XIII
2017

BILLET D'ÉTAT

TUESDAY, 20th JUNE, 2017

BUSINESS OF THE MEETING

1. The States of Guernsey Accounts 2016, P. 2017/59

BILLET D'ÉTAT

TO
THE MEMBERS OF THE STATES
OF THE ISLAND OF GUERNSEY

I hereby give notice that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE,** on **TUESDAY,** the **20th June, 2017** at **9.30 a.m.,** to consider the item listed in this Billet d'État which has been submitted for debate.

R. J. COLLAS
Bailiff and Presiding Officer

The Royal Court House
Guernsey

30th May, 2017

P.2017/59

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE STATES OF GUERNSEY ACCOUNTS 2016

The States are asked to decide:-

Whether, after consideration of the reports, statements and notes relating to the respective Accounts, they are of the opinion:-

1. To approve the States of Guernsey Accounts 2016

2. To approve the following 2016 Accounts:
    i. Ports
    ii. Guernsey Water
    iii. Guernsey Dairy
    iv. States Works

3. To note the following Accounts:
    i. Social Security Contributory Funds
    ii. Elizabeth College
    iii. Ladies' College
    iv. States of Alderney

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

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PRESIDENT'S FOREWORD

The 2016 States of Guernsey Accounts show that the overall surplus for the year was £24.9m. This is a significant improvement on the budgeted position of financial balance and a particularly pleasing result given the indications in the early part of 2016 were that a combination of lower than anticipated revenues and higher expenditure were signalling a deficit.

The improvement on the budgeted position came about as a result of improved underlying tax revenues in the second half of the year and a series of largely one-off, non-recurring measures, some of which were put in place specifically in order to improve the in-year position. I would like to commend all Committees for the measures which they implemented to reduce in-year expenditure and increase income in response to the adverse financial position forecast at the beginning of 2016.

However, it should be borne in mind that the surplus position was only made possible at all by a reduction of £23.9m in the appropriation to the Capital Reserve. This reduction in the amount put aside for capital investment was an appropriate short-term response to balance the budget. However, the implications of this adjustment, if continued, would be current financial challenges limit the ability and necessity to invest in the island's capital infrastructure.

Overall revenues were higher than budget but this includes some £10m of non-recurring income due to exceptional investment returns of £8m and transfers from the States' unincorporated trading entities of £2m.

Revenue expenditure was £9m below budget, with underspends recorded in both pay and non-pay budgets. Revenue expenditure reduced by 1.3% in real terms. While this is encouraging and demonstrates financial control across the public service, a significant part this underspend was also one-off in nature.

Therefore, this favourable outturn in 2016 does not yet mean that the States' finances have returned to a position of fiscal sustainability - there remains an underlying structural deficit once the one-off measures and receipts have been removed. This deficit will only be tackled through a combination of targeted revenue raising and a reduction in the cost of the public service. This cost reduction will only be sustainable if it is delivered through thinking differently about the way that public services are delivered, rather than simply salami slicing budgets or looking for tactical opportunities to shave costs from services as they are currently delivered.

The Medium Term Financial Plan details the strategy to achieve and maintain a balanced budget before moving into a sustainable surplus over the next four years. This will enable reserves to be re-built and investment made in future public services to support the delivery of the outcomes set out in the Policy & Resource Plan.

Deputy G A St Pier
President of the Policy & Resources Committee

26 May 2017

STATES TREASURER'S REPORT

1: Executive Summary

1.1. The surplus of £24.9m represents a significant improvement against the original forecast of a balanced budget. Revenue income was £7.2m (1.8%) higher than budgeted, with exceptional investment returns of £8m and one-off contributions from the unincorporated States trading entities of £2m offsetting a shortfall in income tax receipts of £2.3m. In addition: net revenue expenditure was £9m lower than budgeted; routine capital expenditure was £2.8m lower than allocated; and as part of the 2017 Budget Report, in response to a forecast deficit for 2016, the States agreed to reduce the appropriation to the Capital Reserve by £5.4m which resulted in a 2016 appropriation of £22.9m including £10m of capital income.

1.2. The overall general revenue position is summarised in the table below:

2016 Budget £m		**2016 Actual £m**	**2015 Actual £m**
399.8	General Revenue Income	407.0	379.8
34.1	Operating Income	37.4	36.0
(406.2)	Gross Revenue Expenditure	(400.5)	(400.5)
(10.5)	Routine Capital Expenditure	(7.7)	(7.5)
10.0	Capital Income	10.5	-
	Transfers:		
(28.3)	Capital Reserve	(22.9)	(36.3)
1.1	General Revenue Account Reserve (timing of delivery of FTP benefits)	1.1	4.0
-	**Surplus / (Deficit)**	**24.9**	**(24.5)**

1.3. At the end of the first quarter of 2016, the forecast suggested an in-year deficit of £10-15m, compared to the budgeted balanced position, as a result of a combination of lower income forecasts and expenditure in excess of budget, particularly in the area of health and social care. Therefore, measures were put in place to reduce in-year expenditure including controls over recruitment; use of consultants and overtime. In addition, Committees were asked to review their routine capital expenditure plans and reprioritise or reschedule projects where appropriate and the States' Trading Supervisory Board was requested to make a return to General Revenue from the unincorporated trading assets.

1.4. As a result of these measures, a total of £5.6m was realised which reduced the projected shortfall through:

- Reductions of £2m in revenue expenditure;
- Return of £1.6m of routine capital allocation by the Committee *for* Education, Sport & Culture; and
- In-year contributions from Guernsey Water (£1.5m) and States Works (£0.5m).

1.5. At the time the 2017 Budget Report was compiled, the anticipated 2016 deficit was £5.4m and the States agreed to reduce the 2016 appropriation to the Capital Reserve by that amount.

STATES TREASURER'S REPORT (continued)

1.6. The improvement between the time of the 2017 Budget and the year end resulted in a surplus of £24.9m with the forecast shortfall of £8m in income tax receipts turning into a final shortfall of £2.3m, investment returns exceeding forecast by £8m and the outturn on expenditure being £9m lower than forecast, particularly in the area of health and social care where an anticipated overspend of up to £4m was turned into an underspend of £0.6m.

1.7. The main features of the 2016 accounts, compared to 2015, are:

- Overall general revenue income increased by 7.2% (£27.2m) (paragraph 3.5);

- Income tax receipts from individuals showed a nominal increase of £7.5m (3.1%) which, based on the December 2016 RPIX of 1.6%, is a real terms increase of 1.5% (paragraph 3.7);

- Net overall expenditure, decreased by £1.4m or 0.4%, but 2015 included £2.3m of expenditure on the road resurfacing & reconstruction programme which was transferred from revenue expenditure to routine capital expenditure from 2016. Therefore, on a like-for-like basis, there was a real terms' decrease of £4.9m (1.3%) and meeting the Fiscal Framework target of a real terms freeze on aggregate States revenue expenditure while the financial position remains in deficit (paragraph 3.16);

- The balance on the Capital Reserve at 31 December 2016 stood at £159.2m (2015: £139.6m) following an appropriation of £22.9m, transfer from the Core Investment Reserve of £18.5m, investment return of £9.7m and expenditure on capital projects totalling £31.5m;

- Overall reserves increased by £64.8m to £600.3m at 31 December 2016 mainly due to the overall General Revenue surplus, a reduction in provision for Cabernet Ltd losses and increase in the balance of the Capital Reserve.

STATES TREASURER'S REPORT (continued)

2: Introduction

2.1. This report is intended to give an overview commentary of the general revenue income and expenditure of the States of Guernsey during the period 1 January to 31 December 2016 and of the position as at 31 December 2016 in terms of net assets held.

2.2. The accounts have been presented in the following format which clearly distinguishes the primary statements from those which are included to give Committee level detail and narrative:

- Section 1 contains the primary statements - the income and expenditure account, balance sheet, notes to the accounts and audit opinion on these primary statements;

- Section 2 contains memorandum accounts of all States Committees[1] along with a narrative description of the financial performance in the year. These describe the overall financial position from a service perspective and give a more detailed view, allowing scrutiny of the activities of States' Committees;

- Section 3 contains further detail on some of the material General Reserve Funds and Other Accounts which are disclosed on the States' balance sheet but benefit from further analysis.

3: Income and Expenditure Account

3.1. The income and expenditure account of the States contained within this Report is for 'General Revenue' only, and does not include all government income and expenditure.

3.2. Income does not include revenues from Social Security contributions (paid into the Social Security Funds) and expenditure includes only the General Revenue grants to Social Security Funds, non-contributory benefits and some general administration costs and does not include contributory benefits and pensions which are met from the Social Security Funds. The consolidated accounts of the Social Security Funds are published in full in the Miscellaneous Accounts.

3.3. Furthermore, there is currently no consolidation in respect of the States' internal trading entities (Ports, Guernsey Water, Dairy and States Works) or for the States Trading Companies (Guernsey Post Ltd, Guernsey Electricity Ltd, the Aurigny Group and JamesCo750 Ltd). The Accounts for the Social Security Funds and States' internal trading entities are published in the Miscellaneous Accounts part of this Billet; those of Guernsey Post Ltd and Guernsey Electricity Ltd are published as an item for debate in a Billet d'État; the Accounts of the Aurigny Group (with minor redactions) are publicly released. For reasons of commercial confidentiality, the full Accounts of JamesCo750 Ltd are not published.

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[1] For the purposes of this Report, the term 'Committee' includes the seven Principal Committees plus the following who are also allocated General Revenue Cash Limits: Development & Planning Authority, Overseas Aid & Development Commission, States' Trading Supervisory Board, Scrutiny Management Committee; Royal Court, Law Officers and States of Alderney

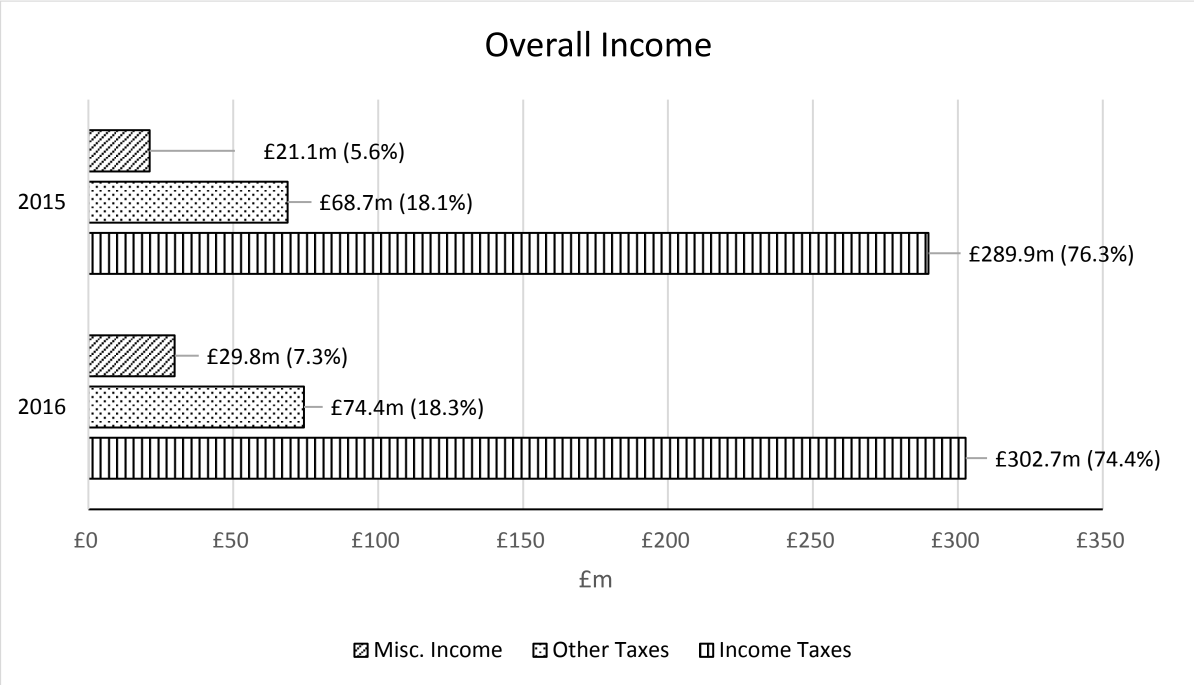
STATES TREASURER'S REPORT (continued)

3.4. The Income and Expenditure account gives overall information about the States' general revenue income and expenditure highlighting the main sources of income and summarising gross expenditure by pay, non-pay and formula-led[2]. The associated notes (4-11) give further detail on the breakdown of income received and the main types of expenditure.

<u>General Revenue Income</u>

3.5. General Revenue income totalled £407m in 2016 which is an increase of £27.2m from 2015, a nominal increase of 7.2% or 5.6% in real terms.

3.6. Income taxes represented 74.4% of the total general revenue income collected in 2016 (2015: 76.3%) as illustrated in the chart below:



3.7. Of the total income taxes raised, £245.8m was collected from individuals compared with £238.4m in 2015, a 3.1% nominal increase or 1.5% in real terms. However, after allowing for the effect of not increasing personal income tax allowances (which increased revenues by £2m), there was a 0.7% real-terms increase in income tax receipts from individuals.

3.8. Income taxes collected from Companies (including Banks) increased by £5.7m (13.7%) to £47.2m in 2016 (2015: £41.5m), reversing a large part of the £9.9m decrease recorded in 2015 over 2014. Approximately £2m of additional revenue was due to the measures approved as part of the 2016 Budget to extend the 10% Company Higher Income Tax rate to custody business; the importation and/or supply of hydrocarbon oil or gas; and to retail business carried on in Guernsey where the company has a taxable profit of more than £500,000 in a year from such business.

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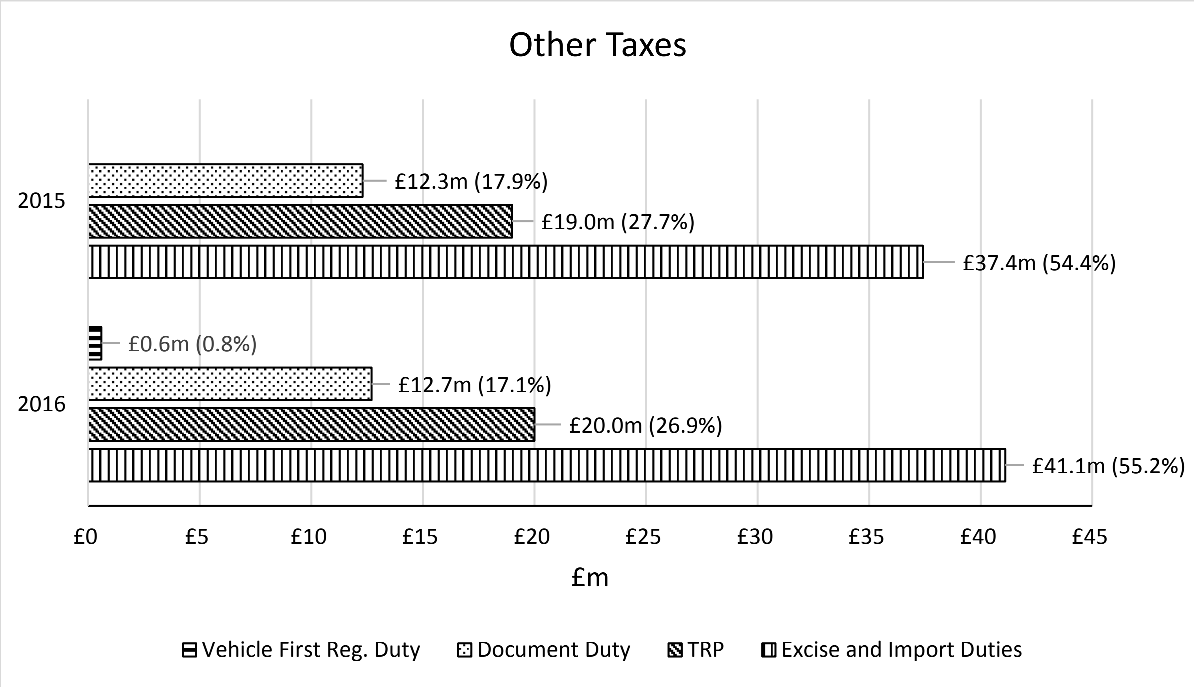
[2] Formula Led costs consist of expenditure determined by the States as being payable on application by an individual having qualified under certain rules (Non-Contributory Social Security benefits, Payments to States Members and Legal Aid) and the grants to the Social Security Funds which are dependent on the contributions paid by employer and employee / contributor.

STATES TREASURER'S REPORT (continued)

3.9. Other taxes totalled £74.4m, which is an 8.3% nominal increase from the £68.7m received in 2015. The charts below show the sources of other taxes:



- TRP property tax income rose by £1.0m to £20.0m (2015: £19.0m) which is in line with the increases in tariffs approved as part of the 2016 Budget Report of 10% for domestic; 2.5% for retail; and 5% for other commercial;

- Document duty for 2016 totalled £12.7m, an increase of 3.3% over 2015. Although there was an increase in the number of conveyances between 2015 and 2016, the average price was lower. In addition, the income from bonds was £0.3m lower in 2016 than in 2015. The overall total includes £1.5m in respect of the conveyance of Open Market properties (2015: £1.8m);

- Receipts from excise and import duties increased by 9.9% from £37.4m in 2015 to £41.1m in 2016 although approximately £1m relates to duty receipts from tobacco imports which were anticipated in 2015 but delayed to 2016. Additional revenue was received as a result of budget increases of 5% on alcohol, 6.5-9% on tobacco and 12.9% on motor fuel, although this was offset by a 2% fall in volumes of motor fuel and small decreases in the volumes of alcohol imports.

Miscellaneous Income

3.10 Income from the Guernsey Registry (which is reported on a net surplus basis) and Exempt Company Fees was £10.4m, an increase of £0.2m (2%) over 2015;

3.11 The 2015 Surplus on Notes and Coins Account included £2.8m following a revision to the Notes and Coins reserve policy which resulted in a one-off transfer to General Revenue. The 2016 outturn of £5.6m was significantly higher than both the 2015 income of £0.9m (excluding the one-off transfer) and the budget estimate of £1.7m due to the strong investment return on the Notes and Coins reserve.

STATES TREASURER'S REPORT (continued)

3.12 In addition to dividends received from the incorporated States Trading Companies' (£1m from Guernsey Electricity Limited and £0.2m from Guernsey Post Limited), one-off contributions were received from Guernsey Water (£1.5m) and States Works (£0.5m).

3.13 The investment return of £4.1m was as a result of the improved financial position meaning that the General Revenue Account was in surplus, the balance in some General Revenue Funds being higher than anticipated due to delays in expenditure (including the Corporate Housing Programme Fund and the Transformation and Transition Fund) and the high rate of investment return achieved.

Operating Income

3.14 Operating income was £37.4m in 2016 which is £1.6m (4.4%) higher than in 2015, due to small increases in income generated by a number of Committees, including as a result of inflation increases in fees charged to maintain their real value.

General Revenue Expenditure

3.15 Gross revenue expenditure decreased by 1.6% in real terms to £400.5m. However, the road resurfacing & reconstruction programme was transferred from revenue expenditure to routine capital expenditure from 2016 (2015 expenditure of £2.3m). Therefore, comparing like with like, gross revenue expenditure decreased by 1% in real terms between 2015 and 2016.

3.16 The growth in operating income meant that overall net revenue expenditure was £363.2m, a decrease of £1.4m or 0.3% from 2015. Comparing like with like, the net expenditure reduction in real terms of £4.9m (1.3%) between 2015 and 2016 means that the Fiscal Framework target of a real terms freeze on aggregate States revenue expenditure has been met.

3.17 Total expenditure was £9m lower than the Authorised Budget, of which £2m related to Formula Led expenditure, £1.5m to the Committee *for* Home Affairs and £2.3m unrequired provision within the budget reserve.

3.18 The net expenditure of Committees is made up of expenditure on pay, non-pay and formula led less any operating income accruing to that Committee. The summary Income and Expenditure Accounts on page 53 are broken down by Committee and accompanied by that Committee's narrative summary of their activities over the year on pages 54 to 114.

Pay Costs

3.19 Pay costs continue to form the largest single item of expenditure totalling 54% of total revenue spend (2015: 53.8% adjusted comparative) and a paid workforce of 4,418 Full Time Equivalent staff (FTEs), an increase of 55FTE's compared to 2015. This increase was largely due to the recruitment in 2016 to posts in a number of service areas which were vacant in 2015. The total expenditure on pay (which includes temporary and agency staff) during 2016 was £216.1m which is a nominal increase of £1.8m (0.8%) (a decrease of £1.8m or 0.8% in real terms). This is largely due to the effect of a number of two year pay awards being 'front-loaded' in 2015 with 0% in 2016.

STATES TREASURER'S REPORT (continued)

3.20 Note 7 on page 34 details the number of employees whose gross cost of employment exceeds £80,000. This £80,000 threshold does not simply relate to employees' salary or wages but to the total costs of employment which include employer pension and social insurance contributions along with any other ancillary costs. Since this note was introduced in 2009, the starting point was £70,000, since then inflation has been 14.7% which has increased the £70,000 to £80,300 so the first banding has been revised to £80,000-£90,000. The increase of thirty employees between 2015 and 2016 is largely in the first banding and is due to the effect of a pay award meaning that a certain civil service grade which was below the threshold in 2015 now has total costs of employment which are above £80,000 in 2016. Future pay awards will lead to additional salary scales falling within the criteria each year.

Non Pay Costs

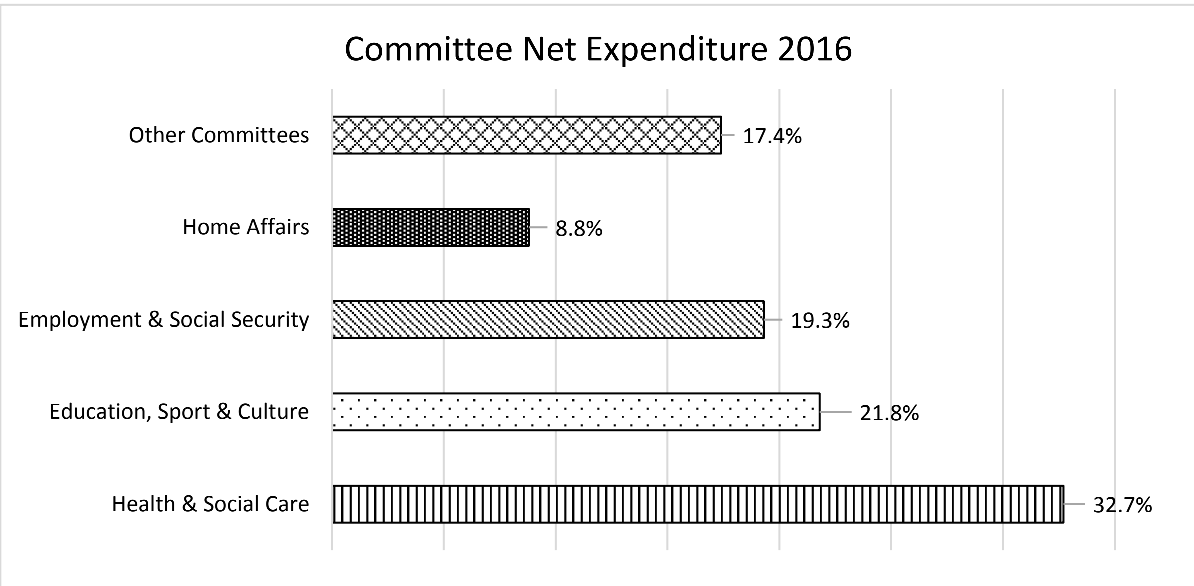
3.21 Non-pay costs amounted to £124.0m in 2016, which is approximately £2m lower than 2015. This is entirely attributable to the road resurfacing & reconstruction programme being transferred from revenue expenditure to routine capital expenditure from 2016 (2015 expenditure of £2.3m). On a like for like basis, non-pay expenditure reduced by 1.4% in real terms.

Formula Led Expenditure

3.22 Formula led expenditure rose by £0.2m to £60.4m in 2016 a nominal increase of 0.3% but a real terms decrease of 1.3%. The cost of Social Insurance and Health Service grants, which are calculated by a formula of 15% of contribution income (Social Insurance Fund grant) and 12% of contribution income (Health Service Fund grant), increased by £0.3m (1.5%) whereas expenditure on the non-contributory benefits only increased by £0.2m (0.5%) despite increases of 1.5% in rates. Expenditure on Legal Aid reduced to £2m from £2.2m, primarily due to lower demand for civil legal aid.

3.23 Payments to States Members reduced by £0.1m as a result of the reduction in the number of Deputies and the restructuring of remuneration arrangements with effect from May 2016.

3.24 The following chart shows the percentage of overall net expenditure allocated to the major Committees and used for the delivery of their States mandates:



STATES TREASURER'S REPORT (continued)

3.25 Appendix VI reports all health service related expenditure in a consolidated statement and comprise net income incurred by the Committee *for* Health & Social Care (General Revenue) and health and social care expenditure incurred by the Committee *for* Employment & Social Security (from the Health Service Fund, Long-term Care Insurance Fund and General Revenue).

3.26 Appendix VII details the income and expenditure incurred in respect of Alderney.

Budget Reserve

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

3.28 In 2016 there was a Budget Reserve of £8.9m which was allocated as follows:

Provision	**Notional Allocation £m**	**Required £m**
Pay awards	3.0	3.0
Increasing established and Guernsey Border Agency staff budgets if the assumed 5% level of underspend arising from staff turnover does not occur	1.0	0.4
Committee *for* Health & Social Care – delay in delivery of efficiency savings	1.2	1.2
Other	2.3	0.7
Transfers to routine capital allocations*	1.5	0.3
Total	**8.9**	**5.6**

*Any unused provision in the notional allocation for transfers to routine capital allocations is usually carried forward to be used for backlog maintenance works in the following year. However, this will be reduced by £0.38m to £0.8m as a result of the return to the Budget Reserve of part of the routine capital allocation specifically for implementing the Integrated Transport Strategy which was returned to compensate for the delay in introducing the Vehicle First Registration Duty.

Capital Expenditure

3.29 Capital expenditure is divided between routine capital allocations made to Committees as part of their annual cash limit and expenditure on items voted by the States from the Capital Reserve (page 116). Routine capital expenditure by Committees increased slightly in 2016 to £7.7m (2015: £7.5m). However, this included £2.2m on roads resurfacing & reconstruction meaning that comparable expenditure reduced by £2m. This is partially attributable to the measures put in place to reduce in-year expenditure resulting in Committees reviewing their capital expenditure plans and reprioritising or rescheduling projects where appropriate.

STATES TREASURER'S REPORT (continued)

3.30 Expenditure from the Capital Reserve totalled £31.5m in 2016 (2015: £32.5m) with the major item being the recapitalisation of Cabernet Ltd in the sum of £25.212m which was agreed by the States in November 2015 (Billet d'État XX, 2015). The recapitalisation crystallised the provision for accumulated losses of the Cabernet Ltd included in the General Revenue Account Reserve (£21.39m) with the balance of £3.82m being available to fund losses incurred from 2016. However, the company's losses in 2016 exceeded the balance of the recapitalisation amount by £957,000 and, therefore, provision for this amount has been included in the General Revenue Account Reserve (Note 17) in 2016. The value of the States of Guernsey's investment in Cabernet Ltd is £4.103m, which comprises the purchase cost of £5.06m less a provision for accumulated losses of £957,000 (Note 13).

4: Balance Sheet

4.1. The Balance Sheet provides a snapshot of the financial position as at 31 December 2016. It sets out the assets and liabilities of the States. However, it should be noted that the assets are limited to financial assets as it is currently not the policy of the States to capitalise fixed assets. The States made a decision in 2012 to adopt International Public Sector Accounting Standards (IPSAS) (which was re-affirmed in 2015) and the intention is that this will be incrementally introduced commencing with fixed asset valuation and accounting. This balance sheet does not include the deficit on the Superannuation Fund.

4.2. Note 2 to the Accounts includes details of those IPSASs that, on initial adoption, are likely to have the most material potential impact on the financial statements. It is emphasised that this is not an exhaustive list of the possible changes and, at this stage, no consideration has been given as to the timing and extent to which each of the standards will be implemented.

4.3. At the year end the States' net assets had increased to £600.3m (2015: £535.5m).

4.4. The Fiduciary Balance Sheet (page 24) details the financial assets held by the States on behalf of others and includes the Consolidated Superannuation Fund and HM Receiver-General's balances along with various charity and amenity funds.

Financial Investments and Investment Strategy

4.5. During 2015, the Treasury and Resources Department carried out a fundamental review of the organisation and investment approach for all funds under its control in order to ensure that the overall portfolio is invested in such a manner that maximises the opportunity for returns at an acceptable level of risk. A key element of this review was to consider how best to match the duration of liabilities with the assets held in determining the overall investment strategy. Consequently, the Treasury and Resources Department adopted a long-term fund, medium-term fund and short-term cash pool for managing the various funds under its control. The Superannuation Fund (included on the Fiduciary Balance Sheet – page 24), Core Investment Reserve, Notes and Coins Reserve, an element of the proceeds of the States of Guernsey Bond issue which have not been lent on and a small amount of General Revenue Reserves are all invested in the long-term fund while all other funds including the Capital Reserve, the Transformation and Transition Fund and the balance of the unlent Bond issue proceeds are invested in the medium-term fund and short-term cash fund.

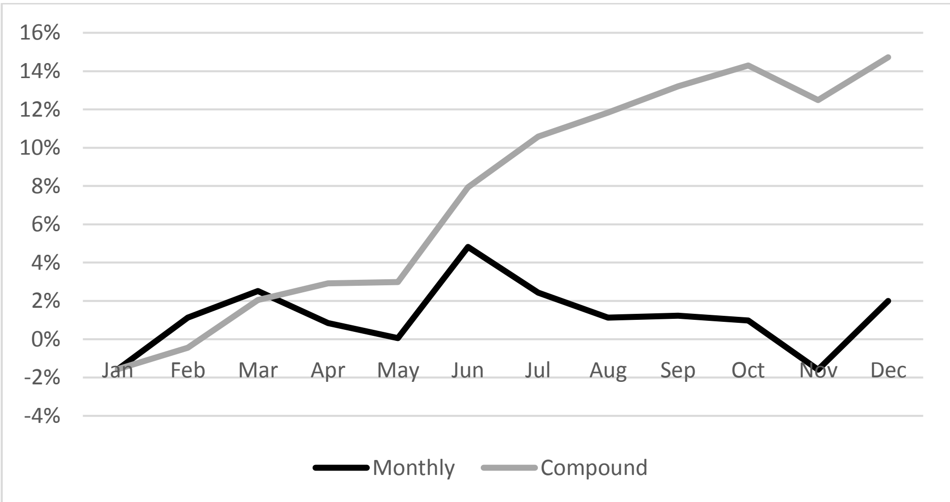
STATES TREASURER'S REPORT (continued)

4.6. The total amount of financial investments was £1,981m, held as follows:

	Total £m	General Revenue £m	Fiduciary £m	Third Parties £m
Long-Term	1,653	352	1,300	1
Medium-Term	322	257	30	35
Short-Term	6	-	-	6
	1,981	**609**	**1,330**	**72**

4.7. The markets were particularly volatile in 2016, with both economic and political events unsettling markets but initial negative reaction to events was often quickly turned around with many global markets achieving strong returns for the year, including the FTSE All Share Index gaining nearly 16.75% in 2016. However, Sterling ended the year over 20% lower against the US dollar and just short of 16% lower versus the Euro.

4.8. The long-term investment fund which was valued at £1,653m at 31 December 2016 (2015: £1,448m) is currently managed through seventeen managers and funds and invests in a combination of asset classes including equities, bonds, property, private equity, alternative investments and a small element of cash. During 2015 and 2016, the investment allocation remained broadly consistent with 50% in equities, 21% in bonds and other short-term instruments, 15% in alternative investments, 13% in property and a small allocation to private equity (1%). The fund performance for 2016 was 14.3%, a return which significantly out-performed the long-term target of UK RPI plus 4% (6.6%) for the year. This very favourable return resulted predominantly from the exposure to equities (most notably the emerging market exposures where the MSCI Emerging Markets Index gained 33% during the year) and the property portfolio. The following graph demonstrates the pattern of cumulative returns achieved over the year:

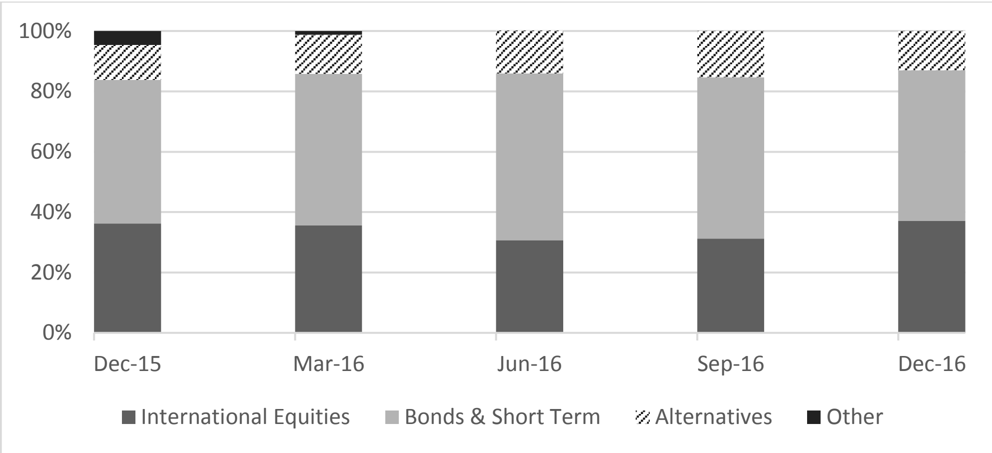


4.9. When performance is viewed over a longer term, trailing three year returns have been 7.6% per annum which is an out-performance of target by an average of 1.8% per annum.

STATES TREASURER'S REPORT (continued)

4.10. The medium-term investment fund also holds a range of investments with a diversified exposure to worldwide markets through varying strategies and has a target return of UK RPI plus 3.5% (i.e. 6.1% for 2016). The value of the total fund fell during the year from £330m to £322m, despite investment returns of £22m as withdrawals were made by participants, including to fund expenditure. The 2016 return was 6.8% which outperformed the target by 1.6%. The trailing three year returns have been 3.2% per annum which is below the target by an average of 2.1% per annum.

4.11. The fund is currently managed through nine managers and invests in a range of assets classes as depicted below:



4.12. During 2016, a further £50m was transferred to the five Guernsey based investment managers that were appointed in 2015, increasing this part of the portfolio to a total of £104m.

4.13. The Short-term cash pool which was £6m at the end of 2016 returned 0.7% which was 0.3% in excess of the target.

Reserves

General Reserve

4.14. The General Reserve contains all non-specific reserves of the States including the Corporate Housing Programme Fund, Transformation and Transition Fund and Future Guernsey Economic Fund and further detail on the movements on these funds and reserves are contained in pages 116 to 134. The balance of the General Reserve at 31 December 2016 was £133.8m compared to the 2015 balance of £83.2m and includes unspent routine capital allocations totalling £11.8m (2015: £10.3m).

4.15. The material movements on the reserves have come through:

- The operating surplus of £36m;
- A £20.4m reduction in the provision for accumulated losses by Cabernet Ltd as a result of the £25.212m recapitalisation approved by the States in November 2015 which was funded from the Capital Reserve;
- Capital income of £10.5m (including £6m for the repurchase of shares by Guernsey Post Ltd and £4m for the repurchase of shares by Guernsey Electricity Ltd);
- An increase of £11.6m in the value of the Bond Reserve (due to the investment returns received exceeding the coupon payable); and
- Appropriations to the Capital Reserve totalling £22.9m.

Core Investment Reserve

4.16. The Core Investment Reserve is a long-term reserve, the capital value of which is only available to be used in the exceptional and specific circumstances of severe and structural decline or major emergencies. The movements on this Reserve summarised in the following table:

	2016 Core Investment Reserve £m	2015 Core Investment Reserve £m
Opening Balance	**144.8**	**143.3**
Plus:		
Net Investment Return	20.8	3.8
Less Transfers to:		
Capital Reserve	(18.5)	(2.3)
Closing Balance	**147.1**	**144.8**

4.17. In October 2014, the States resolved that, with effect from 1 January 2014, any real terms investment return on the Core Investment Reserve should be credited to the Capital Reserve. Therefore, of the 2016 net investment return of £20.8m, £2.3m was retained in the Core Investment Reserve to maintain its real value (2016 inflation: 1.6%) and the balance of £18.5m was transferred to the Capital Reserve.

STATES TREASURER'S REPORT (continued)

Capital Reserve

4.18. The Capital Reserve is used to accumulate funds for future major capital projects as prioritised by the States during a periodic capital prioritisation exercise, the most recent of which was completed during 2013. Annual appropriations are made to the reserve from General Revenue and the current policy is to maintain their value in real terms plus any specific additional transfers e.g. property sales. However, in order to balance the 2016 budget, the States agreed to reduce the 2016 appropriation by a total of £23.9m to £12.9m. This shortfall was partially compensated for by the returns of capital from Guernsey Electricity Ltd and Guernsey Post Ltd in the form of buyback of shares.

4.19. The movements on the Capital Reserve for the year are summarised in the table below

Capital Reserve	**2016 £m**		**2015 £m**	
Opening Balance		**139.6**		**111.4**
Plus:				
Appropriation from General Revenue	12.9		36.3	
Guernsey Electricity Ltd – Re-purchase of shares	4.0			
Guernsey Post Ltd – Re-purchase of shares	6.0		-	
		22.9		36.3
Net Investment Return		9.7		2.1
Core Investment Reserve real terms investment return		18.5		2.3
Transfer from Corporate Housing Programme Fund		-		20.0
Less Expenditure on capital votes (see page 116)		(31.5)		(32.5)
Closing Balance		**159.2**		**139.6**

Bond Reserve

4.20. The costs of £14.6m associated with the issue of the bond have been amortised, classified as a prepayment on the balance sheet and will be written off over the thirty two year life of the bond. These costs comprise £9.3m for interest rate locks which were entered into in order to protect the coupon payable against market rises between the time the bond issuance was agreed by the Treasury and Resources Department and the actual date of issue; £3.8m due to the actual yield payable being 3.445% (standard practice is that coupons are stated to the nearest 1/8th per-cent and an appropriate adjustment made to the proceeds received) and £1.5m of fees (including legal counsel, financial advisors, credit rating agency and banks / book-runners).

STATES TREASURER'S REPORT (continued)

4.21. The following loans from the proceeds of the States of Guernsey Bond issue have been agreed:

Entity	Amount Agreed £m	Outstanding 31/12/2016 £m	Anticipated Repayment Date(s)	Purpose
Approved in 2015:				
Guernsey Housing Association LBG	51.0	50.1	2045	Refinancing of existing borrowings for development of social housing
Guernsey Housing Association LBG	24.0	23.2	2036	Refinancing of existing borrowings for development of social housing
Cabernet Ltd	31.7	27.5	2019 - 2025	Refinancing of existing borrowings for purchase of aircraft (plus additional borrowings for a new Dornier aircraft)
JamesCo750 Ltd	13.1	12.2	2028	Refinancing of existing borrowings for purchase of two tankships
H&SC Accommodation Fund	2.1	1.9	2029	Refinancing of existing borrowings for building of key worker accommodation
Approved in 2016:				
Cabernet Ltd	6.8	2.0	2027	Purchase of a new Dornier aircraft (£2.0m advanced in 2016)
Guernsey Housing Association LBG	5.1	5.0	2046	Development of social housing
Guernsey Housing Association LBG	10.0	0.0	2046	Development of social housing
Total	**143.8**	**121.9**		

4.22. These loans are at rates of interest fixed in accordance with a formula which reflects the term of the borrowing, any change in market conditions compared to when the Bond was issued and the 'credit-risk' of each entity and range from 3.625% to slightly in excess of 4%.

4.23. The Bond issue proceeds which have not yet been lent on to entities form part of either the long-term or medium-term investment funds. Over the thirty two year life of the bond there will inevitably be periods in which there are varying amounts of funds invested due to the maturity profile of the on-lending and the investment returns in these periods will also vary and may be above or below the coupon rate. The model put in place by the Investment and Bond Management Sub-Committee is designed to ensure that the Bond issue can be serviced fully (ie the annual coupon payments made, the costs of issuance recovered and the capital sum repaid in full at the end of the term) without recourse to General Revenue.

STATES TREASURER'S REPORT (continued)

4.24. During 2015, the investment returns on the Bond issue proceeds which have not yet been lent on were not sufficient to fully cover the coupon payment on this portion of the bond and there was an in-year deficit of £4.6m. However, during 2016 the investment returns substantially exceeded the coupon payment on the unlent on portion of the bond proceeds and there was an in-year surplus of £12m. At the end of 2016, the Bond Reserve had a balance of £5.9m which will mitigate against the potential for investment returns being lower than the coupon rate in future years.

Superannuation Fund

4.25. The Superannuation Fund exists to pay the pensions of the employees of the States of Guernsey and other members of the Scheme. It is predominantly a defined benefit scheme funded by contributions from both the employer and employee. Note 25 to the financial statements details the position of the scheme as at 31 December 2016. Financial Reporting Standard 102 ("FRS102") has not been adopted in full and the deficit in the Fund is not included in the Balance Sheet. However, the notes include disclosures of certain information which would be required under FRS102.

4.26. In 2015, the States agreed revised pension arrangements for members joining after 1 May 2015 and for service from 1 March 2016 for those members who are not protected members (those close to retirement age). The revised arrangements replace the final salary defined benefit arrangements with defined benefits on a career average re-valued earnings (CARE) basis up to a salary cap (which is currently £87,434) with a defined contribution scheme for earnings in excess of this cap. The revised arrangements include a fixed cost ceiling (excluding the investment risk) on the employer's future contribution rate.

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

Superannuation Fund	**2016 £m**	**2015 £m**
Opening Balance	**1,152.4**	**1,134.7**
Plus:		
Contributions	45.2	44.4
Net appreciation of investments	163.3	29.7
Less:		
Pensions and lump sums paid	(59.7)	(56.4)
Closing Balance	**1,301.1**	**1,152.4**

4.28. The funding level under FRS102 decreased to 52.8% (2015: 62.8%).

4.29. The reason for this decrease in funding level is that FRS102 prescribes the discount rate (assumption of future investment returns) to be used in the calculation as the yield on high quality corporate bonds on an appropriate term for the liabilities. This discount rate decreased from a real rate of return of 0.55% in 2015 to 0.8% below UK inflation in 2016 which resulted in an increase in the value placed on the liabilities by almost £600m. Therefore, although the assets of the Superannuation Fund increased by 12.9% (£149m) in 2016 due to investment returns, the funding position deteriorated by £480m, and the deficit calculated in accordance with FRS102 deteriorated from £681m to £1,161m.

STATES TREASURER'S REPORT (continued)

4.30. Every three years, the Policy & Resources Committee commissions an actuarial valuation of the Superannuation Fund. A valuation as at 31 December 2013 was undertaken and showed that the funding level was 92% of the accrued benefits and in line with the States funding target. Therefore, when the States considered the Actuaries' report in March 2015, they agreed to make no change to the general employers' contribution rate. A full actuarial valuation of the Fund as at 31 December 2016 is in the process of being carried out. The results of this valuation, included proposed changes, if any, to the rates of employers' contributions, will be reported to the States later this year.

4.31. The reason for the difference between the FRS102 position and the funding position reported within an Actuarial Valuation (which was 92% in the 2013 Actuarial Valuation) is that the discount rate assumption used in the FRS102 calculation has no regard for the actual asset classes which the Superannuation Fund is invested in. The Superannuation Fund is largely invested in return seeking assets which are expected to provide substantially higher returns than corporate bonds over the long-term. The investment funds have a target rate of return of inflation plus 4% and, as set out in paragraph 4.9, actual returns over the last 5 years have been 5.8% above inflation. The 2013 Actuarial Valuation was based on an assumption of investment returns of inflation plus 3.25%.

5: <u>Cash Flow Statement</u>

5.1. This statement summarises the total cash movements during the year for both capital and revenue purposes, arising from income and payments and movements in working capital. The cash flow shows a net increase in cash of £9.0m (2015: decrease of £3.5m).

Bethan Haines BSc (Econ), CPFA
States Treasurer
26 May 2017

STATEMENT OF RESPONSIBILITIES FOR THE PREPARATION OF ANNUAL ACCOUNTS

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

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

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

STATEMENT OF INTERNAL FINANCIAL CONTROLS

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

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

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

The States internal financial controls and monitoring procedures include:

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

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

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

The current auditor, Deloitte LLP has reached the end of its five year appointment. The States are currently undertaking a tender process for the appointment of an auditor.

INDEPENDENT AUDITOR'S REPORT TO THE POLICY & RESOURCES COMMITTEE

We have audited the accounts (the "accounts") of the States of Guernsey ("the States") for the year ended 31 December 2016 which comprise the Primary Accounts and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is the accounting policies stated in note 1.

This report is made solely to the States and the Policy & Resources Committee ("the Committee") in accordance with the terms of our engagement letter dated 29 January 2013. Our audit work has been undertaken so that we might state to the Committee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Committee, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Committee and auditor

As explained more fully in the Statement of Responsibilities for the preparation of Annual Accounts, the Committee are responsible for the preparation of the accounts. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the States' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Committee; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information accompanying the accounts to identify material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts

In our opinion the accounts have been properly prepared in accordance with the accounting policies stated in note 1.

Emphasis of Matter – Basis of Accounting and Use

In forming our opinion on the accounts, which is not modified we draw attention to Note 1 to the accounts, which describes the basis of accounting. The accounts are prepared to assist the States in complying with their financial reporting obligations. As a result, the accounts may not be suitable for another purpose.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP

Deloitte LLP
Chartered Accountants
St Peter Port
Guernsey
26 May 2017

Primary Accounts

INCOME AND EXPENDITURE ACCOUNT

2016 Original Budget £'000s	2016 Total Authorised £'000s	Income and Expenditure by Category	Note	2016 Actual £'000s	2015 Actual £'000s
		Income			
305,050	305,050	*Income Taxes*	4	302,735	289,946
75,300	75,300	*Other Taxes*	5	74,440	68,736
19,475	19,475	*Miscellaneous Income*	6	29,789	21,135
399,825	399,825	General Revenue Income		406,964	379,817
34,081	36,432	Committee Operating Income		37,387	35,973
433,906	436,257	Total Income		444,351	415,790
		Less Expenditure			
211,846	216,854	*Pay*	7	216,130	214,350
127,003	127,573	*Non-Pay*	8	123,938	125,933
62,615	62,615	*Formula-Led*	9	60,452	60,218
(1,920)	(770)	*Efficiency Target*		-	-
(270)	(5)	*Financial Transformation Programme Target*		-	-
(622)	-	*Budget submission in excess of Cash Limit*		-	-
7,529	2,265	*Budget Reserve*		-	-
406,181	**408,532**	General Revenue Expenditure		**400,520**	**400,501**
27,725	**27,725**	**Revenue Surplus**		**43,831**	**15,289**
10,000	10,000	Capital Income	10	10,541	61
10,500	10,500	Less Routine Capital Expenditure	11	7,696	7,506
27,225	**27,225**	**Net Surplus**		**46,676**	**7,844**

BALANCE SHEET

	Note	2016 Actual £'000s	2015 Actual £'000s
Investments			
Financial investments	12	608,510	545,139
Investments in States Trading Entities	13	117,201	106,768
		725,711	651,907
Loans Receivable	14	126,414	144,557
Current Assets			
Stocks		4,183	3,963
Debtors and prepayments	15	87,255	86,210
Cash at bank and in hand	24	15,851	6,815
		107,289	96,988
Current Liabilities			
Creditors and Accruals		(29,163)	(28,007)
Long Term Liabilities	16	(330,000)	(330,000)
Net Assets		**600,251**	**535,445**
Represented by:			
General Reserve	17	133,820	83,234
Capital Reserve	18	159,161	139,608
Core Investment Reserve	19	147,095	144,779
Notes and Coins Reserve	20	47,077	44,726
States Trading Entities Reserve	21	113,098	123,098
Reserves		**600,251**	**535,445**

These financial statements were approved by the Policy & Resources Committee on 23 May 2017

Deputy G A St Pier
President of the Policy & Resources Committee
26 May 2017

Bethan Haines
States Treasurer
26 May 2017

CASH FLOW STATEMENT

	Note	2016 Actual £'000s	2015# Actual £'000s
Cash Generated by Operations	22	39,611	12,255
Cash Flows from Investing Activities			
Purchase of Assets		(39,214)	(39,980)
Sale of Assets		541	61
Share Buy-Back Scheme by Trading Entities		10,000	-
Net Interest Received		57,846	12,880
Net Cash Flows from Investing Activites		29,173	(27,039)
Cash Flows from Financing Activities			
Interest Paid		(11,141)	(11,141)
Net Cash Flow from Financing Activities		(11,141)	(11,141)
Net Movement in Balances on Investments, Loans and Miscellaneous Funds etc.		(48,607)	22,404
Net Increase in Cash at Bank and in Hand		9,036	(3,521)
Cash and Cash Equivalents at the Beginning of the Year		6,815	10,336
Cash and Cash Equivalents at the End of the Year	23	15,851	6,815

BALANCE SHEET (FIDUCIARY)

	Note	2016 Actual £'000s	2015 Actual £'000s
Financial investments		1,331,920	1,181,572
Current Assets			
Debtors and prepayments		919	751
Cash at bank and in hand		99	450
		1,018	1,201
Current Liabilities			
Creditors and Accruals		(3,745)	(3,660)
Net Assets		**1,329,193**	**1,179,113**
Represented by:			
Superannuation Fund	25	1,301,155	1,152,433
H M Receiver General		17,004	15,717
Courts Security for Costs		6,617	5,742
Various charity, amenity and other Funds		4,417	5,221
		1,329,193	**1,179,113**

NOTES

1. States of Guernsey Accounting Policies

Basis of Accounting

i. The Accounts of the States of Guernsey, set out on pages 21 to 51, are prepared in accordance with the stated accounting policies within this note. This is prepared under the historical cost convention, except for financial investments that are measured at revalued amounts or fair values at the end of each reporting period. Unless detailed otherwise below income and expenditure is accounted for on an accruals basis.

Going Concern

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

Income taxes

iii. Income tax receipts are accounted for by recognising cash received and the amounts accrued based on assessments due for collection as at 31 January in the following calendar year (but relating to the preceding financial year) plus specific provisions for any repayments due.

Bad Debts

iv. Bad debts are written off against the related income stream within the Income and Expenditure Account. Provisions are recognised based on the potential likelihood of recoverability of debtors as at the year-end date. The income stream within the Income and Expenditure Account will also be amended for any change to a bad debt provision. The debtor balance shown on the Balance Sheet and detailed in the Notes to the Accounts is net of any bad debt provision.

Rendering of Services

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

Lease Payments

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

Investment Returns

vii. Returns on financial investments (which includes dividend income, bond interest income, and realised and unrealised gains/losses on financial investments) on the General Revenue Account are shown within the Revenue Income accounts. Other investment returns are shown in the respective funds and accounts to which they relate.

NOTES

1. States of Guernsey Accounting Policies (continued)

Capital Income

viii. Income from the sale of property is accounted for on a completion basis. Proceeds generated from Share Buy-Back agreements with trading entities owned by the States of Guernsey, will be treated as a capital receipt and included within Capital Income.

Capital Expenditure

ix. Capital expenditure from General Revenue Account votes is written off in the year in which it is incurred. Capital expenditure from the Capital Reserve votes is also written off in the year in which it is incurred. Depreciation is therefore not provided for.

Retirement Benefit Costs and Pension Disclosures

x. The Consolidated Superannuation fund disclosures have been presented as far as practicable in accordance with Financial Reporting Standard 102 ("FRS 102"), the actuarial deficit has been calculated in accordance with FRS 102 but has not been included in the Fiduciary Balance Sheet. The pension costs charged to the Income and Expenditure Account pay costs are the contributions paid as agreed as a result of the latest triennial actuarial valuation.

Financial Investments

xi. Investments in the Long Term Investment Fund, Medium Term Investment Fund, and Treasury Pool are measured at fair value as at each year-end.

xii. Those investments that are listed or quoted on a recognised market are valued at the mid-market price in the relevant market as at the year-end date.

xiii. The valuation of investments in investment funds that are neither quoted or listed are based on the latest information available as provided by the underlying investment fund in which the investment is made. Where the valuation date for investment funds is not coterminous with the year end of the States of Guernsey the most recent valuation before the valuation date, as received from the underlying fund manager or administrator, is used as the basis of the valuation. This basis is then adjusted for underlying fund level cash flows that have occurred between the last valuation date and the year-end date. From time to time, non-cash flow related adjustments may also be made if deemed to be of a material nature. The net asset value reported by the fund manager or administrator may be unaudited and in some cases the notified net asset value is based on estimates.

xiv. Derivative contracts are recognised at fair value on the date at which they are entered into and are subsequently re-measured at their fair value. Fair value is determined using market observable inputs and recognised valuation models used by third party service providers.

xv. Where investments are in a currency other than pounds sterling, being the currency the financial statements are presented in, these are translated into pounds sterling at the rate of exchange ruling as at the year-end

xvi. Where the States of Guernsey has future funding commitments on investments these are disclosed in the notes to the financial statements and are not recognised as a liability as at the year-end

NOTES

1. States of Guernsey Accounting Policies (continued)

Investments in States Trading Entities

xvii. Investments in respect of Guernsey Post Limited and Guernsey Electricity Limited reflect the basis of the transfer valuation attributed to the net undertaking transferred from the States Trading Boards to the commercialised entities in accordance with The States Trading Companies (Bailiwick of Guernsey) Law, 2001. There is no ongoing impairment review for these entities. If shares are re-purchased by Guernsey Post or Guernsey Electricity, then an adjustment will be made to the carrying value of the investment on the States' balance sheet.

xviii. All other trading entities are accounted for at cost less impairment/provision for losses. Where the trading entity has an overall net liability on its balance sheet, then a corresponding provision will be held against the asset value on the States' balance sheet. This may increase or decrease depending upon the changes in the net liability at the end of each financial year, with a corresponding charge or credit being shown in the General Reserve.

Stock

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

Loans Receivable

xx. Loans issued by the States of Guernsey, which have fixed or determinable payments and are not quoted in an active market, are measured at their outstanding capital value as at the year-end date. They are not subject to an impairment review for accounting purposes, but will be assessed for recoverability during the repayment period. Where the loans have been issued from the proceeds of the States of Guernsey Government Bond, then the interest received from borrowers is credited to the Bond Reserve.

