



BILLET D'ÉTAT

WEDNESDAY, 16th JUNE, 2021

XIII
2021

VOLUME 1

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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 **WEDNESDAY**, the **16th June, 2021** at **9.30 a.m.**, to consider the items listed in this Billet d'État which have been submitted for debate.

R. J. McMAHON
Bailiff and Presiding Officer

The Royal Court House
Guernsey

1st June, 2021

APPOINTMENT LAID BEFORE THE STATES OF DELIBERATION

APPOINTMENT OF AN ORDINARY MEMBER OF THE GUERNSEY COMPETITION AND REGULATORY AUTHORITY

In accordance with section 1 (4A) of Schedule 1 to the Guernsey Competition and Regulatory Authority Ordinance, 2012, as amended, the following appointment by the Committee *for* Economic Development, to the Guernsey Competition and Regulatory Authority, is laid before the States of Deliberation:

- Mr. John Curran as an ordinary member with effect from 1st September 2021.

Mr. Curran has been appointed as an ordinary member until 31st December 2023.

The States of Deliberation have the power to annul the appointment.

The Committee *for* Economic Development has concluded that Mr. Curran is suitable to be an ordinary member of the Guernsey Competition and Regulatory Authority.

A summarised version of the curricula vitae of Mr. Curran is provided below.

Mr. John Curran

	Position/company:	Dates:
Career:	Independent consultant.	2012-current.
	Chief Executive, Channel Islands Competition and Regulatory Authority.	2010-2012.
	Director General, Office of Utility Regulation (Guernsey).	2005-2010.
	Deputy Director and Director of Regulation, Office of Utility Regulation (Guernsey).	2003-2005.
	Regulatory Advisor, Tesltra Corporation (Sydney).	2002-2003.
	Manager of Operations Division, Commission for Communications Regulation (Comreg) (Dublin).	1997-2001.
	Irish Civil Service.	1990-1997.
Professional qualifications:	Diploma in Company Direction, Institute of Directors.	2010.
	Certificate in Electronic Engineering, Galway Institute of Technology.	1990.
Current/recent Non-Executive Directorships	Chairman, Guernsey Employment Trust.	2021-current.
	Non-Executive Director, Channel Islands Financial Services Ombudsman.	2014-current.
	Board Member, Guernsey Data Protection Authority.	2018-current.
	Non-voting member, Guernsey Transport Licensing Authority.	2016-current.
	Ordinary member, Guernsey Competition and Regulatory Authority.	2018-current.

Ordinary member, Jersey Competition and
Regulatory Authority.
Chairman, Guernsey Mind LGB.

2018-2020.

2013-2019.

ORDINANCE LAID BEFORE THE STATES

The States of Deliberation have the power to annul the Ordinance detailed below.

THE EUROPEAN COMMITTEE FOR THE PREVENTION OF TORTURE AND INHUMAN OR DEGRADING TREATMENT OR PUNISHMENT (PRIVILEGES AND IMMUNITIES) (BAILIWICK OF GUERNSEY) ORDINANCE, 2021

In pursuance of the provisions of the proviso to Article 66A(1) of The Reform (Guernsey) Law, 1948, as amended, "The European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (Privileges and Immunities) (Bailiwick of Guernsey) Ordinance, 2021", made by the Policy & Resources Committee on the 13th April, 2021, is laid before the States.

EXPLANATORY MEMORANDUM

This Ordinance specifies the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment ("the CPT") as an international organisation under section 1 of the Privileges and Immunities (Bailiwick of Guernsey) Law, 2004. It also confers certain privileges and immunities to be enjoyed by the CPT and its personnel under Bailiwick law by providing that Article 16 and the Annex to the European Convention for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment shall have force of law in the Bailiwick.

The Ordinance was approved by the Legislation Review Panel on the 29th March, 2021 and made by the Policy & Resources Committee in exercise of its powers under Article 66A(1) of the Reform (Guernsey) Law, 1948. Under the proviso to the said Article 66A(1), the States of Deliberation have the power to annul the Ordinance.

STATUTORY INSTRUMENT LAID BEFORE THE STATES

The States of Deliberation have the power to annul the Statutory Instruments detailed below.

No. 131 of 2020

THE MARRIAGE (BAILIWICK OF GUERNSEY) REGULATIONS, 2020

In pursuance of section 66 (7) of the Marriage (Bailiwick of Guernsey) Law, 2020, the “Marriage (Bailiwick of Guernsey) Regulations, 2020”, made by the Policy & Resources Committee on 14th December, 2020, are laid before the States.

EXPLANATORY NOTE

These Regulations are made under the Marriage (Bailiwick of Guernsey) Law, 2020. They make provision for procedural matters under that Law, including the method of giving consent to the marriage of a minor; applications for authorisation as a civil celebrant or authorised religious official; conditions to be attached to such an authorisation; the form of oath or affirmation to be taken by marriage celebrants; the information and documentation required to be provided on giving notice of marriage or applying for a certificate of no impediment; information to be included in notices of marriage and in the required publication prior to marriage; and the fees for various procedures under the Law.

These Regulations came into force in two stages; as to those provisions which relate to and support the application for, and granting of, authorisation as a civil celebrant or authorised religious official, on 11th January, 2021; and, as to the remaining provisions, on 1st March, 2021. Specifically:

Regulations 2,3,4,5,12,13,14 and 15 came into force on 11th January, 2021.

Regulations 1,6,7,8,9,10 and 11 came into force on 1st March, 2021.

No. 135 of 2020

THE MARRIAGE (BAILIWICK OF GUERNSEY) LAW, 2020 (COMMENCEMENT AND TRANSITIONAL PROVISIONS) REGULATIONS 2020

In pursuance of section 66 (7) of the Marriage (Bailiwick of Guernsey) Law, 2020, the “Marriage (Bailiwick of Guernsey) Law, 2020 (Commencement and Transitional Provisions) Regulations, 2020” made by the Policy & Resources Committee on 14th December, 2020, are laid before the States.

EXPLANATORY NOTE

These Regulations are made under the Marriage (Bailiwick of Guernsey) Law, 2020 and make provisions for its commencement and for transitional provisions.

Those provisions which relate to, and are necessary for, the appointment of civil celebrants and authorised religious officials were brought into force on 11th January, 2021. The remaining provisions were brought into force on 1st March, 2021.

The transitional provisions provide that where notice of marriage is given prior to commencement of the main provisions of the new Law, the provisions of the existing legislation (the Loi ayant rapport aux Mariages Célébrés dans les Îles de Guernesey, d'Auregny et de Serk, 1919, in respect of marriages in Guernsey and Sark and the Loi ayant rapport aux Mariages Célébrés dans l'Île d'Auregny, 1923, in respect of marriages in Alderney), will continue to apply in respect of the marriage to which that notice relates.

These Regulations came into force on 11th January, 2021.

No. 33 of 2021

**THE MOTOR VEHICLES, LICENSING AND TRAFFIC (FEES) (GUERNSEY) REGULATIONS,
2021**

In pursuance of sections 2A and 2B of the Motor Taxation and Licensing (Guernsey) Law, 1987, sections 1 and 5 of the Fees, Charges and Penalties (Guernsey) Law, 1987, sections 4, 5, 8, 9 and 16 of the Registration Marks (Sale and Retention) Ordinance, 1997 and all other powers enabling them in that behalf, "The Motor Vehicles, Licensing and Traffic (Fees) (Guernsey) Regulations, 2021" made by the Committee for the Environment and Infrastructure on 29th March, 2021 are laid before the States.

EXPLANATORY NOTE

These Regulations increase the fees payable with effect from 1st June, 2021 in relation to —

- the exchange and retention of registration marks
- trade plate renewals
- the issue and renewal of driving licences and of duplicate licences
- first and subsequent registration of motor vehicles and the issue of duplicate registration certificates and certificates of export.

The increases are generally based on the increases in RPIX since the last review.

These Regulations will come into force on the 1st June, 2021.

No. 37 of 2021

THE CONTROL OF POISONOUS SUBSTANCES (FEES) (GUERNSEY) REGULATIONS 2021

In pursuance of sections 1(2)(g) and 4 of the Poisonous Substances (Guernsey) Law, 1994, “The Control of Poisonous Substances (Fees) (Guernsey) Regulations, 2021”, made by the Committee *for* Employment & Social Security on 21st April, 2021, are laid before the States.

EXPLANATORY NOTE

These Regulations specify fees payable to the States of Guernsey Health and Safety Executive under and for the purposes of the Poisonous Substances (Guernsey) Law, 1994 and the Control of Poisonous Substances (Guernsey) Regulations, 2014.

These Regulations come into force on the 1st day of June, 2021.

No. 38 of 2021

THE HEALTH AND SAFETY (FEES) ORDER, 2021

In pursuance of sections 1 and 3 of the Health and Safety (Fees) (Guernsey) Law, 1993, “The Health and Safety (Fees) Order, 2021”, made by the Committee *for* Employment & Social Security on 21st April, 2021, is laid before the States.

EXPLANATORY NOTE

This Order specifies the fees payable to the States of Guernsey Health and Safety Executive under and for the purposes of the Law entitled “Loi relative aux Explosifs, 1905”, the Law entitled “Loi relative aux Huiles ou Essences Minerales ou autre substances de la meme nature, 1924”, the Health, Safety and Welfare of Employees Law, 1950, and the Health and Safety at Work etc. (Guernsey) Law, 1979 (including the Ordinance thereunder).

This Order also enables the recovery of costs for contracted-out work required when regulating major hazard sites.

This Order also specifies, under the Public Highways Ordinance, 1967, fees payable for scaffolding, hoarding and banner permits granted under that Ordinance.

This Order will come into force on the 1st day of June, 2021.

No. 46 of 2021

THE INCOME TAX (APPROVED INTERNATIONAL AGREEMENTS) (IMPLEMENTATION) (COMMON REPORTING STANDARD) (AMENDMENT) REGULATIONS, 2021

In pursuance of section 203A of the Income Tax (Guernsey) Law, 1975, as amended, “The Income Tax (Approved International Agreements) (Implementation) (Common

Reporting Standard) (Amendment) Regulations, 2021” made by the Policy & Resources Committee on 29th April 2021, are laid before the States.

EXPLANATORY MEMORANDUM

These Regulations amend the Income Tax (Approved International Agreements) (Implementation) (Common Reporting Standard) Regulations, 2015, which implemented and enabled the administration and enforcement in domestic law of Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters (an approved international agreement providing for the obtaining, furnishing and exchanging of information in relation to tax), in accordance with the information exchange procedure agreed under the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information signed on behalf of the States of Guernsey at Berlin on the 29th October 2014, by modifying the civil penalties regime applicable to the reporting and due diligence requirements established by the 2015 Regulations.

No. 47 of 2021

**THE INCOME TAX (APPROVED INTERNATIONAL AGREEMENTS) (IMPLEMENTATION)
(UNITED KINGDOM AND UNITED STATES OF AMERICA) (AMENDMENT)
REGULATIONS, 2021**

In pursuance of section 203A of the Income Tax (Guernsey) Law, 1975, as amended, “The Income Tax (Approved International Agreements) (Implementation) (United Kingdom and United States of America) (Amendment) Regulations, 2021” made by the Policy & Resources Committee on 29th April 2021, are laid before the States.

EXPLANATORY MEMORANDUM

These Regulations amend the Income Tax (Approved International Agreements) (Implementation) (United Kingdom and United States of America) Regulations, 2014, which implemented and enabled the administration and enforcement in domestic law of the approved international agreements providing for the obtaining, furnishing and exchanging of information in relation to tax made between the States of Guernsey and the Governments of the United Kingdom and the United States of America, by modifying the civil penalties regime applicable to the reporting requirements established by the 2014 Regulations.

The full text of the legislation can be found at: <http://www.guernseylegalresources.gg>

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

PROJET DE LOI

Entitled

**THE PUBLIC FUNCTIONS (TRANSFER AND PERFORMANCE) (BAILIWICK OF GUERNSEY)
(AMENDMENT) LAW, 2021**

The States are asked to decide:-

Whether they are of the opinion to approve the draft Projet de Loi entitled "The Public Functions (Transfer and Performance) (Bailiwick of Guernsey) (Amendment) Law, 2021", and to authorise the Bailiff to present a most humble petition to Her Majesty praying for Her Royal Sanction thereto.

This proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

EXPLANATORY MEMORANDUM

This Law amends the Public Functions (Transfer and Performance) (Bailiwick of Guernsey) Law, 1991 ("the 1991 Law").

Section 1(2) replaces section 1 of the 1991 Law with a new section 1 that includes within scope of the powers to transfer functions by Ordinance parochial office holders and Douzaines, and public offices and public office holders. Section 1(3) provides for the transfer of functions of a Committee of the States of Alderney or the Chief Pleas of Sark conferred within a Bailiwick-wide enactment to another Committee of the States of Alderney or the Chief Pleas of Sark (as the case may be), while section 1(4) replaces the very short section 3 of the 1991 Law making general provision in respect of Ordinances under the 1991 Law with more modern and standard form wording in that regard. Sections 1(5) to 1(7) and section 1(9)(d) make changes to provision in the 1991 Law in respect of the holders of a public office to include public offices themselves; in this regard section 1(9)(c) replaces the definition of "public office" in the 1991 Law with a more expansive definition that expressly includes the Guernsey Financial Services Commission ("the GFSC"), making separate references to the GFSC no longer necessary. Section 1(8) and section 1(9)(a) deal with references to the GFSC that are consequently otiose, and section 1(9)(b) replaces the definition of "officer" with wording that includes a definition of the meaning, for the purposes of the 1991 Law, of an officer being "responsible to" a Committee, a public office or the holder of a public office.

PROJET DE LOI

ENTITLED

The Public Functions (Transfer and Performance) (Bailiwick of Guernsey) (Amendment) Law, 2021

THE STATES, in pursuance of their Resolutions of the 30th June, 2010^a and the 29th September, 2015^b, have approved the following provisions which, subject to the Sanction of Her Most Excellent Majesty in Council, shall have force of law in the Bailiwick of Guernsey.

Amendment of the Public Functions Law.

1. (1) The Public Functions (Transfer and Performance) (Bailiwick of Guernsey) Law, 1991^c is amended as follows.

(2) For section 1, substitute –

"Transfer of functions of Committees etc.

1. (1) The States may by Ordinance vary any relevant enactment which (in whatever words) –

^a Article III of Billet d'État No. XV of 2010.

^b Article XII of Billet d'État No. XVI of 2015.

^c Ordres en Conseil Vol. XXXIII, p. 478; as amended by Recueil d'Ordonnances Tome XXIX, p. 406 and Ordinance No. IX of 2016.

- (a) confers a function on -
 - (i) a named Committee of the States,
 - (ii) the Constables, the Constables and the Douzaine, the Douzaine, or the Douzeniers of any Parish or any named Parish, or
 - (iii) a named public office or the holder of a named public office, or

- (b) empowers the States to confer a function on –
 - (i) a named Committee of the States,
 - (ii) the Constables, the Constables and the Douzaine, the Douzaine, or the Douzeniers of any Parish or any named Parish, or
 - (iii) a named public office or the holder of a named public office,

so as to transfer that function to, or as the case may be, so as to empower the States to confer that function on any person, or office referred to in subsection (2).

(2) For the purpose of subsection (1), the persons and

offices are –

- (a) in the case of a named Committee of the States –
 - (i) a Committee of a different name (whether formed for the purpose or existing at the time),
 - (ii) the Constables, the Constables and the Douzaine, or the Douzaine, of any Parish, or any named Parish, or
 - (iii) a named public office, or the holder of a named public office,
- (b) in the case of the Constables, the Constables and the Douzaine, or the Douzaine, of any Parish, or any named Parish –
 - (i) a named Committee of the States,
 - (ii) the Constables, the Constables and the Douzaine, or the Douzaine, of any Parish, or any different named Parish, or

(iii) a named public office, or the holder of a named public office,

(c) in the case of a named public office, or the holder of a named public office –

(i) a named Committee of the States,

(ii) the Constables, the Constables and the Douzaine, or the Douzaine, of any Parish or any named Parish, or

(iii) a different named public office or, the holder of a different named public office."

(3) After section 1, insert –

"Transfer of functions of Committees etc: Alderney and Sark.

1A. (1) This section applies where a relevant enactment that is applicable throughout the Bailiwick confers a function on a Committee of the States of Alderney or the Chief Pleas of Sark.

(2) Where this section applies, the States of Alderney or the Chief Pleas of Sark may by Ordinance transfer that function to, or empower the States of Alderney or the Chief Pleas of Sark (as the case may

be) to confer that function on, such other Committee of the States of Alderney or the Chief Pleas of Sark (as the case may be) as may be prescribed in that Ordinance."

(4) For section 3, substitute -

"Ordinances.

3. (1) An Ordinance under this Law -

(a) may be amended or repealed by a subsequent Ordinance hereunder, and

(b) may contain such consequential, incidental, supplementary, transitional and savings provisions as may appear to be necessary or expedient (including, without limitation, provisions making consequential amendments to this Law and any other enactment).

(2) Any power to make an Ordinance under this Law may be exercised -

(a) in relation to all cases to which the power extends, or in relation to all those cases subject to specified exceptions, or in relation to any specified cases or classes of cases,

(b) so as to make, as respects the cases in relation to which it is exercised -

- (i) the full provision to which the power extends, or any lesser provision (whether by way of exception or otherwise),
- (ii) the same provision for all cases, or different provision for different cases or classes of cases, or different provision for the same case or class of case for different purposes,
- (iii) any such provision either unconditionally or subject to any prescribed conditions.

(3) Without prejudice to the generality of the foregoing provisions of this Law, an Ordinance under this Law -

- (a) may empower any Committee, and any other body, to make or issue orders, rules, regulations, codes or guidance, for the purposes of this Law or any Ordinance made under it,
- (b) may make provision under the powers conferred by this Law notwithstanding the provisions of any enactment for the time being in force,
- (c) may make provision for the purpose of dealing

with matters arising out of or related to matters set out in sections 1, 1A, or 2,

(d) may repeal, replace, amend, extend, adapt, modify or disapply any rule of custom or law, and

(e) without prejudice to the generality of the foregoing, may make any such provision of any such extent as might be made by Projet de Loi, but for the avoidance of doubt may not provide that a person is to be guilty of an offence as a result of any retrospective effect of the Ordinance."

(5) In section 4(1), for paragraph (b), substitute –

"(b) a public office may arrange for any of its functions to be performed in its name by any officer responsible to that office, and the holder of a public office may arrange for any of that office-holder's functions to be performed by an officer responsible to that office-holder."

(6) In section 4(2) and (3), wherever it appears for "the Committee or office holder concerned" substitute "the Committee, office-holder or public office concerned", and in section 4(2) for "the Committee concerned", substitute "the Committee or public office concerned".

(7) In section 4(4)(b), for "the holder of a public office" substitute "a public office, or the holder of a public office,".

(8) In section 4(6), delete from the start to "Committee of the States; and," .

(9) In section 5 –

(a) in the definition of "function", for "Financial Services Commission," substitute "a public office",

(b) for the definition of "officer", substitute –

""**officer**" means an employee of the States, or of the public office concerned (as the case may be); and an officer is "**responsible to**" a Committee if that officer is an employee of the States, and is "**responsible to**" a public office, or to the holder of a public office, where that officer is an employee of that public office or the holder of that public office,"

(c) for the definition of "public office", substitute –

""**public office**" means any office, authority or body, however created, to which functions of a public nature are specifically assigned by an enactment, and for the avoidance of doubt includes the Financial Services Commission, and "**office-holder**" and related terms are to be construed accordingly," and

(d) in the definition of "**the States**", for " or the holder of a

named public office in Alderney" substitute ", a named public office in Alderney or the holder of a named public office in Alderney", and for " or the holder of a named public office in Sark" substitute ", a named public office in Sark or the holder of a named public office in Sark".

Citation.

2. This Law may be cited as the Public Functions (Transfer and Performance) (Bailiwick of Guernsey) (Amendment) Law, 2021.

Commencement.

3. This Law shall come into force on the date of its registration in the records of the Island of Guernsey.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

THE LONG-TERM CARE INSURANCE (GUERNSEY) (RATES) (AMENDMENT)
ORDINANCE, 2021

The States are asked to decide:-

Whether they are of the opinion to approve the draft Ordinance entitled "The Long-term Care Insurance (Guernsey) (Rates) (Amendment) Ordinance, 2021", and to direct that the same shall have effect as an Ordinance of the States.

This proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

EXPLANATORY MEMORANDUM

This Ordinance amends section 2 of the Long-term Care Insurance (Guernsey) (Rates) Ordinance, 2020 to increase the co-payment a person contributes to the cost of their care with effect from the 5th July, 2021. The co-payment is increased from £229.37 to £242.06.

The Long-term Care Insurance (Guernsey) (Rates) (Amendment) Ordinance, 2021

THE STATES, in pursuance of their Resolution of the 25th March 2021^a, and in exercise of the powers conferred on them by sections 5 and 31 of the Long-term Care Insurance (Guernsey) Law, 2002^b and all other powers enabling them in that behalf, hereby order:-

Amendment of the Long-term Care Insurance (Guernsey) (Rates) Ordinance, 2020.

1. In section 2 (co-payment by way of contribution) of the Long-term Care Insurance (Guernsey) (Rates) Ordinance, 2020^c, for "£229.37" substitute "£242.06".

Citation.

2. This Ordinance may be cited as the Long-term Care Insurance (Guernsey) (Rates) (Amendment) Ordinance, 2021.

Extent.

3. This Ordinance shall have effect in the Islands of Guernsey, Alderney, Herm and Jethou.

Commencement.

4. This Ordinance shall come into force on the 5th July, 2021.

^a Article X of Billet d'État No. VIII of 2021.

^b Order in Council No. XXIII of 2002; amended by No. IV of 2014; Ordinance No. XXXIII of 2003; Ordinance No. XLII of 2007; and Ordinance No. IX of 2016.

^c Ordinance No. XXXII of 2020.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

THE CHARITIES ETC. (GUERNSEY AND ALDERNEY) ORDINANCE, 2021

The States are asked to decide:-

Whether they are of the opinion to approve the draft Ordinance entitled "The Charities etc. (Guernsey and Alderney) Ordinance, 2021", and to direct that the same shall have effect as an Ordinance of the States.

This proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

EXPLANATORY MEMORANDUM

This Ordinance is made under the Charities and Non Profit Organisations (Enabling Provisions) (Guernsey and Alderney) Law, 2009. Its effect is to repeal and replace the legal framework currently in place for the oversight of charities and other non profit organisations (NPOs) under the Charities and Non Profit Organisations (Registration) (Guernsey) Law, 2008 (the 2008 Law). The purpose of the draft Ordinance is to consolidate and clarify the requirements applicable to charities and other NPOs, and also to make a number of revisions to ensure that the framework is sufficient to protect the public and to enable the jurisdiction to meet international standards for addressing money laundering and terrorist financing.

While the framework under the Ordinance is broadly in line with that under the 2008 Law, it differs from it in the following respects:

- the range of organisations required to be registered has been changed in two respects, in order to bring compulsory registration more in line with the risks that are considered to be presented by the sector. First, the exemption under the 2008 Law applicable to organisations administered by parties licensed by the Guernsey Financial Services Commission has been removed. Second, the financial thresholds for compulsory registration have been raised. Voluntary registration by organisations that no longer meet these thresholds will however still be possible,
- the meaning of charity has been clarified by introducing a charitable purposes test,
- persons who do not meet a "fit and proper test" (who have, for example, been convicted of criminal offences or disqualified from acting as a company

director) are prohibited from running a charity or other NPO unless the Registrar directs otherwise,

- the scope of the information that must be provided by charities and NPOs has been expanded, and a reporting obligation has been introduced in relation to payments made abroad (subject to certain risk-based exemptions such as where a payment is made to an affiliated organisation in the UK or another Crown Dependency), and
- the information gathering and sanctioning powers of the Registrar have been brought in line with the powers that exist under other registration regimes (e.g. the registration of beneficial ownership), to enable compliance with the framework to be properly overseen and, where necessary, enforced.

There are also regulation making powers in the Ordinance which may be used to introduce further requirements (e.g. in relation to governance measures) or to provide for exemptions from the obligations under the Ordinance.

The Ordinance also makes a number of consequential amendments to other enactments.

The Charities etc. (Guernsey and Alderney) Ordinance, 2021

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The Charities etc. (Guernsey and Alderney) Ordinance, 2021

THE STATES, in pursuance of their Resolution of the 15th January, 2020^a, and in exercise of the powers conferred on them by sections 1, 2, 3 and 4 of the Charities and Non Profit Organisations (Enabling Provisions) (Guernsey and Alderney) Law, 2009^b, and all other powers enabling them in that behalf, hereby order:-

PART I

OFFICE OF THE REGISTRAR

Office of Registrar of Charities etc.

1. (1) There is established the Office of the Registrar of Charities and other Non Profit Organisations ("**the Office of the Registrar**").

(2) The holder of that office shall be called the Registrar of Charities and other Non Profit Organisations ("**the Registrar**").

(3) The Registrar shall be appointed by the Committee.

(4) An appointment of the Registrar under this section –

(a) may be periodic or for a fixed term,

(b) is subject to such terms and conditions as the Committee may from time to time think fit, and

^a Article III of Billet d'État No. I of 2020.

^b Order in Council No. V of 2010; as amended by Ordinance No. IX of 2016.

(c) without prejudice to any other powers of variation or termination conferred on the Committee under any other enactment, may be varied or terminated at any time by the Committee, but without prejudice to anything done pursuant to the appointment or to the making of a new appointment.

(5) The Registrar shall, subject to the terms and conditions of appointment to the office, exercise the functions assigned or transferred to the Registrar by or under this Ordinance and any other enactment, or by Resolution of the States.

(6) For the purposes of the Public Functions (Transfer and Performance) (Bailiwick of Guernsey) Law, 1991^c -

(a) the Office of the Registrar is a public office, and

(b) the Registrar is an office holder.

(7) The provisions of Schedule 1 have effect in respect of the Office of the Registrar.

Register of Charities etc.

2. (1) The Registrar shall establish, keep and maintain a register of charities and other non profit organisations to be called the Register of Charities and other Non Profit Organisations ("**the Register**") in accordance with Schedule 2.

^c Ordres en Conseil Vol. XXXIII, p. 478; as amended by Ordinance No. XXXIII of 2003; and No. IX of 2016.

(2) The Registrar shall enter charities and other non profit organisations on the Register in accordance with Part III.

(3) A charity or other non profit organisation that is registered on the Register in accordance with Part III is a registered organisation for the purposes of this Ordinance.

Functions of the Registrar etc.

3. (1) The functions of the Registrar are –
- (a) to establish and maintain the Register, and ensure its security and confidentiality, in accordance with Schedule 2,
 - (b) to ensure the accuracy of information relating to registered organisations,
 - (c) to monitor and enforce the compliance of registered organisations and other relevant entities with provisions of or under this Ordinance and the provisions of any other enactment relating to relevant entities in Guernsey or Alderney,
 - (d) to advise the Committee and other authorities within the Bailiwick in relation to the nature and activities of registered organisations, relevant entities or of any charities or other non profit organisations that may be linked to Guernsey or Alderney, and the extent to

which such nature or activities affect or are likely to affect the Bailiwick, including but not limited to exposing the Bailiwick to the risks of -

- (i) money laundering,
 - (ii) bribery and corruption,
 - (iii) the financing of terrorism,
 - (iv) the financing of the proliferation of weapons of mass destruction, or
 - (v) any other form of financial or non-financial crime,
- (e) to advise the Committee generally in relation to the administration and enforcement of provisions of or under this Ordinance and the practices and procedures relating thereto,
- (f) to administer the Office of the Registrar,
- (g) to determine –
- (i) the fees payable under regulations made under section 46,
 - (ii) the interest payable in the event of default in

the payment of fees, and

(iii) the classes or descriptions of person by whom such fees and interest are to be payable, and

(h) to exercise, subject to the terms and conditions of the appointment of the Registrar, such other functions as may be assigned or transferred to the Registrar -

(i) under this Ordinance and any other enactment, or

(ii) by Resolution of the States.

(2) Paragraph 2(5) of Schedule 2 has effect in relation to the persons who may disclose information to the Registrar.

Ancillary powers of the Registrar etc.

