions Scheme for Guernsey and, subject to approval by the States of Alderney, Alderney. Proposals for a scheme, called Your Island Pension ("YIP"), to be established by January 2022, were approved by the States in February 2020 ([Billet d'État IV of 2020, Article II](#)). However, during 2021 the Committee decided to delay the launch of YIP to January 2023 due to the effect of the pandemic on the project timeline. In late 2021, the chosen scheme provider, Smart Pensions Ltd., withdrew their bid to provide the administration of YIP as it was no longer possible for the company to proceed on the basis of the terms set out in their tender and approved by the States due to changes in the commercial landscape in which the company was operating. In late November 2021, the Committee issued a tender to identify a local pension provider to operate YIP on an entirely bundled basis, to include trusteeship, administration services and investment management.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

STATEMENT OF ACTIVITIES (Continued)

Work on the Revenue Service Programme continued throughout 2021. The Programme copied over 250,000 customer contact records, their contribution records and their life events into a new Dynamics platform, enabling the creation of the States Register of Contact Details and the pilot of the new States of Guernsey online portal MyGov. Change of address and other key data is synchronised between the new and the old legacy systems. The delivery of a current year basis of assessment for self-employed and non-employed individuals was enabled through the new Dynamics platform as was the issuing of the contribution assessment letters. Significant analysis of contributions case management has occurred ready for the development team to enact.

Future activities

The Committee will continue to work closely with the Policy & Resources Committee in the development of detailed proposals to restructure the social security contributions system as part of wider proposals to restructure the tax base.

The rate of the Long-term Care co-payment will be increased further, in line with the aforementioned plan to set its value at £280 per week (before inflation is applied) by January 2023. Further work is required to explore solutions to ensure the sustainability of the Long-term Care Insurance Fund and the care sector more widely.

In March 2022 the Committee announced that Sovereign Pension Services (CI) Limited was selected as the preferred bidder to provide the new secondary pensions scheme, following tender a tender process. The Committee will continue to progress work to implement YIP, including liaison with the States of Alderney regarding extension of the scheme to Alderney, agreement of contractual terms with the preferred provider, approval of the necessary legislation, engagement with employers, etc.

The forward view of the Revenue Service Programme forecasts two main challenges to the timely completion of works; timely availability of expertise to enable Curam to interface to the new Dynamics platform, which is critical as the benefits team must be able to see the contributions data; and, access to sufficient experienced development expertise due to Covid priorities previously impacting the speed of delivery. Both are likely to extend the programme timescales and costs.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

STATEMENT OF PERFORMANCE

Overview

The Social Security Contributory Funds comprising the Guernsey Insurance Fund (GIF), Guernsey Health Service Fund (GHSF) and Long-term Care Insurance Fund (LTCIF) recorded a combined operating deficit of £32.9m (2020: £32.7m deficit). A change in accounting policy has been adopted, recognising the full value of contributions receivable and the 2020 comparatives have been restated in the Statement of Performance. Further details can be found in Note 19.

A breakdown of the operating results is as follows:

- GIF: operating deficit of £31.6m (2020: £34.7m deficit).
- GHSF: operating deficit of £7.4m (2020: £5.2m deficit).
- LTCIF: operating surplus of £6.1m (2020: £7.2m surplus).

Total Reserves for the year increased by £66.3m (2020: £36.8m decrease). This increase is comprised of the operating deficit of £32.9m (2020: £32.7m deficit) and an increase from investing activities of £99.2m (2020: £4.1m decrease). The increase in Reserves is allocated as follows:

- GIF: +£44.2m (2020: -£38.3m) and is comprised of the operating deficit of £31.6m (2020: £34.7m deficit) and increase from investing activities of £75.8m (2020: £3.6m decrease);
- GHSF: +£4.7m (2020: -£5.8m) and is comprised of the operating deficit of £7.4m (2020: £5.2m deficit) and increase from investing activities of £12.1m (2020: £0.6m decrease);
- LTCIF: +£17.4m (2020: +£7.2m) and is comprised of the operating surplus of £6.1m (2020: £7.2m surplus) and increase from investing activities of £11.3m (2020: £0.0m).

At the year-end total reserves stood at £988.0m (2020: £921.7m) and allocated as follows:

- GIF: £749.4m (2020: £705.3m) providing expenditure cover of 4.5 years (2020: 4.4 years);
- GHSF: £120.2m (2020: £115.4m) providing expenditure cover of 2.4 years (2020: 2.5 years); and
- LTCIF: £118.4m (2020: £101.0m) providing expenditure cover of 4.1 years (2020: 4.9 years).

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

STATEMENT OF PERFORMANCE (CONTINUED)

Contribution income and states grant

Total contribution income increased by 5.8% to £190.9m (2020: -2.2% to £180.5m). The increase is attributed mainly to employed persons, which saw an increase of 6.4% to £166.4m (2020: -0.6% to £156.4m). Self-employed contributions also saw an increase of 6.8% to £15.5m (2020: -13.5% to £14.5m), and non-employed persons decreased by 12.2% to £8.3m (2020: -4.6% to £9.5m). The overall increase in contributions received in comparison to 2020 is a direct result of improvement in economic conditions since the lockdown measures and subsequent restrictions put in place in 2020.

Numbers of Contributors as at week 48	2021	2020	5-Year average
Employers	2,354	2,304	2,324
Employed	29,094	28,825	29,043
Self-Employed	3,011	3,020	3,039
Non-Employed	5,948	6,153	5,968
Total Contributors (excluding employers)	38,053	37,998	38,050

The overall number of contributors, at week 48, increased by 0.1% to 38,053 (2020: 37,998). The number of employed increased by 0.9% (2020: -1.6%) while self-employed decreased by 0.3% (2020: +0.2%), and non-employed contributors decreased by 3.3% (2020: +2.4%). The largest economic sector remained the financial sector, which accounted for 19% (2020: 20%) of the employed population and represented 27% (2020: 28%) of the total income received from employers and employees.

The contribution income from the contribution classes is allocated as follows:

- GIF: +6.2% to £118.2m (2020: -2.4% to £111.3m). The grant received from the States of Guernsey, being a fixed percentage of contributions (14.7%), increased to £17.3m (2020: £16.3m);
- GHSF: +5.4% to £43.5m (2020: -2.2% to £41.3m); and
- LTCIF: +4.6% to £29.3m (2020: -1.5% to £28.0m).

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

STATEMENT OF PERFORMANCE (CONTINUED)

Benefit expenditure

Overall benefit expenditure increased by 5.2% to £235.0m (2020: +4.1% to £223.4m). The great majority of benefits are not discretionary and their entitlement is in accordance with law. The general rate of benefit was increased by 2.6% (2020: 2.4%). The allocation between the Funds is as follows:

- GIF: +3.2% to £163.0m (2020: +4.7% to £157.9m);
- GHSEF: +9.2% to £49.2m (2020: +3.6% to £45.1m); and
- LTCIF: +11.1% to £22.7m (2020: +0.2% to £20.4m).

Details of major areas of benefit expenditure follow:

GIF: Pension	2021	2020	5-Year Average
Number of claimants at the year-end	18,733	18,692	18,425
Number of approved claims during the year	854	826	935

Pension expenditure accounts for 85% of the total benefit expenditure of GIF and for the year increased by 3.3% to £138.4m (2020: +4.0% to £133.9m). The single rate of old age pension and the addition in pension in respect of a dependant wife both increased by 2.6% (2020: 2.4%).

GIF: Incapacity benefit	2021	2020	5-Year Average
Number of claimants at the year-end	963	960	903
Number of approved claims during the year	255	413	361

Incapacity benefit increased by 9.0% to £10.3m (2020: +7.2% £9.5m). During the pandemic, access to off-island medical treatment has been severely reduced, leading to people waiting longer for treatment. In addition, programmes to support people back to work had ceased during lockdown, however the Committee is working on a number of back-to-work initiatives to move more people off benefit into work, including the long-term sick.

GIF: Unemployment benefit	2021	2020	5-Year Average
Number of claimants at the year-end	79	186	133
Number of approved claims during the year	512	1,012	171

Unemployment benefit decreased substantially by 54.3% to £1.0m (2020: +125.9% to £2.1m). The number of approved claims increased due to lockdown in 2020, and claim numbers remained higher than the 5-year average by the end of the year. Claims reduced considerably during the year, and at the end of 2021 are below pre-pandemic levels. The Committee continues to work on back-to-work initiatives to assist those seeking work.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

STATEMENT OF PERFORMANCE (CONTINUED)

Benefit expenditure (continued)

GHSF: Specialist Health Insurance Scheme	2021	2020	5-Year Average
Medical Specialist Group <i>full-time equivalent consultants (average)</i>	51.0	50.6	48.4
Guernsey Therapy Group <i>full-time equivalent physiotherapists & assistants (average)</i>	42.8	39.5	38.6

Medical specialist expenditure increased by 0.9% to £20.1m (2020: +6.6% to £19.9m) with the average number of consultants increasing by 0.4 for the year.

The Physiotherapy expenditure increased by 7.0% to £2.8m (2020: +5.7% to £2.6m), with the average number of therapists increasing by 3.4.

The Alderney contract decreased to £255k (2020: £310k), however Alderney doctors are still providing additional support.

GHSF: Drugs and medicines	2021	2020	5-Year Average
Total number of prescriptions	1,601,445	1,549,841	1,543,773
Average basic cost per item	£12.43	£9.99	£10.04

For the year, overall net expenditure in respect of drugs and medicines, after prescription charges, increased by 19.7% to £21.1m (2020: +1.0% to £17.7m). New drugs to the White List continue to be well controlled, however the number of items dispensed has increased in comparison to the previous year by 3.3%. In addition, the basic drug costs have increased by 15.3% (2020: +4.6%).

LTCIF: Residential Home Care grant	2021	2020	5-Year Average
Number of claimants at year-end - Permanent	235	245	255
Number of claimants at year-end - Permanent with EMI	144	133	132
Total	379	378	387
12-month rolling average	389	371	391

Residential Home Care benefit expenditure increased by 14.1% to £11.9m (2020: -2.7% to £10.4m) and saw the 12-month rolling average in active claims increase by 5.0%.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

STATEMENT OF PERFORMANCE (CONTINUED)

Benefit expenditure (continued)

LTCIF: Nursing Home Care grant	2021	2020	5-Year Average
Number of claimants at the year-end	215	223	211
12-month rolling average	220	213	216

Nursing Home Care benefit expenditure increased by 8.0% to £10.9m (2020: +3.5% to £10.1m), as a result of an increase in benefit rates for the year, and an increase in the 12 month average number of claims during the year.

The overall rates for long-term care had substantially increased from October 2020, following the approval by the States of 'Supported Living and Ageing Well Strategy: Extending the life of the Long-term Care insurance scheme' ([Billet d'État XVI of 2020, Article V](#)). The States agreed to apply an above RPIX increase to the rates of long-term care benefit and to increase the rate of the co-payment paid by residents towards the cost of their living and accommodation services.

Administration

Total administration expenditure for the year was £8.0m (2020: £8.1m) with the recharge of administrative expenditure to Non-Contributory Services ("NCS") being £1.9m (2020: £2.1m). Overall staffing costs decreased by 5.4% to £3.8m (2020: £4.0m).

Full-time Equivalent Staff	2021	2020
Total employed directly	77.1	91.1
Staff recharged to General Revenue	(28.7)	(41.9)
Contributory Funds Allocation	48.4	49.2

The Committee's total full-time equivalent ("FTE") staff numbers in 2021 was 119.7 (2020: 136.3) with 42.6 FTEs (2020: 45.1) paid directly from General Revenue and therefore excluded from the above analysis.

The allocation of administration costs is split proportionately between the Funds, except where specific costs are identified, and is as follows:

- GIF: -6.8% to £4.0m (2020: -0.5% to £4.3m);
- GHSF: +20.6% to £1.7m (2020: -4.5% to £1.4m); and
- LTCIF: +12.9% at £0.4m (2020: -16.0% at £0.4m).

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

STATEMENT OF PERFORMANCE (CONTINUED)

Investment Funds

The investment portfolios of the Guernsey Insurance Fund, Guernsey Health Service Fund and Long-term Care Insurance Fund are combined to form the Common Investment Fund which at 31 December 2021 had a market value of £945.9m (2020: £883.8m).

As the Guernsey Insurance Fund and Guernsey Health Service Fund are currently running operating deficits, £37.0m (2020: £40.1m) was withdrawn from the Common Investment Fund during the year for cash flow to meet obligations. The allocation between the three contributory funds at the year-end is as follows:

Common Investment Fund allocation At Year-end	2021		2020	
	£'000s	%	£'000s	%
Guernsey Insurance Fund	717,674	75.9%	677,460	76.6%
Guernsey Health Service Fund	114,956	12.1%	110,090	12.5%
Long-term Care Insurance Fund	113,312	12.0%	96,271	10.9%
Total	945,942	100.0%	883,821	100.0%

The Committee has continued to diversify its investment portfolio to maximise returns for a reduced risk. The performance of the Common Investment Fund ("CIF") on annualised 1, 3 and 5 year periods is shown below:

Common Investment Fund (CIF) Investment Performance	% CIF return per annum	% Target Return per annum *
1-Year	11.45%	3.40%
3-Year	6.14%	4.10%
5-Year	4.44%	4.10%

*The Target Return is 6-month LIBOR +3.5%.

Key Statistics

Contribution Rates – Annual earnings/income limits	2021 £	2020 £	2019 £	2018 £	2017 £
<i>Class 1 Employed</i>					
Upper earnings limit	153,660	149,760	146,328	142,896	138,684
Lower earnings limit	7,696	7,488	7,332	6,968	6,968
<i>Class 2 Self-employed</i>					
Upper earnings limit	153,660	149,760	146,328	142,896	138,684
Lower earnings limit	7,696	7,488	7,332	7,176	6,968
<i>Class 3 Non-employed</i>					
Maximum income	153,660	149,760	146,328	142,896	138,684
Minimum income	19,240	18,720	18,330	17,940	17,420
Allowance	8,695	8,460	8,285	8,110	7,875

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

STATEMENT OF PERFORMANCE (CONTINUED)

Key Statistics (Continued)

Contribution Rates – Contributory Funds	2021 %	2020 %	2019 %	2018 %	2017 %
<i>Class 1 Employer</i>					
Guernsey Insurance Fund	5.0	5.0	5.0	5.0	5.0
Guernsey Health Service Fund	1.6	1.6	1.6	1.6	1.6
Long-term Care Insurance Fund	-	-	-	-	-
	6.6	6.6	6.6	6.6	6.6
<i>Employee</i>					
Guernsey Insurance Fund	3.5	3.5	3.5	3.5	3.5
Guernsey Health Service Fund	1.3	1.3	1.3	1.3	1.3
Long-term Care Insurance Fund	1.8	1.8	1.8	1.8	1.8
	6.6	6.6	6.6	6.6	6.6
<i>Combined</i>					
Guernsey Insurance Fund	8.5	8.5	8.5	8.5	8.5
Guernsey Health Service Fund	2.9	2.9	2.9	2.9	2.9
Long-term Care Insurance Fund	1.8	1.8	1.8	1.8	1.8
	13.2	13.2	13.2	13.2	13.2
<i>Class 2 Self-employed</i>					
Guernsey Insurance Fund	6.5	6.5	6.5	6.5	6.5
Guernsey Health Service Fund	2.7	2.7	2.7	2.7	2.7
Long-term Care Insurance Fund	1.8	1.8	1.8	1.8	1.8
	11.0	11.0	11.0	11.0	11.0
<i>Class 3 Non-employed (under 65)</i>					
Guernsey Insurance Fund	5.7	5.7	5.7	5.7	5.7
Guernsey Health Service Fund	2.8	2.8	2.8	2.8	2.8
Long-term Care Insurance Fund	1.9	1.9	1.9	1.9	1.9
	10.4	10.4	10.4	10.4	10.4
<i>Non-employed (over 65)</i>					
Guernsey Insurance Fund	-	-	-	-	-
Guernsey Health Service Fund	1.3	1.3	1.3	1.3	1.3
Long-term Care Insurance Fund	2.1	2.1	2.1	2.1	2.1
	3.4	3.4	3.4	3.4	3.4

Number of contributors (as at week 48*)	2021	2020	2019	2018	2017
Employers	2,354	2,304	2,306	2,325	2,333
Employed	29,094	28,825	29,281	29,106	28,909
Self-employed	3,011	3,020	3,014	3,044	3,108
Non-employed	5,948	6,153	6,010	5,946	5,783
Total Contributors	38,053	37,998	38,305	38,096	37,800

* Reporting for quarter 4 contribution statistics is system processed as at week 48

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

STATEMENT OF PERFORMANCE (CONTINUED)

Key Statistics (Continued)

Contributory Funds - General Revenue Grants - % of contributions	2021 %	2020 %	2019 %	2018 %	2017 %
Guernsey Insurance Fund	14.7%	14.7%	14.7%	14.7%	14.7%
	£m	£m	£m	£m	£m
Guernsey Insurance Fund	17.3	16.3	16.7	16.1	15.7
Total	17.3	16.3	16.7	16.1	15.7

The grant to the Guernsey Health Service Fund has been suspended since 2017 in order to assist with the General Revenue funding challenges in respect of health and social care services.