Long Term Liabilities

xxi. The issue of a States of Guernsey Government Bond has been categorised as a long term liability. Long term liabilities are included in the balance sheet at their nominal value, less any repayments of the principal sum. The associated cost of issue has been amortised and treated as a prepayment. This amortised cost is written off on a straight line basis, over the period of the long term liability. Any costs associated with the States of Guernsey Bond will be met from the Bond Reserve.

Cash Flow Statement

xxii. Investments held by Investment Managers (detailed within Note 12) may include some cash balances at the year end. These cash balances are controlled by the Investment Managers and thus are not considered to be part of the States' cash balance. Any change to these cash balances held by Investment Managers are therefore not included within the section of the Cash Flow Statement headed Cash Flows From Investing Activities.

NOTES

1. States of Guernsey Accounting Policies (continued)

Fiduciary Balance Sheet

xxiii. The Fiduciary Balance Sheet details the financial assets held by the States on behalf of others and includes the Consolidated Superannuation Fund and HM Receiver-General's balances along with various charity and amenity funds.

Restatement

xxiv. 2015 Accounts columns marked with "#" includes figures that have been restated for comparative purposes.

NOTES

2. International Public Sector Accounting Standards (IPSAS)

i. The States made a decision in 2012 to adopt International Public Sector Accounting Standards (IPSAS) (which was re-affirmed in 2015) and the intention is that this will be incrementally introduced commencing with fixed asset valuation and accounting.

ii. The following is a list of those IPSASs that, on initial adoption, are likely to have the greatest material potential impact on the financial statements. It is emphasised that this is not an exhaustive list of the possible changes and, at this stage, no consideration has been given as to the timing and extent to which each of the standards will be implemented.

IPSAS 35 – Consolidated Financial Statements

iii. At present the States of Guernsey presents single-entity accounts. If this standard is implemented, the States of Guernsey would be required to present the assets, liabilities, net assets, revenue, expenses and cash flows of itself and all entities it controls in its consolidated financial statements. All transactions between controlled entities would need to be eliminated on consolidation. Control would be based on whether (i) the States of Guernsey has power over the entity; (ii) exposure, or rights, to variable benefits from its involvement with the other entity; and (iii) the ability to use its power over the other entity to affect the nature or amount of the benefits. The States of Guernsey presently includes loans and equity investments in a number of controlled entities in assets. While their results would be consolidated as part of the above, these investments would continue to be presented in the separate financial statements of the States of Guernsey under IPSAS 34 – Separate Financial Statements.

IPSAS 16 – Investment Property and IPSAS 17 – Property, Plant and Equipment

iv. At present the States of Guernsey does not recognise investment property or property, plant and equipment in its Balance Sheet. Following implementation of these standards, the States of Guernsey will recognise those assets for which it is likely future economic benefits or service potential associated with the asset will flow to the entity and where the cost or fair value can be measured reliably. Investment property will be subsequently be recognised using either the fair value or cost model, while property, plant and equipment will subsequently be recognised using the cost model or revaluation model. No decision has been taken as to which model will be applied as yet.

IPSAS 25 – Employee Benefits

v. While the States of Guernsey prepares disclosures on the combined superannuation fund in accordance with FRS 102 (see note 25) it does not currently recognise the deficit on its defined benefit pension scheme in liabilities, nor does it recognise the costs associated with the scheme in line with this IPSAS 25 or FRS 102. Following implementation of this standard, the net deficit of the combined superannuation fund would be included within non-current liabilities, as it meets the definition of a defined benefit plan. Past and current service costs, net interest costs, re-measurement gains / losses on plan assets, and actuarial gains / losses on the defined benefit obligation would be included in the surplus / deficit of the States of Guernsey. Contributions made by the employer, which are currently accounted for as an expense, would only be adjusted within plan assets and would not be directly recognised in the Income and Expenditure Account. Consideration will need to be given as to the applicability of full adoption of this standard, given the rules, structure, funding arrangements and investment strategy for the States of Guernsey Public Servants' Pension Scheme.

NOTES

2. International Public Sector Accounting Standards (IPSAS) (continued)

IPSAS 29 – Financial Instruments: Recognition and Measurement

vi. The States of Guernsey currently accounts for loans receivable and long term liabilities at their outstanding capital value as at the year-end, and hold investments in States Trading Entities at cost or transfer value, less impairment provisions as necessary. Within the separate financial statements of the States of Guernsey, IPSAS 29 would require loans held to maturity and not traded in an active market to be measured at amortised cost. This would be based on the original cost of the investment, less transaction costs associated with the loan and any principal repayments, plus effective interest in order to account for interest and transaction costs over the term of the loan. Any potential impairment on loans would be deducted from amortised cost. Equity investments in consolidated subsidiaries would be measured at cost (being the fair value on initial recognition) less accumulated impairment losses.

IPSAS 23 – Revenue from Non Exchange Transactions (Taxes and Transfers)

vii. At present the States of Guernsey accounts for revenue from income tax on the basis of amounts collected February to December of the financial year, and recognising a debtor in respect of income tax collections received during January of the next calendar year. If this standard is implemented, the States of Guernsey would be required to recognise revenue on occurrence of a taxable event that gives rise to a potential asset. Revenue would need to be recognised at the fair value of that asset, except to the extent that a liability is also recognised in respect of the same revenue inflow. The standard requires that measurement models be applied in the calculation of this fair value where there is a separation between the timing of the taxable event and the collection of taxes, and these models should take account of the timing of cash receipts from taxpayers, declarations made by taxpayers, and the relationship of taxation receivable to economic events.

NOTES

3. Restatement of 2015 Accounts

The revised organisational structure of the machinery of government, as agreed by the States following consideration of the States' Review Committee proposals, was implemented during early 2016. All budgets are based upon the new structure and the 2015 Accounts have been restated for comparative purposes. The reorganisation of the budgets has included all costs for Finance and Human Resources being collectively budgeted; this is included within the Corporate Functions budget which is accounted for within the Policy & Resources Committee. This has resulted in the transfer of a small number of staff from the Trading Entities to the Policy & Resources Committee budget. A charge is levied to the Trading Entities for the services provided. Consequently for comparative purposes, the pay costs and income have both been increased by £672,000 in 2015 and the number of full time equivalents increased by 15.5.

A cash balance of £1.670m associated with the subsequent repayment of Customs and Excise duties, has been re-classified as a debtor balance at 31 December 2015, whereby the cash was received shortly after the year end.

The 2015 Accounts for Cabernet Limited (which were finalised after the preparation of the 2015 States of Guernsey Accounts) reported a net liability of £21.4m, compared to £18.7m included in the States of Guernsey Accounts. Therefore the provision for accumulated losses in the States of Guernsey Accounts has been increased by £2.7m to £21.4m for 2015.

NOTES

4. Income Taxes

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
245,700	245,700	Individuals	245,836	238,351
50,350	50,350	Companies (including Banks)	47,185	41,498
9,000	9,000	Distributed Profits	9,714	10,097
305,050	**305,050**	**Income Taxes**	**302,735**	**289,946**

5. Other Taxes

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
		Customs & Immigration -		
		Excise and Import Duties		
3,340	3,340	*Beer*	3,249	3,201
780	780	*Cider*	749	716
18,850	18,850	*Motor Spirit*	18,740	17,082
3,120	3,120	*Spirits*	2,986	2,891
7,980	7,980	*Tobacco*	8,448	7,058
4,930	4,930	*Wine*	5,150	4,805
1,450	1,450	*Import duties*	1,797	1,705
40,450	40,450		41,119	37,458
20,200	20,200	Tax on Real Property	19,969	19,018
13,500	13,500	Document Duty	12,718	12,260
1,150	1,150	Vehicle First Registration Duty	634	-
75,300	**75,300**	**Other Taxes**	**74,440**	**68,736**

6. Miscellaneous Income

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
10,375	10,375	Company Fees	10,439	10,220
4,600	4,600	Net Housing Rental Income	4,878	4,768
1,650	1,650	Surplus on Notes and Coins Account	5,629	3,741
2,850	2,850	States Trading Companies' and Entities' Dividends	3,244	998
-	-	Investment Return	4,111	548
-	-	Other Income	1,488	860
19,475	**19,475**	**Miscellaneous Income**	**29,789**	**21,135**

NOTES

7. Pay

2016 Original Budget £'000s	2016 Total Authorised £'000s	Pay Costs by Pay Group	2016 Actual £'000s	2015# Actual £'000s
83,326	84,261	Established Staff	83,141	83,167
16,108	16,270	Public Service Employees	16,278	16,292
46,989	49,338	Nurses and Clinical Consultants	48,889	48,355
40,765	41,833	Teachers and Learning Support Assistants	42,743	41,422
3,438	3,513	Fire Officers	3,446	3,500
9,084	9,317	Police Officers	9,021	9,289
1,927	1,957	Home Support Staff	1,987	1,780
3,433	3,283	Border Agency Officers	3,283	3,327
3,373	3,442	Prison Officers	3,374	3,351
1,664	1,664	Crown Officers and Judges	1,589	1,634
1,739	1,976	Other Pay Groups	2,379	2,233
211,846	**216,854**	**Pay Costs by Pay Group**	**216,130**	**214,350**

Staff information by pay group	2016 Average FTE*	2015# Average FTE*
Established Staff	1,655	1,600
Nurses and Clinical Consultants	1,012	1,001
Teachers and Learning Support Assistants	804	804
Public Service Employees	501	516
Police Officers	154	156
Prison Officers	77	77
Fire Officers	60	61
Border Agency Officers	58	56
Home Support Staff	52	44
Crown Officers and Judges	7	7
Other Pay Groups	38	41
	4,418	**4,363**

The average number of Full Time Equivalents (FTE) includes all overtime, additional duties and miscellaneous duties paid to all employees (permanent, temporary, casual and agency).

*The average number of Full Time Equivalents (permanent, temporary, agency) paid during the year. For example, one member of Established Staff (full time hours 36) working an average of 18 hours a week over six months of the year would be included above as 0.25 FTE.

NOTES

7. Pay (continued)

Senior Employees Gross Cost Analysis	**2016 Number of Employees**	**2015# Number of Employees**
£80,000 to £99,999	137	112
£100,000 to £119,999	46	44
£120,000 to £139,999	28	27
£140,000 to £159,999	21	19
£160,000 to £179,999	11	14
£180,000 to £199,999	6	5
£200,000 to £219,999	3	2
£220,000 to £239,999	3	-
£240,000 to £249,999	-	2
£250,000 and above	1	1
	256	**226**

Note: Employees are included where their total gross cost, including employer pension and social insurance contributions, exceeds £80,000 in that year. This includes all of the staff whose cost is met from General Revenue including other Funds and Reserves, but does not include the trading entities (Guernsey Dairy, Guernsey Water, Ports and States Works). A breakdown of the costs and staff numbers are detailed in Appendix III.

NOTES

8. Non-Pay Costs by Expenditure Category

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015# Actual £'000s
		Staff Non Pay Costs		
2,700	2,656	*Recruitment*	2,518	2,194
2,659	2,578	*Training*	2,242	2,044
516	521	*Other Staff Costs*	546	529
5,875	5,755		5,306	4,767
		Support Services		
1,899	1,785	*Advertising Marketing and PR*	1,786	1,901
222	219	*Audit Fees*	177	241
103	103	*Bank Charges*	196	159
9,753	9,816	*Communications and IT*	9,381	8,876
2,066	2,474	*Consultants Fees*	2,683	2,258
8,286	9,030	*Contracted Out Work*	8,435	8,488
8	7	*Incidental and Other costs*	-	5
1,907	1,846	*Postage, Stationery and Printing*	1,705	2,028
2,189	2,186	*Risk Management and Insurance*	2,263	2,156
26,433	27,466		26,626	26,112
		Premises		
755	739	*Equipment, Fixtures and Fittings*	936	785
2,699	2,613	*Rents and Leasing*	2,603	2,595
15,247	15,310	*Repairs, Maintenance and Servicing*	15,817	15,211
5,710	5,633	*Utilities*	4,878	4,816
24,411	24,295		24,234	23,407
		Third Party Payments		
276	277	*Benefit Payments*	272	246
29,058	28,912	*Grants and Subsidies*	27,848	28,769
29,334	29,189		28,120	29,015
		Transport		
1,387	1,379	*Vehicles and Vessels*	1,389	1,343
		Supplies and Services		
25,220	25,383	*Services*	24,411	27,742
14,343	14,106	*Supplies*	13,852	13,547
39,563	39,489		38,263	41,289
127,003	**127,573**	**Non-Pay Costs by Expenditure Category**	**123,938**	**125,933**

Note: The above excludes formula-led costs (see Note 9).

NOTES

9. Formula-led Costs

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
		Policy & Resources Committee		
2,010	2,010	*Payments to States Members*	1,893	1,982
		Employment & Social Security Committee		
2,580	2,580	*Legal Aid*	1,985	2,175
575	575	*Concessionary TV Licences for the Elderly*	626	624
9,850	9,850	*Family Allowance*	9,639	9,824
4,680	4,680	*Health Service Grant*	4,659	4,577
5,300	5,300	*Severe Disability Benefit and Carers' Allowance*	5,411	5,072
15,410	15,410	*Social Insurance Grant*	15,256	15,018
22,210	22,210	*Supplementary Benefit*	20,983	20,946
60,605	60,605		58,559	58,236
62,615	**62,615**	**Formula-led costs**	**60,452**	**60,218**

Note: The payments to States Members are detailed in Appendix V.

10. Capital Income

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
10,000	10,000	Capital Income	-	-
-	-	Guernsey Post Limited Re-purchase of Shares	6,000	-
-	-	Guernsey Electricity Limited Re-purchase of Shares	4,000	-
		Sale of Property or Land		
-	-	*Hermes House*	345	-
-	-	*Longue Hougue Access Rights*	178	-
-	-	*Other Property Sales*	18	61
10,000	**10,000**	**Capital Income**	**10,541**	**61**

NOTES

11. Routine Capital Expenditure

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
7,077	9,338	Miscellaneous Capital Works	5,900	4,269
1,182	3,289	IT Projects and Equipment	506	846
1,921	971	Equipment Machinery and Vehicles	1,290	2,391
1,500	1,130	Budget Reserve	-	-
11,680	14,728		7,696	7,506
(1,180)	(4,228)	*Use of Accumulated Capital Allocation*	-	-
10,500	**10,500**	**Net Routine Capital Expenditure**	**7,696**	**7,506**

12. Financial Investments (States General Investment Pool)

	2016 Actual £'000s	2015 Actual £'000s
Balance at 1 January	1,774,311	737,288
Transfer of Investments from Superannuation Fund	-	1,150,100
Returns on Investments (including realised and unrealised profits on revaluation of investments) net of investment management fees and other expenses	229,341	20,636
Net deposits/(withdrawals) during year	(22,905)	(133,713)
Balance at 31 December	**1,980,747**	**1,774,311**
Represented by:		
Equities	1,139,300	1,058,734
Alternatives	311,400	259,380
Bonds and fixed interest securities	330,884	243,535
Property	113,957	105,157
Cash	85,206	107,505
Investments	1,980,747	1,774,311
Balances held on behalf of States' Entities and other third party deposits	(1,372,237)	(1,229,172)
Balance at 31 December	**608,510**	**545,139**

Note: The transfer from the Superannuation Fund reflects the net value of the investments after an adjustment for outstanding fees and dividend income at the end of June 2015.

The States General Investment Pool participates in a securities lending programme. Securities lending is where securities are transferred from the States' custodian to a borrower against collateral in the form of cash or securities. When the loan is terminated, identical securities are to be returned. The borrower is obligated to compensate the lender for various events relating to the securities, such as subscription rights, dividends etc. Securities that are lent out are not removed from the States' balance sheet. Lending fees are recorded daily as interest income on lending. The borrower has the voting rights attached to the securities during the lending period.

NOTES

12. Financial Investments (States General Investment Pool) (continued)

At the year-end, the value of securities on loan stood at £74.207million (2015: £41.086million) secured by cash and non-cash collateral of £77.042million (2015: £43.091million) being 103.82% (2015: 104.88%) of the value of securities on loan.

During 2016, the Long Term Investment Fund was managed by sixteen managers, namely: Aberdeen Asset Managers Limited, Allan Gray Africa Equity Fund Limited, AMP Capital Investors Limited, CBRE Global Investors (UK) Funds Limited, FIL Pensions Management, GAM (U.K.) Limited, Investec Asset Management, JP Morgan Asset Management, Morgan Stanley Investment Management Limited, Newton Investment Management Limited, Partners Group (Guernsey) Limited, Sarasin & Partners LLP, Schroders Investment Management Limited, State Street Global Advisors, TIAA Henderson Real Estate Limited and Wellington Management International Ltd.
The Medium Term Investment Fund was managed by nine managers, namely: Brooks Macdonald Asset Management (International) Limited, Canaccord Genuity Wealth (International) Ltd, Credit Suisse (Channel Islands) Limited, Newton Investment Management Limited, Odey Wealth Management (C.I.) Ltd, Ravenscroft Investment Management, Rocq Capital Management Limited, Royal London Asset Management C.I. Limited and Royal London Asset Management Limited.

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

The States General Investment Pool had the following commitments in Private Equity Funds as at 31 December 2016.

	Total Commitment 31 December 2016 £'000s	Drawn Commitment 31 December 2016 £'000s	Undrawn Commitment 31 December 2016 £'000s	Undrawn Commitment 31 December 2015 £'000s
Partners Group	8,128	2,245	5,883	6,432
JP Morgan	8,128	4,552	3,576	4,532
CBRE	188,324	173,860	14,464	118
AMP	8,128	3,829	4,299	4,895
Morgan Stanley	43,376	22,348	21,028	21,182
Total	**256,084**	**206,834**	**49,250**	**37,159**

Future cash commitments will be met through active management of the investment portfolio.

NOTES

13. Investments in States' Trading Entities

	2016 Actual £'000s	2015# Actual £'000s
Cabernet Limited	5,060	5,060
Cabernet Limited - provision for accumulated losses	(957)	(21,390)
Guernsey Electricity Limited	105,209	109,209
Guernsey Post Limited	7,886	13,886
Alderney Electricity Limited	3	3
Balance at 31 December	**117,201**	**106,768**

Guernsey Electricity Limited re-purchased £4m of shares during 2016, consequently the balance invested by the States in that trading entity reduced from £109.209m to £105.209m.

Guernsey Post Limited re-purchased £6m of shares during 2016, such that the balance invested by the States in that trading entity reduced from £13.386m to £7.886m.

In November 2015 (Billet d'État XX, 2015), the States agreed the recapitalisation of Cabernet Limited in the sum of £25.212m. The recapitalisation took place in 2016 and crystallised the provision for accumulated losses of Cabernet Limited as at 31 December 2015 included in the General Revenue Account Reserve (£21.39m) with the balance of £3.82m being available to fund losses incurred from 2016. However, the company's losses in 2016 exceeded the balance of the recapitalisation amount by £957,000 and, therefore, provision for this amount has been included in the General Revenue Account Reserve (Note 17) in 2016. The value of the States of Guernsey's investment in Cabernet Limited at 31 December 2016 is £4.103m, which comprises the purchase cost of £5.06m less a provision for accumulated losses of £957,000.

NOTES

14. Loans Receivable

Loans Issued from the Bond Reserve	2016 Actual £'000s	2015 Actual £'000s
Guernsey Housing Association LBG	78,313	75,000
Cabernet Limited	29,487	30,725
JamesCo 750 Limited	12,179	12,747
Health & Social Care - Accommodation Fund	1,876	1,987
Balance at 31 December	**121,855**	**120,459**
Other Loans		
Cabernet Limited		
Purchase of Aircraft and Working Capital Overdraft	-	18,922
Home Loans Scheme	2,317	2,822
Solid Waste Strategy Infrastructure	1,606	1,385
Higher Education Loans Fund	220	251
Office of the Financial Services Ombudsman	-	225
Company Registry	159	214
Farm Loans Fund	142	148
Sports Loans Fund	115	131
Balance at 31 December	**4,559**	**24,098**
Total	**126,414**	**144,557**

The States have provided a number of loans from the proceeds of the States of Guernsey Bond issue at rates of interest fixed in accordance with a formula set by the Investment & Bond Sub-Committee. During 2016, the Sub-Committee approved two new loans totalling £7.1m (2015: 8 loans totalling £121.9m). Capital repayments received in 2016 were £5.7m (2015: £1.4m) including £1.7m for the early repayment in full of a loan to Cabernet Limited.

15. Debtors and Prepayments

	2016 Actual £'000s	2015# Actual £'000s
Debtors	65,591	65,786
Prepayments	21,664	20,424
Balance at 31 December	**87,255**	**86,210**

NOTES

16. Long Term Liabilities

The States issued a public bond for general sale in December 2014. The notional value of the bond amounted to £330m, and this is due to be fully repaid in December 2046. The costs of £14.589m associated with the issue of the bond, have been amortised and classified as a prepayment on the balance sheet. This value will be written off on a straight line basis over the life of the bond. The value of the prepayment at the end of December 2016 amounted to £13.654m (2015: £14.110m).

17. General Reserve

	2016 Actual £'000s	2015# Actual £'000s
Balance at 1 January	1,360	31,256
Revenue Surplus	43,831	15,289
Less Routine Capital Expenditure	(7,696)	(7,506)
Capital Income	10,541	61
	48,036	39,100
Cabernet Limited: Change in Provision for Accumulated Losses	20,433	(1,490)
Adjustment for Capital Expenditure	(774)	-
Appropriations		
Transfer to Capital Reserve	(22,900)	(36,250)
General Revenue Account Reserve at 31 December	44,795	1,360
Various Capital Accounts		
Corporate Housing Programme Fund	30,092	33,783
Transformation and Transition Fund	25,115	26,058
Insurance Deductible	10,399	9,970
Future Guernsey Economic Fund	6,776	8,059
Bond Reserve	5,907	(5,709)
Solid Waste Trading Account	3,611	3,711
Wilfred Carey Purchase Fund	3,261	3,077
Health and Social Services Accommodation Fund	1,122	1,076
Channel Islands Lottery (Guernsey) Fund	922	623
Higher Education Loans Fund	911	907
Overseas Aid & Development Commission Fund	590	-
Sports Loans Fund	319	319
General Reserve Balance at 31 December	**133,820**	**83,234**

NOTES

18. Capital Reserve

	2016 Actual £'000s	2015 Actual £'000s
Balance at 1 January	139,608	111,429
Appropriations from Revenue Account	12,900	36,250
Transfer from Corporate Housing Programme Fund (Vote 30.10.14)	-	20,000
Guernsey Post Ltd - Re-Purchase of Shares	6,000	-
Guernsey Electricity Ltd - Re-Purchase of Shares	4,000	-
Transfer from Core Investment Reserve	18,446	2,323
Investment Return	9,725	2,080
Expenditure on votes	(31,518)	(32,474)
Balance at 31 December	**159,161**	**139,608**

19. Core Investment Reserve

	2016 Actual £'000s	2015 Actual £'000s
Balance at 1 January	144,779	143,345
Investment Return	20,762	3,757
Transfer to Capital Reserve	(18,446)	(2,323)
Balance at 31 December	**147,095**	**144,779**

20. Notes and Coins Reserve

	2016 Actual £'000s	2015 Actual £'000s
In circulation at 1 January	53,376	52,386
Issued during the year	96,542	103,098
Withdrawn during the year	(93,977)	(102,108)
In circulation at 31 December	55,941	53,376
Less release from reserve	(8,864)	(8,650)
Balance at 31 December	**47,077**	**44,726**

Notes and Coins in circulation

	2016	2015
Made up of:		
Notes	42,394	40,166
Coins	4,683	4,560

NOTES

21. States Trading Entities Reserve

	2016 Actual £'000s	2015 Actual £'000s
Alderney Electricity Limited	3	3
Guernsey Electricity Limited	105,209	109,209
Guernsey Post Limited	7,886	13,886
Balance at 31 December	**113,098**	**123,098**

22. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	2016 Actual £'000s	2015 Actual £'000s
Operating surplus	43,831	15,289
Adjustment for investment returns	(4,111)	(548)
Increase in stocks	(220)	(137)
Increase in debtors and prepayments	(1,045)	(4,270)
Increase in creditors	1,156	1,921
	39,611	**12,255**

23. Reconciliation of Movement in Cash Balances

	2016 Actual £'000s	2015 Actual £'000s
Balance at 1 January	6,815	10,336
Increase/(Decrease) in cash during the year	9,036	(3,521)
	15,851	**6,815**

NOTES

24. Analysis of Cash Balances

	At 1 January 2016 £'000s	Movement in Year 2016 £'000s	At 31 December 2016 £'000s
Cash at banks	6,760	9,038	15,798
Cash in hand	55	(2)	53
Total	**6,815**	**9,036**	**15,851**

25. Superannuation Fund

<u>Summary analysis of changes in Funds</u>

	At 1 January 2015 £'000s	Movement in Net Funds 2015 £'000s	At 31 December 2015 £'000s	Movement in Net Funds 2016 £'000s	At 31 December 2016 £'000s
Combined Pool	1,081,987	17,849	1,099,836	141,936	1,241,772
Teachers Fund	48,856	6	48,862	6,566	55,428
States Members Fund	3,826	(91)	3,735	220	3,955
Total	**1,134,669**	**17,764**	**1,152,433**	**148,722**	**1,301,155**

NOTES

25. Superannuation Fund (continued)

Combined Pool	2016 Actual £'000s	2015 Actual £'000s
Employers' contributions	28,202	28,106
Employees' contributions	13,667	12,542
Refund of contributions repaid	125	71
Transfer values received	1,867	2,627
	43,861	43,346
Pensions	(42,756)	(40,791)
Lump sum payments	(12,534)	(10,048)
Contributions refunded to employees	(1,577)	(1,385)
Transfer values paid	(853)	(1,580)
	(57,720)	(53,804)
Returns on Investments (including realised and unrealised profits on revaluation of investments) net of investment management fees and other expenses	155,795	28,307
Net Increase in Fund for the Year	**141,936**	**17,849**

Teachers	2016 Actual £'000s	2015 Actual £'000s
Employers' contributions	879	614
Teachers' contributions	304	285
Transfer values received	-	5
	1,183	904
Pensions	(1,288)	(1,204)
Lump sum payments	(181)	(520)
Contributions refunded to employees	(6)	(5)
Transfer values paid	(99)	(451)
	(1,574)	(2,180)
Returns on Investments (including realised and unrealised profits on revaluation of investments) net of investment management fees and other expenses	6,957	1,282
Net Increase in Fund for the Year	**6,566**	**6**

NOTES

25. Superannuation Fund (continued)

<u>**States Members' Pension Fund**</u>	**2016 Actual £'000s**	**2015 Actual £'000s**
Capital payment	150	149
Pensions	(286)	(261)
Transfer values paid	(145)	(82)
	(431)	(343)
Returns on Investments (including realised and unrealised profits on revaluation of investments) net of investment management fees and other expenses	501	103
Net Increase/(Reduction) in Fund for the Year	**220**	**(91)**

<u>**Consolidated Superannuation Fund**</u>	**2016 Actual £'000s**	**2015 Actual £'000s**
Employers' contributions	29,081	28,720
Employees' contributions	13,971	12,827
Capital payments	150	149
Refund of contributions repaid	125	71
Transfer values received	1,867	2,632
	45,194	44,399
Pensions	(44,330)	(42,256)
Lump sum payments	(12,715)	(10,568)
Contributions refunded	(1,583)	(1,390)
Transfer values paid	(1,097)	(2,113)
	(59,725)	(56,327)
Returns on Investments (including realised and unrealised profits on revaluation of investments) net of investment management fees and other expenses	163,253	29,692
Net increase in Fund for the Year	**148,722**	**17,764**

NOTES

25. Superannuation Fund (continued)

Notes

a) The employees of the States of Guernsey 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 £87,434) for members joining from 1 May 2015 and, on a different CARE basis, for the service from 1 March 2016 of members who joined before 1 May 2015. There is a defined contribution section for earnings in excess of this salary cap. The arrangements for service before 1 March 2016 for members who joined before 1 May 2015 and for the future service of those closer to pension age remains final salary. The scheme is funded by contributions from both employer and employee. The employer rates for the defined benefits are determined on the basis of independent actuarial advice, and calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives.

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

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

A full actuarial valuation of the Fund as at 31 December 2013 was carried out. The results of this valuation were reported to the States in March 2015 (Billet d'État VI, 2015) and it was agreed that the base employer rate (including teachers) would remain at 14.1%.

A full actuarial valuation of the Fund as at 31 December 2016 is in the process of being carried out. The results of this valuation, including proposed changes if any, to the rates of employers' contributions, will be reported to the States in Autumn 2017.

b) The total contributions payable in respect of 2016 amounting to £29.081m (2015: £28.720m) have been charged as expenses in the revenue accounts for the current year. FRS 102 has not been adopted in full and the deficit on the Fund is, therefore, not included in the Balance Sheet. However, the following disclosures provide certain information which would be required under FRS 102.

NOTES

25. Superannuation Fund (continued)

(i) The valuation was updated by the actuary on an FRS 102 basis as at 31 December 2016.

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

	31 December 2016 % p.a.	31 December 2015 % p.a.
Discount rate	2.60%	3.70%
Rate of inflation	3.40%	3.15%
Increases to deferred benefits during deferment - Other Schemes	2.50%	2.25%
Increases to deferred benefits during deferment - Teachers Scheme	3.40%	3.15%
Increases to pensions in payment - Teachers Scheme	2.50%	2.25%
Increases to pensions in payment - Other Schemes	3.40%	3.15%
Increases to salaries	4.15%	3.90%

The assumptions used by the actuary have regard to the yield on AA rated corporate bonds and are also driven by other market yields which may not necessarily be borne out in practice.

Mortality Assumptions

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member aged 65 will live on average until age 86 if they are male and until age 89 if female. For a member currently aged 45 the assumptions are that if they attain age 65 they will live on average until age 88 if they are male and until age 91 if female.

Description of the basis used to determine the expected rate of return on the assets

The employer adopts a building block approach in determining the expected rate of return on the Fund's assets. Historic markets are studied and assets with high volatility are assumed to generate higher returns consistent with widely accepted capital market principles.

Each different asset class is given a different expected rate of return. The overall rate of return is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at the disclosure year end.

(iii) **Market Value of Scheme assets**

		31 December 2016 £'000s	31 December 2015 £'000s
Equities		775,672	670,047
Alternatives		195,878	207,831
Gilts and Bonds		182,870	134,301
Property		89,546	83,905
Cash		57,189	56,349
Market value of scheme assets	b)(v)	1,301,155	1,152,433
Present Value of schemes liabilities	b)(v)	(2,462,415)	(1,833,754)
	b)(v)	**(1,161,260)**	**(681,321)**

NOTES

25. Superannuation Fund (continued)

Notes (continued)

(v) **Analysis of changes in scheme deficit**

	2016 Actual £'000s	**2015 Actual £'000s**
Current Service Cost	(50,845)	(62,341)
Curtailment Gains	5,028	-
Net Interest on Net Defined Liability		
Interest on obligation	(66,781)	(63,562)
Interest on assets	42,371	40,069
Cumulative Amounts of remeasurements		
Losses/(Return) on assets (not included in interest)	121,662	(9,464)
Actuarial gains/(losses) on obligation	(559,826)	68,652
Administration Expenses	(779)	(923)
	(509,170)	(27,569)
Contributions by Employer	29,231	28,868
Net (Increase)/Reduction in Deficit for the year	**(479,939)**	**1,299**
Deficit at 1 January	(681,321)	(682,620)
Change in Deficit for the year	(479,939)	1,299
Deficit at 31 December	**(1,161,260)**	**(681,321)**

Analysis of changes in the present value of the defined benefit obligation

	2016 Actual £'000s	**2015 Actual £'000s**
Service cost	50,845	62,341
Interest cost	66,781	63,562
Curtailment Gains	(5,028)	-
Contribution by members	13,971	12,827
Benefits paid	(57,734)	(53,613)
Experience gains	(23,906)	(32,930)
Losses/(gains) from changes in assumptions	583,732	(35,722)
Change in defined benefit obligation	**628,661**	**16,465**
Defined benefit obligation at 1 January	1,833,754	1,817,289
Change in defined benefit obligation	628,661	16,465
Defined benefit obligation at 31 December	**2,462,415**	**1,833,754**

NOTES

25. Superannuation Fund (continued)

Notes (continued)

b) (v) **Analysis of changes in the fair value of Fund assets**

	2016 Actual £'000s	**2015 Actual £'000s**
Interest on assets	42,371	40,069
Return on assets (not included in interest)	121,662	(9,464)
Contributions by employer	29,231	28,868
Contributions by members	13,971	12,827
Benefits paid	(57,734)	(53,613)
Administration expenses	(779)	(923)
Change in fair value of Fund assets	**148,722**	**17,764**
Fair value of assets at 1 January	1,152,433	1,134,669
Change in fair value of Fund assets	148,722	17,764
Fair value of assets at 31 December	**1,301,155**	**1,152,433**

The employer expects to contribute £27.721m to the Fund from 1 January 2017 to 31 December 2017.

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

	2016	**2015**
Equities	60%	58%
Alternatives	15%	18%
Gilts and Bonds	14%	12%
Property	7%	7%
Cash	4%	5%

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

26. Non-Audit Services

There were no non-audit services provided by Deloitte LLP during 2016 (2015: nil).

NOTES

27. States Trading Entities

On 29 June 2005 (Billet d'État IX, 2005), the States authorised the provision of guarantees relating to borrowings from third parties by Cabernet Limited (the holding company of Aurigny Air Services Limited and Anglo Normandy Engineering Limited). The Policy & Resources Committee has guaranteed a loan facility entered into by Aurigny Air Services Limited with the Royal Bank of Scotland International Limited (RBSI) for the purchase of two new ATR72-500 aircraft. The balance of the loan amounted to £10.8m as at 31 December 2016 (2015: £11.8m). The Policy & Resources Committee has also guaranteed the company's trading operational loan facilities with RBSI Limited comprising: an overdraft facility of £1m; a credit limit utilisation of £700,000 for Foreign Currency Exchange Forward Contracts; and HM Customs Bonds of a maximum of £100,000. A further guarantee is in place with Barclaycard for an unlimited amount of credit card sales in respect of unflown flights.

28. Related Party Transactions

There were no material Related Party Transactions during the year.

29. Alderney Housing Association Borrowing Facilities

Under the terms of the Framework Agreement between the States of Alderney and the Alderney Housing Association (AHA), the States of Alderney have Step-In rights for the assets and liabilities of the AHA in the event that the latter was unable to meet its obligations. Accordingly, the States of Alderney have provided a letter of comfort in respect of the AHA’s overdraft facility of £5m with a private financial institution. If it becomes necessary for the States of Alderney to exercise their Step-In rights, then all assets and liabilities of the AHA would revert to the States of Alderney at that time. The market value of assets as at 31 December 2016 was £8.970m (2015: £9.175m). The States of Guernsey have agreed to 'step-in' if the States of Alderney were unable to service the facility or repay any amounts due.

30. Guernsey Housing Association Borrowing Facilities

The Policy & Resources Committee provides a guarantee for Guernsey Housing Association's trading overdraft facility of £1m with RBSI Limited.

Appendix I

Committee Accounts & Commentaries

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

INCOME AND EXPENDITURE ACCOUNT

2016 Original Budget £'000s	2016 Total Authorised £'000s	Income and Expenditure by Service Area		2016 Actual £'000s	2015 Actual £'000s
399,825	399,825	Revenue Income		406,964	379,817
10,000	10,000	Capital Income		10,541	61
409,825	409,825	Total Income		417,505	379,878
		Net Revenue Expenditure	**Page**		
29,593	30,542	*Policy & Resources Committee*	54	30,012	29,237
6,597	6,580	*Committee for Economic Development*	60	6,185	6,147
78,451	79,527	*Committee for Education, Sport & Culture*	65	79,266	77,973
72,197	72,340	*Committee for Employment & Social Security*	71	70,230	69,859
12,647	12,534	*Committee for the Environment & Infrastructure*	78	11,923	14,187
116,581	119,231	*Committee for Health & Social Care*	83	118,626	118,582
32,826	33,367	*Committee for Home Affairs*	91	31,865	33,059
570	570	*Scrutiny Management Committee*	97	529	468
-	-	*States' Review Committee*	98	-	17
1,520	1,520	*Development & Planning Authority*	99	1,201	1,459
2,885	2,885	*Overseas Aid & Development Commission*		2,885	2,855
1,584	1,584	*States' Trading Supervisory Board*	102	1,392	1,558
2,540	2,541	*Royal Court*	107	2,525	2,557
4,700	4,729	*Law Officers*	111	4,609	4,711
1,880	1,885	*States of Alderney*	114	1,885	1,859
7,529	2,265	*Budget Reserve*		-	
372,100	372,100	Net Revenue Expenditure		363,133	364,528
		Routine Capital Expenditure			
542	565	*Policy & Resources Committee*	59	146	287
1,374	1,464	*Committee for Education, Sport & Culture*	70	1,323	2,066
13	-	*Committee for Employment & Social Security*		-	14
3,632	3,123	*Committee for the Environment & Infrastructure*	82	2,940	517
1,769	4,335	*Committee for Health & Social Care*	90	1,481	2,957
608	903	*Committee for Home Affairs*	96	778	986
474	1,348	*States' Trading Supervisory Board*	106	931	363
200	201	*Royal Court*	110	32	197
68	159	*Law Officers*	113	65	119
1,500	1,500	*Backlog Property Maintenance*		-	-
1,500	1,130	*Budget Reserve*		-	-
11,680	14,728	Routine Capital Expenditure		7,696	7,506
(1,180)	(4,228)	Use of Accumulated Capital Allocation		-	-
10,500	10,500	Net Routine Capital Expenditure		7,696	7,506
382,600	382,600	Total Cash Limits		370,829	372,034
27,225	**27,225**	**Net Surplus**		**46,676**	**7,844**

POLICY & RESOURCES COMMITTEE

The Policy & Resources Committee has the responsibility to advise the States and to develop and implement policies and programmes relating to:

1. leadership and co-ordination of the work of the States;
2. fiscal policy, economic affairs and the financial and other resources of the States; and
3. external relations and international and constitutional affairs.

NET REVENUE EXPENDITURE BY CATEGORY

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
1,199	2,320	Operating Income	2,337	1,855
		Non-Formula Led Expenditure		
17,776	19,111	Pay costs	18,794	18,263
		Non-Pay costs		
2,706	2,592	*Staff Non-Pay costs*	2,729	2,409
6,443	7,240	*Support Services*	7,237	6,616
331	326	*Premises*	263	275
1,044	1,025	*Third Party Payments*	1,000	1,006
13	10	*Transport*	8	8
589	548	*Supplies & Services*	425	533
11,126	11,741		11,662	10,847
27,703	**28,532**	**Net Non-Formula Led Expenditure by Category**	**28,119**	**27,255**
		Formula Led Expenditure		
2,010	2,010	Payments to States Members	1,893	1,982
2,010	**2,010**	**Formula Led Expenditure by Category**	**1,893**	**1,982**
(120)	-	Financial Transformation Programme Target	-	-
29,593	**30,542**	**Net Expenditure by Category**	**30,012**	**29,237**

Non-Formula Led expenditure

Total non-formula-led expenditure for 2016 was £28.1m (2015: £27.3m) representing an increase of 3.2% over 2015. The Policy & Resources Committee under spent its 2016 authorised non-formula led budget by £413k (1.5%).

POLICY & RESOURCES COMMITTEE

Operating Income

Category	2016 £'000	2015 £'000
Recharges to Trading Entities	1,395	997
Other Recharges	341	301
Fees & Charges	38	34
Commissions & Royalties	535	478
Other	28	45
Total	**2,337**	**1,855**

The majority of the income is received through recharges to the Trading Entities which relate to providing a transactional processing service (through the Shared Services Centre) and financial management services. The recharges are calculated using agreed formulae relating to the number of transactions processed, and the staff time employed to provide these services.

Commissions and Royalties are earned from the activities of the Guernsey Digimap Service.

Pay Costs

Pay costs increased from £18.2m in 2015 to £18.8m in 2016, an increase of 2.7% which is due to the recruitment in 2016 to posts which were vacant in 2015 including in the Human Resources and Finance functions and additional staff in the key areas of corporate policy co-ordination and development (as set out in the 2016 Budget Report); Corporate Communications and Data Protection and Governance.

A charge is levied to the States Trading entities in respect of services provided by the Finance function; in 2016 this was £1m (2015: £0.7m) for 15.7FTE (2015: 10.7FTE).

Analysis of Full Time Equivalent Staff Numbers

Pay Group	**2016**	**2015**
Established Staff	342.7	327.0
Nurses and Medical	2.6	2.8
Public Sector Employees	2.4	2.9
Other Pay Groups	0.9	1.7
Total	**348.6**	**334.4**

Non-Pay Costs

Non-pay costs increased by £815k (7.5%) from 2015 to 2016 which is attributable to an increase in recruitment expenditure and a number of non-recurrent projects where additional funding was provided from the Budget Reserve including:

- £342k – to fund the defence of legal challenges to the implementation of pension reforms;
- £205k – to fund a national risk assessment of money laundering and the financing of terrorism, in accordance with the Financial Action Task Force's standards; and
- £131k – external assessments of the appropriate baseline budgets for the Committees for Education, Sport & Culture and Home Affairs for current service provision and benchmarked to comparable service models in other jurisdictions.

POLICY & RESOURCES COMMITTEE

<u>Third Party Payments (Grants and Subsidies)</u>

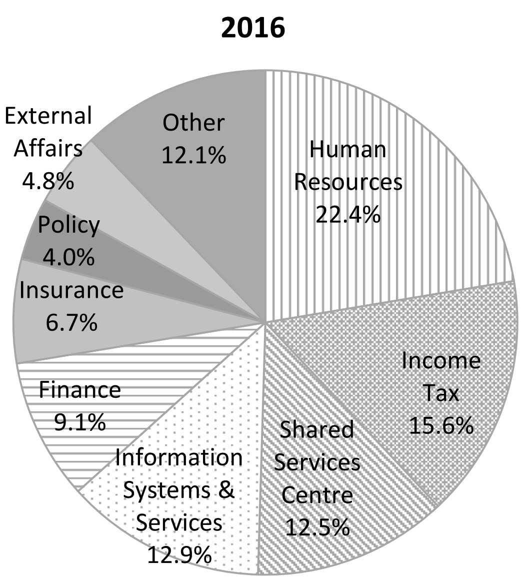
Description	2016 Actual £'000	2015 Actual £'000
Channel Islands Brussels Office	340	360
H E Lieutenant Governor	660	646
Total	**1,000**	**1,006**

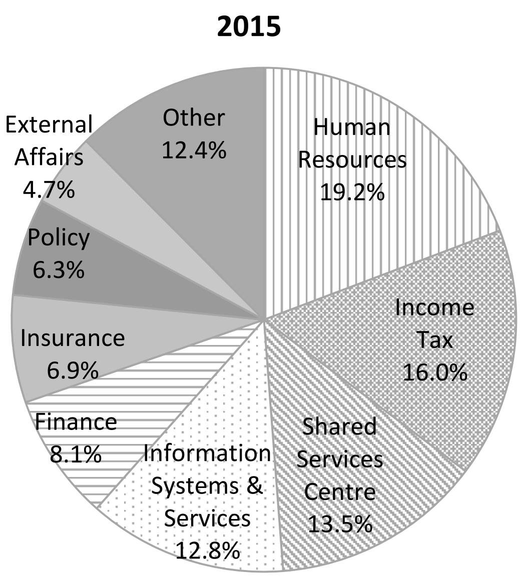
The States of Guernsey maintains a joint office with Jersey in Brussels, to ensure our interests are represented in the European Union, and the grant paid is to cover Guernsey's share of the costs.

In addition to the remuneration and establishment allowance paid to His Excellency the Lieutenant-Governor, an establishment allowance is paid to his office to meet the costs of staff and of running both the office and Government House, including furnishing and routine maintenance of the house and grounds, as well as other expenditure related to the carrying out of his official duties.

POLICY & RESOURCES COMMITTEE

NET REVENUE EXPENDITURE BY SERVICE AREA





2016 Original Budget £'000s	2016 Total Authorised £'000s	Non-Formula Led Expenditure	2016 Actual £'000s	2015 Actual £'000s
		Core Services		
769	1,023	*Central Services*	866	609
1,301	1,252	*External Affairs*	1,351	1,284
1,279	1,227	*Policy*	1,123	1,706
731	731	*Treasury*	716	974
4,080	4,233		4,056	4,573
		Corporate Functions		
521	491	*Assurance & Risk*	482	489
210	249	*Communications*	250	162
2,444	2,575	*Finance*	2,548	2,221
5,677	6,036	*Human Resources*	6,290	5,245
4,210	4,266	*Income Tax*	4,391	4,365
3,700	3,882	*Information Systems & Services*	3,618	3,476
1,875	1,875	*Insurance*	1,875	1,879
368	368	*Procurement*	284	343
3,738	3,669	*Shared Services Centre*	3,510	3,686
7	15	*Tribunals*	3	9
22,750	23,426		23,251	21,875
69	69	Commonwealth Parliamentary Association	63	54
804	804	HE Lieutenant Governor	749	753
27,703	**28,532**	**Non-Formula Led Expenditure by Service Area**	**28,119**	**27,255**

POLICY & RESOURCES COMMITTEE

2016 Original Budget	2016 Total Authorised	Formula Led Expenditure	2016 Actual	2015 Actual
2,010	2,010	Payments to States Members	1,893	1,982
2,010	**2,010**	**Formula Led Expenditure by Service Area**	**1,893**	**1,982**
(120)	-	Financial Transformation Programme Target	-	-
29,593	**30,542**	**Net Expenditure by Service Area**	**30,012**	**29,237**

Non-Formula Led

2016 expenditure in core services was lower than in 2015 as 2015 included one-off restructuring costs incurred in order to prepare for the new Committee structure.

Expenditure on Human Resources increased due to the costs associated with funding the defence of legal challenges to the implementation of pension reforms; filling of vacant posts and increased costs of recruitment due to the successful initiatives to recruitment to frontline nurse and teacher vacancies and reduce the reliance on agency/temporary staff.

Formula Led

Expenditure on Payments to States Members reduced by £89k compared to 2015 due to the part-year impact of the reduction in the number of Deputies and the restructuring or remuneration arrangements with effect from May 2016, together with a vacant seat for a number of months.

Financial Transformation Programme

The 2016 FTP Target for the Committee was £120k and this was met through recurring benefits arising from changes in a number of areas including the delivery of training; reduced consultancy use; and increased use of technology leading to savings in travel and printing costs.

In Year Budget Changes

	£'000s	£'000s
2016 Cash Limit / Formula Led Estimate		**29,593**
Additions (Non Formula Led)		
Transfer from Budget Reserve:		
Pension Reforms Legal Costs	342	
National Risk Assessments	205	
Costing and Benchmarking Reviews	131	
Development of Information Services including a Target Operating Model	115	
Other	142	
		935
Pay Awards	1	
Net Inter-Committee Transfers	13	
		14
2016 Authorised Budget		**30,542**

POLICY & RESOURCES COMMITTEE

ROUTINE CAPITAL EXPENDITURE

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2016 Actual £'000s
520	565	IT Projects and Equipment	146	270
22	-	Equipment, Machinery and vehicles	-	17
542	565		146	287
(312)	(335)	Use of Accumulated Capital Allocation	-	-
230	**230**	**Net Routine Capital Expenditure**	**146**	**287**

Routine capital expenditure in 2016 included upgrades to the Finance system (£38k out of a total project budget of £50k) and the purchase of port blocking software (£41k).

COMMITTEE *for* ECONOMIC DEVELOPMENT

As set out in its mandate, the purpose of the Committee *for* Economic Development is to secure prosperity through the generation of wealth and the creation of the greatest number and widest range of employment opportunities possible by promoting and developing business, commerce and industry in all sectors of the economy. It has the responsibility to advise the States and to develop and implement policies on matters relating to its purpose, including:

1. the promotion and development of all sectors of business, including construction, creative industries, digital, financial services, horticulture, intellectual property, manufacturing, media, retail and tourism;
2. the reputation of the Island as a centre for commerce and industry;
3. securing the provision of, and promoting, air and sea links to and from the Bailiwick;
4. inward investment at the corporate and individual level;
5. the labour skills necessary to sustain economic prosperity;
6. competition, innovation, diversification and regulation in the economy;
7. broadcasting and the media;
8. safeguarding living marine resources and the sustainable exploitation of those resources.

NET REVENUE EXPENDITURE BY CATEGORY

2016 Original Budget £'000s	**2016 Total Authorised £'000s**		**2016 Actual £'000s**	**2015 Actual £'000s**
712	712	Operating Income	714	772
		Non-Formula Led Expenditure		
2,757	2,767	Pay costs	2,734	2,689
		Non-Pay costs		
61	61	*Staff Non-Pay costs*	43	40
2,737	2,692	*Support Services*	2,447	2,684
116	114	*Premises*	78	58
1,229	1,229	*Third Party Payments*	1,218	1,209
80	80	*Transport*	59	34
329	349	*Supplies & Services*	320	205
4,552	4,525		4,165	4,230
6,597	**6,580**	**Net Expenditure by Category**	**6,185**	**6,147**

Total Non-Formula Led expenditure for 2016 was £6.2m (2015: £6.1m), which is £38k (0.6%) higher than in 2015. The committee underspent its Authorised Budget by £400k (6%).

COMMITTEE *for* ECONOMIC DEVELOPMENT

Operating Income

Category	2016 £'000	2015 £'000
Fees & Charges	353	391
Advertising Income	208	214
Sales Income	109	112
Licences & Permits	44	55
Total	**714**	**772**

Fees & charges income is generated from a number of Economic Development business units including the Civil Aviation Office (£226k), Public Trustee (£76k) and Sea Fisheries (£18k). Advertising income (£208k) is entirely from Marketing & Tourism and is generated through printed media, mainly brochures and the use of digital advertising. Sales income (£109k) is generated entirely from the Guernsey Information Centre. Licences and Permits income is derived from Marketing and Tourism's issue of Boarding Permits.

Pay Costs

Expenditure on pay in 2016 was £2.7m, a 1.7% increase (£45k) on 2015, due to Public Trustee work and additional staff to meet and greet cruise liner passengers.

Analysis of Full Time Equivalent Staff Numbers

Pay Group	2016	2015
Established Staff	42.1	44.2
Public Sector Employees	0.2	0.2
Other	3.1	1.7
Total	**45.4**	**46.1**

There was a reduction of one full time member of the established staff following a review of a vacant position. The increase shown in 'Other' relates to additional staff to meet and greet cruise liner passengers.

Non-Pay Costs

Support Services

There was a decrease in expenditure of £237k (8.8%) on 2015. The gradual move to from traditional printed media to digital media (including TV) advertising campaigns resulted in a reduction in general advertising and marketing costs (£145k) and a decrease in printed media and postage costs (£191k), relating to Marketing and Tourism activities. However, these cost reductions were partially offset by an increase in expenditure on digital adverting within Supplies and Services. There was a reduction in non-financial audit fee costs (£41k) with non-financial audits being bi-annual. There was an increase in legal costs (£70k) relating to Sea Fisheries issues and an increase in contracted out work (£70k) in relation to additional case load for the Public Trustee and Civil Aviation work.

COMMITTEE *for* ECONOMIC DEVELOPMENT

Non-Pay Costs (continued)

Transport

There was an increase in repairs and maintenance costs (£25k) in relation to Sea Fisheries with more maintenance being spent on the Leopardess.

Supplies & Services

There was an increase in expenditure of £115k (56.1%) on 2015. There was an increase in digital and TV advertising (£90k) with the move to digital media campaigns in Marketing and Tourism. There was an increase in travel and associated travel costs (£22k) across the committee.

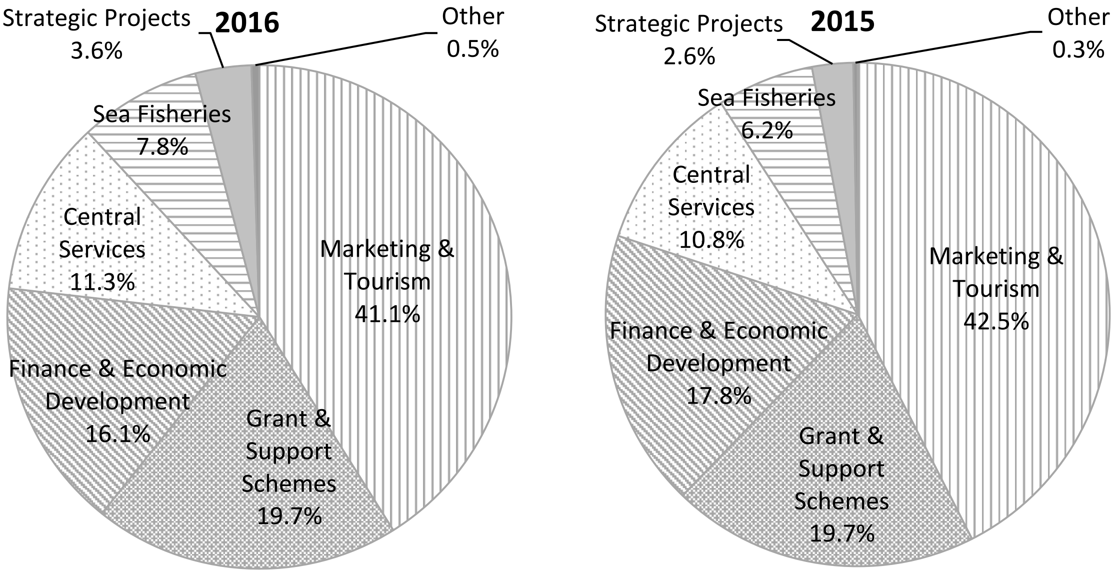
Third Party Payments (Grants and Subsidies)

Description	**2016 Actual £'000**	**2015 Actual £'000**
Guernsey Finance LBG	800	800
Events Group Grant	170	175
Guernsey Competition and Regulatory Authority	140	140
Guernsey Enterprise Agency (Start Up Guernsey)	95	82
Other	13	12
Total	**1,218**	**1,209**

The grants paid to Guernsey Finance LBG, Events Group Grant, Guernsey Competition and Regulatory Authority and the Guernsey Enterprise Agency (Start Up Guernsey) are based on amounts approved in the previous year when the budgets are set and following a review of their requirements.