4. (1) The Registrar, having regard to the provisions of section 3, has power to do anything that appears to the Registrar to be necessary or expedient for the purposes of or in connection with the exercise of the Registrar's functions, including, without limitation, power -

(a) to request and obtain information and enter premises in accordance with the provisions of Schedule 3,

(b) to prepare and, subject to any provision to the contrary in this Ordinance or any other enactment, to publish

information, reports, forms, codes of practice, guidance, recommendations and other documents,

- (c) to appoint any person to provide advice in relation to the exercise of any of the functions of the Registrar, and
- (d) to apply to the Court for directions under section 7.

(2) For the purposes of exercising the functions of the Registrar, and having regard to the provisions of section 3, the Registrar may -

- (a) acquire, lease, use, dispose of, exchange or otherwise deal with any moveable or immoveable property and any interest in it, and
- (b) enter into any contract, including any contract of purchase, sale, insurance, hire or bailment, or make any arrangement with any person.

(3) The Registrar may sue and be sued as Registrar.

(4) Paragraph 7 of Schedule 3 has effect in relation to the power of the Bailiff to grant a warrant in relation to a request or requirement for information by the Registrar under paragraphs 1 or 6 of that Schedule.

Reports.

5. (1) The Registrar shall, whenever directed by the Committee, and without prejudice to any powers to prepare and publish independent reports, submit to the Committee a report on the exercise of the Registrar's functions in such

form and in respect of such matters and periods as the Committee may (subject to any provision to the contrary in this Ordinance or any other enactment) specify in writing.

(2) The Committee -

- (a) may submit the Registrar's report made under subsection (1) to the States, and
- (b) may at the same time or at any other time submit its own report to the States on the exercise of functions by the Registrar.

Financial and accounting provisions.

6. (1) All fees and penalties received by the Registrar in the exercise of the functions of the office shall be paid by the Registrar to the Committee for the general revenue of the States.

(2) Subsection (1) does not apply if and to the extent that, in accordance with financial procedures agreed between the Committee and the Registrar, the Registrar directs otherwise.

(3) The Registrar shall -

- (a) keep proper accounts and proper records in relation to those accounts, and
- (b) submit to the Committee whenever the Committee may direct but not less than once in any 12 month

period, a statement of account giving a true and fair view of the state of affairs of the Office of the Registrar.

(4) Without prejudice to the preceding provisions of this section, the Registrar shall, whenever directed by the Committee, submit to the Committee, in respect of such period as the Committee may specify in writing, audited accounts of the Office of the Registrar together with the auditors' report thereon prepared by auditors appointed by the Registrar with the approval of the Committee.

Power to apply for directions.

7. (1) The Registrar may, if of the belief that it would assist in the proper and lawful exercise of the functions of the Registrar, apply to the Court for directions, or for a determination of any question of fact, law or procedure, in such manner as may be prescribed by order of the Royal Court, and on such an application the Court may make such order as it thinks fit.

(2) In this section "**the Court**" means the Royal Court sitting as an Ordinary Court, constituted by the Bailiff sitting unaccompanied by the Jurats; and for the purposes of an application under this section the Court may appoint one or more assessors to assist it in the determination of any matter before it.

(3) An appeal from an order of the Court under this section lies, with the leave of the Court or the Court of Appeal, to the Court of Appeal on a question of law.

(4) Section 21 of the Court of Appeal (Guernsey) Law, 1961^d ("Powers of a single judge") applies to the powers of the Court of Appeal to give leave to appeal under this section as it applies to the powers of the Court of Appeal to give leave to appeal under Part II of that Law.

PART II
RELEVANT ENTITIES

Meaning of "relevant entity".

8. In this Ordinance, "**relevant entity**" has the meaning given in the 2009 Law, that is -

- (a) a charity or other non profit organisation that is based in Guernsey or Alderney, and
- (b) a charity or other non profit organisation is based in Guernsey or Alderney if it is established, administered, controlled in or operating from either Guernsey or Alderney.

Meaning of "charity".

9. (1) In this Ordinance, "**charity**" has the meaning given in the 2009 Law, that is, any –

^d Ordres en Conseil Vol. XVIII, p. 315; as amended by Ordres en Conseil Vol. XXIII, p. 188; Order in Council No. III of 2012; Ordinance No. XXXIII of 2003; No. XIII of 2017; Alderney Ordinance No. VIII of 2018; and Sark Ordinance No. II of 2020.

- (a) organisation that meets the conditions at subsections (2) and (3), or
- (b) person falling within subsection (4).

(2) The first condition is that all of the purposes of the organisation are –

- (a) charitable purposes, or
- (b) purposes that are purely ancillary or incidental to any of its charitable purposes.

(3) The second condition is that the organisation provides or intends to provide benefit for the public or a section of the public in Guernsey, Alderney or elsewhere to a reasonable degree in giving effect to its purposes.

(4) A person falls within this subsection if the person has been entrusted with a property or fund that is not a relevant entity and the income from that property or fund -

- (a) is applicable only to purposes that are charitable purposes or purposes that are purely ancillary or incidental to any of those charitable purposes, and
- (b) provides or is intended to provide benefit for the public or a section of the public in Guernsey, Alderney or elsewhere to a reasonable degree.

(5) Organisations that constitute other non profit organisations for the purposes of this Ordinance are any organisations other than charities that come within the definition of non profit organisation within the 2009 Law, that is to say, any organisations established solely or principally either for the non-financial benefit of their members or for the benefit of society and , without limitation, includes any organisations established solely or principally for social, fraternal, educational, cultural or religious purposes, or for the carrying out of any other types of good works.

(6) For the avoidance of doubt, only a relevant entity that meets the conditions at subsections (2) and (3) or that comes within subsection (4) is a Guernsey Registered Charity for the purposes of the Income Tax (Guernsey) Law, 1975^e.

PART III REGISTRATION

Application to register.

10. (1) A relevant entity that comes within subsection (3) must apply to the Registrar to be placed on the Register subject to the provisions of any regulations made under section 14.

(2) A relevant entity that does not come within subsection (3), or which is exempt from the requirement to register in accordance with regulations under section 14, may apply to the Registrar to be placed on the Register.

(3) A relevant entity comes within this subsection if –

^e Ordres en Conseil Vol. XXV, p.124; as amended.

- (a) it has -
 - (i) gross assets and funds of, or over, £100,000, or
 - (ii) a gross annual income of, or over, £20,000, or
- (b) its activities involve raising or distributing assets outside the Bailiwick, other than distributions of assets that -
 - (i) comprise expenditure incidental to the activities of the relevant entity, or
 - (ii) are *de minimis*.

(4) For the avoidance of doubt, a charity or other non profit organisation that is not based in Guernsey or Alderney may not be placed on the Register.

Contents of application.

11. (1) An application for registration shall be made in such form and manner as may be specified by the Registrar and shall contain the details set out in Schedule 5 and any other details that may be specified by the Registrar.

(2) The identification duties imposed on relevant entities and other parties under Schedule 6 apply for the purposes of an application under this section.

Annual validation

12. (1) In each calendar year before the last day of February, every relevant entity that was a registered organisation as at the 1st December in the previous calendar year must complete and deliver to the Registrar an annual validation containing information current on the 31st December in that previous year.

(2) An annual validation shall be in such form and manner, and shall contain such information, as may be specified by the Registrar.

(3) The identification duties imposed on relevant entities and other parties under Schedule 6 apply for the purposes of completing and submitting an annual validation.

Refusal of registration.

13. (1) If, on receipt of an application for registration the Registrar –
- (a) is not satisfied that the subject of the application ("**the subject**") is a charity or other non profit organisation,
 - (b) is not satisfied that the subject is based in Guernsey or Alderney,
 - (c) considers that the application contains no, or insufficient, information about any of the matters set out in Schedule 5,
 - (d) considers that the proposed name of the subject could be misleading as to the subject's purpose,

- (e) considers that the control and governance of the subject or its assets is unlikely to be adequate,
- (f) considers that a person who owns, controls or directs the activities of the subject is prohibited from acting as such under section 15,
- (g) considers that any of the persons owning, controlling or directing the activities of the subject are unlikely to ensure that the obligations applicable to the subject under this Ordinance are met, or
- (h) otherwise considers that it would not be in the public interest to register the subject,

the Registrar may refuse the application for registration.

(2) Before determining an application for registration, the Registrar may require the subject or any person acting on behalf of the subject to provide further information or clarification including, without limitation, documentary proof of any of the facts stated in the application.

Regulations as to the application of the obligation to register.

14. (1) The Committee may, after consultation with the Registrar, by regulation –

- (a) amend or substitute section 10(3) to change the descriptions of relevant entity falling within that subsection for which registration is compulsory, and

- (b) exempt particular relevant entities within those descriptions from the requirement to register under section 10(1).

Prohibition on ownership etc. of registered organisations.

15. (1) Subject to subsections (2) to (4), a person who -
- (a) has been convicted of a criminal offence, whether in the Bailiwick or elsewhere,
 - (b) is the subject of a disqualification order made under any of the following enactments –
 - (i) the Guernsey Companies Law 1994,
 - (ii) the Alderney Companies Law,
 - (iii) the Guernsey Companies Law 2008,
 - (iv) the Foundations Law, or
 - (v) the Limited Liability Partnerships Law,
 - (c) is disqualified, by reason of misconduct or unfitness, from acting as a director or similar managing official under the law of a country or territory outside Guernsey or Alderney, or

(d) is a minor,

may not own, control or direct the activities of a registered organisation.

(2) Subsection (1)(a) does not apply to convictions that are spent within the meaning of the Rehabilitation of Offenders (Bailiwick of Guernsey) Law, 2002^f.

(3) The Registrar may decide to disapply subsection (1)(a) in the case of any person, upon the application of that person or a third party.

(4) A person ("P") who is subject to a disqualification under subsection (1)(c) may make an application to the Court for an order that, subject to such terms and conditions as the Court may direct, the prohibition or restrictions under that disqualification shall not apply to P for the purposes of this section, on the same grounds and subject to the same considerations, where relevant, as would apply under sections 137(2A) and 137(2B) of the Guernsey Companies Law 2008 if the application had been made in respect of acting as director under that Law.

(5) A registered organisation and its officers shall take all reasonable care to ensure that none of its functions in relation to the carrying on of any activities of the registered organisation is performed by a person who is disqualified from performing that function under subsection (1).

^f Order in Council No. XIV of 2002; as amended by Order in Council No. XVI of 2009; No. IX of 2019; Ordinance No. XXVI of 2010; and No. XXXIX of 2015.

(6) A person who without reasonable excuse owns, controls or directs the activities of a registered organisation in contravention of this section is guilty of an offence and liable to a civil penalty.

PART IV

DUTIES OF REGISTERED ORGANISATIONS

Financial records and statements.

16. (1) Subject to any applicable exemption in regulations made under section 20, registered organisations must –

- (a) make, keep and retain records of all financial transactions (with whosoever made) in order to evidence the application or use of its assets, funds and income, and
- (b) file annual financial statements with the Registrar in such form and manner as the Registrar may specify in writing.

(2) The records referred to in subsection (1)(a) –

- (a) shall be retained in a readily retrievable form for a period of not less than six years after the date of being made, and
- (b) shall be sufficiently detailed to enable verification that the assets, funds and income of the registered organisation have been applied or used in a manner

consistent with its purposes, objectives and objects stated in the Register and in any constitutional documents.

(3) The provisions of this section are without prejudice to the provisions of regulations under section 17.

Regulations as to governance etc. of registered organisations.

17. (1) The Committee may, after consultation with the Registrar, by regulation make such provision as it sees fit in relation to the governance measures that must be applied by registered organisations, including but not limited to measures relating to –

- (a) constitutional documents,
- (b) the identification of donors and beneficiaries of the registered organisation where necessary to mitigate the risks referred to in section 3(1)(d), and any other matters relevant to mitigating those risks,
- (c) the making, maintenance, keeping and retention of any records and any other documents, and the disclosure and publication of any such record or document by any person,
- (d) financial probity and transparency, including auditing or similar measures, and
- (e) standards of ethical conduct.

(2) Subject to section 50(5), regulations under subsection (1) may make provision for the application of offences or other enforcement measures under Part V to registered organisations who fail to comply with the regulations.

Reporting of payments.

18. (1) Subject to subsection (2) and to any applicable exemption in regulations made under section 20, a registered organisation must inform the Registrar as soon as reasonably possible of any payments it makes to any party outside the Bailiwick of Guernsey that meet or exceed the specified amount.

(2) Subsection (1) does not apply to payments that -

- (a) are made to an organisation in the United Kingdom, Jersey or the Isle of Man to which the relevant organisation is affiliated, or
- (b) comprise expenditure incidental to the activities of the registered organisation.

(3) For the purposes of subsection (1), the specified amount means such amount as the Committee may prescribe by regulations.

(4) Information required to be provided to the Registrar under this section shall be of such nature and in such form as may be specified by the Registrar.

Notification of changes etc.

19. (1) Subject to subsection (4), a registered organisation must notify the Registrar of any change to any of the matters required to be stated in the application for registration, whether under Schedule 5 or as otherwise specified by the Registrar.

(2) A notification under this section must be made within 21 days of -

(a) the change occurring, or

(b) the date on which the registered organisation could reasonably be expected to be aware that the change had occurred, if later than the date on which the change occurred.

(3) Where a change for the purposes of this section comprises a criminal conviction in respect of any person, that person must notify the Registrar of that conviction within 21 days of the date of the conviction.

(4) Subsection (1) does not apply in respect of a conviction that has been notified to the Registrar under subsection (3).

(5) The identification duties imposed on relevant entities and other parties under Schedule 6 apply for the purposes of notifications under this section.

Regulations as to the application of requirements etc.

20. The Committee may, after consultation with the Registrar, by regulation -

- (a) amend section 18(2) to change the categories of payment that are exempt from the reporting obligation under section 18,
- (b) amend, or provide for exemptions from the obligation in section 16 on registered organisations to maintain records and file annual financial statements, and
- (c) exempt any particular registered organisation, whether or not within section 10(3), from any of the duties of registered organisations under this Part.

PART V
ENFORCEMENT

Failure to be registered.

21. (1) Where a relevant entity within section 10(3) is, without reasonable excuse, not registered on the Register -

- (a) the relevant entity is -
 - (i) guilty of an offence, and
 - (ii) liable to a civil penalty, and
- (b) any person who owns, directs or controls the activities of the relevant entity including (without limitation) any of its directors, officers or trustees, is liable to a civil penalty.

(2) Subsection (1) is subject to any exemption in regulations made under section 14.

(3) For the avoidance of doubt, relevant entities that are not registered on the Register for the purposes of this section include relevant entities whose applications for registration have been refused under section 13 or which have been struck off by the Registrar under section 30 except -

(a) in the case of a refusal of an application for registration, where it is on the grounds set out at sections 13(1)(a) or (b), or

(b) where the period for instituting an appeal against the refusal under section 42 has not yet expired or, where the decision is the subject of an appeal under that section, until that appeal and any further appeal is withdrawn or finally determined.

Failure to submit annual validation.

22. (1) Where a registered organisation fails, without reasonable excuse, to submit an annual validation as required under section 12 -

(a) the registered organisation is -

(i) liable to a civil penalty, and

(ii) liable to be struck off under section 30(b), and

- (b) any person who owns, directs or controls the activities of the registered organisation including (without limitation) any of its directors, officers or trustees, is liable to a civil penalty.

(2) Section 22(1) does not apply where a registered organisation has made an application for removal from the Register under section 41 before the date by which the annual validation was due and -

- (a) a determination of that application has not yet been made, or
- (b) where the period for instituting an appeal against the decision under section 42 has not yet expired or, where the decision on the application is the subject of an appeal under that section, until that appeal and any further appeal is withdrawn or finally determined.

(3) For the avoidance of doubt, section 22(1) does not apply to a relevant entity that has been removed from the Register in the calendar year preceding the date by which the annual validation was due.

Failure to comply with duties.

23. (1) Where a registered organisation fails, without reasonable excuse, to comply with any of the duties applicable to it under Part IV or Schedule 6-

- (a) the registered organisation is -

(i) guilty of an offence, and

(ii) liable to a civil penalty, and

(b) any person who owns, directs or controls the activities of the registered organisation including (without limitation) any of its directors, officers or trustees, is liable to a civil penalty.

(2) A person who without reasonable excuse fails to comply with the obligation to report a criminal conviction under section 19(3) is guilty of an offence and is liable to a civil penalty.

Failure to provide information etc. and tipping off.

24. (1) Any person who, without reasonable excuse, obstructs or fails to comply with a request or requirement of a person exercising or purporting to exercise any power conferred under Schedule 3 of this Ordinance is guilty of an offence and liable to a civil penalty.

(2) A person ("P") is guilty of an offence if a notice is served on P under Schedule 3 and P discloses to any person information or any other matter which may prejudice -

(a) any criminal or regulatory investigation which is being or may be carried out, whether in the Bailiwick or elsewhere, or

(b) any criminal or regulatory proceedings which have been or may be initiated, whether in the Bailiwick or

elsewhere,

which are connected with the service of that notice.

(3) Nothing in subsection (2) makes it an offence for an Advocate or other legal adviser to disclose any information or other matter -

(a) to, or to a representative of, a client of that Advocate or legal adviser in connection with the giving of legal advice to the client, or

(b) to any person -

(i) in contemplation of or in connection with legal proceedings, and

(ii) for the purpose of those proceedings.

(4) Subsection (2) does not apply in relation to any information or other matter which is disclosed with a view to furthering any criminal purpose.

(5) In proceedings against P for an offence under subsection (2), it is a defence to prove that P did not know or suspect that the disclosure might be prejudicial in the way mentioned in subsection (2).

(6) A person who without reasonable excuse fails to comply with

(a) a notice served on that person under paragraph 1 of Schedule 6, or

- (b) a duty under paragraphs 2 or 3 of Schedule 6, is liable to a civil penalty.

Provision of false or misleading information.

25. If a person -

- (a) in connection with an application for registration, an annual validation or an application for removal from the Register under this Ordinance,
- (b) in purported compliance with a request for information or any other requirement imposed under this Ordinance, or
- (c) otherwise than as mentioned in paragraphs (a) and (b) but in circumstances in which the person intends, or could reasonably be expected to know, that the statement, or information provided by the person would or might be used by the Registrar for the purpose of exercising the functions conferred by or under this Ordinance,

does any of the following –

- (i) makes a statement which the person knows or has reasonable cause to believe to be false, deceptive or misleading in a material particular,

- (ii) dishonestly or otherwise, recklessly makes a statement which is false, deceptive or misleading in a material particular,
- (iii) produces or furnishes or causes or permits to be produced or furnished any information which the person knows or has reasonable cause to believe to be false, deceptive or misleading in a material particular, or
- (iv) dishonestly or otherwise, recklessly produces or furnishes or recklessly causes or permits to be produced or furnished any information which is false, deceptive or misleading in a material particular,

that person is guilty of an offence and liable to a civil penalty.

Criminal penalties.

26. (1) A person guilty of an offence under this Ordinance is liable -
- (a) on summary conviction, to a fine not exceeding level 5 on the uniform scale, to imprisonment for a term not exceeding 6 months, or to both, and
 - (b) on conviction on indictment, to a fine, to imprisonment for a term not exceeding 2 years, or to both.

(2) In deciding whether a person is guilty of an offence under this Ordinance the court must consider whether the person followed any relevant codes of practice, guidance, recommendations or other documents which were at the time concerned -

- (a) made or issued by the Registrar under this Ordinance or any other enactment, and
- (b) published in a manner approved by the Registrar as appropriate in the opinion of the Registrar to bring the codes of practice, guidance, recommendations or other documents to the attention of persons likely to be affected by them.

Criminal liability of officers etc.

27. (1) Where an offence under this Ordinance (except, in the case of a registered organisation, for an offence under sections 21 or 23) is committed by a body corporate, limited partnership with legal personality or foundation and is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of -

- (a) in the case of a body corporate, any director, manager, secretary or other similar officer,
- (b) in the case of a limited partnership with legal personality, any general partner,
- (c) in the case of a foundation, any foundation official, or

- (d) any person purporting to act in any capacity described in paragraphs (a) to (c),

that person, as well as the body corporate, limited partnership or foundation is guilty of the offence and may be proceeded against and punished accordingly.

(2) Where the affairs of a body corporate are managed by its members, subsection (1) applies to a member in connection with that member's functions of management as if that member were a director.

(3) In this section -

"foundation" means -

- (a) a foundation created under the Foundations Law, or
- (b) an equivalent or similar body created or established under the law of another jurisdiction (however named),

"foundation official" means -

- (a) in relation to a foundation created under the Foundations Law, a foundation official within the meaning of that Law, and
- (b) in relation to an equivalent or similar body created or established under the law of another jurisdiction, a

person with functions corresponding to those of a foundation official described in paragraph (a) of this definition, and

"general partner" means -

- (a) in relation to a limited partnership falling within paragraph (a) of the definition in this section of **"limited partnership"**, a general partner within the meaning of the Limited Partnerships Law, and
- (b) in relation to a limited partnership falling within paragraph (b) of the definition in this section of **"limited partnership"**, a person whose liability for, and functions in relation to, the partnership correspond to that of a general partner described in paragraph (a) of this definition.

(4) In this section and in section 28 **"limited partnership"** means -

- (a) an arrangement which is registered as a limited partnership, and in respect of which there is a valid certificate of registration, under the Limited Partnerships Law, or
- (b) an arrangement entered into under the laws of a jurisdiction outside Guernsey between two or more persons, under which -

- (i) one or more of them is, or are jointly and severally, liable without limitation for all debts and obligations to third parties incurred pursuant to the arrangement, and
- (ii) the others have, by whatever means, contributed or agreed to contribute specified amounts pursuant to the arrangement and are not liable for those debts and obligations (unless they participate in controlling the business or are otherwise subjected to a greater liability by those laws in specified circumstances) beyond the amount contributed or agreed to be contributed,

whether with or without legal personality.

Criminal proceedings against unincorporated bodies.

28. (1) Where an offence under this Ordinance, except for an offence under section 21 or 23, is committed by an unincorporated body and is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of -

- (a) in the case of a partnership (not being a limited partnership with legal personality or a limited liability partnership), any partner,
- (b) in the case of any other unincorporated body, any officer of that body who is bound to fulfil any duty of

which the offence is a breach or, if there is no such officer, any member of the committee or other similar governing body, or

- (c) any person purporting to act in any capacity described in paragraph (a) or (b),

that person as well as the unincorporated body is guilty of the offence and may be proceeded against and punished accordingly.

(2) Where an offence under this Ordinance is alleged to have been committed by an unincorporated body, proceedings for the offence must, without prejudice to subsection (1), be brought in the name of the body and not in the name of any of its members.

(3) A fine imposed on an unincorporated body on its conviction for an offence under this Ordinance must be paid from the funds of the body.

(4) In this section "**limited liability partnership**" means -

- (a) a limited liability partnership formed in Guernsey under the Limited Liability Partnerships Law, or
- (b) an entity formed under the laws of a jurisdiction outside Guernsey, being an entity corresponding to a limited liability partnership described in paragraph (a).

Enforcement Powers of the Registrar.

29. (1) The Registrar may impose an applicable sanction in accordance with the provisions of this Part and with Schedule 7.

(2) The Committee may, after consultation with the Registrar, by regulation make such provision as it sees fit in relation to preventive measures, including but not limited to the application of conditions to registration and the suspension of transactions that may be imposed by the Registrar if considered by the Registrar to be necessary or desirable in the interests of the public or the reputation of the Bailiwick as a finance centre.

(3) Subject to section 50(5), regulations under subsection (2) may make provision for the application of offences or other enforcement measures under Part V to registered organisations who fail to comply with the regulations.

Strike off.

30. The Registrar may strike a registered organisation off the Register at any time if –

- (a) the Registrar has reason to believe that any of the matters that would justify refusing an application for registration under section 13 apply in relation to the registered organisation,
- (b) the registered organisation fails to submit an annual validation within the period specified in section 12(1),
- (c) the registered organisation fails to comply with any request for information from the Registrar,

- (d) a person is found guilty of an offence under section 25 in respect of statements made or information produced or furnished for or on behalf of the registered organisation,
- (e) the registered organisation fails to pay any fee imposed under section 46,
- (f) there has been a failure by a registered organisation or any person who owns, directs or controls the activities of a registered organisation, including (without limitation) a director, officer or trustee, to comply with the obligation to pay an administrative penalty or civil penalty imposed under this Ordinance, or
- (g) the registered organisation fails to comply with any other duty imposed under this Ordinance.

Civil penalties.

31. (1) Where the Registrar is satisfied that any relevant entity or other person is liable to a civil penalty under this Ordinance, the Registrar may impose on that relevant entity or other person a financial penalty in respect of the conduct that gave rise to the liability to a civil penalty of such amount as considered appropriate and proportionate by the Registrar, but not exceeding £20,000, or such other amount as the States may prescribe by Ordinance.

(2) Any financial penalty imposed under this section is payable to the States and is recoverable as a civil debt.

Private reprimands.

32. (1) Where the Registrar considers that, having regard to the conduct of a registered organisation or a person who owns, controls or directs the activities of a registered organisation, it is appropriate to do so, the Registrar may issue a private reprimand to the registered organisation.

(2) The Registrar may not publish a private reprimand without the consent of the registered organisation.

(3) A private reprimand issued under subsection (1) may be taken into account by the Registrar in considering any matter under this Ordinance concerning the registered organisation.

Public statements.

33. (1) Where in the opinion of the Registrar a relevant entity or a person who owns, controls or directs the activities of a relevant entity has contravened in a material particular -

- (a) a provision of this Ordinance, or
- (b) any prohibition, restriction, condition, obligation, enforcement requirement, other requirement, duty, direction or arrangement imposed under this Ordinance,

the Registrar may publish, in such manner and for such period as may be determined by the Registrar, a statement to that effect.

(2) The statement may contain such information in respect of any relevant entity or person named therein, and such ancillary, incidental and supplementary information, as the Registrar may determine.

(3) If at any time it appears to the Registrar that a statement published under this section or any information contained in it is or has become misleading, inaccurate or incomplete, or that it is necessary or desirable in the interests of the public or the reputation of the Bailiwick as a finance centre to do so, the Registrar shall make such addition, erasure or other alteration to the statement or content thereof as the Registrar considers necessary.

(4) A statement published under subsection (1) may be taken into account by the Registrar in considering any matter under this Ordinance concerning the relevant entity or other person in question.

Disqualification orders.

34. (1) Where the Registrar considers that a person who owns, controls or directs the activities of a relevant entity has contravened in a material particular –

- (a) a provision of this Ordinance, or
- (b) any prohibition, restriction, condition, obligation, enforcement requirement, other requirement, duty, direction or arrangement imposed, issued or arising under any such provision,

the Registrar may make and subsequently renew, on one or more occasions, an order (a "**disqualification order**") disqualifying that person from owning, controlling or

directing the activities of a registered organisation.

(2) A person who performs or agrees to perform any function in contravention of a disqualification order is guilty of an offence and liable to a civil penalty.

(3) A registered organisation and its officers shall take all reasonable care to ensure that none of its functions in relation to the carrying on of any business of the registered organisation is performed by a person who is disqualified from performing that function by a disqualification order.

(4) A disqualification order and any renewal thereof -

(a) shall have effect for such period (which may be indefinite), and

(b) may contain such ancillary, incidental and supplementary terms and conditions,

as shall be specified in it.

Imposition of applicable sanctions.

35. In deciding whether or not to impose an applicable sanction (and, where relevant, the amount or terms thereof), the Registrar must take into consideration the following factors -

(a) in the case of a contravention of or under any provisions of this Ordinance -

- (i) whether the contravention was brought to the attention of the Registrar by the relevant entity or other person concerned, as the case may be,
 - (ii) the seriousness of the contravention, and
 - (iii) the efforts, if any, that have been made to rectify the contravention and to prevent a recurrence,
- (b) the potential financial consequences to the relevant entity or other person concerned, and to third parties including customers and creditors of that relevant entity or other person, of imposing an applicable sanction,
- (c) the action taken by the Registrar in relation to applicable sanctions in other cases, and
- (d) any other matter the Registrar considers relevant.

Notification.

36. (1) Where the Registrar decides to impose an applicable sanction, he or she must issue to the relevant entity or other person, as the case may be, notice of that decision.