GIF: No. of claimants at the year-end	2021	2020	2019	2018	2017
Pension	18,733	18,692	18,508	18,229	17,964
Incapacity Benefit	963	960	872	865	856
Sickness Benefit	479	505	493	424	400
Bereavement Benefits	146	139	157	159	200
Unemployment Benefit	79	186	150	107	153
Industrial Disablement Benefit	154	159	163	162	165
Industrial Injury Benefit	11	25	21	22	12
Parental Benefit Allowances *	191	180	198	197	n/a
Total*	20,756	20,846	20,562	20,165	19,750

GIF: No. of approved claims during the year	2021	2020	2019	2018	2017
Sickness Benefit	9,029	9,024	10,569	10,866	9,748
Pension	854	826	940	999	1,056
Unemployment Benefit	512	1,012	642	627	790
Industrial Medical Benefit	757	768	979	909	795
Travelling Allowance Grant	640	580	945	953	923
Death Grant	638	616	620	619	681
Industrial Injury Benefit	453	426	555	487	342
Bereavement Benefits	343	327	360	338	345
Incapacity Benefit	255	356	309	394	333
Industrial Disablement Benefit	7	9	7	11	5
Parental Benefit Allowances*	495	448	523	420	n/a
Parental Grants*	433	509	460	502	n/a
Total*	14,416	14,901	16,909	17,125	15,018

* Following the introduction of improved parental benefits in 2017, a separate analysis of parental allowances and parental grants is unavailable for that year, and has therefore been excluded from the total for 2017.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

STATEMENT OF PERFORMANCE (CONTINUED)

Key Statistics (continued)

GHSF: Drugs & medicines	2021	2020	2019	2018	2017
Ordinary prescriptions	559,536	532,716	529,897	530,091	536,170
% change	+5.0%	+0.5%	-0.0%	-1.1%	-3.0%
Exempt prescriptions	1,041,909	1,017,125	1,002,672	993,828	974,923
% change	+2.4%	+1.4%	+0.9%	+1.9%	+0.1%
Total prescriptions	1,601,445	1,549,841	1,532,569	1,523,919	1,511,093
% change	+3.3%	+1.1%	+0.6%	+0.8%	-1.0%
Average basic cost	£11.52	£9.99	£9.55	£9.31	£8.93
% change	+15.3%	+4.6%	+2.6%	+4.3%	-0.7%
Ordinary prescriptions (% of total)	34.9%	34.4%	34.6%	34.8%	35.5%
Exempt prescriptions (% of total)	65.1%	65.6%	65.4%	65.2%	64.5%

GHSF: Consultation grants	2021	2020	2019	2018	2017
Doctors	240,936	228,792	228,529	242,960	236,477
% change	+5.3%	+0.1%	-5.9%	+2.7%	-2.2%
Nurses	93,538	81,856	77,251	78,917	77,401
% change	+14.3%	+6.0%	-2.1%	+2.0%	+0.1%
Total	334,474	310,648	305,780	321,877	313,878
% change	+7.7%	+1.6%	-5.0%	+2.5%	-1.6%

LTCIF: Number of claimants at year-end	2021	2020	2019	2018	2017
Residential & EMI grant-permanent	379	378	385	392	404
Nursing grant-permanent	215	223	209	205	202
TOTAL	594	601	594	597	606

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

STATEMENT OF PERFORMANCE (CONTINUED)

GIF: 5-Year Financial Performance	2021	2020	*2019	*2018	*2017
	£m	£m	£m	£m	£m
		Restated			
Income	135.4	127.6	130.6	125.9	122.3
Expenditure	(167.1)	(162.2)	(155.1)	(149.5)	(141.7)
Operating deficit	(31.7)	(34.7)	(24.5)	(23.6)	(19.5)
Investing activities	75.8	(3.6)	52.8	(33.1)	57.6
Net surplus/(deficit) during the year	44.1	(38.2)	28.3	(56.8)	38.0
Net assets of the Fund at 1 January	705.3	743.5	712.5	769.3	731.2
Net assets as at 31 December	749.4	705.3	740.8	712.5	769.3
Expenditure cover in number of years	4.5	4.4	4.8	4.8	5.4

GHSF: 5-Year Financial Performance	2021	2020	*2019	*2018	*2017
	£m	£m	£m	£m	£m
		Restated			
Income	43.5	41.3	42.1	41.0	39.5
Expenditure	(50.9)	(46.5)	(45.0)	(43.8)	(42.5)
Operating deficit	(7.4)	(5.2)	(2.9)	(2.8)	(3.0)
Investing activities	12.2	(0.6)	8.5	(5.3)	9.1
Net surplus/(deficit) during the year	4.8	(5.8)	5.6	(8.1)	6.1
Net assets at 1 January	115.4	121.2	114.4	122.5	116.4
Net assets at 31 December	120.2	115.4	120.0	114.4	122.5
Expenditure cover in number of years	2.4	2.5	2.7	2.6	2.9

LTCIF: 5-Year Financial Performance	2021	2020	*2019	*2018	*2017
	£m	£m	£m	£m	£m
		Restated			
Income	29.2	28.0	28.2	28.0	26.6
Expenditure	(23.1)	(20.8)	(20.8)	(19.9)	(19.7)
Operating surplus	6.1	7.2	7.4	8.1	6.9
Investing activities	11.3	-	6.1	(3.9)	5.2
Net surplus during the year	17.4	7.2	13.5	4.2	12.1
Net assets at 1 January	101.0	93.8	79.2	75.0	62.9
Net assets at 31 December	118.4	101.0	92.7	79.2	75.0
Expenditure cover in number of years	5.1	4.9	4.5	4.0	3.8

* A separate analysis of the change in accounting policy has not been included for the years 2017-2019 in the above tables, and therefore these years have not been restated.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee *for* Employment & Social Security
For the year ended 31 December 2021

STATEMENT OF RESPONSIBILITIES FOR THE PREPARATION OF FINANCIAL STATEMENTS

The Committee *for* Employment & Social Security (the “Committee”) is required to prepare financial statements for each financial year which are properly prepared in accordance with the accounting policies set out in note 1. In preparing those financial statements, the Committee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Contributory Funds and enable them to ensure that the financial statements comply with Section 100(3) of The Social Insurance (Guernsey) Law, 1978, Section 1(4) of the Health Service (Benefit) (Guernsey) Law, 1990 and Section 1(4) of the Long-term Care Insurance (Guernsey) Law, 2002. It is also responsible for safeguarding the assets of the Contributory Funds and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN

The Committee members and principal officers have reviewed the budget and projected income and expenses over the next twelve months, including the available expenditure cover. Following review, it is considered that each of the Contributory Funds have adequate financial resources and expenditure cover to meet its obligations. Each of the Contributory Funds is therefore deemed to be a going concern.

STATEMENT OF INTERNAL CONTROLS

It is the responsibility of the Committee to identify and install a system of internal controls, including financial control, which is adequate for its own purposes, and to safeguard the assets of the Contributory Funds and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Committee’s internal financial procedures include:

- an annual budget and planning process to allocate, control and monitor the use of resources;
- a requirement to table at a meeting of the Committee;
 - the annual audit report together with the audited financial statements;
 - the annual report of observations and recommendations produced by the external auditor;
 - the annual policy and resource plan; and
 - the quarterly management accounts relating to financial performance;

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

- by Law, an actuarial review to determine the adequacy of the contribution rates must be undertaken at least once every five years and submitted to the Committee and the States of Guernsey;
- a regular review of the performance and security of the Contributory Funds by the Committee;
- occasional review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit Unit; and
- a requirement for internal audit reports to be tabled at a meeting of the Committee.

The Committee strives to ensure that all staff with financial responsibilities have the necessary integrity, skills and motivation to discharge their duties with the proficiency which the community has the right to expect. The Committee's internal controls and accounting policies have been and are subject to continuous review and improvement.

In addition, the financial statements are subject to an independent external audit by Grant Thornton Limited, the auditor appointed by the States of Guernsey.

**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF
STATES OF GUERNSEY – COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY
AS CONTROLLER AND MANAGER OF SOCIAL SECURITY – CONTRIBUTORY FUNDS**

Opinion

We have audited the financial statements of States of Guernsey Social Security – Contributory Funds (“the Contributory Funds”) for the year ended 31 December 2021 which comprise the Aggregated Fund Account, the Aggregated Statement of Financial Position, the Aggregated Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies.

- In our opinion, the financial statements of the Contributory Funds for the year ended 31 December 2021 are properly prepared, in all material respects, in accordance with the accounting policies stated in note 1 to the financial statements.

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 Company in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter — Basis of Accounting and Restriction on Distribution and Use

We draw attention to note 1 to the financial statements, which describes the basis of accounting. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the States of Guernsey – Committee for Employment & Social Security (“the Committee”) and should not be distributed to or used by parties other than the Committee. Our opinion is not modified in respect of this matter.

Who we are reporting to

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

Other information

The Committee are responsible for the other information. The other information comprises the information included in the Statement of Activities, Statement of Performance, Statement of Responsibilities for the Preparation of Financial Statements and Statement of internal controls and going concern other than the financial statements and our auditor’s report thereon. 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.

**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF
STATES OF GUERNSEY – COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY
AS CONTROLLER AND MANAGER OF SOCIAL SECURITY – CONTRIBUTORY FUNDS**

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.

Matters on which we are required to report by exception

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

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

Responsibilities of Committee for the financial statements

As explained more fully in the Committee for Employment & Social Security ’ responsibilities statement set out on page 17 , the Committee are responsible for the preparation of the financial statements which give a true and fair view in accordance with FRS 102, and for such internal control as the Committee 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 are responsible for assessing the Contributory Funds 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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.

**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF
STATES OF GUERNSEY – COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY
AS CONTROLLER AND MANAGER OF SOCIAL SECURITY – CONTRIBUTORY FUNDS**

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 The Contributory Funds 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 The Contributory Funds 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 Company 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 those charged with governance 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 those charged with governance 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.

Grant Thornton Limited
Chartered Accountants
St Peter Port
Guernsey

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

AGGREGATED FUND ACCOUNT

	Note	2021 £'000s	2020 Restated £'000s
Income			
Contributions	1(c),2	190,930	180,507
States grant	1(c)	17,317	16,354
		208,247	196,861
Expenditure			
Benefits payable	1(d),3	234,983	223,406
Administration	7	6,134	6,087
		241,117	229,493
Operating deficit before depreciation charge		(32,870)	(32,632)
Depreciation charge	9	(73)	(80)
Operating deficit		(32,943)	(32,712)
Investment returns	1(h),8	99,271	(4,130)
Net surplus/(deficit)		66,328	(36,842)
Net assets at 1 January		921,652	958,494
Net assets at 31 December		987,980	921,652

All activities are derived from continuing operations.

The Contributory Funds have no recognised surplus or deficit in the current or previous financial year other than those passing through the Aggregated Fund Account.

Notes 1 to 20 form an integral part of these financial statements.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

AGGREGATED STATEMENT OF FINANCIAL POSITION

	Note	31.12.21 £'000s	31.12.20 Restated £'000s
Non-current assets			
Tangible assets	9	8,039	6,423
Common Investment Fund at Fair Value	10	945,942	883,821
Debtors due after one year	11	85	100
		954,066	890,344
Current assets			
Debtors due within one year	12	40,818	37,753
Cash and cash equivalents		278	390
		41,096	38,143
Current liabilities			
Creditors: Amounts falling due within one year	13	2,951	3,785
Bank overdraft		4,231	3,050
		7,182	6,835
Net current assets		33,914	31,308
Total net assets		987,980	921,652
Reserves			
Guernsey Insurance Fund		749,414	705,251
Guernsey Health Service Fund		120,159	115,437
Long-term Care Insurance Fund		118,407	100,964
		987,980	921,652

The financial statements were approved by the Committee for Employment & Social Security on 18 May 2022.

Signed on behalf of the Committee

P Roffey
President

E Ashton
Director of Operations

Notes 1 to 20 form an integral part of these financial statements.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

AGGREGATED STATEMENT OF CASH FLOWS

	Note	2021 £'000s	2020 Restated £'000s
Cash flows from operating activities			
Operating deficit for the year		(32,943)	(32,712)
<i>Adjustments for:</i>			
Tangible asset acquisitions during the year		(1,690)	(1,157)
Depreciation		73	80
(Increase)/decrease in debtors		(3,050)	3,135
(Decrease)/increase in creditors		(834)	691
Net cash used in operating activities		(38,444)	(29,963)
Cash flows from investing activities			
Increase/(decrease) in cash equivalents in financial instruments	8	99,271	(4,130)
Net cash from/(used in) investing activities		99,271	(4,130)
Net increase/(decrease) in cash and cash equivalents (including investments)		60,827	(34,093)
Financial instruments, treasury, cash balances and overdraft at 1 January		881,161	915,254
Financial instruments, treasury, cash balances and overdraft at 31 December		941,988	881,161

ANALYSIS AND RECONCILIATION OF NET FUNDS	At 1.1.21 £'000s	Increase/ (decrease) £'000s	At 31.12.21 £'000s
Cash at bank and in hand	390	(112)	278
Overdraft	(3,050)	(1,182)	(4,232)
	(2,660)	(1,294)	(3,954)
Financial instruments	883,821	62,121	945,942
	881,161	60,827	941,988

The cashflow statement includes investments held at fair value through profit or loss, which are considered as part of the net funds, and as such any unrealised movement in valuation.

The overdraft arises as a result of timing differences only and is therefore a technical overdraft arising due to accounting treatments.

Notes 1 to 20 form an integral part of these financial statements.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The Social Security – Contributory Funds (the “Contributory Funds”) comprise the Guernsey Insurance Fund, Guernsey Health Service Fund and Long-Term Care Insurance Fund formed in accordance with Section 100(3) of the Social Insurance (Guernsey) Law, 1978, Section 1(4) of the Health Service (Benefit) (Guernsey) Law, 1990 and Section 1(4) of the Long-term Care Insurance (Guernsey) Law, 2002.