COMMITTEE *for* ECONOMIC DEVELOPMENT

NET REVENUE EXPENDITURE BY SERVICE AREA



2016 Original Budget £'000s	2016 Total Authorised £'000s	Non-Formula Led Expenditure	2016 Actual £'000s	2015 Actual £'000s
779	762	Central Services	698	665
2	2	Civil Aviation Office	5	14
		Finance & Economic Development		
704	704	*Finance Sector Development*	619	584
485	485	*Business Innovation & Skills*	375	512
1,189	1,189		994	1,096
1,227	1,227	Grant & Support Schemes	1,216	1,212
		Marketing & Tourism		
1,335	1,355	*Consumer & Communications*	1,288	1,428
75	75	*Guernsey Information Centre*	70	49
79	79	*Quality Development*	65	68
611	611	*Strategic Marketing*	610	645
551	491	*Trade & Media Relations*	508	423
2,651	2,611		2,541	2,613
20	20	Office of the Public Trustee	26	3
401	441	Sea Fisheries	483	382
328	328	Strategic Projects	222	162
6,597	**6,580**	**Net Expenditure by Service Area**	**6,185**	**6,147**

COMMITTEE *for* ECONOMIC DEVELOPMENT

Non-Formula Led

There was a decrease in expenditure within Business Innovation and Skills of £137k (26.7%) compared to 2015. This was the result of delays in filling vacant positions and a re-organisation within the unit.

In Year Budget Changes

	£'000s
2016 Cash Limit	**6,597**
Reductions	
Inter-Committee Transfers	**(17)**
2016 Authorised Budget	**6,580**

COMMITTEE *for* EDUCATION, SPORT & CULTURE

The purpose of the Committee for Education, Sport & Culture is to encourage human development by maximising opportunities for participation and excellence through education, learning, sport and culture at every stage of life. It has responsibility to advise the States and to develop and implement policies on matters relating to its purpose, including:

1. pre-school, primary, secondary, further and higher education;
2. apprenticeships;
3. skills;
4. lifelong learning;
5. sport, leisure and recreation;
6. youth affairs;
7. the arts;
8. libraries, museums, galleries and heritage;
9. Island Archives;
10. civic celebrations and commemorations, including Liberation celebrations.

NET REVENUE EXPENDITURE BY CATEGORY

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
5,793	6,125	Operating Income	6,177	6,249
		Non-Formula Led Expenditure		
56,296	57,653	Pay costs	58,412	56,681
		Non-Pay costs		
952	954	*Staff Non-Pay costs*	1,029	1,001
3,540	3,498	*Support Services*	3,923	3,774
5,507	5,508	*Premises*	5,116	5,033
14,001	14,011	*Third Party Payments*	13,221	14,090
131	133	*Transport*	227	239
3,917	3,900	*Supplies & Services*	3,515	3,404
28,048	28,004		27,031	27,541
78,551	**79,532**	**Net Non-Formula Led Expenditure by Category**	**79,266**	**77,973**
(100)	(5)	Financial Transformation Programme Target	-	-
78,451	**79,527**	**Net Expenditure by Category**	**79,266**	**77,973**

Non-Formula Led expenditure for 2016 was £79.3m which is £1.3m (1.7%) higher than 2015. The Committee achieved an underspend of £261k against its authorised budget.

COMMITTEE *for* EDUCATION, SPORT & CULTURE

Operating Income

Category	2016 £'000	2015 £'000
Beau Sejour Centre	3,213	3,162
College of Further Education	769	760
Lottery Funding for Beau Sejour	651	672
Museums Service	633	611
Schools	298	296
Outdoor Sports Facilities	187	199
Grant Income*	170	222
School and Pupil Support Services	139	168
Others	117	159
Total	**6,177**	**6,249**

*Grant Income is from the Committee *for* Economic Development for onward funding of Taste Guernsey, Floral Guernsey, the Arts Commission and Sports Guernsey. In 2015 there was also additional funding of £50k from the Lottery Appropriation Account for the 70th Anniversary Celebrations of Liberation Day.

Beau Sejour Leisure Centre operating income is £42k higher than 2015 due to increased membership sales, which were encouraged as a result of the refurbishment of the gym.

Pay Costs

Expenditure on pay in 2016 was £58.4m (2015: £56.7m), which is a 3% increase on the previous year.

The increase in pay costs is explained by the application of the teacher's 2015 pay award which was not settled until 2016; an increase in expenditure on agency staff (including additional support required in Alderney) and an increase in Learning Support Assistant staff.

Analysis of Full Time Equivalent Staff Numbers

Pay Group	2016	2015
Established Staff	274.4	267.3
Public Sector Employees	108.6	105.8
Teachers & Learning Support Assistants	804.2	804.0
Nurses	16.4	17.1
Other Pay Groups	16.1	18.9
Total	**1,219.7**	**1,213.1**

The increase in Established staff numbers is a result of the recruitment in 2016 to posts that were vacant in 2015.

COMMITTEE *for* EDUCATION, SPORT & CULTURE

Non-Pay Costs

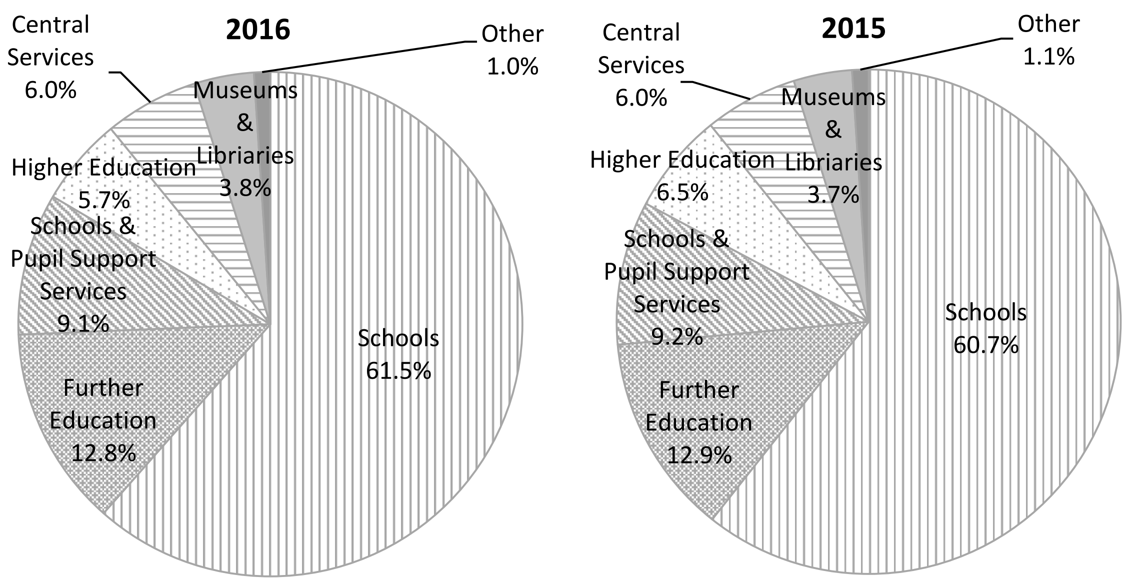
Non-pay expenditure was £27.0m (2015: £27.7m), a 2.5% decrease on the previous year which is due to the reduction in Third Party Payments.

Third Party Payments (Grants and Subsidies)

Description	**2016 Actual £'000**	**2015 Actual £'000**
Higher Education Grants	4,514	4,892
College Grants	4,497	4,663
Library Grants	1,817	1,966
Guernsey Training Agency	740	740
Apprenticeship Grants	424	593
Youth Service Administration	399	417
Guernsey Sports Commission	226	234
Dyslexia Day Centre	148	148
Guernsey Arts Commission	141	144
Other	315	293
Total	**13,221**	**14,090**

The 6.2% reduction in Third Party Payments is largely explained by a reduced cohort size for Higher Education students; ongoing year-on-year reductions in College grants; and a reduction in the Schools Library Service grant.

NET REVENUE EXPENDITURE BY SERVICE AREA



COMMITTEE *for* EDUCATION, SPORT & CULTURE

NET REVENUE EXPENDITURE BY SERVICE AREA (continued)

2016 Original Budget £'000s	2016 Total Authorised £'000s	Non-Formula Led Expenditure	2016 Actual £'000s	2015 Actual £'000s
		Beau Sejour		
709	675	*Net Expenditure*	651	672
(325)	(651)	*Less transfer from Channel Islands Lottery (Guernsey) Fund*	(651)	(672)
384	24		-	-
4,958	4,999	Central Services	4,769	4,667
414	414	Cultural Activities & Events	353	402
		Further Education		
7,853	8,131	*College of Further Education*	8,212	8,118
740	740	*Guernsey Training Agency*	740	740
1,349	1,349	*Institute of Health & Social Care Studies*	1,217	1,187
9,942	10,220		10,169	10,045
4,697	4,685	Higher Education	4,484	5,037
		Museums & Libraries		
1,573	1,598	*Grants to Libraries*	1,599	1,570
292	292	*Island Archive Service*	300	280
1,115	1,187	*Museums Service*	1,148	1,072
2,980	3,077		3,047	2,922
7,657	7,546	Schools & Pupil Support Services	7,215	7,179
		Schools		
4,494	4,494	*Grants to Colleges*	4,497	4,663
226	310	*Pre-School*	196	-
15,032	15,451	*Primary Schools*	15,302	14,975
650	722	*School Music Service*	737	697
19,334	19,443	*Secondary Schools*	20,038	19,556
5,587	5,883	*Special Schools*	6,093	5,580
1,780	1,828	*Voluntary Schools*	1,894	1,831
47,103	48,131		48,757	47,302
416	436	Sports	472	419
78,551	**79,532**	**Non-Formula Led Expenditure by Service Area**	**79,266**	**77,973**
(100)	(5)	Financial Transformation Programme Target	-	-
78,451	**79,527**	**Net Expenditure by Service Area**	**79,266**	**77,973**

The increase in expenditure between 2015 and 2016 was predominantly in the area of Schools which increased by £1.4m as a result of the Teachers Pay Award (£1.15m) and £250k of expenditure on preparing for the introduction of pre-school education.

COMMITTEE *for* EDUCATION, SPORT & CULTURE

Financial Transformation Programme

The 2016 FTP target for the Committee was £100k and initiatives with in-year benefits of £95k (recurring benefits of £215k) were achieved during the year:

Description	2016 Benefit £'000	Recurring benefit £'000
Secondary School Transformation	74	193
Cleaning Services – reduction in operational costs	21	22
Total	**95**	**215**

IN YEAR BUDGET CHANGES

	£'000s	£'000s
2016 Cash Limit		**78,451**
Additions :		
Pay Awards	1,218	
Established Staff turnover Adjustment	263	
		1,481
Reductions :		
Net Inter Committee Transfers	(79)	
Return to Budget Reserve – Lottery funding	(326)	
		(405)
2016 Authorised Budget		**79,527**

The return to Budget Reserve is in respect of the adjustment following the transfer of additional funds (i.e. in addition to the budgeted figure of £325k) from CI Lottery proceeds to cover the operating deficit at Beau Sejour.

Additional budget was also transferred from the Budget Reserve to services areas where the assumed 5% level of established staff vacancies did not occur.

COMMITTEE *for* EDUCATION, SPORT & CULTURE

ROUTINE CAPITAL EXPENDITURE

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
1,149	1,297	Miscellaneous Capital Work	1,126	1,766
-	-	IT Projects and Equipment	1	13
225	167	Equipment, Machinery and vehicles	196	287
1,374	1,464		1,323	2,066
(249)	(339)	Use of Accumulated Capital Allocation	-	-
1,125	**1,125**	**Net Routine Capital Expenditure**	**1,323**	**2,066**

The major capital works carried out in 2016 were:

- Grammar School refurbishment (£266k out of total project spend of £900k);
- St Martins School refurbishment (£219k out of total project spend of £407k);
- Grammar School roof maintenance (£164k out of total project spend of £451k);
- Castle Cornet Maritime Museum water ingress (£140k);
- Beau Sejour gym refurbishment (£111k); and
- Guernsey Museum & Art Gallery – gallery refurbishment (£92k)

During 2016, the Committee undertook a comprehensive review of its current capital programme and removed, deferred or reduced in scope a number of projects which meant it could return £690k of its routine capital allocation to General Revenue. In addition, the Committee agreed to return to General Revenue the full balance (£875k) of the routine capital allocation specifically held in respect of planned preventative refurbishment of Les Beaucamps High School.

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

As set out in its mandate, the purpose of the Committee *for* Employment & Social Security is to foster a compassionate, cohesive and aspirational society in which responsibility is encouraged and individuals and families are supported through schemes of social protection relating to pensions, other contributory and non-contributory benefits, social housing, employment, re-employment and labour market legislation. It has responsibility to advise the States and to develop and implement policies on matters relating to its purpose, including:

1. financial and social hardship;
2. social housing, including States' housing and the States' relationship with housing associations;
3. supplementary benefit and housing benefit;
4. social insurance;
5. pensions;
6. health insurance;
7. long-term care insurance;
8. equality and social inclusion, including in relation to disability;
9. the unemployed and the various initiatives to encourage employment and re-employment;
10. labour market legislation and practices;
11. health and safety in the workplace;
12. industrial relations;
13. legal aid.

The non-General Revenue responsibilities which are funded through the Committee's Contributory Funds (and included in a separate set of Accounts) are social insurance, pensions, health insurance, long-term care, the unemployed and the various initiatives to encourage employment and re-employment.

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

NET REVENUE EXPENDITURE BY CATEGORY

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
17	17	Operating Income	21	48
		Non-Formula Led Expenditure		
3,899	3,910	Pay costs	3,750	3,687
		Non-Pay costs		
27	27	*Staff Non-Pay costs*	15	20
848	866	*Support Services*	752	749
5,970	5,970	*Premises*	6,358	6,356
674	788	*Third Party Payments*	678	725
37	37	*Transport*	31	36
154	154	*Supplies & Services*	108	98
7,710	7,842		7,942	7,984
11,592	**11,735**	**Net Non-Formula Led Expenditure by Category**	**11,671**	**11,623**
		Formula Led Expenditure		
58,025	58,025	Third Party Payments	56,574	56,061
2,580	2,580	*Supplies & Services*	1,985	2,175
60,605	**60,605**	**Formula Led Expenditure by Category**	**58,559**	**58,236**
72,197	**72,340**	**Net Expenditure by Category**	**70,230**	**69,859**

Total Non-Formula Led expenditure for 2016 was £11.67m (2015: £11.62m), representing an increase of 0.4%. The Committee underspent its Authorised Budget by £60k (0.5%), following a change to the recruitment approach in the second half of the year, resulting in an underspend on Pay of £160k. Non-Formula Led expenditure consists of administration costs for Social Security, Housing, Legal Aid, Employment Relations and Health & Safety Executive together with the Community and Environmental Projects Scheme and Charitable Grants.

Formula Led expenditure for 2016 was £58.56m (2015:£58.24m), representing an increase of £320k (0.6%) over 2015, but an underspend against an authorised budget of £2.05m. This element flexes with the variable level of demand for legal aid, supplementary benefit, family allowance, severe disability benefit, carer's allowance and concessionary TV licences. In addition this expenditure includes grants to the contributory funds, which are based on a fixed percentage of contribution income.

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

Operating Income

Category	2016 £'000	2015 £'000
Fees & Charges	21	48

The small amount of income for the Committee comprises of rental income from land and properties, tribunal fees for Employment Relations and waste disposal fees from the Health and Safety Executive. Income was lower in 2016 than in 2015 due to receipts for the removal of toxic substance in 2015 and a non-social housing property being vacant in 2016.

Pay Costs

Expenditure on pay for 2016 was £3.75m (2015: £3.69m) an increase of 1.6% over 2015.

The above pay costs include allocations to general revenue and excludes staffing costs allocated to the Social Security Contributory Funds.

Analysis of Full Time Equivalent Staff Numbers

Pay Group	2016	2015
Established Staff	82.0	77.1

This increase in staffing levels is associated with resourcing 'invest to save' projects and reducing risk.

The Committee's total full-time equivalent staff numbers in 2016 was 174.6 (2015:175.0). The above analysis only includes allocations to general revenue and, therefore, excludes full-time equivalent staff allocated to the Social Security Contributory Funds which in 2016 was 92.6 (2015: 97.9).

Non-Pay Costs

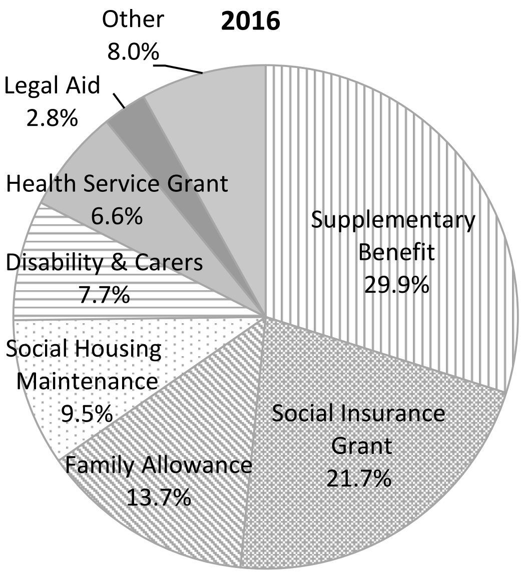
Total Non-Pay Costs for 2016 of £7.94m (2015: £7.87m) exceeded the Authorised Budget of £7.84m by £100k (1.3%) but this was offset by the underspend on pay.

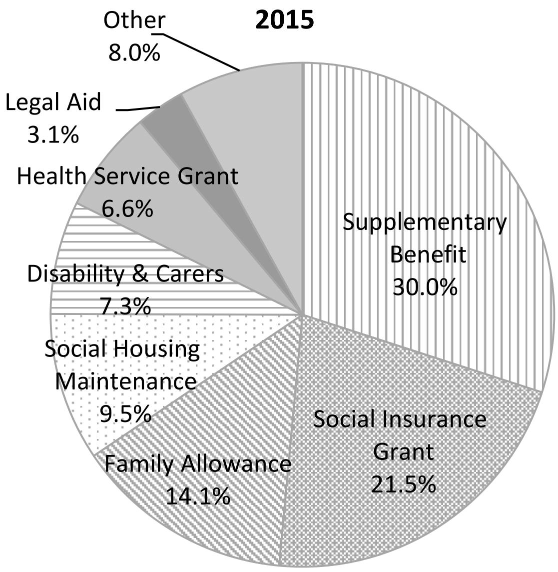
Third Party Payments (Grants and Subsidies)

Description	2016 Actual £'000	2015 Actual £'000
Action for Children grant	297	314
Charitable Grants	153	172
Community and Environmental Projects participant payments	124	127
School Uniform Clothing and Educational Maintenance grants	103	109
Repatriation and Other	1	3
Total	**678**	**725**

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

NET REVENUE EXPENDITURE BY SERVICE AREA





2016 Original Budget £'000s	2016 Total Authorised £'000s	Non-Formula Led Expenditure	2016 Actual £'000s	2015 Actual £'000s
1,780	1,730	Administration of Social Security & Legal Aid	1,666	1,589
317	431	Benefits & Allowances	380	408
1,108	1,108	Central Services	1,057	1,003
51	70	Disability & Inclusion	79	22
319	319	Employment Relations Service	264	249
393	393	Health & Safety Executive	340	330
798	844	Housing Strategy and Planning	666	829
6,233	6,233	Social Housing Buildings Maintenance	6,651	6,643
593	607	Social Housing Tenancy Management	568	550
11,592	11,735	**Non-Formula Led Expenditure by Service Area**	11,671	11,623

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

NET REVENUE EXPENDITURE BY SERVICE AREA (continued)

		Formula Led Expenditure		
		Legal Aid		
1,696	1,696	*Civil Legal Aid*	1,173	1,358
884	884	*Criminal Legal Aid*	812	817
2,580	2,580		1,985	2,175
575	575	Concessionary TV Licences for the Elderly	626	624
9,850	9,850	Family Allowance	9,639	9,824
4,680	4,680	Health Service Grant	4,659	4,577
5,300	5,300	Severe Disability Benefit & Carers' Allowances	5,411	5,072
15,410	15,410	Social Insurance Grant	15,256	15,018
22,210	22,210	Supplementary Benefit	20,983	20,946
60,605	60,605	**Formula Led Expenditure by Service Area**	58,559	58,236
72,197	**72,340**	**Net Expenditure by Service Area**	**70,230**	**69,859**

Non-Formula Led

Total Housing expenditure of £7.89m (2015: £8.02m) accounts for approximately 68% (2015: 69%) of the total Non-Formula Led spend of £11.67m (2015: £11.62m). This is reported in three service areas as follows:

Housing Strategy & Planning

There was a reduction in expenditure of £160k (20%) compared to 2015, due in the main to unfilled project officer vacancies and a small underspend on the budgeted grant for Action for Children (which fluctuates annually due to variations in income and expenditure).

Social Housing Buildings Maintenance

Housing is responsible for approximately 1,650 dwellings with an estimated re-instatement value of £511m (2015: £497m). The overall expenditure for general repairs, maintenance and void/renovations was £6.18m (2015: £6.17m). An overspend against budget for the year of £418k was due to a significant increase in the number of void properties renovated, partially offset by a managed reduction in other property maintenance.

Social Housing Tenancy Management

There was no significant change in expenditure for this heading between 2015 and 2016 but a small underspend of £39k was recorded due to staff vacancies and a reduction in utility bills, particularly sewage as more properties were connected to the main drain network.

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

Additional Management Information

Social Security Statistics

Number of claims at the year-end	2016	2015	2014	2013	2012
Supplementary benefit	2,327	2,332	2,334	2,376	2,407
Family allowance*	6,793	6,850	6,904	6,926	6,912
Severe disability benefit	666	653	611	575	571
Carer's allowance	461	442	417	341	345

*A single claim can include payment for more than one child.

Contributory Fund Grants As a % of contributions	2016 %	2015 %	2014 %	2013 %	2012 %
Guernsey Insurance Fund	15%	15%	15%	15%	15%
Guernsey Health Service Fund	12%	12%	12%	12%	12%
Annual Costs	**£m**	**£m**	**£m**	**£m**	**£m**
Guernsey Insurance Fund	15.3	15.0	14.9	14.4	14.2
Guernsey Health Service Fund	4.7	4.6	4.5	4.4	4.3
Total	**20.0**	**19.6**	**19.4**	**18.8**	**18.5**

Formula Led

Total Formula Led expenditure for 2016 was £58.56m (2015: £58.24m) representing an increase of 0.55%, but under spent against authorised budget by £2.05m.

Supplementary Benefit

For the year, Supplementary Benefit expenditure increased by 0.4% to £20.98m (2015: £20.90m). Active claims 12- month rolling average decreased by 0.4% with the general rate of benefit increasing by 1.5%. A breakdown of expenditure is show in the table below:

Breakdown of Supplementary Benefit	2016 £'000s	2015 £'000s	% Change
Job Seekers	4,943	4,794	+3.1%
Incapacity	4,348	4,330	+0.4%
Single Parents	3,462	3,646	-5.1%
Pensions top up	2,929	2,808	+4.3%
Disabled	2,047	1,945	+5.3%
Incapable of self-support	674	658	+2.4%
Other	249	302	-17.6%
Benefit & fuel allowance	**18,652**	**18,483**	**+0.9%**
Special grants & other costs	2,331	2,413	-3.4%
Supplementary Benefit - Total	**20,983**	**20,896**	**+0.4%**

The small increase in expenditure compared to the previous year is more or less in line with expectations with the general rate of benefit increasing by 1.5% and a slight fall in claimant numbers. The significant underspend compared to budget is due to the budget assumptions being based on higher claimant numbers for the year and also over estimating the impact of moving claimants from short-term to the higher long-term rates following legislation changes.

COMMITTEE *for* EMPLOYMENT & SOCIAL SECURITY

Formula Led (continued)

Social Security Contributory Funds Grant

The total Social Security Contributory Funds Grant for 2016 was £19.91m (2015: £19.60m). This grant is based on a percentage of contributions into each of the Guernsey Insurance Fund and the Guernsey Health Services Fund, and is fixed at 15% and 12% respectively. The increased grant over 2015 reflects higher contributions into these funds.

Legal Aid

For the year, total legal aid expenditure decreased by 8.7% to £1.99m (2015: £2.18m). This decrease is due mainly to civil legal aid decreasing by 13.6% to £1.17m (2015: 1.36m) while criminal legal aid remained fairly static decreasing by 0.6% to £810k; both categories of legal aid were below budget. Although this is a favourable result, it should be noted that as expenditure is formula led, it can increase or decrease with variable levels of demand.

Severe Disability Benefit and Carer's Allowance

For the year, Severe Disability Benefit (SDB) and Carer's Allowance (CA) increased by 6.7% to £5.41m (2015: £5.07m). Most of the increase relates to a continuing upwards trend in claimant numbers, with the active claims 12-month rolling average for SDB and CA increasing by 5.9% and 5.7% respectively, albeit less than in 2015 when SDB increased by 6.1% and there was a 13.7% rise in CA.

In Year Budget Changes

	£'000s	£'000s
2016 Cash Limit / Formula Led Estimate		**72,197**
Additions – Non-Formula Led		
Net Inter Committee Transfers	124	
Transfers from Budget Reserve	19	
		143
2016 Authorised Budget		**72,340**

The transfer from the Budget Reserve is in respect of one-off expenditure associated with the implementation of the Disability and Inclusion Strategy. The total maximum budget of £250k for implementation of the strategy was approved by the States and £28k had been spent up to the end of 2016. The balance of the budget is now being used to fund a number of agreed workstreams.

ROUTINE CAPITAL EXPENDITURE

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2016 Actual £'000s
13	-	Equipment, Machinery and vehicles	-	14
13	-		-	14
(13)	-	Use of Accumulated Capital Allocation	-	-
-	**-**	**Net Routine Capital Expenditure**	**-**	**14**

COMMITTEE *for the* ENVIRONMENT & INFRASTRUCTURE

As set out in its mandate, the purpose of the Committee *for the* Environment & Infrastructure is to protect and enhance the natural and physical environment and develop infrastructure in ways which are balanced and sustainable in order that present and future generations can live in a community which is clean, vibrant and prosperous. It has responsibility to advise the States and to develop and implement policies on matters relating to its purpose, including:

1. infrastructure, including but not limited to water, wastewater, the ports and the airports;
2. spatial planning, including the Strategic Land Use Plan;
3. climate change;
4. protection and conservation of the natural environment;
5. waste, water and stone reserves;
6. energy, including renewable energy;
7. solid waste;
8. general housing policy in relation to land use, spatial planning and infrastructure;
9. the coast and coastal defences and the breakwater in Alderney;
10. traffic and transport;
11. the road network;
12. biodiversity;
13. agriculture, animal health and welfare and the sustainability of food and farming;
14. maritime affairs;
15. public parks;
16. security of supply of essential commodities.

NET REVENUE EXPENDITURE BY CATEGORY

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
1,442	1,707	Operating Income	1,790	2,007
		Non-Formula Led Expenditure		
2,630	2,648	Pay costs	2,652	3,135
		Non-Pay costs		
18	18	*Staff Non-Pay costs*	16	6
3,023	3,168	*Support Services*	3,030	2,714
2,242	2,232	*Premises*	2,083	2,172
5,521	5,521	*Third Party Payments*	5,248	5,214
36	36	*Transport*	45	29
619	618	*Supplies & Services*	639	2,924
11,459	11,593		11,061	13,059
12,647	**12,534**	**Net Expenditure by Category**	**11,923**	**14,187**

Total Non-Formula Led expenditure for 2016 was £11.9m (2015: £14.2m). However, the road resurfacing & reconstruction programme was transferred from revenue expenditure to routine capital expenditure from 2016 (2015 expenditure of £2.3m). Therefore, comparing like with like, gross revenue expenditure remained broadly similar between 2015 and 2016. The Committee underspent its Authorised Budget by £611k (4.9%).

COMMITTEE *for the* ENVIRONMENT & INFRASTRUCTURE

Operating Income

Fees and charges fell by £217k (10.8%) in 2016; this is due to 2015 being an exceptional year for the sale of registration marks including £223k in respect of '007'.

Category	2016 £'000	2015 £'000
Fees & Charges	1,239	1,214
Licences & Permits	311	311
Sales Income	207	458
Other	33	24
Total	**1,790**	**2,007**

NOTE: Bus fare income of £1.15m (2015: £940k) is categorised against Third Party Payments in order to show the net subsidy effect of operating the scheduled bus service.

Pay Costs

Pay costs in 2016 were £2.7m (2015: £3.1m); the reduction is due to one-off staff restructuring costs that were incurred in 2015 in order to prepare for the new Committee structure.

Analysis of Full Time Equivalent Staff Numbers

Pay Group	2016	2015
Established Staff	52.7	53.0
Public Service Employees	2.0	2.1
Total	**54.7**	**55.1**

Non-Pay Costs

Non-pay costs for 2016 were £11.1m (2015: £10.8m excluding the roads resurfacing & reconstruction programme). The increase results from the full-year effect of the increased subsidy paid to CT Plus Limited following the tender for a new scheduled bus service contract which came into operation on 1 April 2015.

Third Party Payments (Grants and Subsidies)

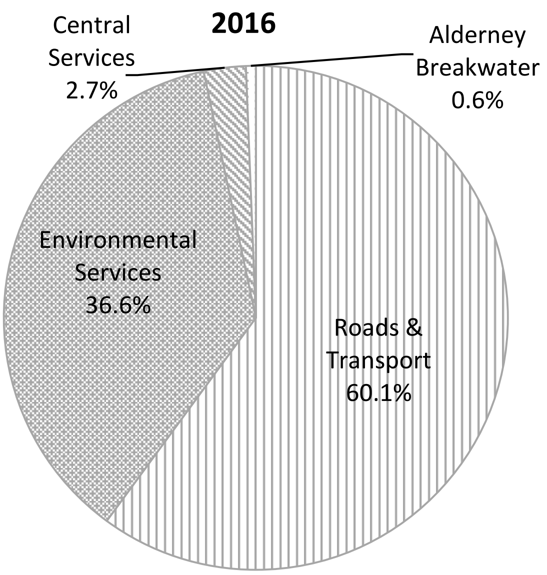
Description	2016 Actual £'000	2015 Actual £'000
Contract for the operation of scheduled and school bus services *	3,593	3,359
Dairy Farm Management Payments	1,625	1,825
Grant to Vale Commons Council re: Upkeep of L'Ancresse Common	30	30
Total	**5,248**	**5,214**

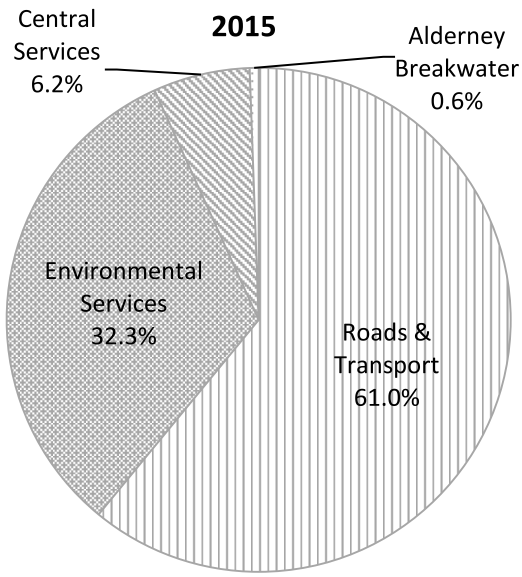
** Figures net of fare income.*

In September 2014, the States agreed that General Revenue expenditure on the Dairy Farm Management Payments Scheme, which was set up to support the dairy industry (farmers) in Guernsey, should be reduced by £1m in five equal steps over a five year period commencing from 2015.

COMMITTEE *for the* ENVIRONMENT & INFRASTRUCTURE

NET REVENUE EXPENDITURE BY SERVICE AREA





2016 Original Budget £'000s	**2016 Total Authorised £'000s**	**Non-Formula Led Expenditure**	**2016 Actual £'000s**	**2015 Actual £'000s**
327	327	Central Services	321	880
100	100	Alderney Breakwater	75	81
		Environmental Services		
2,440	2,448	*Agriculture and Veterinary Services*	2,342	2,532
853	853	*Coastal Services*	777	933
893	893	*Parks, Gardens and Nature Trails*	886	871
354	384	*Other Environmental Services*	359	242
4,540	4,578		4,364	4,578
		Roads and Transport		
353	333	*Integrated Transport Strategy*	291	162
399	398	*Licensing and Traffic Services*	421	179
4,899	4,769	*Passenger Transport*	4,461	4,069
2,029	2,029	*Roads*	1,990	4,238
7,680	7,529		7,163	8,648
		Balance of Budget Reduction		
12,647	**12,534**	**Net Expenditure by Service Area**	**11,923**	**14,187**

COMMITTEE *for the* ENVIRONMENT & INFRASTRUCTURE

Non-Formula Led

The reduction in Central Services expenditure is due to the one-off restructuring costs incurred in 2015.

Expenditure on Coastal Services fell well below 2015 levels and within budget, contrary to recent years of cost pressure against budget. The engagement of local contractors on capital projects at Perelle, Fort Grey and Longstore during 2016 had an impact on the availability of labour to undertake smaller projects.

Net expenditure on Licensing and Traffic Services increased by £242k due to lower income from sale of registration marks as 2015 was an exceptional year.

Expenditure on Passenger Transport was higher in 2016 than in 2015 due to the full year effect of the increased contract fee (£234k net of the bus fare income); £80k of additional vehicle maintenance required on the ageing fleet (as a result of the delay in the first phase of the bus fleet replacement programme); and £55k additional expenditure on school bus services (which was previously paid by the Committee *for* Education, Sport & Culture). Although there was a 9.8% increase in bus passengers compared to 2015, the highest annual increase since records began in 1996, the income fell slightly compared to 2015 as a result of new fare initiatives, primarily targeted at students and old age pensioners, focusing on increasing ridership and supporting the Integrated Transport Strategy objectives. However, there was an underspend compared to budget in 2016 due to the formula-driven bus contract fee being less than budgeted and passenger income being slightly ahead of budget.

IN YEAR BUDGET CHANGES

	£'000s	£'000s
2016 Cash Limit		**12,647**
Additions		
Pay Awards:		
Net Inter Committee Transfers	18	
Transfers from Budget Reserve	21	
Established Staff – return of vacancy factor	18	
		57
Reductions:		
Return of Funds to Budget Reserve		**(170)**
2016 Authorised Budget		**12,534**

£170k of the budget specifically allocated to implementing the Integrated Transport Strategy was returned to the Budget Reserve as a result of the delay in introducing the Vehicle First Registration Duty, one of the Strategy's main funding sources.

COMMITTEE *for the* ENVIRONMENT & INFRASTRUCTURE

ROUTINE CAPITAL EXPENDITURE

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2016 Actual £'000s
3,351	2,914	Miscellaneous Capital Work	2,833	512
66	184	IT Projects and Equipment	7	-
215	25	Equipment, Machinery and vehicles	100	5
3,632	3,123		2,940	517
(182)	(3)	Use of Accumulated Capital Allocation	-	-
3,450	**3,120**	**Net Routine Capital Expenditure**	**2,940**	**517**

Routine Capital expenditure in 2016 was £2.9m (2015: £517k). £2.3m of this increase relates to the roads resurfacing & reconstruction programme which was transferred to routine capital in 2016.

The major items of capital expenditure in 2016 were:

- Roads resurfacing and reconstruction programme (£2.2m);
- Alderney Breakwater Repairs (£400k); and
- Salerie Cycle Path (£114k).

COMMITTEE *for* HEALTH & SOCIAL CARE

As set out in its mandate, the purpose of the Committee *for* Health & Social Care is to protect, promote and improve the health and well-being of individuals and the community. It has responsibility to advise the States and to develop and implement policies on matters relating to its purpose, including:

1. adult social care;
2. the welfare and protection of children, young people and their families;
3. the prevention, diagnosis and treatment of acute and chronic diseases, illnesses and conditions;
4. mental health;
5. care of the elderly;
6. health promotion;
7. environmental health;
8. public health.

NET REVENUE EXPENDITURE BY CATEGORY

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
11,686	12,534	Operating Income	12,594	12,364
		Non-Formula Led Expenditure		
83,336	85,560	Pay costs	85,099	84,879
		Non-Pay costs		
1,161	1,148	*Staff Non-Pay costs*	639	452
4,355	4,504	*Support Services*	4,549	4,481
6,052	6,037	*Premises*	6,115	5,516
3,402	3,403	*Third Party Payments*	3,489	3,583
700	697	*Transport*	606	556
31,161	31,166	*Supplies & Services*	30,723	31,479
46,831	46,955		46,121	46,067
118,481	**119,981**	**Net Non-Formula Led Expenditure by Category**	**118,626**	**118,582**
(1,900)	(750)	Efficiency Target	-	-
116,581	**119,231**	**Net Expenditure by Category**	**118,626**	**118,582**

During 2015, an external assessment of the appropriate baseline budget for the Health and Social Services Department for current service provision and benchmarked to comparable service models in other jurisdictions was undertaken. This recommended a £8.2million increase, of which £1.15m was retained in the Budget Reserve and £7.05m included in the baseline Cash Limit of £118.5m (£116.58m after the changes arising from the implementation of the States' Review Committee proposals). As included in the 2017 Budget Report, the Policy & Resources Committee approved the transfer of the £1.15m to the Committee *for* Health & Social Care's 2016 budget in the Autumn of 2016 as, at that time, it was forecasting an overspend of £3.8m.

COMMITTEE *for* HEALTH & SOCIAL CARE

Total Non-Formula Led expenditure for 2016 was £118.6m (2015: £118.6m). The Committee underspent its 2016 Authorised Budget by £0.6m which compares to an overspend position in 2015 of £2m. This was the first time since 2011 that an underspend had been achieved in health and social care services.

Key to the underspend in 2016 was a range of measures that were put in place to control expenditure across all services and a major focus on the use of performance data (Key Performance Indicators) to underpin decision making and challenge performance. The new Agency framework was introduced in 2016 and created a preferred suppliers list for Agency staff with pre-negotiated staff supply costs. Agency spend reduced from £7.8m in 2015 to £5.5m in 2016 and is expected to reduce further in 2017.

From September 2016, the Committee directly delivered the Emergency Department (ED) taking over from Primary Care Company Limited (PCCL), who had previously been delivering the service under contract. Delivering the service directly means that the States now employs and engages all the specialist medical staff required for the safe and high quality provision of the ED service.

In 2016, the Committee initiated a range of measures to improve the way health and social care services are provided. The Policy & Resources Committee approved funding from the Transition & Transformation Fund, to allow Health and Social Care to put together a team to mobilise system-wide transformation. During 2016 a balance was found between the long-term transformation of the health and social care system and the short/medium-term imperative to stabilise finances and deliver tactical opportunities for cost and service improvement. During the year there has been progress on a number of key developments including the transfer of service to the Emergency Department and the introduction of technology including the Video Tele-conferencing capabilities.

Operating Income

The Committee for Health and Social Care received income amounting to £12.6m during 2016 which is comprised as follows:

Category	**2016 £'000**	**2015 £'000**
Fees & Charges	4,125	3,831
Private Patients	7,349	6,875
Income from Sales	986	1,174
Other Income	134	484
Total	**12,594**	**12,364**

Income received from Fees and Charges (which relate to services provided including accident and emergency; radiology; pathology and pharmacy; States Analyst fees; and residential fees) increased by £294,000 between 2015 and 2016 with £90,000 of this increase being due to income from treatment provided through the Hyperbaric Chamber in 2016 (there were no such treatments in 2015).

Private Patient income has increased by £0.5m compared to 2015. This is primarily due to ED becoming a directly delivered service from 1 September which resulted in additional income amounting to £0.6m (there was a corresponding increase in expenditure). There were challenges in other areas of Private Patient income including a marginal decrease of 4% in Private Patient numbers from 808 patients in 2015 to 777 in 2016, albeit still higher than the 724 private patients treated in 2014. This decrease in the number of private patients was partially offset by the annual increase in charges of 1.9%.

Operating Income (continued)

Sales are comprised of income from cafes (PEH and extra care housing) as well as the Wheelchair Service. The PEH café is the main generator of sales income, with recent downward trends in annual sales continuing into 2016. This downward trend is likely to be attributable to the end of the Oberlands Centre building contract and the reduction in associated construction staff using the PEH café facilities.

Pay Costs

Pay expenditure in 2016 amounted to £85.1m. Compared to the 2015 position of £84.9m this represents a marginal increase of £0.2m. Measures that were put in place to control the Committee's pay expenditure have contributed to a real terms decrease in pay expenditure in 2016.

The number of average Full Time Equivalent (FTE) Staff Numbers has increased marginally by 35.4FTE (1.9%). Additional resources (eight consultants and four support staff) were added to the staff complement from September 2016 as a consequence of the ED coming into service.

The increase in established staff from 2015 to 2016 reflects improved substantive recruitment to social care posts.

The nursing figures include all agency and bank staff. Nursing figures in 2015 include the high use of agency resources. The decrease in 2016 nursing figures, therefore, reflects the success of the agency staff project and the recruitment challenge process (detailed below) which has reduced reliance on agency and locums. However, it should be noted that the number of substantive nursing posts has not decreased.

Analysis of Full Time Equivalent Staff Numbers

Pay Group	2016	2015
Established Staff	544.8	516.1
Public Sector Employees	371.9	357.2
Nurses	965.1	976.1
Clinical Consultants	28.1	25.1
Total	**1,909.9**	**1,874.5**

During 2016 the Committee carefully monitored and controlled the use of agency staff. The establishment of an internal appraisal and challenge process was the key driver in ensuring that agency resources were used efficiently and effectively thereby achieving cost reductions compared to 2015. This was achieved through agreeing a new procurement framework to source interims and careful monitoring of appointments to ensure that in general a ratio of two vacant posts per interim was maintained.

The following table shows the costs of employing agency staff, by pay group:

Pay Group	2016 £'000	2015 £'000
Established Staff	1,096	2,148
Nurses	4,145	4,609
Clinical Consultants	219	1,013
Total	**5,460**	**7,770**

COMMITTEE *for* HEALTH & SOCIAL CARE

Non-Pay Costs

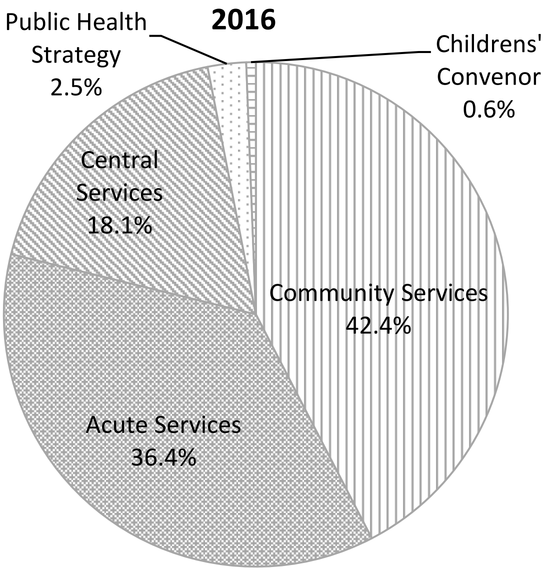
Expenditure incurred on Non-Pay related costs amounted to £46.1m (2015: £46.1m) which represented a minor increase on the 2015 position of £54,000 which is comprised as follows: increase in Premises costs (£0.6m); increase in Staff Non Pay costs (£0.2m); and a decrease in expenditure relating to Supplies & Services (£0.8m) which includes expenditure on Acute Off-Island care.

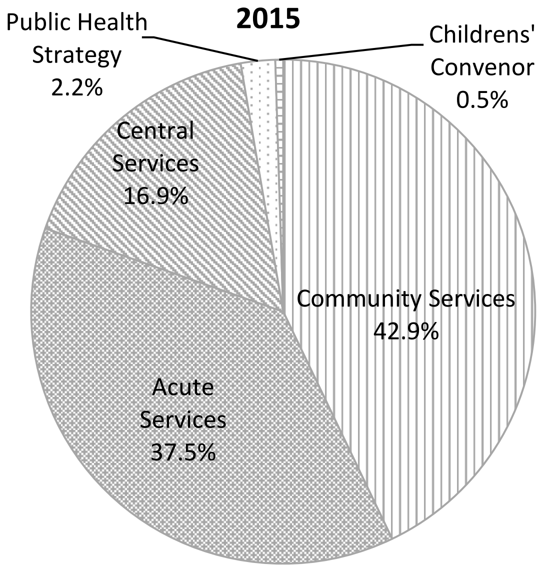
Third Party Payments (Grants and Subsidies)

Description	**2016 Actual £'000**	**2015 Actual £'000**
St John Ambulance and Rescue Service	2,582	2,637
Guernsey Employment Trust	411	293
Grow Limited	141	129
Guernsey Contraceptive Service	140	140
Extra Care Housing Grant (subsidy to catering facilities – provided in house from 2016)	-	206
Other	215	178
Total	**3,489**	**3,583**

St John Ambulance and Rescue Service grant decreased in line with the contracted arrangements, as agreed by the Civil Contingencies Authority. During 2015, the funding arrangement changed for the Guernsey Employment Trust grant whereby, since May 2015, services are provided through a grant instead of directly by the Committee.

NET REVENUE EXPENDITURE BY SERVICE AREA





COMMITTEE *for* HEALTH & SOCIAL CARE

NET REVENUE EXPENDITURE BY SERVICE AREA

2016 Original Budget £'000s	2016 Total Authorised £'000s	Non-Formula Led Expenditure	2016 Actual £'000s	2015 Actual £'000s
		Central Services		
1,209	1,305	*Clinical Governance*	1,152	1,041
1,460	1,647	*Contract Management*	1,426	1,778
12,586	12,657	*Estates & Facilities*	12,630	11,720
985	974	*Procurement*	917	880
1,019	1,054	*Recruitment & Retention*	253	436
1,562	1,876	*Strategy, Policy & Engagement*	1,706	1,809
2,796	2,872	*Systems & Performance*	2,683	2,417
21,617	22,385		20,767	20,081
		Acute Services		
28,185	28,410	*Acute Hospital Services*	30,003	29,496
7,888	7,888	*Acute Off Islands Treatment*	8,930	9,195
1,023	1,005	*Health Care Management*	1,048	1,525
1,701	1,751	*Institute of Health and Social Care Studies*	1,336	1,586
2,582	2,582	*St John Ambulance & Rescue*	2,582	2,643
41,379	41,636		43,929	44,445
		Community Services		
11,371	11,881	*Adult Services*	12,206	11,265
11,425	11,483	*Children's Services*	10,881	10,837
8,990	8,990	*Complex Placements*	7,900	8,377
281	260	*Social Care Management*	323	40
19,526	19,569	*Specialist Services*	18,980	20,333
51,593	52,183		50,290	50,852
		Public Health & Strategy		
1,468	1,468	*Community Health & Wellbeing*	1,400	1,399
1,151	1,050	*Medical Public Health*	934	851
474	460	*Public Health Management*	582	362
3,093	2,978		2,916	2,612
799	799	Office of the Childrens' Convenor	724	592
118,481	**119,981**	**Non-Formula Led Expenditure by Service Area**	**118,626**	**118,582**
(1,900)	(750)	Efficiency Target	-	-
116,581	**119,231**	**Net Expenditure by Service Area**	**118,626**	**118,582**

COMMITTEE *for* HEALTH & SOCIAL CARE

Non-Formula Led

Central Services

In 2016, Central Services incurred net annual expenditure of £20.8m which was £0.7m more than incurred in 2015 as a result of increases in net costs relating to Estates and Facilities due to an increased level of activity; and a decrease in contract costs with the establishment of the Emergency Department from September 2016.

Acute Services

In 2016, Acute Services incurred net annual expenditure of £43.9m which is £0.5m lower than incurred in 2015.

In 2016 the Committee sought to improve services received from Off Island providers in relation to Acute Services and Social Care. The number of acute patient attendances reduced by 14% but the expenditure reduction was lower due to an increased number of higher value treatments.

Acute Off Island Care Activity	**2016**	**2015**
Number of Patient Attendances	3,515	4,088
Total acute off-Island expenditure	£8,929,701	£9,194,884

Diagnostic & Support Services Activity	**2016**	**2015**	**% Change**
MRI/CAT Procedures	10,437	10,386	1.0
Number of Radiology Procedures (Excl. MRI/CAT)	41,438	42,224	(1.9)
Number of Biochemistry Tests Performed	986,854	1,024,763	(3.7)
Number of Haematology Tests Performed	101,422	107,308	(5.5)
Total	**1,140,151**	**1,184,481**	**(3.7)**

PEH Acute Patient Activity	**2016**	**2015**	**% Change**
Inpatient Admissions (inc. Maternity)	6,696	7,098	(5.7)
Day Cases (DPU only)	6,209	6,200	-
Day Patient Attendances (inc. Renal & Oncology)	5,793	5,824	(0.5)
A&E Attendances	17,338	17,084	1.5
Inpatient Days	40,004	41,039	(2.5)
Average Length of Stay (Days)	6.0	5.8	(3.4)

Community Services

In 2016, Community Services incurred net annual expenditure of £50.3m, a decrease of £0.6m (1.2%) compared to 2015.

A review of packages of care for complex off Island placements was carried out by a social work expert which resulted in a significant decrease in the amount paid for these packages and contributed to the lower costs compared to 2015. The launch of the Specialist Fostering Scheme in 2016 enabled the first young person to be repatriated from off-Island provision into a specialist foster placement in October 2016. In addition, Phase 2 of Grand Courtil development enabled a young man living in the UK to return home where his care and support could be delivered more effectively by specialised on-island community support workers.

Acute Off Island Care Activity	**2016**	**2015**
Off Island Complex Care		
Total off-Island complex care expenditure	£7,900,056	£8,376,827

COMMITTEE *for* HEALTH & SOCIAL CARE

Community Services (continued)

Specialist Services Activity	**2016**	**2015**	**% Change**
Number of admissions to long stay wards for elderly care and respite	105	204	(48)
Number of bed days for elderly care and respite	26,104	26,118	-
Mental Health Cases (Admissions) – Adult only	192	222	(13.5)

In Year Budget Changes

	£'000s	**£'000s**
2016 Cash Limit		**116,581**
Additions:		
Pay Awards	1,398	
Delay in delivery of Efficiency Savings	1,150	
Secondary Healthcare Project	217	
		2,765
Reductions:		
Inter Committee transfers		**(115)**
2016 Authorised Budget		**119,231**

In November 2015, the States approved funding from the Budget Reserve of up to £335,000 in 2016 in respect of the project to renegotiate the Secondary Healthcare contract.

COMMITTEE *for* HEALTH & SOCIAL CARE

ROUTINE CAPITAL EXPENDITURE

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2016 Actual £'000s
226	1,816	Miscellaneous Capital Work	506	1,033
347	1,999	IT Projects and Equipment	104	193
1,196	520	Equipment, Machinery and vehicles	871	1,731
1,769	4,335		1,481	2,957
(144)	(2,010)	Use of Accumulated Capital Allocation	-	-
1,625	**2,325**	**Net Routine Capital Expenditure**	**1,481**	**2,957**

The Committee spent £1.5m on routine capital projects in 2016 including:

- £300k to upgrade medical equipment;
- £200k on refurbishing the Sterile Services Department (with cumulative spend at the end of 2016 being £400k against a project budget of £500k);
- £100k to purchase new laser equipment to treat ear, nose and throat complaints;
- £100k on necessary works to the incinerator (with cumulative spend to end of 2016 being £300k of a total project budget of £400k).

The remaining expenditure related to: equipment (£300K); refurbishments and upgrades to the estate (£300K) and IT projects (£200K).

There was some capital votes approved in 2016 where the expenditure will take place in 2017 including: £200k for the Windows XP replacement programme; £200k for ultrasound machine replacement and £400k to replace laundry equipment that has reached the end of its useful life.

COMMITTEE *for* HOME AFFAIRS

As set out in its mandate, the purpose of the Committee *for* Home Affairs is to support a high standard of living and quality of life by maintaining and promoting a safe, stable and equitable society which values public protection and justice and respects the rights, responsibilities and potential of every person. It has responsibility to advise the States and to develop and implement policies on matters relating to its purpose, including:

1. crime prevention;
2. law enforcement, including policing and customs;
3. justice policy;
4. the association between justice and social policy, for example domestic abuse and the misuse of drugs and alcohol;
5. the new population management regime, once introduced;
6. immigration and the housing control and right to work regimes;
7. imprisonment, parole, probation and rehabilitation;
8. fire, rescue and salvage;
9. consumer protection and advice;
10. trading standards;
11. data protection;
12. emergency planning;
13. civil defence;
14. lotteries and gambling;
15. the electoral roll.

NET REVENUE EXPENDITURE BY CATEGORY

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
2,229	2,239	Operating Income	2,721	2,400
		Non-Formula Led Expenditure		
28,185	28,196	Pay costs	27,775	28,342
		Non-Pay costs		
706	713	*Staff Non-Pay costs*	687	670
3,099	3,115	*Support Services*	2,661	2,872
1,638	1,554	*Premises*	1,586	1,613
143	142	*Third Party Payments*	144	100
243	238	*Transport*	208	225
1,688	1,648	*Supplies & Services*	1,525	1,637
7,517	7,410		6,811	7,117
33,473	**33,367**	**Net Non-Formula Led Expenditure by Category**	**31,865**	**33,059**
(25)	-	Financial Transformation Programme Target	-	-
(622)	-	Budget Submission in Excess of Cash Limit	-	-
32,826	**33,367**	**Net Expenditure by Category**	**31,865**	**33,059**

COMMITTEE *for* HOME AFFAIRS

Total Non-Formula Led expenditure for 2016 was £31.9m (2015: £33.1m) which is a decrease of £ 1.2m (3.6%) over 2015. The Committee underspent its Authorised Budget by £1.5m (4.5%) due to pay underspends of £420k, income being greater than budgeted by £482k and non-pay underspends of £599k the serious recruitment problems in Law Enforcement resulting in large numbers of vacancies

Operating Income

The Committee for Home Affairs received operating income of £2.7m during the year (2015: £2.4m) as follows:

Category	2016 £'000	2015 £'000
Fees & Charges	891	615
Fines & Costs	651	594
Licence & Permits	1,159	1,175
Training Income	20	16
Total	**2,721**	**2,400**

Operating income increased during 2016 by £321k (13%) compared to 2015 due to additional income derived from recharges for the first full year of operation for JESCC (the recharges closely approximate to the costs incurred by the St John Ambulance & Rescue Service and the Coast Guard running their own separate control rooms in the past) and increases in Police Disclosures Fees from £10 to £20.