(2) A notice under this section must include a statement of the right to appeal under section 42.

Effect of applicable sanctions.

37. (1) Subject to subsections (2) and (3), a decision of the Registrar to impose an applicable sanction does not have effect until -

- (a) 28 days immediately following the date of the notice of the decision issued under section 36, or
- (b) if an appeal to the Court is instituted within that period under section 42, the final determination, or withdrawal, of that appeal,

and for the purposes of this subsection, an appeal shall be deemed not to have been finally determined until the expiration of the time allowed for the institution of an appeal to the Court of Appeal under the Court of Appeal (Guernsey) Law, 1961 or until the determination of any such appeal instituted within that time.

(2) Subsection 1 does not apply to a decision to impose a private reprimand.

(3) Where the Registrar is of the view that it is necessary or desirable to do so -

- (a) in the interests of the public, or
- (b) in the interests of the reputation of the Bailiwick as a financial centre,

the Registrar may apply to the Ordinary Court ("**the Court**") for an order under this subsection directing that the Registrar's decision to impose an applicable sanction should, without prejudice to any appeal in respect of the decision under section 42,

have immediate effect; and the Court may make an order under this subsection subject to such terms and conditions as it thinks just.

(4) An application by the Registrar for an order under subsection (2) may, with the approval of the Court, and subject to such terms and conditions as the Court may direct, be made ex parte.

Publication of applicable sanctions.

38. (1) Subject to section 32(2) and subsection (2), where an applicable sanction has effect under section 37, the Registrar may publish, in such manner and for such period as the Registrar may determine -

- (a) the name of the relevant entity or other person concerned as the case may be,
- (b) the nature of the applicable sanction imposed and, where relevant, the amount or terms thereof,
- (c) such information in respect of -
 - (i) any relevant entity or other person named therein, and
 - (ii) such ancillary, incidental and supplementary information, as the Registrar may determine.

(2) Where the Registrar makes a decision to strike off a registered organisation under section 30, the Registrar may publish that decision in such a manner and for such period as the Registrar may determine, notwithstanding that

the decision may not have effect when the notice is published.

Relationship of civil penalties with prosecutions etc.

39. (1) A person is not liable to a civil penalty if a prosecution in respect of the matter has been commenced.

(2) If the prosecution commences after the civil penalty has been paid, the Registrar shall repay the civil penalty to the person who has paid it.

(3) Subject to subsection (1), the application of one power, sanction or remedy provided for by or under this Ordinance is without prejudice to the application of any other such power, sanction or remedy.

Interpretation of Part V.

40. In this Part, "**applicable sanction**" means -

- (a) a civil penalty under section 31,
- (b) a private reprimand under section 32,
- (c) a public statement under section 33,
- (d) an administrative penalty under Schedule 7,
- (e) in the case of a registered organisation, the striking off of that registered organisation under section 30, or
- (f) in the case of a person who owns, directs or controls the activities of a relevant entity, a disqualification

order under section 34.

PART VI
MISCELLANEOUS

Application for removal from Register.

41. (1) A registered organisation may apply to the Registrar at any time, in such form and manner as may be specified in writing by the Registrar, to be removed from the Register on the grounds that –

- (a) in the case of a registered organisation that is registered under section 10(1), there has been a change in circumstances with the result that the registered organisation is no longer obliged to be registered under section 10(1) and does not wish to be registered under section 10(2), or
- (b) in the case of a registered organisation that is registered under section 10(2), the registered organisation no longer wishes to be so registered and there has been no change in circumstances so as to oblige the registered organisation to be registered section 10(1).

(2) On receiving an application under this section, the Registrar shall remove the registered entity from the Register if satisfied that the registered organisation in question is not subject to the obligation to register under section 10(1).

(3) The removal of a registered organisation from the Register under subsection (2) may be of immediate effect or may be at such later date, and subject to such conditions, as the Registrar considers necessary for the protection of third parties or otherwise to be in the public interest.

(4) Before determining an application under this section, the Registrar may require the registered organisation or any person acting on behalf of the registered organisation to provide further information or clarification including, without limitation, documentary proof of any of the facts stated in the application.

(5) Where a registered organisation has been, or will be, removed from the Register under this section, the Registrar may publish that fact and such other matters as the Registrar considers necessary for the protection of third parties or otherwise to be in the public interest, in such manner and for such period as the Registrar may determine.

Appeals.

42. (1) A person aggrieved by a decision of the Registrar made under this Ordinance may appeal to the Court against that decision on the grounds that –

- (a) the decision was ultra vires or there was some other error of law,
- (b) the decision was unreasonable,
- (c) the decision was made in bad faith,
- (d) there was a lack of proportionality, or

(e) there was a material error as to the facts or as to the procedure.

(2) An appeal under this section shall be instituted -

(a) within a period of 28 days immediately following the date on which notice in writing of the decision was served by the Registrar on the person to whom the decision relates (or such other period as the Court may in any particular case direct), and

(b) by summons served on the Registrar stating the grounds and material facts on which the appellant relies.

(3) The Registrar may, where an appeal under this section has been instituted, apply to the Court, by summons served on the appellant, for an order that the appeal shall be dismissed for want of prosecution; and, on hearing the application, the Court may -

(a) dismiss the appeal or dismiss the Registrar's application (in either case on such terms and conditions as the Court may direct), or

(b) make such other order as the Court considers just,

and the provisions of this subsection are without prejudice to the inherent powers of

the Court or to the provisions of rule 52(3) of the Royal Court Civil Rules, 2007⁸.

- (4) On an appeal under this section the Court may -
 - (a) set the decision of the Registrar aside and, if the Court considers it appropriate to do so, remit the matter to the Registrar with such directions as the Court thinks fit, or
 - (b) confirm the decision, in whole or in part.

(5) On an appeal under this section the Court may, upon the application of the appellant, and on such terms as the Court thinks just, suspend or modify the operation of the decision in question, pending the determination of the appeal.

(6) An appeal from a decision of the Court made under the provisions of this Ordinance lies, with leave of the Court or the Court of Appeal, to the Court of Appeal on a question of law.

(7) Section 21 of the Court of Appeal (Guernsey) Law, 1961 ("powers of a single judge") applies to the powers of the Court of Appeal to give leave to appeal under subsection (6) as it applies to the powers of the Court of Appeal to give leave to appeal under Part II of that Law.

(8) Save as provided for under section 37 and subject to subsection (5), the making of an appeal under this section does not suspend the

⁸ O.R.C. No. IV of 2007; amended by No. II of 2008; No. IV of 2009.

effect of that decision.

Service of documents.

43. (1) Any notice or document other than a summons to be served under or for the purposes of provisions of or under this Ordinance may be served on

-

- (a) an individual ("A"), by being delivered to A, or by being left at, or sent by post or transmitted to, A's usual or last known place of abode, or by being transmitted to A's relevant electronic address,
- (b) a legal person with a registered office in Guernsey, by being left at, or sent by post or transmitted to, that office, or by being transmitted to its relevant electronic address,
- (c) a legal person without a registered office in Guernsey, by being left at, or sent by post or transmitted to, its principal or last known principal place of business in Guernsey or, if there is no such place, its registered office or principal or last known principal place of business elsewhere, or by being transmitted to its relevant electronic address,
- (d) an unincorporated body -
 - (i) by being served on any partner, member of the committee or other similar governing body,

manager, director or other similar officer thereof in accordance with paragraph (a), or

(ii) by being left at, or sent by post or transmitted to, the body's principal or last known principal place of business in Guernsey or, if there is no such place, its principal or last known principal place of business elsewhere, or by being transmitted to its relevant electronic address,

(e) the Registrar, by being left at, or sent by post or transmitted to, the Registrar's offices.

(2) If service of a notice or document cannot, after reasonable enquiry, be effected in accordance with subsection (1), the notice or document may be served by being published -

(a) in such manner and for such period as determined by the Registrar, or

(b) in La Gazette Officielle (or, where service is required to be effected in Alderney, in the Alderney Official Gazette) on two occasions falling in successive weeks.

(3) Subsections (1) and (2) are without prejudice to any other lawful method of service.

(4) Where a document is sent by post it shall, unless the contrary is shown, be deemed for the purposes of the provisions of this Ordinance to have been received -

(a) in the case of a document sent to an address in the United Kingdom, the Channel Islands or the Isle of Man, on the third day after the day of posting,

(b) in the case of a document sent elsewhere, on the seventh day after the day of posting,

excluding in each case any non-business day.

(5) For the purposes of provisions of or under this Ordinance, service of any document sent by post shall be proved by showing the date of posting, the address thereon and the fact of prepayment.

(6) Notwithstanding the provisions of this section and of any other rule of law in relation to the service of documents, no document to be served on the Registrar under or for the purposes of the provisions of this Ordinance shall be deemed to have been served until it is received.

Exclusion of liability, etc.

44. (1) No liability is incurred by –

(a) the Registrar,

(b) any person to whom a function under this Ordinance has been delegated under paragraph 3 of Schedule 1

or under the Public Functions (Transfer and Performance) (Bailiwick of Guernsey) Law, 1991,

- (c) any person appointed as Deputy Registrar under paragraph 4 of Schedule 1, or
- (d) any officer or servant of the Registrar or of the States,

in respect of anything done or omitted to be done after the commencement of this Ordinance in the discharge or purported discharge of their functions under this Ordinance, unless the thing was done or omitted to be done in bad faith.

(2) Subsection (1) does not apply so as to prevent an award of damages in respect of an act or omission on the ground that it was unlawful as a result of section 6(1) of the Human Rights (Bailiwick of Guernsey) Law, 2000^h.

(3) A requirement or power under this Ordinance to provide any information has effect notwithstanding any obligation as to confidentiality or other restriction on the disclosure of information imposed by statute, contract or otherwise; and, accordingly, the obligation or restriction is not contravened by the making of a disclosure pursuant to such a requirement.

(4) Nothing in this Ordinance authorises -

- (a) a disclosure in contravention of any provisions of the

^h Order in Council No. XIV of 2000; as amended by Order in Council No. I of 2005; Ordinance No. XXXVII of 2001; No. XXXIII of 2003; No. XX of 2015; No. IX of 2016; No. XXVI of 2018; and G.S.I. No. 27 of 2006.

Data Protection (Bailiwick of Guernsey) Law, 2017ⁱ of personal data which are not exempt from those provisions, or

- (b) a disclosure which is prohibited by Part I of the Regulation of Investigatory Powers (Bailiwick of Guernsey) Law, 2003^j.

(5) Nothing in this Ordinance compels the production or divulgence by an Advocate or other legal adviser of an item subject to legal professional privilege (within the meaning of section 24 of the Police Powers and Criminal Evidence (Bailiwick of Guernsey) Law, 2003^k), but an Advocate or other legal adviser may be required to give the name and address of any client.

Guidance etc.

45. (1) The Registrar may issue such guidance, or revisions to the same, as he or she thinks necessary for the purposes of this Ordinance and other enactments making provision in respect of relevant entities.

(2) The Registrar may issue standard forms as a means of specifying in writing the form and manner in which an applicant must make an

ⁱ Order in Council No. VI of 2018; as amended by Order in Council No. IV of 2018; Ordinance No. X of 2018; No. VIII of 2018; and G.S.I. No. 21 of 2018.

^j Order in Council No. XXX of 2003; as amended by Ordinance No. XXXIII of 2003; No. XXIX of 2013; No. IX of 2016; No. III of 2017; No. XVII of 2018; No. XXVI of 2018; and G.S.I. No. 26 of 2004.

^k Order in Council No. XXIII of 2003; as amended by Order in Council No. XVI of 2009; No. XV of 2011; Ordinance No. XXXIII of 2003; No. XXIX of 2001; No. XXXIX of 2015; No. IX of 2016; and No. XXVI of 2018.

application or a person is required to file an annual statement, report a payment or provide information to the Registrar under this Ordinance.

Fees.

46. (1) The Registrar, after consultation with the Committee, may make regulations which prescribe -

- (a) the fees payable (whether generally or in any particular case) in respect of the exercise of any of the Registrar's functions,
- (b) the interest payable in the event of default in the due payment of fees, and
- (c) the persons by whom such fees are payable.

(2) The Registrar may refuse to exercise the functions of the Registrar in any particular case if the fees payable have not been paid.

Power to amend this Ordinance by regulations.

47. (1) The Committee may by regulation amend section 12 and Schedules, 1, 2, 5 and 7, after consultation with the Registrar.

(2) The provisions of this section are without prejudice to any other provision of this Ordinance conferring power to amend this Ordinance or to make regulations, and vice-versa.

Power of Committee to make certain consequential amendments to other enactments by regulations.

48. (1) The Committee may by regulation amend any enactment having effect in Guernsey or Alderney in order to –

- (a) amend definitions in that enactment of the terms "charity", "charitable purposes", and "non profit organisation",
- (b) insert into that enactment definitions of the terms referred to in paragraph (a), and
- (c) make other amendments to that enactment consequential on an amendment or insertion made under paragraph (a) or (b).

Regulations made by the Registrar.

49. (1) Without prejudice to any other power to make regulations under this Ordinance or to the Registrar's functions under section 3(1)(h), the Registrar may make such regulations as the Registrar considers fit in relation to the practice and procedure of the Office of the Registrar and in relation to the exercise of the Registrar's functions.

(2) The Registrar must consult with and obtain the approval of the Committee before making the regulations.

General provisions as to subordinate legislation.

50. (1) Regulations made by the Committee or the Registrar under this Ordinance must be laid before a meeting of the States as soon as possible after

being made; and if, at that or their next meeting, the States resolve to annul the regulations, they shall cease to have effect, but without prejudice to anything done under them or to the making of new regulations.

(2) Regulations under this Ordinance applying to Alderney shall cease to have effect in Alderney if, within the period of four months immediately following the approval date, the States of Alderney resolve to disapprove their application to Alderney.

(3) If the States of Alderney resolve to disapprove the application of regulations in accordance with the provisions of this section, the regulations cease to have effect in Alderney but without prejudice to -

- (a) anything done under the regulations in Alderney, or
- (b) the making of new regulations having effect in Alderney.

(4) In this section, "**approval date**" means the date of the making of the regulations in question by the Committee.

(5) The power to amend this Ordinance by the making of regulations does not include power -

- (a) to provide for offences to be triable only on indictment,
- (b) to authorise the imposition, on summary conviction of an offence, of a term of imprisonment or a fine

exceeding the limits of jurisdiction for the time being imposed on the Magistrates' Court by section 9 of the Magistrate's Court (Guernsey) Law, 2008^l, or

- (c) to authorise the imposition, on conviction on indictment of any offence, of a term of imprisonment exceeding two years.

Interpretation.

51. In this Ordinance, unless the context otherwise requires -

"**the 2008 Law**" means the Charities and Non profit Organisations (Registration) (Guernsey) Law, 2008^m,

"**the 2009 Law**" means the Charities and Non Profit Organisations (Enabling Provisions) (Guernsey and Alderney) Law, 2009,

"**administrative penalty**": see Schedule 7,

"**Alderney Beneficial Ownership Law**" means the Beneficial Ownership of Legal Persons (Alderney) Law, 2017ⁿ,

^l Order in Council No. XVIII of 2009; as amended by Ordinance No. XXII of 2009; and No. IX of 2016.

^m Order in Council No. XXVI of 2008; as amended by Order in Council No. III of 2010; No. VIII of 2011; Ordinance No. XXXVI of 2008; No. XLIX of 2008; No. XXIX of 2010; No. VI of 2015; No. IX of 2016; and No. XXVII of 2018.

ⁿ Order in Council No. VII of 2017; as amended by Alderney Ordinance No. X of 2017; and Ordinance No. XXVII of 2018.

"**Alderney Company**" means a company incorporated under the Alderney Companies Law,

"**the Alderney Companies Law**" means the Companies (Alderney) Law, 1994^o,

"**Alderney Gambling Control Commission**" means the body established by section 1 of the Gambling (Alderney) Law, 1999^P,

"**applicable sanction**": see section 40,

"**Bailiff**": see paragraph 7 of Schedule 3,

"**charity**": see section 9(1),

"**charitable purposes**": see Schedule 4,

"**civil penalty**": see section 31,

"**the Commission**" means the Guernsey Financial Services Commission established by the Financial Services Commission (Bailiwick of

^o Ordres en Conseil Vol. XXXV(2), p. 777; as amended by Order in Council No. I of 2001; No. XV of 2002; No. XIII of 2010; No. XIX of 2012; No. VII of 2017; Ordinance No. III of 1995; No. V of 1995; No. I of 1996; No. II of 1997; No. XXXIII of 2003; No. XI of 2007; No. XVII of 2008; No. VII of 2009; No. VI of 2009; No. XIV of 2010; No. I of 2011; No. XV of 2011; No. VIII of 2012; No. XVI of 2013; No. IX of 2016; Alderney Ordinance No. V of 2017; No. XXVII of 2018; and G.S.I. No. 90 of 2018.

^P Order in Council No. XIV of 1999; as amended by No. I of 2000; No. XXVII of 2001; No. IX of 2018; No. X of 2018; Alderney Ordinance No. XVI of 2003; No. VII of 2006; and No. I of 2018.

Guernsey) Law, 1987^q,

"**the Committee**" means the States Policy & Resources Committee,

"**conduct**" includes acts, omissions and statements,

"**the Court**" means the Royal Court sitting as an Ordinary Court,

"**the Data Protection Authority**" means the Data Protection Authority established by the Data Protection (Bailiwick of Guernsey) Law, 2017^r,

"**Director of the Revenue Service**" means the Director referred to in section 205 of the Income Tax (Guernsey) Law, 1975, and includes the Deputy Director,

"**Financial Intelligence Service**" has the same meaning as in the Disclosure (Bailiwick of Guernsey) Law, 2007^s,

"**foundation**" has the same meaning as in the Foundations Law,

^q Ordres en Conseil Vol. XXX, p. 243; there are amendments not relevant to this Ordinance.

^r Order in Council No. VI of 2018; No. IV of 2018; Ordinance No. X of 2018; No. VIII of 2018; and G.S.I. No. 21 of 2018. there are amendments not relevant to this Ordinance.

^s Order in Council No. XVI of 2007; the definition of "financial intelligence service" in section 17(1) was inserted by Ordinance No. XIX of 2010; there are other amendments not relevant to this Ordinance.

"**the Foundations Law**" means the Foundations (Guernsey) Law, 2012^t,

"**Guernsey**" includes Herm and Jethou,

"**Guernsey Beneficial Ownership Law**" means the Beneficial Ownership of Legal Persons (Guernsey) Law, 2017^u,

"**the Guernsey Companies Law 1994**" means the Companies (Guernsey) Law, 1994^v,

"**the Guernsey Companies Law 2008**" means the Companies (Guernsey) Law, 2008^w,

"**Guernsey legal person**" means –

- (a) a company incorporated under the Guernsey Companies Law 2008,
- (b) a foundation incorporated under the Foundations Law,

^t Order in Council No. I of 2013; amended by No. VI of 2017; Ordinance No. IX of 2016; and No. XXVII of 2018.

^u Order in Council No. VI of 2017; amended by Ordinance No. XXVIII of 2017 and No. XXVII of 2018.

^v Order in Council No. XXXIII of 1994.

^w Order in Council No. VIII of 2008; as amended.

(c) a limited liability partnership incorporated under the Limited Liability Partnerships Law, and

(d) a limited partnership with legal personality incorporated under the Limited Partnerships Law,

"identification duties": see Schedule 6,

"information" includes documents,

"the Limited Liability Partnerships Law" means the Limited Liability Partnerships (Guernsey) Law, 2013^x,

"the Limited Partnerships Law" means the Limited Partnerships (Guernsey) Law, 1995^y,

"the minimum retention period" means –

(a) a period of at least 5 years starting from the date of the dissolution or termination of the registered organisation in question, or

(b) such longer period as the Registrar may direct,

^x Order in Council No. VI of 2014; amended by No. VI of 2017; Ordinance No. XII of 2015; No. IX of 2016; and No. XXVII of 2018.

^y Ordres en Conseil Vol XXXVI, p. 264; amended by Order in Council No. V of 1996; No. IV of 2001; No. X of 2007; No. VIII of 2008; Ordinance No. XXXIII of 2003; No. IX of 2016; and G.S.I. No. 89 of 2008; G.S.I. No. 51 of 2016; and G.S.I. No. 69 of 2016.

"the Office of the Registrar": see section 1(1),

"organisation" has the meaning in the 2009 Law, that is to say, it includes a body of persons (corporate or unincorporate), a trust, any other legal entity and any equivalent or similar structure or arrangement,

"other non profit organisation": see section 9(5),

"the Overseas Aid Commission" means the body responsible for distributing funds voted by the States for aid and development overseas,

"person whose identification details are required": see Schedule 6,

"the Register": see section 2(1),

"the Registrar": see section 1(2),

"registered organisation": see section 2(3),

"relevant entity": see section 8,

"the Social Investment Fund" means the company incorporated by the States to provide support and guidance to charitable organisations and others, and

"uniform scale" means the uniform scale of fines for the time being in

force under the Uniform Scale of Fines Bailiwick of Guernsey) Law, 1989^z.

Repeals and consequential amendments.

52. (1) The 2008 Law is repealed.

(2) The States may by Ordinance amend or repeal the Charities and Non profit Organisation (Investigatory Powers) (Bailiwick of Guernsey) Law, 2008^{aa}, insofar as it applies to Guernsey or Alderney.

(3) Schedule 8 (Consequential Amendments) has effect.

Citation and commencement.

53. (1) This Ordinance may be cited as the Charities etc. (Guernsey and Alderney) Ordinance, 2021.

(2) This Ordinance shall come into force on the date appointed by regulations made by the Committee, and without prejudice to section 50, regulations made under this section may appoint different days for different provisions of this Ordinance and for different purposes.

Transitional provisions.

54. The Committee may by regulation make any transitional, savings or consequential provisions it thinks fit in connection with the commencement of any provision of this Ordinance.

^z Ordres en Conseil Vol. XXXI, p.78, amended by No. XVIII of 2009; No. IV of 2018; Recueil d'Ordonnances XXV, Ordinance No. XXII of 1998; No. XXIX of 2006; No. XXIX of 2013.

^{aa} Order in Council No. IV of 2010; amended by Ordinance No. VII of 2009; No. IX of 2016; and No. XXVII of 2018.

SCHEDULE 1

Section 1(7)

OFFICE OF THE REGISTRAR

Salary or fees of Registrar.

1. The Registrar shall be paid such salary, fees, emoluments and other allowances as the Committee may determine.

Appointment of staff.

2. (1) The Registrar may -
- (a) subject to the approval of the Committee, appoint such officers and employees, and
 - (b) appoint and instruct such other persons on such terms and conditions (whether as to remuneration, expenses, pensions or otherwise) as the Registrar deems necessary for the exercise of the functions of the Registrar.

(2) The Registrar may, subject to the approval of the Committee, establish and maintain such schemes or make such other arrangements as the Registrar deems fit for the payment of pensions and other benefits in respect of such officers and employees.

Delegation of functions.

3. (1) The Registrar may, by an instrument in writing, either generally or otherwise as specified in the instrument, arrange for any functions of the Registrar to be exercised on behalf of the Registrar by any person named or

described in the instrument, other than this power of delegation.

(2) A function exercised by a delegate pursuant to an arrangement made under this paragraph is for all purposes exercised by the Registrar; and every decision taken or other thing done by a delegate pursuant to such an arrangement has the same effect as if taken or done by the Registrar.

(3) An arrangement made under this paragraph for the exercise of a function by a delegate -

(a) may be varied or terminated at any time by the Registrar, but without prejudice to anything done pursuant to the arrangement or to the making of a new arrangement, and

(b) does not prevent the exercise of the function by the Registrar while the arrangement subsists.

(4) The provisions of this paragraph, and of paragraph 4, are without prejudice to the provisions of the Public Functions (Transfer and Performance) (Bailiwick of Guernsey) Law, 1991.

Appointment of Deputy Registrar.

4. (1) Without prejudice to the Registrar's powers under paragraph 3, the Committee may, subject to such terms and conditions as it may from time to time think fit, appoint any person as Deputy Registrar with authority to exercise the Registrar's functions during any period in which the Registrar is unavailable or unable to act or during any vacancy in that office.

(2) A function exercised by a Deputy Registrar pursuant to an appointment under this paragraph is for all purposes exercised by the Registrar; and every decision taken or other thing done by a Deputy Registrar pursuant to such an appointment has the same effect as if taken or done by the Registrar.

(3) An appointment under this paragraph of a Deputy Registrar -

(a) may be varied or terminated at any time by the Committee, but without prejudice to anything done pursuant to the appointment or to the making of a new appointment, and

(b) does not prevent the exercise of the function by the Registrar while the appointment subsists.

Disclosure of interests.

5. (1) Where the Registrar has any direct or indirect personal interest in the outcome of any matter of which the Registrar is seized under this Ordinance or any other enactment, the Registrar shall disclose the nature of that interest to the Committee.

(2) For the purposes of this paragraph, a general notice given by the Registrar to the effect that the Registrar is a shareholder in, or a director of, a body corporate, and is to be regarded as interested in any matter concerning that body corporate, is a sufficient disclosure in relation to any such matter.

Proof of documents.

6. (1) In any legal proceedings the provisions of subparagraph (2) apply in relation to any document purporting to be -

- (a) issued by or on behalf of the Registrar, or
 - (b) signed by the Registrar, by any officers or employees of the Registrar, or by any person to whom, pursuant to paragraph 3 or under the Public Functions (Transfer and Performance) (Bailiwick of Guernsey) Law, 1991, authority has been delegated to sign documents of that description.
- (2) The document -
- (a) may be received in evidence,
 - (b) unless the contrary is proved, is deemed -
 - (i) to be the document which it purports to be, and
 - (ii) to have been issued by or on behalf of the Registrar or, as the case may be, to have been signed by the person by whom it purports to have been signed, without proof of identity, signature or official capacity, and
 - (c) is evidence of the matters stated therein.

SCHEDULE 2

Section 2(1), 3 and 4

REGISTER OF CHARITIES ETC.

Register of Charities.

1. (1) The Registrar shall establish the Register which shall be kept in such form as the Registrar thinks fit and may, without limitation, be kept in electronic form.

(2) The Registrar shall make arrangements for -

(a) public inspection of that part of the Register on which details of registered organisations -

(i) which solicit or accept donations, funds and contributions from the public, or

(ii) which elect to be inscribed there, are inscribed, and

(b) subject to payment of the fee specified in writing by the Registrar, the supply of certified or uncertified copies or extracts of entries in that part of the Register.

(3) A copy, certified by or on behalf of the Registrar as being a correct copy of an entry in the Register, is, in any legal proceedings, evidence of the matters stated in the entry.

(4) There shall be entered in the Register -

- (a) the full name and business address of the registered organisation, and
- (b) such other matter as the Registrar thinks fit.

(5) Subject to subparagraphs (2) to (4), the Registrar shall take all reasonable steps to ensure the confidentiality and security of the Register and of information kept on the Register, and of other information disclosed to the Registrar under this Ordinance or under any other enactment, and (subject to paragraphs 2 and 3) shall not disclose to any other person the Register or any part of it, or information obtained by or disclosed to the Registrar -

- (a) under this Ordinance or any other enactment, or
- (b) in connection with the carrying out of any of the functions of the Registrar.

Disclosure of information by the Registrar.

2. (1) Subject to paragraph 1, information obtained by the Registrar -

- (a) under this Ordinance or any other enactment, or
- (b) in connection with the carrying out of any of the Registrar's functions,

may be disclosed if the disclosure is -

- (i) of information which at the time of the disclosure is or has already been made available to the public from other sources, including (for the avoidance of doubt) information on the Register that is available for public inspection,
- (ii) of information in the form of a summary or collection of information so framed as not to enable information relating to any particular person to be ascertained from it,
- (iii) to enable the discharge of the Registrar's functions (including, where the Registrar considers it necessary to seek advice relating to the exercise of those functions from a qualified person on any matter of law, accountancy or valuation or other matter requiring the exercise of professional skill, for the purpose of ensuring that the qualified person is properly informed on all matters on which that person's advice is sought),
- (iv) in connection with any proceedings under this Ordinance,
- (v) to comply with an order of a court, or
- (vi) for any purposes set out in subparagraph (2).