The financial statements are prepared in accordance with the particular accounting policies described below:

a) Accounting convention

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (“FRS 102”) “The Financial Reporting Standard applicable in the UK and Republic of Ireland” except for certain disclosures required in respect of financial instruments mainly in relation to level 3 investments. Given the complexity and extensive requirements of these disclosures, the Committee has not provided all the relevant disclosures required by FRS 102. Work is ongoing on providing such disclosures in future years.

b) Going Concern

The Committee members and principal officers have reviewed the budget and projected income and expenses over the next twelve months, including the available expenditure cover. Following review, it is considered that each of the Contributory Funds have adequate financial resources and liquidity to continue to meet its obligations. Each of the Contributory Funds is therefore deemed to be a going concern.

c) Contributions & States grant – change in accounting policy

A change in the accounting policy with respect to Contribution income has been adopted retrospectively, see Note 19 for details. Contributions are recognised as they fall due, however, some elements of that 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.

The grants received from the States of Guernsey are based on a fixed percentage of contributions, accounted for in the relevant period and for 2021 was 14.7% (2020: 14.7%) in respect of the Guernsey Insurance Fund.

d) Benefits payable

Benefits are accounted for on an accruals basis.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (continued)

e) Actuarial Review

The financial statements summarise the transactions of the Contributory Funds and report the net assets at the disposal of the Fund. They do not take account of obligations to pay benefits which fall due after the end of the financial year. The adequacy of the Contributory Funds is, however, subject to actuarial review at least once every five years to determine the adequacy of contribution rates. A review of the five year period 2015 to 2019 for the Guernsey Insurance Fund and the Long-Term Care Insurance Fund was undertaken in 2020 and the results published in the 2021 Billet d'Etat V.

f) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. The costs of computer development projects are capitalised as and when they are considered to be material on an individual project basis. Depreciation is provided on cost at the following annual rates so as to write off the assets over their anticipated useful lives:

Fixed asset categories	Estimated useful life in years	Depreciation % per annum
Buildings	80	1.25 straight line
Furniture and fittings	10	10.00 straight line
Office equipment	5	20.00 straight line
Computer equipment and software	3	33.33 straight line
Computer development	3	33.33 straight line
Computer development – Technological migration	7	14.29 straight line

g) Common Investment Fund

The investments of the Contributory Funds form the Common Investment Fund. The allocation to the individual Contributory Funds is based on a percentage of amounts contributed by each fund into the Common Investment Fund, as determined by the Policy & Resources Committee.

h) Financial instruments

Financial assets and financial liabilities are recognised when the Contributory Funds become a 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (continued)

h) Financial instruments (continued)

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price, except for those financial assets classified as at 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, and only when there exists a legally enforceable right to set off the recognised amounts and the Committee intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Investments

Investments are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets. Otherwise, the closing single price, single dealing price or most recent transaction price is used.

Where quoted or other unit prices are not available, the Policy & Resources Committee adopts valuation techniques appropriate to the class of investment. Details of the valuation techniques and principle assumptions are given in the notes to the financial statements where used. The methods of determining fair value for the principle classes of investments are:

- Equities, bonds and certain pooled investment vehicles which are traded on an active market are included at the quoted price, which is normally the bid price.
- Unitised pooled investment vehicles which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before year end.
- The value of other equities, bonds and pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated, through consultation with its advisors and the Custodian, and reported to the Policy & Resources Committee. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at the value, in which case adjustment is made.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (continued)

h) Financial instruments (continued)

Investments

- Exchange traded futures are valued at the difference between exchange settlement prices and inception prices.
- Swaps are valued at the net present value of future cash flows arising therefrom.
- Over the counter options are valued by the investment manager using generally accepted pricing models such as Black Scholes, where inputs are based on market data at the year-end 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 into an equal and opposite contract at that date.
- Partnership investments are valued on the basis of the latest available net asset value if it is within one month prior to the year-end or where there has been a significant investment in the partnership subsequent to the latest valuation, to estimate the fair value of the partnership by using the price at which the amount of any significant investments is made.

Security Lending

Securities lending is where securities are transferred from the Funds' custodian to a borrower against collateral in the form of cash. When the loan is terminated, identical securities are to be returned. The borrower is obligated to compensate the lender for various events relating to securities, such as subscription rights, dividends etc. Securities that are lent out are not removed from the Funds' Statement of Net Assets. Lending fees are recorded daily as interest income on lending. The borrower has voting rights attached to the securities during the lending period. Collateral received is not recorded unless it is reinvested. Income and realised and unrealised gains/losses on reinvested securities are recorded in the Fund account.

Capital movements – Realised and unrealised

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 sales 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 Aggregated Fund Account.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (continued)

h) Financial instruments (continued)

Derivatives

All open derivatives are stated at their closing market values established by reference to the applicable index.

Other assets

Debtors are recognised at amortised cost, less any impairment losses. These comprise mainly contributions due and benefits prepaid at the reporting date and are short term in nature.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and balances held by States Treasury on behalf of the Contributory Funds. Whilst the Contributory Funds operates four bank accounts, the entity will make payments and receive money via bank accounts held centrally by the States of Guernsey. The net cash balance held with the States of Guernsey at the year end is treated as Cash and Cash Equivalents on the Contributory Funds' statement of financial position. This net cash balance may change on a daily basis, with surplus cash balances generating financial returns, and balances in deficit being charged interest. Any net cash balance held with the States of Guernsey could be reduced over a very short period of time without detriment, and therefore is considered to be a highly liquid investment, readily convertible to known amounts of cash and subject to an insignificant risk of any change in notional value.

De-recognition of basic financial instruments

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Fund transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Fund, 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.

i) Foreign Currency

Functional and presentational currency

The financial statements are presented in Pounds Sterling, which is the functional and presentational currency of the Contributory Funds.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (continued)

j) Pension costs

As described in note 14, the Committee has applied the provisions of FRS 102, section 27 in respect of defined contribution arrangements.

k) Critical accounting judgements and estimates

As stated above, investments in unlisted funds (including limited partnerships) are valued at the net asset value of that investment as determined in accordance with the terms of the funds' constitutive documents and notified by the fund manager or administrator as at the valuation date.

The valuation date of each fund may not always be co-terminus with the valuation date of the Contributory Funds, and in such cases, the valuation of the fund as at the last valuation date of the fund is used i.e. the latest available price is used on the valuation date. The net asset values reported by the relevant fund manager or administrator and used by the Policy & Resources Committee as at 31 December 2021 may be unaudited as at that date and may differ from the amounts which would have been realised from a redemption of the investment in the relevant fund as at 31 December 2021. However, it is the belief of the Investment Manager and the Policy & Resources Committee that the latest available net asset value used on the valuation date will not be materially different from the net asset value used to realise these investments held at 31 December 2021, and the Policy & Resources Committee would be notified of any material changes to net asset values by the Investment Manager and the Custodian.

2. CONTRIBUTIONS

	2021 £'000s	2020 Restated £'000s
Employer contributions	83,601	78,646
Employee contributions	82,789	77,764
	166,390	156,410
Self-employed contributions	15,477	14,488
Non-employed contributions	8,338	9,500
Employer surcharge and penalty	3	37
Movement in contributions unallocated	722	72
	190,930	180,507
Contribution income allocated to:		
Guernsey Insurance Fund	118,166	111,251
Guernsey Health Service Fund	43,492	41,261
Long-term Care Insurance Fund	29,272	27,995
	190,930	180,507

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. BENEFITS PAYABLE

	Note	2021 £'000s	2020 £'000s
Guernsey Insurance Fund	4	163,041	157,889
Guernsey Health Service Fund	5	49,224	45,066
Long-term Care Insurance Fund	6	22,718	20,451
		234,983	223,406

4. BENEFITS PAYABLE: GUERNSEY INSURANCE FUND

	Note	2021 £'000s	2020 £'000s
Pension		138,355	133,930
Incapacity		10,324	9,475
Sickness		4,692	4,683
Bereavement		1,480	1,337
Travelling allowance grant		3,337	2,527
Unemployment		971	2,123
Parental		2,547	2,566
Industrial disablement		534	535
Industrial injury		270	249
Death grant		391	364
Industrial medical		128	113
		163,029	157,902
Doubtful debt provision - movement		12	(13)
	3	163,041	157,889

5. BENEFITS PAYABLE: GUERNSEY HEALTH SERVICE FUND

	Note	2021 £'000s	2020 £'000s
Drugs and medicines	5(a)	21,148	17,675
Specialist Health Insurance Scheme	5(b)	23,127	22,822
Consultation grants	5(c)	3,452	3,236
Visiting medical consultants		881	771
Healthy Minds		526	465
Under 21 Contraception		90	97
	3	49,224	45,066

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5(a). DRUGS AND MEDICINES

	Note	2021 £'000s	2020 £'000s
Drugs and medicines		21,722	18,478
Appliances		1,227	975
Oxygen Service		474	413
		23,423	19,866
Prescription charges receivable		(2,275)	(2,191)
	5	21,148	17,675

5(b). SPECIALIST HEALTH INSURANCE SCHEME

	Note	2021 £'000s	2020 £'000s
Specialist medical benefit		20,060	19,885
Physiotherapy benefit		2,812	2,627
Alderney hospital benefit		255	310
	5	23,127	22,822

Under the contract between the States and the Medical Specialist Group, the States acts through the Committee for Health & Social Care only, with involvement from the Committee for Employment & Social Security limited to the provision of funding. Key Performance Indicators have been included in the contract to enable the service to be monitored closely, with results published annually.

A 12 month rolling contract has been introduced with the Guernsey Therapy Group, replacing the contract that expired on 31 December 2017.

5(c). CONSULTATION GRANTS

	Note	2021 £'000s	2020 £'000s
Doctor consultation grants		2,891	2,745
Nurse consultation grants		561	491
	5	3,452	3,236

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. BENEFITS PAYABLE: LONG-TERM CARE INSURANCE FUND

Note	2021 £'000s	2020 £'000s
Residential home care benefit		
Permanent	6,646	5,987
Permanent with EMI supplement	5,121	4,302
Respite care	68	72
Respite care with EMI supplement	29	39
	11,864	10,400
Nursing home care benefit		
Permanent	10,822	10,005
Respite care	32	46
	10,854	10,051
3	22,718	20,451

7. ADMINISTRATION

	2021 £'000s	2020 £'000s
Salaries and pension costs	3,822	4,039
Other staff costs	2	5
IT and communication	13	48
Consultancy and contracted out work	1,676	1,532
Administration	207	224
Premises	179	205
Health & Social Services Committee	400	370
Policy & Resources Committee charges	1,546	1,549
Supplies and Services	117	107
Audit fee	58	55
	8,020	8,134
Amounts received from General Revenue	(1,886)	(2,047)
	6,134	6,087
Administration expenses allocated to:		
Guernsey Insurance Fund	4,019	4,311
Guernsey Health Service Fund	1,712	1,419
Long-term Care Insurance Fund	403	357
	6,134	6,087

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENT RETURNS

	2021	2020
	£'000s	£'000s
Income		
Interest from fixed interest securities	3,944	3,372
Interest on short term deposits and bank interest	138	660
	4,082	4,032
Expenditure		
Investment managers' fees & adjustments	(77)	228
Investment advisor's fees	192	192
Custody fees	35	34
Performance monitoring fees	26	27
Policy & Resources Committee charges	69	69
	245	550
Net investment income	3,837	3,482
Realised gain on disposal	13,513	2,242
Movement on unrealised gain	81,921	(9,854)
Total (deficit)/surplus for the year	99,271	(4,130)
Investing activities allocated to:		
Guernsey Insurance Fund	75,813	(3,584)
Guernsey Health Service Fund	12,166	(557)
Long-term Care Insurance Fund	11,292	11
	99,271	(4,130)

Investment managers' fees & adjustments relate to fees paid directly by the contributory fund and rebates on fees paid within pooled investment vehicles, where the full fees and expenses are charged directly to the investment, and not included in the above.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**9. TANGIBLE ASSETS**

	1.1.2021	Additions	31.12.2021
	£'000s	£'000s	£'000s
Cost			
Freehold land and buildings	4,306	4	4,310
Plant and equipment	1,144	29	1,173
Information technology	9,359	-	9,359
Information technology in development	3,525	1,658	5,183
	18,334	1,691	20,025
	1.1.2021	Depreciation	31.12.2021
	£'000s	£'000s	£'000s
Accumulated Depreciation			
Freehold land and buildings	1,559	53	1,612
Plant and equipment	995	20	1,015
Information technology	9,359	-	9,359
	11,913	73	11,986
Net book value	6,421		8,039

Information technology in development includes the Revenue Service Project under development to replace the current legacy Contributions system. Development remains in progress, and the asset is not yet in use, and therefore no depreciation is currently being charged.

The Committee has reviewed fixed assets for evidence of impairment and no adjustment has been made to the carrying value of tangible fixed assets (2020: £Nil).

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. FINANCIAL INSTRUMENTS

Common Investment Fund (CIF) at Fair Value	31.12.2021	31.12.2020
	£'000s	£'000s
Equities and derivatives	209,307	186,762
Alternative investments and hedge funds	282,044	239,500
Cash and cash equivalents	29,345	29,102
Fixed income and derivatives	342,542	361,350
Venture Capital & Partnerships	73,786	60,615
Property funds	8,918	6,492
	945,942	883,821
Investments allocated to:		
Guernsey Insurance Fund	717,674	677,460
Guernsey Health Service Fund	114,956	110,090
Long-term Care Insurance Fund	113,312	96,271
	945,942	883,821

CIF movements during the year	2021	2020
	£'000s	£'000s
Market value 1 January	883,821	920,726
Investment income reinvested	3,687	3,257
Realised profit on disposal reinvested	13,513	2,242
Movement on unrealised profit/(loss) on investments	81,921	(9,854)
	982,942	916,821
Withdrawal of monies invested	(37,000)	(33,000)
Market value 31 December	945,942	883,821

During 2021, the Common Investment Fund was managed by nine (2020: nine) investment managers, namely: BlackRock Investment Management (UK) Limited; Morgan Stanley Investment Management Limited, GMO UK Limited, CQS Global Funds, AQR Funds, M&G Investments, MAN funds, Federated Hermes and 24AM Vontobel.

The governance of the Fund is supported by the custodian, Northern Trust Global Services Limited and a professional investment adviser, Redington Limited.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. FINANCIAL INSTRUMENTS (continued)

Fair Value Measurement

FRS 102 requires disclosure surrounding the level in fair value hierarchy in which fair value measurement inputs are categorised for assets and liabilities in the Balance Sheet. The determination of the fair value for financial assets and liabilities for which there is no observable price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective. The investments of common investment fund are categorised using the following hierarchy as defined by FRS 102:

- Level 1 - Quoted market prices in an active market for an identical instrument;
- Level 2 - Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data; or
- Level 3 - Valuation techniques using significant unobservable inputs. This category includes all investments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following table analyses within the fair value hierarchy the Common Investment Fund measured at fair value at the year-end date:

Fair Value at 31.12.2021	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000
Equities and derivatives	174,228	35,079	-	209,307
Alternative investments and hedge funds	37,868	244,176	-	282,044
Cash and cash equivalents	29,345	-	-	29,345
Fixed income and derivatives	164,601	177,942	-	342,543
Venture capital and partnerships	-	477	73,308	73,785
Property funds	1,286	708	6,924	8,918
Common Investment Fund	407,328	458,382	80,232	945,942

Fair Value at 31.12.2020	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000
Equities and derivatives	147,711	39,051	-	186,762
Alternative investments and hedge funds	33,698	205,802	-	239,500
Cash and cash equivalents	29,102	-	-	29,102
Fixed income and derivatives	194,259	167,091	-	361,350
Venture capital and partnerships	-	-	60,615	60,615
Property funds	735	674	5,083	6,492
Common Investment Fund	405,505	412,618	65,698	883,821

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. FINANCIAL INSTRUMENTS (continued)

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

The level 3 investments consist of pooled investment vehicles, private equity and venture capital funds, real estate funds and infrastructure funds which typically involve the purchase and redemption of shares from the fund itself rather than a secondary market. The majority of level 3 investments have therefore been measured at fair value using the reported net asset value (“NAV”), as this is the approximate value at which shares are redeemable and therefore a basis for current transactions, based on the most recent 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 NAV reported by the fund manager or administrator may be unaudited and in some cases, the notified NAV is based on estimates. No adjustment has been made for restrictions on redemption, which are all for periods of greater than 3 months, or for factors such as the marketability of the investment due to it not being listed.