Income was higher than budgeted as the anticipated fall in Housing Control Fees ahead of the implementation of the new Population Management regime did not materialise.

Pay Costs

Expenditure on pay in 2016 was £27.8m (2015: £28.3m), which is a 1.8% decrease on the previous year. Overall pay expenditure was £420k less than budget (1.5%) which is attributable to established staff where FTE's have fallen by 6.7 (4.6%) as a result of a number of extended vacancies and a reduction in temporary posts.

The cost of employing Home Support Staff (this employee group was formerly known as *Police Support Staff* but was re-designated *Home Support Staff* when the JESCC was created to encompass JESCC staff as well) increased in 2016 by £207k (7.9FTE) predominantly as a result of higher costs for JESCC (2016 being the first complete year of operation). Pay expenditure on Police Officers reduced by £126k due to an exceptionally high level of vacant posts which is expected to be addressed early in 2017.

COMMITTEE *for* HOME AFFAIRS

Analysis of Full Time Equivalent Staff Numbers

Pay Group	2016	2015
Established Staff	137.5	144.2
GBA Officers	57.8	55.9
Public Service Employees	6.0	6.5
Fire Officers	59.6	60.7
Home Support Staff	51.9	44.0
Police Officers	153.7	156.5
Prison Officers	77.5	76.8
Other Pay Groups	-	0.7
Total	**544.0**	**545.3**

Non-Pay Costs

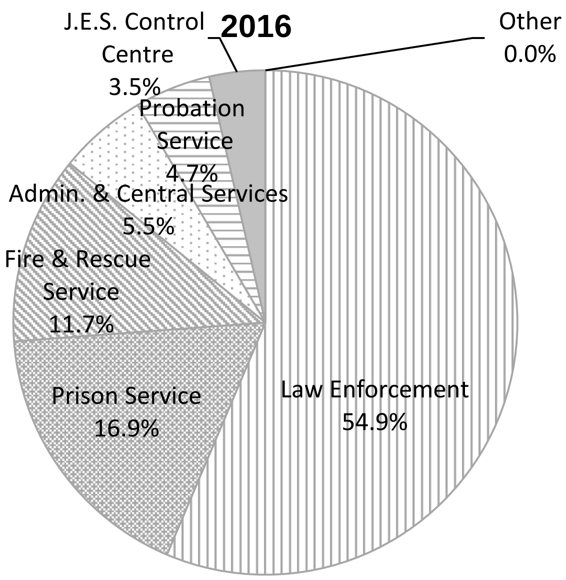
Total Non-Pay expenditure for 2016 was £6.8m (2015: £7.1m), a decrease of 4.2% compared to 2015. The cost of providing Support Services which includes Communications & IT and Contracted Out Work decreased by 7% compared to 2015 mainly due to a reduction in telephone call charges, as a result of ending the contracted-out work of emergency call handling. The late delivery and activation of a JESCC IT system meant that maintenance costs budgeted for in 2016 will not commence until 2017.

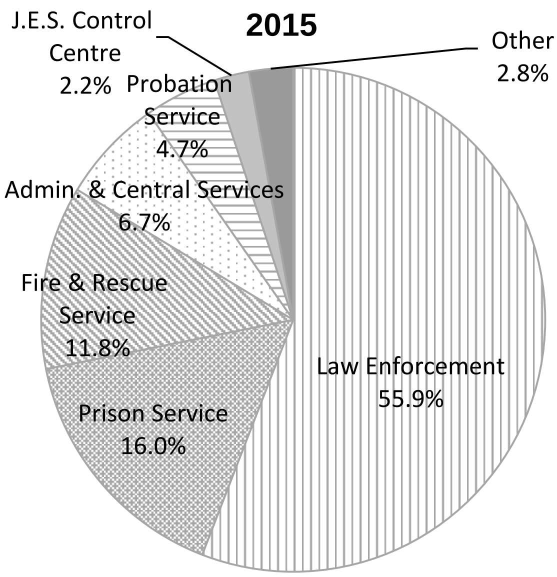
Third Party Payments (Grants and Subsidies)

Description	2016 Actual £'000	2015 Actual £'000
Bailiwick of Guernsey Victim Support	38	37
Contribution to Financial Literacy Programme	-	1
Grant to General Election Candidates towards their election expenses	47	-
Other	59	62
Total	**144**	**100**

COMMITTEE *for* HOME AFFAIRS

NET REVENUE EXPENDITURE BY SERVICE AREA





2016 Original Budget £'000s	2016 Total Authorised £'000s	Non-Formula Led Expenditure	2016 Actual £'000s	2015 Actual £'000s
2,378	2,292	Administration and Central Services	1,760	2,200
412	404	Bailiwick Drug and Alcohol Strategy	317	363
118	116	Data Protection	108	92
383	448	Domestic Abuse Strategy	414	390
147	151	Emergency Planning	138	148
(19)	(19)	Gambling Control	(35)	(19)
3,848	3,784	Guernsey Fire and Rescue Service	3,739	3,889
147	147	Housing Control	(84)	(44)
680	951	Joint Emergency Services Control Centre	1,110	743
18,461	18,190	Law Enforcement	17,484	18,473
5,417	5,431	Prison Service	5,401	5,285
1,501	1,472	Probation Service	1,513	1,539
33,473	**33,367**	**Non-Formula Led Expenditure by Service Area**	**31,865**	**33,059**
(25)	-	Financial Transformation Programme Target	-	-
(622)	-	Budget Submission in Excess of Cash Limit	-	-
32,826	**33,367**	**Net Expenditure by Service Area**	**31,865**	**33,059**

COMMITTEE *for* HOME AFFAIRS

Non-Formula Led

Administration & Central Services costs reduced considerably primarily as a result of JESCC coming on-line meaning the ending of contracted out arrangements for emergency call handling.

The Joint Emergency Services Control Centre (JESCC) which began operating in April 2015 completed its first complete year of operation in 2016 and expenditure exceeded budget due to a longer than anticipated settling in period and difficulty in recruiting staff which placed a heavy reliance on overtime working and the longer than planned secondment of Police Officers due to recruitment difficulties.

Expenditure on Law Enforcement was nearly £1m lower than in 2015 due to an extremely high level of vacancies in Police and the continuing need to second officers to JESCC. The continued delay in recruitment of Police Officers has meant that expenditure on training has been lower.

The Guernsey Fire and Rescue Service expenditure decreased by £150k primarily due to the secondment of a Station Officer to the Emergency Planning function and a reduction in the level of overtime.

Financial Transformation Programme

The residual FTP balance for 2016 amounted to £25k and this was met as a result of the full year effect of deletion of a post in mid-2015.

IN YEAR BUDGET CHANGES

	£'000s	**£'000s**
2016 Cash Limit		**32,826**
Additions		
Pay Awards	338	
Inter Committee Transfers	65	
Established Staff and GBA staff turnover adjustment	125	
Transfers from Budget Reserve	13	
		541
2016 Authorised Budget		**33,367**

In December 2015, the States considered a Policy Letter entitled *"Domestic Abuse Strategy for Guernsey and Alderney"* and agreed that additional funding be allocated to the Domestic Abuse Strategy through the transfer of budget from other Committees.

COMMITTEE *for* HOME AFFAIRS

ROUTINE CAPITAL EXPENDITURE

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2016 Actual £'000s
307	362	Miscellaneous Capital Work	472	398
101	302	IT Projects and Equipment	183	251
200	239	Equipment, Machinery and vehicles	123	337
608	903		778	986
(208)	(503)	Use of Accumulated Capital Allocation	-	-
400	**400**	**Net Routine Capital Expenditure**	**778**	**986**

Routine capital expenditure projects in 2016 included the refurbishment of the Police Firing Range (£144k from a total project budget of £173k) and maintenance of the prison heating system (£175k from a total project budget of £230k).

SCRUTINY MANAGEMENT COMMITTEE

The Scrutiny Management Committee is responsible for leading and co-ordinating the scrutiny of committees of the States and those organisations which are in receipt of public funds, or which have been established by legislation, by reviewing and examining legislation, policies, services and the use of monies and other resources.

NET REVENUE EXPENDITURE BY CATEGORY

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
		Non-Formula Led Expenditure		
420	420	Pay costs	419	394
		Non-Pay costs		
14	14	*Staff Non-Pay costs*	5	2
104	104	*Support Services*	96	63
1	1	*Premises*	2	-
31	31	*Supplies & Services*	7	9
150	150		110	74
570	**570**	**Net Expenditure by Category**	**529**	**468**

Total Non-Formula led expenditure for 2016 was £529k (2015: £468k), which is 13% higher than in 2015 as a result of a vacancy during part of 2015 which was filled in 2016 and the completion in 2016 of the Review of States Investments which commenced in 2015.

Analysis of Full Time Equivalent Staff Numbers

Pay Group	2016	2015
Established Staff	6.0	5.7

STATES' REVIEW COMMITTEE

NET REVENUE EXPENDITURE BY CATEGORY

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
-	-	Pay costs	-	11
		Non-Pay costs		
-	-	*Support Services*	-	1
-	-	*Supplies & Services*	-	5
-	-		-	6
-	**-**	**Net Expenditure by Category**	**-**	**17**

Analysis of Full Time Equivalent Staff Numbers

Pay Group	**2016**	**2015**
Established Staff	-	0.1

DEVELOPMENT & PLANNING AUTHORITY

As set out in its mandate, the purpose of the Development & Planning Authority is to advise the States on land use policy and to develop and implement land use policies through development plans and any other relevant instruments. It has the responsibility to:

1. determine development applications of all kinds, including planning, building control, protected buildings and scheduled sites;
2. maintain and keep under review schemes of delegation in order that only the most contentious or high profile or atypical development control applications are referred to the elected members of the Authority, and when they are so referred to ensure that they are heard at open planning meetings held in public.

NET REVENUE EXPENDITURE BY CATEGORY

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
1,094	1,094	Operating Income	1,277	1,089
		Non-Formula Led Expenditure		
2,318	2,319	Pay costs	2,255	2,314
		Non-Pay costs		
83	83	*Staff Non-Pay costs*	54	70
175	174	*Support Services*	137	135
1	1	*Premises*	2	1
22	22	*Transport*	19	18
15	15	*Supplies & Services*	11	10
296	295		223	234
1,520	**1,520**	**Net Expenditure by Category**	**1,201**	**1,459**

Total Non-Formula Led expenditure for 2016 was £1.2m (2015: £1.5m), a reduction of 17.7%, with the Authority underspending its Authorised Budget by £319k.

Operating Income

The Development & Planning Authority received operating income of £1.3m during the year (2015: £1.1m) as follows:

Category	2016 £'000	2015 £'000
Fees & Charges	1,266	1,084
Training Income	8	-
Sales Income	3	5
Total	**1,277**	**1,089**

DEVELOPMENT & PLANNING AUTHORITY

Operating Income (continued)

Fees and charges income primarily relates to Planning and Building Control fees. Planning control application fees accounted for £161k of the income increase in 2016. Whilst the level of individual applications dropped in 2016, there were a greater number of higher-value applications:

	2016	**2015**
Planning Applications		
Number	1,688	1,771
Income	£ 678,000	£ 517,000
Average Fee	£ 402	£ 292
Building Control Applications		
Number	1,206	1,248
Income	£ 528,000	£ 521,000
Average Fee	£ 438	£ 417

Pay Costs

Expenditure on pay in 2016 was £2.3m (2015: 2.3m) which is a 2.5% (£59k) reduction on the previous year due to non-replacement of two vacant posts (with a longer-term view to their deletion) and recruitment delays on other posts.

Analysis of Full Time Equivalent Staff Numbers

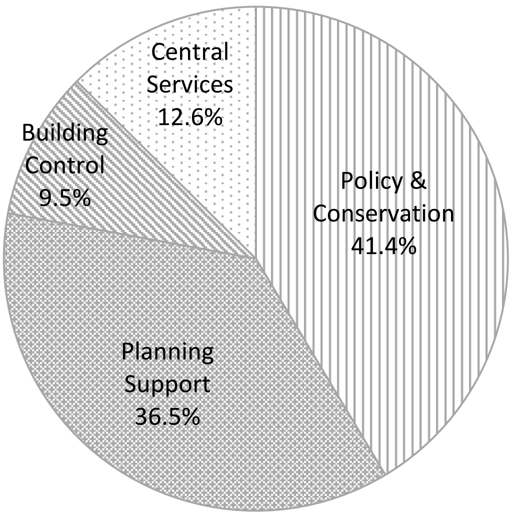
Pay Group	**2016**	**2015**
Established Staff	41.5	43.9

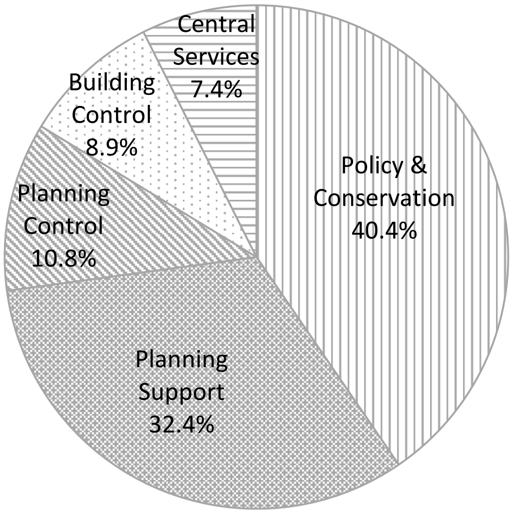
Non-Pay Costs

Non-Pay Costs in 2016 was £220k (2015: £230k). Staff Non-pay Costs were £16k lower than the previous year by virtue of a reduction in rent allowance receivable by staff employed from the UK.

DEVELOPMENT & PLANNING AUTHORITY

NET REVENUE EXPENDITURE BY SERVICE AREA





2016 Original Budget £'000s	2016 Total Authorised £'000s	Non-Formula Led Expenditure	2016 Actual £'000s	2015 Actual £'000s
136	136	Central Services	153	108
112	112	Building Control	116	130
160	160	Planning Control	(16)	158
522	522	Planning Support	444	473
590	590	Policy & Conservation	504	590
1,520	**1,520**	**Net Expenditure by Service Area**	**1,201**	**1,459**

Non-Formula Led

Planning Control net expenditure reduced by £174k to a net income figure of £16k in 2016 due to the increase in fee income as a result of the greater number of higher-value applications in the year.

The Policy & Conservation section experienced high levels of staff turnover in 2016, leading to recruitment delays, resulting in expenditure being lower than in 2015 and less than budgeted.

STATES' TRADING SUPERVISORY BOARD

The mandate of the States' Trading Supervisory Board includes the following:

Within a framework of policies, guidance and instructions of the States and any of their relevant committees, to:

(a) carry out the States' role as shareholder of any incorporated companies which are owned by the States and which the States have resolved to include in the mandate of the Board, which for the time being is the following:

1. Cabernet Group;
2. Guernsey Electricity;
3. Guernsey Post;
4. Jamesco750.

(b) ensure the efficient management, operation and maintenance of any States' unincorporated trading concerns and commercial interests which the States have resolved to include in the mandate of the Board, which for the time being is the following:

1. Channel Islands' lottery;
2. Guernsey Airport, which includes Alderney Airport;
3. Guernsey Dairy;
4. Guernsey Harbours;
5. Guernsey Water;
6. Property and real estate owned or leased by the States;
7. States' Works;
8. States' corporate engineering and architectural services.

(c) be the Waste Disposal Authority.

The responsibilities which are funded through the States' Trading Supervisory Board's revenue budget are Alderney Airport, Property and real estate owned or leased by the States and States' corporate engineering and architectural services.

STATES' TRADING SUPERVISORY BOARD

NET REVENUE EXPENDITURE BY CATEGORY

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
6,038	6,063	Operating Income	6,137	5,732
		Non-Formula Led Expenditure		
4,106	4,111	Pay costs	3,982	3,835
		Non-Pay costs		
60	59	*Staff Non-Pay costs*	30	56
1,045	1,041	*Support Services*	977	1,031
1,863	1,863	*Premises*	1,983	1,782
31	31	*Transport*	30	54
542	542	*Supplies & Services*	527	532
3,541	3,536		3,547	3,455
1,609	**1,584**	**Net Non-Formula Led Expenditure by Category**	**1,392**	**1,558**
(25)	-	Financial Transformation Programme Target	-	-
1,584	**1,584**	**Net Expenditure by Category**	**1,392**	**1,558**

Non-Formula Led expenditure for 2016 was £1.4m (2015:£1.5m) which is 4.5% lower than 2015. The Board underspent its Authorised Budget by 12%.

Operating Income

Category	2016 £'000	2015 £'000
Rental and associated Income	2,789	2,575
Transfer from the Solid Waste Trading Account	1,595	1,595
Alderney Airport	730	751
Management charges relating to trading entities	594	495
Other	429	316
Total	**6,137**	**5,732**

Operating Income has increased by 7%, mainly due to increased management charges to trading assets following an increase in the staffing complement that provides services to all unincorporated trading concerns. The increase in rental and associated income is largely due to changing the treatment of service recharges, etc and classifying them as operating income instead of offsetting against expenditure. The increase in other operating income is due to a change in charging mechanisms, enabling more to be charged on to tenants.

STATES' TRADING SUPERVISORY BOARD

Pay Costs

Pay costs increased by £147k compared to 2015 primarily due to the full-year effect of appointments to the posts of HR Assistant and Health and Safety Manager which were made in late-2015. This additional expenditure was largely offset by increased management recharges to the trading entities.

Analysis of Full Time Equivalent Staff Numbers

Pay Group	**2016**	**2015**
Established Staff	51.2	52.3
Public Sector Employees	4.8	3.0
Other (including Alderney Airport ATCO's and Fire Service)	15.9	15.8
Total	**71.9**	**71.1**

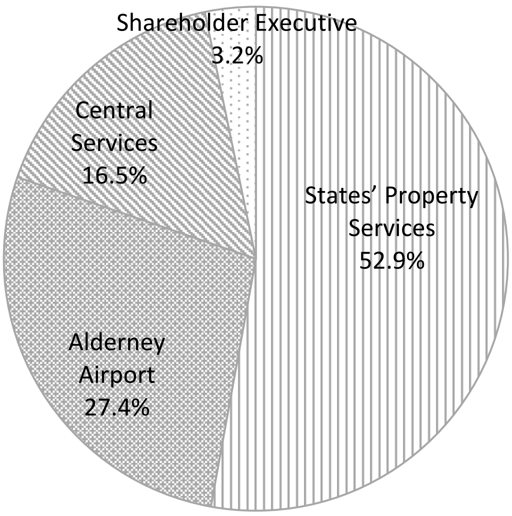
In 2016, two posts were reclassified as Public Sector Employees instead of Established Staff.

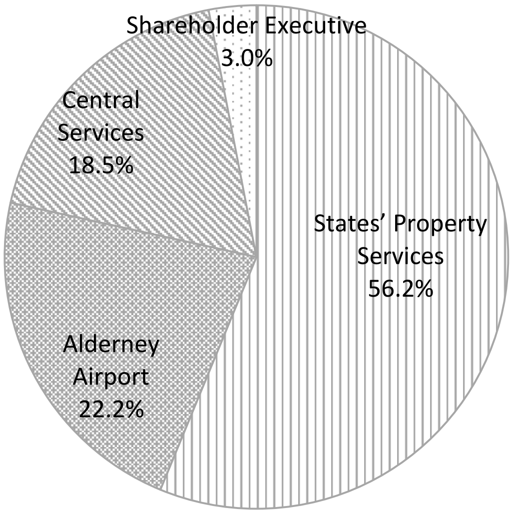
Non-Pay Costs

Non-Pay Costs have increased by 2.7% due mainly to increased operating costs supporting increased operating income. Premises costs previously included Service Charge recoveries (£158k) which is now classed as income.

STATES' TRADING SUPERVISORY BOARD

NET REVENUE EXPENDITURE BY SERVICE AREA





2016 Original Budget £'000s	2016 Total Authorised £'000s	Non-Formula Led Expenditure	2016 Actual £'000s	2015 Actual £'000s
786	790	Alderney Airport	818	701
481	456	Central Services	493	583
106	106	Shareholder Executive	97	96
(1,595)	(1,595)	Solid Waste	(1,595)	(1,595)
1,831	1,827	States' Property Services	1,579	1,773
1,609	**1,584**	**Non-Formula Led Expenditure by Service Area**	**1,392**	**1,558**
(25)	-	Financial Transformation Programme Target	-	-
1,584	**1,584**	**Net Expenditure by Service Area**	**1,392**	**1,558**

Non-Formula Led

Although broadly in line with budget, the net cost of Alderney Airport increased by £117k compared to 2015 due to a combination of reduced income through lower passenger throughput (£20k), unplanned repairs to buildings and runways (£33k); engineering surveys (£32k) and increases in CAA audit fees, insurance premiums and transaction charges (£32k).

Central Services expenditure was lower in 2016 due to a reduced net charge for Meteorological services of £30k and an increase in management recharges to the Trading Assets of £99k which was offset by increased administration staff (£39k).

The net cost of States' Property Services decreased by £194k compared to 2015 primarily due to additional rental income and a change in charging mechanisms, enabling higher recoveries from tenants. Expenditure was less than budgeted due to property maintenance that was planned for 2016 being delayed until 2017.

STATES’ TRADING SUPERVISORY BOARD

Financial Transformation Programme

The 2016 FTP target of £25,000 was achieved through the recharging of costs incurred in performing the shareholder role to the incorporated entities.

IN YEAR BUDGET CHANGES

	£’000s	**£’000s**
2016 Cash Limit		**1,584**
Additions		
Pay Awards	5	
Reduction:	-	
Net Inter Committee Transfers	(5)	
		π
2016 Authorised Budget		**1,58п**

ROUTINE CAPITAL EXPENDITURE

2016 Original Budget £'000s	**2016 Total Authorised £'000s**		**2016 Actual £'000s**	**2016 Actual £'000s**
474	1,328	Miscellaneous Capital Work	931	363
-	20	Equipment, Machinery and vehicles	-	-
474	1,348		931	363
(4)	(878)	Use of Accumulated Capital Allocation	-	-
470	**470**	**Net Routine Capital Expenditure**	**931**	**363**

Routine capital expenditure in 2016 included:

- Guernsey Information Centre Re-roofing (£326k);
- Government House Driveway reconstruction, drainage and re-surfacing (£175k);
- Alderney Airport urgent runway repairs (£172k);
- Royal Courts roof repairs (£74k out of total project expenditure of £134k).

ROYAL COURT

The "Royal Court" budget funds the activities undertaken by the Magistrate's Court, Royal Court and Court of Appeal and the Offices of H.M. Greffier, H.M. Sheriff and H.M. Sergeant and the Bailiff's Chambers. The Offices of H.M. Greffier, H.M. Sheriff and H.M. Sergeant and the Bailiff's Chambers provide services to facilitate the delivery of justice, the provision of facilities and administrative services to the States of Deliberation and States of Election and the Registration of Births, Marriages and Deaths.

NET REVENUE EXPENDITURE BY CATEGORY

2016 Original Budget £'000s	**2016 Total Authorised £'000s**		**2016 Actual £'000s**	**2015 Actual £'000s**
1,990	1,990	Operating Income	2,057	1,881
		Non-Formula Led Expenditure		
3,715	3,716	Pay costs	3,912	3,769
		Non-Pay costs		
8	8	*Staff Non-Pay costs*	11	3
344	344	*Support Services*	227	241
230	230	*Premises*	197	192
5	5	*Third Party Payments*	-	-
7	7	*Transport*	5	5
221	221	*Supplies & Services*	230	228
815	815		670	669
2,540	**2,541**	**Net Expenditure by Category**	**2,525**	**2,557**

Total Non-Formula Led expenditure for 2016 was £2.53m (2015: £2.56m), which is a decrease of 1.3% over 2015. The Royal Court underspent its 2016 authorised budget by £16k (0.63%).

Operating Income

The Royal Court received operating income of £2.1m during the year (2015: £1.9m) as follows:

Category	**2016 £'000**	**2015 £'000**
Court Fees	1,124	964
Registration of Document Fees	336	306
Legalisation of Document Fees	269	265
Sheriff Fees	180	170
Birth, Death and Marriage Certificates	100	107
Other	48	69
Total	**2,057**	**1,881**

Operating income in 2016 was higher than in 2015 and more than budgeted due to an increase in civil case workload (including one exceptional case) and an increase in the number of property conveyances.

ROYAL COURT

Pay Costs

Expenditure on pay in 2016 was £3.91m (2015: £3.76m), which is a 4% increase on the previous year and £196k in excess of budget due to the continued requirement to employ additional judicial cover due to an increase in the civil case workload – a large element of these additional costs in 2016 was recovered through income from court fees.

Analysis of Full Time Equivalent Staff Numbers

Pay Group	2016	2015
Established Staff	40.6	42.7
Public Service Employees	5.3	4.3
Crown Officers & Judges	5.0	5.0
Other Pay Groups	1.8	2.0
Total	**52.7**	**54.0**

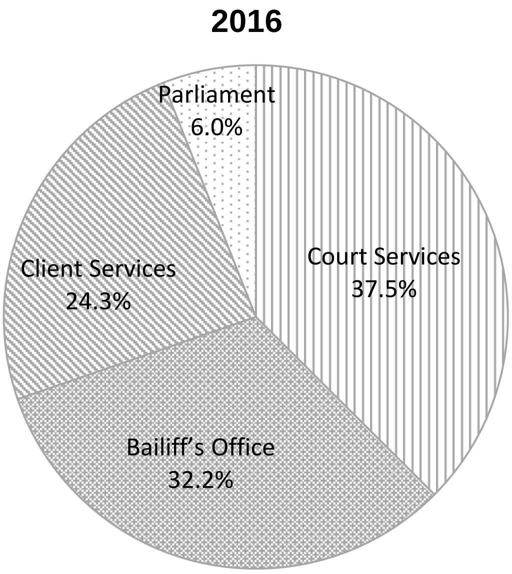
In 2016, a number of positions vacated within the Established Staff group were not automatically replaced whilst reviews of these roles were conducted. The increase in Public Service Employees was as a result of full staffing levels in this group and the employment of part-time staff to cover additional deployments of Court Security Officers to courts.

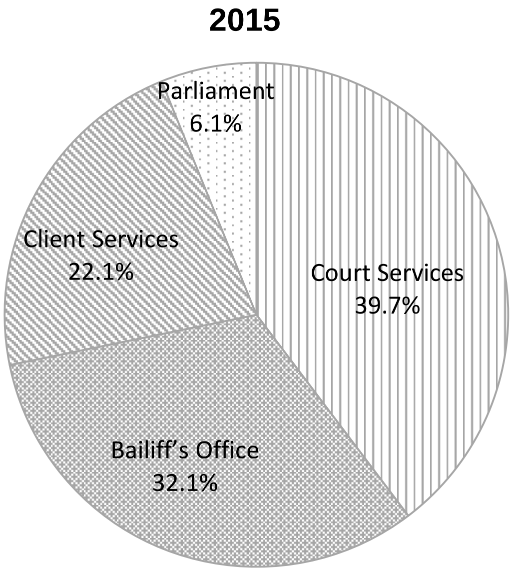
Non-Pay Costs

Expenditure in 2016 was £670k (2015: £669k). The Royal Court underspent its non-pay budget by £145k in 2016 due to underspends in numerous areas including advertising, printing, contracted out work, communications, IT, property maintenance and utility costs.

ROYAL COURT

NET REVENUE EXPENDITURE BY SERVICE AREA





2016 Original Budget £'000s	2016 Total Authorised £'000s	Non-Formula Led Expenditure	2016 Actual £'000s	2015 Actual £'000s
848	848	Bailiff's Office	814	821
706	707	Client Services	614	564
828	828	Court Services	946	1,015
158	158	Parliament	151	157
2,540	**2,541**	**Net Expenditure by Service Area**	**2,525**	**2,557**

Non-Formula Led

The overspend in Court Services due to the requirement to employ additional judicial cover for the increased workload for civil cases was offset by the underspend in Client Services as a result of lower than budgeted expenditure on premises and support services.

IN YEAR BUDGET CHANGES

	£'000s
2016 Cash Limit	**2,540**
Additions	
Pay Awards	**1**
2016 Authorised Budget	**2,541**

ROYAL COURT

ROUTINE CAPITAL EXPENDITURE

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2016 Actual £'000s
50	121	Miscellaneous Capital Work	32	197
100	80	IT Projects and Equipment	-	-
50	-	Equipment, Machinery and vehicles	-	-
200	201		32	197
-	(1)	Use of Accumulated Capital Allocation	-	-
200	**200**	**Net Routine Capital Expenditure**	**32**	**197**

Routine Capital expenditure in 2016 was in respect of the completion of building improvement works in Court 4 (£15k of total project expenditure of £212k) and the installation of cooling equipment in Courts 5 and 6 at the Royal Court (£17k of a total project budget of £23k). Other projects planned for 2016 were deferred until 2017 including improvements to facilities and an upgrade to digital court equipment.

LAW OFFICERS

The Law Officers respond to the needs of the Crown, the States of Guernsey and all others they serve by delivering independent, high quality and pragmatic legal advice, comprehensive legislative drafting, prosecution, litigation and commercial law services and robust representation with efficiency, integrity and professionalism, with the objective of protecting and enhancing the interests of the Bailiwick and its people.

NET REVENUE EXPENDITURE BY CATEGORY

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
180	180	Operating Income	197	222
		Non-Formula Led Expenditure		
4,573	4,603	Pay costs	4,584	4,678
		Non-Pay costs		
36	35	*Staff Non-Pay costs*	22	18
112	112	*Support Services*	60	115
24	23	*Premises*	19	20
2	3	*Transport*	-	1
133	133	*Supplies & Services*	121	101
307	306		222	255
4,700	**4,729**	**Net Expenditure by Category**	**4,609**	**4,711**

Total Non Formula-Led expenditure of the Chambers of the Law Officers of the Crown ("the Law Officers") for 2016 was £4.6m (2015: £4.7m) which is £102k (2.2%) lower than in 2015. This is primarily the result of a reduction in pay costs as a result of restructuring in the Commercial Law and Legislative Drafting and Advisory teams. The Law Officers underspent its Authorised Budget by £120k (2.6%).

Operating Income

Operating Income decreased by 12% to £197k in comparison to £222k in 2015. This is due to a decrease in demand for legal services provided to one of the Law Officers fee paying clients (N.B. the demand for legal services provided to a small number of fee paying clients fluctuates year on year).

LAW OFFICERS

Pay Costs

Pay costs, which account for the majority of the Law Officers expenditure, were marginally below the Authorised Budget in 2016 at £4.58m (2015: £4.68m), which is a 2% decrease on the previous year.

Analysis of Full Time Equivalent Staff Numbers

Pay Group	**2016**	**2015**
Established Staff	39.6	40.1
Public Service Employees	-	0.1
Crown Officers, Magistrates &Royal Court Judges	2.0	2.0
Other Pay Groups	0.4	-
Total	**42.0**	**42.2**

The FTE figures for 2016 are broadly in line with 2015. The figures below do not include two members of staff who are seconded to the Committee *for* Economic Development and one member of staff seconded to the Policy & Resources Committee (those individuals are included in the respective Committees' figures).

Non-Pay Costs

Expenditure on Non-Pay costs was £33,000 (15%) lower than in 2015 and £84,000 (38%) lower than the Authorised Budget due to lower demand for external legal support during the year and a later than anticipated commencement of a support contract for the Law Officers electronic Document Management System.

In Year Budget Changes

	£'000s	**£'000s**
2016 Cash Limit		**4,700**
Additions		
Net Inter Committee Transfers	(1)	
Established Staff – turnover adjustment	30	
		29
2016 Authorised Budget		**4,729**

LAW OFFICERS

ROUTINE CAPITAL EXPENDITURE

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2016 Actual £'000s
20	-	Miscellaneous Capital Work	-	-
48	159	IT Projects and Equipment	65	119
68	159		65	119
(68)	(159)	Use of Accumulated Capital Allocation	-	-
-	**-**	**Net Routine Capital Expenditure**	**65**	**119**

Capital expenditure, which decreased by £54k in 2016 when compared to the previous year, relates to two IT projects: £52k on the implementation of an electronic Document Management System, which was substantially completed during 2016 (total expenditure on this project is expected to be £195k); and £13k on the development of the Guernsey Legal Resources website (this project which has a total budget of £133k is yet to reach the implementation phase).

STATES OF ALDERNEY

NET REVENUE EXPENDITURE BY CATEGORY

2016 Original Budget £'000s	2016 Total Authorised £'000s		2016 Actual £'000s	2015 Actual £'000s
1,451	1,451	Operating Income	1,365	1,354
		Non-Formula Led Expenditure		
1,835	1,840	Pay costs	1,762	1,673
		Non-Pay costs		
43	43	*Staff Non-Pay costs*	26	20
608	608	*Support Services*	530	636
436	436	*Premises*	432	389
180	180	*Third Party Payments*	237	233
85	85	*Transport*	151	138
164	164	*Supplies & Services*	112	124
1,516	1,516		1,488	1,540
(20)	(20)	Efficiency Target	-	-
1,880	**1,885**	**Net Expenditure by Category**	**1,885**	**1,859**

Appendix II

Reserve Funds & Other Accounts

CAPITAL RESERVE EXPENDITURE ACCOUNT

	2016 Actual £'000s	2015 Actual £'000s
States Capital Investment Programme		
Portfolio Administration Costs	494	500
Policy & Resources Committee		
IT Wide Area Network (£1.09m)	35	74
Cremator and Emissions Equipment Replacement	55	11
Income Tax Electronic Document and Records Management	31	51
Income Tax and Social Security Contributions System	208	85
Strategic Asset Management Plan Phase 1	170	281
Sir Charles Frossard House Re-Roofing (£0.8m)	(10)	406
Longue Hougue Rock Armour (£1.0m)	5	364
Cabernet Ltd Recapitalisation (£25.2m)	25,212	28
ICT Corporate Data Centre Infrastructure	49	-
Strategic Asset Management Plan Centralisation Community Service	12	-
Office Rationalisation Project 1 Phase 1	16	-
Committee *for* Economic Development		
Fisheries Protection Vessel Replacement	-	3
Committee *for* Education, Sport & Culture		
College of Further Education - Les Ozouets Campus (£3.7m)	-	7
College of Further Education Transformation Programme	72	28
Le Rondin Special Needs School (£13.9m)	-	
Les Beaucamps High School (£36.8m)	220	45
Les Nicolles Secondary and Special Needs Schools (£44.4m)	14	7
Project execution plan (£7.95m)	-	190
La Mare De Carteret Schools	1,451	936
Committee *for the* Environment & Infrastructure		
Strategic Improvement of Coastal Defences	-	14
Bus Replacement Phase 1 (£1.84m)	12	84
Bulwer Avenue Sea Wall (£0.8m)	717	-
Sea Wall Repointing (£1.807m)	188	-
Committee *for* Health & Social Care		
Mental Health and Wellbeing Centre (£24m)	835	8,088
Electronic Health and Social Care record (£3.9m)	56	17
Radiology Equipment Replacement (£1.276m)	363	564
Princess Elizabeth Hospital Re-Profiling	81	-
Sherwill Ward Redevelopment	433	-
Committee *for* Home Affairs		
Tetra Radio (£1.8m)	18	14
New Generation Passport (£1.0m)	101	319
eBorders, eCustoms and Passport IT System (£1.0m)	-	145
Linkworks Information System Replacement (£1.2m)	478	161
Home Operational Services Transformation	25	-

CAPITAL RESERVE
EXPENDITURE ACCOUNT

	2016 Actual £'000s	2015 Actual £'000s
States' Trading Supervisory Board		
Airport Pavements Rehabilitation (£78.2m)	208	491
Airport Radar Replacement (£3.25m)	113	126
Belle Greve Wastewater Centre (£11.03m)	3	-
St Peter Port Harbour Crane Strategy (£13.675m)	(159)	1,110
Alderney Airport Runway Rehabilitation	12	-
Belle Greve Wastewater Outfalls (£19.9m)	-	18,325
Total	**31,518**	**32,474**

STATES CAPITAL INVESTMENT PORTFOLIO - OPERATING COSTS

	2016	2015
	Actual	**Actual**
Net Expenditure by Category	**£'000s**	**£'000s**
Pay costs	465	460
Non Pay costs		
Staff Non Pay costs	2	3
Support Services	25	35
Supplies & Services	2	2
	29	40
Total Expenditure by Category	**494**	**500**

GUERNSEY REGISTRY

2016 Original Budget £'000s	2016 Probable Outturn £'000s	Net Income by Category	2016 Actual £'000s	2015 Actual £'000s
		Income		
10,253	10,066	Operating Income	10,205	9,945
		Expenditure		
472	391	Pay costs	388	460
		Non-Pay costs		
21	7	*Staff Non-Pay costs*	6	5
386	377	*Support Services*	244	246
146	136	*Premises*	125	124
38	23	*Supplies & Services*	13	18
591	543		388	393
9,190	**9,132**	**Surplus transferred to General Revenue**	**9,429**	**9,092**
		Net Income / (Expenditure) by Service Area		
		Company Registry		
10,121	9,919	*Income*	10,048	9,815
(996)	(873)	*Expenditure*	(757)	(814)
9,125	9,046		9,291	9,001
		Intellectual Property Office		
132	147	*Income*	157	130
(67)	(61)	*Expenditure*	(19)	(39)
65	86		138	91
9,190	**9,132**	**Surplus transferred to General Revenue**	**9,429**	**9,092**

CORPORATE HOUSING PROGRAMME FUND

	2016	2015
Income and Expenditure by Category	**Actual**	**Actual**
Income	**£'000s**	**£'000s**
Sale of Incompatible Housing Stock	384	128
Total Income	384	128
Expenditure		
Non Pay Costs		
Support Services	(29)	-
Premises	(1,193)	(539)
Third Party Payments	(2,853)	(3,935)
	(4,075)	(4,474)
Net Deficit for the year	**(3,691)**	**(4,346)**
Net Income / (Expenditure) by Service Area		
Net Operational (Expenditure) / Income		
Sale of Incompatible Housing Stock	384	128
Modernisation of Social Housing Stock	(642)	(539)
	(258)	(411)
Corporate Initiatives and Strategies		
Older People Housing & Support	(650)	(2,110)
Social Housing Development Programme	(2,233)	(1,825)
Supported Living Housing	(550)	-
	(3,433)	(3,935)
Net Deficit for the year	**(3,691)**	**(4,346)**
Balance at 1 January	33,783	58,129
Net Deficit for the year	(3,691)	(4,346)
Transfer to Capital Reserve (Vote: 30.10.14)	-	(20,000)
Balance at 31 December	**30,092**	**33,783**

TRANSFORMATION AND TRANSITION FUND

	2016	2015
	Actual	Actual
Expenditure by Category	**£'000s**	**£'000s**
Pay costs	597	137
Non-Pay costs		
Support Services	338	433
Premises	2	47
Supplies & Services	7	4
	347	484
Net Expenditure for the Year	**944**	**621**
Expenditure by Programme		
Financial Transformation Programme	18	504
Public Service Reform (Total approved: £100k)	364	95
Childrens and Young Persons Plan (Total approved: £75k)	-	19
Implementation of the Revised Committee System (Total approved: £265k)	203	3
Transforming Health & Social Care Phase 1 (Total approved: £80k)	77	-
Corporate Performance Reporting (Total approved: £236k)	90	-
Population Management (Total approved: £290k)	51	-
Transforming Health & Social Care Phase 2 (Total approved: £352k)	141	-
	944	**621**
Balance at 1 January	26,058	26,679
Net expenditure for the year	(944)	(621)
Balance at 31 December	**25,114**	**26,058**

Notes:
The total approved expenditure on supporting the development of the Childrens and Young Persons Plan of £75,000 includes £38,000 that was paid from the former Strategic Development Fund.

TRANSFORMATION AND TRANSITION FUND

As part of the 2015 Budget Report, the States resolved to establish a Transformation and Transition Fund in order to recognise *"the significant investment required to deliver the public services of the future and the substantial policy agenda for the States."* The overarching criteria to be demonstrated in any business cases for use of the Fund were set out as:

- Significant long-term transformation in the delivery of services;
- Evidenced and measurable benefits; and
- A return on investment.

The table below shows the position of the Fund at 31 December 2016:

	Prioritised £'000	Approved £'000	2016 Expenditure £'000	Total Expenditure £'000
Opening balance	25,000			
Transfer from Fundamental Spending Review Fund	817			
Transfer from Strategic Development Fund	862			
	26,679			
Initiatives:				
Social Policy Development	750	-	**-**	
Public Service Reform	850	845	**364**	459
Transforming Education & Training Services	750	-	**-**	-
Transforming Health & Social Care Services	2,000	432	**218**	218
Transforming Justice & Equality Services	750	67	**-**	-
Transforming Other Government Services	750	170	**-**	-
Civil Service Reform	750	66	**-**	-
Population Management	500	290	**51**	51
Corporate Performance Reporting	236	236	**90**	90
Implementation of States Review Committee proposals	550	265	**203**	206
Fundamental Spending Review Fund commitments including the introduction of resource accounting and budgeting	2,117	817	**18**	522
Children and Young People's Plan	62	37	**-**	19
Supported Living and Ageing Well Strategy	175	175	**-**	-
	10,240	3,400	**944**	1,565
Balance				**25,114**

TRANSFORMATION AND TRANSITION FUND

Public Service Reform

The programme mandate for Public Service Reform was approved by the Treasury and Resources Department in February 2016 together with the allocation of funding of £295k to complete the set up and initiation of the overarching programme of reform (i.e. the “Definition Phase”). This phase included:

- The establishment of an overarching governance framework detailing the organisational structure and key programme principles, and providing guidance on a standard programme management approach for all Public Service Reform sub-programmes;
- The creation of a Portfolio Register to facilitate ongoing programme and project monitoring and reporting;
- Work to embed the Service Guernsey vision in Public Service Reform including the development of an overarching strategy map and Service Guernsey Toolkit;
- An analysis of organisational change capability – the competencies required to deliver change activities were identified together with the most likely gaps; and
- The drafting of mandates for core programmes within Public Service Reform

The Definition Phase was completed in November 2016 with the full £295k expended and further funding of £450k was approved in December 2016 for the next phase, “Design and Delivery”. This funding covers the ongoing management and co-ordination of Public Service Reform at a programme level as part of the Design and Delivery Phase from 1st November 2016 to the end of December 2017. The objective of this phase is to ensure that programmes and projects are managed appropriately and their benefits, financial or otherwise, are properly identified, monitored and reported, and that the necessary co-ordination and reporting of initiatives is ongoing. It also aims to ensure that transformation initiatives are justified and aligned to common strategic goals. Expenditure on this phase was £69k in 2016.

Transforming Health & Social Care Services

In early 2016, funding of £80k was approved to complete initial scoping work and initiation of the programme; activities completed include:

- Confirming the programme vision & objectives;
- Identifying and quantifying the potential benefits;
- Identifying and planning the activity required to fully define programme and develop a new target operating model (TOM) for Health and Social Care in the Bailiwick
- Identifying “quick wins” and priority activities capable of delivering financial and non-financial benefits in 2016 & 2017;
- Identifying the key risks and issues associated with the programme; and
- Identifying the costs associated with delivering the TOM and progressing the “quick wins” and priority activities.

After completion of the initial scoping work, in July 2016, the Policy & Resources Committee approved the outline of the expected benefits, costs, timescales, risks and the core activities required to progress the transformation of health and social care services. Additional funding of £352,000 was allocated to the Programme to progress planning and delivery of this critical work.

TRANSFORMATION AND TRANSITION FUND

Transforming Health & Social Care Services (continued)

Work immediately commenced to improve financial controls and strengthen the leadership, governance and operating systems within health and social care services. The success of these efforts is evidenced in part, by the turnaround in the financial position during 2016, which moved from a forecast overspend of some £4.5m in May 2016 to an underspend at year end. By the end of 2016, the programme had also established a prioritised programme of cost and service improvement projects capable of delivering both financial and non-financial benefits within the existing operating model during 2017 and 2018. Finally, in the final quarter of 2016 a procurement exercise was commenced to secure an external provider to facilitate the review current operating model for health and social care services in the bailiwick and the development of a new TOM.

Population Management

In the 2016 Budget Report, the States gave delegated authority for the use of a maximum of £500,000 from the Transition and Transformation Fund in respect of the revenue expenditure associated with the change in the system of population management previously approved by the States. Expenditure in 2016 was to fund additional staffing to enable that the required systems and policies are developed and staff trained in readiness for the new Population Management regime.

Corporate Performance Reporting

The enhancement of organisational performance measurement and management is identified within the Framework for Public Service Reform 2015-2025 as one of the four priorities intrinsic to the development of a single public service organisation that is *"designed around meeting community needs".* A performance framework is considered to be a key enabler for government to work more effectively and to facilitate reinvestment or redeployment of resources in different areas. In early 2016, funding of £236,000 was approved to enable the delivery of a corporate performance management framework across the States of Guernsey in order to support the driving of continuous improvement and supporting evidence-based decision making.

Expenditure on this project in 2016 was £90,000 and achieved:

- The design and build of an organisation-wide performance framework, which can be viewed by service area or by theme such as money; people; or customer;
- The design and construction of a common performance dashboard to enable viewing at each level of the organisation from the States of Guernsey as a whole down to individual service area or business unit.

By the end of 2016, the framework was ready to be populated with Key Performance Indicators, some of which were already developed and others are being defined in conjunction with service areas and subject matter experts with the aim of establishing operational performance monitoring across the organisation by the end of 2017.

Implementation of States' Review Committee proposals

In July 2015, the States authorised the use of up to £530,000 from the Transformation & Transition Fund to provide for the implementation of the improved committee system from May 2016. However, only approximately £200,000 of funding was required as the provisions for a project lead and designate appointments to prepare for the new Committee structure were not required. Actual expenditure was incurred in the areas of administration, communications, human resources, legal advice and reconfiguration of systems.

FUTURE GUERNSEY ECONOMIC FUND

Net Expenditure by Category	2016 Actual £'000s	2015 Actual £'000s
Operating Income	64	-
Pay costs	307	24
Non-Pay costs		
Staff Non-Pay Costs	11	1
Support Services	510	314
Premises	141	99
Third Party Payments	309	300
Supplies & Services	69	3
	1,040	717
Net Expenditure for the Year	**1,283**	**741**
Expenditure by Programme		
Contribution to Guernsey Finance LBG (Total approved: £0.9m)	300	300
Tourism Marketing (Total approved: £0.25m)	250	230
Digital Greenhouse (Total approved: £1.46m)	407	190
Locate Guernsey (Total approved: £1.2m)	326	21
	1,283	**741**
Balance at 1 January	8,059	8,800
Net expenditure for the year	(1,283)	(741)
Balance at 31 December	**6,776**	**8,059**

Notes:

The total approved contribution to Guernsey Finance LBG of £0.9m includes £0.3m that was paid from the Strategic Development Fund in 2014.

TO UPDATE

FUTURE GUERNSEY ECONOMIC FUND

As part of the 2017 Budget Report, the States approved the renaming of the Economic Development as the Future Guernsey Economic Fund. The Policy & Resources Committee advised the States that it intended to use its delegated authority to approve funding for initiatives which deliver on the objectives within the Future Guernsey Programme for Government (in Phase One of the Policy & Resources Plan) and which:

- Ensure we have the right conditions for businesses to set up, grow and operate;
- Improve or protect economic growth; and
- Have measurable economic and fiscal benefits.

The table below shows the position of the Fund at 31 December 2016:

	Approved £'000	**2016 Expenditure £'000**	**Total Expenditure £'000**
Opening balance	7,000		
Transfer from Strategic Development Fund	1,800		
	9,100		
Initiatives:			
Contribution to Guernsey Finance LBG	1,000	**300**	600
Tourism Marketing	500	**250**	480
Innovation Centre (Digital Greenhouse)	1,460	**407**	597
Locate Guernsey	1,200	**326**	347
	4,460	**1,283**	2,024
Balance			**6,776**

Guernsey Finance

In addition to the £0.6m paid from the Future Guernsey Economic Fund, £0.3m was paid from the Strategic Development Fund in 2014.

In December 2013 (Billet d'État XXIV, 2013), the States approved an increase in the grant to Guernsey Finance over three years (in addition to the £0.8m per annum paid from the Committee *for* Economic Development's revenue budget) to embark on a new markets development programme with the objectives of:

- Stimulating and further diversifying the economy by developing new markets and revenue streams for the financial services industry;

- Supporting the marketing efforts and facilitating opportunities for financial services firms on the Island to create additional employment and profits by increasing the volume of business carried out by the Island's financial services firms;

This was designed to generate additional government revenue by increasing ETI receipts and taxation derived from profits of the finance industry.

FUTURE GUERNSEY ECONOMIC FUND

Tourism Marketing

In each of 2015 and 2016, the use of £250,000 was approved to fund promotional Visit Guernsey television advertisements. The aim of the campaigns were to increase awareness of, and interest in, Guernsey as a short break or holiday destination. It was also intended to strengthen the existing online and print media advertising activity undertaken by the Committee.

However, in 2016, despite a 15.5% increase in web-site traffic and a 40% increase in referrals (leads generated for the tourism trade and industry), the overall number of visitors to the island, excluding cruise passengers and yachtsmen, fell by 5% (14,600) to 279,700. The number of visitors by sea declined by 16.3% (17,700) compared to an increase in visitors by air of 1.7% (3,100). The average room / unit occupancy rate for all accommodation declined slightly from 53% in 2015 to 52% in 2016.

Innovation Centre (Digital Greenhouse)

In April 2015, funding of £1.46million was approved to be used for a Digital Greenhouse pilot project to deliver an innovation centre for the creative and digital sectors in Guernsey and to help Islanders to develop a range of skills including coding, business development and confidence in using online services.

The Digital Greenhouse's objectives are to support the increase in:

- Employment opportunities in the sector and the diversification of the economy;
- Productivity and innovation in existing businesses through the use of technology and creative processes; and
- Start-up and entrepreneurial activity through the use of technology and creative processes.

The Digital Greenhouse opened in early 2016; it has 82 members with 1,000 people per month attend events held there. The number of people employed in the Information and Communication sector increased by 1.9% in 2016. Start-up Guernsey is located within the Digital Greenhouse to provide help and advice for those looking to start and grow their businesses.

Locate Guernsey

In April 2015, funding of £1.2m was approved to establish a promotional entity dedicated to facilitating an increase in inward investment into Guernsey through the additional relocations of businesses and economically active high net worth individuals to the Island resulting in economic benefits to the island and the States through increased tax take.

Locate Guernsey is designed to benefit the Island by attracting business and individuals, who in turn will contribute to the economy in a number of ways: by creation of new local jobs; by funding new local business ventures; and by contributing to the States' finances through income tax receipts and Document Duty on house sales. The "medium" case scenario of the project is to deliver a direct financial return of £1.76m over the three-year period through increases in document duty and income tax receipts.

In 2016, Locate Guernsey facilitated relocation of six individuals and fifteen businesses to the island, creating thirty six local jobs and generating nearly £0.7m in income tax and document duty receipts. This financial benefit excluded wider economic value to Guernsey businesses such as contributions to the construction, legal and financial sectors.

BOND RESERVE

	2016 Actual £'000s	2015 Actual £'000s
Balance at 1 January	(5,709)	(573)
Investment Return	18,484	5,074
Interest Received from Loans	4,764	1,421
Coupon Payable	(11,141)	(11,141)
Issue Costs Written Off	(456)	(456)
Other Expenses	(35)	(34)
	11,616	(5,136)
Balance at 31 December	**5,907**	**(5,709)**

Notes:
Costs of £14.589m incurred during 2014, associated with the issue of the bond have been amortised and classified as a prepayment on the balance sheet. This value is being written off over the life of the bond. The outstanding balance as at 31 December 2016 was £13.654m (2015: £14.110m).

SOLID WASTE TRADING ACCOUNT

	2016	2015
	Actual	Actual
Income	**£'000s**	**£'000s**
Operating Income	6,547	6,315
Investment Return	233	24
	6,780	6,339
Expenditure		
Pay Costs	314	456
Non-Pay costs		
Staff Non-Pay Costs	3	4
Support Services	4,566	4,444
Premises	31	46
Supplies & Services	371	312
	4,971	4,806
Net Surplus for the year	**1,495**	**1,077**
Balance at 1 January	3,711	3,344
Net Surplus for the year	1,495	1,077
Adjustment for Capital Expenditure	-	885
Transfer to General Revenue	(1,595)	(1,595)
Balance at 31 December	**3,611**	**3,711**

	2016	2015
Capital Expenditure	Actual	Actual
	£'000s	£'000s
Miscellaneous Capital Works	118	1,385
Routine Capital Expenditure	118	1,385
Loan from General Revenue for Capital Expenditure	(118)	(1,385)
Capital Expenditure	**-**	**-**

WILFRED CAREY PURCHASE FUND

	2016 Actual	2015 Actual
Capital Account	**£'000s**	**£'000s**
Balance at 1 January	2,266	2,266
Balance at 31 December	**2,266**	**2,266**
Revenue Account		
Balance at 1 January	790	799
Investment Return	229	41
Transfer to Purchase of Exhibits Account	(50)	(50)
Balance at 31 December	969	790
Purchase of Exhibits Account		
Balance at 1 January	21	13
Transfer from Revenue Account	50	50
Sundry Purchases	(45)	(42)
Balance at 31 December	26	21

HEALTH & SOCIAL CARE ACCOMMODATION FUND

	2016 Actual	2015 Actual
Income	**£'000s**	**£'000s**
Operating Income	1,489	1,542
Transfer from Revenue account	250	250
	1,739	1,792
Expenditure		
Pay Costs	205	191
Non-Pay costs		
Support Services	27	4
Premises	1,355	1,126
Transport	7	5
Supplies & Services	33	67
Financing Costs	66	224
	1,488	1,426
Net Surplus for the year	**46**	**175**
Balance at 1 January	1,076	901
Net Surplus for the year	46	175
Balance at 31 December	**1,122**	**1,076**

CHANNEL ISLANDS LOTTERY (GUERNSEY) FUND

	2016 Actual	2015 Actual
Operating Account	**£'000s**	**£'000s**
Sale of Tickets	9,803	8,958
Forfeited prizes	50	81
Contribution to prize fund including forfeited prizes	(6,705)	(6,114)
Agents' commission	(1,329)	(1,213)
Sales commission	(532)	(478)
Pay costs	(47)	(52)
Handling and storage charges	(46)	(46)
Other expenses	(26)	(12)
Gross Surplus	1,168	1,124
States of Alderney - share of surplus	(3)	(4)
Chief Pleas of Sark - share of surplus	(2)	(2)
Net surplus transferred to Appropriation Account	1,163	1,118
Appropriation Account		
Balance at 1 January	623	447
Net surplus transferred from Operating Account	1,163	1,118
Contribution towards 2015 Liberation Day Celebrations	-	(50)
Donation to Association of Guernsey Charities	(213)	(220)
Transfer to Beau Sejour Centre	(651)	(672)
Balance at 31 December	**922**	**623**

Notes:

In accordance with the States resolutions of 26 September 2014 made following consideration of the Culture and Leisure Department's Report entitled "Channel Islands Lottery – Administration Arrangements, Forfeited Prizes Account and 2011-2013 Accounts" (Billet d'Etat XX, 2014):

1) The Guernsey proceeds of the Channel Islands Lottery Christmas Draw are donated to the Association of Guernsey Charities for subsequent distribution to registered, local charitable bodies;
2) A transfer is made from Guernsey's proceeds of the Channel Islands Lottery (excluding the Christmas Draw) to the Beau Sejour Leisure Centre up to the level of the Centre's operating deficit for that same calendar year;
3) Guernsey proceeds of the Channel Islands Lottery (excluding the Christmas Draw) which exceed the operating deficit of the Beau Sejour Leisure Centre are retained within the Appropriation Account to be used for major projects that will enhance States' properties used for cultural or leisure purposes or for the funding of events which have a particularly special significance to the Island's heritage and unique cultural identity.