- (2) The purposes are any of the following –
- (a) the prevention, detection, investigation or prosecution of criminal conduct, whether in the Bailiwick or elsewhere,
 - (b) the prevention, detection, investigation or sanctioning of conduct for which penalties other than criminal penalties are provided under the law of the Bailiwick or of any country or territory outside the Bailiwick,
 - (c) the conduct of any civil forfeiture investigations within the meaning of section 18 of the Forfeiture of Money, etc in Civil Proceedings (Bailiwick of Guernsey) Law, 2007^{bb}, or any proceedings under that Law or under corresponding legislation in force in a country designated under section 53 of that Law,
 - (d) the implementation of, compliance with or enforcement of international sanctions measures within the Bailiwick,
 - (e) the prevention, detection or investigation of contraventions of international sanctions measures

^{bb} Order in Council No. XVII of 2008; amended by Order in Council No. XIII of 2010; No. XVI of 2012; Ordinance No. XXX of 2008; No. VII of 2009; No. XX of 2015; No. IX of 2016; No. XXVI of 2018; and No. XXVII of 2018.

that have been given effect within the Bailiwick,

- (f) assisting or enabling the Financial Intelligence Service to carry out its functions,
- (g) assisting or enabling the carrying out of functions by Her Majesty's Procureur,
- (h) assisting or enabling the Commission to carry out its functions,
- (i) assisting or enabling the carrying out of functions by the Director of the Revenue Service,
- (j) assisting or enabling any person or body within the Bailiwick, whose functions include any of the matters set out at items (d) and (e), to carry out those functions,
- (k) assisting or enabling the Alderney Gambling Control Commission to carry out its functions,
- (l) assisting or enabling an authority exercising, in a place outside the islands of Guernsey or Alderney, functions equivalent to those of the Registrar under this Ordinance to carry out those functions,
- (m) assisting or enabling any of the Registrars to carry out their functions,

- (n) assisting or enabling the Data Protection Authority to carry out its functions,
 - (o) assisting or enabling any person or body in another country or territory, with similar functions to those set out at items (d) and (e), to carry out those functions,
 - (p) assisting or enabling any person with functions relating to the Overseas Aid Commission to carry out those functions,
 - (q) assisting or enabling any person with functions relating to the Social Investment Fund to carry out those functions, and
 - (r) assessing, or assisting another authority within the Bailiwick to assess, the risks referred to at section 3(1)(d).
- (3) For the purposes of subparagraph (2)(m), the Registrars are -
- (a) the Registrar of Beneficial Ownership of Legal Persons under the Guernsey Beneficial Ownership Law,
 - (b) the Registrar of Companies under the Guernsey Companies Law 2008,

- (c) the Registrar of Foundations under the Foundations Law,
- (d) the Registrar of Limited Liability Partnerships under the Limited Liability Partnerships Law,
- (e) the Greffier,
- (f) the Registrar for the purposes of the Alderney Beneficial Ownership Law, and
- (g) the Registrar for the purposes of the Alderney Companies Law.

(4) The list of purposes at subparagraph (2) may be substituted or amended by regulations made by the Committee.

(5) Any person to whom information may be disclosed for a purpose within subparagraph (2) may disclose information to the Registrar for the purposes of –

- (a) ensuring that the Registrar is properly informed on all matters in respect of which information from the Registrar is being requested or provided, or
- (b) enabling the carrying out of the Registrar's functions.

(6) Nothing in this paragraph prejudices any power to disclose which exists apart from this paragraph.

Rectification of the Register.

3. (1) The Registrar may with absolute discretion and on such terms and conditions as the Registrar deems fit -

- (a) on an application by or on behalf of a registered organisation,
- (b) on an application by or on behalf of any other person, or
- (c) of the Registrar's own motion,

rectify any error or formal defect in the Register.

(2) Where the Registrar rectifies the Register in respect of a registered organisation, notice shall be given by the Registrar of that rectification to that registered organisation.

(3) Except where the Registrar directs otherwise, the effect of rectification of the Register is that the error or defect in question shall be deemed never to have been made.

Retention of information on the Register after dissolution, etc.

4. In the case of a registered organisation that has been dissolved, terminated or struck off, the Registrar shall retain information relating to that registered organisation at the date of its dissolution, termination or striking off (as the case may be) for the minimum retention period after that date.

SCHEDULE 3

Section 4

INFORMATION ETC. POWERS

Power of Registrar to request and obtain information.

1. (1) The Registrar may, by notice in writing served on any person, require that person to provide the Registrar in such form and manner, at such times or intervals, at such place and in respect of such periods as may be specified in the notice, with such information as may reasonably be required by the Registrar for the performance of the Registrar's functions.

(2) The Registrar may, by notice in writing served on any person -

(a) require that person to produce, in such form and manner, within such time and at such place as may be specified in the notice, such information of such description as may be so specified, for the purposes of the Registrar inspecting them,

(b) require that person to furnish, to any of the Registrar's officers, servants or agents authorised for the purposes of this paragraph, on production of evidence of such authority, such information or information of such description as may be specified in the notice or as the officer, servant or agent may otherwise specify, either forthwith or within such time, and at such place, and in such form and manner, as may be so specified, for the purposes of their inspecting them,

being information reasonably required by the Registrar for the performance of the Registrar's functions.

(3) Where under subparagraph (2) the Registrar or any officer, servant or agent thereof has power to require the production of any information from a person, the Registrar or that officer, servant or agent has the like power to require the production of that information from any person who appears to be in possession of it.

(4) The powers conferred by this paragraph to require a person to produce any information comprised in documents include the power -

- (a) if the documents are produced, to take copies of them or extracts from them, in circumstances where the Registrar is satisfied that the taking of such copies or extracts is necessary for the proper exercise by the Registrar of the functions of the Registrar under this Ordinance, and
- (b) if the documents are not produced, to require the person who was required to produce them to state, to the best of that person's knowledge and belief, where they are.

(5) The powers conferred by this paragraph to require a person to provide any information include power to require that person to attend at such time and place as may be required and to give an explanation of and to answer questions relating to any matters in relation to which the production of the information may be required.

Site visits with notice and with agreement.

2. (1) The Registrar may, at such times, intervals and places as the Registrar deems fit, and –

- (a) with a view to the performance of the Registrar's statutory functions, or
- (b) if it is considered desirable to do so by the Registrar for the protection of the interests of the public or any class thereof, or any particular persons, or the reputation of the Bailiwick as a finance centre,

make arrangements with any relevant entity for the making, in such manner and for such purposes as may be mutually agreed, of site visits to the offices of the relevant entity or any associated party thereof (or any person acting for or on behalf of the relevant entity or associated party) for the purpose of ascertaining whether or not the entity or associated party is complying with the provisions of this Ordinance or any Ordinance, regulation, guidance, condition or direction made under it.

(2) Site visits may take place at any or all of the premises where the activities of the relevant entity are conducted or records are maintained by the relevant entity or associated party and are not limited to premises in Guernsey or Alderney.

(3) Where a relevant entity or associated party fails to co-operate with the Registrar when exercising or attempting to exercise functions for the purposes of this section (whether by declining to reach agreement as to the making, timing or scope of a site visit, or by failing to provide any information or document

or to answer any question, or otherwise), that failure may be taken into account by the Registrar in deciding whether and in what manner to exercise statutory functions arising otherwise than under this section.

Site visits with notice and without agreement.

3. The Registrar may on request, and with 48 hours' notice given before 4 p.m. on a business day, enter any premises in Guernsey or Alderney owned, leased or otherwise controlled or occupied by a relevant entity.

Site visits without notice and where suspicion of documents being removed etc.

4. If the Registrar has grounds to suspect that a site visit made under paragraphs 2 or 3 would result in any documents being removed, tampered with, falsified or destroyed, the Registrar may enter any premises in Guernsey or Alderney owned, leased or otherwise controlled or occupied by a relevant entity on request but without notice.

Use of the right of entry in paragraphs 3 and 4.

5. Except in cases of urgency the right of entry conferred by paragraphs 3 and 4 may only be exercised between 9.00a.m. and 4.00p.m. on a business day.

Request for information during site visits.

6. (1) If the Registrar exercises the right of entry under paragraphs 2, 3 or 4, the Registrar may require the officers, servants or agents of the relevant organisation -

- (a) to produce for examination (whether at the premises of the relevant entity or at the offices of the Registrar) any documents held by them,

- (b) to produce copies of any documents in a legible form for the Registrar to take away,
- (c) to answer questions for the purpose of verifying compliance with this Ordinance.

Power of Bailiff to grant a warrant.

7. (1) If the Bailiff is satisfied by information on oath that there are reasonable grounds for suspecting -

- (a) that a request or requirement under paragraphs 1 or 6 has not been complied with,
- (b) that any information or document furnished pursuant to such a request or requirement is false, misleading, inaccurate or incomplete,
- (c) that if such a request or requirement were made -
 - (i) it would not be complied with,
 - (ii) any documents to which it would relate would be removed, tampered with, falsified or destroyed, or
 - (iii) the making of the request or requirement or any attempt to enforce it might significantly prejudice any inquiry to which the request or requirement would relate,

the Bailiff may grant a warrant.

(2) A warrant under this section authorises any police officer, together with any other person named or described in the warrant (including, without limitation, the Registrar or any person authorised by the Registrar under paragraph 10) -

- (a) to enter any premises specified in the warrant using such force as may be reasonably necessary,
- (b) to search the premises and, in relation to any documents or other information appearing to be relevant for the purpose of establishing whether a relevant entity or associated party thereof has complied with any of the provisions of or under this Ordinance, to take possession of them or to take any other steps which may appear to be necessary for preserving them or preventing interference with them,
- (c) to take copies of or extracts from any such documents or other information,
- (d) to require any person named in, or of a class or description specified in, the warrant -
 - (i) to answer any questions relevant to establishing whether a relevant entity or associated party thereof has complied with any of the provisions

of or under this Ordinance,

- (ii) to state to the best of that person's knowledge and belief the whereabouts of any documents or other information described in item (b),
- (iii) to make an explanation of any such documents or other information.

(3) A warrant under this section ceases to be valid on the expiration of 28 days immediately following the day on which it was issued.

(4) Any documents or other information of which possession is taken under the powers conferred by a warrant under this paragraph may be retained -

- (a) for a period of 4 months or such longer period as the Bailiff may, when issuing the warrant or at any time thereafter, direct, or
- (b) if within that period proceedings to which the documents or other information are relevant are commenced against any person, until the conclusion of those proceedings.

(5) Where a warrant is to be executed in Alderney, references to the Bailiff in this paragraph include the Chairman of the Court of Alderney or, the Chairman is unavailable, a Jurat thereof.

Use of statements

8. A statement made by a person ("P") under paragraphs 1(5), 6(1)(c) or 7(2)(d) -

(a) may be used in evidence against P in proceedings other than criminal proceedings, and

(b) may not be used in evidence against P in criminal proceedings except -

(i) where evidence relating to it is adduced, or a question relating to it is asked, in the proceedings by or on behalf of that person, or

(ii) in proceedings for -

(A) an offence under section 25,

(B) some other offence where, in giving evidence, P makes a statement inconsistent with it, but the statement is only admissible to the extent necessary to establish the inconsistency,

(C) perjury, or

(D) perverting the course of justice.

Lien

9. Where a person claims a lien on a document, its production pursuant to a request under this Schedule or by or under a warrant granted under paragraph 7 is without prejudice to that person's lien.

Exercise of the Registrar's powers.

10. The Registrar's powers under this Schedule may also be exercised by any person who has been authorised by the Registrar to do so.

SCHEDULE 4

Section 51

CHARITABLE PURPOSES

Charitable purposes.

1. For the purposes of this Ordinance, charitable purposes are any of the following–

- (a) the prevention or relief of poverty,
- (b) the advancement of education,
- (c) the advancement of religion,
- (d) the advancement of health,
- (e) the saving of lives,
- (f) the advancement of citizenship or community development,
- (g) the advancement of the arts, heritage, culture or science,
- (h) the advancement of public participation in sport,
- (i) the provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for

whom the facilities or activities are primarily intended,

- (j) the advancement of human rights, conflict resolution or reconciliation,
- (k) the promotion of religious or racial harmony.
- (l) the promotion of equality and diversity,
- (m) the advancement of environmental protection or improvement,
- (n) the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage,
- (o) the advancement of animal welfare, and
- (p) any other purpose that may reasonably be regarded as analogous to any of the purposes listed in subparagraphs (a) to (o).

Interpretation and application etc. of paragraph 1.

2. In paragraph 1 –

- (a) in item (d), "the advancement of health" includes the prevention or relief of sickness, disease or human suffering,

- (b) item (f) includes –
 - (i) rural or urban regeneration, and
 - (ii) the promotion of civic responsibility, volunteering, the voluntary sector or the effectiveness or efficiency of registered charities,
- (c) in item (h), "sport" means sport that involves physical skill or exertion,
- (d) item (i) applies only in relation to recreational facilities or recreational activities that are –
 - (i) primarily intended for persons who have need of them by reason of their age, ill-health, disability, financial hardship or other disadvantage, or
 - (ii) available to members of the public at large or to male or female members of the public at large,
- (e) item (n) includes relief given by the provision of accommodation or care,
- (f) item (p) includes, without limitation, the advancement of any philosophical belief (whether or

not involving belief in a god) as analogous to the purpose set out in item (c).

Power to add to charitable purposes by regulation.

3. (1) The Committee may (after consultation with the Registrar) by regulation –

- (a) add items to paragraph 1, and
- (b) add items to paragraph 2 making interpretation, application or other explanatory provision in relation to any purposes added to paragraph 1.

(2) The power in subparagraph (1) does not include power –

- (a) to amend or restrict the effect of any of paragraphs 1(a) to (p) and 2(a) to (f), or
- (b) to alter the effect of paragraph 4.

4. The purpose of advancing a political party or promoting a candidate for election to any office, whether in Guernsey or Alderney or elsewhere, is neither a charitable purpose nor a purpose ancillary or incidental to a charitable purpose, irrespective of whether it would otherwise fall within paragraph 1.

SCHEDULE 5

Section 11

APPLICATION FOR REGISTRATION

1. An application for registration shall contain the following -
 - (a) where the relevant entity is a Guernsey legal person, a statement of that fact,
 - (b) where the relevant entity is an Alderney company, a statement of that fact,
 - (c) where the relevant entity is not a Guernsey legal person or an Alderney company, the full names of the persons who own, direct or control the activities of the relevant entity including (without limitation) its directors, officers or trustees and, for each of those persons -
 - (i) in the case of an individual, that individual's -
 - (A) name,
 - (B) nationality (including, where an individual holds more than one nationality, each nationality held),
 - (C) date of birth, and

- (D) principal residential address,
- (ii) subject to paragraph 2, in the case of a legal person or legal arrangement -
 - (A) its registered office or anything similar under the legislation of the country or territory of incorporation or establishment or (if it has no such office) its principal place of business,
 - (B) details about the directors, officers or trustees of that legal person or legal arrangement, and
 - (C) details about the beneficial owners of that legal person or legal arrangement within the meaning of paragraph 22 of Schedule 3 to the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999^{cc},

^{cc} Ordres en Conseil, Vol. XXXIX, p.137; amended by Order in Council No. I of 2000; No. II of 2005; No. XV of 2007; No. XIII of 2010; No. XI of 2011; Ordinance No. XXVIII of 1999; No. XII of 2002; No. XXXIII of 2003; No. XLVII of 2007; No. XXXVII of 2008; No. XVI of 2010; No. XXXIV of 2010; No. XVII of 2014; No. IX of 2016; No. XVIII of 2017; No. XLIV of 2018; No. XLIX of 2019; G.S.I. No. 56 of 1999; G.S.I. No. 4 of 2002; G.S.I. No. 27 of 2002; G.S.I. No. 33 of 2007; G.S.I. No. 48 of 2008; G.S.I. No. 73 of 2008; G.S.I. No. 12 of 2010; G.S.I. No. 14 of 2013; and G.S.I. No. 45 of 2016.

- (d) a contact address within the Bailiwick at which all communications from the Registrar may be served, and a contact email address,
- (e) details of the purposes, objectives and objects of the organisation,
- (f) details of the manner in which the assets, funds and income of the organisation are applied or used, and
- (g) details of any criminal conviction, whether in the Bailiwick or elsewhere, on the part of any person who owns, directs or controls the activities of the relevant entity.

2. Where a legal person or legal arrangement that owns, directs or controls the activities of a relevant entity -

- (a) comes within the definition of regulated person within the meaning of the Guernsey Beneficial Ownership Law,
- (b) is a Guernsey legal person, or
- (c) is an Alderney company,

the only information about that legal person or legal arrangement that has to be included in an application for registration is a statement of the fact that the legal person or legal arrangement comes within item (a), (b), or (c), as the case may be.

SCHEDULE 6

Sections 11, 12 and 19

IDENTIFICATION DUTIES

Duty of relevant entity to obtain information in respect of owners etc.

1. (1) A relevant entity (other than one to which paragraph 1(a) or (b) of Schedule 5 applies) must -

- (a) before making an application for registration under section 10, and
- (b) if registered under section 10, for as long it remains a registered organisation,

take reasonable steps to ascertain the identity of any person whose identification details are required.

(2) Subject to subparagraph 3, if a relevant entity that comes within subparagraph 1 has reasonable grounds to believe that a person is or may be a person whose identification details are required in relation to it, the relevant entity must serve a notice on the person requiring the person -

- (a) to state whether they are a person whose identification details are required in relation to the relevant entity, and

- (b) if so, to confirm or correct any identification details of theirs that are included in the notice, and to supply any that are missing.

(3) A relevant entity is not under a duty to serve a notice under subparagraph 2 if –

- (a) the relevant organisation has already been informed that the person is a person whose identification details are required in relation to the relevant entity, and
- (b) that information was provided either by that person or with their knowledge.

(4) A relevant entity that comes within paragraph 1 may also serve a notice on a person under this paragraph if it has reasonable cause to believe that the person knows the identity of any person whose identification details are required in relation to the relevant entity, or knows the identity of someone likely to have that knowledge.

(5) A notice under paragraph 4 must require the addressee –

- (a) to state whether or not the addressee knows the identity of –
 - (i) any person whose identification details are required in relation to the relevant entity, or
 - (ii) any person likely to have that knowledge, and

- (b) if so, to supply any identification details of a person within (a) that are within the addressee's knowledge, and state whether or not those details are being supplied with the knowledge of the each of the persons concerned.

(6) A notice under this paragraph must state that the addressee is to comply with the notice by no later than the end of a period of one month beginning with the date of the notice.

(7) In this paragraph, a reference to knowing the identity of a person includes knowing information from which that person can be identified.

Duty of owners etc., to provide information.

- 2. (1) This paragraph applies to a person if –
 - (a) that person is a person whose identification details are required in relation to a relevant entity,
 - (b) the relevant entity is not aware that subparagraph (a) applies in respect of that person,
 - (c) that person knows, or ought reasonably to know, (a) and (b) to be the case, and
 - (d) that person has not been served with a notice by the relevant entity under paragraph 1.

(2) Within 21 days of this section applying to the person, the person must –

- (a) notify the relevant entity of their status as a person whose identification details are required in relation to the relevant entity,
- (b) state the date on which, to the best of that persons' knowledge, the person acquired that status, and
- (c) serve on the relevant entity their identification details.

Duty of owners etc. to update information.

3. (1) This paragraph applies to a person if –

- (a) that person is a person whose identification details are required in relation to a relevant entity,
- (b) the details held by the relevant entity in respect of that person are incorrect,
- (c) that person knows, or ought reasonably to know, (a) and (b) to be the case, and
- (d) that person has not been served with a notice by the relevant entity under paragraph 1.

(2) Within 21 days of this paragraph applying to the person, the person must –

- (a) notify the relevant entity that the identification details it holds in respect of that person are incorrect,
- (b) state the date on which , to the best of that person's knowledge, the identification details held by the relevant entity in respect of that person became incorrect, and
- (c) serve on the relevant entity any information required to correct the identification details held by the relevant entity in respect of that person.

Meaning of identification details etc.

4. For the purposes of this Schedule,

- (a) a person whose identification details are required is any person that comes within paragraph 1(c) of Schedule 5, and
- (b) identification details are the details required in respect of a person under paragraph 1(c)(i) or (ii), as the case may be.

SCHEDULE 7

Sections 29 and 51

ADMINISTRATIVE PENALTIES

1. The Registrar may impose the penalties specified in the Penalties Table below which shall be payable to the Registrar by a relevant entity upon or in relation to the event, circumstance or matter specified in the Penalties Table.

2. Where the penalty refers to a period of a month or more, the amount of the fine shall be cumulative and it shall be calculated in accordance with paragraph 3.

PENALTIES TABLE	
Event, circumstance or matter	Penalty
Failure to register in accordance with section 10	£2,000
Failure to submit annual validation in accordance with section 12	£250 per calendar month
Failure to file annual financial statements in accordance with section 16	£250 per calendar month
Failure to respond to request for information made under paragraph 3 of Schedule 2	£250 per calendar month

3. A financial penalty imposed in accordance with paragraph 1 is payable in respect of each month between the date by which the relevant entity should have submitted an annual validation, filed annual financial statements or (as the case may be) responded to the request for information and the date when it in fact did so ("**the period of default**").

4. In this Schedule "**month**" -
 - (a) includes part of a month, and
 - (b) means a calendar month calculated from the beginning of the first day of the period of default (and for the avoidance of doubt if a month starts at the end of a month of the calendar which contains more days than the next month of the calendar, the month expires at the end of the next month of the calendar).
5. Any penalty imposed under this section is recoverable as a civil debt.

SCHEDULE 8

Section 52(3)

CONSEQUENTIAL AMENDMENTS

Amendments to the 2009 Law.

1. (1) The 2009 Law is amended as follows.

(2) In section 2(c), after "Registrar of Non Profit Organisations", insert "or such other title as the States may see fit".

(3) In section 4 -

(a) before the definition of charity, insert -

""**charitable purposes**" has such meaning as the States may prescribe by Ordinance",

(b) for the definition of charity, substitute -

""**charity**" has the meaning given in subsection (1B) ",

(c) after the definition of Registrar, insert -

""**relevant entity**" has the meaning given in subsection (1A)",
and

(d) after subsection (1), insert the following -

"(1A) For the purposes of this Law, a "**relevant entity**" is a charity or other non profit organisation that is based in Guernsey or Alderney, and for these purposes, a charity or other non profit organisation is based in Guernsey or Alderney if it is established, administered, controlled in or operating from either Guernsey or Alderney.

(1B) For the purposes of this Law, a "**charity**" is any -

- (a) organisation that meets the conditions at subsections (1C) and (1D), or
- (b) a person falling within subsection (1E).

(1C) The first condition is that all of the purposes of the organisation are –

- (a) charitable purposes, or
- (b) purposes that are purely ancillary or incidental to any of its charitable purposes.

(1D) The second condition is that the organisation provides or intends to provide benefit for the public or a section of the public in Guernsey, Alderney or elsewhere to a reasonable degree in giving effect to its purposes.

(1E) A person falls within this subsection if the person has been entrusted with a property or fund that is not a relevant entity and the income from that property or fund -

- (a) is applicable only to purposes that are charitable purposes or purposes that are purely ancillary or incidental to any of those charitable purposes, and
- (b) provides or is intended to provide benefit for the public or a section of the public in Guernsey, Alderney or elsewhere to a reasonable degree."

Amendments to the Income Tax Law

- 2. (1) The Income Tax (Guernsey) Law, 1975 is amended as follows.
- (2) For section 40(k), substitute -

"(k) the income of a charity registered in accordance with the Charities etc. (Guernsey and Alderney) Ordinance, 2021 which is a relevant entity within the meaning of that Ordinance (a "**Guernsey Registered Charity**") or a charity not required to be registered in accordance with that Ordinance, if and in so far as the income is applied to charitable purposes only, and for the purposes of this Law "**charity**" and "**charitable purposes**" have the same meaning as in the Charities etc. (Guernsey and Alderney) Ordinance, 2021,".

(3) In section 56, for paragraphs (a) and (b) substitute -

"(a) that is not a charity or an organisation that is another non profit organisation within the meaning of the Charities etc. (Guernsey and Alderney) Ordinance, 2021, or

(b) that is a registered organisation within the meaning of the Charities etc. (Guernsey and Alderney) Ordinance, 2021 or a charity not required to be registered under that Ordinance,".

(4) In section 64(F), for the definition of Guernsey Registered Charity substitute –

""**Guernsey Registered Charity**" means a charity within the meaning of the Charities etc. (Guernsey and Alderney) Ordinance, 2021 that is registered in accordance with, and is a relevant entity within the meaning of, the provisions of that Ordinance.".

Amendments to certain environmental and waste charges legislation.

3. (1) In the enactments listed in subparagraph (2), for a reference to–

(a) the 2008 Law, or

(b) one or more provisions of the 2008 Law,

substitute a reference to the 2009 Law.

- (2) The enactments referred to in subparagraph (1) are –
- (a) the Environmental Pollution (Air Pollution) Ordinance, 2019^{dd},
 - (b) the Environmental Pollution (Prescribed Operations) (Exemptions) Regulations, 2019^{ee}, and
 - (c) the Waste Disposal and Recovery Charges Regulations, 2020^{ff}.

Amendments to other enactments.

4. (1) In the enactments listed to in subparagraph (2) –
- (a) for a reference to –
 - (i) the 2008 Law, or
 - (ii) one or more provisions of the 2008 Law,
- substitute a reference to this Ordinance,

dd Ordinance No. XXXVIII of 2019.

ee G.S.I. No. 117 of 2019.

ff G.S.I. No. 109 of 2020.

- (b) for a reference to "the Register" or to "the Registrar", substitute a reference to "the Register of Non Profit Organisations" or "the Registrar of Non Profit Organisations", as the case may be, and
 - (c) for a reference, however expressed, to an organisation that is a charity or other non profit organisation, substitute a reference to an organisation that is a non profit organisation.
- (2) The enactments referred to in subparagraph (1) are –
- (a) the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002^{gg},
 - (b) the Disclosure (Bailiwick of Guernsey) Law, 2007,
 - (c) the Aviation (Bailiwick of Guernsey) Law, 2008^{hh},
 - (d) the Air Navigation (Bailiwick of Guernsey) Law, 2012ⁱⁱ,

^{gg} Order in Council No. XVI of 2002, as amended.

^{hh} Order in Council No. XXVIII of 2008; amended by No. X of 2013; Ordinance No. XX of 2015; No. IX of 2016; No. XXVI of 2018; G.S.I. No. 90 of 2008; and G.S.I. No. 91 of 2008.

ⁱⁱ Order in Council No. XI of 2013; amended by Ordinance No. XVII of 2016; No. IX of 2016; G.S.I. No. 46 of 2017; and G.S.I. No. 47 of 2017.

- (e) the Beneficial Ownership of Legal Persons (Guernsey) Law, 2017,
- (f) the Beneficial Ownership of Legal Persons (Alderney) Law, 2017,
- (g) the Document Duty (Guernsey) Law, 2017^{jj},
- (h) the Document Duty (Anti-Avoidance) (Guernsey) Law, 2017^{kk},
- (i) the Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008^{ll},
- (j) the Regulation of Fiduciaries (Fiduciary Advertisements and Annual Returns) Regulations, 2012^{mm},
- (k) the Foundations (Fees) Regulations, 2013ⁿⁿ,

jj Order in Council No. IX of 2017; amended by Ordinance No.1 of 2018; and No. XXVIII of 2020.

kk Order in Council No. X of 2017; amended by Ordinance No. III of 2018; and No XXVII of 2018.

ll Ordinance No. XLVIII of 2008; amended by Ordinance No. XXX of 2014; No. IX of 2016; and No. XIV of 2020.

mm G.S.I. No. 28 of 2012

nn G.S.I. No. 2 of 2013.

- (l) the Motor Taxation (First Registration Duty) (Exemptions and Preferential Rates) Regulations, 2016^{oo}, and
 - (m) the Firearms and Weapons (Approved Ranges) (Guernsey) Regulations, 2018^{pp}.
- (3) The Committee may amend this paragraph by regulations.

^{oo} G.S.I. No. 22 of 2016.