Transfers between levels

There have been no transfers between the levels during the year (2020: None).

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**10. FINANCIAL INSTRUMENTS (continued)****Financial instrument analysis**

Assets at 31.12.2021	Fair Value through profit or loss	Amortised Cost	Total
	£'000s	£'000s	£'000s
Common investment fund	945,942	-	945,942
Cash & cash equivalents	-	(3,953)	(3,953)
Trade and other receivables	-	40,903	40,903
Trade and other payables	-	(2,951)	(2,951)
	945,942	33,999	979,941

Assets at 31.12.2020	Fair Value through profit or loss	Amortised Cost	Total
Restated	£'000s	£'000s	£'000s
Common investment fund	883,821	-	883,821
Cash & cash equivalents	-	(2,660)	(2,660)
Trade and other receivables	-	37,853	37,853
Trade and other payables	-	(3,785)	(3,785)
	883,821	31,408	915,229

The Committee do not believe that there is any material difference between the fair value and the amortised cost equivalent of assets and liabilities held at amortised cost.

11. DEBTORS DUE AFTER ONE YEAR

	31.12.21	31.12.20
	£'000s	£'000s
Benefit debt	159	160
Provision for doubtful debts	(74)	(60)
	85	100

12. DEBTORS DUE WITHIN ONE YEAR

	31.12.21	31.12.20
	£'000s	Restated £'000s
Contributions receivable	32,266	33,268
States of Guernsey Intercompany & Treasury	4,587	199
Benefits and allowances prepaid	3,565	3,904
Trade debtors	400	382
	40,818	37,753

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.21	31.12.20
	£'000s	Restated £'000s
Benefits and allowances payable	2,501	2,463
Other creditors and accruals	196	517
Trade creditors	254	805
	2,951	3,785

14. SUPERANNUATION FUND

The employees of Committee for Employment & Social Security are members of the States of Guernsey Public Servants' Pension Scheme. These arrangements provide defined benefits on a career average revalued earnings ("CARE") basis up to a salary cap (currently £94,081 (2020: £94,081)) for members joining from 1 May 2015 and, on a different CARE basis, for the service from 1 March 2016 of members who joined before 1 May 2015. There is a defined contribution section for earnings in excess of this salary cap. The arrangements for service before 1 March 2016 for members who joined before 1 May 2015 and for the future service of those closer to pension age remains final salary.

The Scheme is funded by contributions from both members and employer which are invested through the States of Guernsey Superannuation Fund. The employer rate for the defined benefits are determined on the basis of independent actuarial advice, and calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives.

Although the scheme is a multi-employer plan, it is not possible to identify the Committee's share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. There is neither an agreement nor a policy in place to allocate any of the deficit of the pension scheme across the participating entities. The States of Guernsey is liable for any obligations that arise from the States of Guernsey Superannuation Fund in respect of employees of the States of Guernsey. All employees of the Committee are considered to be ultimately employees of the States of Guernsey. Consequently, the Committee has accounted for the plan as if it were a defined contribution plan, whereby it has expensed employer contributions through the Fund Account. The employees also contribute to the States of Guernsey Superannuation Fund. The contribution rates are determined by a qualified actuary on the basis of triennial valuations.

Further details relating to the funding of the Superannuation Scheme are included within The States of Guernsey Accounts 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. RELATED PARTY TRANSACTIONS

The Committee members and senior management confirms that there have been no related party transactions to disclose in this financial year (2020: Nil). Of the Committee's annual income and expenditure, less than 20% of their respective value for both 2021 and 2020 is due to transactions with other States entities, except as disclosed in notes 1, 2, 5, 7, 11 and 13. Balances with the States of Guernsey at the year-end amounted to £4.3m receivable (2020: £0.2m receivable).

Key management personnel compensation disclosure

For the year, total staffing costs associated with the Committee's key management was £0.9m (2020: £1.09m), comprising 10.7 full-time equivalent staff (2020: 11.5 FTE). Approximately £0.32m of total costs is allocated to the Contributory Funds (2020: £0.44m), the balance being charged to General Revenue.

16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (CONTINUED)

Financial Exposure Risk

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

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

Risk	Cause	Indicative magnitude of loss	Time to recover
Regular Market Volatility	Trading activity and market sentiment	5%-10%	Months to one 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

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. 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 is identified and projections made as to how the strategy would perform in each of these situations.

In each case the Policy & Resources Committee 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 Policy & Resources Committee.

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 Committee’s 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, defensible and meet the non-financial needs of the Committee. The investment advisors will report back to the Policy & Resources Committee on a quarterly basis.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (CONTINUED)

Market risk

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

Market price risk sensitivity

The following table illustrates the sensitivity of the Common Investment Fund 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.

	31.12.2021	31.12.2020
	£'000s	£'000s
Fair value at year-end	945,942	883,821
Variance of 10% in fair value	±94,594	±88,382

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 Policy & Resources Committee 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 their exposure to market risk when making each investment decision and monitors the overall level of market risk on the investment portfolio under its management on an ongoing basis, through regular reporting from the investment manager.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (CONTINUED)

(i) Currency risk

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

Management of currency risk

The investment managers are responsible for managing currency risk and monitoring exposure to foreign currencies. 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. Income denominated in foreign currencies is converted into Sterling.

Open forward foreign currency contracts

There were 5 (2020: 5) open forward currency contracts at the year-end. An analysis of the open contracts is as follows:

Contract	Settlement Date	Currency	Contracted Amount £'000s	31.12.21 Fair value £'000s
Forward FX Purchase	1 month	GBP	115,981	115,981
Forward FX Sale	1 month	AUD	(2,251)	(2,248)
Forward FX Sale	1 month	CAD	(6,197)	(6,161)
Forward FX Sale	1 month	EUR	(7,666)	(7,563)
Forward FX Sale	1 month	USD	(99,867)	(97,661)
			-	2,348

Contract	Settlement Date	Currency	Contracted Amount £'000s	31.12.20 Fair value £'000s
Forward FX Purchase	1 month	GBP	97,115	97,115
Forward FX Sale	1 month	AUD	(2,063)	(2,070)
Forward FX Sale	1 month	CAD	(5,980)	(5,860)
Forward FX Sale	1 month	EUR	(7,856)	(7,751)
Forward FX Sale	1 month	USD	(81,216)	(79,685)
			-	1,749

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (CONTINUED)

Foreign currency exposure

At the year-end, the net currency exposure of the Contributory Funds, including the Common Investment Fund (“CIF”), is as follows:

31.12.21	Monetary Assets	Monetary Liabilities	Non-Monetary Assets	Non-Monetary Liabilities	Forward FX Contracts	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
GBP	21,181	-	802,283	-	115,981	940,145
AUD	20	-	2,274	-	(2,248)	46
CAD	141	-	6,467	-	(6,161)	447
EUR	16	-	6,081	-	(7,564)	(1,467)
USD	5,639	-	98,793	-	(97,661)	6,771
Total (CIF)	26,997	-	916,598	-	2,347	945,942
GBP	278	(4,231)	40,903	(2,951)	-	33,999
Total	27,275	(4,231)	957,501	(2,951)	2,347	979,941

31.12.20	Monetary Assets	Monetary Liabilities	Non-Monetary Assets	Non-Monetary Liabilities	Forward FX Contracts	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
GBP	25,465	-	761,062	-	97,115	883,642
AUD	0	-	2,019	-	(2,070)	-51
CAD	9	-	6,120	-	(5,860)	269
EUR	7	-	6,273	-	(7,751)	(1,471)
USD	1,272	-	79,845	-	(79,685)	1,432
Total (CIF)	26,753	-	855,319	-	1,749	883,821
GBP	390	(3,050)	44,276	(3,785)	-	37,831
Total	27,143	(3,050)	893,172	(3,785)	1,749	915,229

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

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (CONTINUED)

Foreign currency exposure (continued)

At 31 December 2021, had the GBP strengthened by 10% in relation to other currency exposure of the Common Investment Fund (CIF), with all other variables held constant, the valuation of the CIF would have changed by the amounts shown below. The analysis is performed on the same basis for 2020. A 10% weakening of GBP against other currencies respectively would have resulted in an equal but opposite effect. A movement of 10% is considered a reasonable expectation of currency movements based on historical currency rates over the past twelve months, and allows for additional currency risk within the portfolio.

Foreign Currency Exposure – Sensitivity Analysis	31.12.2021	31.12.2020
	£'000s	£'000s
AUD	2	(3)
CAD	22	13
EUR	(73)	(74)
USD	339	72
Total	290	8

(ii) 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.

Management of interest rate risk

The interest rate profile of the Common Investment Fund at year-end is as follows:

Interest rate profile 31.12.21	Fixed	Floating	Total
	£'000	£'000	£'000
Cash and cash equivalents	-	29,345	29,345
Fixed income and derivatives	220,895	121,647	342,542
Total	220,895	150,992	371,887

Interest rate profile 31.12.20	Fixed	Floating	Total
	£'000	£'000	£'000
Cash and cash equivalents	600	28,501	29,101
Fixed income and derivatives	171,653	189,697	361,350
Total	172,253	218,198	390,451

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (CONTINUED)

Management of interest rate risk (continued)

The majority of investments with fixed and floating rates are held in pooled investment funds and, as such, the interest rate risk is managed by the underlying investment managers. These exposures are therefore not included in the above tables.

The Common Investment Fund has no direct holdings in fixed interest securities (2020: 2) and floating rate assets comprise cash held within the Common Investment Fund. No sensitivity analysis has been provided on the basis that any movement would not be material to the Common Investment Fund.

(iii) Credit risk

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Contributory Funds.

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. Counterparties must be pre-approved by the Investment managers' credit committees.

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 Committee's investments are held in accounts which are segregated from the Custodian's own trading assets. If the Custodian were to become insolvent, the Committee's right of ownership is clear and they are therefore protected. However, the Committee cash balances, which are held with the Custodian, may be at risk in this instance as the Committee would rank alongside other creditors of the Custodian.

(iv) 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.

(v) 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 Committee need to be monitored to control the timing of investment and divestment to and from the Common Investment Fund. As the Committee 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 Common Investment Fund.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (CONTINUED)

The liquidity analysis of the Contributory Funds at year-end is as follows:

Liquidity Analysis	Within 1 month	1 to 3 months	3 to 12 months	Over 12 months	31.12.21 Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Common investment fund	765,956	92,548	13,157	74,281	945,942
Cash and cash equivalents	(3,953)	-	-	-	(4,241)
Trade and other receivables	40,818	-	-	85	40,572
Trade and other payables	(2,951)	-	-	-	(2,951)
Total	799,870	92,548	13,157	74,366	979,941
% of Total	81.6%	9.5%	1.3%	7.6%	100.0%

Liquidity Analysis Restated	Within 1 month	1 to 3 months	3 to 12 months	Over 12 months	31.12.20 Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Common investment fund	635,704	118,262	57,872	71,983	883,821
Cash and cash equivalents	(2,660)	-	-	-	(2,660)
Trade and other receivables	37,753	-	-	100	37,853
Trade and other payables	(3,785)	-	-	-	(3,785)
Total	667,012	118,262	57,872	72,083	915,229
% of Total	72.9%	12.9%	6.3%	7.9%	100.0%

The investments categorised under the level 1 Fair Value hierarchy are valued at £407m at the year-end (2020: £636m). 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. CAPITAL MANAGEMENT

The Committee's objectives when managing capital include safeguarding its ability to continue as a going concern and to ensure that each of the Contributory Funds has adequate financial resources to meet its obligations both in the short and long-term.

The Contributory Funds have no externally imposed capital requirements.

As part of its capital management, the Policy & Resources Committee is responsible in law for setting investment policy, strategy and implementation. In discharging this responsibility, the Committee contracts advice from expert external advisers. The Policy & Resources Committee has delegated the responsibility for the direct governance of its investment funds to an investment Sub-Committee.

In addition to the Committee's financial risk management as detailed in note 16, the management of other associated and qualitative risks as follows:

Demographic Risk

The risk of an increased cash flow requirement from the Fund resulting from demographic changes such as an increase in life expectancy, or reduction in working population.

Financial exposure risks are important, but the impact of demographics on the commitments of the funds may be just as relevant.

The demographics risks may affect the drawdown from the Fund in a number of ways:

- **Mortality:** Where benefits are related to death, the value of the benefit will be driven by this. This is particularly an issue in relation to the provision of pensions, where payments are made until the death of the beneficiary. Improvements in life expectancy would naturally result in paying out more than expected, which represents a risk to the Fund;
- **Ill-Health:** Some benefits relate to the incidence of ill-health, for example where this is in respect of invalidity or long-term care costs. Changes in this can result in paying benefits for longer, or greater overall levels of benefits; and
- **Structure of population:** The ability to finance the various funds is affected by the level of contributions, which in turn is related to the structure of the population. Therefore, a long run risk to the Fund is the relationship between those "paying" for the benefits and those receiving them.

These risks are important in absolute terms, but can intensify when combined with financial risks. For example, the "intensity" of an increase in longevity is magnified if the investment return on the Fund is expected to be lower. This has a very real effect on the risks of the Fund, if it affects the recommended contributions. Hence, these risks are not only about their effect on the long term cost, but also on the effect of the incidence of contributions in the short and medium term. The Actuarial Reviews that are undertaken at least every five years provide relevant information for this type of risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. CAPITAL MANAGEMENT (CONTINUED)

Performance Risk

As well as financial exposure risk, poor performance of Fund Managers and providers, including the Investment Adviser, can also have a significant effect. The key contributing risks are identified as below:

- It should be well understood what the objectives of Fund Managers and providers are and the time horizon over which these operate;
- There should be evidence that added-value is skilful (rather than lucky or the result of a persistent systemic position). The basis for skill – i.e. what it is and why it is expected to persist – should be clear and understood. If this evidence does not exist, it is difficult to have confidence in the ability of performance to be delivered;
- All mandates involve constraints within which the Fund manager or provider must operate. It is important that operations are within the mandate and that there have been no breaches (or any breaches have been rectified quickly); and
- It is important to understand in advance how the Fund Manager or provider is expected to perform in a range of different conditions, in order that returns generated over various time horizons may be interpreted effectively.

The Policy & Resources Committee takes advice from its Investment Adviser prior to appointing Fund Managers. All Fund Managers sign an Investment Management Agreement with the Policy & Resources Committee setting out the legal mandate in terms of objectives, constraints and the roles and responsibilities of all related parties. The Policy & Resources Committee monitors Fund Managers' performance to ensure they are delivering their objectives in line with their mandates.

Review of historical performance

Having set the performance tolerances above, these can be measured on a regular basis by comparing actual performance with the target, benchmark and where appropriate a Governance comparable figure (i.e. the Fund Manager's performance might be exaggerated or impaired because of factors that affect all similar managers in the same way).

Operational Risk

The risk is associated with losses resulting from weak controls, process or security. Operational risks can be either internal or external. Internal risks mainly refer to cash flow management. The Committee must ensure it plans for future cash flows and that all payments will be made in a timely manner (See: Note 16 Liquidity Risk above).

Where funds are required to be moved quickly, the Policy & Resources Committee needs to be being able to act quickly on an investment or disinvestment. External risks primarily relate to the process and control errors caused by external parties, such as Fund Managers, custodian or advisers. These risks are mitigated by thorough research and due diligence.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. STATEMENT OF CONTROL

The Contributory Funds are controlled by the Committee for Employment & Social Security as a Principal Committee. The Committee can exercise powers and perform duties conferred on it by legislation and extant States' resolutions, including but not limited to, conferred functions on the former Social Security Department. The members of the Committee have been appointed by the States of Guernsey.