OVERSEAS AID & DEVELOPMENT COMMISSION FUND

	2016 Actual	2015 Actual
Revenue Account	**£'000s**	**£'000s**
Balance at 1 January	-	-
Allocation from General Revenue	2,885	-
Grant Payments		
Overseas Aid Grants	(2,247)	-
Emergency Disaster Relief	(48)	-
Balance at 31 December	590	-

The Overseas Aid & Development Commission distributes funds voted by the States for aid and development overseas by making contributions to ongoing programmes and to emergency and disaster relief.

Although fully allocated to programmes, some expenditure on overseas aid grants is not incurred until the following year due to the timing of the delivery of individual projects.

In March 2004 (Billet d'État III, 2004), the States agreed that any part of the ring-fenced budget of £200,000 for Emergency Disaster Relief which is not used during the year in which it is allocated, shall be retained for distribution by the Overseas Aid & Development Commission in the following year. In 2016, expenditure on Emergency Disaster Relief was £47,700 and, therefore, an additional £152,300 will be available for overseas aid grants in 2017.

SPORTS LOANS FUND

	2016 Actual	2015 Actual
Capital Account	**£'000s**	**£'000s**
Balance at 31 December	**319**	**319**
Borrowers Account		
Balance at 1 January	131	147
Repayments receivable from borrowers	(16)	(16)
Balance at 31 December	**115**	**131**

PAY COSTS AND STAFF NUMBERS

2015 Actual £'000s	2015 Average FTE*	Pay and staff information by Department, Fund or Reserve	2016 Actual £'000s	2016 Average FTE*
18,263	335	Policy & Resources Committee	18,794	348
2,689	46	Committee *for* Economic Development	2,734	45
56,681	1,213	Committee *for* Education, Sport & Culture	58,412	1,220
3,687	77	Committee *for* Employment & Social Security	3,750	82
3,135	55	Committee *for the* Environment & Infrastructure	2,652	55
84,879	1,875	Committee *for* Health & Social Care	85,099	1,910
28,342	545	Committee *for* Home Affairs	27,775	544
394	6	Scrutiny Management Committee	419	6
11	-	States Review Committee	-	-
2,314	44	Development & Planning Authority	2,255	41
3,835	71	States' Trading Supervisory Board	3,982	72
3,769	54	Royal Court	3,912	53
4,678	42	Law Officers	4,584	42
1,673	-	States of Alderney	1,762	-
214,350	4,363	Total for General Revenue	216,130	4,418
120	2	Financial Transformation Programme	-	-
460	8	Guernsey Registry	388	7
460	8	States Capital Investment Portfolio	465	7
104	2	Capital Reserve	575	7
24	-	Future Guernsey Economic Fund	307	5
137	3	Transformation and Transition Fund	597	7
1,305	23	Total for Other	2,332	33
215,655	**4,386**		**218,462**	**4,451**

Appendix IV

USE OF DELEGATED FINANCIAL AUTHORITY

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

The Committee has approved the following increases in 2016 revenue budgets:

	£
Pay Awards	2,966,850
Established Staff and GBA staff – turnover adjustment	436,000
Committee *for* Health & Social Care	
Delay in delivery of efficiency savings	1,150,000
Secondary Healthcare contract - renegotiation	217,260
Policy & Resources Committee	
Defence of legal challenges to the implementation of pension reforms	341,850
National Risk Assessment of money laundering and the financing of terrorism, in accordance with the Financial Action Task Force's standards	205,000
Costing and Benchmarking Reviews	131,400
ICT Improvement Plan	115,000
Planning Inquiry	75,000
Other (£50k or less per item)	120,644
Total	**5,759,004**

The Committee has approved the following increase in routine capital allocations:

	£
Committee *for* Health & Social Care	
Medical Equipment replacement (backlog)	700,000
Total	**700,000**

Appendix IV

USE OF DELEGATED FINANCIAL AUTHORITY

The following capital projects have been approved:

	£
Policy & Resources Committee	
SAP - upgrade	50,000
Port blocking software	45,000
Committee *for* Education, Sport & Culture	
St Martins School heating system - refurbishment (phase 2)	200,000
Grammar School heating and water services - refurbishment (phase 3)	168,000
Grammar School - internal refurbishment	140,000
Grammar School - reroofing	139,500
Beau Sejour gym equipment - replacement	125,000
Beau Sejour hot water system - replacement	74,000
Vale School - reroofing	60,000
Beau Sejour Pool - alterations	50,000
Guernsey Museum and Art Gallery displays - refurbishment	48,000
Minibus - replacement	40,000
Victoria Tower - repointing (additional)	33,881
Guernsey Museum and Art Gallery roof - repairs (phase 4)	31,940
Vauvert Primary School - drainage works	24,000
St Martins School windows - replacement	20,000
Education estate boundary fencing - replacement	20,000
Priaulx Library boundary wall - conservation	10,000
Minor overspends on previously approved projects	15,915
Committee *for the* Environment & Infrastructure	
Roads resurfacing and reconstruction	2,262,000
Alderney Breakwater - repairs	435,000
Salarie cycle path - modifications	120,000
Island Roads Infrastructure System (IRIS) - upgrade	103,000
Val des Terres - rock stabilisation works	85,000
Incinerator - repairs	16,000
Information Signs - upgrades	10,000
Committee *for* Health & Social Care	
Hospital Equipment – additional / replacement (£100k or less per item)	520,200
Laundry - refurbishment	455,000
IT equipment - replacement	531,211
Buildings - maintenance	292,739
Ultrasound equipment - replacement	200,000
Ear, Nose and Throat laser - replacement	144,300
Jamaica Hall - refurbishment	78,000
Video conferencing equipment	16,000
Rapid Response vehicle - replacement	10,000

Appendix IV

USE OF DELEGATED FINANCIAL AUTHORITY

Committee *for* Home Affairs	
Prison boiler - replacement	230,000
Custody facilities - refurbishment	126,500
Police vehicles - replacements	84,000
Prison Greenhouse - replacement	63,000
Prison wing - refurbishment	58,000
Prison vehicle - replacement	30,000
Prison - replacement heating valves	20,000
Minor overspends on previously approved projects	7,177
States' Trading Supervisory Board	
Government House driveway - resurfacing	180,000
Alderney Airport runway - renovations	170,000
North Beach Toilet Block - refurbishment	50,000
Stock Condition Surveys	50,000
Royal Court -remedial works (addressing water ingress) - additional	49,000
Sir John Leale House - electrical works	40,000
Government House paved area	27,000
Sir John Leale House - water system refurbishment	22,000
St Barnabas - repairs	20,000
Government House bedroom suite - refurbishment	15,000
Royal Court	
Heating and Cooling Equipment	23,000
States of Alderney	
Water Board distribution improvements	156,200
Harbour showers - refurbishment	97,000
Care Home - legionella remediation works	73,415
Corblets Wall - repairs	40,000
Jubilee Care Home - repairs	33,000
Town Clock Tower - repairs	20,000
Pontoon area - rock removal	18,000
Harbour fenders - replacement	15,000
Boat park - refurbishment	10,000
Video conferencing equipment	10,000
Capital Projects funded from the Capital Reserve	
Sea Wall repointing	1,807,000
Bus fleet - replacement	1,731,816
La Mare de Carteret Schools - remedial works	1,650,000
Hydrocarbon supply - project planning	830,000
Sherwill Ward - redevelopment	519,000
Contribution and Tax Services programme - project planning	515,000
Corporate Data Centre infrastructure - project planning	80,000
Alderney Airport Runway rehabilitation - project planning	43,500
Office rationalisation - project planning	30,000
Total	**15,517,294**

Appendix IV

USE OF DELEGATED FINANCIAL AUTHORITY

The following property purchases and sales have been approved:

<u>Purchases</u>	**£**
Le Vieux Jardin field	550,000
La Vequesse - wayleave	500
Mont du Herrisaon - wayleave	400
Total Purchases	**550,900**
<u>Sales</u>	
Hermes House	395,000
Longue Hougue – right of way	194,000
Small parcel of land at entrance to Delancey Park	15,000
Small parcel of land at Rue de Dol (Baubigny School site)	3,000
Victoria Road car park - wayleave	250
Route de la Garenne - wayleave	100
Wayleave	1
Total Sales	**607,351**

PAYMENTS TO STATES MEMBERS Appendix V

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

	January –April £	**May – December** £	**2016 Total** £
A H Adam	11,546		11,546
E G Bebb	12,164		12,164
B L Brehaut	12,612	33,891	46,503
A H Brouard	13,016	33,891	46,907
Y Burford	16,510		16,510
G M Collins	12,164		12,164
R Conder	11,687		11,687
D de G De Lisle	11,309	24,006	35,315
H L De Sausmarez		25,086	25,086
R Domaille	12,164		12,164
M H Dorey	12,164	25,086	37,250
A C Dudley-Owen		25,086	25,086
D J Duquemin	12,183		12,183
M J Fallaize	13,789	33,891	47,680
P T R Ferbrache		32,979	32,979
P L Gillson	16,510		16,510
J A B Gollop	13,016	25,086	38,102
R H Graham LVO, MBE		24,006	24,006
C J Green	11,533	33,891	45,424
M P J Hadley	12,486		12,486
S T Hansmann Rouxel		25,086	25,086
P A Harwood	10,257		10,257
N R Inder		7,587	7,587
D A Inglis	12,612		12,612
S A James MBE	12,486		12,486
L E Jean	3,800	8,192	11,992
D B Jones	14,817	9,002	23,819
R A Jones	13,655		13,655
J Kuttelwascher	11,687	24,006	35,693
A H Langlois	16,542		16,542
S L Langlois		24,276	24,276
M K Le Clerc	11,386	33,891	45,277
A R Le Lievre	11,343		11,343
P R Le Pelley	12,486	32,432	44,918
J P Le Tocq	21,910	33,891	55,801
M P Leadbeater		25,086	25,086
M M Lowe	10,924	32,432	43,356
P A Luxon	15,998		15,998
S D G McKinley	3,780	7,840	11,620
C P Meerveld		25,086	25,086
J S Merrett		25,086	25,086
J I Mooney		25,086	25,086
S J Ogier	16,510		16,510
M G O'Hara	15,661		15,661
V S Oliver		25,086	25,086

PAYMENTS TO STATES MEMBERS Appendix V

	January –April	May – December	2016 Total
	£	£	£
B J E Paint	11,309	24,006	35,315
C N K Parkinson	12,164	25,086	37,250
R A Perrot	10,924		10,924
R G Prow		25,086	25,086
L B Queripel	12,164	25,086	37,250
L C Queripel	11,386	25,086	36,472
F W Quin	12,099		12,099
P J Roffey		25,086	25,086
P A Sherbourne	11,671		11,671
R W Sillars	14,817		14,817
J C S F Smithies		24,006	24,006
H J R Soulsby	13,789	33,891	47,680
A Spruce	11,165		11,165
G A St Pier	15,454	44,109	59,563
T J Stephens		32,432	32,432
K A Stewart	16,510		16,510
D A Tindall		25,086	25,086
R H Tooley		25,086	25,086
L S Trott	11,624	33,891	45,515
A M Wilkie	12,164		12,164
E A Yerby		25,086	25,086
TOTAL	**597,947**	**1,073,987**	**1,671,934**

Notes:

1. Includes the following in respect of service from January – April 2016:

    - Remuneration (including if applicable, uplift for social security);
    - Expenses Allowance.

2. Includes the following in respect of service from May - December 2016:

    - Remuneration (including if applicable, uplift for social security);

3. The total differs by £221k to the Payments to States Members heading in Note 9 and the Policy & Resources Committee Accounts as they include pension payments in respect of previous service, Non States Members attendance allowances, IT equipment expenditure and expenses incurred in respect of the travel expenses of Alderney Representatives.

4. The entry regarding Deputy D B Jones relates to the period from 1 January 2016 to 05 July 2016 (the date of his death).

Appendix VI

CONSOLIDATED HEALTH AND SOCIAL CARE ACCOUNTS

These consolidated Health & Social Care Accounts comprise net income and expenditure incurred by the Committee *for* Health & Social Care and health and social care expenditure incurred by the Committee *for* Employment & Social Security.

	2016 TOTAL £'000s	2016 E&SS £'000s	2016 H&SC £'000s	2015 TOTAL £'000s	2015 E&SS £'000s	2015 H&SC £'000s
Primary Health Care						
Ambulatory Services	2,741	-	2,741	2,828	-	2,828
Emergency Department	1,630	-	1,630	1,758	-	1,758
GP and Nurse Consultation Grants	3,466	3,466	-	3,503	3,503	-
	7,837	3,466	4,371	8,089	3,503	4,586
Secondary and Tertiary Health Care						
Acute Services provided Off-Island	9,721	-	9,721	10,046	-	10,046
Guernsey Therapy Group Services	2,273	2,273	-	2,263	2,263	-
Hospital Services	49,188	3,323	45,865	50,618	3,208	47,410
Medical Specialist Group Services	18,226	18,226	-	17,565	17,565	-
Prescription Drugs and Medicines	16,320	16,320	-	16,037	16,037	-
Travel Costs	2,491	2,192	299	2,490	2,228	262
	98,219	42,334	55,885	99,019	41,301	57,718
Community Care						
Children and Adult Disability Services	11,939	219	11,720	12,030	230	11,800
Children and Adult Mental Health Services	14,903	318	14,585	16,066	317	15,749
Community and Social Care Services	23,701	-	23,701	20,416	-	20,416
Older People Services	24,255	19,005	5,250	24,103	18,482	5,621
	74,798	19,542	55,256	72,615	19,029	53,586
Public Health Services						
Prevention and Awareness	2,546	-	2,546	2,244	-	2,244
Treatments	375	-	375	368	-	368
	2,921	-	2,921	2,612	-	2,612
Net cost of providing Health and Social Care Services	**183,775**	**65,342**	**118,433**	**182,335**	**63,833**	**118,502**

Notes:

The above includes an element of administrative and central costs amounting to £21.5m (2015: £22.2m) that have been apportioned across each of the expenditure lines.

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

ANALYSIS OF INCOME & EXPENDITURE - ATTRIBUTABLE TO ALDERNEY

Appendix VII

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

	Note	2016 Actual £'000s	2015 Actual £'000s
Income			
Taxation and duty revenue received by the States of Guernsey	**1**	8,758	8,158
States of Alderney - Capital receipts		267	1,271
Alderney Gambling Control Commission		1,803	2,049
Total Income		10,828	11,478
Expenditure			
States of Alderney - Net Revenue Expenditure	**2**	1,885	1,859
States of Alderney - Capital Expenditure		1,061	366
States of Alderney - Economic Development Expenditure		352	183
Transferred Services - Net Revenue Expenditure	**3**	10,280	9,819
Transferred Services - Capital Expenditure	**4**	572	374
Aurigny operating loss in respect of Alderney routes		2,699	1,193
Total Expenditure		16,849	13,794
Net Cost		**6,021**	**2,316**

The total direct gross economic contribution to the Bailiwick of the e-Gaming Sector in Alderney is estimated to be £25.7m in 2016 (2015: £25.6m) which comprises £5.7m in respect of Alderney (2015: £6.6m) and £20m in respect of Guernsey (2015: £19m) including £1.39m (2015:£1.37m) in personal income tax and social security contributions.

ANALYSIS OF SOCIAL SECURITY - ATTRIBUTABLE TO ALDERNEY

Appendix VII

	2016 Actual £'000s	2015 Actual £'000s
Income		
Contributions		
Guernsey Insurance Fund	2,075	2,039
Guernsey Health Service Fund	792	777
Long-Term Care Insurance Fund	395	385
States Grant	406	399
Total Income	3,668	3,600
Benefits and Administration Costs		
Guernsey Insurance Fund	3,982	3,852
Guernsey Health Service Fund	1,568	1,456
Long-Term Care Insurance Fund	752	728
Total Expenditure	6,302	6,036
Investing Activities	2,215	(182)
Net Deficit	**419**	**2,618**

NOTES

Appendix VII

1. Taxation and duty revenue received by States of Guernsey

	2016 Actual £'000s	2015 Actual £'000s
Income Tax		
Individuals - ETI	3,395	3,300
Individuals - Other	2,484	2,200
Companies	524	477
Banks	31	14
Distributions	167	160
Total Income Tax	6,601	6,151
Customs - Excise and Import Duties	1,070	964
Tax on Real Property	744	698
Document Duty	343	345
	8,758	**8,158**

2. States of Alderney - net Revenue Expenditure

	2016 Actual £'000s	2015 Actual £'000s
Building and Development Control Services		
Expenditure	200	183
Income	(16)	(12)
	184	171
General Services Committee		
Expenditure	1,701	1,671
Income	(633)	(653)
	1,068	1,018
Policy and Finance Committee		
Expenditure	1,428	1,452
Income	(795)	(782)
	633	670
	1,885	**1,859**

3. Transferred Services and Aurigny - Net Revenue Expenditure

	2016 Actual £'000s	2015 Actual £'000s
Policy & Resources Committee		
Policy	93	107
External Affairs	17	63
Digimap services	(14)	(14)
Information Systems & Services	40	52
Shared Services Centre	20	20
Payments to States Members	59	95
HE Lieutenant Governor	23	24
Income Tax	88	82
Cadastre	18	18
Alderney civil service	128	122
Treasury	14	19
Insurance	38	38
	524	626

NOTES (continued) — Appendix VII

3. Transferred Services and Aurigny - Net Revenue Expenditure (continued)

	2016 Actual £'000s	2015 Actual £'000s
Committee *for* Economic Development	15	17
Committee *for* Education, Sport & Culture		
St Anne's School	1,589	1,375
Special Schools	110	40
College of Further Education	239	237
Higher Education	143	161
Travel, Subsistence and Accommodation	64	77
School and Pupil Support Services	2	2
Central support services and management	296	287
Special Needs Support	121	80
Other	54	65
	2,618	2,324
Committee *for* Employment & Social Security		
Administration	81	72
Legal Aid	29	23
Medical Expenses Assistance Scheme	2	2
Severe Disability Benefit and Carers' Allowances	172	162
Family Allowance	206	210
Supplementary Benefit	473	472
Concessionary TV Licences for the Elderly	34	34
Social Insurance Fund - Grant	311	306
Health Service Fund - Grant	95	93
	1,403	1,374
Committee *for the* Environment & Infrastructure		
Alderney Breakwater	74	81
Other	(25)	(24)
	49	57
Committee *for* Health & Social Care		
Mignot Memorial Hospital	1,815	1,905
Princess Elizabeth Hospital - inpatient	299	262
Diagnostic Services and Hospital Administration	434	358
Emergency & Day Patient Hospital Services	88	87
Private patient income	(143)	(234)
Children's Services	102	147
Adult Services	21	39
Off island - complex placement	196	54
Acute Off islands treatment	339	267
Management & Strategy	229	274
	3,380	3,159
Committee *for* Home Affairs		
TETRA	40	32
Domestic Abuse Strategy	1	1
Drug and Alcohol Strategy	1	6
Data Protection	5	5
Law Enforcement	1,054	1,104
Prison Service	8	42
Probation Service	3	6
Trading Standards	1	4
	1,113	1,200

3. Transferred Services and Aurigny - Net Revenue Expenditure (continued)

	2016 Actual £'000s	2015 Actual £'000s
Scrutiny Management Committee	17	14
Overseas Aid & Development Commission	90	89
Law Officers	240	247
States' Trading Supervisory Board		
Alderney Airport	818	701
States' Property Services	13	11
	831	712
	10,280	**9,819**

4. Transferred Services - Capital Expenditure

	2016 Actual £'000s	2015 Actual £'000s
Committee *for the* Environment & Infrastructure		
Alderney Breakwater	400	361
States' Trading Supervisory Board		
Alderney Airport	172	13
	572	**374**

States of Guernsey

Miscellaneous Accounts 2016

CONTENTS

States’ Trading Supervisory Board
Ports

<u>Statement of Activities and Performance</u>
for the year ended 31 December 2016

During the financial year ended 31 December 2016, responsibility for the Ports fell initially within the mandate of the Public Services Department until 30 April 2016 and then under new arrangements agreed by the States of Guernsey for the organisation of States' affairs, responsibility for the Ports was transferred to the mandate of the new States' Trading Supervisory Board (the “Board”) with effect from 1 May 2016. All references in this document to the States' Trading Supervisory Board should be read as relating to the Public Services Department if prior to 1 May 2016.

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 the standards set by the United Kingdom Civil Aviation Authority.

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 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, 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 Airport and Guernsey Harbours is separately identified, but the assets and liabilities are consolidated in recognition of the States’ strategic asset in the form of the combined Ports.

Financial highlights

	Actual 2016 £’000	Budget 2016 £’000	Actual 2015 £’000
Airport income	**12,365**	12,156	11,916
Harbour income	**8,780**	9,255	9,057
Total income	**21,145**	**21,411**	**20,973**
Airport (deficit) for the financial year	**(3,086)**	(712)	(5,156)
Harbour surplus for the financial year	**1,986**	707	1,265
Net investment return	**37**	-	24
Total (deficit)	**(1,094)**	**(5)**	**(3,867)**
Airport capital expenditure	**571**	2,849	781
Harbour capital expenditure	**164**	5,730	2,194
Capital expenditure	**735**	**8,579**	**2,975**

Statement of Activities and Performance - continued

Operational Performance

Total passenger movements for the year ended 31 December 2016 were 1,254,532 (Guernsey Airport 841,914, Guernsey Harbours 412,618), which were 5.62% lower than the previous year. The movements attributable to Guernsey Airport were 2.12% lower and those for Guernsey Harbours 12.04% lower than the previous year.

There was one full emergency declared at Guernsey Airport during 2016 (2015: 3) and no aircraft accidents (2015: 0).

The Airport employed 119 full time equivalents at the end of 2016 (2015: 118).

The Harbour employed 77 full time equivalents at the end of 2016 (2015: 80).

Public Services Department Board Members and Principal Officers up to 30 April 2016.

Board Members were:

Deputy S. Ogier, Minister
Deputy D. Duquemin, Deputy Minister
Deputy M. Dorey
Deputy P. Harwood
Deputy R. Jones

Board Members were the elected political representatives of the Public Services Department as voted by the States of Deliberation.

Principal Officers were:

Mr A. Lewis, Chief Officer, Public Services Department
Mr R. Evans, Head of Corporate Services, Public Services Department
Mr S. Gardiner, Finance Business Partner
Mrs S. McGreevy, Harbour Director
Mr C. Le Ray, Airport Director
Mr A. Nicholas, Deputy Airport Director
Captain C. Murray, Harbourmaster
Mrs K. Lawson, Commercial Manager, Public Services Department

States' Trading and Supervisory Board Members and Principal Officers effective from 1 May 2016.

Board Members are:

Deputy C. Parkinson, President	elected 21 September 2016	
Deputy J. Smithies	elected 18 May 2016	
Deputy D. Jones, President	elected 11 May 2016	(deceased, 5 July 2016)
Mr S. Falla MBE	elected 21 September 2016	
Mr J. Hollis	elected 21 September 2016	

States’ Trading Supervisory Board
Ports

<u>Statement of Activities and Performance - continued</u>

The constitution of the States’ Trading Supervisory Board provides that the membership of the Board shall be a President and one member who shall be members of the States and two members who shall not be members of the States. If and when the Board 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 are:

Mr S. Elliott, Managing Director, States of Guernsey Trading Assets
Mr R. Evans, Deputy Managing Director, States of Guernsey Trading Assets
Mr S. Gardiner, Finance Business Partner
Mrs S. McGreevy, Harbour Director, Ports (up to 31 October 2016)
Mr C. Le Ray, General Manager, Ports
Mr A. Nicholas, Deputy General Manager, Airport
Captain C. Murray, Harbourmaster
Mrs K. Lawson, Commercial Manager, Ports

Auditors

The current auditor, Deloitte LLP, has reached the end of its 5 year appointment. The States of Guernsey is currently undertaking a tender process for the new auditor appointment.

Statement of Responsibilities for the Preparation of Financial Statements

The States' Trading Supervisory Board is required to prepare financial statements for each financial year, and for selecting suitable accounting policies for the Ports. 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;
- 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 States' Trading Supervisory Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time its financial position. The Board is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

States’ Trading Supervisory Board
Ports

Statement of Internal Financial Controls and Going Concern

It is the responsibility of the States' Trading Supervisory Board to identify and install a system of internal controls, including financial controls, which is adequate for its own purposes and to safeguard the assets of the States of Guernsey in its care, and hence for taking reasonable steps for the prevention of fraud and other irregularities.

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

The 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 States' Trading Supervisory Board, to ensure that all Board members are informed of the Ports financial affairs.
- Client invoices are subjected to a range of pre-determined computerised integrity checks prior to dispatch in order to ensure accuracy.
- 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.

The States' Trading Supervisory Board strives to ensure that all staff with financial responsibility in the Ports have the appropriate integrity, skills and motivation to professionally discharge their duties.

The 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.

Going concern

The financial statements are produced on a going concern basis. The Policy & Resources Committee (formerly Treasury and Resources Department), in conjunction with The Ports and Principal Officers, monitors and projects the States of Guernsey income and expenditure and confirms the appropriateness of this basis.

The States’ Trading Supervisory Board and Principal Officers have reviewed the cash flows and projected income and expenses over the next twelve months, prepared by management, and deem that the Ports have adequate financial resources to meet its obligations as they fall due. The Board therefore believe that the Ports are a going concern for at least twelve months from the approval of the financial statements.

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

Report on the financial statements

Opinion

We have audited the financial statements of States of Guernsey - States' Trading Supervisory Board – Ports ("the Ports") for the year ended 31 December 2016, which comprise Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity, and the related notes 1 to 21.

In our opinion, the accompanying financial statements of the Ports for the year ended 31 December 2016 are prepared, in all material respects, in accordance with the accounting policies stated in note 2 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Ports in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the APB's Ethical Standards, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to note 2 to the financial statements, which describes the basis of preparation and that no full impairment review has been undertaken 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 full impairment review in light of the negative operating cash flows. The financial statements are prepared to assist the Board to comply with its financial reporting requirements. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

This report is made solely to the members of the States of Guernsey - States' Trading Supervisory Board ("the Board"), as a body, in accordance with the terms of our engagement letter dated 29 January 2013. Our audit work has been undertaken so that we might state to the Board members 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 Board as a body, for our audit work, for this report, or for the opinions we have formed.

Other information

The Board is responsible for the other information which comprises the statement of activities and performance report, but does not include 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, 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.

The Board's Responsibilities for the Financial Statements

As explained more fully in the Statement of Responsibilities for the Preparation of Financial Statements, the Board is responsible for the preparation of the financial statements in accordance with the basis of preparation and accounting policies in note 2 to the financial statements. The Board is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In preparing the financial statements, the Board is responsible for assessing the Ports' ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Board either intend to liquidate 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 International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Conclude on the appropriateness of the directors' 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 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 the Ports to cease to continue as a going concern.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP
Chartered Accountants, St Peter Port, Guernsey
18 May 2017

States’ Trading Supervisory Board
Ports

<u>Statement of Comprehensive Income</u>
for the year ended 31 December 2016

	Notes	2016 £	2015 £
Revenue	2 & 4		
Airport fees, charges and other income		**12,364,925**	11,915,811
Harbour dues, charges and other income		**8,780,356**	9,056,514
		21,145,281	20,972,325
Expenses	2 & 6		
Airport expenses		**14,219,559**	15,772,092
Harbours expenses		**5,688,058**	6,756,768
		19,907,617	22,528,860
Operating surplus/(deficit) before depreciation and deficit on disposal of fixed assets		**1,237,664**	(1,556,535)
Depreciation of fixed assets	6	**(5,768,079)**	(5,836,824)
Deficit on disposal of fixed assets	6	**(31,787)**	(9,995)
Revaluation of investment property	8	**(25,000)**	176,199
Operating deficit for the year		**(4,587,202)**	(7,227,155)
Amortisation of asset specific contributions	2 & 14	**3,487,026**	3,336,741
Net investment return	5	**36,844**	23,884
Deficit for the financial year		**(1,063,332)**	**(3,866,530)**

All material activities derive from continuing operations.

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

Notes 1 to 21 form an integral part of these financial statements.

States’ Trading Supervisory Board
Ports

Statement of Financial Position
as at 31 December 2016

	Notes	**2016**	2015
		£	£
Non-current assets			
Tangible fixed assets – Airport	7	**99,323,341**	103,027,984
Tangible fixed assets - Harbours	7	**138,435,733**	139,802,315
Investment property	8	**500,000**	525,000
Assets under construction	9	**155,373**	149,420
		238,414,447	243,504,719
Current assets			
Inventories	10	**378,716**	377,403
Debtors and prepayments	11	**2,669,719**	2,537,524
Bank and cash		**275**	275
Balances with States Treasury		**2,087,076**	3,005,212
		5,135,786	5,920,414
Creditors: amounts falling due within one year	12	**(1,559,242)**	(3,253,724)
Net current assets		**3,576,544**	2,666,690
Total net assets		**241,990,991**	246,171,409
Reserves	13	**241,990,991**	246,171,409

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

Deputy C. Parkinson 18 May 2017

President

Signed on behalf of the States of Guernsey Trading Assets

Mr S. Elliott 18 May 2017

Managing Director

Notes 1 to 21 form an integral part of these financial statements.

States’ Trading Supervisory Board
Ports

Statement of Changes in Equity
for the year ended 31 December 2016

	Notes	**2016**	2015
		£	£
At 1 January		**246,171,409**	251,856,141
Deficit for the financial year		**(1,063,332)**	(3,866,530)
Amortisation of asset specific contributions	14	**(3,487,026)**	(3,336,741)
Contribution from States Capital Reserve	14	**369,940**	1,518,539
At 31 December	13	**241,990,991**	246,171,409

Notes 1 to 21 form an integral part of these financial statements.

States' Trading Supervisory Board
Ports

Statement of Cash Flows
for the year ended 31 December 2016

	Notes	2016	2015
		£	£
Net cash flows from operating activities	15	**(590,326)**	(1,352,593)
Cash flows from investing activities			
Proceeds from sale of fixed assets		**-**	49
Purchase of fixed assets	9	**(734,594)**	(2,975,570)
Investment return received	5	**36,844**	23,884
Net cash flows used in investing activities		**(697,750)**	(2,951,637)
Cash flows from financing activities			
Contribution From States Capital Reserve	13	**369,940**	1,518,539
Net cash flows from financing activities		**369,940**	1,518,539
Net (decrease) in cash and cash equivalents	16	**(918,136)**	(2,785,691)
Cash and cash equivalents at the beginning of the year		**3,005,487**	5,791,178
Cash and cash equivalents at the end of the year	16	**2,087,351**	3,005,487
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		**275**	275
Cash balances with States Treasury		**2,087,076**	3,005,212
Cash and cash equivalents	16	**2,087,351**	3,005,487

Notes 1 to 21 form an integral part of these financial statements.

States' Trading Supervisory Board
Ports

Notes to the Financial Statements

1. General information

   The management, operation and maintenance of the Ports is the responsibility of the States of Guernsey - States' Trading Supervisory Board. The nature of the Ports operations and principal activities are set out in the Statement of Activities and Performance.

   The 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 in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. In respect of the 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.

   Functional and presentational currency

   The financial statements are presented in Pounds Sterling, which is the functional and presentational currency of the Ports.

   Going concern

   The financial statements are produced on a going concern basis. The Policy & Resources Committee (formerly Treasury and Resources Department), in conjunction with the Ports and Principal Officers, monitors and projects the States of Guernsey income and expenditure and confirms the appropriateness of this basis.

   The States' Trading Supervisory Board and Principal Officers have reviewed the cash flows and projected income and expenses over the next twelve months, prepared by management, and deem that The Ports have adequate financial resources to meet its obligations as they fall due. The Board therefore believe that The Ports are 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.

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

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 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	6.7% - 1.7%
Buildings	25 - 60	4.0% - 1.7%
Plant and Equipment	5 - 25	20.0% - 4.0%
Motor vehicles	5-10	20.0% –10.0%
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 each Statement of Financial Position date. 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 in section 2 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. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete and slow-moving items where appropriate.

Basic financial instruments

i) Trade and other debtors

Trade and other debtors are recognised initially at original invoiced amount. Subsequent to initial recognition they are measured at amortised cost, less any impairment losses.

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

ii) Trade and other creditors

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

iii) 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 Ports. Whilst the Ports operates bank accounts, the entity will make payment and receive money via bank accounts held 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 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 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.

Revenue and expenses

Revenue and expenses are accounted for on an accruals basis. Revenue comprises amounts in respect of services provided and goods supplied in the year.

Pension costs

Pension costs are treated as described in note 17 Employee benefits.

Amortisation of asset specific contributions

Asset specific contributions are initially recognised as 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.

Net investment return

Net investment return on balances held with the States of Guernsey 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 to the Financial Statements – continued

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Ports 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 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 the 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, the 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

The 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 rates used for each type of asset that makes up the infrastructure assets has been disclosed in note 2.

iii) Provisions

Provisions are recognised when the organisation has a present obligation (legal or constructive) as a result of a past event, it is probable that the organisation will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to the Financial Statements – continued

4. Revenue

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

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

	2016	2015
	£	£
Guernsey Airport	**12,364,925**	11,915,811
Guernsey Harbours	**8,780,356**	9,056,514
	21,145,281	20,972,325
Advertising, picketing etc	**365,000**	392,000
Airport Development Charge	**752,000**	769,000
Car Parking Fees	**720,000**	734,000
Rents	**1,878,452**	1,904,061
Traffic Receipts	**8,453,925**	7,917,811
Recovery from Alderney	**178,000**	174,000
Commercial Port Operations	**5,307,966**	5,555,324
Property	**899,787**	849,035
Leisure	**2,512,755**	2,585,518
Non-Commercial Port	**16,768**	14,617
Ships Registry	**43,080**	52,020
Investment Property rents (note 8)	**17,548**	24,939
	21,145,281	20,972,325

5. Net investment return

	2016	2015
	£	£
Net investment return	**36,884**	23,884
	36,884	23,884

6. Deficit for the financial year

Deficit on ordinary activities is stated after charging:

	Note	2016	2015
		£	£
Auditor's remuneration		**18,132**	36,275
Depreciation of tangible fixed assets	7	**5,768,079**	5,836,824
Impairment of tangible fixed assets		**-**	223,972
Deficit on disposal of fixed assets	7	**31,787**	9,995
		5,817,998	6,107,066

States' Trading Supervisory Board
Ports

Notes to the Financial Statements – continued

7. Tangible fixed assets

Airport	1 January 2016	Additions	Write offs/ Disposal/Reclass	**31 December 2016**
	£	£	£	**£**
Cost				
Land	2,687,152	-	-	**2,687,152**
Infrastructure	64,764,034	56,100	-	**64,820,134**
Buildings	33,132,900	52,088	-	**33,184,988**
Plant & equipment	23,165,652	383,352	(17,271)	**23,531,733**
Motor vehicles	1,198,692	39,141	(14,925)	**1,222,908**
Information technology	195,707	-	-	**195,707**
	125,144,137	530,681	(32,196)	**125,642,622**
Depreciation				
Land	-	-	-	**-**
Infrastructure	6,533,825	1,892,091	223,704	**8,649,620**
Buildings	5,259,168	562,146	(223,704)	**5,597,610**
Plant & equipment	9,356,188	1,692,564	(17,271)	**11,031,481**
Motor vehicles	771,265	88,523	(14,925)	**844,863**
Information technology	195,707	-	-	**195,707**
	22,116,153	4,235,324	(32,196)	**26,319,281**
Net Book Value	103,027,984			**99,323,341**

Harbour	1 January 2016	Additions	Write offs/ Disposal	**31 December 2016**
	£	£	£	**£**
Cost				
Land	87,515,374	-	-	**87,515,374**
Infrastructure	9,255,530	53,465	(15,000)	**9,293,995**
Buildings	48,865,608	-	(41,428)	**48,824,180**
Plant & equipment	8,741,291	127,250	-	**8,868,541**
Motor vehicles	180,894	17,245	-	**198,139**
Information technology	18,200	-	-	**18,200**
	154,576,897	197,960	(56,428)	**154,718,429**
Depreciation				
Land	-	-	-	**-**
Infrastructure	406,395	334,009	(14,491)	**725,913**
Buildings	9,710,144	810,485	(10,150)	**10,510,479**
Plant & equipment	4,458,949	387,974	-	**4,846,923**
Motor vehicles	180,894	287	-	**181,181**
Information technology	18,200	-	-	**18,200**
	14,774,582	1,532,755	(24,641)	**16,282,696**
Net Book Value	139,802,315			**138,435,733**

Notes to the Financial Statements – continued

8. Investment properties

	1 January 2016	Additions / Disposals	Revaluations	**31 December 2016**
	£	£	£	**£**
Airport	525,000	-	(25,000)	**500,000**
Harbour	-	-	-	**-**
	525,000	-	(25,000)	**500,000**

Investment properties, which are all freehold, were valued to fair value at 31 December 2016, 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.

The original book value of the investment property was £436,045.

As set out in note 4, property rental income earned during the year was £17,548 (2015: £24,939). No contingent rents have been recognised as income in the current or prior year.

At the Statement of Financial Position date, the Ports had contracted with tenants for the following future minimum lease payments on investment properties:

	2016	2015
	£	£
Within one year	**-**	25,017
In the second to fifth years inclusive	**-**	-
After five years	**-**	-
	-	25,017

9. Assets under construction

	1 January 2016	Additions	Transfers to Tangible Fixed Assets	**31 December 2016**
	£	£	£	**£**
Airport	65,420	570,924	(530,681)	**105,663**
Harbour	84,000	163,670	(197,960)	**49,710**
2016 Total	149,420	734,594	(728,641)	**155,373**
2015 Total	5,337,989	2,975,570	(8,164,139)	149,420

Assets under construction completed in 2016 and transferred to fixed assets includes additional runway project and radar expenditure, car park system refurbishment and replacement vehicles at the Airport. The Harbour includes additions for Berth 4 and 6, replacement gangway, pontoon replacements and a replacement vehicle.

Assets under construction as at 31 December 2016 related principally to on-going Administration Block refurbishment and Wind and Cloud Base Monitoring equipment at the Airport, and at Harbours, a replacement pontoons, Castle Cornet Breakwater repairs and Dory engines.

Notes to the Financial Statements – continued

10. Inventories

	2016	2015
	£	£
Airport	**64,774**	64,774
Harbours	**313,942**	312,629
	378,716	377,403

11. Debtors and prepayments

	2016	2015
	£	£
Trade debtors	**2,563,251**	2,475,395
Prepayment	**106,468**	62,129
	2,669,719	2,537,524

12. Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	**561,456**	1,535,128
Accruals	**740,032**	1,330,510
Deferred income	**255,304**	386,686
Other creditors:		
Harbour operational license and security deposits	**2,450**	1,400
	1,559,242	3,253,724

13. Reserves

	2016	2015
	£	£
Balance at 1 January	**246,171,409**	251,856,141
Deficit for financial year	**(1,063,332)**	(3,866,530)
Amortisation of asset specific contributions	**(3,487,026)**	(3,336,741)
Contribution from States Capital Reserve	**369,940**	1,518,539
Balance at 31 December		
	241,990,991	246,171,409

Included within Reserves are amounts contributed by the States Capital Reserve specifically for the Guernsey Airport Pavements Rehabilitation and St Peter Port Crane Strategy 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.

Notes to the Financial Statements – continued

14. Reserves

	2016	2015
	£	£
Balance at 1 January	**246,171,409**	251,856,141
Deficit for financial year	**(1,063,332)**	(3,866,530)
Amortisation of asset specific contributions	**(3,487,026)**	(3,336,741)
Contribution from States Capital Reserve	**369,940**	1,518,539
Balance at 31 December	**241,990,991**	246,171,409

Included within Reserves are amounts contributed by the States Capital Reserve specifically for the Guernsey Airport Pavements Rehabilitation and St Peter Port Crane Strategy 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.

15. Asset specific contributions

	2016	2015 (as restated)
	£	£
As at 1 January	**77,097,444**	78,915,488
Contributions receivable	**369,940**	1,518,697
	77,467,384	80,434,185
Released to Statement of Comprehensive Income during the year	**(3,487,026)**	(3,336,741)
As at 31 December	**73,980,358**	77,097,444

Contributions receivable were overstated by £380,000 in 2013 resulting in a restatement of the 2015 opening balance.

16. Reconciliation of operating (deficit) to net cash flows from operating activities

	2016	2015
	£	£
Operating (deficit) for the year	**(4,587,202)**	(7,227,155)
Depreciation charges	**5,768,079**	5,836,824
Deficit on sale of tangible assets	**31,787**	9,995
Revaluation of investment property	**25,000**	(176,199)
(Increase)/ decrease in inventories	**(1,313)**	22,626
(Increase)/ decrease in debtors	**(132,195)**	65,212
(Decrease)/increase in creditors due within one year	**(1,694,482)**	116,104
Net cash flows from operating activities	**(590,326)**	(1,352,593)

Notes to the Financial Statements – continued

17. Financial commitments

The Ports have no financial commitments as at 31 December 2016 (2015: nil) which are not provided for in the financial statements.

18. Employee benefits

The employees of the 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 (currently £87,434) 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 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 the Ports are considered to be ultimately employees of the States of Guernsey.

Consequently, the Ports have 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 triennial valuations.

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £1,118,395 (2015: £1,144,363).

Further details relating to the funding of the Superannuation Scheme are included within The States of Guernsey Accounts 2016.

19. Subsequent events

Management know of no events subsequent to the year end that would materially affect the financial statements.

Notes to the Financial Statements – continued

20. Related party transactions

The States’ Trading Supervisory Board 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 for the period totalled £439,768 (2015: £428,659).

Related party transactions between The 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.”

States’ Trading Supervisory Board member Mr S. Falla MBE 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 Board or other meetings and has not participated in any discussions or voting regarding awarding any contracts leading to these transactions.

21. Statement of control

The Ports are wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of the Ports has been delegated to the members of the States' Trading Supervisory Board appointed by the States of Guernsey.

22. Off balance-sheet arrangements

There are no commitments or contingent liabilities relating to 2016 which would affect these financial statements (2015: None).

Supplemental Information

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

GUERNSEY AIRPORT

2016 Original Budget £'000s	2016 Probable Outturn £'000s	Net Expenditure by Category	2016 Actual £'000s	2015 Actual £'000s
		Income		
12,156	12,258	Operating Income	12,365	11,916
		Expenditure		
(6,595)	(7,104)	Pay Costs	(7,211)	(7,024)
		Non-Pay costs		
(230)	(233)	*Staff Non-Pay costs*	(198)	(187)
(1,479)	(3,193)	*Support Services*	(3,341)	(5,224)
(1,186)	(1,575)	*Premises*	(1,361)	(1,464)
(31)	(60)	*Transport*	(117)	(22)
(2,069)	(2,113)	*Supplies & Services*	(1,992)	(1,851)
(4,995)	(7,174)		(7,008)	(8,747)
566	(2,020)	**Operating (deficit) for the financial year**	(1,855)	(3,856)
(1,278)	(1,278)	*Depreciation (net of amortisation of asset specific contributions)*	(1,217)	(1,475)
(712)	**(3,298)**	**Operating (deficit)**	**(3,071)**	**(5,331)**

GUERNSEY AIRPORT

2016 Original Budget £'000s	2016 Probable Outturn £'000s	Net Expenditure by Service Area	2016 Actual £'000s	2015 Actual £'000s
		Income		
440	393	Advertising, picketing etc	365	392
770	786	Airport Development Charge	752	769
750	726	Car Parking Fees	720	734
2,225	1,973	Rents	2,080	2,101
8,024	8,202	Traffic Receipts	8,426	7,920
12,209	12,080		12,343	11,916
		Operational Expenditure		
(1,297)	(1,121)	Administration	(1,310)	(1,267)
(1,884)	(2,180)	Aerodrome Fire Service	(2,227)	(2,190)
(2,884)	(5,097)	Airport Infrastructure	(4,959)	(7,076)
(1,851)	(1,895)	Airport Security	(1,816)	(1,552)
(3,905)	(3,985)	Navigational Services	(4,064)	(3,861)
(11,821)	(14,278)		(14,376)	(15,946)
178	178	*Recovery from Alderney Airport*	178	174
566	(2,020)	**Operating (deficit) for the financial year**	(1,855)	- 3,856
(1,278)	(1,278)	*Depreciation (net of amortisation of asset specific contributions)*	(1,217)	(1,475)
(712)	**(3,298)**	**Operating (deficit)**	**(3,072)**	**(5,331)**

2016 Original Budget £'000s	2016 Probable Outturn £'000s	Routine Capital Expenditure	2016 Actual £'000s	2015 Actual £'000s
(400)	(206)	*Miscellaneous Capital Works*	-	-
(1,818)	(281)	*Equipment, Machinery and Vehicles*	(250)	(163)
(2,218)	(487)	**Routine Capital Expenditure**	(250)	(163)
(500)	-	Airports Pavements Project	(208)	(492)
(131)	-	Airport Radar	(113)	(126)
631	-	Less Transfer from Capital Reserve	321	618
(2,218)	**(487)**	**Net Capital Expenditure**	**(250)**	**(163)**

GUERNSEY HARBOURS

2016 Original Budget £'000s	2016 Probable Outturn £'000s	Net Expenditure by Category	2016 Actual £'000s	2015 Actual £'000s
		Income		
9,255	8,843	Operating Income	8,780	9,057
		Expenditure		
(3,726)	(3,409)	Pay Costs	(3,396)	(3,803)
		Non-Pay costs		
(179)	(128)	*Staff Non-Pay costs*	(58)	(175)
-	44	*Peripheral Activities*	(17)	(34)
(828)	(898)	*Support Services*	(868)	(786)
(2,216)	(1,445)	*Premises*	(969)	(1,493)
(105)	(91)	*Transport*	(69)	(82)
(224)	(373)	*Supplies & Services*	(311)	(384)
(3,552)	(2,891)		(2,292)	(2,954)
1,977	2,543	**Operating surplus for the financial year**	3,092	2,299
(1,270)	(1,270)	*Depreciation (net of amortisation of asset specific contributions)*	(1,096)	(1,035)
707	**1,273**	**Operating surplus**	**1,996**	**1,264**

GUERNSEY HARBOURS

2016 Original Budget £'000s	2016 Probable Outturn £'000s	Net Income / Expenditure by Service Area	2016 Actual £'000s	2015 Actual £'000s
3,202	3,233	Commercial Ports Operations	3,510	3,354
(408)	(182)	Property	(153)	(394)
160	768	Leisure	772	487
(959)	(1,259)	Non-Commercial Ports Operations	(1,014)	(1,124)
(18)	(18)	Ships Registry	(23)	(22)
-	-	Other	-	-
1,977	2,543		3,092	2,300
(1,270)	(1,270)	*Depreciation (net of amortisation of asset specific contributions)*	(1,096)	(1,035)
707	**1,273**	**Operating surplus**	**1,996**	**1,265**

2016 Original Budget £'000s	2016 Probable Outturn £'000s	Routine Capital Expenditure	2016 Actual £'000s	2015 Actual £'000s
(1,900)	(650)	*Miscellaneous Capital Works*	(88)	(1,087)
(450)	(130)	*IT Projects and Equipment*	-	(20)
(2,040)	(20)	*Equipment, Machinery and Vehicles*	(26)	(187)
(4,390)	(800)	**Routine Capital Expenditure**	(114)	(1,294)
(190)	-	Crane Strategy	(50)	(900)
(1,150)	-	Deep Water Berth Investigations	-	-
1,340	-	Less Transfer from Capital Reserve	50	900
(4,390)	**(800)**	**Net Capital Expenditure**	**(114)**	**(1,294)**

PORTS HOLDING ACCOUNT

2016 Original Budget £'000s	2016 Probable Outturn £'000s		2016 Actual £'000s	2015 Actual £'000s
		Revenue Account		
		Operating (Deficit)/Surplus before depreciation		
566	(2,020)	Guernsey Airport	(1,855)	(3,856)
1,977	2,543	Guernsey Harbour	3,092	2,299
2,543	523		1,238	(1,557)
20	(26)	*Investment Interest Receivable*	37	24
		Capital Expenditure		
(2,218)	(487)	Guernsey Airport	(250)	(163)
(4,390)	(800)	Guernsey Harbour	(114)	(1,294)
(6,608)	(1,287)		(364)	(1,457)
(4,045)	**(790)**	**Surplus/(deficit) before depreciation**	**911**	**(2,990)**
(2,548)	(2,548)	Depreciation (net of amortisation of asset specific contributions)	(2,313)	(2,510)
(6,593)	**(3,338)**	**(Deficit) after depreciation**	**(1,402)**	**(5,500)**
4,045	2,666	*Balance at 1st January*	2,666	5,656
(4,045)	(790)	*Surplus/(deficit) for the year before depreciation*	911	(2,990)
-	**1,876**	**Balance at 31st December**	**3,576**	**2,666**

States' Trading Supervisory Board
Guernsey Water

Statement of Activities and Performance

for the year ended 31 December 2016

During the financial year ended 31 December 2016, responsibility for Guernsey Water fell initially within the mandate of the Public Services Department until 30 April 2016 and then, under new arrangements agreed by the States of Guernsey for the organisation of States' affairs, responsibility for Guernsey Water was transferred to the mandate of the new States' Trading Supervisory Board (the "Board") with effect from 1 May 2016. All references in this document to the States' Trading Supervisory Board should be read as relating to the Public Services Department if prior to 1 May 2016.

Principal activities

Guernsey Water, a business unit of the States' Trading Supervisory Board, 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.

Financial Highlights

	Actual 2016 £'000s	Budget 2016 £'000s	Actual 2015 £'000s
Revenue	**15,707**	15,737	15,724
Surplus for the financial year	**706**	444	949
Capital Expenditure	**4,788**	7,259	23,991

During 2016 there were significant changes that had a material impact on the financial position.

i) Following the approval of the Water Treatment Strategy, Juas Water Treatment Works is being recommissioned and once completed Longue Hougue Water Treatment Works will be decommissioned. As a result of this, those assets that cannot be utilised have had their useful life shortened and hence additional depreciation of £476,659 has been incurred.

ii) The States of Guernsey resolved on 2 November 2016 to direct Guernsey Water to transfer a maximum of £19,900,000 to the Capital Reserve to reimburse the total cost of Belle Greve Wastewater Outfalls Project. As a result of this the original grant received has been converted into a short term creditor and any release to the Statement of Comprehensive Income has been reversed.

iii) As a result of the performance of the States of Guernsey's investments, Guernsey Water has received £898,275 in investment return on balances held with States Treasury.

In relation to capital expenditure, Wastewater has now been integrated into Guernsey Water's remote control systems (SCADA), 5km of sewers have been rehabilitated, La Villette pumping station has been refurbished, the Kings Mills Water Treatment Sludge Thickening project and the Water Resource Management & Drought Plan have been completed.

States' Trading Supervisory Board
Guernsey Water

Statement of Activities and Performance – continued

Operational Performance

	2016	2015	Change %
Number of supplies:			
Paying by tax on real property	**8,558**	8,701	-1.6%
Paying by measure	**17,205**	16,954	+1.5%
Total	**25,763**	25,655	+0.4%
Volume supplied in million litres (ML):			
Delivered to customers paying by measure	**2,620**	2,639	-0.7%
Delivered to other customers	**1,269**	1,271	-0.1%
Operational use, firefighting and losses	**685**	617	+11.0%
Total put into supply	**4,574**	4,527	+1.0%

	2016	2015	Change %
Service:			
Restrictions on supply	**None**	None	None
Burst mains	**41**	39	+5.1%
Discolouration - claims paid	**3**	1	+200.0%
Unit costs (partially weather related):			
Water production (per ML)	**£ 386**	£ 477	-17.0%
Water distribution (per supply)	**£ 20**	£22	-9.1%
Full time equivalent employees	**83**	87	-4.6%
Average number of full time employees	**80**	80	None

Other matters:

In 2016 Guernsey Water made a one-off contribution to States of Guernsey General Revenue of £1,500,000. This contribution was made from the Property Development Fund. This reserve was originally created to fund Guernsey Water's centralisation development and is made up of net property sales, let property income and nominal interest.

Statement of Activities and Performance – continued

Guernsey Water Department Board Members and Principal Officers up to 30 April 2016

Board Members were:

Deputy S. Ogier, Minister
Deputy D. Duquemin, Deputy Minister
Deputy M. Dorey
Deputy P. Harwood
Deputy R. Jones

Board Members were the elected political representatives of the Public Services Department as voted by the States of Deliberation.