^{pp} G.S.I. No. 46 of 2018.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE STATES OF GUERNSEY ACCOUNTS 2020

The States are asked to decide:-

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

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



THE STATES OF GUERNSEY
ACCOUNTS 2020

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STATES TREASURER'S REPORT

1. Introduction

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

2. Scope

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

3. Changes to the Statement of Accounts

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

STATES TREASURER'S REPORT

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

4. External Audit

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

5. COVID-19

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

- 5.2. This comprises:

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

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

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

¹ Billet d'État V, 2012

STATES TREASURER'S REPORT

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

6. Financial Performance

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

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

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

STATES TREASURER'S REPORT

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

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

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

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

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

STATES TREASURER'S REPORT

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

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

Offset by:

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

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

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

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

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

7. Income

Income Tax

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

STATES TREASURER'S REPORT

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

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

Other Taxes

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

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

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

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

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

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

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Income from Operating Activities

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

Other Corporate Income

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

8. Expenditure

Pay Costs

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

STATES TREASURER'S REPORT

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

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

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

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

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

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

* In post from 1 October 2019

STATES TREASURER'S REPORT

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

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

Non-Pay

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

Investment Returns

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

Impairment for Cabernet Limited Losses

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

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

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

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

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

STATES TREASURER'S REPORT

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

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

Impairment for Guernsey Ports Losses

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

9. Statement of Financial Position

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

Financial investments (Consolidated Investment Fund and Cash Pool)

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

STATES TREASURER’S REPORT

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

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

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

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

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

9.10. The following table summarises the asset allocation:

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

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

STATES TREASURER'S REPORT

Capital Reserve

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

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

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

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

General Revenue Reserve

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

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

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

STATES TREASURER'S REPORT

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

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

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

Core Investment Reserve

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

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

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

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

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

⁴ Billet d'État XII, 2017

STATES TREASURER'S REPORT

Bond Reserve

- 9.23. At the end of 2020, there was a balance of £158m (2019: £163.3m) outstanding in respect of loans made from the proceeds of the £330m States of Guernsey bond issue. These loans have been made at rates of interest fixed in accordance with a formula which reflects the term of the borrowing, any change in market conditions compared to when the Bond was issued in 2014 and the 'credit-risk' of each entity, and range from 3.625% to slightly in excess of 4%.
- 9.24. The Bond issue proceeds which have not yet been lent on to entities form part of the Consolidated Investment Fund. Over the thirty two year life of the bond there will inevitably be periods in which there are varying amounts of funds invested due to the maturity profile of the on-lending and the investment returns in these periods will also vary and may be above or below the coupon rate. The model put in place by the IBSC is designed to ensure that the Bond issue can be serviced fully - that is, the annual coupon payments made, the costs of issuance recovered and the capital sum repaid in full at the end of the term without recourse to General Revenue. At the end of 2020, the Bond Reserve had a balance of £27.2m (2019: £17.8m) which will mitigate against the potential for investment returns being lower than the coupon rate in future years.

Superannuation Fund

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

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

STATES TREASURER'S REPORT

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

10. Cash Flow Statement

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

STATEMENT OF RESPONSIBILITIES FOR THE PREPARATION OF ANNUAL ACCOUNTS

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

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

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

STATEMENT OF INTERNAL FINANCIAL CONTROLS

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

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

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

The States' internal financial controls and monitoring procedures include:

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE POLICY & RESOURCES COMMITTEE

Opinion

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

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

Basis for opinion

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

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

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

Other information

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE POLICY & RESOURCES COMMITTEE

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Committee for the Accounts

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE POLICY & RESOURCES COMMITTEE

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

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

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

Use of our report

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



Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey

Date: 20 May 2021

STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 31 December 2020

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

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

MOVEMENT IN RESERVES STATEMENT

For the Year Ended 31 December 2019

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

For the Year Ended 31 December 2020

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

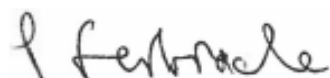
The Bond Reserve is reported as a separate reserve on the Statement of the Financial Position from 31 December 2020. Any changes to the balance of the Bond Reserve up to that date, have been included with those reported under the General Reserve.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

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

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



Deputy Peter Ferbrache
President of the Policy & Resources Committee



Bethan Haines
States Treasurer

CASH FLOW STATEMENT

For the Year Ended 31 December 2020

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

NOTES TO THE ACCOUNTS

1. States of Guernsey Accounting Policies

Basis of Accounting

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

Going Concern

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

Income Taxes

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

Bad Debts

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

Charging for Services Across States' Functions

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

NOTES TO THE ACCOUNTS

Rendering of Services

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

Lease Payments

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

Investment Returns

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

Capital Receipts

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

Capital Expenditure

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

Pay Costs

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

NOTES TO THE ACCOUNTS

Retirement Benefit Costs and Pension Disclosures

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

States of Alderney

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

Current Assets and Non-Current Assets

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

All other assets are classified as non-current.

Current Liabilities and Non-Current Liabilities

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

All other liabilities are classified as non-current.

Financial Investments

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

NOTES TO THE ACCOUNTS

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

Investments in States' Trading Entities

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

Stock

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

NOTES TO THE ACCOUNTS

Loans Receivable

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

xxxvi. Some of the loans made by the States are internal to the organisation. These loans are linked with trading functions that operate within the States. The expenditure is capitalised and written off over the period of the internal loan, which is similar to an expected life of the related asset. These internal loans have been disclosed separately within the Notes to the Accounts.

Currency in Circulation

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

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

xxxix. Demand for the States' issued currency may fluctuate, consequently the liability may rise or fall depending upon the value of notes and coins in circulation at any point in time. At the end of their useful life, they are removed from circulation and destroyed. At that time they will be treated as being withdrawn from circulation, such that both the asset and liability will reduce accordingly. Any cost associated with the issue or destruction of notes and coins will be charged to the Statement of Financial Performance.

xl. The net liability takes account of the intrinsic value of coinage in circulation and an estimation of the value of notes and coins in circulation that are unlikely to be redeemed.

xli. Banknotes and coins that have not been issued previously, are recognised as stock and measured at the cost of either printing or minting. When these notes and coins are issued, their corresponding stock value will be charged to the Statement of Financial Performance.

Long Term Liabilities

xlii. The issue of a States of Guernsey Government Bond has been categorised as a long term liability. Long term liabilities are valued in the Statement of Financial Position at amortised cost. Any costs associated with the States Bond will be met from the Bond Reserve.

xliii. The amortised cost is the amount at which the bond loan is measured at initial recognition, less any principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

NOTES TO THE ACCOUNTS

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

Reserves

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

Cash Flow Statement

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

Restatement

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

NOTES TO THE ACCOUNTS

2. Restatement of 2020 Accounts

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

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

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

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

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

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

NOTES TO THE ACCOUNTS

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

NOTES TO THE ACCOUNTS

3. Income Taxes

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

4. Other Taxes and Duties

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

5. Other Corporate Income

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

NOTES TO THE ACCOUNTS

6. Pay

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

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

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

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

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

NOTES TO THE ACCOUNTS

Senior Employees⁵ Gross Cost Analysis

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

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

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

NOTES TO THE ACCOUNTS

7. Operating Expenditure (Non-Pay) by Category

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

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

NOTES TO THE ACCOUNTS

8. Formula-led Costs

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

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

9. Finance Charges and Other Costs

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

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

NOTES TO THE ACCOUNTS

10. Amounts Held as a Reserve Transferred to Other Entities

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

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

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

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

11. Capital Receipts

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

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

NOTES TO THE ACCOUNTS

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

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

12. Capital Expenditure

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

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

NOTES TO THE ACCOUNTS

13. Investments in States' Trading Entities

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

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

Incorporated Trading Entities

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

Guernsey Electricity Limited

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

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

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

Guernsey Post Limited

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

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

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

Cabernet Limited

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

NOTES TO THE ACCOUNTS

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

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

Alderney Electricity Limited

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

JamesCo750 Limited

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

Social Investment Fund

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

Un-incorporated Trading Entities

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

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

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

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

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

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

NOTES TO THE ACCOUNTS

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

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

Social Security – Contributory Funds

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

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

14. Investments

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

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

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

NOTES TO THE ACCOUNTS

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

Consolidated Investment Fund Managers - 2020

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

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

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

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

NOTES TO THE ACCOUNTS

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

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

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

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

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

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

NOTES TO THE ACCOUNTS

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

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

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

NOTES TO THE ACCOUNTS

15. Receivables

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

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

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

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

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

NOTES TO THE ACCOUNTS

16. Revolving Credit Facility

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

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

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

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

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

17. Creditors

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

18. Depositors

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

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

NOTES TO THE ACCOUNTS

19. Currency in Circulation

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

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

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

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

20. Bond Issue

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

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

NOTES TO THE ACCOUNTS

21. Financial Instruments

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

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

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

NOTES TO THE ACCOUNTS

22. General Reserve

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

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

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

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

NOTES TO THE ACCOUNTS

23. General Reserve (Unallocated Balance)

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

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

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

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

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

NOTES TO THE ACCOUNTS

24. General Revenue Reserve

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

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

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

25. Corporate Housing Programme Fund

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

NOTES TO THE ACCOUNTS

26. Insurance Deductible Fund

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

27. Transformation and Transition Fund

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

28. Future Guernsey Economic Fund

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

NOTES TO THE ACCOUNTS

29. Brexit Transition Fund

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

30. Higher Education Loans Fund

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

31. Participatory Budgeting Fund

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

NOTES TO THE ACCOUNTS

32. Overseas Aid & Development Impact Investment Fund

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

33. Overseas Aid & Development Commission Fund

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

34. Sports Loans Fund

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

NOTES TO THE ACCOUNTS

35. Bond Reserve

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

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

36. Wilfred Carey Purchase Fund

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

NOTES TO THE ACCOUNTS

37. Channel Islands Lottery (Guernsey) Fund

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

38. Health and Social Care Accommodation Fund

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

39. Solid Waste Trading Account

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

NOTES TO THE ACCOUNTS

40. Capital Reserve

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

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

41. Core Investment Reserve

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

NOTES TO THE ACCOUNTS

42. States' Trading Entities Reserve

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

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

NOTES TO THE ACCOUNTS

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

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

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

NOTES TO THE ACCOUNTS

44. Analysis of Cash Balances

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

45. Reconciliation of Liabilities Arising from Financing Activities

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

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

NOTES TO THE ACCOUNTS

46. Consolidated Superannuation Fund

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

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

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

NOTES TO THE ACCOUNTS

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

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

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

NOTES TO THE ACCOUNTS

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

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

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

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

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

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

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

NOTES TO THE ACCOUNTS

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

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

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

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

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

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

NOTES TO THE ACCOUNTS

Analysis of Changes in Scheme Deficit

Movements in the scheme deficit for the year were as follows

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

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

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

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

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

NOTES TO THE ACCOUNTS

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

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

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

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

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

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

The overall scheme deficit is as follows:

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

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

NOTES TO THE ACCOUNTS

47. Non-Audit Services

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

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

48. Contingent Liabilities

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

Cabernet Limited

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

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

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

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

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

NOTES TO THE ACCOUNTS

Guernsey Housing Association Limited (by Guarantee)

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

Alderney Housing Association Limited (by Guarantee)

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

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

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

Loan Guarantee Scheme

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

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

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

NOTES TO THE ACCOUNTS

49. Table of Grant Payments

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

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

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

NOTES TO THE ACCOUNTS

50. Payments to States Members

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

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

NOTES TO THE ACCOUNTS

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

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

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

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

NOTES TO THE ACCOUNTS

51. Related Party Transactions

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

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

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

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

NOTES TO THE ACCOUNTS

52. Segmental Analysis

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

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

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

NOTES TO THE ACCOUNTS

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

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

Accounting Boundary

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

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

Category A

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

Category B

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY

Appendix I

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

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY

Appendix I

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY

Appendix I

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

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

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

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

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

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

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

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

SEGMENTAL ANALYSIS

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

Appendix II

ANALYSIS OF PAY COSTS AND FTE TOTALS

Appendix III

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

CAPITAL RESERVE EXPENDITURE

Appendix IV

States Capital Investment Programme

Policy & Resources Committee

	2020 £'000s	2019 £'000s
IT Wide Area Network (£1.09m)	-	54
Cremator and Emissions Equipment – replacement	466	146
Revenue Service Programme	2,675	3,365
Future Digital Services	26	317
Office Rationalisation Project 1 Phase 1 (£2.098m)	-	52
SAP Roadmap	-	105
Strategic Air and Sea Links Infrastructure	36	233
KGV Redevelopment (Grant)	-	250
St Peter Port Christmas Lights (Grant)	3	13
St James LBG (Grant)	123	-
IT Transition	598	2,083
IT Transformation	9,431	2,683
Transforming Transactional and Business Support Services	6,296	476
Contributions System - replacement	335	-
Sarnia Cherie Ballast Water Management System	238	-

Committee for Economic Development

Seafront Enhancement Area	5	18
Runway Extension	182	-

Committee for Education, Sport & Culture

Les Beaucamps High School (£36.8m)	-	18
Les Nicolles Secondary and Special Needs Schools (£44.4m)	-	2
La Mare De Carteret Schools (£1.65m)	-	12
Education Estates Development – Phase 1	(16)	2,035
Footes Lane - refurbishment	117	874
11-18 Schools	780	86
Guernsey Institute	931	29
Transforming Education Digital	164	-
Les Ozouets Campus	-	(51)
Castle Cornet - refurbishment	4	-

Committee for the Environment & Infrastructure

Bus Replacement (£4.745m)	-	90
Hydrocarbon Supplies	-	6
Admiral Park North Piling Work	2	-

Committee for Health & Social Care

Mental Health and Wellbeing Centre (£24m)	-	(5)
Electronic Health and Social Care record (£3.9m)	-	97
Electronic Patient Record	305	-
Radiology Equipment - replacement (£1.246m)	583	1,746
Princess Elizabeth Hospital Re-Profiling	(19)	-
Hospital Modernisation – Phase 1	1,968	796
Health & Social Care Local Area Network (£1.866m)	104	552
Lockdown Exit Phase 5c	468	-
COVID-19 Vaccination Programme	236	-

Committee for Home Affairs

Linkworks Information System - replacement (£1.2m)	-	55
CCTV - replacement	24	112
Home Affairs Estate Rationalisation	8	-
St Sampson Fire Main	7	4
Turntable Fire Appliance - replacement	1	683
Cyber Information	-	67

CAPITAL RESERVE EXPENDITURE

Appendix IV

States Capital Investment Programme (Cont.)

States' Trading Supervisory Board

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

Total Major Capital Project Costs Charged to the Capital Reserve

27,486	19,404
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Minor Capital Projects

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

Total Minor Capital Project Costs Charged to the Capital Reserve

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

40,586	32,487
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Portfolio Administration Costs

550	491
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Total Expenditure Charged to the Capital Reserve

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

Appendix V

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

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

CONSOLIDATED HEALTH AND SOCIAL CARE ACCOUNTS

Appendix VI

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

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

CONSOLIDATED HEALTH AND SOCIAL CARE ACCOUNTS

Appendix VI

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

Notes:

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

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

ATTRIBUTABLE TO ALDERNEY

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

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

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

ANALYSIS OF SOCIAL SECURITY ATTRIBUTABLE TO ALDERNEY

Appendix VII

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

NOTES

1. Taxation and duty revenue received by States of Guernsey

Income Tax

Individuals - ETI

Individuals - Other

Companies

Banks

Distributions

Total Income Tax

Customs - Excise and Import Duties

Tax on Real Property

Document Duty

Appendix VII

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

2. States of Alderney - Net Revenue Expenditure

Building and Development Control Services

Expenditure

Income

General Services Committee

Expenditure

Income

Policy and Finance Committee

Expenditure

Income

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

3. Transferred Services - Net Revenue Expenditure

Policy & Resources Committee

Policy & Strategy

External Affairs

Digimap services

Information Systems & Services

Shared Services Centre

States' Property Services

Payments to States Members

HE Lieutenant Governor

Revenue Service

Cadastre

Alderney civil service

Treasury

Insurance

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

3. Transferred Services - Net Revenue Expenditure (continued)

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

NOTES

3. Transferred Services - Net Revenue Expenditure (continued)

Committee *for* Home Affairs

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

Appendix VII

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

4. Transferred Services - Capital Expenditure

Policy & Resources Committee

Committee *for the* Environment & Infrastructure

Alderney Breakwater

States' Trading Supervisory Board

Alderney Airport

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

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VIII

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

The Committee approved the following increases in 2020 revenue budgets:

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

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

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

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VIII

Minor Capital Projects

Information Technology

£

Corporate

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

2,808,590

Committee for Economic Development

Registry System - upgrade	204,750
---------------------------	---------

Committee for Education, Sport & Culture

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

108,880

Committee for Health & Social Care

COVID-19 Track & Trace IT software	197,545
------------------------------------	---------

Committee for Home Affairs

Economic Crime Reporting System - upgrade	175,000
---	---------

Total Information Technology

3,494,765

Medical Equipment

£

Committee for Health & Social Care

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

Total Medical Equipment

2,223,701

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VIII

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

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VIII

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

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VIII

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

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

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

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

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

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD

PORTS ACCOUNTS 2020

The States are asked to decide:-

1. Whether they are of the opinion to agree with the States' Trading Supervisory Board's approval of the Ports Accounts for the year ending 31 December 2020.

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

States of Guernsey
States' Trading Supervisory Board
Ports

Report and Financial Statements

For the year ended 31 December 2020

States' Trading Supervisory Board Ports

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States' Trading Supervisory Board Ports

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

States' Trading Supervisory Board Members

Deputy P. Roffey	President	elected 21 October 2020
Deputy C. Parkinson		elected 21 October 2020
Deputy N. Moakes		elected 21 October 2020
Mr S. Falla MBE		
Mr J. Hollis		
Deputy P. Ferbrache	President	term ended 15 October 2020
Deputy J. Smithies		term ended 15 October 2020
Deputy J. Kuttelwascher		deceased 23 January 2020
Deputy P. Roffey	elected 26 February 2020	term ended 15 October 2020

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

Principal Officers to the States' Trading Supervisory Board

- Mr S. Elliott, Managing Director, States Trading Group
- Mr S. Gardiner, Finance Business Partner, States Trading Group
- Mr A. Ford, Head of Shareholder Executive, States Trading Group
- Mr R. Evans, Deputy Managing Director, States Trading Group resigned 1 November 2020

Ports Board Members

Mr S. Falla MBE	Chairman	
Deputy P. Roffey	STSB President	appointed 21 October 2020
Mr S. Holden	non-voting adviser	
Mr B. Smillie	non-voting adviser	
Mr C. Le Ray	non-voting adviser	
Mr C. McGinn	non-voting adviser	
Deputy P. Ferbrache	STSB President	term ended 15 October 2020
Mrs S. Kazantseva Miller	non-voting adviser	resigned 15 October 2020

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

States' Trading Supervisory Board Ports

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

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

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

Principal Officers to the Ports Board

Mr C. Le Ray, Managing Director, Ports

Mr D. Barker, Harbourmaster, Harbour

Mr D. Wright, Commercial Manager, Ports

Mr C. McGinn, Senior Finance Manager, Ports

Mr R. Coppolo, Chief Operations Officer, Ports appointed on 2 March 2020

Mr B. Le Huray, Chief Commercial & Infrastructure Officer, Ports appointed on 2 January 2020

Mr A. Nicholas, Head of Aviation Services, Airport seconded to other role 10 August 2020

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

Legal Advisers

Law Officers of the Crown

St James Chambers

St James Street

St Peter Port

GY1 2PA

Independent Auditor

Grant Thornton Limited

PO Box 313

Lefebvre House

Lefebvre Street

St Peter Port

GY1 3TF

States' Trading Supervisory Board Ports

Chairman's Report

Overview

For the Ports, 2020 has been a challenging trading year, passenger numbers at both the Harbour and the Airport were adversely affected as a consequence of restrictions placed on Air and Sea travel due to the Covid-19 pandemic. Every effort has been made by the PB to contain and limit cost exposures over the year, particularly in light of the collapse in income due to Covid-19 whilst balancing this cost reduction against the need to still maintain viable port facilities to provide both for continued access for limited lifeline access to and from the island for cargo, medical flights and some passenger activity throughout the year, as well as maintaining an ability to immediately manage a recovery back to normal levels of port activity, in the medium term.

Business performance

The downturn in passenger numbers in 2020 is reflected in the results contained within these accounts. Income at both ports was significantly lower than the 2020 budget and 2019 actuals. The percentage decrease in passenger numbers across the Ports was 83% compared to 2019, with very nearly 1 million fewer passenger movements over the year.

Our community

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

States' Trading Supervisory Board Ports

Chairman's Report - continued

Our team

Whilst 2020 has arguably been the most challenging year in living memory for the Ports, the PB is encouraged as to how the Ports have been able to adapt to such unique circumstances and still maintain core services to ensure essential goods, necessary to keep the economy functioning. Recruitment to vacant posts has been suspended for most of the year, as was all but essential overtime. Existing staff have had to respond to continued staff shortages in some areas of the business as the recruitment freeze has persisted to reduce costs. The Team has taken advantage of reduced activity at the Ports to undertake additional maintenance in areas normally operational or in passenger use. This has included marina pontoon and airfield grounds maintenance, redecoration of buildings, replacing moorings, navigation buoys and additional training. The work has used in-house expertise whenever possible. In addition, Ports staff have been working closely with the Covid-19 response team to manage aspects of the island's response, including management of port-related essential worker permits, construction of COVID testing facilities at the Airport and Harbour and more general input on changes to the lockdown strategy.

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

Our business strategy and future

Work undertaken by the STSB in 2018 to improve governance arrangements across all of the States Trading Group has continued and developed in 2020 through the PB.

The PB has endeavoured to keep its focus on this progress, despite the obvious challenges of 2020. The move to continue to hold passenger charges at the Airport continued in 2020, and now seems even more critical as a major recovery of passenger movements is now required to reverse the impacts of Covid-19 restrictions at the borders. Work on the Future Harbour Redevelopment Project has continued in earnest and this will provide valuable direction for the Harbour Action Area Plan as the Ports continue to make an important contribution to the future planning and development of the East Coast of St Peter Port.

States' Trading Supervisory Board

Ports

Managing Director's Report

STSB presents its report and the audited financial statements for the year ended 31 December 2020. These comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 26.

Principal activities

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

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

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

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

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

Financial performance

The financial impact of Covid-19 on the Ports' finances is unprecedented. The Ports outturned a deficit of £10.7m in 2020 (2019: surplus £1.3m) with overall income lower than 2019 by £11.7m. The decrease in revenue is primarily due to restrictions on air and sea travel. Passenger movements through both ports were 83% lower than in the prior year resulting in a decrease in income amounting to £8.7m compared to 2019. Income derived from rental properties was 40% lower than 2019, resulting in a further decrease in income of £1.2m.

Revenue generated through leisure services is 27% lower than 2019 resulting in a further decrease of £0.8m, primarily due to restrictions placed on visiting yachts and cruise liners during the 2020 summer season.

States' Trading Supervisory Board

Ports

Managing Director's Report - continued

Expenses remained in line with 2019 outturn with costs at the Harbour amounting to £6.5m (2019: £6.6m). Expenses at the Airport were slightly down on 2019 by 1.6% and outturned at £13.4m (2019: £13.6m).

These unprecedented pressures on revenue streams has resulted in significant additional challenges on cash and funding. Cash & cash equivalents brought forward from 2019 amounted to £6.6m. The closing balance as at 31 December 2020 amounts to a £5.0m cash deficit which has been advanced to the Ports through an overdraft facility, provided by the Policy & Resources Committee ("P&RC"). This represents an in year decrease in cash reserves amounting to £11.6m. An overdraft facility has been extended through 2021 whilst recovery plans continue to be established and delivered.

	Actual 2020 £'000	Budget 2020 £'000	Actual 2019 £'000
Airport revenue	4,200	13,279	13,183
Harbour revenue	7,468	9,662	10,139
Total revenue	11,668	22,941	23,322
Airport deficit for the financial year	(10,072)	(1,223)	(1,499)
Harbour (deficit)/surplus for the financial year	(336)	149	2,413
Net investment loss and interest expense	(279)	(214)	414
Total (deficit)/surplus for the financial year	(10,687)	(1,288)	1,328
Airport capital expenditure	714	5,629	652
Harbour capital expenditure	260	5,266	1,334
Capital expenditure	974	10,895	1,986

States' Trading Supervisory Board

Ports

Managing Director's Report - continued

Operational performance

	2020	2019	Change %
Passenger movements			
Airport	185,707	858,230	(78.4%)
Harbour	19,058	309,604	(93.8%)
Total	204,765	1,167,834	(82.5%)
Airport			
Full emergencies declared	1	4	(75.0%)
Aircraft accidents	-	-	-
Full time equivalent employees			
Airport	122	121	0.8%
Harbour	79	79	0.0%

Our customers

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

Statement of responsibilities for the preparation of financial statements

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

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

The STSB is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time its financial position. The STSB is also responsible for identifying and installing internal controls, including financial controls, which are adequate for its own purposes and to safeguard the assets of Ports and the States of Guernsey in its

States' Trading Supervisory Board Ports

Managing Director's Report - continued

care, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of financial controls

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

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

The STSB strives to ensure that all staff with financial responsibility in Ports has 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.

States' Trading Supervisory Board Ports

Managing Director's Report - continued

Going concern

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

Auditors

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

States' Trading Supervisory Board Ports

Corporate Governance

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

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

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

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

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

The PB does not hold a fiduciary responsibility.

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

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

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

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

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

States' Trading Supervisory Board Ports

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

Opinion

We have audited the financial statements of the States of Guernsey – States' Trading Supervisory Board ("STSB") – Ports for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("United Kingdom Generally Accepted Accounting Practice").

In our opinion, the financial statements:

- give a true and fair view of the state of the Ports' affairs as at 31 December 2020 and of its deficit for the year then ended; and
- are in accordance with United Kingdom Generally Accepted Accounting Standards and 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) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Ports in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

States' Trading Supervisory Board

Ports

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

Other information

The STSB is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Conclusions relating to going concern

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you where:

The STSB's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

The STSB has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Ports ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the STSB for the financial statements

As explained more fully in the Statement of responsibilities for the preparation of financial statements in the Managing Director's Report, the STSB is responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the STSB determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

States' Trading Supervisory Board

Ports

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ports' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

States' Trading Supervisory Board Ports

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

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

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

Use of our report

This report is made solely to the members of the STSB. Our audit work has been undertaken so that we might state to the members of STSB those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Ports and the members of STSB as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited

Chartered Accountants
St Peter Port
Guernsey

20 May 2021

States' Trading Supervisory Board Ports

Statement of Comprehensive Income

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Revenue	2 & 4		
Airport fees, charges and other income		4,200	13,183
Harbour dues, charges and other income		7,468	10,139
		11,668	23,322
Expenses	2 & 5		
Airport expenses		(13,356)	(13,578)
Harbours expenses		(6,530)	(6,572)
		(19,886)	(20,150)
Operating (deficit)/surplus before depreciation and amortisation and loss on disposal of fixed assets		(8,218)	3,172
Depreciation and amortisation	9	(5,535)	(5,462)
Loss on disposal of fixed assets	9	-	(3)
Revaluation of investment property	10	23	(125)
Operating deficit for the year		(13,730)	(2,418)
Amortisation of asset specific contributions	2 & 18	3,322	3,332
Investment (loss)/return	7	(190)	485
Interest payable	7	(89)	(71)
(Deficit)/surplus for the financial year		(10,687)	1,328

All material activities derive from continuing operations.