19. CHANGE OF ACCOUNTING POLICY

During the year, the Contributory Funds have changed their accounting policy with respect to the recognition of Contributions, accounting for all receivables as they fall due. Previously, the accounting policy was to account for Contributions receivable that were cash receipts in the first month following the year end. The accounting policy has been applied retrospectively, and comparatives have been restated. The following table provides an analysis of financial statement line changes:

	2020		2020
	As previously stated	Adjustment	Restated
	£'000s	£'000s	£'000s
Aggregated Fund Accounts			
Contributions	180,119	388	180,507
States grant	16,332	22	16,354
Aggregated Statement of Financial Position			
Debtors due within one year	32,585	5,168	37,753
Creditors due within one year	(3,956)	171	(3,785)
Reserves:			
Guernsey Insurance Fund	702,366	2,885	705,251
Guernsey Health Service	114,137	1,300	115,437
Long-term Care Insurance Fund	99,810	1,154	100,964

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee *for* Employment & Social Security
For the year ended 31 December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. SUBSEQUENT EVENTS

Under section 1 of the Health Service Benefit (Amendment and Miscellaneous Provisions) (Guernsey) Law, 2021, all monies in the Guernsey Health Service Fund as at 1 January 2022 (that date being appointed under the Health Service Fund (Closure and Miscellaneous Amendments) Regulations, 2021) were paid into the general revenue account of the States and, immediately after, the Guernsey Health Service Fund was closed. The monies paid into the general revenue account of the States are referred to within that account as the Guernsey Health Reserve.

SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security
For the year ended 31 December 2021

CONSTITUENT CONTRIBUTORY FUND ACCOUNTS

	Note	GIF 2021 £'000s	GHSF 2021 £'000s	LTCIF 2021 £'000s	TOTAL 2021 £'000s	TOTAL 2020 Restated £'000s
Income						
Contributions	1(c),2	118,166	43,492	29,272	190,930	180,507
States grant	1(c)	17,317	-	-	17,317	16,354
		135,483	43,492	29,272	208,247	196,861
Expenditure						
Benefits payable	1(d),3	163,041	49,224	22,718	234,983	223,406
Administration	7	4,019	1,712	403	6,134	6,087
		167,060	50,936	23,121	241,117	229,493
Operating (deficit)/surplus before depreciation charge		(31,577)	(7,444)	6,151	(32,870)	(32,632)
Depreciation charge	9	(73)	-	-	(73)	(80)
Operating (deficit)/surplus		(31,650)	(7,444)	6,151	(32,943)	(32,712)
Investment returns	1(h),8	75,813	12,166	11,292	99,271	(4,130)
Net surplus/(deficit)		44,163	4,722	17,443	66,328	(36,842)
Net assets at 1 January		705,251	115,437	100,964	921,652	958,494
Net assets at 31 December		749,414	120,159	118,407	987,980	921,652

This additional information has been prepared from the accounting records of the Contributory Funds. While it does not form part of the audited financial statements, it should be read in conjunction with them.

States of Guernsey
States' Trading Supervisory Board
Channel Islands Lottery, Guernsey

Report and Accounts

For the year ended 31 December 2021

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

**STATES' TRADING SUPERVISORY BOARD MEMBERS, PRINCIPAL OFFICERS AND
PROFESSIONAL ADVISERS 3**

LOTTERY MANAGER'S REPORT 7

CORPORATE GOVERNANCE10

OPERATING ACCOUNT ANALYSIS12

APPROPRIATION ACCOUNT.....13

NOTES TO THE CHANNEL ISLANDS LOTTERY, GUERNSEY ACCOUNTS14

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

States' Trading Supervisory Board Members, Principal Officers and Professional Advisers

States' Trading Supervisory Board Members

Deputy P. Roffey	President	
Deputy C. Parkinson		
Deputy N. Moakes		
Mr S. Falla CBE		
Mr J. Hollis		resigned 15 October 2021
Dr S. Thornton		appointed 16 October 2021

The constitution of the States' Trading Supervisory Board ("STSB") provides that the membership of the STSB shall be a President and up to two members who shall be members of the States and up to two members who shall not be members of the States. If and when the STSB is inquorate and an urgent decision is required, the States' Rules of Procedure allow for the insufficiency of members to be replaced by members of the States chosen, in the first instance, from members of the Policy & Resources Committee.

Principal Officers to the States' Trading Supervisory Board

Mr S. Elliott, Managing Director, States Trading Group
Mr S. Gardiner, Finance Business Partner, States Trading Group
Mr A. Ford, Head of Shareholder Executive, States Trading Group

The Organisation of States' Affairs (Transfer of Functions) Ordinance 2016 directs that the STSB has responsibilities and oversight of the delivery of the administration and promotion of the Channel Islands Lottery, Guernsey ("CILG").

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

States' Trading Supervisory Board Members, Principal Officers and Professional Advisers – continued

Channel Islands Lottery, Guernsey Sub-Committee Members

Deputy C. Parkinson	Chairman
Deputy N. Moakes	
Mr S. Gardiner	non-voting adviser
Mr J. Taylor	non-voting adviser

The constitution of the Channel Islands Lottery, Guernsey Sub-Committee ("CILG Sub-Committee") as agreed by the STSB at its meeting of 15 February 2018.

Further information on the role of the CILG Sub-Committee is provided in the Corporate Governance section.

Principal Officers to the CILG Sub-Committee

Mr S. Gardiner, Finance Business Partner, States Trading Group
Mrs C. Edwards, Senior Finance Manager, States Trading Group
Mr J. Taylor, Lottery Manager, States Trading Group

In these Financial Statements any reference to "President" refers to the President of the STSB and any reference to "Chairman" refers to the Chairman of the CILG Sub-Committee.

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

Chairman's Report

Overview

The STSB's mandate is the oversight of the administration and promotion of the Channel Islands Lottery, Guernsey (CILG). Its vision for the CILG is to ensure all CILG games continue to be a positive experience for participants, providing the best return to the charity sector and other good causes, whilst carrying out operations in a responsible manner.

In 2021, the CILG was impacted again by COVID-19, with the second lockdown in January and February resulting in sales for those months being 43% below 2019's level. However, from March through to December sales were on average back to the same level as 2019.

Guernsey Post Limited ("GPL") continued in its role as the ticket main distributor, having been appointed in May 2020.

In addition the CILG team worked closely with the Social Investment Fund (SIF) to enhance the reputation of the lottery through messaging about the charities and good causes that benefit from CILG funding.

Business performance

2021 overall sales in Guernsey were at a similar level to 2020, which had also been affected by COVID-19, and down by 4.8% compared to 2019. This decline was similar to trends in other markets across Europe and North America.

The number of tickets sold in Guernsey for the Christmas Lottery was 443k, 8% less compared to 2020, with Jersey seeing a similar decline.

Our community

The CILG generates much needed funds for charities and good causes throughout the Bailiwick of Guernsey.

Our team

The CILG operations are administered by the Lottery Manager with support from a small team. I would like to thank the team for all their hard work and commitment throughout the year.

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

Chairman's Report - continued

Our business strategy and future

The CILG continues to work closely with the team responsible for the operation of the CI Lottery in Jersey to improve efficiencies across the islands with the aim of maximising contributions to good causes while maintaining the Channel Islands Lottery's reputation.

The CILG plans to continue the work enhancing its reputation and building interest in the good causes that the lottery supports throughout Guernsey. This will be achieved by collaborating with SIF to explain how the Lottery benefits the local community. In addition, new ticket dispensers and point of sale materials highlighting the beneficiaries will be distributed through the reseller network.

The CILG will continue to work on improving efficiencies whilst working collaboratively with our partner and ticket producer Scientific Games International ("SGI") as well as GPL.

John Moore University was appointed by Guernsey's Public Health Services to carry out research into problem gambling and a comprehensive report is due for release in 2022 with publication having been delayed due to the COVID-19 pandemic. This initiative, funded from the Lottery Appropriation Account, recognises that while most people who gamble do so responsibly most of the time, problem gambling can be harmful for some. This includes binge gambling, excessive gambling, periods of loss of control and a more serious gambling addiction. This impacts not only on the gambler, but also on families, friends, communities and employers. It is therefore important that the prevalence of the problem is understood, and any areas of concern identified, so services can be developed to address these.

CILG will continue to collaborate with the addiction service providers on island and through the responsible gambling authority GamCare in the UK. The CILG now provides awareness of helplines on the reverse of tickets and in any promotional materials as well as working towards the development of a player protection scheme.

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

Lottery Manager's Report

The STSB presents the report for CILG for the year ended 31 December 2021. These comprise the Operating Account Analysis, Appropriation Account and accompanying notes.

Principal activities

The STSB operates the lottery in Guernsey but it is effectively a joint operation between the States of Guernsey and the Government of Jersey. Its foundation is enshrined in legislation and States of Guernsey Resolutions. It is the oldest lottery in the British Isles and was established between the islands in 1975. In its infancy, Jersey and Guernsey used the revenues to help fund the operations of their respective leisure centres at Fort Regent and Beau Sejour. By 1980 a charity Christmas draw was introduced and remains popular today, albeit with declining sales in recent years.

The Channel Islands Lottery at present has two component formats: firstly, there are the regular instant-win games and secondly the Channel Islands Christmas Lottery which has a drawn top prize, other drawn prizes and an instant win element.

States' Trading Supervisory Board

Channel Islands Lottery, Guernsey

Lottery Manager's Report - continued

Financial performance

	Actual 2021 £'000	Actual 2020 £'000
Revenue	12,852	12,920
Bailiwick surplus for the financial year	1,532	1,376
Distributions to Sark and Alderney	10	5
Guernsey Surplus for the financial year	1,522	1,371
Transfer to Beau Sejour Centre	700	1,045
Contribution to Island Games	-	275
Donation to SIF (surplus for Christmas draw and scratch cards)	822	326
Donation to SIF (Appropriation Account balance)	-	2,167

Since 2013 £11.5m has been raised in Guernsey which has gone towards: local charities, funding Beau Sejour's operating deficit, or to good causes that benefit the island's community, such as the Island Games.

£150k was raised through the Christmas Lottery revenues in 2021, a decline of £5k on 2020, all of which was transferred to SIF. The annual net proceeds of the CILG Instant Games were £1,372k from which the agreed ring-fenced sum of £700k was transferred to Beau Sejour and the additional surpluses of £672k were transferred to SIF (2020: £171k).

Operational performance

- Ticket Sales:

Sales in 2021 continued to be affected by COVID-19 due to the lockdown in January and February. Sales were in line with 2020 levels but 5% down on pre-pandemic sales (2019).

A set percentage of the sales value of tickets in each game is assigned to prizes (72% is the highest on the £10 games, 70.1% is the average across the various price points). The £10 tickets contributed the most to sales, generating approximately 46% of total sales (£5.9m).

- Channel Islands Christmas Lottery 2021:

Following research carried out in 2020, a number of changes were made to the Christmas Draw for that year, and the format for 2021 was largely the same.

States' Trading Supervisory Board

Channel Islands Lottery, Guernsey

Lottery Manager's Report - continued

The ticket price remained at £2 and the first prize increased with ticket sales, reaching nearly £0.7m. In Guernsey 443k tickets were sold, contributing £0.9m to total sales, which represents a drop in revenues of 8% compared to 2020.

- CILG Profits Disbursed Towards Charity and Good Causes:

Over a period of nine years, a total of £11.5m has been raised for charity, Beau Sejour and good causes. Beau Sejour receives a significant amount which is used to fund the centre's operating deficit and this was capped in 2021 at £700k. In 2020 this was not capped, and the amount transferred to Beau Sejour was £1.0m.

Prizes which are not claimed are forfeited after a given time, usually 12 months after the final issue of tickets for each game/draw. The total value of prizes unclaimed in the Bailiwick of Guernsey amounted to £176k in 2021 (2020: £36k). These forfeited prizes contribute to the proceeds available for good causes.

Our customers

GPL continues its operation as the main distributor of the CILG, which has been agreed for a five-year term starting in May 2020.

In addition, there are individual agents in Alderney and Sark.

The main distributor purchases tickets from the States of Guernsey and ensures that the tickets are on sale as widely as possible through the reseller network.

As part of its efforts to improve the network and transparency around the resale of tickets, GPL has rationalised the reseller network from 350, under the previous distribution agent arrangements, down to 100. All resellers are well-regulated and credible operators, and adhere to sound financial and credit arrangements and collaborate with GPL and the CILG in promoting responsible play.

States' Trading Supervisory Board

Channel Islands Lottery, Guernsey

Corporate Governance

The purpose of the CILG Sub-Committee is to support the delivery of the STSB's mandate, ensuring the efficient and effective management, operation and maintenance of the CILG.

The CILG Sub-Committee is accountable to the STSB and operates by challenging established practices and assumptions and seeking to support the business in establishing clear strategic direction, business planning and operational delivery in support of the outcomes of the Government Work Plan, the Public Service Reform Agenda, Service Guernsey and other strategic reviews and organisational drivers.

The CILG Sub-Committee membership is a minimum of two STSB members, the States Trading Group Finance Business Partner, and the Lottery Manager.

All members other than the Lottery Manager and the Finance Business Partner are appointed by the STSB.

The quorum is the two STSB members.

The CILG Sub-Committee does not hold a fiduciary responsibility.

The CILG Sub-Committee will take into account the States of Guernsey's political direction with regard to the operation of the CILG, as directed from time to time by the STSB. It must ensure that the CILG operations and operational policies align with the wider strategy and policy framework of the States of Guernsey and/or the STSB. The CILG Sub-Committee may generate policy for endorsement by the STSB and onward to the States of Guernsey as required.

The STSB specifically confers the following responsibilities and delegated authority to the CILG Sub-Committee:

- To approve capital and revenue annual budgets in line with the long-term budgets approved by the STSB;
- To approve annual business plans in line with long-term strategy and planning approved by or directed by the STSB;
- To approve and issue annual reports; and
- To guide and steer the CILG.

In carrying out these responsibilities the CILG Sub-Committee is bound and enabled by States of Guernsey rules for financial and resource management and the rules, directives policies and procedures of the States of Guernsey, such as, but not limited to: Finance; Procurement; Property; Human Resources; Data Protection; Health and Safety Management; Risk and Issue Management; Managing Matters of Litigation and Relevant legislation. The CILG Sub-Committee has the authority delegated by the STSB to direct the Lottery Manager in the day-to-day operation of the CILG in line with approved budget and business plans.

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

Corporate Governance – continued

The CILG acts as a political sub-committee of the STSB.

The STSB can disband the CILG Sub-Committee at any time without notice or recourse to any other body.

In the event due process has not been followed, the CILG Sub-Committee must render itself unable to make a decision until such time process has been followed.