Principal Officers were:

Mr A. Lewis, Chief Officer, Public Services Department
Mr R. Evans, Head of Corporate Services, Public Services Department
Mr S. Gardiner, Finance Business Partner
Mr S. Langlois, General Manager, Guernsey Water
Mr C. Hall, Customer Services Manager, Guernsey Water
Mr J. Holt, Operations Manager, Guernsey Water
Mrs M. McGuiness, Water Quality Risk Manager, Guernsey Water
Mr M. Walker, Capital Delivery Manager, Guernsey Water

States' Trading Supervisory Board Members and Principal Officers effective from 1 May 2016

Board Members are:

Deputy C. Parkinson, President	elected 21 September 2016	
Deputy J. Smithies	elected 18 May 2016	
Deputy D. Jones, President	elected 11 May 2016	(deceased, 5 July 2016)
Mr S. Falla MBE	elected 21 September 2016	
Mr J. Hollis	elected 21 September 2016	

The constitution of the States’ Trading Supervisory Board provides that the membership of the Board shall be a President and one member who shall be members of the States and two members who shall not be members of the States. If and when the Board 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 are:

Mr S. Elliott, Managing Director, States of Guernsey Trading Assets
Mr R. Evans, Deputy Managing Director, States of Guernsey Trading Assets
Mr S. Gardiner, Finance Business Partner
Mr S. Langlois, Director of Water Services
Mr C. Hall, Customer Services Manager, Guernsey Water
Mr J. Holt, Operations Manager, Guernsey Water
Mrs M. McGuiness, Water Quality Risk Manager, Guernsey Water
Mr A. Morton, Senior Finance Manager
Mr M. Walker, Capital Delivery Manager, Guernsey Water

Auditors

The current auditor, Deloitte LLP, has reached the end of its 5 year appointment. The States of Guernsey is currently undertaking a tender process for the new auditor appointment.

Statement of Responsibilities for the Preparation of Financial Statements

The States' Trading Supervisory Board 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 Board 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 States' Trading Supervisory Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time Guernsey Water's financial position. The Board is also responsible for safeguarding Guernsey Water's assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

States’ Trading Supervisory Board
Guernsey Water

Statement of Internal Financial Controls and Going Concern

It is the responsibility of the States' Trading Supervisory Board to identify and install a system of internal controls, including financial controls, which is adequate for its own purposes and to safeguard the assets of the States of Guernsey in its care, and hence for taking reasonable steps for the prevention of fraud and other irregularities.

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

The States’ Trading Supervisory Board 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 are produced on a going concern basis. The Policy & Resources Committee (formerly Treasury and Resources Department), in conjunction with the States’ Trading Supervisory Board and Guernsey Water’s Principal Officers, monitors and projects the States of Guernsey income and expenditure and confirms the appropriateness of this basis.

The States’ Trading Supervisory Board and Principal Officers have reviewed the cash flows and projected income and expenses over the next twelve months, prepared by management, and deem that Guernsey Water has adequate financial resources to meet its obligations as they fall due. The Board therefore believe that Guernsey Water is a going concern for at least twelve months from the approval of the financial statements.

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

We have audited the financial statements of the States of Guernsey - States' Trading Supervisory Board - Guernsey Water ("the Business Unit") for the year ended 31 December 2016, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom General Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the members of the States of Guernsey - States' Trading Supervisory Board ("the Board"), as a body, in accordance with the terms of our engagement letter dated 29 January 2013. Our audit work has been undertaken so that we might state to the Board 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 Board as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As explained more fully in the Statement of Responsibilities for the preparation of financial statements, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of; whether the accounting policies are appropriate to the Business Unit's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Business Unit's affairs as at 31 December 2016 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP
Chartered Accountants, St. Peter Port, Guernsey
18 May 2017

States' Trading Supervisory Board
Guernsey Water

Statement of Comprehensive Income
for the year ended 31 December 2016

	Notes	**2016**	2015
		£	£
Revenue	2 & 4		
Water supplies		**10,627,330**	10,589,290
Waste water supplies		**3,400,024**	3,344,976
Other income		**1,679,200**	1,789,712
		15,706,554	15,723,978
Expenses	2 & 4		
Operating expenses		**7,360,277**	7,597,662
Management expenses		**3,488,442**	3,082,798
		10,848,719	10,680,460
Operating surplus before depreciation, amortisation and loss on disposal of fixed assets		**4,857,835**	5,043,518
Depreciation/amortisation	8 & 9	**(4,998,494)**	(4,155,702)
Loss on disposal of fixed assets	9	**(36,568)**	(150)
Operating (deficit)/surplus for the year		**(177,227)**	887,666
Investment return and net interest receivable	5	**883,568**	60,998
Surplus for the financial year	6	**706,341**	948,664

All material activities derive from continuing operations.

There are no recognised gains or losses 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
Guernsey Water

Statement of Financial Position
as at 31 December 2016

	Notes	2016	2015
		£	£
Non-current assets			
Intangible fixed assets	8	**180,913**	95,411
Tangible fixed assets	9	**151,075,213**	151,763,921
Investment property	10	**650,000**	650,000
Assets under construction	11	**1,761,513**	1,404,871
		153,667,639	153,914,203
Current assets			
Inventories	12	**1,383,000**	1,278,161
Debtors and prepayments	13	**2,171,940**	2,025,369
Cash at Bank		**177,539**	662,666
Balances with States Treasury		**11,874,258**	12,197,562
		15,606,737	16,163,758
Creditors: amounts falling due within one year	14	**(20,032,720)**	(1,234,350)
Net current (liabilities)/assets		**(4,425,983)**	14,929,408
Creditors: amounts falling due after more than one year	15	**(11,428,130)**	(30,236,426)
Total net assets		**137,813,526**	138,607,185
Reserves	16	**137,813,526**	138,607,185

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

Deputy C. Parkinson 18 May 2017

President

Signed on behalf of the States of Guernsey Trading Assets

Mr S. Elliott 18 May 2017

Managing Director

Notes 1 to 23 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 2016

	Notes	**2016**	2015
		£	£
At 1 January		**138,607,185**	137,658,521
Surplus for the financial year		**706,341**	948,664
Contribution to States of Guernsey General Revenue		**(1,500,000)**	-
At 31 December	16	**137,813,526**	138,607,185

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

States' Trading Supervisory Board
Guernsey Water

Statement of Cash Flows
for the year ended 31 December 2016

	Notes	2016	2015
		£	£
Net cash flows from operating activities	17	**4,536,500**	5,085,505
Cash flows from investing activities			
Purchase of fixed assets	11	**(4,788,498)**	(23,991,137)
Investment return and Interest received		**943,567**	60,998
Government grants received		**-**	18,367,370
Net cash flows used in investing activities		**(3,844,931)**	(5,562,769)
Cash flows from financing activities			
Contribution to States of Guernsey General Revenue		**(1,500,000)**	-
Net cash flows from financing activities		**(1,500,000)**	-
Net decrease in cash and cash equivalents		**(808,431)**	(477,264)
Cash and cash equivalents at the beginning of the year		**12,860,228**	13,337,492
Cash and cash equivalents at the end of the year		**12,051,797**	12,860,228
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		**177,539**	662,666
Balances with States Treasury		**11,874,258**	12,197,562
Cash and cash equivalents		**12,051,797**	12,860,228

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

Notes to the Financial Statements

1. General information

The management, operation and maintenance of Guernsey Water is the responsibility of the States of Guernsey - States' Trading Supervisory Board. The nature of Guernsey Water's operations and principal activities are set out in the Statement of Activities and Performance.

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.

Going Concern

The financial statements are produced on a going concern basis. The Policy & Resources Committee (formerly Treasury and Resources Department), in conjunction with the States' Trading Supervisory Board and Guernsey Water's Principal Officers, monitors and projects the States of Guernsey income and expenditure and confirms the appropriateness of this basis.

The States' Trading Supervisory Board and Principal Officers have reviewed the cash flows and projected income and expenses over the next twelve months, prepared by management, and deem that Guernsey Water has adequate financial resources to meet its obligations as they fall due. The Board therefore believe that Guernsey Water is a going concern for at least twelve months from the approval of the financial statements.

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 Board 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 Board decisions are capitalised as part of the tangible fixed asset constructed as a result of those decisions.

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 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. 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 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)	15 - 5	6.7% - 20%
Mains	50 - 10	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	10 - 5	10% - 20%
Motor vehicles		
Motor vehicles	7	14.3%

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 each Statement of financial position date. 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 is calculated using the average cost method. Provision is made for obsolete, slow-moving or defective items where appropriate.

Basic financial instruments

i) Trade and other debtors

Trade and other 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) Trade and other creditors

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

iii) 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 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 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 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.

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 to the Financial Statements - continued

2. Principal accounting policies - continued

Revenue and expenses

Revenue and expenses are accounted for on an accruals basis and also includes the estimated value of unbilled water and waste water 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.

Pension costs

Pension costs are treated as described in note 19 Employee benefits.

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.

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 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 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 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 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.

iii) Reassessment of the useful life of Longue Hougue Water Treatment Works assets

As a result of the approval of Guernsey Water's Water Treatment Strategy in March 2016, the decision has been taken to decommission the Longue Hougue Water Treatment Works in December 2018. The assets that constitute the Longue Hougue Water Treatment Works have been reviewed and have been split between those that will still have value to the business after the decommissioning and those that will have no value. Those assets that will have no value are now being depreciated over the period until decommissioning.

Management has estimated the cost of the individual assets based on the value of works originally tendered. Additionally where it has been determined that only part of an asset will be retained, management has estimated the proportion of the asset that will be retained based on the knowledge of staff with the most expertise and experience dealing with these assets. The results of this are disclosed in note 9.

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 waste water 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.

States' Trading Supervisory Board
Guernsey Water

Notes to the Financial Statements - continued

4. Revenue and expenses

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:

	2016	2015
	£	£
Water Supplies		
Unmeasured	**3,586,807**	3,655,197
Measured	**7,040,523**	6,934,093
	10,627,330	10,589,290
Waste Water Supplies		
Unmeasured	**1,238,777**	1,218,067
Measured	**2,161,247**	2,126,909
	3,400,024	3,344,976
Cesspit emptying income	**1,083,122**	1,059,404
Net surplus on other trading activities (see below)	**393,342**	439,139
Grant released (note 15)	**202,736**	291,169
	15,706,554	15,723,978
Net surplus on other trading activities		
Standard charges for service laying	**238,574**	297,331
Charges for work at ascertained cost	**34,755**	90,446
Property rental income	**127,140**	116,890
Stores issues	**432,268**	562,120
	832,737	1,066,787
Expenditure	**(439,395)**	(627,648)
	393,342	439,139
Operating expenses		
Water production	**1,765,153**	2,157,999
Water distribution	**514,814**	559,284
Asset Management	**434,358**	317,453
Pumping	**1,293,818**	1,196,778
Sewers	**3,352,134**	3,366,148
	7,360,277	7,597,662
Management expenses		
Management and general	**969,100**	673,881
Water quality and risk management	**650,915**	631,773
Customer services	**861,230**	648,016
Finance and support services	**1,007,197**	1,129,128
	3,488,442	3,082,798
Total expenditure	**10,848,719**	10,680,460

Notes to the Financial Statements - continued

5. Investment return and net interest receivable

	2016 £	2015 £
Investment return	**882,170**	60,000
Interest receivable and similar income	**1,398**	998
	883,568	60,998

6. Surplus for the financial year

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

	Note	2016 £	2015 £
Auditor's remuneration		**23,385**	26,755
Government grants released	15	**(202,736)**	(291,169)
Amortisation of intangible fixed assets	8	**32,845**	17,255
Depreciation of tangible fixed assets	9	**4,965,649**	4,129,343
Impairment of tangible fixed assets		**92,873**	9,104
Loss on disposal of fixed assets		**36,568**	150
		4,948,584	3,891,438

7. Staff numbers and costs

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

	Note	2016 £	2015 £
Capital delivery		**10**	9
Operations		**37**	38
Customer Services		**17**	14
Administration and support		**8**	14
Water quality risk management		**8**	5
		80	80

Their aggregate remuneration comprised:

	Note	2016 £	2015 £
Wages and salaries		**3,196,752**	3,131,504
Social security costs		**201,870**	202,639
Other pension costs	19	**414,551**	406,176
Remuneration costs transferred to capital assets		**(273,181)**	(412,639)
		3,539,992	3,327,680

Other pension costs include only those items within operating and management expenses.

Notes to the Financial Statements - continued

8. Intangible fixed assets

	1 January 2016 £	Additions £	Write offs/ Disposal £	**31 December 2016 £**
Cost				
Long-term strategies	150,644	118,347	-	**268,991**
	150,644	118,347	-	**268,991**

	1 January 2016 £	Charge for the year £	Write offs/ disposals £	**31 December 2016 £**
Amortisation				
Long-term strategies	55,233	32,845	-	**88,078**
	55,233	32,845	-	**88,078**
Net Book Value	95,411			**180,913**

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

9. Tangible fixed assets

	1 January 2016 £	Additions £	Write offs/ Disposal £	**31 December 2016 £**
Cost				
Land	3,141,359	-	-	**3,141,359**
Infrastructure	186,036,941	3,848,224	(130,592)	**189,754,573**
Buildings	15,317,216	225,575	(2,499)	**15,540,292**
Motor vehicles	760,307	107,818	(13,061)	**855,064**
Office equipment	747,043	131,892	-	**878,935**
	206,002,866	4,313,509	(146,152)	**210,170,223**

	1 January 2016 £	Charge for the year £	Write offs/ disposals £	**31 December 2016 £**
Depreciation				
Land	147,867	30,479	-	**178,346**
Infrastructure	50,201,563	4,405,130	(94,024)	**54,512,669**
Buildings	2,600,923	403,234	(2,499)	**3,001,658**
Motor vehicles	683,306	38,502	(13,061)	**708,747**
Office equipment	605,286	88,304	-	**693,590**
	54,238,945	4,965,649	(109,584)	**59,095,010**
Net Book Value	151,763,921			**151,075,213**

The planned decommissioning of Longue Hougue Water Treatment Works has resulted in additional depreciation being charged for the year of £476,659.

Notes to the Financial Statements - continued

10. Investment properties

	1 January 2016 £	Additions/ Disposals £	Revaluations £	**31 December 2016 £**
Investment properties	650,000	-	-	**650,000**
	650,000	-	-	**650,000**

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 valuation was reviewed by the States Property Services at the year end and it concluded that there had been no significant change in the valuations of the investment properties.

The original book value of the investment properties was £253,648.

11. Assets under construction

	1 January £	Expenditure in the year £	Transfer to Tangible & Intangible Fixed Assets £	**31 December** £
2016 Total	**1,404,871**	**4,788,498**	**(4,431,856)**	**1,761,513**
2015 Total	1,431,984	23,991,137	(24,018,250)	1,404,871

Assets under construction completed in 2016 and transferred to fixed assets include the Waste Water SCADA Project (£654,183), Sewer rehabilitation (£794,556), the Kings Mills Water Treatment Sludge Thickening project (£254,593) and La Villette Pumping Station refurbishment (£374,215).

Assets under construction as at 31 December 2016 relate principally to replacing the sewage rising main from St Sampson to Belle Greve (£858,369).

12. Inventories

	2016 £	2015 £
Water production	**510,322**	469,114
Water distribution	**453,919**	469,343
Waste water	**418,759**	339,704
	1,383,000	1,278,161

Notes to the Financial Statements - continued

13. Debtors and prepayments

	2016	2015
	£	£
Amounts falling due within one year:		
Unbilled water supplies	**753,075**	729,381
Unbilled waste water	**235,871**	228,782
Customers' billed accounts outstanding	**578,626**	424,110
Cesspit emptying income receivable	**17,076**	11,978
Unbilled cesspit income	**171,621**	173,574
Electricity prepayment	**77,941**	77,119
Other debtors and prepayments	**324,786**	116,561
Grants receivable	**12,944**	38,864
	2,171,940	1,800,369
Amounts falling due after more than one year:		
Lease deposit, see note 20.	**-**	225,000
	2,171,940	2,025,369

Other debtors and prepayments includes £225,000 short term leasehold property deposit which was previously a long term debtor.

14. Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	**522,395**	464,627
Accruals	**859,925**	600,247
States of Guernsey creditor, see note 15.	**18,579,639**	-
Deferred income	**70,761**	169,476
	20,032,720	1,234,350

Notes to the Financial Statements - continued

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

	2016	2015
	£	£
Deferred income	**11,428,130**	30,236,426
	11,428,130	30,236,426

	2016	2015
	£	£
Capital grants		
At beginning of year	**30,236,426**	12,160,225
Grants receivable	**13,599**	18,367,370
Grants to be repaid	**(18,619,159)**	-
	11,630,866	30,527,595
Released to revenue account during the year	**(202,736)**	(291,169)
At end of year	**11,428,130**	30,236,426

As a result of the States of Guernsey decision on 2 November 2016 the grant received in relation to the Belle Greve Outfall Project is now repayable. All monies received have been transferred to the States of Guernsey creditor which is due for payment in 2017 (see note 14). Any amounts not received (£39,520) from the States of Guernsey at the time of the decision have been offset against Grants receivable.

An amount of £202,736 was released to the Statement of Comprehensive Income in 2016 (2015: £291,169). This represents an apportionment of the States 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.

States' Trading Supervisory Board
Guernsey Water

Notes to the Financial Statements - continued

16. Reserves

	Property Develop't Fund £	General Reserve £	Funding from the States of Guernsey - Merger Reserve £	Revenue Account £	Total £
Balance at 1 January 2016	**5,006,707**	**16,102,073**	**75,178,135**	**42,320,270**	**138,607,185**
Surplus for financial year	-	-	-	706,341	706,341
Transfer to revenue account	(3,506,707)	(16,102,073)	-	19,608,780	-
Transfer of non-water profits	129,004	-	-	(129,004)	-
Transfer to the States of Guernsey General Revenue	(1,500,000)	-	-		(1,500,000)
Balance at 31 December 2016	**129,004**	**-**	**75,178,135**	**62,506,387**	**137,813,526**

The property development fund was set up to fund Guernsey Water's centralisation development. Transfers to the fund comprise net property surpluses, let property income and nominal interest and other surpluses. In 2016 Guernsey Water made a one-off distribution from this reserve to the States of Guernsey General Revenue of £1,500,000. It was decided that the reserve should be reset to nil from 1 January 2016. It will continue to be used to hold reserves generated from property related surpluses and other non-water/non-waste water related surpluses.

The funding of the asset base and the refurbishment or replacement of the St Saviour's Dam would be a very significant investment. The General Reserve has been a notional reserve and as such it does nothing to contribute to that intent, it was decided to transfer the balance on this reserve to the revenue account.

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 Waste Water effective 1 January 2012.

All reserves are distributable.

Notes to the Financial Statements - continued

17. Reconciliation of operating (deficit)/surplus to net cash inflow from operating activities

	Note	**2016**	2015
		£	£
Operating (deficit)/surplus for the year		**(177,227)**	887,666
Depreciation and amortisation charges	8 & 9	**4,998,494**	4,155,702
Loss on sale of tangible assets		**36,568**	150
Government grants released	15	**(202,736)**	(291,169)
Increase in inventories	12	**(104,839)**	(37,341)
(Increase)/decrease in debtors	13	**(206,570)**	339,356
Increase in creditors due within one year	14	**18,798,370**	31,141
Decrease in Government grants		**(18,605,560)**	-
Net cash flows from operating activities		**4,536,500**	5,085,505

18. Financial commitments

	2016	2015
	£	£
Commitments at 31 December for which no provision has been made in these financial statements	**1,288,339**	902,497

Financial commitments are for several low value capital projects.

19. 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 (currently £87,434) 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 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.

Notes to the Financial Statements - continued

19. Employee benefits - continued

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 triennial valuations.

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £414,551 (2015: £406,176).

Further details relating to the funding of the Superannuation Scheme are included within The States of Guernsey Accounts 2016.

20. Subsequent events

Subsequent to the year end, a contract with a leaseholder has been terminated resulting in the reclassification of a long term deposit to a short term debtor.

Management know of no other events subsequent to the year-end that would materially affect the financial statements.

21. Related party transactions

The States' Trading Supervisory Board 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 direct remuneration of key management personnel in 2016 (including salaries and other benefits) was £433,104 (2015: £389,503).

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.

States' Trading Supervisory Board member Mr S. Falla MBE 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, as under normal rules, would excuse himself from any Board or other meetings and has not participated in any discussions or voting regarding awarding any contracts leading to these transactions.

22. 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 States' Trading Supervisory Board appointed by the States of Guernsey.

23. Off balance-sheet arrangements

There are no commitments other than detailed in note 18 or contingent liabilities relating to 2016 which would affect these financial statements (2015: None).

States’ Trading Supervisory Board
Guernsey Dairy

Statement of Activities and Performance

for the year ended 31 December 2016

During the financial year ended 31 December 2016, responsibility for Guernsey Dairy fell initially within the mandate of the Commerce and Employment Department until 30 April 2016 and then, under new arrangements agreed by the States of Guernsey for the organisation of States' affairs, responsibility for Guernsey Dairy was transferred to the mandate of the new States' Trading Supervisory Board (the “Board”) with effect from 1 May 2016. All references in this document to the States' Trading Supervisory Board should be read as relating to the Commerce and Employment Department if prior to 1 May 2016.

Principal activities

Guernsey Dairy operates to:

- Support the policies of the States’ Trading Supervisory Board;
- Support a viable dairy industry in Guernsey by purchasing all locally produced milk;
- Satisfy the total consumer demand for fresh milk on Guernsey at an acceptable purchasing price;
- Operate efficiently and in such a manner that, over a year, the business does no worse than break even in financial terms; and
- Provide a safe and rewarding environment to all staff at the Dairy.

Financial Highlights

	Actual 2016 £’000	Budget 2016 £’000	Actual 2015 £’000
Revenue	**7,454**	7,343	7,244
(Deficit)/surplus	**(791)**	253	133
Capital expenditure	**550**	1,142	198

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

Revenue

Liquid milk revenue improved in 2016 as a result of an increase in the gate price for liquid milk. However demand for milk continued to decline during the year.

Production costs

The cost of purchasing raw milk increased in 2016. This is as a result of Guernsey Dairy increasing the price paid to farmers to compensate for the reduction in the Dairy Farm Management Payment Scheme from £2 million to £1 million over a 5 year period starting in 2015. This has resulted in an additional cost of £200,000 in 2016. The increase in costs was also due to high volumes of raw milk supplied in the early months of 2016.

Administration expenses

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 its meeting on 8 March 2016, that Guernsey Dairy would make ex-gratia payments not exceeding £750,000 in total, all of which has been included as part of “Other expenses”. As at 31 December 2016 £80,000 remained unpaid.

Guernsey Dairy employed 37 full time equivalents at the end of 2016 (2015:38).

Capital expenditure

A comprehensive capital expenditure programme continued in 2016 resulting in total expenditure of £550,140 (2015:£198,499).

States' Trading Supervisory Board
Guernsey Dairy

Statement of Activities and Performance - continued

Commerce and Employment Department Board Members and Principal Officers up to 30 April 2016

Board Members were:

Deputy K. Stewart, Minister
Deputy A. Brouard, Deputy Minister
Deputy G. Collins, Member
Deputy D. De Lisle, Member
Deputy L. Trott, Member
Advocate T. Carey, Non-States Member

Board Members were the elected representatives of the Commerce and Employment Department as voted by the States of Deliberation.

Principal Officers were:

Mr J. Moriarty, Chief Officer, Commerce and Employment Department
Mr A. Tabel, Guernsey Dairy General Manager
Mr R. Nash, Director of Client/Environment Services

States' Trading and Supervisory Board Members and Principal Officers effective from 1 May 2016

Board Members are:

Deputy C. Parkinson, President	elected 21 September 2016	
Deputy J. Smithies	elected 18 May 2016	
Deputy D. Jones, President	elected 11 May 2016	(deceased, 5 July 2016)
Mr S. Falla MBE	elected 21 September 2016	
Mr J. Hollis	elected 21 September 2016	

The constitution of the States' Trading Supervisory Board provides that the membership of the Board shall be a President and one member who shall be members of the States and two members who shall not be members of the States. If and when the Board 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 are:

Mr S. Elliott, Managing Director, States of Guernsey Trading Assets
Mr R. Evans, Deputy Managing Director, States of Guernsey Trading Assets
Mr S. Gardiner, Finance Business Partner
Mr A. Tabel, Guernsey Dairy General Manager
Mr R. Nash, Director of Environment Services

Dairy Management Board

The Dairy Management Board Members are:

Mr S. Hogg, Chairman	appointed as Chairman 1 January 2017
Mr A. Child, Chairman	resigned 31 December 2016
Deputy D. De Lisle	resigned 30 April 2016
Mr R. Waters	
Mr S. Keys	
Mr R. Evans	appointed 1 January 2017
Mr R. Nash	
Mr A. Tabel	

Auditors

The current auditor, Deloitte LLP, has reached the end of its 5 year appointment. The States of Guernsey is currently undertaking a tender process for the new auditor appointment.

States’ Trading Supervisory Board
Guernsey Dairy

Statement of Responsibilities for the Preparation of Financial Statements

The States' Trading Supervisory Board 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 Board 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 States' Trading Supervisory Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time Guernsey Dairy financial position. The Board is also responsible for safeguarding Guernsey Dairy assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

States' Trading Supervisory Board
Guernsey Dairy

Statement of Internal Financial Controls and Going Concern

It is the responsibility of the States' Trading Supervisory Board to identify and install a system of internal controls, including financial controls, which is adequate for its own purposes and to safeguard the assets of the States of Guernsey in its care, and hence for taking reasonable steps for the prevention of fraud and other irregularities.

The States' Trading Supervisory Board 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 States' Trading Supervisory Board, to ensure that all Board Members are informed of Guernsey Dairy financial affairs.
- Client invoices are subjected to a range of pre-determined computerised integrity checks prior to dispatch in order to ensure accuracy.
- The control of materials and stores purchases are managed using Guernsey Dairy's stores database programme 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, 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.

The States' Trading Supervisory Board 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 are produced on a going concern basis. The Policy & Resources Committee (formerly Treasury and Resources Department), in conjunction with Guernsey Dairy and Principal Officers, monitors and projects the States of Guernsey income and expenditure and confirms the appropriateness of this basis.

The States' Trading Supervisory Board and Principal Officers have reviewed the cash flows and projected income and expenses over the next twelve months, prepared by management, and deem that Guernsey Dairy has adequate financial resources to meet its obligations as they fall due. The Board therefore believe that Guernsey Dairy is a going concern for at least twelve months from the approval of the financial statements.

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

We have audited the financial statements of the States of Guernsey-States' Trading Supervisory Board-Guernsey Dairy ("the Business Unit") for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity, and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom General Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the members of the States of Guernsey - States' Trading Supervisory Board ("the Board"), as a body, in accordance with the terms of our engagement letter dated 29 January 2013. Our audit work has been undertaken so that we might state to the Board 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 Board as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As explained more fully in the Statement of responsibilities for the preparation of financial statements, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of; whether the accounting policies are appropriate to the Business Unit's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Business Unit's affairs as at 31 December 2016 and of its deficit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP
Chartered Accountants, St. Peter Port, Guernsey
18 May 2017

States' Trading Supervisory Board
Guernsey Dairy

Statement of Comprehensive Income
for the year ended 31 December 2016

	Notes	2016 £	2015 £
Revenue	2 & 4		
Liquid milk		**5,886,132**	5,657,361
Dairy products		**1,548,736**	1,552,073
Sundry income		**19,161**	34,741
		7,454,029	7,244,175
Expenses	2 & 4		
Cost of sales		**5,765,071**	5,309,403
Administration expenses		**2,426,438**	1,628,124
		8,191,509	6,937,527
Operating (deficit)/ surplus before depreciation and loss on disposal of fixed assets		**(737,480)**	306,648
Depreciation	8	**(221,050)**	(204,121)
Gain on disposal of fixed assets		**-**	500
Operating (deficit)/surplus for the year		**(958,530)**	103,027
Investment return and net interest receivable	5	**167,369**	29,925
(Deficit)/surplus for the financial year		**(791,161)**	132,952

All material activities derive from continuing operations.

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

Notes 1 to 19 form an integral part of these financial statements.

States’ Trading Supervisory Board
Guernsey Dairy

Statement of Financial Position
as at 31 December 2016

	Notes	2016	2015
		£	£
Non-current assets			
Tangible fixed assets	8	**2,322,935**	1,993,845
Current assets			
Inventories	9	**635,309**	616,832
Debtors and prepayments	10	**934,414**	746,803
Balances with States Treasury		**1,548,710**	2,905,598
Cash at bank and in hand		**252,597**	74,447
		3,371,030	4,343,680
Creditors: amounts falling due within one year	11	**(648,106)**	(500,505)
Net current assets		**2,722,924**	3,843,175
Total net assets		**5,045,859**	**5,837,020**
Reserves	12	**5,045,859**	5,837,020

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

Deputy C. Parkinson 18 May 2017

President

Signed on behalf of the States of Guernsey Trading Assets

Mr S. Elliott 18 May 2017

Managing Director

Notes 1 to 19 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 2016

	Notes	2016 £	2015 £
At 1 January		**5,837,020**	5,704,068
(Deficit)/surplus for the financial year		**(791,161)**	132,952
At 31 December	12	**5,045,859**	5,837,020

Notes 1 to 19 form an integral part of these financial statements.

States' Trading Supervisory Board
Guernsey Dairy

Statement of Cash Flows
for the year ended 31 December 2016

	Notes	**2016**	2015
		£	£
Net cash flows from operating activities	13	**(795,967)**	302,814
Cash flows from investing activities			
Proceeds from sale of fixed assets		**-**	500
Purchase of fixed assets	8	**(550,140)**	(198,499)
Investment return and interest received		**167,369**	29,925
Net cash flows used in investing activities		**(382,771)**	(168,074)
Net (decrease)/increase in cash and cash equivalents		**(1,178,738)**	134,740
Cash and cash equivalents at the beginning of the year		**2,980,045**	2,845,305
Cash and cash equivalents at the end of the year		**1,801,307**	2,980,045
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		**252,597**	74,447
Balances with States Treasury		**1,548,710**	2,905,598
Cash and cash equivalents		**1,801,307**	2,980,045

Notes 1 to 19 form an integral part of these financial statements.

Notes to the Financial Statements

1. General information

The management, operation and maintenance of Guernsey Dairy is the responsibility of the States of Guernsey - States' Trading Supervisory Board. The nature of Guernsey Dairy's operations and principal activities are set out in the Statement of Activities and Performance.

Guernsey Dairy's principal place of business is Bailiff's Cross, St Andrews, 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.

Going Concern

The financial statements are produced on a going concern basis. The Policy & Resources Committee (formerly Treasury and Resources Department), in conjunction with Guernsey Dairy and Principal Officers, monitors and projects the States of Guernsey income and expenditure and confirms the appropriateness of this basis.

The States' Trading Supervisory Board and Principal Officers have reviewed the cash flows and projected income and expenses over the next twelve months, prepared by management, and deem that Guernsey Dairy has adequate financial resources to meet its obligations as they fall due. The Board therefore believe that Guernsey Dairy is a going concern for at least twelve months from the approval of the financial statements

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
Buildings	10 – 50	2% - 10%
Plant and machinery	5 – 20	5% - 33.3%
Motor vehicles	5 – 20	5% - 20%
Information technology	3 – 5	20% - 33.3%

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 each Statement of financial position date. 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. Cost is calculated using the FIFO (first-in, first-out method). Provision is made for obsolete and slow-moving items where appropriate.

Basic financial instruments

i) Trade and other debtors

Trade and other 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 general provision for all amounts exceeding 90 days.

ii) Trade and other creditors

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

iii) 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 of Guernsey 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 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.

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 Dairy transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Dairy, 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.

Notes to the Financial Statements - continued

2. Principal accounting policies – continued

Pension costs

Pension costs are treated as described in note 15 Employee benefits.

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.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the 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 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 Dairy's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

i) Depreciation rates

Guernsey Dairy's assets are depreciated based on management's previous experience of the usage and expected life of the assets within the business.

States' Trading Supervisory Board
Guernsey Dairy

Notes to the Financial Statements - continued

4. Revenue and expenses

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

	2016	2015
	£	£
Bailiwick of Guernsey	**7,130,132**	6,928,339
UK	**263,777**	246,756
Holland	**60,120**	69,080
	7,454,029	7,244,175

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

	2016	2015
	£	£
Milk	**5,861,658**	5,631,468
Organic milk	**24,474**	25,893
Butter	**977,975**	979,616
Cheese	**160,889**	168,573
Cream	**272,381**	275,610
Ice-cream	**177,469**	148,820
Promotional discounts allowed	**(39,978)**	(20,546)
Carton advertising	**-**	12,800
Other income	**19,161**	21,941
	7,454,029	7,244,175

An analysis of Guernsey Dairy's expenses is set out below

Cost of sales		
Production wages	**951,311**	883,563
Milk	**3,963,928**	3,804,927
Milk - working loss	**152,072**	111,197
Dairy product ingredients	**37,431**	49,176
Packaging materials	**576,495**	388,520
Freight	**83,834**	72,020
	5,765,071	5,309,403
Administration expenses		
Advertising and promotion	**57,926**	88,650
Cleaning materials	**59,356**	64,279
Fuel, light, power, water, rates	**308,853**	287,511
General administration costs	**72,251**	45,729
Laboratory materials and equipment	**93,107**	99,063
Motor vehicles	**15,457**	25,739
Professional fees	**317,040**	184,924
Provision for bad debts	**(11,071)**	(615)
Repairs, maintenance and insurance	**187,090**	180,571
Salaries	**519,745**	612,158
Other expenses	**806,684**	40,115
	2,426,438	1,628,124

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 its meeting on 8 March 2016, that Guernsey Dairy would make ex-gratia payments not exceeding £750,000 in total all of which has been included as part of "Other expenses". £80,000 remains unpaid at 31 December 2016 and is included in accruals.

Notes to the Financial Statements - continued

5. Investment return and net interest receivable

	2016	2015
	£	£
Investment return	**167,146**	29,785
Interest receivable and similar income	**223**	140
	167,369	29,925

6. (Deficit)/surplus for the financial year

(Deficit)/surplus is stated after charging/(crediting):

	Note	2016	2015
		£	£
Auditor's remuneration		**18,230**	18,230
Depreciation of tangible fixed assets	8	**221,050**	204,121
Gain on disposal of fixed assets		**-**	(500)
Ex-gratia payments	4	**750,000**	-
		989,280	221,851

7. Staff numbers and costs

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

	2016	2015
	£	£
Production staff	**29**	23
Administration staff	**7**	8
	36	31

Their aggregate remuneration comprised:

	Note	2016	2015
		£	£
Wages and salaries		**1,252,840**	1,284,783
Social security costs		**80,622**	78,482
Other pension costs	15	**137,594**	132,456
		1,471,056	1,495,721

Other pension costs include only those items within production costs and administration expenses.

States' Trading Supervisory Board
Guernsey Dairy

Notes to the Financial Statements - continued

8. Tangible fixed assets

	1 January 2016 £	Additions £	Write offs/ Disposal £	**31 December 2016 £**
Cost				
Buildings	1,670,221	-	-	**1,670,221**
Plant & equipment	3,835,621	549,208	-	**4,384,829**
Motor vehicles	283,858	-	-	**283,858**
Information technology	36,282	932	-	**37,214**
	5,825,982	550,140	-	**6,376,122**
Depreciation				
Buildings	886,690	42,584	-	**929,274**
Plant & equipment	2,681,328	153,252	-	**2,834,580**
Motor vehicles	246,317	14,798	-	**261,115**
Information technology	17,802	10,416	-	**28,218**
	3,832,137	221,050	-	**4,053,187**
Net Book Value	1,993,845			**2,322,935**

9. Inventories

	2016 £	2015 £
Milk and dairy products	**353,582**	367,666
Packaging materials	**215,377**	183,634
Other inventories	**66,350**	65,532
	635,309	616,832

10. Debtors and prepayments

	2016 £	2015 £
Trade debtors	**615,880**	635,357
Accrued income	**285,886**	98,002
Other debtors and prepayments	**32,648**	13,444
	934,414	746,803

Notes to the Financial Statements - continued

11. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	**478,874**	465,782
Accruals (see note 4)	**169,232**	34,723
	648,106	500,505

2016 accruals includes £80,000 of unpaid Ex-gratia payments.

12. Reserves

	Development & Continuity Reserve £	Revenue Account £	Total £
Balance at 1 January 2016	**1,450,000**	**4,387,020**	**5,837,020**
Deficit for financial year	-	(791,161)	(791,161)
Balance at 31 December 2016	**1,450,000**	**3,595,859**	**5,045,859**

The Development and Continuity Reserve was created in 2015 to set aside funds for future major capital plant and equipment replacements and enhancements to ensure the continued efficiency for the supply of high quality dairy products.

13. Reconciliation of operating (deficit)/surplus to net cash flows from operating activities

	2016 £	2015 £
Operating (deficit)/surplus for the year	**(958,530)**	103,027
Depreciation charges and loss on sale of tangible assets	**221,050**	204,121
Gain on sale of tangible assets	**-**	(500)
Increase in inventories	**(18,477)**	(161,117)
(Increase)/decrease in debtors	**(187,611)**	89,537
Increase in creditors due within one year	**147,601**	67,746
Net cash flows from operating activities	**(795,967)**	302,814

14. Financial commitments

Guernsey Dairy has no financial commitments as at 31 December 2016 (2015 - nil) which are not provided for in the financial statements.

Notes to the Financial Statements - continued

15. 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 (currently £87,434) 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 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 triennial valuations.

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £137,594 (2015: £132,456).

Further details relating to the funding of the Superannuation Scheme are included within The States of Guernsey Accounts 2016.

16. Subsequent events

Management know of no events subsequent to the year-end that would materially affect the financial statements.

17. Related party transactions

The States' Trading Supervisory Board 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 the Dairy Management Board is a milk supplier contracted at "arm's length" on the same terms as other milk suppliers.

The total direct remuneration for key management personnel in 2016 (including salaries and other benefits) was £91,340 (2015: £87,341)

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".

States' Trading Supervisory Board member Mr S. Falla MBE 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, as under normal rules, would excuse himself from any Board or other meetings and has not participated in any discussions or voting regarding awarding any contracts leading to these transactions.

Notes to the Financial Statements - continued

18. 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 States' Trading Supervisory Board appointed by the States of Guernsey.

19. Off balance-sheet arrangements

There are no commitments or contingent liabilities relating to 2016 which would affect these financial statements (2015: None).

States' Trading Supervisory Board
States Works

Statement of Activities and Performance

for the year ended 31 December 2016

During the financial year ended 31 December 2016, responsibility for States Works fell initially within the mandate of the Public Services Department until 30 April 2016 and then under new arrangements agreed by the States of Guernsey for the organisation of States' affairs, responsibility for States Works was transferred to the mandate of the new States' Trading Supervisory Board ("the Board") with effect from 1 May 2016. All references in this document to the States' Trading Supervisory Board should be read as relating to the Public Services Department if prior to 1 May 2016.

Principal activities

States Works, a business unit of the States' Trading Supervisory Board, operates as a trading organisation which contracts mainly with States clients to deliver a wide range of services. Those services demand the effort of a predominantly manual labour force utilising specialist plant and equipment to maintain the public services of the Island.

Financial Highlights

	2016 Actual	2016 Budget	2015 Actual
	2016	2016	2015
	£'000	£'000	£'000
Income	15,171	15,035	15,548
Surplus	900	578	1,076
Capital Expenditure	1,049	1,805	1,611

The turnover for 2016 has decreased from 2015. This is due to a fall in reinstatement work undertaken by Highway Services, a reduction in sewage loads collected and a decrease in private work for the Land Management section.

The labour and direct materials expenditure has decreased from 2015 which is in line with the fall in operating income.

The capital expenditure is lower than budgeted for 2016 as vehicles and plant planned to be purchased this year are not expected until 2017.

On 12 September 2016, the States Trading Supervisory Board ratified a transfer of £0.5 million from States Works retained surpluses to the States of Guernsey General Revenue.

Operational Performance

Staffing Statistics	2016	2015
Number of staff members at year end	230	234
Income generated per employee	£65,962	£66,433
Full time equivalent employees	247	252
Emergency call-out		
Number of calls	113	89
Man hours worked	911	661

States' Trading Supervisory Board
States Works

Statement of Activities and Performance – continued

Public Services Department Board Members and Principal Officers up to 30 April 2016.

Board Members were:

Deputy S. Ogier, Minister
Deputy D. Duquemin, Deputy Minister
Deputy M. Dorey
Deputy P. Harwood
Deputy R. Jones

Board Members were the elected political representatives of the Public Services Department as voted by the States of Deliberation.

Principal Officers were:

Mr A. Lewis, Chief Officer, Public Services Department
Mr R. Evans, Head of Corporate Services, Public Services Department
Mr S. Gardiner, Finance Business Partner
Mr P. Lickley, General Manager, States Works
Mrs N. Nicholson, Senior Manager, Finance and Support Services, States Works
Mr N. Nicolle, Senior Manager, Technical, States Works
Mr M. Torode, Senior Manager, Operations, States Works

States' Trading and Supervisory Board Members and Principal Officers effective from 1 May 2016.

Board Members are:

Deputy D. Jones, President	elected 11 May 2016 (deceased, 5 July 2016)
Deputy C. Parkinson, President	elected 21 September 2016
Deputy J. Smithies	elected 18 May 2016
Mr S. Falla MBE	elected 21 September 2016
Mr J. Hollis	elected 21 September 2016

The constitution of the States Trading Supervisory Board provides that the membership of the Board shall be a President and one member who shall be members of the States and two members who shall not be members of the States. If and when the Board 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 are:

Mr S. Elliott, Managing Director, States of Guernsey Trading Assets
Mr R. Evans, Deputy Managing Director, States of Guernsey Trading Assets
Mr S. Gardiner, Finance Business Partner
Mr P. Lickley, General Manager, States Works
Mrs N. Nicholson, Senior Manager, Finance and Support Services, States Works
Mr N. Nicolle, Senior Manager, Technical, States Works
Mr M. Torode, Senior Manager, Operations, States Works

Auditors

The current auditor, Deloitte LLP, has reached the end of its 5 year appointment. The States of Guernsey is currently undertaking a tender process for the new auditor appointment.

States’ Trading Supervisory Board
States Works

Statement of Responsibilities for the Preparation of Financial Statements

The States' Trading Supervisory Board 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 of States Works for that period. 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;
- 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 States' Trading Supervisory Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time States Works financial position. The Board is also responsible for safeguarding States Works assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

States’ Trading Supervisory Board
States Works

Statement of Internal Financial Controls and Going Concern

It is the responsibility of the States' Trading Supervisory Board to identify and install a system of internal controls, including financial controls, which is adequate for its own purposes and to safeguard the assets of the States of Guernsey in its care, and hence for taking reasonable steps for the prevention of fraud and other irregularities.

The States’ Trading Supervisory Board 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 income and expenditure against that anticipated. All such detail is regularly reviewed at meetings of the States' Trading Supervisory Board, to ensure that all Board Members are informed of States Works financial affairs.
- Client invoices are subjected to a range of pre-determined computerised integrity checks prior to dispatch in order to ensure accuracy.
- 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.

The States' Trading Supervisory Board 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 are produced on a going concern basis. The Policy & Resources Committee (formerly Treasury and Resources Department), in conjunction with States Works and Principal Officers, monitors and projects the States of Guernsey income and expenditure and confirms the appropriateness of this basis.

The States’ Trading Supervisory Board and Principal Officers have reviewed the cash flows and projected income and expenses over the next twelve months, prepared by management, and deem that States Works has adequate financial resources to meet its obligations as they fall due. The Board therefore believe that States Works is a going concern for at least twelve months from the approval of the financial statements.

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

We have audited the financial statements of the States of Guernsey - States' Trading Supervisory Board – States Works ("the Business Unit") for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity, and the related Notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom General Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the members of the States of Guernsey - States' Trading Supervisory Board ("the Board"), as a body, in accordance with the terms of our engagement letter dated 29 January 2013. Our audit work has been undertaken so that we might state to the Board 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 Board as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As explained more fully in the Statement of Responsibilities for the Preparation of Financial Statements, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of; whether the accounting policies are appropriate to The Business Units circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Business units affairs as at 31 December 2016 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP

Chartered Accountants, St. Peter Port, Guernsey
18 May 2017

States' Trading Supervisory Board
States Works

Statement of Comprehensive Income
for the year ended 31 December 2016

	Notes	**2016** £	2015 £
Revenue	4	**15,163,198**	15,531,083
Expenses			
Operating expenses	4	**11,341,142**	11,704,422
Administration and general expenses	4	**2,153,766**	1,936,352
		13,494,908	13,640,774
Operating surplus before depreciation and surplus on disposal of fixed assets		**1,668,290**	1,890,309
Depreciation	7	**(959,679)**	(891,219)
Gain on disposal of fixed assets	6	**8,011**	17,201
Operating surplus for the year		**716,622**	1,016,291
Investment return	5	**183,548**	60,000
Surplus for the financial year		**900,170**	1,076,291

All material activities derive from continuing operations.

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

Notes 1 to 19 form an integral part of these financial statements.

States' Trading Supervisory Board
States Works

Statement of Financial Position
as at 31 December 2016

	Notes	**2016**	2015
		£	£
Non-current assets			
Tangible fixed assets	7	**5,774,783**	5,718,503
Investment property	8	**500,000**	500,000
		6,274,783	6,218,503
Current assets			
Inventories and work in progress	9	**387,856**	384,041
Debtors and prepayments	10	**1,070,554**	1,174,657
Balances with States Treasury		**3,654,364**	3,247,800
		5,112,774	4,806,498
Creditors: amounts falling due within one year	11	**567,118**	578,271
Net current assets		**4,545,656**	4,228,227
Total net assets		**10,820,439**	10,446,730
Reserves	12	**10,820,439**	10,446,730

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

Deputy C. Parkinson 18 May 2017

President

Signed on behalf of the States of Guernsey Trading Assets

Mr S. Elliott 18 May 2017

Managing Director

Notes 1 to 19 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 2016

	Notes	**2016**	2015
		£	£
At 1 January		**10,446,730**	10,414,381
Surplus for the financial year		**900,170**	1,076,291
Transfer to States of Guernsey General Revenue		**(500,000)**	(1,000,000)
Write down of assets		**(26,461)**	(43,942)
At 31 December	12	**10,820,439**	10,446,730

Notes 1 to 19 form an integral part of these financial statements.

States' Trading Supervisory Board
States Works

Statement of Cash Flows
for the year ended 31 December 2016

	Notes	**2016**	2015
		£	£
Net cash flows from operating activities	13	**1,697,425**	2,216,567
Cash flows from investing activities			
Proceeds from sale of fixed assets		**14,881**	42,616
Purchase of fixed assets	7	**(1,049,290)**	(1,610,932)
Investment return received		**243,548**	-
Net cash flows used in investing activities		**(790,861)**	(1,568,316)
Cash flows used in financing activities			
Contribution to States of Guernsey General Revenue	12	**(500,000)**	(1,000,000)
Net cash flows used in financing activities		**(500,000)**	(1,000,000)
Net increase/(decrease) in cash and cash equivalents		**406,564**	(351,749)
Cash and cash equivalents at the beginning of the year		**3,247,800**	3,599,549
Cash and cash equivalents at the end of the year		**3,654,364**	3,247,800
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		**50**	50
Balances with States Treasury		**3,654,314**	3,247,750
Cash and cash equivalents		**3,654,364**	3,247,800

Notes 1 to 19 form an integral part of these financial statements.

Notes to the Financial Statements

1. General information

The management, operation and maintenance of States Works is the responsibility of the States of Guernsey - States' Trading Supervisory Board. The nature of States Works operations and principal activities are set out in the Statement of Activities and Performance.

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.

Going Concern

The financial statements are produced on a going concern basis. The Policy & Resources Committee (formerly Treasury and Resources Department), in conjunction with States Works and Principal Officers, monitors and projects the States of Guernsey income and expenditure and confirms the appropriateness of this basis.

The States’ Trading Supervisory Board and Principal Officers have reviewed the cash flows and projected income and expenses over the next twelve months, prepared by management, and deem that States Works has adequate financial resources to meet its obligations as they fall due. The Board therefore believe that States Works 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 its 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 month of the acquisition of an asset.

Notes to the Financial Statements - continued

2. Principal accounting policies - continued

	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	-	-

Impairment of assets (excluding inventories)

Assets, other than those measured at fair value, are assessed for indicators of impairment at each Statement of Financial Position date. 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. Cost is calculated at average value method. Provision is made for obsolete and slow-moving items where appropriate.

Work in progress

Work in progress is valued at cost.

Basic financial instruments

i) Trade and other debtors

Trade and other 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 general provision of £10,000.

ii) Trade and other creditors

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

iii) 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 of Guernsey 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 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.

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.

Pension costs

Pension costs are treated as described in Note 15 Employee benefits.

Investment return

Investment return on balances held with the States of Guernsey 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 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 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 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.

Notes to the Financial Statements - continued

4. Revenue and expenses

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

An analysis of States Works revenue and expenses, by class of business, is set out below:

	2016	2015
	£	£
Revenue		
Building maintenance	**95,664**	105,232
Cleansing services	**2,196,164**	2,078,789
Drainage	**335,396**	313,812
Electrical and mechanical	**1,336,854**	1,239,878
Emergency services	**118,079**	103,060
Fleet Hire	**74,887**	42,092
Fleet maintenance	**631,372**	660,317
Highway repair	**1,393,226**	1,743,661
Land management	**2,102,656**	2,218,774
Landfill and recycling	**3,270,151**	3,278,331
Management services	**214,400**	222,315
Sewage collection	**2,352,329**	2,401,140
Signs and lines	**444,144**	432,344
Administration and stores	**597,876**	691,338
	15,163,198	15,531,083
Operating Expenses		
Direct labour	**6,801,705**	6,929,351
Direct materials	**3,846,487**	4,039,332
Vehicles – fuel costs	**289,768**	291,339
Plant and tools – maintenance and replacements	**98,942**	160,816
Building maintenance and charges	**304,240**	283,584
	11,341,142	11,704,422
Administration and general expenses		
Salaries, wages and employer's superannuation	**1,542,641**	1,433,708
Travel and training charges	**123,873**	109,528
Post, stationery and telephone	**42,639**	40,101
Computer charges	**63,350**	83,917
Insurance	**109,767**	106,763
Audit fee	**15,804**	14,400
Sundry office expenses	**254,563**	141,785
Debt write off	**1,129**	6,150
	2,153,766	1,936,352
Total expenses	**13,494,908**	13,640,774

States' Trading Supervisory Board
States Works

Notes to the Financial Statements - continued

5. Investment return

	2016	2015
	£	£
Investment return	**183,548**	60,000
	183,548	60,000

6. Surplus for the financial year

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

	Note	2016	2015
		£	£
Depreciation of tangible fixed assets	7	**959,679**	891,219
Gain on disposal of fixed assets		**(8,011)**	(17,201)
Auditor's remuneration		**15,804**	14,400
		967,472	888,418

7. Tangible fixed assets

	1 January 2016	Additions	Reduction of cost of transferred assets	Write offs/ Disposal	**31 December 2016**
	£	£	£	£	**£**
Cost					
Land	649,220	-	-	-	**649,220**
Buildings & fittings	3,960,211	33,708	-	-	**3,993,919**
Plant & equipment	1,543,934	120,897	-	(51,218)	**1,613,613**
Motor vehicles	6,222,960	890,783	(26,461)	(230,051)	**6,857,231**
Office equipment	234,899	3,902	-	(33,327)	**205,474**
	12,611,224	1,049,290	(26,461)	(314,596)	**13,319,457**
Depreciation					
Land	-	-	-	-	**-**
Buildings & fittings	1,902,777	100,413	-	-	**2,003,190**
Plant & equipment	1,142,903	126,284	-	(44,348)	**1,224,839**
Motor vehicles	3,650,251	709,915	-	(230,051)	**4,130,115**
Office equipment	196,790	23,067	-	(33,327)	**186,530**
	6,892,721	959,679	-	(307,726)	**7,544,674**
Net Book Value	5,718,503				**5,774,783**

States' Trading Supervisory Board
States Works

Notes to the Financial Statements - continued

8. Investment Property

	1 January 2016 £	Additions/ Disposals £	Revaluations £	**31 December 2016 £**
Investment Property	500,000	-	-	**500,000**
	500,000	-	-	**500,000**

This investment property, which is freehold, was purchased on 1 January 2007. The fair value of this property at 31 December 2016 was based on a valuation undertaken by States Property Services, an independent valuer approved by RICS with recent experience in the location and class of the investment property being valued. The historic cost of this property was £625,000.

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:

	2016 £	2015 £
Within one year	**35,011**	36,856
	35,011	36,856

9. Inventories and work in progress

	2016 £	2015 £
Inventories	**245,315**	244,842
Work in progress	**142,541**	139,199
	387,856	384,041

10. Debtors and prepayments

	2016 £	2015 £
Trade debtors	**1,040,279**	1,036,662
Prepayments and other debtors	**30,275**	137,995
	1,070,554	1,174,657

Prepayments and other debtors includes zero interest receivable (2015:£60,000)

Notes to the Financial Statements - continued

11. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	**300,485**	433,325
Accruals	**266,633**	144,946
	567,118	578,271

12. Reserves

	Revenue reserve £	Asset transfer reserve £	Total £
Balance at 1 January 2016	**10,420,247**	**26,483**	**10,446,730**
Surplus for the financial year	900,170	-	900,170
Transfer to States of Guernsey General Revenue	(500,000)	-	(500,000)
Asset write down (Note 7)	-	(26,461)	(26,461)
Balance at 31 December 2016	**10,820,417**	**22**	**10,820,439**

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

	2016 £	2015 £
Operating surplus for the year	**716,622**	1,016,291
Depreciation charges and gain on sale of tangible assets	**951,668**	874,018
(Increase)/decrease in inventories and work in progress	**(3,815)**	72,811
Decrease in debtors	**44,103**	250,219
(Decrease)/increase in creditors due within one year	**(11,153)**	3,228
Net cash flows from operating activities	**1,697,425**	2,216,567

14. Financial Commitments

	2016 £	2015 £
Capital commitments at 31 December for which no provision has been made in these financial statements.	393,901	386,438
	393,901	386,438

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

Notes to the Financial Statements - continued

15. 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 (currently £87,434) 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 States Work'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 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 triennial valuations.

The total cost of employer contributions included within the statement of comprehensive income amounted to £831,958 (2015: £834,180).

Further details relating to the funding of the Superannuation Scheme are included within The States of Guernsey Accounts 2016.

16. Subsequent events

Management know of no events subsequent to the year end that would materially affect the financial statements.

Notes to the Financial Statements - continued

17. Related party transactions

The States' Trading Supervisory Board 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 89% (2015: 87%) and private 11% (2015: 13%) clients.