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

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

States' Trading Supervisory Board Ports

Statement of Financial Position

as at 31 December 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Tangible fixed assets – Airport	9	84,990	88,546
Tangible fixed assets – Harbours	9	134,264	135,559
Investment property	10	398	375
Assets under construction	11	1,348	1,058
		<u>221,000</u>	<u>225,538</u>
Current assets			
Inventories	12	375	391
Debtors and prepayments	13	4,080	2,080
Balances with States Treasury		-	6,550
		<u>4,455</u>	<u>9,021</u>
Creditors: amounts falling due within one year			
Balances with States Treasury		(5,001)	-
Other creditors	14	(2,523)	(2,703)
		<u>(7,524)</u>	<u>(2,703)</u>
Net current (liabilities)/assets		<u>(3,069)</u>	<u>6,318</u>
Creditors: amounts falling due after one year	15	<u>(2,257)</u>	<u>(2,347)</u>
Total net assets		<u>215,674</u>	<u>229,509</u>
Reserves		<u>215,674</u>	<u>229,509</u>

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

Deputy P. Roffey
President

20 May 2021

Signed on behalf of the States Trading Group

Mr S. Elliott
Managing Director

20 May 2021

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

States' Trading Supervisory Board Ports

Statement of Changes in Equity

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Balance at 1 January		229,509	234,456
(Deficit)/surplus for the financial year	17	(10,687)	1,328
Amortisation of asset specific contributions	18	(3,322)	(3,332)
Contribution from States Capital Reserve	18	174	57
Contribution to States Capital Reserve		-	(3,000)
Balance at 31 December		215,674	<u>229,509</u>

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

States' Trading Supervisory Board Ports

Statement of Cash Flows

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Net cash flows from operating activities	19	<u>(10,382)</u>	<u>4,648</u>
Cash flows from investing activities			
Purchase of fixed assets	11	<u>(974)</u>	<u>(1,986)</u>
Net cash flows used in investing activities		<u>(974)</u>	<u>(1,986)</u>
Cash flows from financing activities			
Net contribution from/(to) States Capital Reserve		174	(2,943)
Drawdown of Loan from States Bond		-	2,500
Capital repaid		(90)	(64)
Interest paid		(89)	(71)
Investment (loss)/ return	7	<u>(190)</u>	<u>485</u>
Net cash flows from financing activities		<u>(195)</u>	<u>(93)</u>
Net (decrease)/increase in cash and cash equivalents		(11,551)	2,569
Cash and cash equivalents at the beginning of the year		<u>6,550</u>	<u>3,981</u>
Cash and cash equivalents at the end of the year		<u>(5,001)</u>	<u>6,550</u>
Reconciliation to cash at bank and in hand:			
Balances with States Treasury		<u>(5,001)</u>	<u>6,550</u>
Cash and cash equivalents		<u>(5,001)</u>	<u>6,550</u>

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

States' Trading Supervisory Board

Ports

Notes to the Financial Statements

1. General information

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

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 broadly following the principles of the Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council. The two exceptions below render the accounts non-compliant with FRS102.

i) Fixed asset impairment

In respect of 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.

ii) Amortisation of asset specific contributions

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

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Functional and presentational currency

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

Going concern

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

Tangible fixed assets

i) Investment properties

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

ii) Property, plant and equipment

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

iii) Assets under construction

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

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Depreciation

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

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

Impairment of assets (excluding inventories)

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

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Basic financial instruments

i) Trade debtors

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

ii) Cash and cash equivalents

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

iii) Trade creditors

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

iv) Loans from the States of Guernsey

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

v) Derecognition of basic financial instruments

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

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

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

Revenue and expenses

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

Pension costs

Pension costs are treated as described in note 22.

Amortisation of asset specific contributions

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

Net investment return and interest receivable/payable

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

Leases

i) As lessee

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

ii) As lessor

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

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the STSB have made in the process of applying 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 rate used for each type of asset that makes up the infrastructure assets has been disclosed in note 2.

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

States' Trading Supervisory Board

Ports

Notes to the Financial Statements – continued

4. Revenue

All revenue is derived from activities within the Bailiwick of Guernsey. An analysis of Ports' revenue by class of business is set out below:

	2020	2019
	£'000	£'000
Airport	4,200	13,183
Harbours	7,468	10,139
Ports revenue	11,668	23,322
Airport		
Advertising & Sundries	184	412
Airport development charge	157	760
Car parking fees	311	826
Rents	911	2,083
Traffic receipts	2,445	8,915
Recovery from Alderney	192	187
Airport revenue	4,200	13,183
Harbour		
Commercial port operations	3,789	6,071
Property	1,002	1,099
Leisure	2,131	2,914
Non-commercial port	85	13
Ships registry	26	42
Grant Aid – States of Guernsey	435	-
Harbour revenue	7,468	10,139

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

5. Expenses

	2020	2019
	£'000	£'000
Airport		
Aerodrome fire service	2,427	2,372
Airport infrastructure	2,553	2,756
Airport security	2,459	2,803
Navigational services	4,136	4,208
Administration	1,781	1,439
	13,356	13,578
Harbour		
Commercial ports operations	2,288	2,362
Property	850	886
Leisure	1,671	1,888
Non-commercial ports operations	1,652	1,365
Ships registry	69	71
	6,530	6,572

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

6. Staff numbers and costs

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

	2020	2019
Airport		
Operational	108	108
Administration and support	14	13
	<u>122</u>	<u>121</u>
 Harbour		
Operational	67	67
Administration and support	12	12
	<u>79</u>	<u>79</u>

Their aggregate remuneration comprised:

	Note	2020	2019
		£'000	£'000
Wages and salaries		9,797	9,553
Social security costs		642	626
Pension costs	22	1,261	1,229
		<u>11,700</u>	<u>11,408</u>

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

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

7. Interest

	2020	2019
	£'000	£'000
Interest receivable		
Investment (loss)/return on balances with States Treasury	<u>(190)</u>	<u>485</u>
Interest payable		
Interest payable on loans	<u>(89)</u>	<u>(71)</u>

8. (Deficit)/surplus for the financial year

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

	Note	2020	2019
		£'000	£'000
Auditor's remuneration		25	25
Depreciation of tangible fixed assets	9	5,535	5,462
Deficit on disposal of fixed assets		<u>-</u>	<u>3</u>
		<u>5,561</u>	<u>5,490</u>

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

9. Tangible fixed assets

	1 January			31
Airport	2020	Additions	Disposals	December
	£'000	£'000	£'000	2020
				£'000
Cost				
Land	2,687	-	-	2,687
Infrastructure	64,846	-	-	64,846
Buildings	33,546	59	-	33,605
Plant & equipment	23,211	-	-	23,211
Vehicles & vessels	1,284	316	-	1,600
Information technology	156	-	-	156
	<u>125,730</u>	<u>375</u>	<u>-</u>	<u>126,105</u>
Depreciation				
Land	-	-	-	-
Infrastructure	14,319	1,891	-	16,210
Buildings	7,256	562	-	7,818
Plant & equipment	14,318	1,395	-	15,713
Vehicles & vessels	1,135	83	-	1,218
Information technology	156	-	-	156
	<u>37,184</u>	<u>3,931</u>	<u>-</u>	<u>41,115</u>
Net Book Value	<u>88,546</u>			<u>84,990</u>

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

9. Tangible fixed assets– continued

	1 January			31
Harbour	2020	Additions	Disposals	December
	£'000	£'000	£'000	2020
				£'000
Cost				
Land	87,515	-	-	87,515
Infrastructure	9,228	-	-	9,228
Buildings	48,824	-	-	48,824
Plant & equipment	9,071	309	-	9,380
Vehicles & Vessels	1,182	-	-	1,182
Information technology	283	-	-	283
	<u>156,103</u>	<u>309</u>	<u>-</u>	<u>156,412</u>
Depreciation				
Land	-	-	-	-
Infrastructure	1,735	332	-	2,067
Buildings	12,940	877	-	13,817
Plant & equipment	5,560	249	-	5,809
Vehicles & Vessels	202	56	-	258
Information technology	107	90	-	197
	<u>20,544</u>	<u>1,604</u>	<u>-</u>	<u>22,148</u>
Net Book Value	<u><u>135,559</u></u>			<u><u>134,264</u></u>

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

10. Investment properties

	1 January 2020 £'000	Additions/ Disposals £'000	Revaluations £'000	31 December 2020 £'000
Airport	375	-	23	398
Harbour	-	-	-	-
	<u>375</u>	<u>-</u>	<u>23</u>	<u>398</u>

Investment properties, which are all freehold, were valued to fair value at 31 December 2020, based on a valuation undertaken by an independent valuer with recent experience in the location and class of the investment property being valued. The method of determining fair value was using the Red Book value. There are no restrictions on the realisability of investment property.

As at the 31 December 2020 the investment property was valued at £398k (2019: £375k). The original book value of the investment property was £436k.

As set out in note 4, property rental income earned during the year was £nil (2019: £nil). No contingent rents have been recognised as income in the current or prior year.

At the Statement of Financial Position date, the Ports were not contracted with tenants for any future minimum lease payments on investment properties (2019: £nil).

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

11. Assets under construction

	1 January 2020 £'000	Additions £'000	Transfers to Tangible Fixed Assets £'000	31 December 2020 £'000
Airport	629	714	(375)	968
Harbour	429	260	(309)	380
2020 Total	1,058	974	(684)	1,348
2019 Total	651	1,986	(1,579)	1,058

Assets under construction completed in 2020 and transferred to fixed assets includes the Harbour Vehicle Traffic Service system and replacement pontoons. Other transfers to fixed assets include capital expenditure related to maintaining the Airport terminal building and also ensuring the Airport complies with regulations on Airport security.

Assets under construction as at 31 December 2020 mainly relate to the Harbour IT project and replacement fire appliances at the Aerodrome.

12. Inventories

	2020 £'000	2019 £'000
Airport	65	65
Harbours	310	326
	375	391

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

13. Debtors and prepayments

	2020	2019
	£'000	£'000
Trade debtors - Airport	903	1,078
Trade debtors - Harbour	3,134	903
Prepayments - Airport	17	42
Prepayments - Harbour	26	57
	<u>4,080</u>	<u>2,080</u>

14. Other creditors: amounts falling due within one year

	Note	2020	2019
		£'000	£'000
Trade creditors - Airport		119	512
Trade creditors - Harbour		78	338
Accruals - Airport		908	865
Accruals - Harbour		970	633
Deferred income - Airport		72	110
Deferred income - Harbour		285	153
Harbour operational license and security deposits		1	3
Loan from States of Guernsey	16	90	89
		<u>2,523</u>	<u>2,703</u>

15. Creditors: amounts falling due after one year

	Note	2020	2019
		£'000	£'000
Loan from States of Guernsey	16	2,257	2,347
		<u>2,257</u>	<u>2,347</u>

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

16. Loan from the States of Guernsey

	2020	2019
	£'000	£'000
Balance at 1 January	<u>2,436</u>	<u>-</u>
Drawdown 1 March 2019	-	2,500
Capital repaid	(89)	(64)
	<hr/>	<hr/>
Balance at 31 December	<u>2,347</u>	<u>2,436</u>

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

	2020	2019
	£'000	£'000
Within one year	90	89
Between one and two years	96	92
Between two and five years	303	298
More than five years	1,858	1,957
	<hr/>	<hr/>
	<u>2,347</u>	<u>2,436</u>

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

17. Reserves

	2020	2019
	£'000	£'000
Balance at 1 January	229,509	234,456
(Deficit)/surplus for financial year	(10,687)	1,328
Amortisation of asset specific contributions	(3,322)	(3,332)
Contribution from States Capital Reserve	174	57
Contribution to States Capital Reserve	-	(3,000)
Balance at 31 December	<u>215,674</u>	<u>229,509</u>

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.

All reserves are distributable

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

18. Asset specific contributions

	2020 £'000	2019 £'000
As at 1 January	60,728	64,003
Contributions receivable	<u>174</u>	<u>57</u>
	60,902	64,060
Released to Statement of Comprehensive Income during the year	<u>(3,322)</u>	<u>(3,332)</u>
Net book value of projects funded by the Capital Reserve not yet released to the Statement of Comprehensive Income	<u><u>57,580</u></u>	<u><u>60,728</u></u>

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

	2020 £'000	2019 £'000
Operating deficit for the year	(13,731)	(2,418)
Depreciation charges	5,535	5,462
Loss on disposal of tangible assets	-	3
Revaluation of investment property	(23)	125
Decrease in inventories	16	27
(Increase)/decrease in debtors	(2,000)	357
(Decrease)/increase in creditors due within one year	<u>(179)</u>	<u>1,092</u>
Net cash flows from operating activities	<u>(10,382)</u>	<u>4,648</u>

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

20. Financial commitments

The Ports have no financial commitments as at 31 December 2020 (2019: £nil) which are not provided for in the financial statements.

21. Financial instruments

The Port's financial instruments may be analysed as follows:

	Note	2020 £'000	2019 £'000
Financial Assets at amortised cost			
Cash and cash equivalents		(5,001)	6,474
Debtors	13	4,037	1,981
Financial liabilities at amortised cost			
Creditors: amounts falling due within one year	14	(288)	(942)
Creditors: amounts falling due after more than one year	15	(2,257)	(2,347)

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

22. Employee benefits

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

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

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £1,261k (2019: £1,229k).

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

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

23. Statement of control

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 STSB appointed by the States of Guernsey.

24. Related party transactions

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

The total remuneration for key management personnel for the period totalled £529k (2019: £427k).

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."

STSB 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 STSB or other meetings, and has not participated in any discussions or voting regarding awarding any contracts leading to these transactions.

STSB member Mr P. Ferbrache 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 Ferbrache, as under normal rules would excuse himself from any STSB or other meetings, and has not participated in any discussions or voting regarding awarding any contracts leading to these transactions.

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

25. Subsequent events

Covid-19

On 23 January 2021 Guernsey entered into a second full lockdown due to the Covid-19 pandemic. This lasted until Monday 22 March 2021 when the island entered stage 3 of lockdown with a return to a normal level of activity within the Bailiwick, with social, recreation and business activity able to take place.

During lockdown, and in line with our business continuity plan and the advice of the Civil Contingencies Authority and Public Health, the Ports business activities were limited to those required to maintain continuity of essential services including: loading and unloading of cargo/ freight; management of vessels entering and leaving the Harbour, management of aviation services at the Airport; and the essential maintenance and repair of property and assets at both the Airport and the Harbours. Office based staff were instructed to work from home which was made easier due to further technology roll outs following the first lockdown. In addition, Ports staff have been working closely with the Covid-19 response team to manage aspects of the island's response, including oversight of port-related essential worker permits. Staff members were re-deployed throughout lockdown as required to cover other staff who were unable to work from home whilst self-isolating or shielding in accordance with Public Health advice.

Guernsey Ports has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2020 have not been adjusted to reflect their impact.

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

26. Off balance-sheet arrangements

There are no commitments or contingent liabilities relating to 2020 which would affect these financial statements (2019: None).

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

States of Guernsey

States' Trading Supervisory Board

Ports

Supplemental Information

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

States' Trading Supervisory Board Ports

Guernsey Airport

2020 Original Budget £'000	2020 Probable Outturn £'000	Net expenditure by category	2020 Actual £'000	2019 Actual £'000
13,279	4,437	Income		
		Operating income	4,200	13,183
(8,054)	(7,763)	Expenditure		
		Pay costs	(7,938)	(7,660)
		Non-Pay costs		
(193)	(154)	Staff Non-Pay costs	(116)	(181)
(1,467)	(1,303)	Support services	(1,301)	(1,991)
(1,399)	(1,492)	Premises	(1,245)	(1,346)
(115)	(232)	Transport	(220)	(112)
(2,206)	(2,531)	Supplies & services	(2,536)	(2,288)
(5,380)	(5,712)		(5,418)	(5,918)
(155)	(9,038)	Operating deficit for the financial year	(9,156)	(395)
		Depreciation (net of amortisation of asset specific contributions) and revaluation of Investment Property		
(1,068)	(940)		(916)	(1,081)
(1,223)	(9,978)	Operating deficit	(10,072)	(1,476)

States' Trading Supervisory Board

Ports

Guernsey Airport

2020 Original Budget £'000	2020 Probable Outturn £'000	Net expenditure by service area	2020 Actual £'000	2019 Actual £'000
		Income		
414	251	<i>Advertising, picketing etc</i>	184	414
760	185	<i>Airport development charge</i>	157	760
821	329	<i>Car parking fees</i>	311	826
2,048	923	<i>Rents</i>	911	2,083
9,045	2,549	<i>Traffic receipts</i>	2,445	8,913
		<i>Recovery from Alderney Airport</i>	192	187
<u>13,279</u>	<u>4,437</u>		<u>4,200</u>	<u>13,183</u>
		Expenditure		
(1,846)	(1,766)	<i>Administration</i>	(1,781)	(1,440)
(2,300)	(2,318)	<i>Aerodrome fire service</i>	(2,427)	(2,371)
(2,995)	(2,538)	<i>Airport infrastructure</i>	(2,553)	(2,756)
(2,101)	(2,469)	<i>Airport security</i>	(2,459)	(2,803)
(4,192)	(4,384)	<i>Navigational services</i>	(4,136)	(4,208)
<u>(13,434)</u>	<u>(13,475)</u>		<u>(13,356)</u>	<u>(13,578)</u>
(155)	(9,038)	Operating deficit for the financial year	(9,156)	(395)
		Depreciation (net of amortisation of asset specific contributions) and revaluation of Investment Property	(916)	(1,081)
<u>(1,068)</u>	<u>(940)</u>		<u>(916)</u>	<u>(1,081)</u>
(1,223)	(9,978)	Operating deficit	(10,072)	(1,476)

States' Trading Supervisory Board

Ports

Guernsey Airport

2020 Original Budget £'000	2020 Probable Outturn £'000		2020 Actual £'000	2019 Actual £'000
		Capital expenditure		
(1,304)	-	Miscellaneous capital works	(211)	(178)
(981)	-	IT projects and equipment	-	-
(3,344)	(242)	Equipment, machinery and vehicles	(503)	(474)
(5,629)	(242)	Routine capital expenditure	(714)	(652)
-	-	Airports pavements project	(10)	(10)
-	(1,269)	Hold baggage system	(162)	-
-	1,269	Contribution from States	172	10
		Capital Reserve		
(5,629)	(242)	Net capital expenditure	(714)	(652)

States' Trading Supervisory Board

Ports

Guernsey Harbours

2020 Original Budget £'000	2020 Probable Outturn £'000	Net expenditure by category	2020 Actual £'000	2019 Actual £'000
9,662	6,689	Income		
		Operating income	7,468	10,139
(4,178)	(3,959)	Expenditure		
		Pay costs	(3,762)	(3,749)
		Non-Pay costs		
(116)	(63)	Staff Non-Pay costs	(75)	(88)
-	-	Peripheral activities	(19)	(52)
(1,157)	(1,043)	Support services	(1,554)	(1,093)
(2,110)	(1,642)	Premises	(797)	(1,193)
(98)	(78)	Transport	(43)	(75)
(563)	(478)	Supplies & services	(280)	(322)
(4,044)	(3,304)		(2,768)	(2,823)
1,440	(574)	Operating surplus/(deficit) for the financial year	938	3,567
		Depreciation (net of amortisation of asset specific contributions) and revaluation of Investment Property		
(1,291)	(1,258)		(1,274)	(1,174)
149	(1,832)	Operating (deficit)/surplus	(336)	2,393

States' Trading Supervisory Board Ports

Guernsey Harbours

2020 Original Budget £'000	2020 Probable Outturn £'000	Net income/(expenditure) by service area	2020 Actual £'000	2019 Actual £'000
2,446	875	<i>Commercial ports</i>		
(83)	(265)	<i>operations</i>	1,501	3,711
751	218	<i>Property</i>	152	213
		<i>Leisure</i>	460	1,026
(1,650)	(1,361)	<i>Non-commercial ports</i>		
(24)	(41)	<i>operations</i>	(1,567)	(1,355)
-	-	<i>Ships registry</i>	(43)	(28)
		<i>Grant aid</i>	435	-
1,440	(574)	Operating surplus/(deficit) for the financial year	938	3,567
		Depreciation (net of amortisation of asset specific contributions) and revaluation of Investment Property		
(1,291)	(1,258)		(1,274)	(1,174)
149	(1,832)	Operating (deficit)/surplus	(336)	2,393

States' Trading Supervisory Board

Ports

Guernsey Harbours

2020 Original Budget £'000	2020 Probable Outturn £'000		2020 Actual £'000	2019 Actual £'000
		Capital expenditure		
(2,616)	-	Miscellaneous capital works	-	(15)
-	(208)	IT projects and equipment	(19)	(146)
(2,650)	(266)	Equipment, machinery and vehicles	(241)	(1,174)
(5,266)	(474)	Routine capital expenditure	(260)	(1,335)
-	-	Crane strategy	(2)	(48)
-	-	Contribution from States Capital Reserve	2	48
(5,266)	(474)	Net capital expenditure	(260)	(1,335)

States' Trading Supervisory Board

Ports

Ports Holding Account

2020 Original Budget £'000	2020 Probable Outturn £'000		2020 Actual £'000	2019 Actual £'000
		Operating (deficit)/surplus before depreciation		
(155)	(9,038)	Guernsey Airport	(9,156)	(395)
1,440	(574)	Guernsey Harbours	938	3,567
1,285	(9,612)		(8,218)	3,172
-	(171)	Investment (loss)/return	(190)	400
(214)	-	Interest expense	(89)	(71)
-	-	Other	-	(3)
1,071	(9,783)		(8,497)	3,498
		Capital expenditure		
(5,629)	(1,511)	Guernsey Airport	(714)	(662)
(5,266)	(474)	Guernsey Harbours	(260)	(1,383)
(10,895)	(1,985)	Total capital expenditure	(974)	(2,045)
(9,824)	(11,768)	(Deficit)/surplus for the year	(9,471)	1,453
5,632	6,318	Balance at 1 January	6,318	5,314
(9,824)	(11,768)	(Deficit)/surplus for the year before depreciation	(9,471)	1,453
-	-	Contribution to States Capital Reserve	-	(2,943)
-	1,269	Contribution from States Capital Reserve	174	58
6,000	-	Loans drawdown	-	2,500
(192)	(81)	Capital repaid	(90)	(64)
1,616	(4,262)	Balance at 31 December	(3,069)	6,318

Notes:

Guernsey Ports has been significantly impacted by the Covid-19 pandemic and anticipates continued revenue pressures into 2021.

The Policy & Resources Committee has agreed in principle to make an overdraft facility of £12.5 million available to Ports until the end of 2021.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD

GUERNSEY WATER ACCOUNTS 2020

The States are asked to decide:-

1. Whether they are of the opinion to agree with the States' Trading Supervisory Board's approval of the Guernsey Water Accounts for the year ending 31 December 2020.

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

States of Guernsey
States' Trading Supervisory Board
Guernsey Water

Report and Financial Statements

For the year ended 31 December 2020

States' Trading Supervisory Board Guernsey Water

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

States' Trading Supervisory Board Members

Deputy P. Roffey	President	elected 21 October 2020
Deputy C. Parkinson		elected 21 October 2020
Deputy N. Moakes		elected 21 October 2020
Mr S. Falla MBE		
Mr J. Hollis		
Deputy P. Ferbrache	President	term ended 15 October 2020
Deputy J. Smithies		term ended 15 October 2020
Deputy J. Kuttelwascher		deceased 23 January 2020
Deputy P. Roffey	elected 26 February 2020	term ended 15 October 2020

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

Principal Officers to the States' Trading Supervisory Board

- Mr S. Elliott, Managing Director, States Trading Group
- Mr S. Gardiner, Finance Business Partner, States Trading Group
- Mr A. Ford, Head of Shareholder Executive, States Trading Group
- Mr R. Evans, Deputy Managing Director, States Trading Group resigned 1 November 2020

Guernsey Water Board Members

Mr J. Hollis	Chairman	
Deputy C. Parkinson		appointed 29 October 2020
Mr A. Bates	non-voting adviser	
Mr M. Lawther	non-voting adviser	
Mr S. Langlois	non-voting adviser	
Mr A. Morton	non-voting adviser	
Deputy J. Smithies		term ended 15 October 2020

States' Trading Supervisory Board Guernsey Water

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

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

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

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

Principal Officers to the Guernsey Water Board

Mr S. Langlois, Managing Director, Guernsey Water

Mr C. Falla, Capital Delivery Manager, Guernsey Water

Mr J. Holt, Operations Manager, Guernsey Water

Mrs M. McGuinness, Water Quality Risk Manager, Guernsey Water

Mr A. Morton, Senior Finance Manager, Guernsey Water

Mr P. Marquis, Customer Services Manager, Guernsey Water resigned 10 December 2020

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

Legal Advisers

Law Officers of the Crown

St James Chambers

St James Street

St Peter Port

GY1 2PA

Independent Auditor

Grant Thornton Limited

PO Box 313

Lefebvre House

Lefebvre Street

St Peter Port

GY1 3TF

States' Trading Supervisory Board

Guernsey Water

Chairman's Report

Overview

2020 was challenging but successful for Guernsey Water. We can be proud that despite the Covid-19 pandemic, our people were able to maintain a high standard of service throughout the year. This was down to business continuity planning, flexible resourcing and a readiness to adapt to changes to ways of working.

Despite the impact of lockdown on our capital programme, we invested £4,363k in improving and maintaining services in 2020. This included work on the Harbour St Sampson (HSS) wastewater pumping station, which was the final one of four major investments in drainage in the north of the island. This programme has reduced the risk of sewer flooding for customers and created capacity for growth. Investment in HSS ensures that it meets health and safety requirements, it has also prevented pollution of the marine environment from sewer overflows and protected bathing water quality at Bordeaux.

We also invested in improving our ability to manage drinking water quality risks at our treated water storage facility on Forest Road and began enabling works for refurbishment of our water treatment works in St Saviour. In addition to these improvements, Guernsey Water remained focused on the ongoing maintenance of its assets and 4.4km of water mains were rehabilitated, which exceeded our target of 4.2km.

Towards the end of 2020 Guernsey Water made a repayment to the States of Guernsey of £1,229k (2019: £1,309k) in relation to grants previously received.

The GWB continues to plan for the future of Guernsey Water's wastewater service, in particular cesspit emptying and access to the public sewer. Guernsey Water is committed to making the level of service and cost more equitable for cesspit customers. During 2020 we commenced replacement of the cesspit emptying management system that States Works operates for Guernsey Water, the new system will go live in 2021. At the same time Guernsey Water will take direct responsibility for cesspit customer contact and billing.

States' Trading Supervisory Board

Guernsey Water

Chairman's Report - continued

Business performance

Water quality is vital for public health so we always strive to protect the water environment from source to sea. We have robust sampling programmes in place for monitoring the water quality of streams, drinking water and wastewater discharges from Bellegreve wastewater facility.

Overall compliance with drinking water standards was 99.95% in 2020 (2019: 99.85%), making it our best year of drinking water quality since we began reporting this in 2011.

Leakage levels remained low during 2020 and we achieved our target for water supply interruptions due to mains bursts. Total rainfall during 2020 was 25% above the average for the period 1981-2010. A wet October and December meant that water resources were 100% full by the end of the year.

Investment in more effective capture of water from streams during the last decade played an important role in enabling the recharge of water levels by the end of 2020. However, climate change is expected to make winters wetter and summers hotter and drier. The GWB is considering how we will need to develop our water capture and storage systems to ensure resilience to climate change in the future.

Our community

Guernsey Water is committed to contributing to the Policy & Resource Plan's vision that: "We will be among the happiest and healthiest places in the world, where everyone has equal opportunity to achieve their potential. We will be a safe and inclusive community, which nurtures its unique heritage and environment and is underpinned by a diverse and successful economy."

Guernsey Water collects surface water and treats it to provide high quality drinking water. Then Guernsey Water ensures the safe return of our wastewater to the environment. This helps to protect the environment and helps to ensure a healthy community.

2020 was another busy year for Guernsey Water in the community. We continued to support and promote the Refill Guernsey initiative, including supporting a wide range of island sports events by providing temporary standpipes to enable the public to refill their bottles with tap water. These refill points have been well received so we are planning to install two permanent refill stations in 2021.

Guernsey Water continues to maintain the Millennium Walk around St Saviours Reservoir for the island community. To enable more islanders to use the walk a more accessible section is being developed, which will help the States of Guernsey deliver their disability and inclusion strategy. The accessible walkway will also connect with a new outdoor learning space for schools and community groups to use, which will help the States of Guernsey deliver their Strategy for Nature.

States' Trading Supervisory Board

Guernsey Water

Chairman's Report - continued

Our team

In 2020, we introduced a Licence to Operate framework which was taken up by almost all eligible Public Sector Employee staff. This increased the proportion of people on Established Staff terms and conditions from 68% to 87%. The framework will link progression for our operational technicians to their development against a competency framework. The aim of this is to upskill our technicians, improve retention and attract further talent into vital operational roles.

Our annual people survey showed that 91% of respondents were proud to work for Guernsey Water, an increase from 72% in 2016.