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

Operating Account Analysis

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue			
Sale of tickets	2	12,852	12,884
Contribution to prize fund		(9,014)	(8,987)
Forfeited prizes		176	36
		<u>4,014</u>	<u>3,933</u>
Expenses			
Distribution and handling costs		(1,534)	(1,604)
Game agents commission		(708)	(733)
Other operating and administrative expenses		(240)	(220)
		<u>(2,482)</u>	<u>(2,557)</u>
Bailiwick surplus			
States of Alderney	1	(4)	(2)
Chief Pleas of Sark	1	(6)	(3)
		<u>1,522</u>	<u>1,371</u>
Guernsey surplus for the year		<u><u>1,522</u></u>	<u><u>1,371</u></u>

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

Appropriation Account

as at 31 December 2021

	Notes	2021 £'000	2020 £'000
Balance as at 1 January	4 & 5	-	2,442
Net surplus transferred from Operating Account		1,522	1,371
Contribution towards Island Games		-	(275)
Transfer to Beau Sejour Centre		(700)	(1,045)
Donation to SIF: Christmas Lottery Surplus		(150)	(155)
Donation to SIF: Scratch Cards surplus		(672)	(171)
Donation to SIF: Appropriation Account balance		-	(2,167)
		<hr/>	<hr/>
Balance at 31 December		-	-
		<hr/> <hr/>	<hr/> <hr/>

States' Trading Supervisory Board

Channel Islands Lottery, Guernsey

Notes to the Channel Islands Lottery, Guernsey Accounts

1. Bailiwick Share of Lottery Proceeds

The promotion of the CILG in the Bailiwick of Guernsey generated a surplus of £1.5m in 2021 (2020: £1.4m) (scratch cards and Christmas Draw combined), which was shared within the Bailiwick in proportion to the number of tickets sold on each island as follows:

	2021	2020
	£'000	£'000
States of Guernsey	1,522	1,371
States of Alderney	4	2
Chief Pleas - Sark	6	3
	<hr/>	<hr/>
Total	1,532	1,376
	<hr/>	<hr/>

2. Analysis of ticket revenues

Ticket revenues since 2013 have been as follows:

Year	Scratch Card Revenue		Christmas Draw Revenue		Total Revenue	
	Bailiwick of Guernsey	Jersey	Bailiwick of Guernsey	Jersey	Bailiwick of Guernsey	Jersey
	£'000	£'000	£'000	£'000	£'000	£'000
2013	4,199	2,014	1,177	1,785	5,376	3,799
2014	6,789	3,423	1,226	2,260	8,015	5,683
2015	7,726	4,518	1,232	2,199	8,958	6,717
2016	8,603	5,837	1,200	2,122	9,803	7,959
2017	9,648	7,949	1,077	1,954	10,725	9,903
2018	11,815	7,102	1,185	1,998	13,000	9,100
2019	12,478	7,050	1,020	1,684	13,498	8,734
2020	11,924	7,942	960	1,269	12,884	9,211
2021	11,966	8,563	886	1,172	12,852	9,735

States' Trading Supervisory Board

Channel Islands Lottery, Guernsey

Notes to the Channel Islands Lottery, Guernsey Accounts – continued

3. Financial commitments

There are no outstanding commitments on the Lottery Appropriation Account.

4. Appropriation Account

In the Billet D'Etat VII, 2020 the States of Deliberation agreed the establishment of the Social Investment Fund (SIF). A separately constituted body, acting as a States of Guernsey partner, it uses public and some private funds from a variety of sources to invest in the Bailiwick's charitable and community sector organisations. In the same Billet, it was also agreed to rescind existing resolutions relating to the distribution of CILG proceeds and replace them with a direction that any CILG proceeds are to be retained in the CILG Appropriation Account and to delegate authority to the Policy & Resources Committee to approve their use for the following:

- i) Funding initiatives designed to help and support individuals experiencing gambling problems locally;
- ii) Providing a ring-fenced annual grant to the Committee *for* Education, Sport & Culture specifically for funding Beau Sejour Leisure Centre; and
- iii) Transferring to the Social Investment Fund (SIF).

Furthermore, they agreed;

- iv) That a ring-fenced annual grant of a maximum of £700,000 per annum for the three years 2021 - 2023 be provided from the Channel Islands Lottery (Guernsey) Fund Appropriation Account to the Committee *for* Education, Sport & Culture specifically for funding Beau Sejour Leisure Centre (to be reviewed no later than December 2022);
- v) To approve the transfer of the uncommitted balance of the Channel Islands Lottery (Guernsey) Fund Appropriation Account as at 31 December 2019 to the Social Investment Fund (SIF), and
- vi) To agree that any balance of the Channel Islands Lottery (Guernsey) Fund Appropriation Account from 2020 onwards be transferred to the Social Investment Fund (SIF).

For the CILG this means that, effective from 2020, any Guernsey surpluses generated (after appropriations to Alderney and Sark) are retained in the Appropriation Account for Policy & Resources Committee to appropriate as referred to above. CILG no longer distributes the net proceeds of the Christmas Lottery to the Association of Guernsey Charities.

States' Trading Supervisory Board

Channel Islands Lottery, Guernsey

Notes to the Channel Islands Lottery, Guernsey Accounts – continued

5. Distributions from the Appropriation Account

Summary of all amounts distributed since 2013:

	AGC	Beau Sejour	Island Games	Liberation Day	Health Impact assessment on Gambling Addiction	Transfer to SIF	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2013	209	550					759
2014	389	550					939
2015	220	672		50			942
2016	213	651					864
2017	190	493	100				783
2018	218	616	100				934
2019	184	605	125		25		939
2020	-	1,045	275			2,493	3,813
2021	-	700	-	-	-	822	1,522
Total	1,623	5,882	600	50	25	3,315	11,495

Elizabeth College - Upper School

**Annual Report and Audited
Financial Statements**

**Year ended
31 August 2021**

**Annual Report and Audited Financial Statements
For the year ended 31 August 2021**

Contents	Page
Information	1
Report of the Board of Directors	2 - 3
Independent Auditor's Report	4 - 5
Statement of Income and Retained Funds	6
Statement of Financial Position	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 14

Information

Board of Directors

The Very Reverend Tim Barker (Chairman)
Deputy Lyndon Trott
Mr Stephen Sharman
Mr Andreas Tautscher
Mrs Rosemary Bowyer
Mrs Michelle Galpin
Miss Katrina Bray
Advocate Mark Ferbrache
Mr John Roche

Address

Elizabeth College
The Grange
St Peter Port
Guernsey
GY1 2PY

Independent auditor

BDO Limited
Place du Pré
Rue du Pré
St Peter Port
GY1 3LL

The Board of Directors submits its report and the audited financial statements of Elizabeth College – Upper School (the “College”) for the year ended 31 August 2021.

Elizabeth College, founded in 1563 by Queen Elizabeth I, is a day school located in St Peter Port in Guernsey. The College includes the Upper School which is reported in these financial statements. The Junior School is reported in separate financial statements as Elizabeth College – Junior School.

Directors' responsibilities statement

The Board of Directors is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit of the College for that period and are in accordance with applicable law and generally accepted accounting practice. In preparing those financial statements the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the College will continue in operation.

The Board of Directors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and which enable it to ensure that the financial statements have been properly prepared in accordance with applicable law. It is also responsible for safeguarding the assets of the College and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The principal activity of the College is the provision of education.

Results

The results of the College for the year are set out in detail on page 6.

Board of Directors

The Board of Directors of Elizabeth College who served during the year and to date were:

The Very Reverend Tim Barker (Chairman)
Deputy Lyndon Trott
Mr Mark Thompson (resigned 5 January 2022)
Mr Stephen Falla (resigned 5 January 2021)
Mr Stephen Sharman
Mr Andreas Tautscher
Mrs Rosemary Bowyer
Mrs Michelle Galpin
Miss Katrina Bray (appointed 8 October 2020)
Advocate Mark Ferbrache (appointed 5 January 2021)
Mr John Roche (appointed 23 June 2021)

Independent auditor

BDO Limited have expressed their willingness to continue in office.

Disclosure of information to auditor

Each of the persons who are directors at the time when this report of the Board of Directors is approved has confirmed that:

- so far as each director is aware, there is no relevant audit information of which the College's auditor is unaware; and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any audit information and to establish that the College's auditor is aware of that information.

Approved by the Board of Directors and signed on its behalf by:

.....
The Very Reverend Tim Barker
Chairman

.....
Mr Andreas Tautscher
Director

Date:

Opinion on the financial statements

In our opinion, the financial statements of Elizabeth College – Upper School (“the College”):

- give a true and fair view of the state of the College’s affairs as at 31 August 2021 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Revised Statutes of Elizabeth College.

We have audited the financial statements of the College for the year ended 31 August 2021 which comprise the Statement of Income and Retained Funds, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and FRS 102, ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (“United Kingdom Generally Accepted Accounting Practice”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) 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 College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board of Directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the College’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board of Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor’s report thereon. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Responsibilities of Directors

As explained more fully in the Directors’ responsibilities statement within the Report of the Board of Directors, the Board of Directors is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Directors determines 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 Board of Directors is responsible for assessing the College’s 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 Board of Directors either intends to liquidate the College or to cease operations or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 (UK) 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the College.
- We determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those relating to the Revised Statutes of Elizabeth College, Guernsey and FRS 102.
- We understood how the College is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for compliance. We corroborated our enquiries through our review of Board minutes and other management reports.
- We assessed the susceptibility of the College's financial statements to material misstatement, including how fraud might occur, by meeting with individuals from various parts of the College to understand where it is considered there was a susceptibility of fraud. We considered the controls that the College has established to address risks identified, or that otherwise prevent, deter, and detect fraud, and how management monitors those controls.
- We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free of fraud or error.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the College's Board of Directors, as a body, in accordance with our letter of engagements dated 30 November 2021. Our audit work has been undertaken so that we might state to the College's Board of Directors 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 College's Board of Directors, as a body, for our audit work, for this report, or for the opinions we have formed.

BDO Limited
Chartered Accountants
Place du Pré
Rue du Pré
St Peter Port
Guernsey

Date

Elizabeth College – Upper School

Page 6

**Statement of Income and Retained Funds
For the year ended 31 August 2021**

	Note	2021 £	2021 £	2020 £	2020 £
Income					
States' block grant			468,523		325,420
Fees receivable			6,799,804		6,216,496
Other income			475,131		662,827
			<hr/>		<hr/>
			7,743,458		7,204,743
Expenses					
School and departmental expenses	5,073,964			4,932,154	
Administrative expenses	1,750,339			1,583,659	
Maintenance of buildings and grounds	516,846			355,270	
		<hr/>		<hr/>	
			(7,341,149)		(6,871,083)
Operating surplus before interest					
			402,309		333,660
Interest receivable			1,152		16,573
Interest payable			-		-
			<hr/>		<hr/>
Operating surplus for the year					
			403,461		350,233
<i>Restricted income</i>					
Grants from Elizabeth College Foundation	12		-		4,785,001
			<hr/>		<hr/>
Surplus for the year					
			403,461		5,135,234
			<hr/>		<hr/>
Retained funds at 1 September			11,786,753		6,651,519
			<hr/>		<hr/>
Retained funds at 31 August					
			12,190,214		11,786,753
			<hr/> <hr/>		<hr/> <hr/>

All income for the year derives wholly from continuing activities.

The notes on pages 9 to 14 form an integral part of these financial statements.

**Statement of Financial Position
As at 31 August 2021**

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Tangible assets	5		10,670,285		9,666,793
Current assets					
Stock		1,893		5,278	
Debtors	6	165,405		127,165	
Cash and cash equivalents	7	3,769,334		4,086,379	
		3,936,632		4,218,822	
Creditors - amounts falling due within one year	8	(2,416,703)		(2,098,862)	
Net current assets			1,519,929		2,119,960
Net assets			12,190,214		11,786,753
Represented by:					
Retained funds			12,190,214		11,786,753

Approved by the Board of Directors and authorised for issue by:

.....
Chairman

.....
Date approved by the Board

The notes on pages 9 to 14 form an integral part of these financial statements.

Statement of Cash Flows
For the year ended 31 August 2021

	Note	2021 £	2021 £	2020 £	2020 £
Cash flows from operating activities					
Surplus for the financial year		403,461		5,135,234	
Adjustments for:					
Depreciation	5	328,232		338,065	
Decrease/(increase) in stock		3,385		(2,503)	
Increase in operating debtors		(38,240)		(22,167)	
(Decrease)/increase in operating creditors		(72,513)		104,984	
Increase in current account – Elizabeth College Junior School		373,460		148,087	
Interest receivable		(1,152)		(16,573)	
Net cash inflows from operating activities			996,633		5,685,127
Investing activities					
Tangible fixed assets acquired	5	(1,331,724)		(5,091,780)	
Interest received		1,152		16,573	
Net cash outflows from investing activities			(1,330,572)		(5,075,207)
Net (decrease) / increase in cash and cash equivalents			(333,939)		609,920
Cash and cash equivalents at the beginning of the year	7		4,086,379		3,476,459
Cash and cash equivalents at the end of the year			3,752,440		4,086,379
Represented by:					
Cash and cash equivalents	7		3,769,334		4,086,379
Bank overdraft	8		(16,894)		-
			3,752,440		4,086,379

The notes on pages 9 to 14 form an integral part of these financial statements.

Notes to the Financial Statements For the year ended 31 August 2021

1. General information

Elizabeth College is a day school located in St Peter Port, Guernsey that was founded in 1563 and is governed by Statutes dated 1 January 2020 (previously 28 December 1852). The College is registered as a Guernsey Charity under the Charities and Non-Profit Organisations (Registration Guernsey) (Guernsey) Law, 2008. These financial statements only include the results of the Upper School. Separate financial statements are presented for Elizabeth College - Junior School as set out in the Report of the Board of Directors.

2. Significant accounting policies

(a) Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the 'Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102").

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies (see note 3).

The following principal accounting policies have been consistently applied:

(b) Going concern

The Directors are satisfied that the College has adequate resources to continue to operate for the foreseeable future and will continue to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements and they have therefore prepared the financial statements on a going concern basis.

In making this assessment the Directors have considered the impact that COVID-19 lockdowns had on the school. In January 2021, although the school was not physically open to most students, the school ran a full remote provision for all students. In the event of a further lockdown situation, the school would expect to be able to continue with the remote learning provision.

(c) Income recognition

The States' Block Grant comprises a general grant from the States of Guernsey and is recognised on receipt of funds, or when entitlement of receipt by the College is certain. A new grant agreement was signed on 22 October 2018 which sees the general grant gradually increasing from 1 September 2019 until the end of the 7-year agreement on 31 August 2026.

School fee income is recognised as receivable on the first day of each term for which pupils are enrolled. Fees received in respect of future years are carried forward as fees received in advance within creditors and are recognised in income in the school term when the pupil attends or is otherwise refunded. Discounts given on fees are recognised in the same period as the associated fees and recorded within administrative expenses.

Other income, including the hire of facilities and catering income, is recognised in the period that the goods or services are provided.

(d) Expenses

All expenses are accounted for on an accruals basis in the period to which the cost relates and are classified under headings that aggregate all costs related to each relevant category. Costs recharged to the Junior School are offset against the College's expenses in the period in which the costs are incurred.

The costs of maintenance are charged in the period in which they are incurred.

(e) Pension costs

The College participates in a defined benefit multi-employer pension scheme and superannuation contributions are charged to the Statement of Income and Retained Funds when they fall due. Once the contributions have been paid, the College has no further payment obligations (see note 9 for further details)

2. Significant accounting policies (continued)

(f) Elizabeth College Foundation

Capital grants received from the Foundation are recognised in the Statement of Income and Retained Funds when received or when entitlement of receipt by the College is certain.

Other donations received from the Foundation relate to capital or project expenses which were underwritten by the donor and are recognised in the year that the capital item or project relate to.

(g) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less depreciation and any provision for impairment, this level is periodically reviewed by the Board, along with the need for a formal impairment review.

College buildings comprise the modern buildings on the main college site off the Grange, the modern changing room and groundsman's buildings at the College Field and the pavilion at the Memorial Field.

The historic college buildings, being those situated at the College's original site in the Grange and in College Street, and the College Field playing fields and pavilion at King's Road, were gifted to the College at no cost. College buildings which have been held for 50 years or more have not been capitalised as they are considered to have been fully depreciated.

Depreciation is provided to write off the cost of the assets, less their estimated residual values over the period of their expected useful lives, on a straight-line basis at the following annual rates:

College buildings	- 2% to 10%
Furniture and computer equipment	- 10% to 33.33%
Plant and machinery	- 10%
Motor vehicles	- 20%
Perrot Court	- No depreciation charged (see note 5)

(h) Financial instruments

The College only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities. All financial instruments entered into by the College are measured at amortised cost.

Financial assets that are measured at amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Income and Retained Funds.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

Cash is represented by current accounts, cash in hand and deposits with financial institutions. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

(j) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Significant accounting policies (continued)

(k) Retained Funds

Retained funds represent cumulative surpluses and deficits net of any adjustments.