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

The total remuneration for key management personnel for the period totalled £321,792 (2015: £365,360). The key management personnel of States Works are the Senior Management Team.

Related party transactions between States Works 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".

States' Trading Supervisory Board member Mr S. Falla MBE 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, as under normal rules, would excuse himself from any Board or other meetings and has not participated in any discussions or voting regarding awarding any contracts leading to these transactions.

18. 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 States' Trading Supervisory Board appointed by the States of Guernsey.

19. Off balance-sheet arrangements

There are no commitments other than detailed in note 14 or contingent liabilities relating to 2016 which would affect these financial statements (2015: None).

PRINCIPAL OFFICERS

Committee *for* Employment & Social Security – Membership post General Election

Title	Name	Date Elected
President	Deputy M K Le Clerc	11 May 2016
Vice President* & Member	Deputy S L Langlois	18 May 2016 25 May 2016*
Member	Deputy J A B Gollop Deputy M J Fallaize Deputy E A Yerby	18 May 2016 18 May 2016 18 May 2016
Non-Voting Member	Mr M J Brown Mr A R Le Lièvre	3 June 2016 3 June 2016
Chief Secretary	Mr M Nutley	

Social Security Department – Membership prior to General Election

Title	Name	Date Ceased Office
Minister	Deputy A H Langlois	30 April 2016
Deputy Minister & Member	Deputy S A James MBE	30 April 2016
Member	Deputy J A B Gollop Deputy M K Le Clerc Deputy D A Inglis	30 April 2016 30 April 2016 30 April 2016
Non-Voting Member	Mr M J Brown	30 April 2016
Chief Officer	Mr M Nutley	

From 1 May 2016, the Contributory Funds are controlled by the Committee *for* Employment & Social Security which as a Principal Committee was constituted by resolutions of the States in 2015. 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.

Prior to 1 May 2016, the Contributory Funds were controlled by the Social Security Department as required by Law with the members of the Department being appointed by the States of Guernsey.

All references in this document to the Committee *for* Employment & Social Security should be read as relating to the Social Security Department if prior to 1 May 2016.

STATEMENT OF ACTIVITIES

ACTIVITIES DURING THE YEAR

2016 was a year of change for Social Security, with the general election of Deputies in April and the restructure of the government in May. The Social Security Department became the Committee *for* Employment & Social Security, which incorporates Employment Relations, Social Housing, the Health and Safety Executive, and Legal Aid within its mandate, in addition to Social Security business.

The Social Security Department appointed a new Investment Adviser, Redington, effective from 1 January 2016. This followed a competitive tendering process. The actuarial reviews of the Guernsey Insurance Fund, the Guernsey Health Service Fund, and the Long-term Care Insurance Fund for the five year period 2010 to 2014 inclusive, were completed by the UK Government Actuary's Department, which won the tender for the work. This is a statutory governance obligation. The reviews included 60 year projections out to 2075 for the Guernsey Insurance Fund and the Long-term Care Insurance Fund, and a 15 year projection, to 2030, for the Guernsey Health Service Fund. The reports were laid before the States in November 2016 as appendices to the Committee's Policy Letter on Benefit and Contribution Rates for 2017 (Billet d'État XXVII of 2016, Article 4).

In February 2016, the Social Security Department's Policy Letter (Billet III d'État of 2016, Volume III, Article 15) on the proposals for the implementation of a second pillar pension scheme for Guernsey and Alderney was approved by the States. This is intended to introduce a system of automatic enrolment into private pension saving for working age residents of Guernsey and Alderney from 2020. The Committee will return to the States in 2018 with detailed implementation proposals, including an economic impact assessment.

Also in February 2016, the States approved the proposals for the Supported Living and Ageing Well Strategy. This Policy Letter (Billet d'État III of 2016, Volume II, Article 14), among other things, directed the Committee to report back to the States in its annual Policy Letter on benefit and contribution rates with a recommendation to increase contributions by 0.5% on all classes except employers, in order to improve the sustainability of the Long-term Care Insurance Fund. The 0.5% increase was then proposed by the Committee (Billet d'État XXVII of 2016, Article 4), and approved by the States in November 2016. The increase took effect from 1 January 2017. In addition to the 0.5% contributions increase, an increase of 0.1% on both the employer and employee contribution also took effect from 1 January 2017. This increase was approved by the States in November 2015 (Billet d'État XVIII of 2015, Article 8), in order to fund improved parental benefits, which also came into force on 1 January 2017. These two changes to contribution rates are shown in the table below:

Class	Contribution	2017	2016
1	Employers	6.6%	6.5%
	Employees	6.6%	6.0%
	Combined	**13.2%**	**12.5%**
2	Self-employed persons	11%	10.5%
3	Non-employed persons (under pension age)	10.4%	9.9%
	Non-employed persons (over pension age)	3.4%	2.9%

The review of Secondary Healthcare provision continued, with the negotiations between the States and the Medical Specialist Group the main priority, as the contract comes to an end in December 2017. The States also approved a new law to allow same-sex marriages to take place in Guernsey, which will be enacted during 2017.

The Committee progressed with a number of ongoing projects throughout 2016, including Supporting Occupational Health and Wellbeing (SOHWELL), which focuses on early intervention to support people who may need extra help to stay in work, or get back to work more quickly. This aims to reduce the likelihood of incapacity benefits claims becoming prolonged long-term sickness claims. As a part of this work, the FitTogether campaign was launched in August 2016, which raises awareness of the very important relationship between work and health.

STATEMENT OF ACTIVITIES (CONTINUED)

ACTIVITIES DURING THE YEAR (CONTINUED)

Work also progressed on the Longer Working Lives project to investigate what can be done to enable people to remain in work later in life. This project was developed in response to two States Resolutions, one from the Personal Tax, Pensions and Benefits Review (Billet d'État IV of 2015), and the other from the report on Maintaining Guernsey's Working Population (Billet d'État XXIV of 2015).

The Increase in Pension Age project has also progressed during the year to ensure that the legislation and system changes required are in place for when the phased increase in pension age starts in 2020. In addition, Social Security staff have continued to work jointly with Income Tax staff on the Contributions and Tax Services project, to merge the Contributions and Income Tax collection systems in the future.

In November 2015, in the course of consideration of the Policy Letter on benefit and contribution rates for 2016 (Billet d'État XVIII of 2016, Article 8), an Amendment proposed by Deputy Fallaize was approved. This directed the Committee to investigate the options for introducing a scheme of medical insurance for Guernsey and Alderney residents who required medical treatment while they were travelling in the UK. The intention was that this would replace, on a unilateral basis, the Reciprocal Health Agreement that Guernsey had with the UK until 2009. Proposals on the details of the scheme will be reported to the States during 2017.

FUTURE ACTIVITIES

Following the November 2016 States Debate on the Policy and Resource Plan, the Committee was directed to prioritise its own policy work streams and projects and submit this to the Policy & Resources Committee for consideration by the States during 2017. This work will be ongoing during the early part of 2017.

Work has commenced on the Disability and Inclusion Strategy, which was transferred to the Committee's mandate during the restructure of government in 2016. A project team has been set up and a dedicated resource is working on the preparation of detailed policy proposals for consideration by the States.

As part of a States property rationalisation exercise, Housing staff and counter service staff from Sir Charles Frossard House and the Income Tax Office will relocate to Edward T Wheadon House during 2017. To accommodate the additional people, some building and refurbishment work and new IT provisions will be required during 2017.

During 2017, the Committee will be preparing for the Investors in People reaccreditation, which is due to take place in January 2018. The Continuous Improvement Team is working towards this reaccreditation, which takes on a different format to previous years.

In anticipation of the implementation of the EU General Data Protection Regulation during 2017, Guernsey is required to take steps to ensure compliance. In order to achieve this, Employment & Social Security staff are preparing data protection audit and review processes.

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 an operating deficit of £20.2m (2015: £17.3m deficit). A breakdown of the operating results is as follows:

- GIF: operating deficit of £22.2m (2015: £19.4m deficit).
- GHSF: operating surplus of £1.3m (2015: £1.4m surplus).
- LTCIF: operating surplus of £0.7m (2015: £0.7m surplus).

Total Reserves for the year increased by £74.8m (2015: £24.5m decrease). This increase comprised the operating deficit of £20.2m (2015: £17.2m deficit) and an increase from investing activities of £95.0m (2015: £7.3m decrease). The increase in Reserves is allocated as follows:

- GIF: +£54.4m (2015: -£25.3m) and comprised the operating deficit of £22.2m (2015: £19.4m deficit) and increase from investing activities of £76.6m (2015: £5.9m decrease);
- GHSF: +£13.3m (2015: +£0.5m) and comprised the operating surplus of £1.3m (2015: £1.4m surplus) and increase from investing activities of £12.0m (2015: £0.9m decrease); and
- LTCIF: +7.1m (2015: +£0.3m) and comprised the operating surplus of £0.7m (2015: £0.7m surplus) and increase from investing activities of £6.4m (2015: £0.4m decrease).

At the year-end total reserves stood at £910.5m (2015: £835.8m) and allocated as follows:

- GIF: £731.2m (2015: £676.8m) with expenditure cover 5.2 years (2015: 5.0 years);
- GHSF: £116.3m (2015: £103.1m) with expenditure cover 2.8 years (2015: 2.5 years); and
- LTCIF: £62.9m (2015: £55.8m) with expenditure cover 3.4 years (2015: 3.1 years).

Contribution income and states grant

Total contribution income increased by 2.1% to £160.4m (2015: 1.3% increase to £157.2m). The increase is mainly attributable to an increase of 2.2% (2015: 1.7% increase) in respect of employed persons. Contribution income from self-employed persons and non-employed persons increased by 0.2% (2015: 1.4% decrease) and 0.9% (2015: 2.5% decrease) respectively. Total States' grants, which are based on a fixed percentage of contributions, increased to £20.0m (2015: £19.6m).

Numbers of Contributors as at week 48	2016	2015	5-Year average
Employers	**2,386**	**2,431**	**2,423**
Employed	28,769	28,713	28,805
Self-Employed	3,124	3,195	3,230
Non-Employed	5,691	5,690	5,459
Total Contributors	**37,584**	**37,598**	**37,494**

The overall number of contributors, at week 48, decreased marginally to 37,584 (2015: 37,598). The number of employed increased by 0.2% (2015: -0.2%) while self-employed decreased by 2.2% (2015: -1.7%). Non-employed contributors increased slightly (2015: +2.1%). The largest economic sector remained the financial sector, which accounted for 22% (2015: 22%) of the employed population and represented 32% (2015: 32%) of the total income received from employers and employees.

STATEMENT OF PERFORMANCE (CONTINUED)

Contribution income and states grant (continued)

The contribution income from the contribution classes is allocated as follows:

- GIF: +1.9% to £102.0m (2015: +1.1% to £100.1m). The grant received from the States of Guernsey, being a fixed percentage of contributions (15%), increased to £15.3m (2015: £15.0m);

- GHSF: +2.1% to £39.0m (2015: +1.4% to £38.1m). The grant received from the States of Guernsey, being a fixed percentage of contributions (12%), increased to £4.7m (2015: £4.6m); and

- LTCIF: +2.6% to £19.4m (2015: +2.1% to £18.9m).

Benefit expenditure

Overall benefit expenditure increased by 3.4% to £193.9m (2015: +4.0% to £187.5m). The great majority of benefits are not discretionary and their entitlement is in accordance with law. The general rate of benefit was increased by 2.1%. The allocation between the Funds is as follows:

- GIF: +3.7% to £134.6m (2015: +3.7% to £129.8m);

- GHSF: +2.6% to £40.8m (2015: +7.1% to £39.8m); and

- LTCIF: +3.0% to £18.5m (2015: -0.1% to £17.9m).

Details of major areas of benefit expenditure follow:

GIF: Pension	2016	2015	5-Year Average
Number of claimants at the year-end	17,653	17,381	16,974
Number of approved claims during the year	1,006	956	1,062

Pension expenditure accounts for over 85% of the total benefit expenditure of GIF and for the year increased by 4.3% to £115.4m (2015: +4.3% to £110.7m). The single rate of old age pension and the addition in pension in respect of a dependant wife both increased by 2.1%.

GIF: Invalidity benefit	2016	2015	5-Year Average
Number of claimants at the year-end	851	856	860
Number of approved claims during the year	253	226	262

Invalidity benefit decreased slightly to £8.1m (2015: +2.5% £8.1m). The Department is working on a number of back-to-work initiatives to move more people off benefit into work, including the long-term sick and the number of active claims for the year decreased marginally and below the 5-year average.

GIF: Unemployment benefit	2016	2015	5-Year Average
Number of claimants at the year-end	183	213	216
Number of approved claims during the year	971	1,016	1,116

Unemployment benefit increased by 1.3% to £1.37m (2015: -3.2% to £1.36m). The Department continues to work on a number of back-to-work initiatives to move more people off benefit into work, including the unemployed. Both the number of active claims and approved claims for the year decreased marginally and were below the 5-year average.

STATEMENT OF PERFORMANCE (CONTINUED)

Benefit expenditure (continued)

GHSF: Specialist Health Insurance Scheme	2016	2015	5-Year Average
Medical specialist Group *full-time equivalent consultants (average)*	44.8	41.5	41.4
Guernsey Physiotherapy Group *full-time equivalent physiotherapists & assistants (average)*	36.1	35.3	33.3

Medical specialist expenditure increased by 3.9% to £17.7m (2015: +9.0% to £17.0m) with the contract price increasing by 0.7% based on the September 2015 RPI. During the year as the Ophthalmology Service was extended by a 0.5 full-time equivalent and an extra 1.0 FTE Paediatric Consultant appointed in November. A further one-off payment has been provided and comprises a partial reimbursement of locum costs and also for additional work carried out by MSG in support of the new contract.

The Physiotherapy contract is provided by the Guernsey Therapy Group. For the year, expenditure increased by 0.6% to £2.2m (2015: +7.3% to £2.2m) with the contract price decreasing by 0.5%, based on the September 2015 RPIX of 0.5% less 1%.

The Alderney contract increased significantly to £164k (2015: £83k). While negotiations continue with Alderney Doctors regarding additional support there has been a temporary increase in the contract price of £12,500 per month.

GHSF: Drugs and medicines	2016	2015	5-Year Average
Total prescriptions	1,526,712	1,531,602	1,511,393
Average basic cost per item	£8.99	£8.63	£8.58

For the year, total expenditure in respect of drugs and medicines increased by 1.8% to £16.3m (2015: +7.8% to £16.0m).

Following an unprecedented level of cost containment in recent years, the basic drug costs increased by 4.2% to £8.99 (Dec-15: £8.63) which, in part, is due to an increase in the price of UK generic drugs and also the increased use of very high cost, low volume, treatments. However, new drugs to the White List continue to be well controlled and the number of items dispensed decreased marginally compared to the same period last year.

LTCIF: Residential Home Care grant	2016	2015	5-Year Average
Number of claimants at year-end - Permanent	262	252	263
Number of claimants at year-end - Permanent with EMI	98	97	98
Total	**360**	**349**	**361**
12-month rolling average	347	352	n/a

Residential Home Care benefit expenditure decreased marginally to £8.62m (2015: -3.5% to £8.65m). Although the number of active claims at the year-end is higher than last year this is just a weekly snapshot. More telling is the 12-month rolling average which decreased by 1.4% with the general rate of benefit increasing by 2.1%.

LTCIF: Nursing Home Care grant	2016	2015	5-Year Average
Number of claimants at the year-end	227	227	220
12-month rolling average	230	220	n/a

STATEMENT OF PERFORMANCE (CONTINUED)

Nursing Home Care benefit expenditure increased by 6.1% to £9.8m (2015: +3.3% to £9.3m). The increase is due mainly to increased demand with the general rate of benefit increasing by 2.1%. Although the number of active claims at the year-end is similar to last year, the 12-month rolling average is up 4.4%.

Administration

Total administration expenditure increased by 2.4% to £8.7m (2015: +9.7% to £8.51m) with the recharge of administrative expenditure to Non Contributory Services (NCS) decreasing by 2.6% to £2.09m (2015: -0.6% to 2.15m). Overall staffing costs decreased by 0.8% to £5.74m (2014: +4.9% to 5.79m). The decrease is a result of the finance function being centralised with the Policy and Resource committee in 2016 with staffing costs of £299k being recharged to the contributory funds under Policy & Resources Committee charges not under salaries and pension costs. The decrease was partially offset by increasing staffing levels associated with invest to save projects and reducing risk.

The average number of full-time equivalent staff including overtime, additional hours and miscellaneous duties paid to permanent and temporary staff was 131.2 (2015: 131.0). The number of full-time equivalent staff allocated to the Contributory Funds and Non Contributory Services (General Revenue) was 92.5 and 38.7 respectively.

The allocation of administration costs between the Funds is as follows:

- GIF: +5.2% to £4.48m (2015: +5.2% to £4.48m);
- GHSF: -2.5% to £1.54m (2015: +27.7% to 1.58m); and
- LTCIF: +0.0% at £0.30m (2015: +0.0% to 0.30m).

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 2016 had a market value of £881.2m (2015: £807.3m).

As the Guernsey Insurance Fund is currently running an operating deficit, £23m (2015: £15m) 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	**2016**		**2015**	
At Year-end	**£m**	**%**	**£m**	**%**
Guernsey Insurance Fund	708	80.3%	654	81.0%
Guernsey Health Service Fund	112	12.8%	99	12.3%
Long-term Care Insurance Fund	61	6.9%	54	6.7%
Total	**881**	**100.0%**	**807**	**100.0%**

The Department has continued to diversify its investment portfolio to maximise returns for a reduced risk. The performance of the Common Investment Fund 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 ***	**% RPI Guernsey Average Annual Change**
1-Year	12.1%	5.0%	1.5%
3-Year	4.8%	4.6%	1.1%
5-Year	6.5%	5.2%	1.7%

**The Target Return is Guernsey RPIX +3.5%.*

STATEMENT OF PERFORMANCE (CONTINUED)

KEY STATISTICS

	Contribution Rates - Annual Earnings/Income limits	2016 £	2015 £	2014 £	2013 £	2012 £
Class 1	*Employed*					
	Upper earnings limit - employer	137,592	135,252	132,444	129,792	125,268
	Upper earnings limit - employee	137,592	135,252	132,444	119,340	105,144
	Lower earnings limit	6,916	6,812	6,656	6,500	6,292
Class 2	*Self-employed*					
	Maximum earnings	137,592	135,252	132,444	119,340	105,144
	Minimum earnings	6,916	6,812	6,656	6,500	6,292
Class 3	*Non-employed*					
	Maximum income	137,592	135,252	132,444	119,340	105,144
	Minimum income	17,290	17,030	16,640	16,250	15,730
	Allowance	7,336	7,223	7,059	6,895	6,675

	Contribution Rates – Contributory Funds	2016 %	2015 %	2014 %	2013 %	2012 %
Class 1	*Employer*					
	Guernsey Insurance Fund	4.9	4.9	4.9	4.9	4.9
	Guernsey Health Service Fund	1.6	1.6	1.6	1.6	1.6
	Long-term Care Insurance Fund	-	-	-	-	-
		6.5	**6.5**	**6.5**	**6.5**	**6.5**
	Employee					
	Guernsey Insurance Fund	3.4	3.4	3.4	3.4	3.4
	Guernsey Health Service Fund	1.3	1.3	1.3	1.3	1.3
	Long-term Care Insurance Fund	1.3	1.3	1.3	1.3	1.3
		6.0	**6.0**	**6.0**	**6.0**	**6.0**
	Combined					
	Guernsey Insurance Fund	8.3	8.3	8.3	8.3	8.3
	Guernsey Health Service Fund	2.9	2.9	2.9	2.9	2.9
	Long-term Care Insurance Fund	1.3	1.3	1.3	1.3	1.3
		12.5	**12.5**	**12.5**	**12.5**	**12.5**
Class 2	*Self-employed*					
	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	1.3	1.3	1.3	1.3	1.3
		10.5	**10.5**	**10.5**	**10.5**	**10.5**
Class 3	*Non-employed (under 65)*					
	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	1.4	1.4	1.4	1.4	1.4
		9.9	**9.9**	**9.9**	**9.9**	**9.9**
	Non-employed (over 65)					
	Guernsey Insurance Fund	-	-	-	-	-
	Guernsey Health Service Fund	1.3	1.3	1.3	1.3	1.3
	Long-term Care Insurance Fund	1.6	1.6	1.6	1.6	1.6
		2.9	**2.9**	**2.9**	**2.9**	**2.9**

STATEMENT OF PERFORMANCE (CONTINUED)

Key Statistics (continued)

Number of contributors (as at week 48)	2016	2015	2014	2013	2012
Employers	**2,386**	**2,431**	**2,435**	**2,432**	**2,430**
Employed	28,769	28,713	28,771	28,827	28,947
Self-employed	3,124	3,195	3,251	3,280	3,302
Non-employed	5,691	5,690	5,574	5,324	5,014
Total Contributors	**37,584**	**37,598**	**37,596**	**37,431**	**37,263**

Contributory Funds - General Revenue Grants - % of contributions	2016 %	2015 %	2014 %	2013 %	2012 %
Guernsey Insurance Fund	15%	15%	15%	15%	15%
Guernsey Health Service Fund	12%	12%	12%	12%	12%
	£m	**£m**	**£m**	**£m**	**£m**
Guernsey Insurance Fund	15.3	15.0	14.9	14.4	14.2
Guernsey Health Service Fund	4.7	4.6	4.5	4.4	4.3
Total	**20.0**	**19.6**	**19.4**	**18.8**	**18.5**

GIF: Number of claimants at the year-end	2016	2015	2014	2013	2012
Pension	17,653	17,381	17,072	16,575	16,188
Invalidity Benefit	851	856	872	865	856
Sickness Benefit	388	418	440	320	372
Bereavement Benefits	208	188	205	227	239
Unemployment Benefit	183	213	179	217	288
Industrial Disablement Benefit	170	185	192	204	209
Industrial Injury Benefit	11	13	15	14	14
Maternity Allowance	119	129	125	142	135
Total	**19,583**	**19,383**	**19,100**	**18,564**	**18,301**

GIF: No. of approved claims during the year	2016	2015	2014	2013	2012
Sickness Benefit	10,358	10,177	10,042	10,533	11,082
Pension	1,006	956	1,110	1,070	1,166
Unemployment Benefit	971	1,016	1,088	1,175	1,331
Industrial Medical Benefit	762	900	1,124	957	1,068
Travel Allowance Grant	875	1,014	1,026	983	1,091
Maternity Allowance	531	521	521	557	534
Death Grant	645	570	510	514	541
Industrial Injury Benefit	455	499	603	557	546
Bereavement Benefits	347	281	280	311	304
Invalidity Benefit	253	226	271	284	275
Maternity Grant	73	70	61	83	92
Industrial Disablement Benefit	6	7	3	9	6
Total	**16,282**	**16,237**	**16,639**	**17,033**	**18,036**

STATEMENT OF PERFORMANCE (CONTINUED)

Key Statistics (continued)

GHSF: Drugs & medicines	2016	2015	2014	2013	2012
Ordinary prescriptions	552,606	562,306	571,524	555,296	574,724
% change	-1.7%	-1.6%	+2.92%	-3.38%	-2.63%
Exempt prescriptions	974,106	969,296	957,767	927,223	912,119
% change	+0.5%	+1.2%	+3.29%	+1.66%	+4.44%
Total prescriptions	1,526,712	1,531,602	1,529,291	1,482,519	1,486,843
% change	-0.3%	+0.2%	+3.15%	-0.29%	+1.59%
Average basic cost	£8.99	£8.63	£8.29	£8.40	£8.60
% change	+4.2%	+5.4%	-2.50%	-2.33%	-8.32%
Ordinary prescriptions as a % of total	36.2%	36.7%	37.4%	37.5%	38.7%
Exempt prescriptions as a % of total	63.8%	63.3%	62.6%	62.5%	61.3%

GHSF: Consultation grants	2016	2015	2014	2013	2012
Doctors	241,749	243,500	254,747	250,998	263,568
Nurses	77,360	78,833	81,531	79,527	80,649
Total	**319,109**	**322,333**	**336,278**	**330,525**	**344,217**
% change	-1.00%	-4.15%	+1.74%	-3.98%	0.94%

LTCIF: Number of claimants at year-end	2016	2015	2014	2013	2012
Residential grant-permanent	360	349	365	372	357
Nursing grant-permanent	227	227	220	210	210
TOTAL	**587**	**576**	**585**	**582**	**567**

STATEMENT OF PERFORMANCE (CONTINUED)

GIF: 5-Year Financial Performance	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Income	117.3	115.1	113.9	110.9	109.1
Expenditure	(139.4)	(134.5)	(129.5)	(125.5)	(119.1)
Operating deficit	(22.1)	(19.4)	(15.6)	(14.6)	(10.0)
Investing activities	76.5	(5.9)	25.4	54.7	50.8
Net surplus/(deficit) during the year	**54.4**	**(25.3)**	**9.8**	**40.1**	**40.8**
Net assets of the Fund at 1 January	676.8	702.1	692.3	652.2	611.4
Net assets of the Fund at 31 December	**731.2**	**676.8**	**702.1**	**692.3**	**652.2**
Expenditure cover in number of years	5.2	5.0	5.4	5.5	5.5

GHSF: 5-Year Financial Performance	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Income	43.6	42.7	42.2	40.9	40.1
Expenditure	(42.3)	(41.3)	(38.4)	(36.0)	(35.8)
Operating Surplus	1.3	1.4	3.8	4.9	4.3
Investing activities	12.0	(0.9)	3.6	7.3	6.5
Net surplus during the year	**13.3**	**0.5**	**7.4**	**12.2**	**10.8**
Net assets at 1 January	103.1	102.6	95.2	83.0	72.2
Net assets at 31 December	**116.4**	**103.1**	**102.6**	**95.2**	**83.0**
Expenditure cover in number of years	2.8	2.5	2.7	2.6	2.3

LTCIF: 5-Year Financial Performance	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Income	19.4	18.9	18.5	18.1	17.6
Expenditure	(18.7)	(18.2)	(18.2)	(17.4)	(16.8)
Operating Surplus	0.7	0.7	0.3	0.7	0.8
Investing activities	6.4	(0.5)	2.0	4.2	3.9
Net surplus/(deficit) during the year	**7.1**	**0.2**	**2.3**	**4.9**	**4.7**
Net assets at 1 January	55.8	55.6	53.3	48.4	43.7
Net assets at 31 December	**62.9**	**55.8**	**55.6**	**53.3**	**48.4**
Expenditure cover in number of years	3.4	3.1	3.1	3.1	2.9

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 and deem that each of the Contributory Funds have adequate financial resources 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 business plan; and
    - the quarterly management accounts;
- 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 the auditor appointed by the States of Guernsey.

The current auditor, Deloitte LLP, has reached the end of its five year appointment. The States of Guernsey is currently undertaking a tender process for the new auditor appointment.

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

We have audited the financial statements of the States of Guernsey – Consolidated Contributory Funds ("the Fund") for the year ended 31 December 2016 which comprise the Consolidated fund account, the consolidated balance sheet, consolidated Statement of cash flows and the related notes 1 to 18. These financial statements have been prepared in accordance with the accounting policies stated in Note 1.

This report is made solely to the members of the States of Guernsey – Committee *for* Employment & Social Security ("the Committee") as a body, 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. Our audit work has been undertaken so that we might state to the Committee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Committee, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Committee and auditor
As explained more fully in the Statement of Responsibilities of the Committee *for* Employment & Social Security, the Committee is responsible for the preparation of the financial statements and for being satisfied that they are properly prepared in accordance with the accounting policies. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implication for our report.

Opinion on financial statements
In our opinion the financial statements:
- have been properly prepared in accordance with the accounting policies set out in Note 1; and
- have been prepared in accordance with the 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.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where our engagement letter requires us to report to you if, in our opinion:
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP
Chartered Accountants
St Peter Port, Guernsey
24 May 2017

CONSOLIDATED FUND ACCOUNT	Note	2016 £'000s	2015 £'000s
Income			
Contributions	1(b),2	160,432	157,203
States grant	1(b)	19,981	19,595
		180,413	**176,798**
Expenditure			
Benefits payable	1(c),3,4,5,6	193,903	187,489
Administration	7	6,616	6,357
		200,519	**193,846**
Operating deficit before depreciation charge		(20,106)	(17,048)
Depreciation charge	9	(116)	(177)
Operating deficit		**(20,222)**	**(17,225)**
Investment returns	1(f),8	94,992	(7,259)
Net surplus/(deficit)		**74,770**	**(24,484)**
Net assets at 1 January		835,755	860,239
Net assets at 31 December		**910,525**	**835,755**

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 Fund Account.

The notes 1 to 19 form part of these financial statements.

CONSOLIDATED BALANCE SHEET	**Note**	**31.12.16** **£'000s**	**31.12.15** **£'000s**
Non-current assets			
Tangible assets	9	2,533	2,649
Financial Instruments	10	881,171	807,301
Debtors due after one year	12	36	101
		883,740	**810,051**
Current assets			
Debtors due within one year	11	29,105	26,696
Balances with States Treasury		2,217	6,034
Cash at bank and in hand		172	216
		31,494	32,946
Current liabilities			
Creditors: Amounts falling due within one year	13	2,835	5,584
Bank overdraft		1,874	1,658
		4,709	7,242
Net current assets		**26,785**	**25,704**
Total net assets		**910,525**	**835,755**
Reserves			
Guernsey Insurance Fund		731,249	676,837
Guernsey Health Service Fund		116,347	103,086
Long-term Care Insurance Fund		62,929	55,832
		910,525	**835,755**

The financial statements were approved by the Committee *for* Employment & Social Security on 24 May 2017.

Signed on behalf of the Committee

M K Le Clerc
President

M Nutley
Chief Secretary

The notes 1 to 19 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS	Note	2016	2015
		£'000s	£'000s
Cash flows from operating activities			
Operating deficit for the year		**(20,222)**	**(17,225)**
Adjustments for:			
Depreciation		116	177
(Increase)/(decrease) in debtors		(2,344)	5,390
(Decrease)/increase in creditors		(2,749)	1,336
Net cash used in operating activities		**(25,199)**	**(10,322)**
Cash flows from investing activities			
Increase/(decrease) in cash equivalent in financial instruments	8	94,992	(7,259)
Net cash from investing activities		94,992	(7,259)
Net increase/(decrease) in cash and cash equivalents (including investments)		**69,793**	**(17,581)**
Financial instruments, treasury, cash balances and overdraft at 1 January		811,893	829,474
Financial instruments, treasury, cash balances and overdraft at 31 December		**881,686**	**811,893**

ANALYSIS AND RECONCILIATION OF NET FUNDS	At 1.1.16	(Increase)/ decrease	At 31.12.16
	£'000s	£'000s	£'000s
Cash at bank and in hand	216	(44)	172
Overdraft	(1,658)	(216)	(1,874)
Balances with States Treasury	6,034	(3,817)	2,217
	4,592	(4,077)	515
Financial instruments	807,301	73,870	881,171
	811,893	**69,793**	**881,686**

The overdraft arises as a result of timing differences only and is therefore a technical overdraft arising due to accounting treatments.

The notes 1 to 19 form part of these financial statements.

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 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 to be prepared by financial institutions 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. The Committee, in conjunction with the Policy & Resources Committee, will consider providing such disclosures in future years.

Going Concern

The Committee members and principal officers have reviewed the budget and projected income and expenses over the next twelve months and deem that each of the Contributory Funds have adequate financial resources to meet its obligations. Each of the Contributory Funds is therefore deemed to be a going concern.

b) Contributions & States grant

Contributions represent the amount of cash received before 1 February 2017 in respect of the financial year ended 31 December 2016 and amounts received relating to prior financial periods not accounted for in those prior periods.

The grants received from the States of Guernsey are based on a fixed percentage of contributions, accounted for in the relevant period and for 2016 was 15% (2015: 15%) in respect of the Guernsey Insurance Fund and 12% (2015: 12%) in respect of the Guernsey Health Service Fund.

c) Benefits payable

Benefits are accounted for on an accruals basis.

d) Actuarial Review

The financial statements summarise the transactions of the Contributory Funds and deal with 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 for the five year period 2010 to 2014 was undertaken in 2015 and the results published in the November 2016 Billet D'Etat XXVII.

e) 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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (continued)

e) Tangible fixed assets (continued)

Fixed asset categories	Estimated useful life in years	Depreciation % per annum
Freehold land and buildings	80	1.25 straight line
Furniture and fittings	10	10.00 straight
Office equipment	5	20.00 straight
Computer equipment and software	3	33.33 straight
Computer development	3	33.33 straight
Computer development – Technological migration	7	14.29 straight

f) 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 Committee.

g) 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.

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 Company 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (continued)

g) Financial instruments (continued)

Investments (continued)

- 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, by the 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 realization at the value, in which case adjustment is made.

- 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.

Derivatives

All open derivatives are stated at their closing market values established by reference to the applicable index.

Security Lending

Securities lending is where securities are transferred from the Fund's 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 Fund's 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 Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (continued)

g) Financial instruments (continued)

Other assets

Debtors are recognised at amortised cost, less any impairment losses. These comprise mainly contributions due and benefits prepaid at the balance sheet 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 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 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.

h) **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.

i) Pension costs

As described in note 14, the Committee has applied the provisions of FRS 102, section 27 in respect of defined contribution arrangements.

j) 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 Committee as at 31 December 2016 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 2016. However, it is the belief of the Investment Manager and the 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 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. CONTRIBUTIONS

	2016 £'000's	2015 £'000s
Employer contributions	70,845	69,274
Employee contributions	64,939	63,560
	135,784	132,834
Self-employed contributions	15,852	15,813
Non-employed contributions	8,541	8,465
Employer surcharge and penalty	48	52
Movement in contributions unallocated	207	39
	160,432	**157,203**
Contribution income allocated to:		
Guernsey Insurance Fund	102,035	100,117
Guernsey Health Service Fund	38,964	38,146
Long-term Care Insurance Fund	19,433	18,940
	160,432	**157,203**

3. BENEFITS PAYABLE

	Note	2016 £'000's	2015 £'000s
Guernsey Insurance Fund	**4**	134,649	129,809
Guernsey Health Service Fund	**5**	40,804	39,767
Long-term Care Insurance Fund	**6**	18,450	17,913
		193,903	**187,489**

4. BENEFITS PAYABLE: GUERNSEY INSURANCE FUND

	Note	2016 £'000's	2015 £'000s
Pension		115,436	110,708
Invalidity		8,095	8,118
Sickness		3,778	3,597
Bereavement		1,550	1,517
Travelling allowance grant		2,070	2,095
Unemployment		1,373	1,356
Maternity benefit		1,208	1,194
Industrial disablement		512	533
Industrial injury		185	213
Death grant		346	310
Industrial medical		101	130
		134,654	129,771
Benefit debt written-off		17	42
Doubtful debt provision - movement		(22)	(4)
	3	**134,649**	**129,809**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. BENEFITS PAYABLE: GUERNSEY HEALTH SERVICE FUND

	Note	2016	2015
		£'000's	£'000s
Drugs and medicines	**5(a)**	16,320	16,037
Specialist Health Insurance Scheme	**5(b)**	20,066	19,300
Consultation grants	**5(c)**	3,365	3,395
Visiting medical consultants		751	735
Primary Care Mental Health and Wellbeing		302	299
	3	**40,804**	**39,767**

5(a). DRUGS AND MEDICINES

	Note	2016	2015
		£'000's	£'000s
Drugs and medicines		17,317	16,959
Appliances		817	783
Oxygen Service		368	302
		18,502	18,044
Prescription charges receivable		(2,182)	(2,007)
	5	**16,320**	**16,037**

5(b). SPECIALIST HEALTH INSURANCE SCHEME

	Note	2016	2015
		£'000's	£'000s
Specialist medical benefit		17,695	17,024
Physiotherapy benefit		2,207	2,193
Alderney hospital benefit		164	83
	5	**20,066**	**19,300**

The States of Guernsey entered into revised agreements for the last five years of the contracts with the Medical Specialist Group and the Guernsey Physiotherapy Group (now Guernsey Therapy Group) from 1 January 2014 to 31 December 2017.

The contract with the Medical Specialist Group is based on a per-consultant contracted price adjusted annually on 1 January each year taking account of any increase or decrease in the Guernsey RPI for the previous September.

The contract with the Guernsey Therapy Group is based on a per-physiotherapist and per-assistant price, with different rates applying to different grades of physiotherapist and adjusted annually on 1 January each year taking account of any increase or decrease in the Guernsey RPIX for the previous September less 1%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5(c). CONSULTATION GRANTS

	Note	2016 £'000's	2015 £'000s
Doctors consultation grants		2,901	2,922
Nurses consultation grants		464	473
	5	**3,365**	**3,395**

6. BENEFITS PAYABLE: LONG-TERM CARE INSURANCE FUND

	Note	2016 £'000's	2015 £'000s
Residential home care benefit			
Permanent		5,543	5,579
Permanent with EMI supplement		2,907	2,897
Respite care		144	159
Respite care with EMI supplement		21	11
		8,615	**8,646**
Nursing home care benefit			
Permanent		9,708	9,146
Respite care		127	121
		9,835	**9,267**
	3	**18,450**	**17,913**

7. ADMINISTRATION

	2016 £'000's	2015 £'000s
Salaries and pension costs	5,744	5,789
Other staff costs	38	42
IT and communication	933	913
Consultancy and contracted out work	448	405
Administration	361	332
Premises	177	235
Health and Social Services Committee charges	360	460
Policy & Resources Committee charges	375	72
Supplies and Services	216	208
Audit fee	58	50
	8,710	**8,506**
Amounts received from General Revenue	(2,094)	(2,149)
	6,616	**6,357**
Administration expenses allocated to:		
Guernsey Insurance Fund	4,744	4,479
Guernsey Health Service Fund	1,547	1,579
Long-term Care Insurance Fund	325	299
	6,616	**6,357**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. ADMINISTRATION (CONTINUED)

Following the centralisation of the finance function with the Policy and Resource committee in 2016, finance staff costs of £299k was recharged to the contributory funds and included under Policy and Resources Committee charges. These costs in 2015 were include under salaries and pension costs.

8. INVESTMENT RETURNS

	Note	2016 £'000's	2015 £'000s
Income			
Interest from fixed interest securities		14,618	13,275
Dividends from equities		784	816
Distributions from property funds		317	349
Interest on short term deposits and bank interest		128	109
Securities lending (less expenses)		145	69
Venture capital and partnerships		70	-
Less: Withholding tax suffered		(46)	(48)
		16,016	14,570
Tax reclaim receivable	**11**	-	259
		16,016	**14,829**
Expenditure			
Investment managers' fees		3,397	3,704
Less: Fees charged directly on pooled funds		(1,922)	(2,851)
		1,475	853
Investment advisor's fees		367	104
Custody fees		30	35
Performance monitoring fees		19	21
		1,891	**1,013**
Net investment income		**14,125**	**13,816**
Realised (loss)/profit on disposal		(15,414)	22,269
Movement on unrealised profit/(loss)		96,281	(43,344)
Total surplus/(deficit) for the year		**94,992**	**(7,259)**
Investing activities allocated to:			
Guernsey Insurance Fund		76,581	(5,933)
Guernsey Health Service Fund		11,971	(866)
Long-term Care Insurance Fund		6,440	(460)
		94,992	**(7,259)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. TANGIBLE ASSETS

	1.1.2016	Additions	31.12.2016
	£'000s	£'000s	£'000s
Cost			
Freehold land and buildings	3,774	-	**3,774**
Plant and equipment	1,004	-	**1,004**
Information technology	9,348	-	**9,348**
	14,126	-	**14,126**
	1.1.2016	**Depreciation**	**31.12.2016**
	£'000s	£'000s	£'000s
Accumulated Depreciation			
Freehold land and buildings	1,311	47	**1,358**
Plant and equipment	878	32	**910**
Information technology	9,288	37	**9,325**
	11,477	116	**11,593**
Net book value	**2,649**		**2,533**

Freehold land and buildings comprises Edward T Wheadon House, which was valued at 31 December 2008 by a firm of estate agents and valuers, at an open market value of £11.02m.

The Committee has reviewed fixed assets for evidence of impairment and no adjustment has been made to the carrying value of tangible fixed assets (2015: £Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. FINANCIAL INSTRUMENTS

Common Investment Fund (CIF) at Fair Value	31.12.2016 £'000's	31.12.2015 £'000s
Equities and derivatives	444,449	432,923
Fixed income and derivatives	249,575	249,422
Alternative investments and hedge funds	86,340	76,893
Venture Capital & Partnerships	20,293	15,477
Cash and cash equivalents	75,006	24,687
Property funds	3,648	6,261
Commodities	1,860	1,638
	881,171	**807,301**
Investments allocated to:		
Guernsey Insurance Fund	707,580	653,794
Guernsey Health Service Fund	112,790	99,576
Long-term Care Insurance Fund	60,801	53,931
	881,171	**807,301**

CIF movements during the year	2016 £'000's	2015 £'000s
Market value 1 January	807,301	822,896
Investment income reinvested	16,034	14,624
Realised profit on disposal reinvested	(15,435)	22,129
Movement on unrealised profit/(loss) on investments	96,271	(43,344)
New monies	-	5,978
	904,171	822,301
Withdrawal of monies invested	(23,000)	(15,000)
Market value 31 December	**881,171**	**807,301**

At the year-end, cash and cash equivalents included an additional £45m following the redemption of investments on 28 December 2016 with a settlement date of 3 January 2017.

During 2016, the Common Investment Fund was managed by four investment managers, namely: BlackRock Investment Management (UK) Limited; Legg Mason Global Asset Management; Morgan Stanley Investment Management Limited and GMO UK Limited.

The governance of the Fund is supported by the custodian, Northern Trust Global Services Limited and a professional investment adviser, Redington Limited.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. FINANCIAL INSTRUMENTS (continued)

Fair Value Measurement

FRS102 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 categorized 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 bare 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 31.12.2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000**
Equities and derivatives	433,398	750	-	444,449
Fixed income and derivatives	233,069	16,506	-	249,575
Hedge funds	3,294	(10,300)	93,346	86,340
Venture Capital & Partnerships	-	-	20,293	20,293
Cash & cash equivalents	51,662	23,345	-	75,006
Property funds	-	-	3,648	3,648
Commodities	1,860	-	-	1,860
Common Investment Fund	**723,283**	**40,601**	**117,288**	**881,171**

Fair Value at 31.12.2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000**
Equities and derivatives	432,031	891	-	432,922
Fixed income and derivatives	79,548	169,874	-	249,422
Hedge funds	-	-	76,893	76,893
Venture Capital & Partnerships	-	-	15,477	15,477
Cash & cash equivalents	5,227	19,460	-	24,687
Property funds	-	-	6,262	6,262
Commodities	1,638	-	-	1,638
Common Investment Fund	**518,444**	**190,225**	**98,632**	**807,301**

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 pooled investment funds, 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. 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 (2015: None).

Assets at 31.12.2016	Fair Value through profit or loss	Amortised Cost	Total
Financial instruments (Common Investment Fund)	881,171	-	881,171
Tangible fixed assets	-	2,533	2,533
Treasury deposit and other cash	-	515	515
Trade and other receivables	-	29,141	29,141
Trade and other payables	-	(2,835)	(2,835)
	881,171	**29,354**	**910,525**

Assets at 31.12.2015	Fair Value through profit or loss	Amortised Cost	Total
Financial instruments (Common Investment Fund)	807,301	-	807,301
Tangible fixed assets	-	2,649	2,649
Treasury deposit and other cash	-	4,592	4,592
Trade and other receivables	-	26,797	26,797
Trade and other payables	-	(5,584)	(5,584)
	807,301	**28,454**	**835,755**

The financial instruments are based on fair value while the other assets and liabilities are based on the amortised cost equivalent.

The Committee do not believe that there is any material difference between the fair value and the amortised cost equivalent other than Freehold Land and Buildings included in tangible fixed assets which were valued at £11.02m at 31 December 2008. (see note 9).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. DEBTORS DUE WITHIN ONE YEAR

	31.12.16 £'000's	31.12.15 £'000s
Contributions receivable	22,997	22,896
States of Guernsey Intercompany debtors	3,203	-
Benefits and allowances prepaid	2,623	3,617
Administration expenses prepaid	229	154
Trade debtors	53	29
	29,105	**26,696**

In 2015 UK HM Revenue and Customs confirmed that the Common Investment Fund qualified for Crown Immunity from direct taxation relating to income tax, corporation tax and capital gains tax. In 2014, a provision of £5.7m was provided in respect of tax reclaims yet to be received which was received in full in 2015.

12. DEBTORS DUE WITHIN ONE YEAR

	31.12.16 £'000's	31.12.15 £'000s
Benefit debt	113	239
Provision for doubtful debts	(77)	(138)
	36	**101**

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.16 £'000's	31.12.15 £'000s
Benefits and allowance payable	1,539	1,787
States of Guernsey Intercompany creditors	-	2,633
Other creditors and accruals	1,276	804
Trade creditors	20	360
	2,835	**5,584**

14. SUPERANNUATION FUND

The employees of Committee *for* Employment and 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 £87,434) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. SUPERANNUATION FUND (CONTINUED)

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.

The total cost of employer contributions included within the Fund Account amounted to £0.59m (2015: £0.56m).

Further details relating to the funding of the Superannuation Scheme are included within The States of Guernsey Accounts 2016.

15. RELATED PARTY TRANSACTIONS

The Committee members confirm that there have been no related party transactions to disclose with members and senior management in this financial year (2015: Nil). Of the Committee's annual income and expenditure, less than 20% of their respective value for both 2016 and 2015 is due to transactions with other States entities, except as disclosed in notes 1, 2, 5, 7, 11 and 13. Balances with the States Treasury at the year-end amounted to £2.2m (2015: £6.0m).

Key management personnel compensation disclosure

For the year, total staffing costs associated with the Committee's key management was £1.16m (2015: £0.84m), comprising 13.5 full-time equivalent staff (2015: 9.5 F.T.E.). The increase in the number of key management is due to the new Committee's wider mandate following structural changes from 1 May 2016. Approximately £0.61m of total costs are allocated to the Contributory Funds (2015: £0.66m), 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; and
- Fund managers and providers are asked to articulate how their strategies might perform in different market and economic conditions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (CONTINUED)

Governance Risk (Continued)

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.

Financial Exposure Risk

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

The 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	10%-15%	Months to one year
Market Stress	Market issues e.g. credit/currency or demand/supply issues	20%	1 to 2 years
Permanent Loss	Overvaluation or economic regime change	50%-85%	Can be decades

Regular Market Volatility can be measured using a VaR 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 Committee will develop 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 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 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, defendable and meet the non-financial needs of the Committee.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (CONTINUED)

Market price risk sensitivity

The following table illustrates the sensitivity of the Common Investment Fund to a decrease in the fair values of the all asset classes. A 5% increase in the fair values would have resulted in an equal but opposite effect.

	31.12.2016 £'000s	31.12.2015 £'000s
Fair value at year-end	881,171	807,301
Decrease of 5% in fair value	(44,059)	(40,365)

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 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.

Open Option Contracts

There were 3 (2015: 3) open option contracts at the year-end. An analysis of the open contracts is as follows:

Contract	Settlement Date	Purchase Price	31.12.16 Fair Value £'000s	31.12.15 Fair value £'000s
FTSE100 Index C @6806.550	25/08/2017	14,163	11,322	4,781
FTSE100 Index P @8554.150	25/08/2017	(2,159)	(51)	(174)
FTSE100 Index P @4424.260	25/08/2017	(3,842)	(288)	(283)
		8,162	**11,050**	**1,783**

(i) Currency risk

Certain of the Common Investment Fund's 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (CONTINUED)

Open forward foreign currency contracts

There were 7 (2015: 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	31.12.16 Fair value £'000s
Forward FX Purchase	1 month	EUR	425	429
Forward FX Purchase	1 month	GBP	147,162	147,162
Forward FX Sale	1 month	EUR	(5,597)	(5,693)
Forward FX Sale	1 month	CAN	(1,136)	(1,141)
Forward FX Sale	1 month	GBP	(425)	(425)
Forward FX Sale	1 month	USD	(140,429)	(144,157)
			-	**(3,825)**

Contract	Settlement Date	Currency	Contracted Amount £'000s	31.12.15 Fair value £'000s
Forward FX Purchase	1 month	EUR	1,842	1,840
Forward FX Purchase	1 month	GBP	136,356	136,356
Forward FX Sale	1 month	EUR	(10,156)	(10,308)
Forward FX Sale	1 month	GBP	(1,842)	(1,842)
Forward FX Sale	1 month	USD	(126,200)	(128,860)
			-	**(2,813)**

Foreign currency exposure

At the year-end, the net currency exposure of the Contributory Funds, including the Common Investment Fund (CIF), was as follows

The net currency exposure of the Common Investment Fund at the year-end was as follows

31.12.16	Monetary Assets £'000s	Monetary Liabilities £'000s	Non-Monetary Assets £'000s	Non-Monetary Liabilities £'000s	Forward FX Contracts £'000s	Total £'000s
GBP	78,310	(291)	665,961	(10,670)	146,737	880,046
EUR	415	-	4,685	-	(5,263)	(163)
USD	390	-	145,030	-	(144,157)	1,263
CAD	8	-	1,158	-	(1,141)	25
Total (CIF)	79,122	(291)	816,833	(10,670)	(3,825)	881,171
GBP	2,389	(1,874)	31,674	(2,835)	-	29,354
Grand	**81,511**	**(2,165)**	**848,509**	**(13,505)**	**(3,825)**	**910,525**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (CONTINUED)

Foreign currency exposure (continued)

31.12.15	Monetary Assets	Monetary Liabilities	Non-Monetary Assets	Non-Monetary Liabilities	Forward FX Contracts	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
GBP	27,208	-	649,033	(5,679)	134,515	805,077
EUR	4	-	6,160	-	(8,468)	(2,304)
USD	281	-	133,098	-	(128,860)	4,519
CAD	7	-	2	-	-	9
Total (CIF)	27,500	-	788,293	(5,679)	(2,813)	807,301
GBP	6,250	(1,658)	29,446	(5,584)	-	28,454
Grand Total	**33,750**	**(1,658)**	**817,739**	**(11,263)**	**(2,813)**	**835,755**

At 31 December 2016, had the GBP strengthened by 5% 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 2015. A 5% weakening of GBP against other currencies respectively would have resulted in an equal but opposite effect.

Foreign Currency Exposure – Sensitivity Analysis	31.12.2016	31.12.2015
	£'000s	£'000s
EUR	8	115
USD	(63)	(226)
Total	**(55)**	**(111)**

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.

(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 Contributory Funds at year-end is as follows:

Interest rate profile 31.12.16	Weighted Average Interest Rate	Fixed	Floating	Total
	%	£'000	£'000	£'000
Fixed income	8.75%	68,297	-	68,297
Cash and cash equivalents	0.50%	-	75,521	75,521
Total		**68,297**	**75,521**	**143,818**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (CONTINUED)

Management of interest rate risk (continued)

Interest rate profile 31.12.15	Weighted Average Interest Rate	Fixed	Floating	Total
	%	£'000	£'000	£'000
Fixed income	8.75%	73,155	-	73,155
Cash and cash equivalents	0.50%	-	29,279	29,279
Total		**73,155**	**29,279**	**102,434**

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 only two direct holdings in fixed interest securities at 8.75% which expire during 2017. Floating rate assets comprise cash held within the Common Investment Funds. For the purposes of the above exposure summary, the interest rate for cash and cash equivalent has been estimated at 0.5% in line with the current base rate of the Bank of England. 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 Committee's Custodian is Northern Trust Limited which has a credit rating of AA- from Standard and Poor, A1 from Moody's and AA- from Fitch. 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.

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**	**31.12.16 Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Financial instruments	77,819	644,064	141,058	21,043	881,171
Tangible assets	-	-	-	2,533	2,533
Treasury Deposit and other cash	515	-	-	-	515
Trade and other receivables	29,105	-	-	36	29,141
Trade and other payables	(2,835)	-	-	-	(2,835)
Total	**104,604**	**644,064**	**141,058**	**23,612**	**910,525**
% of Total	**11.2%**	**70.7%**	**15.5%**	**2.6%**	**100.0%**

Liquidity Analysis	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**Over 12 months**	**31.12.15 Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Financial instruments	33,730	504,320	254,667	14,584	807,301
Tangible assets	-	-	-	2,649	2,649
Treasury Deposit and other cash	4,592	-	-	-	4,592
Trade and other receivables	26,696	-	-	101	26,797
Trade and other payables	(5,584)	-	-	-	5,584
Total	**59,434**	**504,320**	**254,667**	**17,334**	**835,755**
% of Total	**7.1%**	**60.3%**	**30.5%**	**2.1%**	**100.0%**

The financial instruments are based on fair value while the other assets and liabilities are based on the amortised cost equivalent.

The investments categorised under the level 1 Fair Value hierarchy are valued at £444m at the year-end (2015: £434m). 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 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 committee has delegated the responsibility for the direct governance of its investment funds to an Investment Sub-Committee.

In addition to the Committees financial risk management as detailed in note 18, 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.

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;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. CAPITAL MANAGEMENT (CONTINUED)

Performance Risk (continued)

- 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 Committee takes advice from its Investment Adviser prior to appointing Fund Managers. All Fund Managers sign an Investment Management Agreement with the Committee setting out the legal mandate in terms of objectives, constraints and the roles and responsibilities of all related parties. The 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: Liquidity Risk above).

Where funds are required to be moved quickly, the 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.

18. STATEMENT OF CONTROL

From 1 May 2016, the Contributory Funds are controlled by the Committee *for* Employment & Social Security which as a Principal Committee was constituted by resolutions of the States in 2015. 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.

Prior to 1 May 2016, the Contributory Funds were controlled by the Social Security Department as required by Section 100(1) of the Social Insurance (Guernsey) Law, 1978, as amended in respect of the Guernsey Insurance Fund; Section 21 of the Health Service (Benefit) (Guernsey) Law, 1990 in respect of the Guernsey Health Service Fund and by Section 1(1) of The Long-term Care Insurance (Guernsey) Law, 2002 in respect of the Long-term Care Insurance Fund. The members of the Social Security Department had been appointed by the States of Guernsey.

19. SUBSEQUENT EVENTS

There have been no material subsequent events since the Balance Sheet date which affect these financial statements.