We also asked people about the statement 'I would recommend Guernsey Water as a great place to work', 89% of the 44 respondents agreed or strongly agreed with it. This question is asked periodically to understand people satisfaction over time. Following significant improvement in people satisfaction during 2018, engagement scores continue to be maintained or improved.

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

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

Our business strategy and future

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

How Guernsey Water plans to meet these challenges is set out within its business plan: 'Running Water' which is our integrated water and wastewater plan to 2025. This plan is aligned with the States of Guernsey's Public Service reform. 'Running Water' is outcome-focused, these outcomes are;

- Proud performing people,
- Valued by customers,
- Drinking water of choice,
- Sustainable drainage,
- Protect our environment,

States' Trading Supervisory Board

Guernsey Water

Chairman's Report - continued

- Sufficient and resilient, and
- Firm financial foundations,

"Drinking water of choice" and "Sustainable drainage" were amended during 2020.

The current Business Plan has three key themes of Strategy, Service and Efficiency that will lead us towards a collective vision that Guernsey Water will continually strive for:

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

2020 has seen the start of a revised business planning process and the development of a new business plan which we aim to have in place by the end of 2021.

States' Trading Supervisory Board

Guernsey Water

Managing Director's Report

STSB presents its report and the audited financial statements for Guernsey Water for the year ended 31 December 2020. These comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 27.

Principal activities

Guernsey Water delivers to its customers:

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

Our customers

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

	2020	2019	Change %
Number of supplies:			
Paying by tax on real property	7,953	8,080	(1.57%)
Paying by measure	<u>18,393</u>	<u>18,130</u>	<u>1.45%</u>
Total	<u>26,346</u>	<u>26,210</u>	<u>0.52%</u>

States' Trading Supervisory Board

Guernsey Water

Managing Director's Report – continued

Financial performance

Guernsey Water has reported a deficit of £329k in 2020 (2019: £768k), this is primarily due to the additional costs incurred in relation to the cesspit emptying service.

Operating surplus for the year was £4,603k, an improvement of 0.85% from 2019. The additional revenue from the cesspit emptying service as a result of wet weather in 2020 and the fact that Guernsey went into lockdown resulting in additional pressure on the service, is offset by the additional cost incurred as the service is subsidised. In addition, a revenue adjustment of £197k (2019: £204k) was required on grants repaid in the year. Nevertheless, Guernsey Water was able to keep operating and management expenses to just 0.5% over budget.

This year Guernsey Water's resources were once again more focussed on the maintenance of its assets than the creation of new assets, as shown by the level of expenditure on capital projects in 2020. This split between revenue expenditure and capital expenditure was also impacted by the restrictions imposed as a result of Covid-19.

	Actual 2020 £'000	Budget 2020 £'000	Actual 2019 £'000
Revenue	16,370	16,271	16,003
Expenditure	11,767	11,711	11,439
Deficit for the financial year	(329)	(413)	(768)
Capital expenditure	4,363	4,857	4,130

During 2020 there were no significant changes that had a material impact on the financial position.

In relation to capital expenditure, the major works include work on HSS improvement works (Phase 4) (£672k), enabling works at St Saviours Water Treatment Works (£386k), work on the treated water storage at Forest Road (£201k) and the replacement of water mains (£435k).

States' Trading Supervisory Board

Guernsey Water

Managing Director's Report – continued

Operational performance

	2020	2019	Change %
Volume supplied in million litres (ML):			
Delivered to customers paying by measure	2,706	2,754	(1.74%)
Delivered to other customers	1,194	1,167	2.31%
Operational use, fire fighting and losses	601	774	(22.40%)
	<hr/> 4,501	<hr/> 4,695	(4.13%)
Service:			
Restrictions on supply	None	None	
Burst mains	28	37	(24.3%)
Discolouration - claims paid	3	4	(25.0%)
Unit costs (partially weather related):			
Water production (per ML)	£365	£368	(0.82%)
Water distribution (per supply)	£18	£16	12.5%
Full time equivalent employees	77	81	(4.94%)
Average number of employees	78	81	(3.70%)

The 2019 figure for the unit cost of water production has been adjusted to exclude the tactical support costs. Using the previous basis the cost would have been £437 per ML (2019: £414).

Contributions to the States of Guernsey

During 2020 Guernsey Water repaid grants received in relation to wastewater assets of £1,229k to the States of Guernsey Capital Reserve (2019: £1,309k).

Statement of responsibilities for the preparation of financial statements

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,

States' Trading Supervisory Board

Guernsey Water

Managing Director's Report – continued

- prepare the financial statements on the going concern basis, unless it is inappropriate to do so, and
- state whether applicable accounting standards have been followed.

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

Statement of financial controls

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

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

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

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

States' Trading Supervisory Board

Guernsey Water

Managing Director's Report – continued

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

Going concern

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

Auditors

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

States' Trading Supervisory Board

Guernsey Water

Corporate Governance

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

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

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

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

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

The GWB does not hold a fiduciary responsibility.

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

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

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

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

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

States' Trading Supervisory Board Guernsey Water

Corporate Governance - continued

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

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

States' Trading Supervisory Board Guernsey Water

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

Opinion

We have audited the financial statements of the States of Guernsey – States' Trading Supervisory Board ("STSB") – Guernsey Water for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("United Kingdom Generally Accepted Accounting Practice").

In our opinion, the financial statements:

- give a true and fair view of the state of Guernsey Water's affairs as at 31 December 2020 and of its deficit for the year then ended; and
- are in accordance with United Kingdom Generally Accepted Accounting Standards.

Basis for opinion

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

States' Trading Supervisory Board

Guernsey Water

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

Other information

The STSB is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the STSB for the financial statements

As explained more fully in the Statement of responsibilities for the preparation of financial statements in the Managing Director's Report, the STSB is responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the STSB determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

States' Trading Supervisory Board

Guernsey Water

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Guernsey Water's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Guernsey Water's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Guernsey Water to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

States' Trading Supervisory Board Guernsey Water

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

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

Use of our report

This report is made solely to the members of the STSB. Our audit work has been undertaken so that we might state to the members of STSB those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Guernsey Water and the members of STSB as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited

Chartered Accountants
St Peter Port
Guernsey

20 May 2021

States' Trading Supervisory Board

Guernsey Water

Statement of Comprehensive Income

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Revenue	2 & 4		
Water supplies		5,506	5,692
Wastewater supplies		9,349	9,128
Other income		1,515	1,183
		<u>16,370</u>	<u>16,003</u>
Expenses	2 & 5		
Operating expenses		(8,095)	(7,637)
Management expenses		(3,672)	(3,802)
		<u>(11,767)</u>	<u>(11,439)</u>
Operating surplus before depreciation and amortisation, impairment and (loss)/gain on disposal of fixed assets		4,603	4,564
Depreciation and amortisation	9 & 10	(4,696)	(4,792)
Impairment of assets	10	-	(532)
(Loss)/gain on disposal of fixed assets		(31)	9
		<u>(124)</u>	<u>(751)</u>
Operating deficit for the year		(124)	(751)
Investment return and net interest receivable	7	102	297
Interest payable	7	(307)	(314)
Deficit for the financial year		(329)	(768)

All material activities derive from continuing operations.

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

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

States' Trading Supervisory Board

Guernsey Water

Statement of Financial Position

as at 31 December 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Intangible fixed assets	9	112	186
Tangible fixed assets	10	145,119	147,468
Investment property	11	837	650
Assets under construction	12	4,910	3,043
		<u>150,978</u>	<u>151,347</u>
Current assets			
Inventories	13	1,708	1,648
Debtors and prepayments	14	2,021	2,116
Cash at bank and in hand		1,455	1,061
Balances with States Treasury		864	1,561
		<u>6,048</u>	<u>6,386</u>
Creditors: amounts falling due within one year	15	<u>(4,414)</u>	<u>(3,496)</u>
Net current assets		<u>1,634</u>	<u>2,890</u>
Creditors: amounts falling due after more than one year	16	<u>(15,383)</u>	<u>(16,679)</u>
Total net assets		<u>137,229</u>	<u>137,558</u>
Reserves	19	<u>137,229</u>	<u>137,558</u>

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

Deputy P. Roffey
President

20 May 2021

Signed on behalf of the States Trading Group

Mr S. Elliott
Managing Director

20 May 2021

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

States' Trading Supervisory Board Guernsey Water

Statement of Changes in Equity

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Balance at 1 January		137,558	138,326
Deficit for the financial year		<u>(329)</u>	<u>(768)</u>
Balance at 31 December	19	<u>137,229</u>	<u>137,558</u>

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

States' Trading Supervisory Board

Guernsey Water

Statement of Cash Flows

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Net cash flows from operating activities	20	<u>5,494</u>	<u>4,162</u>
Cash flows from investing activities			
Purchase of fixed assets	12	(4,177)	(4,130)
Proceeds from disposal of assets		<u>5</u>	<u>11</u>
Net cash flows used in investing activities		<u>(4,172)</u>	<u>(4,119)</u>
Cash flows from financing activities			
Grants repaid in year	18	(1,229)	(1,309)
Capital repaid	17	(191)	(183)
Interest paid		(307)	(314)
Investment return and interest received		<u>102</u>	<u>297</u>
Net cash flows from financing activities		<u>(1,625)</u>	<u>(1,509)</u>
Net decrease in cash and cash equivalents		(303)	(1,466)
Cash and cash equivalents at the beginning of the year		<u>2,622</u>	<u>4,088</u>
Cash and cash equivalents at the end of the year		<u><u>2,319</u></u>	<u><u>2,622</u></u>
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		1,455	1,061
Balances with States Treasury		<u>864</u>	<u>1,561</u>
Cash and cash equivalents		<u><u>2,319</u></u>	<u><u>2,622</u></u>

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements

1. General information

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

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

2. Principal accounting policies

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

Accounting convention

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

Functional and presentational currency

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

Going concern

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

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

2. Principal accounting policies - continued

Intangible assets

i) Long-term strategies

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

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

Tangible fixed assets

i) Investment properties

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

ii) Property, plant and equipment

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

iii) Assets under construction

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

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

2. Principal accounting policies - continued

Depreciation

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

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

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

2. Principal accounting policies - continued

Impairment of assets (excluding inventories)

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

Inventories

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

Basic financial instruments

i) Trade debtors

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

ii) Cash and cash equivalents

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

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

2. Principal accounting policies - continued

iii) Trade creditors

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

iv) Loans from the States of Guernsey

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

v) Derecognition of basic financial instruments

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

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

Revenue and expenses

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

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

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

2. Principal accounting policies - continued

Pension costs

Pension costs are treated as described in note 23.

Capital grants

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

Investment return and interest receivable/payable

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

Leases

i) As lessee

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

ii) As lessor

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

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

i) Valuation of investment property

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

ii) Depreciation rates

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

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

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

iii) Reassessment of the useful life of St Saviours Water Treatment Works assets

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

iv) Rolling capital and meters

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

v) Unbilled services

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

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

4. Revenue

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

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

	2020	2019
	£'000	£'000
Water Supplies		
Unmeasured	1,749	1,780
Measured	3,757	3,912
	<hr/> 5,506	<hr/> 5,692
Wastewater Supplies		
Unmeasured	3,074	3,095
Measured	6,275	6,033
	<hr/> 9,349	<hr/> 9,128
Other Income		
Cesspit emptying income	1,320	1,207
Net surplus/(deficit) on other trading activities (below)	156	(84)
Net grant released (note 18)	39	60
	<hr/> 1,515	<hr/> 1,183
	<hr/> 16,370	<hr/> 16,003

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

4. Revenue - continued

	2020	2019
	£'000	£'000
Net surplus/(deficit) on other trading activities		
Standard charges for service laying	168	(16)
Charges for work at ascertained cost	7	31
Property rental income	123	112
Notional rental income	7	-
Cost of items issued from stores	(40)	543
	<hr/>	<hr/>
	265	670
Expenditure	(109)	(754)
	<hr/>	<hr/>
	156	(84)

5. Expenses

	2020	2019
	£'000	£'000
Operating expenses		
Tactical support	322	224
Water production	1,644	1,722
Water distribution	464	422
Asset management	411	431
Pumping	1,293	1,318
Sewers	3,961	3,520
	<hr/>	<hr/>
	8,095	7,637
Management expenses		
Management and general	1,326	1,321
Water quality and risk management	517	540
Customer services	848	955
Finance and support services	981	986
	<hr/>	<hr/>
	3,672	3,802
	<hr/>	<hr/>
Total expenditure	11,767	11,439

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

States' Trading Supervisory Board Guernsey Water

Notes to the Financial Statements - continued

6. Staff numbers and costs

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

	2020	2019
Capital delivery	9	11
Operations	34	34
Customer services	22	22
Administration and support	4	6
Water quality risk management	8	8
	<u>77</u>	<u>81</u>

Their aggregate remuneration comprised:

	Note	2020	2019
		£'000	£'000
Wages and salaries		3,272	3,266
Social security costs		211	215
Pension costs	23	427	429
Remuneration costs transferred to capital assets		(326)	(421)
		<u>3,584</u>	<u>3,489</u>

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

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

States' Trading Supervisory Board Guernsey Water

Notes to the Financial Statements - continued

7. Interest

	2020	2019
	£'000	£'000
Interest receivable		
Investment return	101	295
Interest receivable and similar income	1	2
	<u>102</u>	<u>297</u>
 Interest payable		
Interest payable on loans	<u>(307)</u>	<u>(314)</u>
	<u>(307)</u>	<u>(314)</u>

8. Deficit for the financial year

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

	Note	2020	2019
		£'000	£'000
Auditor's remuneration		21	19
Net government grants released	18	(39)	(60)
Notional rental income		(7)	-
Amortisation of intangible fixed assets	9	74	77
Depreciation of tangible fixed assets	10	4,622	4,715
Impairment of tangible fixed assets	10	-	532
Loss/(gain) on disposal of fixed assets		31	(9)
		<u>4,702</u>	<u>5,274</u>

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

States' Trading Supervisory Board Guernsey Water

Notes to the Financial Statements - continued

9. Intangible fixed assets

	1 January 2020 £'000	Additions £'000	Disposals £'000	31 December 2020 £'000
Cost				
Long-term strategies	458	-	-	458
	<u>458</u>	<u>-</u>	<u>-</u>	<u>458</u>
	1 January 2020 £'000	Charge for the year £'000	Disposals £'000	31 December 2020 £'000
Amortisation				
Long-term strategies	272	74	-	346
	<u>272</u>	<u>74</u>	<u>-</u>	<u>346</u>
Net Book Value	<u>186</u>			<u>112</u>

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

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

10. Tangible fixed assets

	1 January 2020 £'000	Additions £'000	Disposals £'000	31 December 2020 £'000
Cost				
Land	3,141	-	(1)	3,140
Infrastructure	199,304	2,186	-	201,490
Buildings	17,546	116	(36)	17,626
Motor vehicles	780	-	(30)	750
Office equipment	1,010	7	-	1,017
	<u>221,781</u>	<u>2,309</u>	<u>(67)</u>	<u>224,023</u>
	1 January 2020 £'000	Charge for the year £'000	Disposals £'000	31 December 2020 £'000
Depreciation				
Land	268	30	-	298
Infrastructure	68,332	4,034	-	72,366
Buildings	4,333	448	(2)	4,779
Motor vehicles	515	55	(29)	541
Office equipment	865	55	-	920
	<u>74,313</u>	<u>4,622</u>	<u>(31)</u>	<u>78,904</u>
Net Book Value	<u>147,468</u>			<u>145,119</u>

Guernsey Water disposed of two quarries (Irene & Robin) in 2020, these quarries represented less than 1% of total resources by volume and therefore the Guernsey Water Board was of the opinion that the significant cost of maintenance did not justify their retention.

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

11. Investment properties

	1 January 2020 £'000	Additions/ Disposals £'000	Revaluations £'000	31 December 2020 £'000
Investment properties	650	187	-	837
	<u>650</u>	<u>187</u>	<u>-</u>	<u>837</u>

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

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

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

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

In 2020, Guernsey Water received £7k in notional rent for the property.

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

12. Assets under construction

	1 January £'000	Expense in the year £'000	Transfer to Tangible & Intangible Fixed Assets £'000	31 December £'000
2020 Total	3,043	4,363	(2,496)	4,910
2019 Total	4,991	4,130	(6,078)	3,043

Assets under construction completed in 2020 and transferred to fixed assets include work on the water mains replacement programme (£435k), enabling works for the replacement of the membranes at St Saviours Water Treatment Works (£404k) and work on the Bellegreve Penstock Chambers (£217k).

Assets under construction as at 31 December 2020 relate principally to HSS Phase 4 (£1,865k), work on sewer rehabilitation (£372k) and work on the treated water storage at Forest Road (£354k).

13. Inventories

	2020 £'000	2019 £'000
Water production	543	500
Water distribution	499	479
Wastewater	666	669
	1,708	1,648

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

14. Debtors and prepayments

	2020	2019
	£'000	£'000
Customers' billed accounts outstanding	488	578
Cesspit emptying income receivable	19	21
	507	599
Unbilled water supplies	399	383
Unbilled wastewater	678	646
Unbilled cesspit income	228	198
Electricity prepayment	-	102
Other debtors and prepayments	209	188
	2,021	2,116

15. Creditors: amounts falling due within one year

	Note	2020	2019
		£'000	£'000
Trade creditors		902	516
Accruals		1,718	1,460
Deferred income		358	100
		2,978	2,076
Loan from States of Guernsey	17	197	191
Capital grants	18	1,229	1,229
Deferred income (below)		10	-
		4,414	3,496

In 2020 Guernsey Water entered into a lease agreement for Shamrock Cottage with Guernsey Housing Association LBG (see note 11). As a result of this transaction £10k (2019: nil) of deferred income has been recognised as due within one year.

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

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

	Note	2020 £'000	2019 £'000
Loan from States of Guernsey	17	8,165	8,362
Capital grants	18	7,049	8,317
Deferred income		169	-
		<u>15,383</u>	<u>16,679</u>

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

17. Loan from States of Guernsey

	2020 £'000	2019 £'000
Balance at 1 January	8,553	8,736
Capital repaid	<u>(191)</u>	<u>(183)</u>
Balance at 31 December	<u>8,362</u>	<u>8,553</u>

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

	2020 £'000	2019 £'000
Within one year	197	191
Between one to two years	205	197
Between two to five years	661	638
More than five years	<u>7,299</u>	<u>7,527</u>
	<u>8,362</u>	<u>8,553</u>

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

18. Capital grants

	2020	2019
	£'000	£'000
Balance at 1 January	9,546	10,915
Grants repaid	<u>(1,229)</u>	<u>(1,309)</u>
	8,317	9,606
Released to revenue account during the year	(236)	(264)
Reversal of amounts released in relation to grants repaid	<u>197</u>	<u>204</u>
	<u>(39)</u>	<u>(60)</u>
Balance at 31 December	<u>8,278</u>	<u>9,546</u>

An amount of £236k was released to the Statement of Comprehensive Income in 2020 (2019: £264k). This represents an apportionment of the States of Guernsey grants received over the life of the assets to which the grants relate. This offsets the depreciation on those assets. The release of the grant is commenced on the date of recognition of the asset.

On 31 December 2020 Guernsey Water repaid £1,229k (2019 - £1,309k) in relation to grants previously received from the States of Guernsey resulting in an adjustment of £197k for the value of those grants released to the revenue account prior to the repayment.

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

States' Trading Supervisory Board Guernsey Water

Notes to the Financial Statements - continued

19. Reserves

	Property Development Fund £'000	Funding from the States of Guernsey – Merger Reserve £'000	Revenue Account £'000	Total £'000
Balance at 1 January	618	75,178	61,762	137,558
Deficit for the financial year	-	-	(329)	(329)
Transfer of non-water surplus	185	-	(185)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December	803	75,178	61,248	137,229

The property development fund was set up to fund Guernsey Water's centralisation development. Transfers to the fund comprise reserves generated from property related surpluses and other non-water/non-wastewater related surpluses.

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

All reserves are distributable.

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

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

	2020	2019
	£'000	£'000
Operating deficit for the year	(124)	(751)
Notional rental income received	(7)	-
Depreciation and amortisation charges	4,696	4,792
Impairment of assets	-	532
Loss/(gain) on sale of tangible assets	31	(9)
Government grants released	(39)	(60)
Increase in inventories	(60)	(131)
Decrease in debtors	95	18
Increase/(decrease) in creditors due within one year	902	(229)
Net cash flows from operating activities	5,494	4,162

21. Financial commitments and contingent liabilities

	2020	2019
	£'000	£'000
Commitments for fixed asset acquisitions at 31 December for which no provision has been made in these financial statements	850	250

The financial commitments are in relation to projects where elements have been awarded to suppliers but the work has not yet been undertaken. The most significant of these relate to the scheduling system for the Future of Wastewater Services Project (£243k) and the implementation of the St Saviours Water Treatment Works Strategy (£281k).

Guernsey Water has no contingent liabilities as at 31 December 2020 (2019: £nil).

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

22. Financial instruments

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

	Note	2020 £'000	2019 £'000
Financial assets at amortised cost			
Cash and cash equivalents		2,317	2,622
Debtors	14	507	599
Financial liabilities at amortised cost			
Creditors: amounts falling due within one year	15	(1,099)	(707)
Creditors: amounts falling due after more than one year	16	(8,165)	(8,362)

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

23. Employee benefits

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

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

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

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £427k (2019: £429k).

Further details relating to the funding of the Superannuation Scheme are included within the States of Guernsey Accounts 2020.

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

States' Trading Supervisory Board Guernsey Water

Notes to the Financial Statements - continued

24. Statement of control

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

25. Related party transactions

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

The total compensation of key management personnel in 2020 (including salaries and other benefits) was £456k (2019: £461k).

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

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

	2020	2019
	£'000	£'000
Garenne Group		
Expenses	66	116
Assets under construction	1,171	520
	1,237	636
Trade Creditors	2	6

Of which £796k (2019: £418k) was the result of open public tenders and £248k (2019: £82k) of the remainder coming from a pre-existing framework agreement and the balance of £193k (2019: £136k) being ad hoc work.

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

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

26. Subsequent events

Covid-19

On 23 January 2021 Guernsey entered into a second full lockdown due to the Covid-19 pandemic. This lasted until Monday 22 March 2021 when the island entered stage 3 of lockdown with a return to a normal level of activity within the Bailiwick, with social, recreation and business activity able to take place.

Guernsey Water has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2020 have not been adjusted to reflect their impact.

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

27. Off balance-sheet arrangements

There are no commitments or contingent liabilities other than detailed in note 21 relating to 2020 which would affect these financial statements (2019: None).

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

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD

GUERNSEY DAIRY ACCOUNTS 2020

The States are asked to decide:-

1. Whether they are of the opinion to agree with the States' Trading Supervisory Board's approval of the Guernsey Dairy Accounts for the year ending 31 December 2020.

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

States of Guernsey
States' Trading Supervisory Board
Guernsey Dairy

Report and Financial Statements

For the year ended 31 December 2020

States' Trading Supervisory Board Guernsey Dairy

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

States' Trading Supervisory Board Members

Deputy P. Roffey	President	elected 21 October 2020
Deputy C. Parkinson		elected 21 October 2020
Deputy N. Moakes		elected 21 October 2020
Mr S. Falla MBE		
Mr J. Hollis		
Deputy P. Ferbrache	President	term ended 15 October 2020
Deputy J. Smithies		term ended 15 October 2020
Deputy J. Kuttelwascher		deceased 23 January 2020
Deputy P. Roffey	elected 26 February 2020	term ended 15 October 2020

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

Principal Officers to the States' Trading Supervisory Board

- Mr S. Elliott, Managing Director, States Trading Group
- Mr S. Gardiner, Finance Business Partner, States Trading Group
- Mr A. Ford, Head of Shareholder Executive, States Trading Group
- Mr R. Evans, Deputy Managing Director, States Trading Group resigned 1 November 2020

Dairy Management Board Members

Mr S. Falla MBE	Chairman	
Deputy P. Roffey		appointed 21 October 2020
Mr D. Cowley	GFA representative	appointed 1 January 2021
Mr A. Tabel	non-voting adviser	
Mrs C. Edwards	non-voting adviser	
Mr S. Langlois	non-voting adviser	
Mrs S. Macknight	non-voting adviser	
Deputy J. Kuttelwascher		deceased 23 January 2020
Mr R. Evans	non-voting STSB representative	resigned 1 November 2020
Mr R. Nash	non-voting adviser	retired 30 June 2020
Mr R. Waters	GFA representative	term ended 31 December 2020

States' Trading Supervisory Board Guernsey Dairy

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

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

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

Principal Officers to Guernsey Dairy Management Board

Mr A. Tabel, Managing Director, Guernsey Dairy

Mrs C. Edwards, Senior Finance Manager, Guernsey Dairy

Mr R. Evans, Deputy Managing Director, States Trading Group resigned 1 November 2020

Mr R. Nash, Director of Environment Services retired 30 June 2020

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

Legal Advisers

Law Officers of the Crown

St James Chambers

St James Street

St Peter Port

GY1 2PA

Independent Auditor

Grant Thornton Limited

PO Box 313

Lefebvre House

Lefebvre Street

St Peter Port

GY1 3TF

States' Trading Supervisory Board

Guernsey Dairy

Chairman's Report

Overview

2020 has been a challenging year for the Dairy as it faced the disruption posed by the Covid-19 pandemic, the continued reduction of milk demand as well as ongoing difficulties arising from ageing plant and equipment.

The Covid-19 lockdown necessitated some changes to ways of working to meet public health guidelines, which affected the ability to produce some products. Despite this there was no disruption to the supply of fresh liquid milk to the island throughout this period.

Milk volumes in 2020 continued to decline although there were some encouraging signs of a reduction in the rate of decline seen towards the end of the year. This may be related to the increased number of people on the island as a result of the lack of overseas travel due to restrictions in place during the pandemic.

In 2020 the States of Deliberation approved funding for the design stage of the Future Guernsey Dairy Project. The aim is to present the Outline Business Case to the States for approval to proceed to the next stage by June 2022.

In the interim, the Dairy continued its essential capital programme which contributed to the Office of Environmental Health and Pollution Regulation (OEHPR) reinstating its three-star rating in November 2020.

Business performance

Supplying milk to the island's population is Guernsey Dairy's primary responsibility and purpose. Liquid milk sales account for 76.4% of product turnover. Milk volumes sold in 2020 continued to decline and this appears to be a wider trend related partially to changing consumer preferences. Butter, cheese, cream and ice-cream are all produced from the cream and milk left over from the processing of milk. Butter represents the most important by product and is the best commercial use of this cream. This situation continued throughout 2020 however there was an overall 0.6% reduction in butter revenues.

The price that Guernsey Dairy pays to farms for milk was held level in 2020, other than where a 2% increase in producer price was applied for those that achieved RSPCA accreditation in the year.

Guernsey Dairy continues to manage its cost base and in 2020 continued to work on a programme of efficiencies to identify and realise cost reduction opportunities.

States' Trading Supervisory Board

Guernsey Dairy

Chairman's Report – continued

A key area of work throughout 2020 has been on maintaining the ageing plant and equipment at Guernsey Dairy. To produce a range of milks and milk products, the Dairy operates an extensive amount of highly specialised complex plant and equipment. A high proportion of this is approaching or exceeds the end of its useful service life. As a result, there has been considerable reactive maintenance and some essential capital spend in 2020 to ensure continuity of production.

The "Future Guernsey Dairy Project" design stage is now underway. In the interim, a prioritised capital plan is in place to replace essential ageing equipment with new equipment that could be used either in the existing Dairy or in a new facility, to be financed via a short-term overdraft facility agreed by the Policy & Resources Committee.

Our community

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

Guernsey Dairy works closely with the Guernsey Farmers' Association ("GFA") to maintain and improve the quality of raw milk. We have elected to adopt the highest standard of animal welfare with the RSPCA Farm Assured Scheme. Twelve of the thirteen farms had achieved accreditation by the end of April 2021.

A contribution to the local economy is made by purchasing fresh Guernsey milk, each litre purchased helps to preserve the Guernsey countryside, its traditional farming heritage and protect the iconic Guernsey cattle breed.

Our team

Guernsey Dairy has a committed team of production and support staff. This year has been particularly challenging due to the Covid-19 impacts as well as the ongoing challenges of old plant and equipment maintenance.