(l) Prize funds and requests

Prize funds and other charitable bequests are not included in these financial statements as they do not constitute part of the day-to-day activities of the College, nor does the College have control over the associated bank accounts.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Directors have made the following key judgements:

Tangible fixed assets (see note 5)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are reviewed annually and may vary depending on a number of factors. In reviewing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as original assumptions, future market conditions, the remaining life of the asset and projected disposal values.

4. Taxation

The College is registered under the Charities and Non Profit Organisations (Registration) (Guernsey) Law, 2008 and has been granted exempt status under Section 40(k) of the Income Tax (Guernsey) Law, 1975. The College's income is therefore not subject to tax.

5. Tangible assets

	College buildings £	Perrot Court £	Furniture and computer equipment £	Plant and machinery £	Motor vehicles £	Total £
Cost						
At 1 September 2020	5,567,814	5,042,928	1,603,503	312,704	26,322	12,553,271
Additions	20,659	1,011,389	259,323	40,353	-	1,331,724
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2021	5,588,473	6,054,317	1,862,826	353,057	26,322	13,884,995
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation						
At 1 September 2020	1,710,716	-	960,745	188,695	26,322	2,886,478
Charge for the year	119,171	-	180,593	28,468	-	328,232
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2021	1,829,887	-	1,141,338	217,163	26,322	3,214,710
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value						
At 31 August 2021	3,758,586	6,054,317	721,488	135,894	-	10,670,285
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2020	3,857,098	5,042,928	642,758	124,009	-	9,666,793
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included within fixed assets is the building Perrot Court which was purchased on 7 January 2020 for the sum of £4,749,733 including costs associated with the purchase. At the time of purchase a bond was registered against the property for the sum of £3,000,000.

Perrot Court is being developed to become part of the main school site and therefore no depreciation will be charged on the building until it is in use. It is anticipated that the building will be available for educational use from September 2022.

As an indication of the relative value of the College's freehold property assets, and the values at which they are included within the financial statements, the following table sets out (a) the cost values at which the properties are included within the accounts and (b) their estimated insurance values as at 1 March 2021. All figures exclude land.

	Cost At 31 August 2020 £	Cost Additions £	Cost At 31 August 2021 £	Insurance Valuation £
Main College site				
- Historic buildings	-	-	-	21,965,632
- Modern buildings	4,233,376	20,659	4,254,035	27,195,545
- Sixth Form Centre	388,470	-	388,470	522,991
College playing fields				
- CF - Old pavilion	-	-	-	678,017
- CF - Modern buildings	149,670	-	149,670	1,356,033
- MF Pavilion	796,298	-	796,298	2,834,332
	<hr/>	<hr/>	<hr/>	<hr/>
	5,567,814	20,659	5,588,473	54,552,550
	<hr/>	<hr/>	<hr/>	<hr/>

6. Debtors

	2021 £	2020 £
Fee debtors	49,151	44,405
Sundry debtors	107,773	74,006
Prepayments and accrued income	8,481	8,754
	<hr/>	<hr/>
	165,405	127,165
	<hr/>	<hr/>

7. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	2,884,661	3,202,370
States' Treasury Cash Pool Deposit	884,673	884,009
	<hr/>	<hr/>
	3,769,334	4,086,379
	<hr/>	<hr/>

Amounts totalling £14,383 (2020: £14,181) held by the Ernest Gardner Bursary Fund are excluded from these financial statements on the basis that they represent monies held on behalf of third parties.

Elizabeth College – Upper School

Page 13

Notes to the Financial Statements (continued) For the year ended 31 August 2021

8. Creditors – amounts falling due within one year

2021 £	2020 £
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Creditors and accruals	154,802	139,908
Fee refunds	-	126,525
Payroll creditors	249,178	241,517
Fees received in advance	227,283	190,999
Other sundry creditors	89,790	94,617
Current account: Elizabeth College – Junior School	1,678,756	1,305,296
Bank overdraft	16,894	-
	<hr/>	<hr/>
	2,416,703	2,098,862
	<hr/> <hr/>	<hr/> <hr/>

Due to the physical closure of the school in 2020, as a result of the COVID-19 pandemic, a rebate of fees was made at a rate of 7% of one term's fee. This is disclosed as fee refunds above. There were no rebate of fees in the year ended 31 August 2021.

9. Pension costs

A majority of the employees of the College are members of the States of Guernsey Superannuation Scheme ("the Scheme"). This is a defined benefit pension scheme, funded by contributions from both employer and employee, at rates which are determined on the basis of actuarial advice, which are calculated to spread the expected cost of benefits to employees over the period of those employees' expected working lives.

The Scheme is a multi-employer scheme and the level of contributions made to the Scheme by each employer will be affected by actuarial risks relating to the employees of other employers. It is not possible for the underlying pension assets and liabilities within the Scheme relating to the employees of the College to be determined on a reasonable and consistent basis, as required by FRS 102. In addition, the Board of Directors considers that the additional costs which would be incurred were it possible to do so, in providing such information considerably outweigh any benefit to the proposed users of these financial statements.

The last actuarial valuation of the Scheme was conducted at 31 December 2016. At that date the actuarial value of the assets relating to the "Combined pool" within the overall Scheme, to which the College's staff belong, represented 93% of the actuarial valuation of the liabilities relating to that group. The rate of employer's contribution remained at 14.1% in respect of all staff after the valuation. A valuation is currently being undertaken and is due to be reported to the States in Spring 2022.

The total amount of superannuation contributions payable by the College to the Scheme for the year ended 31 August 2021 was £576,809 (2020: £555,044). At 31 August 2021 the amount of outstanding contributions not paid over to the Scheme was £144,756 (2020: £140,223).

Further details relating to the funding of the superannuation scheme are provided in the Consolidated Superannuation Fund section of the accounts of The States of Guernsey.

10. Controlling party

Throughout the year the College was under the control of the Board of Directors acting in concert. In the opinion of the Board of Directors there is no single controlling party as defined by FRS 102 as no party has the ability to direct the financial and operating policies of the College with a view to gaining economic benefits from their direction.

Notes to the Financial Statements (continued)
For the year ended 31 August 2021**11. Related party disclosures**

Elizabeth College operates a central accounting system administered by the Finance Bursar, elements of which cover the activities of both the Upper School and Junior School. The Junior School has its own bank account however, a majority of the operating receipts and some operating expenditure related to the College's activities, whether related to the Upper School or otherwise, pass through common bank accounts, all of which are included in the Statement of Financial Position within these financial statements. The net movement arising from cash transactions relating to non-Upper School activities are disclosed in the Statement of Cash Flows as a movement on the current account operated between the two Schools (note 8). Periodically and at each year end, account balances within the central accounting system, including individual debtor and creditor account balances, are allocated as appropriate into the financial statements of the different Schools.

Included in prepayments and accrued income is £5,030 (2020: £186) due from the Ernest Gardner Bursary Fund (note 7).

During the year ended 31 August 2021 an amount of £194,484 (2020: £194,484) was recharged from the Upper School of the College to the Junior School in relation to the employment expenses of administrative and accounting staff, a proportion of whose duties relate to the Junior School. At 31 August 2021 £1,678,756 (2020: £1,305,296) was due to Elizabeth College – Junior School and is included in creditors (note 8). This amount is interest free, unsecured and payable upon demand.

Key management personnel includes all directors and a number of senior managers across the College who together have authority and responsibility for planning, directing and controlling the activities of the College. The Directors are unpaid. The total compensation paid to key management personnel for services provided to the College was £454,621 (2020: £458,403).

12. Elizabeth College Foundation

The Elizabeth College Foundation comprises two charitable trusts (one UK and one Guernsey) which were established in 2006 to raise funds, principally from parents and alumni of Elizabeth College, to enable Elizabeth College to undertake projects and activities which might otherwise be beyond the means of the school to finance from its own operations. The Trustees of the Foundation trusts, although initially appointed by the College's Board of Directors, are independent of Elizabeth College and are required to act in accordance with the terms of the relevant trust deeds.

The basis upon which donations to the Foundation have been requested from donors is such that all monies donated are to be retained within the Foundation until such time as they may be expended as grants towards the funding of specified projects or activities for the benefit of Elizabeth College.

Included within donations is £nil (2020: £4,725,001) which was donated from the Elizabeth College Foundation and used to purchase the Perrot Court building (note 5). In January 2022 a donation of £725,000 was received from the Elizabeth College Foundation to assist with the renovation of Perrot Court.

Other than donations and interest arising on retained funds, the Foundation trusts have no other sources of income. Therefore, the Foundation is reliant upon Elizabeth College to meet a substantial proportion of its annual running costs, including the employment of Foundation staff involved with fund-raising, clerical support and project development. Included in administrative expenses for the year are costs of £67,264 (2020: £68,997) paid on behalf of the Foundation.

13. Commitments

On 16 August 2021, a Standard Building Contract was signed with R. G. Falla Limited in relation to Perrot Court. The total sum of the contract is £6,449,993 to be paid in stage payments until completion of the project in August 2022. The funding of this contract will be from donations, current reserves, a bank loan (note 14) and a loan from the Elizabeth College Foundation.

14. Post balance sheet event

The College entered into a loan agreement with NatWest Bank on 12 October 2021 to assist with the refurbishment of Perrot Court. The loan of £2 million will be drawn down by 31 October 2022. The loan and interest is repayable in monthly instalments and will be fully repaid 120 months after the loan is drawn down. The loan interest rate is 2.75% per annum over base rate. The first registered bond in the sum of £3 million is held as security for the loan (see note 5).

THE LADIES' COLLEGE, GUERNSEY

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

31 AUGUST 2021

THE LADIES' COLLEGE, GUERNSEY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2021

CONTENTS	Pages
Information	2
Report of the Board of Governors	3 - 4
Independent Auditor's Report	5-7
Statement of Income and Retained Funds	8
Balance Sheet	9
Statement of Cash Flows	10
Notes to the Financial Statements	11-19

THE LADIES' COLLEGE, GUERNSEY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2021

INFORMATION

MEMBERS OF THE BOARD OF GOVERNORS

Advocate Caroline Chan

Mr Brian Acton

Mr Peter Miller

Ms Cathy Perkins

Dr Mary Short

Deputy Heidi Soulsby

Mrs Catharine Walter

ADDRESS

The Ladies' College

Les Gravees

St Peter Port

Guernsey

GY1 1RW

INDEPENDENT AUDITOR

BDO Limited

P O Box 180

Place du Pre

Rue du Pre

St Peter Port

Guernsey

GY1 3LL

THE LADIES' COLLEGE, GUERNSEY

REPORT OF THE BOARD OF GOVERNORS

FOR THE YEAR ENDED 31 AUGUST 2021

The Board of Governors submit their report and the audited financial statements of The Ladies' College, Guernsey (the "College") for the year ended 31 August 2021.

BOARD OF GOVERNORS' RESPONSIBILITIES STATEMENT

The Board of Governors (the "Board") is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit of the College for that period and are in accordance with applicable laws. The Board have elected to prepare the financial statements in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. In preparing those financial statements the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the College will continue in operations.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and which enable them to ensure that the financial statements have been properly prepared in accordance with applicable law. It is also responsible for safeguarding the assets of the College and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are on the Board of Governors at the time that this report is approved has confirmed that:

- so far as each Governor is aware, there is no relevant audit information of which the College's auditor is unaware; and
- each Governor has taken all of the steps that ought to have been taken as a Governor in order to be aware of any audit information and to establish that the College's auditor is aware of that information.

PRINCIPAL ACTIVITY

The Ladies' College, founded in 1872, is a girls' day school located in St Peter Port in Guernsey. The College includes the Senior School and Sixth Form which are reported on in these financial statements. The Ladies' College, Melrose and the Pre-Preparatory Department are reported in separate financial statements as The Ladies' College - Melrose.

The principal activity of the College is the provision of education.

RESULTS

The results of the College for the year are set out in detail on page 8.

THE LADIES' COLLEGE, GUERNSEY

REPORT OF THE BOARD OF GOVERNORS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

GOING CONCERN

The Board has reviewed the budget and cashflows for the period to 28 February 2023 and continues to monitor the impact on the College of the the novel coronavirus pandemic (COVID-19) which was declared in March 2020.

The Board is satisfied that the College will continue to meet its liabilities as they fall due and have adopted a going concern basis of preparation in the financial statements.

BOARD OF GOVERNORS

The Board of Governors of the College who served during the year and to date were:-

- Advocate Caroline Chan
- Mr Brian Acton
- Mr Peter Miller
- Ms Cathy Perkins
- Dr Mary Short
- Deputy Heidi Soulsby
- Mrs Catharine Walter

INDEPENDENT AUDITOR

BDO Limited have expressed their willingness to continue in office.

APPROVED BY THE BOARD OF GOVERNORS

Caroline Chan
.....
Advocate Caroline Chan
Chair

Peter Miller
.....
Mr Peter Miller
Governor

Date: 17 December 2021

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF THE LADIES' COLLEGE

Opinion on the financial statements

In our opinion, the financial statements of The Ladies College, Guernsey (the "College"):

- give a true and fair view of the state of the College's affairs as at 31 August 2021 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of The Ladies' College (Guernsey) Law, 1962.

We have audited the financial statements of the College for the year ended 31 August 2021 which comprise the Statement of Income and Retained Funds, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("United Kingdom Generally Accepted Accounting Practice").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") 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 College in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board of Governors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board of Governors with respect to going concern are described in the relevant sections of this report.

Other information

The Board of Governors is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF THE LADIES' COLLEGE (CONTINUED)

Other information (continued)

We have nothing to report in this regard.

Responsibilities of the Board of Governors

As explained more fully in the Board of Governors' Responsibilities Statement, the Board of Governors is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines 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 Board of Governors is responsible for assessing the College's 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 Board of Governors either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 (UK) 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the College.
- We determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those relating to The Ladies' College (Guernsey) Law, 1962 and FRS 102.
- We understood how the College is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for compliance. We corroborated our enquiries through our review of Board minutes and other management reports.
- We assessed the susceptibility of the College's financial statements to material misstatement, including how fraud might occur, by meeting with individuals from various parts of the College to understand where it is considered there was a susceptibility of fraud. We considered the controls that the College has established to address risks identified, or that otherwise prevent, deter, and detect fraud, and how management monitors those controls.
- We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free of fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF THE LADIES' COLLEGE (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the College's Board of Governors, as a body, in accordance with our letter of engagement dated 1 October 2021. Our audit work has been undertaken so that we might state to the College's Board of Governors 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 College's Board of Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

BDO Limited
Chartered Accountants
Place du Pré
Rue du Pré
St Peter Port
Guernsey

Date: 17 December 2021

THE LADIES' COLLEGE, GUERNSEY

STATEMENT OF INCOME AND RETAINED FUNDS

FOR THE YEAR ENDED 31 AUGUST 2021

	Note	2021 £	2020 £
Income	2(b)		
States grant		354,125	251,548
Fees receivable		4,530,457	4,284,247
Other income		155,023	146,046
		<hr/>	<hr/>
		5,039,605	4,681,841
Expenditure			
School expenditure	2(c)	(4,812,146)	(4,560,730)
		<hr/>	<hr/>
Operating surplus		227,459	121,111
Fundraising and other donations received	2(d)	21,951	36,896
Bank interest received		304	1,811
Interest payable	2(e)	(40,710)	(54,520)
		<hr/>	<hr/>
Surplus for the year		209,004	105,298
Retained funds at 1 September		4,481,475	4,376,177
		<hr/>	<hr/>
Retained funds at 31 August		4,690,479	4,481,475
		<hr/>	<hr/>

There were no recognised gains or losses other than the surplus for the year.

All amounts relate to continuing activities.

The notes on pages 11 to 19 form an integral part of these financial statements.