CONSTITUENT CONTRIBUTORY FUND ACCOUNTS

	Note	GIF 2016 £'000s	GHSF 2016 £'000s	LTCIF 2016 £'000s	TOTAL 2016 £'000s	TOTAL 2015 £'000s
Income						
Contributions	**1(b),2**	102,035	38,964	19,433	160,432	157,203
States grant	**1(b)**	15,305	4,676	-	19,981	19,595
		117,340	**43,640**	**19,433**	**180,413**	**176,798**
Expenditure						
Benefits payable	**1(c),3,4,5,6**	134,649	40,804	18,450	193,903	187,489
Administration	**7**	4,744	1,547	325	6,616	6,357
		139,393	**42,351**	**18,775**	**200,519**	**193,846**
Operating (deficit)/surplus before depreciation charge		**(22,053)**	**1,289**	**658**	**(20,106)**	**(17,048)**
Depreciation charge	**9**	(116)	-	-	(116)	(177)
Operating (deficit)/surplus		**(22,169)**	**1,289**	**658**	**(20,222)**	**(17,225)**
Investment returns	**1(f),8**	76,581	11,971	6,440	94,992	(7,259)
Net (deficit)/surplus		**54,412**	**13,260**	**7,098**	**74,770**	**(24,484)**
Net assets at 1 January		676,837	103,086	55,832	835,755	860,239
Net assets at 31 December		**731,249**	**116,346**	**62,930**	**910,525**	**835,755**

This additional information has been prepared from the accounting records of the Contributory Funds. While it does not form part of the financial statements, it should be read in conjunction with them.

Report of the Board of Directors
For the year ended 31 August 2016

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 2016.

Elizabeth College, founded in 1563 by Queen Elizabeth I, is a selective day school located in St Peter Port in Guernsey. The College includes the Upper School which is reported in these financial statements. The Pre-School and Pre-Preparatory School (Acorn House), and Preparatory School (Beechwood), are reported in separate financial statements as Elizabeth College – Junior School, Beechwood & Acorn House.

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 laws. 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 the Statement of Income and Retained Funds.

Board of Directors

The Board of Directors of the College who served during the year were:-

The Very Reverend Timothy Barker (Chairman)	Appointed 29 November 2015
Deputy Allister Langlois	Resigned 6 January 2016
Mr Kevin Roberts	
Mr David Preston	
Advocate Davey Le Marquand	
Mr John Perkins	
Mr Mike Buchanan	
Ms Anne-Marie Collivet	
Mr David Sussman	Appointed 5 January 2015, resigned 6 January 2016
Mr Mark Thompson	Appointed 6 January 2016
Mr Stephen Falla	Appointed 2 March 2016

On 6 January 2017 Deputy Lyndon Trott was appointed to the Board of Directors and Mr John Perkins resigned from the Board. On 20 February 2017 Mr Kevin Roberts resigned from the Board.

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 Timothy Barker
Chairman

....
Mr Mark Thompson
Director

Date: ....

Independent Auditor's Report to the Board of Directors of Elizabeth College – Upper School

We have audited the financial statements of Elizabeth College – Upper School (the "College") for the year ended 31 August 2016 which comprise the Statement of Income and Retained Funds, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the College's Board of Directors, as a body, in accordance with the terms of engagement dated 25 November 2015. Our audit work is 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 and the College's Board of Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditor

As explained more fully in the Directors' Responsibilities Statement within the Report of the Board of Directors, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 August 2016 and of its deficit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

CHARTERED ACCOUNTANTS
Place du Pré
Rue du Pré
St Peter Port
Guernsey

Date: ....

Elizabeth College – Upper School

Statement of Income and Retained Funds
For the year ended 31 August 2016

	Note	2016 £	2016 £	2015 £ (restated)	2015 £ (restated)
Income					
States' block grant			591,887		778,744
Fees receivable			5,156,142		5,009,116
Other income			352,004		349,884
			6,100,033		6,137,744
Expenses					
School and departmental expenses		4,595,065		4,384,331	
Administrative expenses		1,340,333		1,201,988	
Maintenance of buildings and grounds		372,754		438,683	
			(6,308,152)		(6,025,002)
Operating (deficit)/surplus before interest			(208,119)		112,742
Interest receivable			16,931		23,408
Operating (deficit)/surplus for the year			(191,188)		136,150
Loan waived					
Ernest Gardner Bursary Fund	13		-		145,000
Restricted income					
Grants from Elizabeth College Foundation	14		188,031		140,821
(Deficit)/surplus for the year			(3,157)		421,971
Retained funds at 1 September – as restated			6,375,220		5,953,249
Retained funds at 31 August			6,372,063		6,375,220

All income for the year derives wholly from continuing activities.

The notes 1 to 15 form an integral part of these financial statements.

Elizabeth College – Upper School

Statement of Financial Position
As at 31 August 2016

	Note	2016	2016	2015	2015
		£	£	£	£
				(restated)	(restated)
Fixed assets					
Tangible assets	5		4,694,713		4,743,896
Current assets					
Stock		3,638		7,661	
Debtors	7	185,181		231,300	
Investments		-		37,690	
Cash and cash equivalents	8	2,648,824		2,368,678	
		2,837,643		2,645,329	
Creditors - amounts falling due within one year	9	(1,160,293)		(1,014,005)	
Net current assets		1,677,350		1,631,324	
Net assets		6,372,063		6,375,220	
Represented by:-					
Retained funds – as restated	11	6,372,063		6,375,220	

Approved by the Board of Directors and authorised for issue by:

....
Chairman

....
Date approved by the Board

The notes 1 to 15 form an integral part of these financial statements.

Statement of Cash Flows
For the year ended 31 August 2016

	Note	2016	2016	2015	2015
		£	£	£	£
				(restated)	(restated)
Cash flows from operating activities					
(Deficit)/surplus for the financial year		(3,157)		421,971	
Adjustments for:					
Depreciation	5	233,492		224,344	
Loan from Ernest Gardner Bursary Fund waived		-		(145,000)	
Decrease/(increase) in stock		4,023		(7,535)	
Decrease in operating debtors		83,808		41,483	
(Decrease)/increase in operating creditors		(74,259)		45,815	
Increase in current account – EC Junior School		220,548		359,959	
Net cash inflow from operating activities			464,455		941,037
Investing activities					
Tangible fixed assets acquired	5	(184,309)		(456,979)	
Net cash outflow from investing activities			(184,309)		(456,979)
Net increase in cash and cash equivalents			280,146		484,058
Cash and cash equivalents at the beginning of the year	8		2,368,678		1,884,620
Cash and cash equivalents at the end of the year	8		2,648,824		2,368,678

The notes 1 to 15 form an integral part of these financial statements.

1. General information

Elizabeth College is a selective day school located in St Peter Port, Guernsey that was founded in 1563 and is governed by statutes dated 28 December 1852. These financial statements only include the results of the Upper School. Separate financial statements are presented for Elizabeth College - Junior School, Beechwood and Acorn House 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 on a going concern basis, under the historical costs convention and in accordance with Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the UK and Republic of Ireland.

These financial statements are the first financial statements prepared under FRS 102. FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015. The date of transition to FRS 102 is 1 September 2014. Refer to note 15 for an explanation of the transition.

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 applied:

(b) 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. The general grant is being reduced over a 7 year period with effect from 1 September 2012, in accordance with a States Resolution dated 28 September 2011.

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.

(c) 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 Upper School'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.

(d) 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 to spread the cost of the pensions over the employees' working lives.

(e) 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.

2. Significant accounting policies (continued)

(f) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Only assets with a cost of £1,000 or more are capitalised as tangible fixed assets and 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 groundsmen'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%
Furniture and equipment	- 10%
Computer equipment	- 33.33%
Plant and machinery	- 10%
Motor vehicles	- 20%

(g) Financial instruments

The College only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities.

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.

(h) Prepayments

A prepaid expense is an expenditure paid for in one accounting period, but for which the underlying asset will not be consumed until a future period. A prepaid expense is measured at the transaction price and carried on the Statement of Financial Position as a current asset at cost until it is consumed.

(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 rate method.

2. Significant accounting policies (continued)

(k) 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, 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 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 £	Furniture & Equipment £	Computer Equipment £	Plant & Machinery £	Motor Vehicles £	Total £
Cost						
At 1 September 2015	5,444,359	367,926	162,954	188,477	26,322	6,190,038
Additions	10,698	108,121	36,635	28,855	-	150,823
At 31 August 2016	5,455,057	476,047	199,589	217,332	26,322	6,430,861
Depreciation						
At 1 September 2015	1,138,239	140,551	98,919	61,806	6,627	1,446,142
Charge for the year	111,012	44,256	51,228	21,733	5,263	233,492
At 31 August 2016	1,249,251	184,807	150,147	83,539	11,890	1,679,634
Net book value						
At 31 August 2016	4,205,806	291,240	49,442	133,793	14,432	4,694,713
At 31 August 2015	4,306,120	227,375	64,035	126,671	19,695	4,743,896

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 2016. All figures exclude land.

	Cost At 31.8.15 £	**Cost Additions** £	**Cost At 31.8.16** £	**Insurance Valuation** £
Main College site				
- Historic buildings	-	-	-	19,616,343
- Modern buildings	4,109,921	10,698	4,120,619	24,286,901
- Sixth Form Centre	388,470	-	388,470	467,056
College playing fields				
- CF - Old pavilion	-	-	-	849,333
- CF - Modern buildings	149,670	-	149,670	1,698,667
- MF Pavilion	796,298	-	796,298	2,375,750
	5,444,359	10,698	5,455,057	49,294,050

6. Financial instruments

The College's financial instruments are analysed as follows:	**2016**	**2015**
	£	£
Financial assets		
Financial assets measured at fair value through profit or loss	**-**	37,690
Financial assets that are measured at amortised cost	2,735,271	2,587,488
	2,735,271	2,625,178
Financial liabilities		
Financial liabilities measured at amortised cost	1,061,031	886,240

7. Debtors

	2016	**2015**
	£	**£**
		(restated)
Fee debtors	35,619	28,997
Amounts due from brokers	-	105,732
Sundry debtors	36,186	38,619
Prepayments and accrued income	113,376	57,952
	185,181	231,300

Included in prepayments and accrued income is £2,501 (2015: £15,881) due from the Ernest Gardner Bursary Fund.

8. Cash and cash equivalents

	2016	**2015**
	£	**£**
Cash at bank and in hand	1,216,551	1,100,502
States' Treasury Cash & Investment Pool	1,178,223	1,014,819
Short-term fixed deposit	254,050	253,357
	2,648,824	2,368,678

Amounts totalling £330,839 (2015: £354,089) 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.

9. Creditors – amounts falling due within one year

	2016 £	2015 £
Creditors and accruals	266,834	328,485
Payroll creditors	215,455	199,380
Fees received in advance	99,263	127,765
Other sundry creditors	98,568	98,750
Current account: Elizabeth College – Junior School, Beechwood & Acorn House	480,173	259,625
	1,160,293	1,014,005

The current account due to the Elizabeth College – Junior School, Beechwood & Acorn House is interest free, unsecured and payable upon demand (note 13).

10. Pension costs

A majority of the employees of Elizabeth 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 determined on the basis of actuarial advice, which are calculated to spread the expected costs 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 also 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 latest actuarial valuation of the Scheme was conducted at 31 December 2013. At that date the actuarial value of the assets relating to the "Public Servants' Pool" within the overall Scheme, to which the College's administration and teaching staff belong, represented 92.2% of the actuarial valuation of the liabilities relating to that group. Based on the results of the above actuarial valuation, it was recommended that the base level rate of employer contributions to be paid remains 14.1% of pensionable salary in respect of all employees.

The total amount of superannuation contributions payable by the College to the Scheme for the year ended 31 August 2016 was £368,968 (2015: £357,788). At 31 August 2016 the amount of outstanding contributions not paid over to the Scheme was £125,421 (2015: £114,091). Further details relating to the funding of the Scheme are provided in the Superannuation Fund section of the accounts of The States of Guernsey.

11. Retained funds

Retained funds represent accumulated surpluses and deficits net of any adjustments. These funds provide working capital and resources for the operation of the College.

12. 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.

13. Related party disclosures

Elizabeth College operates a central accounting system administered by the Finance Bursar, elements of which cover both the Upper School and Junior School of the College's activities. A majority of the operating receipts and 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 balance sheet 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 9). 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.

During the year ended 31 August 2016 an amount of £158,250 (2015: £150,000) 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 2016 £480,173 (2015: £259,625) was due to Elizabeth College – Junior School, Beechwood & Acorn House and is included in creditors (note 9).

13. Related party disclosures (continued) Elizabeth College - Junior School, Beechwood & Acorn House and Ernest Gardner Bursary Fund are related parties due to sharing common directors during the year. A loan amount of £145,000 was waived during the prior year by the directors of the Ernest Gardner Bursary Fund.

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 £474,588 (2015: £475,320).

14. 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.

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 £57,528 (2015: £54,259) paid on behalf of The Foundation.

In addition to the Grants received during the year recognised in the Statement of Income and Retained Funds, the Elizabeth College Foundation also funded an Archiving and Digitisation project on the College's behalf, for which it paid £25,715 directly to the supplier. This project is ongoing.

15. Transition to FRS 102

Other than the presentational changes to the financial statements required by FRS 102 there were no material adjustments to the opening balances as a result of the transition to FRS 102.

The College decided to update its accounting treatment of other operating income on review of its accounting policies. Previously other operating income was accounted for on a receipts basis. Operating income is now recognised in the period that the goods or services are provided and this updated treatment has been applied retrospectively. As a result of this change other operating income for the year ended 31 August 2015 decreased by £8, debtors increased by £9,134 and retained funds brought forward at 1 September 2015 increased by £9,134.

THE LADIES' COLLEGE, GUERNSEY

REPORT OF THE BOARD OF GOVERNORS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

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 2016.

BOARD OF GOVERNORS' RESPONSIBILITIES STATEMENT

The Board of Governors 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 profit or loss of the College for that period and are in accordance with applicable laws. In preparing those financial statements the Board of Governors 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 business.

The Board of Governors 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.

So far as the Board of Governors is aware, there is no relevant audit information of which the College's auditor is unaware, having taken all the steps the Board of Governors ought to have taken to make themselves aware of any relevant 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 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 the Statement of Income and Retained Earnings.

THE LADIES' COLLEGE, GUERNSEY

REPORT OF THE BOARD OF GOVERNORS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

BOARD OF GOVERNORS

The Board of Governors of the College who served during the year were:-

Deputy Peter Gillson (retired 30 April 2016)
Mrs Kathryn Richards
Mr John Marren
Mr Jack Honeybill (retired 31 May 2016)
Advocate Ben Morgan
Mrs Stephanie Nickolls
Dame Mary Perkins (retired 31 May 2016)
Dr Mary Short (appointed 29 June 2016)
Deputy Heidi Soulsby (appointed 29 June 2016)
Mrs Catharine Walter (appointed 29 June 2016)

INDEPENDENT AUDITOR

BDO Limited has expressed its willingness to continue in office.

CHANGES TO FINANCIAL REPORTING FRAMEWORK

For the current period new UK accounting standards came into effect, replacing previously effective UK accounting standards. The College has applied these new standards, principally FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and Section 1A Small Entities thereof.

APPROVED BY THE BOARD OF GOVERNORS

K M N Richards	J M Marren
....	....
Chairman	Governor

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF THE LADIES' COLLEGE, GUERNSEY

We have audited the financial statements of The Ladies' College for the year ended 31 August 2016 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the College's Board of Governors, as a body, in accordance with our engagement letter dated 6 October 2015. Our audit work is undertaken so that we might state to the 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 Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Governors and auditor

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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Board of Governors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 August 2016 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

BDO Limited

CHARTERED ACCOUNTANTS
Place du Pré
Rue du Pré
St Peter Port
Guernsey

Date: ....14 December 2016...........

THE LADIES' COLLEGE, GUERNSEY

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 AUGUST 2016

	Note	**2016**	**2015**
INCOME	2(a)		
States grant		460,995	617,653
Feesreceivable		3,486,197	3,376,475
Student registration fees		9,500	6,500
Miscellaneous income		27,069	46,032
		3,983,761	4,046,660
EXPENDITURE			
School expenditure		(3,788,053)	(3,639,120)
OPERATING SURPLUS		195,708	407,540
Fundraising donations received	2(b)	551,844	550,632
Bank interest received		3,865	9,906
SURPLUS FOR THE YEAR		£ 751,417	£ 968,078
Retained earnings at 1 September		£ 2,385,676	£ 1,417,598
RETAINED EARNINGS AT 31 AUGUST		£ 3,137,093	£ 2,385,676

There were no recognised gains or losses other than the surplus for the financial year.

Notes 1 to 14 form an integral part of these financial statements

THE LADIES' COLLEGE, GUERNSEY

BALANCE SHEET

AS AT 31 AUGUST 2016

	Note	**2016**		**2015**	
FIXED ASSETS					
Tangible assets	4		6,581,430		886,220
CURRENT ASSETS					
Fee debtors		14,129		9,061	
Other debtors and prepayments	5	50,384		61,897	
Cash at bank and in hand	6	588,840		1,938,819	
		653,353		2,009,777	
CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR	7	(1,368,668)		(510,321)	
NET CURRENT (LIABILITIES) /ASSETS			(715,315)		1,499,456
TOTAL ASSETS LESS CURRENT LIABILITIES			5,866,115		2,385,676
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	8		(2,729,022)		-
TOTAL ASSETS LESS LIABILITIES			£ 3,137,093		£ 2,385,676
CAPITAL AND RESERVES					
RESERVES			£ 3,137,093		£ 2,385,676

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS AND AUTHORISED FOR ISSUE BY:

K M N Richards

Chairman

Date: 9 December 2016

Notes 1 to 14 form an integral part of these financial statements.

31 AUGUST 2016

1. GENERAL INFORMATION

The College is established under The Ladies' College (Guernsey) Law, 1962 as amended.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with FRS 102, adopting section 1A. FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015. Section 1A of FRS 102 is applicable for accounting periods beginning on or after 1 January 2016 but may be applied early to accounting periods ending on or after 31 December 2013. The Board of Governors has taken the option of applying Section 1A early in the preparation of these financial statements. Information on the impact of the first time adoption of FRS 102 is given in note 14.

Disclosure exemptions

In preparing the financial statements for the College, advantage has been taken of the following disclosure exemptions available in FRS 102 section 1A:

- The requirement of Section 7 to prepare a *Statement of Cash Flows*;
- The requirements of Section 11 *Basic Financial Instruments* paragraphs 11.39 to 11.48A ;and
- The requirement of Section 33 *Related Party Disclosures.*

The following principal accounting policies have been consistently applied:

(a) 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. The States' Block Grant relating to the General (Non Special Place Holder) Grant is recognised termly on receipt. The General Grant is being reduced over a 7 year period with effect from 1 September 2012, in accordance with a States Resolution on 28 September 2011.

Fee income received in advance of the term is deferred and released on the first day of the applicable term.

Student registration fees and miscellaneous income are recognised on receipt.

All other income is recognised on an accruals basis.

(b) FUNDRAISING DONATIONS RECEIVED

Fundraising donations received are recognised on a cash receipts 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 on an accruals basis.

(d) TAXATION

The College has been 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.

(e) TANGIBLE FIXED ASSETS AND DEPRECIATION

Freehold land is recognised at cost. The College acquired the land for a nominal sum from The Ladies' College Guild. Given the inherent difficulties in obtaining an accurate valuation of this land, the Board of Governors have elected to carry the land at its nominal value.

Until 2015 no asset was shown on the Balance Sheet in relation to the College premises or other assets as the College did not hold legal title to the land on which the College's premises are built. During 2015 the College entered into a lease arrangement with the States of Guernsey for the land and buildings occupied by the College and the fixed assets of the College from that date are now being recognised in accordance with this accounting policy.

The fixed assets of the College are now being recognised in accordance with the accounting policy set out in this note.

Depreciation will be charged on leasehold assets in the course of construction once construction has been completed and the asset is brought into use (see notes 4 and 11). The assets will be depreciated over the lease term.

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:-

Fixtures and fittings	- 10% straight line
Computer equipment	- 33⅓% straight line

(f) PENSION COSTS

The College operates a defined benefit multi-employer pension scheme and superannuation contributions are charged to the Statement of Income and Retained Earnings to spread the cost of the pensions over the employees' working lives.

(g) 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.

(h) BORROWING COSTS

Finance costs directly attributable to leasehold improvement additions are added to the cost of the leasehold improvements. Capitalisation of these finance costs will cease once the asset is substantially complete.

(i) BANK LOAN

The bank loan (explained more fully in note 8) is recognised in these financial statementss on draw down and so does not match all relevant amounts accrued for at the balance sheet date. Amounts were drawn down after the balance sheet date to match these.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 College's accounting policies. The Board of Governors was not required to exercise significant judgement in the preparation of these financial statements.

4. TANGIBLE ASSETS

	Freehold Land	Leasehold asset in the course of construction	Fixtures and fittings	Computer equipment	Total
COST					
At 1 September 2015	1	854,362	32,150	-	886,513
Additions	-	5,670,489	19,991	17,353	5,707,833
At 31 August 2016	1	6,524,851	52,141	17,353	6,594,346
DEPRECIATION					
At 1 September 2015	-	-	293	-	293
Charge for the year	-	-	8,212	4,411	12,623
	-	-	8,505	4,411	12,916
NET BOOK VALUE					
At 31 August 2016	£ 1	£ 6,524,851	£ 43,636	£ 12,942	£ 6,581,430
At 31 August 2015	£ 1	£ 854,362	£ 26,611	£ 5,246	£ 886,220

On 13 September 2012 the College acquired a parcel of land, known as The Ladies' College Playing Field for a nominal sum of £1 from The Ladies' College Guild. Given the inherent difficulties in obtaining an accurate valuation of this land, the Board of Governors have elected to carry the land at its nominal value.
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 leasehold asset in the course of construction additions are capitalised interest and finance costs amounting to £33,000.

THE LADIES' COLLEGE, GUERNSEY
NOTES TO THE ACCOUNTS

31 AUGUST 2016

5. OTHER DEBTORS AND PREPAYMENTS

	2016	2015
Prepayments	44,010	37,637
Other debtors	6,374	19,410
Accrued bank interest	-	4,850
	£ 50,384	£ 61,897

6. CASH AT BANK AND IN HAND

	2016	2015
Cash in hand	1,486	447
Operating cash	376,702	389,245
	378,188	389,692
Gift for learning	210,652	1,549,127
	£ 588,840	£ 1,938,819

The Gift for learning funds relate to donations received in relation to the phase three development of the College premises.

7. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
School and administrative expenses	256,840	149,879
Fees for autumn term received in advance	214,327	212,776
Amount payable on building contract	743,798	147,666
Bank loan (see note 8)	147,040	-
Net capital obligations under finance leases	6,663	-
	£ 1,368,668	£ 510,321

8. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2016	2015
	£	£
Net capital obligations under finance leases	8,329	-
Retention on building contract	142,403	-
Bank loan	1,078,290	-
Balance with The Ladies' College, Melrose	1,500,000	-
	£ 2,729,022	-

The bank loan has been taken out from the Royal Bank of Scotland International Limited trading as NatWest to assist with the construction of Phase III. The loan facility, to an amount of £4 million, was agreed in two parts – the initial, flexible and interest only element known as the Revolving Credit Facility ("RCF"), which is available until practical completion of Phase 3 and the "Term Out" option which will enable the Board of Governors to invoke the "Term Out" option which will serve to convert the "RCF" (inclusive of accrued interest) to a capital and interest repayment loan over a period of up to 20 years. Interest is repayable at 1.75% above Base Rate during the RCF and 1.45% above Base Rate during the Term Out option.

The balance between the Senior School and Melrose reflects the shared use of resources across the College.

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 also 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 FRS102. 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 last actuarial valuation of the Scheme was conducted at 31 December 2013. At that date the actuarial value of the assets relating to the "Public servants pool" within the overall Scheme, to which the College's administration and teaching staff belong, represented 92.2% of the actuarial valuation of the liabilities relating to that group. With effect from 1 January 2010 the rate of employer's contribution increased to 14.1% in respect of all staff.

The total amount of superannuation contributions payable by the College to the Scheme for the year ended 31 August 2016 was £322,207 (2015: £306,821). At 31 August 2016 the amount of outstanding contributions not paid over to the Scheme was £82,838 (2015: £69,277).

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.

31 AUGUST 2016

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 property at 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 2016 a total amount of £6,581,430 has been invested.

11. FINANCIAL COMMITMENT

The College has entered into a lease over the land and buildings occupied by the College. The rent payable under this lease in the next year is £252. The lease runs to 31 December 2039 with an option to extend to 31 December 2065.

The College has committed to spend £5,790,000 on the construction contract for phase three of the development of the College. Work was completed in September 2016 although certain amounts, including a retention as shown in Note 8, remain to be paid.

12. CONTROLLING PARTIES

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 FRS102 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.

13. RELATED PARTY TRANSACTIONS

During the year the College received £nil (2015: £335,000) 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 Earnings.

14. TRANSITION TO FRS102

The transition to FRS102 with effect from 1 September 2014 has had no impact on the College's financial statements.

STATEMENT OF RESPONSIBILITIES OF THE POLICY AND FINANCE COMMITTEE AND THE STATES TREASURER

The States Treasurer is responsible for preparing accounts for each financial year which fairly summarise, in all material respects, the transactions of the States of Alderney for that period and are in accordance with the applicable law. In preparing those accounts she is required to:

- select suitable accounting policies and apply them consistently; and
- make judgements and estimates that are reasonable and prudent.

The Policy and Finance Committee acknowledges that it is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the States of Alderney and to enable them to ensure that the accounts comply with The Government of Alderney Law, 2004, as amended. They are also responsible for safeguarding the assets of the States of Alderney and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the Policy and Finance Committee

We have audited the financial statements of The States of Alderney (the "States") for the year ended 31 December 2016 which comprise the Revenue Income and Expenditure Account, Capital Income and Expenditure Account, Summary of Balances and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Policy and Finance Committee, as a body, in accordance with the terms of our engagement letter dated 16 March 2016. Our audit work has been undertaken so that we might state to the Policy and Finance Committee those matters we have been engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the States and the Policy and Finance Committee as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Policy and Finance Committee and the States Treasurer and auditor

As explained more fully in the 'Statement of responsibilities of the Policy and Finance Committee and the States Treasurer', the States Treasurer is responsible for the preparation of the financial statements in accordance with the accounting policies set out in note 1. Our responsibility is to audit and express an opinion on the financial statements having regard to International Standards on Auditing (UK and Ireland). Those standards require compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the States circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the States Treasurer; and the overall presentation of the financial statements. In view of the purpose for which these financial statements have been prepared, however, we did not assess the overall presentation of the financial statements which would have been required if we were to express an audit opinion under International Standards on Auditing (UK and Ireland).

Opinion on financial statements

In our opinion the financial statements, which summarise the transactions for the year ended 31 December 2016, have been prepared, in all material aspects, in accordance with the accounting policies set out in note 1.

Matters on which we report by exception

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

- the States has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Chartered Accountants
Guernsey

STATES OF ALDERNEY

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

a. General revenue account receipts and payments arising during the year and in the month following the year end are brought into account in the accounting year to which they relate. Rental income, numismatic revenue and Harbour account revenues are accounted for on an accruals basis.

b. Capital expenditure from general revenue account votes is written off in the year in which it is incurred. Depreciation is therefore not provided.

c. The States of Alderney 1982 pension scheme has been presented as far as practicable having regard to FRS102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS102”). Pension costs charged to the Summary Income and Expenditure Account are the contributions paid in line with the latest actuarial valuations, see note 2 for further details; other movements in the net pension liability are not reflected in the Summary Income and Expenditure account.

2. PENSION COSTS

The States of Alderney 1982 Pension Scheme

The States provides pension arrangements for the majority of employees through a defined benefit scheme (the “1982 Scheme”) and the related costs are assessed in accordance with the advice of the Scheme Actuary. As previously reported the final salary scheme has been closed to new entrants from 31 December 2011.

The assets of this scheme are held separately from those of the States in an independently administered fund which up until 2013 were invested with Aviva.

Since January 2014 an amended investment strategy commenced, using several alternative fund managers to take on the Aviva role. In 2015 the investment management services were further improved to ensure that the portfolio and underlying funds are continually monitored by specialist and portfolio managers. In September, 2016 Aviva were appointed as Scheme Actuary with Gower Financial Services Limited continuing to provide administrative and investment support.

In preparing the disclosures for the States of Alderney (the “States”) accounts, the States have noted the disclosure requirements of FRS 102, section 28. The States has used actuarial calculations provided by the actuary to identify the implications of any surplus/(deficit) to the States as at 1 January 2015, the date of the last actuarial valuation.

The calculations have been carried out by a qualified independent actuary based on the results of the last full actuarial valuation, updated to 31 December 2016. The pensionable salary growth has been directly linked to the inflation assumption, as the scheme is now closed to new entrants, those remaining in the scheme have no further known increments due, and pay awards have been, and are expected to be, lower than UK inflation assumption figure in the foreseeable future.

2. PENSION COSTS (continued)

The major assumptions used by the actuary were (in nominal terms):

	Valuation at 31 December 2016	Valuation at 31 December 2015
Pensionable salary growth	3.0% pa	3.25% pa
Pension escalation in payment – to 31.12.2009 – from 01.01.2010	 4.0% pa 3.0% pa	 4.0% pa 3.0% pa
Discount rate	2.7% pa	3.8% pa
Inflation assumption	3.0% pa	3.25 pa

The assets in the scheme and the expected rate of return were:

	2016	2015
Fair value of plan assets	£5,322,000	£4,610,000
Present value of funded obligations	(£9,221,000)	(£7,077,000)
Deficit in the scheme	(£3,899,000)	(£2,467,000)
Net pension liability	**(£3,899,000)**	**(£2,467,000)**

The balance sheet position of the Scheme has deteriorated by £1,432,000 over the year which mainly reflects a reduction in the discount rate assumption from 3.8% to 2.7%. This assumption is included in the actuarial valuation to 'discount' future benefit payments in accordance with parameters prescribed by FRS102. It is based on market expectations and FRS102 requires recognition of losses at the end of the accounting period rather than offsetting over a longer period. The actuarial loss for the year and included in the above deficit is £1,840,000.

Over the year to 31 December 2016 the employer contributed at the rate of 20% of pensionable salaries, subject to review at future actuarial valuations. The employee's contribution was 6.5% of pensionable salaries. Employee's Death in Service benefits are secured under a separate policy. The Actuary has based the above calculations on the assumption that 25% of scheme members will retire at age 60 and 75% at age 65.

In 2016 Employer premiums amounted to £139,893 (2015: £152,610) with no additional premium payments, and Employee premiums were £45,465 (2015: £49,598).

2. PENSION COSTS (continued)

The States of Alderney 2013 Pension Scheme

As approved by the States of Alderney, the new Defined Contributions Scheme, came into effect from 1 January 2013, and is administered by BWCI. There were 7 new entrants to the scheme during 2016. The employee contribution is set at 6.5% (as per the existing scheme), and the employers contribution rate at 7.5%, increasing annually by 0.5% up to a maximum of 12.5%.

In 2016 the Employer premium amounted to £34,821 (2015:£18,178), and the Employee contribution amounted to £64,206 (2015: £29,345).

In addition the Employees Death in Service policy amounted to £9,810 (2015: £9,129), relating to both Schemes. Of this amount £1,764 related to the 2013 Scheme members, and £8,046 related to the 1982 Scheme members.

3. RELATED PARTY TRANSACTIONS

The States of Alderney is responsible for the functions of the Water Board, which is a separate trading entity. During 2016 the States purchased goods and services from the Water Board to the value of £16,807 (2015: £19,915), and provided goods and services to the Board to the value of £65,781 (2015: £51,595).

The Royal Connaught Residential Home Limited is a States owned company. During 2016 the States provided goods and services to the company to the value of £84,220 (2015: £83,457).

The States has a majority share-holding in Alderney Electricity Ltd and purchases electricity, oil and specialist electrical services from the company. In 2016 the value of these purchases was £167,837 (2015: £114,160). The States has provided goods and services to the company during 2016 to the value of £57,672 (2015: £62,423).

Mr Ian Tugby is a member of the States of Alderney, and is also the beneficial owner of Tugby Contractors Ltd. During 2016 the States of Alderney purchased goods and services from Tugby Contractors Ltd to the value of £54,838 (2015: £50,870).

4. BUDGET APPROVALS

The original budget for 2016 was approved by the States of Alderney at the meeting held on 21 October 2015, with the revised budget approved by the States of Alderney on 19 October 2016.

5. ALDERNEY GAMBLING CONTROL COMMISSION

During the year the States of Alderney received a total of £4,365,500 (2015: £4,370,500) in respect of licences issued by the Commission under the Gambling (Alderney) Law 1999. This sum was transferred in total to the Commission to defray expenses with surpluses payable to the States on a quarterly basis. In 2016 the surplus received from the Commission amounted to £1,803,268 (2015: £2,048,530). An extract from the Alderney Gambling Control Commission's financial statements for 2016 will be available to the States in June 2017.

6. ALDERNEY eGAMBLING LIMITED

During 2016 Alderney eGambling Ltd (AeGL), a wholly States owned company, continues to handle the promotion and development of the on-line gambling industry in Alderney. As reported in 2015, it was agreed that the advisory and consultancy services to regulators, previously undertaken by Alderney eGambling Advisors Limited, would be transferred to the responsibility of the AeGL and this alteration to duties continues to work well. A report on the company's activity and accounts for 2016 will be available to the States in June 2017.

7. ALDERNEY COMMISSION FOR RENEWABLE ENERGY

With effect from 10 November 2008 the Alderney Commission for Renewable Energy (ACRE), was appointed by the States of Alderney as a statutory body operating under the provisions of the Renewable Energy (Alderney), Law 2007. A report on the Commission's activities and accounts for 2016 will be available to the States at some stage during 2017.

8. ROYAL CONNAUGHT RESIDENTIAL HOME LIMITED

The Royal Connaught Residential Home Limited is a States owned company managed by the Board of Directors, with responsibility for the administration of the Jubilee & Sydney Herival House and the Royal Connaught Residential Care Home. A report on the Board's activities and accounts for 2016 will be available to the States in June 2017.

9. ALDERNEY HARBOUR ACCOUNT

The trading deficit is debited to the General Services Committee and capital expenditure is funded by the General Services Committee.

10. ECONOMIC DEVELOPMENT RESERVE FUND

The Economic Development Reserve Fund has been approved as being funded by Alderney Gambling Control Commission reserves at £300k per annum. As this is a fund, any unspent balances are carried forward into the following year, and as such is now being shown as a separate fund. The balance of the fund as at year end amounted to £212,256.

STATES OF ALDERNEY

States of Alderney Summary Income and Expenditure Account 2016

Accounts Exp. £	2015 Inc. £	Net £	Revenue Income and Expenditure	Accounts Exp. £	2016 Inc. £	Net £
			Operational activities			
182,851	11,493	171,358	**Building and Development Control Services**	200,357	15,740	184,617
			General Services			
1,186,642	25,786	1,160,856	States Works	1,203,613	26,597	1,177,016
29,976	23,426	6,550	Recreation	33,664	20,628	13,036
43,385	-	43,385	Fire Brigade	38,384	-	38,384
20,434	-	20,434	Civil Emergency	22,235	-	22,235
28,178	-	28,178	Grants	28,459	-	28,459
363,186	333,340	29,846	Alderney Harbour	374,231	300,783	73,448
			Policy and Finance			
861,110	37,785	823,325	Corporate and democratic services	790,946	42,791	748,155
188,622	77,315	111,307	Court	163,310	72,032	91,278
172,528	16,314	156,214	Tourism and marketing	224,256	17,416	206,840
33,327	-	33,327	Education and health	32,741	-	32,741
108,428	94,499	13,929	Social and welfare services	125,722	113,780	11,942
88,383	-	88,383	Grants	90,899	-	90,899
3,307,050	**619,958**	**2,687,092**	**Cost of services**	**3,328,817**	**609,767**	**2,719,050**
			Other operating income			
-	222,856	222,856	Property and land rents - General Services	-	233,603	233,603
-	41,729	41,729	Rents - Policy & Finance	-	41,729	41,729
-	15,794	15,794	Interest receivable	-	(17,967)	(17,967)
-	48,119	48,119	Vehicle import licence fees	-	51,166	51,166
-	70,145	70,145	Numismatic and philatelic profits	-	79,459	79,459
			Property and other taxation/grant income			
-	1,895,868	1,895,868	Grant from States of Guernsey (Net)	-	1,884,500	1,884,500
-	463,130	463,130	Occupiers Rates	-	466,915	466,915
-	25,000	25,000	Duty free concession	-	28,857	28,857
		95,549	**services**			**49,212**
		49,650	Transfer to/(from) Retained Surplus			(287)
		45,899	Transfer to Currency Reserve			49,499
		-	**Surplus**			**-**

STATES OF ALDERNEY

States of Alderney Summary Income and Expenditure Account 2016 (continued)

Accounts Exp. £	2015 Inc. £	Net £	Capital Income and Expenditure	Accounts Exp. £	2016 Inc. £	Net £
318,795	-	**318,795**	General Services Committee	769,297	-	**769,297**
47,600	-	**47,600**	Policy and Finance Committee	291,935	-	**291,935**
447,793	-	**447,793**	Transfer to Economic Development Fund	300,000	-	**300,000**
		814,188	**Total capital expenditure**			**1,361,232**
			Sources of Funding			
-	2,048,530	**2,048,530**	AGCC profit transfer	-	1,803,268	**1,803,268**
-	238,093	**238,093**	Property transfer duties	-	232,732	**232,732**
-	947,776	**947,776**	Exceptional income	-	-	-
-	57,381	**57,381**	Asset sales	-	34,505	**34,505**
-	27,489	**27,489**	Other	-	-	-
		3,319,269	**Total capital income**			**2,070,505**
		2,505,081	**Surplus**			**709,273**

The summary of accounts were approved by the Policy and Finance Committee on 16th May 2017 and are signed on its behalf by:

Mr J Dent
Chairman, Policy and Finance Committee

As previously announced the format and presentation of the States of Alderney Accounts for 2016 has been revised from the format and presentation used in previous accounting periods. Certain comparative figures have been reclassified, where appropriate, to confirm with the revised presentation adopted in these accounts. Within the States of Alderney Accounts for 2016, the 2015 Alderney Harbour income of £333,340 and 2015 Social and welfare services income of £94,499 have been presented on a gross basis. Within the States of Alderney Accounts for 2015 these amounts were netted against their respective expenses. Further the transfer of £447,793 for 2015 to the Economic Development Fund is presented as a separate expenditure item in the 2016 accounts. This was previously presented as a reduction in income on the Capital Account within the States of Alderney Accounts for 2015. The above changes have no impact on the surplus / (Deficit) of the Revenue Income and Expenditure and Capital Income and Expenditure accounts.

STATES OF ALDERNEY

Summary of Balances at 31 December 2016

Coins in Circulation

Value of coins in circulation at 01.01.16	3,838,308
Value of coins issued in 2016	168,669
	4,006,977
Less: Value of coins withdrawn from circulation	-
Value of coins in circulation at 31.12.16	4,006,977

Currency Reserve Fund

Balance at 01.01.16	521,521
Reserve for base metal coins issued in 2016	49,499
	571,020
Less: Value of coins redeemed.	-
Transfer of funds to SoA Revenue Account	-
Balance at 31.12.16	571,020

Inurance Deductable Reserve Account

Balance at 01.01.16	256,698
2016 Reserve Allocation	-
Payments/Claims	-
Balance at 31.12.16	256,698

Economic Development Reserve Fund

Income		
AGCC funding - (accumulation of 2014-2016 balance)		264,615
AGCC funding 2016		300,000
Expenditure 2016		
Air Links Study (£22k)	6,738	
Small Business Start Up Grants (Ex Young Entrepreneur Scheme) (£10k)	1,000	
Anti Money Laundering/Know Your Client (PWC) (£13k)	2,051	
Administration/Consultancy (£45k)	30,804	
Marina Investigations (£65k)	5,681	
Review of Company Law (£110k)	78,513	
Development of Niche Tourism (£10k)	10,330	
Housing Strategy (ARUP) (£19k)	18,625	
Review of Financial Relationship with Guernsey (£50k)	29,822	
Aviation Fuel Subsidy (Avgas) (£41k)	26,052	
Review of Governance (£25k)	68,725	
Transport Strategy Consultation (£35k)	12,045	
Marine Management Plan (£25k)	12,913	
Ferry Subsidy (£36k)	37,167	
Airport Rehabilitation Project - York Aviation Feasibility Study (£35k)	11,893	
Total expenditure 2016		352,359
Balance carried forward at 31.12.16		**212,256**

Amounts in brackets are the total amount voted to year end

STATES OF ALDERNEY

Summary of Balances at 31 December 2016 (continued)

INVESTMENTS

2015 SHARES	2015 £		2016 SHARES	2016 £
		Alderney Electricity Ltd		
		Ordinary Shares at £1 each fully paid at cost		
1,146,090	39,860	Balance at 01.01.16 and 31.12.16	1,146,090	39,860

2015 SHARES	2015 £		2016 SHARES	2016 £
		Alderney Electricity Ltd		
		7% Cumulative Preference Shares at £1 each fully paid at cost		
11,150	5,659	Balance at 01.01.16 and 31.12.16	11,150	5,659

2015 SHARES	2015 £		2016 SHARES	2016 £
		Alderney eGambling Ltd		
		Ordinary Shares at £1 each fully paid at cost		
1	1	Balance at 01.01.16 and 31.12.16	1	1

2015 SHARES	2015 £		2016 SHARES	2016 £
		Alderney eGambling Advisers Ltd		
		Ordinary Shares at £1 each fully paid at cost		
		Company dissolved during 2015		
1	1	Balance at 31.12.16	-	-

2015 SHARES	2015 £		2016 SHARES	2016 £
		Alderney Golf Club		
		Shares at £1 each fully paid at cost		
650	650	Balance at 01.01.16 and 31.12.16	650	650

2015 SHARES	2015 £		2016 SHARES	2016 £
		Royal Connaught Residential Home Ltd		
		Shares at £1 each fully paid at cost		
2	2	Balance at 01.01.16 and 31.12.16	2	2

STATES OF ALDERNEY

Summary of Balances at 31 December 2016 (continued)

2015	Bank accounts	2016
£	Daisy Hansen St Anne's School Trust	£
984	Balance at 01.01.16	949
-	Interest received	-
984		949
(35)	Audit report	(35)
949	Balance at 31.12.16	914
	The Anne French Hospital Annexe Fund	
12,577	Balance at 01.01.16	12,694
157	Interest received	156
12,734		12,850
(40)	Audit report	-
12,694	Balance at 31.12.16	12,850
	States of Alderney Interest on Investments Account (Educational Bequests)	
6,378	Balance at 01.01.16	3,678
-	Interest received	-
6,378		3,678
(2,700)	Grants	(2,700)
-	Audit Reports	-
3,678	Balance at 31.12.16	978
	The Packe History Trust	
1,479	Balance at 01.01.16	1,479
-	Interest received	-
1,479		1,479
-	School History Prize	-
1,479	Balance at 31.12.16	1,479
	Alderney Pilotage Board	
200	Balance at 01.01.16 and 31.12.16	500
	The Mary Roylance Mignot Memorial Hospital Fund	
15,872	Balance at 01.01.16	16,574
702	Interest received (2015 overestimated adjustment & estimated 2016)	421
16,574		16,995
-	Grants	(1,291)
16,574	Balance at 31.12.16	15,705
	St Anne's Trust	
32,455	Balance at 01.01.16	32,780
325	Interest received	328
32,780		33,108
-	Grants	-
32,780	Balance at 31.12.16	33,108
	The New Parsonage House Trust	
74,913	Balance at 01.01.16	76,859
2,205	Interest received (2015 adjustment of overestimation)	1,954
77,118		78,813
(259)	Maintenance costs	(3,916)
76,859	Balance at 31.12.16	74,897

STATES OF ALDERNEY

Summary of Balances at 31 December 2016 (continued)

	Charitable Trust Fund	
203,425	Balance at 01.01.16	192,561
1,707	Interest received	2,078
50	Returned grant	-
205,182		194,639
(12,462)	Grants issued in year	(12,314)
(159)	Bank and general administration costs	(160)
192,561	Balance at 31.12.16	182,165

STATES OF ALDERNEY WATER BOARD

STATEMENT OF THE BOARD'S RESPONSIBILITIES

The States of Alderney Water Board ('the Board') acknowledges that it is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Board and of the surplus or deficit of the Board for that year.

In preparing those financial statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Board will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Board. They also have a general responsibility for taking such steps as are reasonably open to it, to safeguard the assets of the Board, and to prevent and detect fraud and other irregularities.

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STATES OF ALDERNEY WATER BOARD

REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016		2015	
REVENUE		£	£	£	£
	1				
Unmetered Supplies		545,530		536,954	
Metered Supplies		91,030		85,631	
Service Charges		5,739		13,031	
Contract Work		6,486		2,261	
Sale of Fixed Assets		(211)		-	
			648,574		637,877
EXPENSES	1				
OPERATING AND MAINTENANCE EXPENSES					
Salaries and Wages		160,227		170,083	
Water Treatment and Testing		25,193		24,187	
Fuel, Electricity and Telemetry		86,422		88,142	
Maintenance		57,257		39,460	
Maintenance Contracts		23,490		22,831	
Health & Safety expenses		3,172		2,974	
Pension Costs	2	29,396		27,449	
Depreciation	1 & 6	119,967		109,207	
		505,124		484,333	
ADMINISTRATION AND GENERAL EXPENSES					
Administration Charge		36,522		30,473	
Rents, Rates and Taxes		17,076		16,571	
Insurance		5,561		5,191	
PFOS Related Expenses		12,489		-	
Motor Vehicle Expenses		5,751		3,770	
Office Expenses and Equipment		5,848		5,979	
Accountancy and Audit		6,532		6,478	
Bank Charges		1,943		1,972	
Travelling and General Expenses		1,642		1,787	
Staff Training Costs		527		2,210	
Consultancy Fees and Expenses		1,994		3,946	
Bad Debts Written off		896		391	
		96,781		78,768	
			(601,905)		(563,101)
OPERATING SURPLUS			46,669		74,776

STATES OF ALDERNEY WATER BOARD

REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

OTHER INCOME			
Interest and other Receivable		417	-
Rents Receivable	5	11,315	11,336
SURPLUS FOR THE YEAR		58,401	86,112
BALANCE BROUGHT FORWARD		621,677	535,565
BALANCE CARRIED FORWARD		680,078	621,677

The Water Board has no recognised gains or losses other than the surplus for the year.

The Notes form part of these financial statements.

STATES OF ALDERNEY WATER BOARD

BALANCE SHEET AS AT 31 DECEMBER 2016

	Notes	2016		2015	
		£	£	£	£
ASSETS EMPLOYED					
FIXED ASSETS	1 & 6		2,197,320		2,084,384
CURRENT ASSETS					
Stock	1	71,951		81,922	
Debtors		55,535		53,613	
Bank balances - deposit		400,485		67	
Bank balances - current		523,869		787,525	
		1,051,840		923,127	
LIABILITIES FALLING DUE WITHIN ONE YEAR					
Creditors		117,096		90,047	
NET CURRENT ASSETS			934,744		833,080
NET ASSETS			3,132,064		2,917,464
FINANCED BY					
RESERVES					
General	3		86,286		86,286
Capital Contribution from States of Alderney	3		2,365,700		2,209,500
Revenue Account			680,078		621,678
			3,132,064		2,917,464

The Notes form part of these financial statements.

The financial statements were approved by the States of Alderney Water Board

Mrs N. Paris
Chairman, General Services Committee

STATES OF ALDERNEY WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1 PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the States of Alderney Water Board's financial statements:

Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with the applicable accounting policies.

Revenue and Expenses

Revenue and Expenditure is recognised on an accruals basis.

Fixed Assets

Fixed assets are stated at cost less depreciation. Staff time spent on capital projects is

Depreciation

Depreciation is calculated at the following annual rates so as to write off the cost of fixed assets over their anticipated useful lives using the straight line method:

	%
Mains and services	2.50
Buildings	2.50
High Level Storage Tanks	4.00
Machinery and Filtration Plant	6.66
Tools and equipment	10.00
Consumers' meters	10.00
Filtration Membranes	14.50
Motor vehicles	20.00

Calculation of depreciation is based on capital expenditure incurred at the commencement of the accounting period, and also on additions during the accounting period.

Stock

Stock is valued at the lower of cost and net realisable value.

2 PENSION COSTS

The employees of the States of Alderney Water Board (the " Board") are members of the States of Alderney (the "States") Pension Scheme. The States provides pension arrangements for the majority of employees through a defined benefit scheme (the “1982 Scheme”) and the related costs are assessed in accordance with the advice of the Scheme Actuary. As previously reported the final salary scheme has been closed to new entrants from 31 December 2011.

The assets of the 1982 Scheme are held separately from those of the States of Alderney in an independently administered fund which up until 2013 were invested with Aviva. Since January 2014 an amended investment strategy commenced, using several alternative fund managers to take on the Aviva role.

Over the year to 31 December 2016, under the 1982 Scheme, the employer contributed at the rate of 20% of pensionable salaries, subject to review at future actuarial valuations. The employee’s contribution was 6.5% of pensionable salaries. The Actuary has based the above calculations on the assumption that 25% of scheme members will retire at age 60 and 75% at age 65.

Employee’s Death in Service benefits are secured under a separate policy.

As the scheme is a multi employer arrangement the Board is unable to identify its share of the scheme assets and liabilities.
The new Defined Contributions Scheme, administered by BWCI came into effect on 1st January 2013 "the 2013 Scheme". There is currently one member of this Scheme from the Water Board. Since 1st January, 2016 until 31st December, 2016 the employer contributed 7.5% of pensionable salary, with the employee contribution of 6.5% of pensionable salary.

The pension charge to the Water Board for the year was £29,396 (2015: £27,449).

3 RESERVES

General Reserve

This is a historic record of the States of Alderney investment into the Water Board in the early years of operation.

Capital Contribution from States of Alderney.

Since 2008 capital contributions amounting to £2,365,700 have been awarded by way of grants from the States of Alderney in order to upgrade the Water Board infrastructure. The latest of these, relating to the distribution networks (Phases 6 & 7), both were approved in 2016 to the total of £156,200 (Phase 6 £94,200 & Phase 7 £62,000). As at 31 December 2016 this amount had been

4 RELATED PARTY TRANSACTIONS

In 2016 Mr I Tugby was Chairman of the General Services Committee and the Water Board.

The States of Alderney has a majority shareholding in Alderney Electricity Ltd and appoints annually a director to the Board of the Company. This position was held by Mr M Birmingham during 2016.

The Water Board purchases electricity, oil and specialist electrical services from Alderney Electricity Ltd. In 2016 the value of these purchases was £77,430 (2015: £79,003).

Mr I Tugby is a member of the Water Board, and is also the beneficial owner of Tugby Contractors Ltd. In 2016 the Board purchased goods and services from Tugby Contractors Ltd to the value of £109,215 (2015: £54,792).

During 2016 the Water Board purchased goods and services from the States of Alderney to the value of 2016 £65,781 (2015 £51,595) and supplied goods and services to the States of Alderney to the value of 2016 £16,807 (2015 £19,915).

The General Services Committee is appointed by the States of Alderney to act as the Water Board.

5 RENTS RECEIVABLE

During 2016 the Board received rent from two mobile telephone companies, that utilise the Mouriaux water tower as a base station for their equipment and aerials, and from the lease of Corblets Quarry for fishing rights.

STATES OF ALDERNEY WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

6 FIXED ASSETS	At 1 January 2016	Additions / Charge	Disposals / Written off & Transfers	At 31 December 2016
	£	£	£	£
COST				
Land	3,737	-	-	3,737
Mains and Services	1,316,046	-	135,986	1,452,032
Buildings	208,511	-	3,093	211,604
Storage Tanks	104,449	-	-	104,449
Machinery	910,835	26,558	(805)	936,588
Filter Membranes	65,000	-	-	65,000
Tools and Equipment	27,886	645	-	28,531
Motor Vehicles	18,450	-	-	18,450
Consumer Meters	4,917	1,241	-	6,158
Assets in course of construction (Phase 4 BMS)*	-	17,075	(17,075)	-
Assets in course of construction (Phase 5)*	41,516	24,807	(66,324)	-
Assets in course of construction (Phase 6)*	15,864	90,346	(3,697)	102,513
Assets in course of construction (Phase 7)*	-	64,023	(64,023)	-
Assets in course of construction (Phase 8)*	-	10,639	-	10,639
Assets in course of construction (Phase 9)*	-	9,821	-	9,821
	2,717,211	245,155	(12,845)	2,949,521
DEPRECIATION				
Mains and Services	247,732	33,173	-	280,906
Buildings	29,897	4,954	-	34,850
Storage Tanks	13,488	4,178	-	17,666
Machinery	283,142	61,345	(594)	343,892
Tools and Equipment	10,700	2,741	-	13,440
Motor Vehicles	3,997	3,690	-	7,687
Consumer Meters	1,301	598	-	1,899
Filter Membranes	42,572	9,288	-	51,861
	632,829	119,966	(594)	752,201
NET BOOK VALUE	2,084,382	125,189	(12,251)	2,197,320

*Assets in the course of construction. No depreciation is charged on assets in the course of construction until they are brought into operational use in the business, at which point the assets are transferred into the relevant asset category on the fixed asset register and depreciated over their useful economic life. In the year ended 31 December 2016, assets in the course of construction relate to Phases 6 & 7. Phase 4 (BMS), Phase 5 & Phase 7 were completed and capitalised December 2016.

IN THE STATES OF THE ISLAND OF GUERNSEY
ON THE 20th DAY OF JUNE, 2017

The States resolved as follows concerning Billet d'État No XIII
dated 30th May, 2017

POLICY & RESOURCES COMMITTEE

THE STATES OF GUERNSEY ACCOUNTS 2016

After consideration of the reports, statements and notes relating to the respective Accounts:-

1. To approve the States of Guernsey Accounts 2016

2. To approve the following 2016 Accounts:
   i. Ports
   ii. Guernsey Water
   iii. Guernsey Dairy
   iv. States Works

3. To note the following Accounts:
   i. Social Security Contributory Funds
   ii. Elizabeth College
   iii. Ladies' College
   iv. States of Alderney

4. To direct the Policy & Resources Committee, following consultation with all committees of the States, to consider the most appropriate structure and mechanism for annual reporting of financial performance; service outcomes; and progress on delivery of the priorities set out in the Policy & Resource Plan and report back in the 2018 Budget Report including with appropriate proposals.

S.M.D. ROSS
HER MAJESTY'S DEPUTY GREFFIER