THE LADIES' COLLEGE, GUERNSEY

BALANCE SHEET

AS AT 31 AUGUST 2021

	Note	2021	2020
		£	£
Fixed assets			
Tangible assets	4	7,030,474	6,794,026
Current assets			
Stock		5,097	2,891
Fee debtors		36,681	48,946
Other debtors and prepayments	5	76,326	142,010
Cash at bank and in hand	6	804,612	812,083
		<u>922,716</u>	<u>1,005,930</u>
Creditors - amounts falling due within one year	7	<u>(1,061,929)</u>	<u>(950,514)</u>
Net current (liabilities)/assets		<u>(139,213)</u>	<u>55,416</u>
Total assets less current liabilities		6,891,261	6,849,442
Creditors - amounts falling due after more than one year	8	<u>(2,200,782)</u>	<u>(2,367,967)</u>
Net assets		<u>4,690,479</u>	<u>4,481,475</u>
Capital and reserves			
Retained funds		<u>4,690,479</u>	<u>4,481,475</u>

Approved by the Board of Governors and authorised for issue on their behalf by:

Caroline Chan

.....
Advocate Caroline Chan
Chair

Date: 17 December 2021

The notes on pages 11 to 19 form an integral part of these financial statements.

THE LADIES' COLLEGE, GUERNSEY

STATEMENT OF CASH FLOWS

AS AT 31 AUGUST 2021

	Note	2021 £	2021 £	2020 £	2020 £
Cash flows from operating activities					
Surplus for the financial year		209,004		105,298	
Adjustments for:					
Depreciation	4	313,382		294,813	
Interest receivable		(304)		(1,811)	
Interest payable		40,710		54,520	
Increase in stock		(2,206)		(340)	
Increase in operating debtors		77,949		14,163	
Decrease in operating creditors		(20,222)		(35,594)	
Cash from operations		<u>618,313</u>		<u>431,049</u>	
Interest received		304		1,811	
Net cash generated from operations			<u>618,617</u>		<u>432,860</u>
Cash flows from investing activities					
Tangible assets purchased	4/7	(413,304)		(449,957)	
Net cash used in investing activities			<u>(413,304)</u>		<u>(449,957)</u>
Cash flows from financing activities					
Repayment of bank loan		(146,830)		(135,712)	
Interest paid on bank loan		(37,669)		(48,789)	
Finance lease payments		(28,285)		(28,283)	
Net cash outflow from financing activities			<u>(212,784)</u>		<u>(212,784)</u>
Net (decrease) / increase in cash and cash equivalents			<u>(7,471)</u>		<u>(229,881)</u>
Cash and cash equivalents at the beginning of the year	6		812,083		1,041,964
Cash and cash equivalents at the end of the year	6		<u>804,612</u>		<u>812,083</u>

The notes on pages 11 to 19 form an integral part of these financial statements.

**THE LADIES' COLLEGE, GUERNSEY
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 AUGUST 2021

1. GENERAL INFORMATION

The College is established under The Ladies' College (Guernsey) Law, 1962 as amended. The registered address is set out on the information page and the principal activity of the College is the provision of education.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as elected by the Board of Governors (the "Board").

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying accounting policies (see note 3).

Prior year figures for catering income and expenses have been amended to reflect the current year presentation.

The following principal accounting policies have been consistently applied:

(a) GOING CONCERN

The Board has reviewed the budget and cashflows for the period to 28 February 2023 and continues to monitor the impact on the College of the novel coronavirus pandemic (COVID-19) which was declared in March 2020.

The Board is satisfied that the College will continue to meet its liabilities as they fall due and have adopted a going concern basis of preparation in the financial statements.

(b) INCOME RECOGNITION

Fee income is recognised as receivable on the first day of each term for which pupils are enrolled since it is non-refundable. Fee income received in advance of the term is deferred and released on the first day of the applicable term.

The States' Block Grant relating to the General (Non Special Place Holder) Grant is recognised termly on receipt. Under a States Resolution of 28 September 2017, grant aid has been agreed for a further 7 year period from 1 September 2019.

Student registration fees and miscellaneous income are recognised on receipt. All other operating income is recognised on an accruals basis.

(c) SCHOOL EXPENDITURE RECOGNITION

School supplies and equipment including books and teaching materials are recognised in relation to the academic year in which they are to be used as designated by the school budget agreed by the Governors. All other expenses are recognised in the period to which they relate.

**THE LADIES' COLLEGE, GUERNSEY
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 AUGUST 2021

2. ACCOUNTING POLICIES (continued)

(d) FUNDRAISING AND OTHER DONATIONS RECEIVED

'Gift for learning' donations receivable for the phase three development of the College premises are recognised on a cash receipts basis. All other donations are recognised when entitlement to the funds is certain.

(e) INTEREST PAYABLE

Interest payable is charged to the Statement of Income and Retained Funds over the term of the debt using the effective interest method so that the amount is at a constant rate on the carrying amount.

(f) TAXATION

The College is registered under the Charities and Non-Profit Organisations (Registration) (Guernsey) Law, 2008 and has therefore been granted exempt status under Section 40(k) of the Income Tax (Guernsey) Law, 1975. The College's income is therefore not subject to taxation.

(g) TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at historical cost, net of depreciation and any provision for impairment. Eligible expenditures of £1,000 or more are capitalised as tangible assets and this level is periodically reviewed by the Board, together with a review of the need for any impairment reviews. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date management assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised in the Statement of Income and Retained Funds where the carrying amount exceeds the recoverable amount.

Freehold land is not depreciated. Depreciation is charged on leasehold property over the expected lease term of 50 years (see notes 3, 10 and 11) and the freehold property brought into use during the year has been depreciated over the remaining term of the lease. Depreciation on other tangible fixed assets is calculated to write down their cost to their estimated residual values over the period of their estimated useful economic lives, at the following annual rates: -

Leasehold improvements	- 10% straight line
Fixtures, fittings, and equipment	- between 10% and 33⅓% straight line
Computer equipment	- 33⅓% straight line
Assets held under lease	- 33⅓% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. Asset under construction will be depreciated once they have been brought into use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'School expenditure' in the Statement of Income and Retained Funds.

**THE LADIES' COLLEGE, GUERNSEY
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 AUGUST 2021

2. ACCOUNTING POLICIES (continued)

(h) FINANCIAL INSTRUMENTS

The College only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities including debtors, cash at bank and bank loan.

Financial assets that are measured at amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Income and Retained Funds.

Short term debtors and creditors are measured at the transaction price.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(i) CASH AT BANK AND IN HAND

Cash at bank and in hand is represented by cash, current bank accounts and deposits with financial institutions repayable without penalty on notice of more than three months and have insignificant risk of change in value.

(j) FINANCIAL LIABILITIES

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Obligations for loans and borrowings are recognised when the College becomes party to the related contracts and are initially measured at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

(k) PENSION COSTS

The College operates a defined benefit multi-employer pension scheme and superannuation contributions are charged to the Statement of Income and Retained Funds when they fall due. Once the contributions have been paid the College has no further payment obligations.

(l) RETAINED FUNDS

Retained funds represent cumulative surpluses and deficits net of any adjustments.

(m) PRIZE FUNDS AND BEQUESTS

Prize funds and other charitable bequests are not included in these financial statements as they do not constitute part of the day-to-day activities of the College.

THE LADIES' COLLEGE, GUERNSEY
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2021

3. SIGNIFICANT JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Board of Governors have made the following significant judgements in the preparation of these financial statements:

Tangible fixed assets (note 4)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual useful lives of the assets and residual values are reviewed annually and may vary depending on a number of factors. The leasehold property is depreciated over 50 years since, in the judgement of the Board of Governors, the requirements will be met to allow the Board to exercise the option to extend the current lease from 25 years to 50 years (see also notes 10 and 11).

4. TANGIBLE ASSETS

In 2015 the College entered into an agreement with the Treasury and Resources department of the States of Guernsey for a lease of the land and buildings used by the College. The lease runs through to 31 December 2039 with an option to extend to 31 December 2065.

Included within the leasehold property are capitalised interest and finance costs amounting to £33,000 (2020: £33,000).

The College is party to a finance lease agreement for office equipment comprising of multi function devices and printers. Capital and interest payments are payable quarterly over a 3 year period. Total interest of £10,506 will be paid over the term of the lease.

Freehold property relates to The Ellershaw Centre which is situated on the Freehold land owned by the College and was completed in January 2021. The building contains a food technology teaching facility and a photographic dark room.

Assets under construction primarily relate to the refurbishment of a science laboratory and improvements to the Sixth form centre.

THE LADIES' COLLEGE, GUERNSEY
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2021

4. TANGIBLE ASSETS (continued)

	Freehold land £	Freehold property £	Leasehold property £	Fixtures fitting and equipment £	Computer equipment £	Assets held under lease £	Assets under construction £	<u>Total</u> £
COST								
At 1 September 2020	1		6,407,006	671,495	279,769	73,224	299,776	7,731,271
Additions	-	234,420	-	5,812	86,582	-	223,016	549,830
Disposals	-	-	-	-	(13,308)	-	-	(13,308)
Transfer	-	275,068	-	24,708	-	-	(299,776)	-
At 31 August 2021	1	509,488	6,407,006	702,015	353,043	73,224	223,016	8,267,793
DEPRECIATION								
At 1 September 2020	-	-	520,208	196,194	192,370	28,473	-	937,245
Charge for the year	-	7,710	133,460	69,250	78,557	24,405	-	313,382
Disposals	-	-	-	-	(13,308)	-	-	(13,308)
At 31 August 2021	-	7,710	653,668	265,444	257,619	52,878	-	1,237,319
NET BOOK VALUE								
At 31 August 2021	1	501,778	5,753,338	436,571	95,424	20,346	223,016	7,030,474
At 31 August 2020	1	-	5,886,798	475,301	87,399	44,751	299,776	6,794,026

**THE LADIES' COLLEGE, GUERNSEY
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 AUGUST 2021

5. OTHER DEBTORS AND PREPAYMENTS

	2021	2020
	£	£
Prepayments	55,161	121,136
Other debtors	21,165	20,874
	<hr/>	<hr/>
	76,326	142,010
	<hr/>	<hr/>

6. CASH AT BANK AND IN HAND

	2021	2020
	£	£
Cash in hand	458	506
Operating cash	564,243	593,706
	<hr/>	<hr/>
	564,701	594,212
	<hr/>	<hr/>
Gift for Learning	239,911	217,871
	<hr/>	<hr/>
	804,612	812,083
	<hr/>	<hr/>

The Gift for Learning funds relate to donations received for the phase three development of the College premises.

7. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£	£
School and administrative expenses	329,297	462,897
Fees for autumn term received in advance	391,251	277,873
Bank loan (see note 8)	184,500	184,500
Net capital obligations under finance leases	20,355	25,244
Amounts due for assets under construction	136,526	-
	<hr/>	<hr/>
	1,061,929	950,514
	<hr/>	<hr/>

THE LADIES' COLLEGE, GUERNSEY
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2020

8. CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR

	2021	2020
	£	£
Bank loan	2,200,782	2,347,612
Net capital obligations under finance leases	-	20,355
	<hr/>	<hr/>
	2,200,782	2,367,967
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The maturity of the bank loan is as follows:

	2021	2020
	£	£
Repayable in instalments:		
Within 1 year	184,500	184,500
Later than 1 year and not later than 5 years	738,000	738,000
Later than 5 years	1,462,782	1,609,612
	<hr/>	<hr/>
	2,385,282	2,532,112
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The bank loan with the Royal Bank of Scotland International Limited (trading as NatWest) (the “Bank”) was obtained to assist with the construction of Phase 3 including the Wessex Wing. The loan of £3 million is repayable over 20 years from January 2017 and interest is payable at 1.45% above the Bank of England Base Rate. The States of Guernsey has undertaken to assume The Ladies’ College’s obligations to the Bank under the loan agreement should there be an event of default under that loan agreement.

9. PENSION COSTS

A majority of the employees of the College are members of the States of Guernsey Superannuation Scheme (“the Scheme”). This is a defined benefit pension scheme, funded by contributions from both employer and employee, at rates which are determined on the basis of actuarial advice and which are calculated to spread the expected cost of benefits to employees over the period of those employees’ expected working lives.

The Scheme is a multi-employer scheme and the level of contributions made to the scheme by each employer will be affected by actuarial risks relating to the employees of other employers. It is not possible for the underlying pension assets and liabilities within the Scheme relating to the employees of the College to be determined on a reasonable and consistent basis, as required by FRS 102. In addition, the Board of Governors considers that the additional costs which would be incurred were it possible to do so, in providing such information considerably outweigh any benefit to the proposed users of these financial statements.

THE LADIES' COLLEGE, GUERNSEY
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2021

9. PENSION COSTS (continued)

The last actuarial valuation of the Scheme was conducted at 31 December 2016. At that date the actuarial value of the assets relating to the "Combined pool" within the overall Scheme, to which the College's staff belong, represented 93.5% of the actuarial valuation of the liabilities relating to that group. The rate of employer's contribution remained at 14.1% in respect of all staff after the valuation. The scheduled review for 2019 has been deferred due to the novel coronavirus pandemic (COVID-19).

The total amount of superannuation contributions payable by the College to the Scheme for the year ended 31 August 2021 was £430,462 (2020: £413,415). At 31 August 2021 the amount of outstanding contributions not paid over to the Scheme was £105,058 (2020: £104,672).

Further details relating to the funding of the superannuation scheme are provided in the Superannuation Fund section of the accounts of the States of Guernsey.

10. CAPITAL COMMITMENT

In 2015 the College entered into an agreement with the Treasury and Resources department of the States of Guernsey for a lease of the land and buildings used by the College. Under the terms of the lease the College is required to invest an aggregate of not less than £10,000,000 on the leasehold property at The Ladies College by 31 December 2035. The amount is subject to increase in line with the Guernsey retail price index and does not include finance costs. As at 31 August 2021 a total amount of £6,750,373 has been invested (2020: £6,750,373).

11. FINANCIAL COMMITMENT

The College has entered into a lease over the land and buildings occupied by the College. The lease runs to 31 December 2039 with an option to extend to 31 December 2065 provided that capital has been invested as outlined in note 10. The College is also party to a finance lease relating to the purchase of office equipment as detailed in note 4.

The total future minimum rentals payable under the leases:

	2021	2020
	£	£
Within 1 year	21,486	28,538
Later than 1 year and not later than 5 years	1,092	22,229
Later than 5 years	3,640	3,913
	<hr/>	<hr/>
	26,218	54,680
	<hr/>	<hr/>

THE LADIES' COLLEGE, GUERNSEY
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2021

12. NET DEBT RECONCILIATION

	1 September 2020	Cash flows	31 August 2021
	£	£	£
Cash at bank and in hand	812,083	(7,471)	804,612
Obligations under finance leases	(45,599)	25,244	(20,355)
Bank loan	(2,532,112)	146,830	(2,385,282)
	<hr/>	<hr/>	<hr/>
Net debt	(1,765,628)	164,603	(1,601,025)
	<hr/>	<hr/>	<hr/>

There are no formal restrictions over the use of the cash at bank and in hand which comprise cash at bank and in hand together with the Gift for Learning cash balance as detailed in note 6.

13. CONTROLLING PARTY

Throughout the year the College was under the control of the Board of Governors acting in concert. In the opinion of the Board of Governors there is no controlling party as defined by FRS 102 as no party has the ability to direct the financial and operating policies of the College with a view to gaining economic benefit from their direction.

14. RELATED PARTY TRANSACTIONS

Key management personnel includes all Governors and a number of senior managers across the College who, together, have authority and responsibility for planning, directing and controlling the activities of the College. The Governors are unpaid. The total compensation paid to key management personnel for services provided to the College was £533,546 (2020: £523,105).

During the year the College received £1,020 (2020: £1,020) in the form of donations from members of the Board of Governors and their close family members. These amounts have been disclosed within fundraising donations received in the Statement of Income and Retained Funds.