Despite these challenges the team ensured the continuity of supply of fresh liquid milk.

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

States' Trading Supervisory Board

Guernsey Dairy

Chairman's Report – continued

Our business strategy and future

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

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

States' Trading Supervisory Board

Guernsey Dairy

Managing Director's Report

STSB presents its report and the audited financial statements for Guernsey Dairy for the year ended 31 December 2020. These comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 24.

Principal activities

Guernsey Dairy operates to:

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

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

Our customers

Guernsey Dairy's immediate customers are Trade Account holders who purchase milk and other dairy products from Guernsey Dairy and deliver them to shops, the catering food sector or to doorsteps. Guernsey Dairy acts as a wholesaler, it does not set the retail price of milk, which allows retail outlets to adjust the prices they charge to their customers to meet market demand.

States' Trading Supervisory Board

Guernsey Dairy

Managing Director's Report – continued

Financial performance

	Actual 2020 £'000	Budget 2020 £'000	Actual 2019 £'000
Revenue	8,561	8,991	8,628
(Deficit)/surplus for the financial year	(194)	15	(388)
Capital expenditure	560	852	1,141

Guernsey Dairy made a deficit in 2020 of £194k, which was a £194k improvement on 2019's deficit of £388k. Excluding one-off costs and benefits the deficit was £262k (2019: £218k deficit).

Guernsey Dairy's fixed asset base of £3,303k has been reviewed for impairment. No impairment loss was reflected following a review of the fixed assets register (2019: £1k impairment loss).

Reserves have decreased by £194k from £3,817k to £3,623k, due to the in-year deficit.

Operational performance

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

Overall revenues were £67k (0.8%) lower than 2019.

- Liquid milk revenues were 0.7% below the previous year. The gate price for liquid milk increased by 2.25p (2.0%) in January 2020. Milk sales by volume decreased by 3.1% compared to 2019.
- Butter sales were below 2019 with a 0.6% decrease in sales revenues. Butter exports to the UK showed strong growth on the previous year with a 23.1% increase however exports to The Netherlands were 17.4% below 2019.
- Butter prices were benchmarked against other like-for-like products and gate prices were amended during the year to reflect market conditions, demand and availability.
- Cheese and Ice cream sales were both impacted by Covid-19. In the case of ice cream, the Dairy was unable to make enough to satisfy normal demand during the first lockdown and as a result sales were 17.8% below 2019. Cheese sales saw an increase in demand due to a switch from supermarket to online grocery buying and sales were up by 36.8% compared to 2019. The Dairy was able to meet demand from cheese made before the Covid-19 pandemic.

States' Trading Supervisory Board

Guernsey Dairy

Managing Director's Report – continued

Cost of sales was £93k (1.4% lower than 2019).

- The total cost of raw milk purchases reduced by 2.5% in 2020.
- The price paid to farmers increased by 1.24p per litre (2.0%) for those farms which achieved RSPCA accreditation.
- The volume of milk intake at Guernsey Dairy decreased by 3.4% (278,302 litres) on the same period in 2019. Guernsey Dairy and farmers are working together to ensure the ideal production of liquid milk for the islands' needs with as little over or under production as possible.
- Packaging expenses saw a £79k (15.5%) year on year increase partially due to price increases.

Administration expenses:

Total Administration expenses were £195k lower than 2019. Some key contributors to this were:

- the previous year's costs relating to the ongoing dairy improvement project (£69k) were charged to the centrally funded capital project, resulting in a credit in 2020; and
- repairs and maintenance were £134k lower than the previous year due to essential planned maintenance during the lockdown period being lower due to travel restrictions.

Contributions to the States of Guernsey

The Guernsey Dairy made no financial contributions to the States of Guernsey in 2020. (2019: £1,000k land transaction).

Statement of responsibilities for the preparation of financial statements

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

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

States' Trading Supervisory Board

Guernsey Dairy

Managing Director's Report – continued

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

Statement of financial controls

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

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

- Annually reported and approved budgets monitored against monthly management accounts with additional operational detail reported in monthly management reports, which monitor actual income and expenditure against that anticipated. All such detail is regularly reviewed at meetings of the STSB and DMB, to ensure that all board members are informed of Guernsey Dairy financial affairs,
- Customer invoices are subjected to a range of pre-determined computerised integrity checks prior to dispatch in order to ensure accuracy,
- Regular review of debtors to ensure that any delinquent debtors are identified at an early stage and dealt with appropriately,
- The control of materials and stores purchases are managed using 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, which maintains detailed audit trails,
- Staff resource expenditure is monitored and controlled at source via time sheets, which are authorised and reconciled with the wage bill,
- Capital expenditure authorisation is subject to approval and review against budget by the Capital Investment Group, which is constituted from the principal officers of the Guernsey Dairy,
- Regular review of milk and milk product prices, and
- Consideration of all audit reports by the STSB.

The STSB strives to ensure that all staff with financial responsibility in Guernsey Dairy have the appropriate integrity, skills and motivation to professionally discharge their duties. Guernsey Dairy's internal controls and accounting policies have been and are subject to

States' Trading Supervisory Board

Guernsey Dairy

Managing Director's Report – continued

continuous review and improvement. In addition, the financial statements are subject to an independent external audit by an auditor appointed by the States of Guernsey.

Going concern

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

Auditors

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

States' Trading Supervisory Board

Guernsey Dairy

Corporate Governance

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

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

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

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

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

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

The DMB does not hold a fiduciary responsibility.

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

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

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

States' Trading Supervisory Board

Guernsey Dairy

Corporate Governance - continued

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

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

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

States' Trading Supervisory Board

Guernsey Dairy

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

Opinion

We have audited the financial statements of the States of Guernsey – States' Trading Supervisory Board ("STSB") – Guernsey Dairy for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("United Kingdom Generally Accepted Accounting Practice").

In our opinion, the financial statements:

- give a true and fair view of the state of Guernsey Dairy's affairs as at 31 December 2020 and of its deficit for the year then ended; and
- are in accordance with United Kingdom Generally Accepted Accounting Standards.

Basis for opinion

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

States' Trading Supervisory Board

Guernsey Dairy

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

Other information

The STSB is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the STSB for the financial statements

As explained more fully in the Statement of responsibilities for the preparation of financial statements in the Managing Director's Report, the STSB is responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the STSB determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

States' Trading Supervisory Board

Guernsey Dairy

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Guernsey Dairy's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Guernsey Dairy's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Guernsey Dairy to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

States' Trading Supervisory Board Guernsey Dairy

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

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

Use of our report

This report is made solely to the members of the STSB. Our audit work has been undertaken so that we might state to the members of STSB those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Guernsey Dairy and the members of STSB as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited

Chartered Accountants
St Peter Port
Guernsey

20 May 2021

States' Trading Supervisory Board

Guernsey Dairy

Statement of Comprehensive Income

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Revenue	2 & 4		
Liquid milk		6,528	6,575
Dairy products		2,017	2,039
Sundry income		16	14
		<u>8,561</u>	<u>8,628</u>
Expenses	2 & 5		
Production costs		(6,418)	(6,511)
Administration expenses		(2,044)	(2,239)
		<u>(8,462)</u>	<u>(8,750)</u>
Operating surplus/(deficit) before depreciation and loss on impairment of fixed assets		99	(122)
Depreciation	9	(263)	(302)
Loss on impairment and sale of fixed assets		-	(1)
Operating deficit for the year		<u>(164)</u>	<u>(425)</u>
Investment (loss)/return and net interest receivable	7	(4)	64
Interest payable	7	(26)	(27)
Deficit for the financial year		<u>(194)</u>	<u>(388)</u>

All material activities derive from continuing operations.

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

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

States' Trading Supervisory Board

Guernsey Dairy

Statement of Financial Position

as at 31 December 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Tangible fixed assets	9	3,303	2,899
Assets under construction	10	10	116
		3,313	3,015
Current assets			
Inventories	11	610	778
Debtors and prepayments	12	893	1,027
Cash at bank and in hand		106	222
Balances with States Treasury		530	493
		2,139	2,520
Creditors: amounts falling due within one year	13	(1,128)	(1,000)
Net current assets		1,011	1,520
Creditors: amounts falling due after more than one year	14	(701)	(718)
Total net assets		3,623	3,817
Reserves	16	3,623	3,817

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

Deputy P. Roffey 20 May 2021
President

Signed on behalf of the States Trading Group

Mr S. Elliott 20 May 2021
Managing Director

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

States' Trading Supervisory Board

Guernsey Dairy

Statement of Changes in Equity

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Balance at 1 January		3,817	4,205
Deficit for the financial year		<u>(194)</u>	<u>(388)</u>
Balance at 31 December	16	<u>3,623</u>	<u>3,817</u>

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

States' Trading Supervisory Board

Guernsey Dairy

Statement of Cash Flows

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Net cash flows from operating activities	17	<u>528</u>	<u>(474)</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	4
Purchase of fixed assets	10	<u>(560)</u>	<u>(1,141)</u>
Net cash flows used in investing activities		<u>(560)</u>	<u>(1,137)</u>
Cash flows from financing activities			
Loans taken out in year		-	750
Capital repaid		(17)	(16)
Interest paid		(26)	(27)
Investment (loss)/return and interest received	7	<u>(4)</u>	<u>64</u>
Net cash flows from financing activities		<u>(47)</u>	<u>771</u>
Net decrease in cash and cash equivalents		(79)	(840)
Cash and cash equivalents at the beginning of the year		<u>715</u>	<u>1,555</u>
Cash and cash equivalents at the end of the year		<u>636</u>	<u>715</u>
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		106	222
Balances with States Treasury		<u>530</u>	<u>493</u>
Cash and cash equivalents		<u>636</u>	<u>715</u>

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

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements

1. General information

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

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

2. Principal accounting policies

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

Accounting convention

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

Functional and presentational currency

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

Going concern

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

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

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Tangible fixed assets

i) Property, plant and equipment

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

Depreciation

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

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

Impairment of assets (excluding inventories)

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

Inventories

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

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

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Basic financial instruments

i) Trade debtors

Trade debtors are recognised initially at original invoiced amount. Subsequent to initial recognition they are measured at amortised cost, less any impairment losses. Trade debtors are stated less a general provision for all amounts exceeding 90 days.

ii) Cash and cash equivalents

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

iii) Trade creditors

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

iv) Loans from the States of Guernsey

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

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

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

v) Derecognition of basic financial instruments

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

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

Revenue and expenses

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

Pension costs

Pension costs are treated as described in note 20.

Investment return and interest receivable/payable

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

Leases

i) As lessee

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

ii) As lessor

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

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

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

i) Depreciation rates

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

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

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

4. Revenue

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

	2020	2019
	£'000	£'000
Bailiwick of Guernsey	8,025	8,158
UK	451	366
The Netherlands	85	104
	<u>8,561</u>	<u>8,628</u>

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

	2020	2019
	£'000	£'000
Milk	6,515	6,553
Organic milk	13	22
Butter	1,442	1,450
Cheese	132	97
Cream	290	306
Ice-cream	153	186
Other income	16	14
	<u>8,561</u>	<u>8,628</u>

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

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

5. Expenses

	2020	2019
	£'000	£'000
Cost of sales		
Production wages	899	924
Milk	4,665	4,799
Milk - working loss	143	131
Dairy product ingredients	43	60
Packaging materials	588	509
Freight	80	88
	<u>6,418</u>	<u>6,511</u>
Administration expenses		
Advertising and promotion	31	33
Cleaning materials	62	72
Fuel, light, power, water, rates	273	305
General administration costs	32	50
Laboratory materials and equipment	211	128
Motor vehicles	24	43
Professional fees	378	422
Provision for bad debts	8	-
Repairs, maintenance and insurance	310	444
Salaries	677	671
Other expenses	38	71
	<u>2,044</u>	<u>2,239</u>

During 2016 Guernsey Dairy incurred an exceptional expense in relation to ex-gratia payments made to the milk distributors. The States of Guernsey resolved, at their meeting on 8 March 2016, that Guernsey Dairy would make ex-gratia payments not exceeding £750k in total. £40k remains unpaid at 31 December 2020 (2019: £40k).

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

States' Trading Supervisory Board Guernsey Dairy

Notes to the Financial Statements – continued

6. Staff numbers and costs

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

	2020	2019
Production staff	29	29
Administration staff	7	7
	36	36

Their aggregate remuneration comprised:

	Note	2020	2019
		£'000	£'000
Wages and salaries		1,342	1,358
Social security costs		86	85
Pension costs	20	148	152
		1,576	1,595

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

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

States' Trading Supervisory Board Guernsey Dairy

Notes to the Financial Statements – continued

7. Interest

	2020	2019
	£'000	£'000
Interest receivable		
Investment (loss)/return	(4)	63
Interest receivable and similar income	-	1
	<u>(4)</u>	<u>64</u>
 Interest payable		
Interest payable on loans	<u>(26)</u>	<u>(27)</u>
	<u>(26)</u>	<u>(27)</u>

8. Deficit for the financial year

Deficit for the financial year is stated after charging:

	Note	2020	2019
		£'000	£'000
Auditor's remuneration		14	10
Depreciation of tangible fixed assets	9	263	302
Loss or gain on impairment or sale of tangible assets		-	1
		<u>277</u>	<u>313</u>

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

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

9. Tangible fixed assets

	1 January 2020 £'000	Additions £'000	Write offs/ Disposals £'000	31 December 2020 £'000
Cost				
Land	1,000	-	-	1,000
Buildings	1,577	24	-	1,601
Plant & equipment	3,646	622	(7)	4,261
Motor vehicles	264	20	-	284
Information technology	31	-	-	31
	<u>6,518</u>	<u>666</u>	<u>(7)</u>	<u>7,177</u>
	1 January 2020 £'000	Charge for the year £'000	Disposals £'000	31 December 2020 £'000
Depreciation				
Buildings	957	40	-	997
Plant & equipment	2,376	220	(8)	2,588
Motor vehicles	256	2	-	258
Information technology	30	1	-	31
	<u>3,619</u>	<u>263</u>	<u>(8)</u>	<u>3,874</u>
Net Book Value	<u><u>2,899</u></u>			<u><u>3,303</u></u>

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

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

10. Assets Under Construction

	1 January £'000	Expense in the year £'000	Transfer to Tangible Fixed Assets £'000	31 December £'000
2020 Total	116	560	(666)	10
2019 Total	17	1,141	(1,042)	116

Assets under construction completed in 2020 and transferred to fixed assets includes a new Butter Packer (£370k), Fat Analyser Machine (£128k) and Ice Bank (£83k).

Assets under construction as at 31 December 2020 relates to Cream Platform Floor (£10k).

11. Inventories

	2020 £'000	2019 £'000
Milk and dairy products	204	297
Packaging materials	306	381
Other inventories	100	100
	610	778

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

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

12. Debtors and prepayments

	2020	2019
	£'000	£'000
Trade debtors	758	811
Accrued income	117	207
Other debtors and prepayments	18	9
	893	1,027

13. Creditors: amounts falling due within one year

	Note	2020	2019
		£'000	£'000
Trade creditors		545	558
Accruals & Deferred Income		566	426
Loan from States of Guernsey	15	17	16
		1,128	1,000

Included as part of Accruals is £40k of unpaid Ex-gratia payments (2019: £40k). See Note 5.

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

	Note	2020	2019
		£'000	£'000
Loan from States of Guernsey	15	701	718
		701	718

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

States' Trading Supervisory Board Guernsey Dairy

Notes to the Financial Statements – continued

15. Loan from States of Guernsey

	2020 £'000	2019 £'000
Balance at 1 January	734	-
Loan drawdown on 1 January	-	750
Capital repaid	<u>(16)</u>	<u>(16)</u>
Balance at 31 December	<u>718</u>	<u>734</u>

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

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

	2020 £'000	2019 £'000
Within one year	17	16
Between one to two years	18	17
Between two to five years	57	55
More than five years	<u>626</u>	<u>646</u>
	<u>718</u>	<u>734</u>

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

States' Trading Supervisory Board Guernsey Dairy

Notes to the Financial Statements – continued

16. Reserves

	2020	2019
	£'000	£'000
Balance at 1 January	3,817	4,205
Deficit for the financial year	<u>(194)</u>	<u>(388)</u>
Balance at 31 December	<u>3,623</u>	<u>3,817</u>

All reserves are distributable.

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

	2020	2019
	£'000	£'000
Operating deficit for the year	(164)	(425)
Depreciation charges	263	302
Loss on impairment or sale of tangible assets	-	1
Decrease/(increase) in inventories	168	(71)
Decrease/(increase) in debtors	134	(252)
Increase/(decrease) in creditors due within one year	<u>127</u>	<u>(29)</u>
Net cash flows from operating activities	<u>528</u>	<u>(474)</u>

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

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

18. Financial commitments and contingent liabilities

Commitments to make payments in respect of operating leases are as follows:

	2020	2019
	£'000	£'000
Within one year	-	57
Between one to five years	-	43
	<u>-</u>	<u>100</u>

Guernsey Dairy has no contingent liabilities as at 31 December 2020 (2019: £Nil).

19. Financial instruments

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

	Note	2020	2019
		£'000	£'000
Financial assets at amortised cost			
Cash and cash equivalents		636	715
Debtors	12	758	811
Financial liabilities at amortised cost			
Creditors: amounts falling due within one year	13	(562)	(574)
Creditors: amounts falling due within more than one year	14	(701)	(718)

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

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

20. Employee benefits

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

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

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

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £148k (2019: £152k).

Further details relating to the funding of the Superannuation Scheme are included within the States of Guernsey Accounts 2020.

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

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

21. Statement of control

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

22. Related party transactions

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

The total compensation of key management personnel in 2020 (including salaries and other benefits) was £287k (2019: £281k).

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

STSB member Mr S. Falla 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 MBE, as under normal rules, would excuse himself from any STSB or other meetings and has not participated in any discussions or voting regarding awarding any contracts leading to these transactions.

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

States' Trading Supervisory Board

Guernsey Dairy

Notes to the Financial Statements – continued

23. Subsequent events

Covid-19

On 23 January 2021 Guernsey entered into a second full lockdown due to the Covid-19 pandemic. This lasted until Monday 22 March 2021 when the island entered stage 3 of lockdown with a return to a normal level of activity within the Bailiwick, with social, recreation and business activity able to take place.

Guernsey Dairy's operation continued during this period however its ability to produce the full range of products was impacted by resource constraints due to cell working which was implemented in line with public health advice and in order to preserve liquid milk supplies to the island and minimise any risk to staff and customers. As a result, production processes were rationalised with the main focus on providing the Island with fresh liquid milk. In addition to this sales demand for certain products temporarily fell due to the reduction in supply to the catering trade with the temporary closure of cafes and other foodservice outlets.

Guernsey Dairy has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2020 have not been adjusted to reflect their impact.

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

24. Off balance-sheet arrangements

There are no commitments or contingent liabilities other than detailed in note 18 relating to 2020 which would affect these financial statements (2019: None).

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

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD

STATES WORKS ACCOUNTS 2020

The States are asked to decide:-

1. Whether they are of the opinion to agree with the States' Trading Supervisory Board's approval of the States Works Accounts for the year ending 31 December 2020.

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

States of Guernsey
States' Trading Supervisory Board
States Works

Report and Financial Statements

For the year ended 31 December 2020

States' Trading Supervisory Board States Works

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States' Trading Supervisory Board

States Works

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

States' Trading Supervisory Board Members

Deputy P. Roffey	President	elected 21 October 2020
Deputy C. Parkinson		elected 21 October 2020
Deputy N. Moakes		elected 21 October 2020
Mr S. Falla MBE		
Mr J. Hollis		
Deputy P. Ferbrache	President	term ended 15 October 2020
Deputy J. Smithies		term ended 15 October 2020
Deputy J. Kuttelwascher		deceased 23 January 2020
Deputy P. Roffey	elected 26 February 2020	term ended 15 October 2020

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

Principal Officers to the States' Trading Supervisory Board

- Mr S. Elliott, Managing Director, States Trading Group
- Mr S. Gardiner, Finance Business Partner, States Trading Group
- Mr A. Ford, Head of Shareholder Executive, States Trading Group
- Mr R. Evans, Deputy Managing Director, States Trading Group resigned 1 November 2020

States Works Board Members

Mr J. Hollis	Chairman	
Deputy P. Roffey	appointed 5 March 2020	term ended 15 October 2020
Deputy N. Moakes		appointed 29 October 2020
Mr M. Polli	non-voting adviser	
Mr P. Lickley	non-voting adviser	
Mr I. Merrien	non-voting adviser	
Deputy J. Kuttelwascher		deceased 23 January 2020
Mr M. Darby	non-voting adviser	retired 2 December 2020
Mr M. Hardwick	non-voting adviser	resigned 26 March 2021

States' Trading Supervisory Board

States Works

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

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

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

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

Principal Officers to the States Works Board

Mr P. Lickley, Managing Director, States Works

Mr M. Torode, Senior Manager, Operations, States Works

Mr I. Merrien, Senior Finance Manager, States Works

Miss C. Prout, Senior Manager, Business and Support Services, States Works

Mr M. Hardwick, Senior Manager, Technical, States Works resigned 26 March 2021

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

Legal Advisers

Law Officers of the Crown

St James Chambers

St James Street

St Peter Port

GY1 2PA

Independent Auditor

Grant Thornton Limited

PO Box 313

Lefebvre House

Lefebvre Street

St Peter Port

GY1 3TF

States' Trading Supervisory Board

States Works

Chairman's Report

Overview

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

States Works was affected by Covid-19 lockdown, but with well documented and tested business continuity plans in place to deal with such circumstances, States Works was well placed to respond to this challenge. Business activities were limited to those required to maintain continuity of essential services during lockdown, and all non-essential operational activity was put on hold until restrictions were eased. This impacted the business' 2020 financial results which fell short of the budgeted surplus, and several areas had to meet subsequent budgetary constraints imposed by our clients. Despite this a £500k cash contribution was still provided to the States of Guernsey as part of the Medium Term Financial Plan.

Business performance

2020 revenues reduced whilst restrictions on working were in place, but thereafter the situation largely recovered towards pre-lockdown levels.

Contracts with Guernsey Waste are operated on a cost plus basis and these in particular saw savings being passed back to the client. This resulted in income from this section being £1.1m adverse to budget, a situation that was partly offset by the stay at home requirement, home working and wet weather which resulted in the Sewage Service collecting an additional c.10,000 loads during 2020.

Our community

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

This benefit is partly achieved through the diverse range of services provided, the majority of which touch on the lives of the whole community in some way. These services not only ensure the maintenance, safety and security of the island's natural and built environment, but also help to promote and support the island's natural beauty for islanders and visitors.

The business supports a number of work rehabilitation and return to work initiatives aimed at helping individuals back into the work place following a period of absence, or to overcome barriers to employment.

States' Trading Supervisory Board

States Works

Chairman's Report - continued

Our team

The way our team responded to this unprecedented situation of dealing with barriers in day-to-day operations due to Covid-19 restrictions demonstrated the resilience of the business and the importance to the island of maintaining a dedicated resource capable of responding to significant emergency situations.

The team at States Works delivers a number of essential services, which is why a significant portion of the business continued to work during the initial lockdown.

Our staff who worked during these very difficult and often challenging circumstances must be commended, and I would like to thank them all for their dedication, hard work and commitment to providing an excellent service.

We also recognise the importance of investing in our people and have established a proactive training and development framework to support our staff and the next generation of skilled operatives. This is helping to address the growing skills shortage on island.

Our business strategy and future

An independent benchmarking and efficiency review of our activities undertaken in 2019 highlighted a number of opportunities to improve services, increase efficiency, and deliver greater value for money. These are enshrined within States Works' new business plan, published in 2020. The plan sets the scene for a period of significant change and transformation and will lead to the establishment of an optimum operating model for the business, based around six outcomes:

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

States' Trading Supervisory Board

States Works

Managing Director's Report

STSB presents its report and the audited financial statements for States Works for the year ended 31 December 2020. These comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 22.

Principal activities

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

Our customers

States Trading Group businesses account for 57% of States Works revenue, with other States of Guernsey committees representing a further 30%. The remaining 13% of revenue is undertaken for private clients including local Parish Douzaines.

Financial performance

	Actual	Budget	Actual
	2020	2020	2019
	£'000	£'000	£'000
Revenue	16,153	17,584	17,092
Surplus for the financial year	682	878	1,178
Capital expenditure	2,321	2,918	1,205

States' Trading Supervisory Board

States Works

Managing Director's report - continued

Operational performance

	2020	2019
Staffing Statistics		
Number of staff members at year end	224	224
Income generated per employee	£72,112	£76,302
Full time equivalent employees	241	239
Emergency call-out		
Number of calls	267	237
Man hours worked	508	459

States Works made a surplus of £682k in 2020 compared to a budgeted surplus of £878k:

- Revenue for 2020 was £16,153k, £1,431k below budget. Covid-19 impacted revenues due to restrictions on working that required the provision of all non-essential works to be paused during lockdown. This mainly affected areas such as Highways and Land Management Services. The amount charged for operation of the waste sites was also lower than budgeted, this was due to lower volumes and associated maintenance costs.
- Expenses for 2020 were £14,178k, which reflects the reduction in operations during lockdown, resulting in expenditure being £874k below budget.
- Capital purchases of vehicles and plant were delayed which resulted in depreciation being £167k lower than budget.
- The total investment return for the year was £212k favourable to budget.

Contributions to the States of Guernsey

States Works made a £500k financial contribution to the States of Guernsey in 2020 (2019: £1,750k) and assisted clients in achieving their own target reductions in a way that minimised noticeable impacts on services.

Statement of responsibilities for the preparation of financial statements

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,

States' Trading Supervisory Board

States Works

Managing Director's report - continued

- prepare the financial statements on a going concern basis, unless it is inappropriate to do so, and
- state whether applicable accounting standards have been followed.

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

Statement of financial controls

The STSB is responsible for the economic, efficient and effective operations and management of States Works and has a duty to ensure that they fulfil their obligations.

States Works' internal financial controls and monitoring procedures include:

- Annually reported and approved budgets monitored against monthly management accounts with additional operational detail reported in monthly management reports, which monitor actual revenue and expenditure against that anticipated. All such detail is regularly reviewed at meetings of the company board and STSB, to ensure that all STSB Members are informed of States Works' financial affairs,
- Customer invoices are subjected to a range of pre-determined computerised integrity checks prior to dispatch in order to ensure accuracy,
- Regular review of debtors to ensure that any delinquent debtors are identified at an early stage and dealt with appropriately,
- The control of materials and stores purchases are managed using a computerised job-costing programme with specific authorisation limits for purchases and segregated areas of responsibility for processing of payments, all of which maintain detailed audit trails,
- Manpower expenditure is monitored and controlled at source via time sheets, which are authorised and reconciled with the wage bill,
- Capital expenditure authorisation is subject to strict valuation guidelines and purchase procedures,
- Regular review of charges, and
- Consideration of all audit reports by the STSB.

The STSB strives to ensure that all staff with financial responsibility in States Works have the appropriate integrity, skills and motivation to professionally discharge their duties.

States' Trading Supervisory Board

States Works

Managing Director's report - continued

States Works' internal controls and accounting policies have been and are subject to continuous review and improvement. In addition the financial statements are subject to an independent external audit by an auditor appointed by the States of Guernsey.

Going concern

The financial statements have been prepared on the going concern basis of accounting. The STSB and Principal Officers have reviewed the cash flows and projected income and expenses over the next 12 months (including the assessment of the impact of Covid-19), prepared by management, and deem that States Works, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that States Works is a going concern for at least 12 months from approval of the financial statements.

Auditors

Grant Thornton Limited have expressed their willingness to continue in office as auditors.

States' Trading Supervisory Board

States Works

Corporate Governance

The purpose of the SWB is to support the delivery of the STSB's mandate, ensuring the efficient and effective management, operation and maintenance of States Works.

The SWB is accountable to the STSB and operates by challenging established practices and assumptions and seeking to support the business in establishing clear strategic direction, business planning and operational delivery in support of the outcomes of the Policy & Resource Plan, the Medium Term Financial Plan, the Public Service Reform Agenda, Service Guernsey and other strategic reviews and organisational drivers.

The SWB membership is a minimum of a Chairman who is not a States Member, a Political Member of the STSB, a Senior Executive of an Incorporated Company or one or more senior Officers of the States of Guernsey, the Managing Director and the Financial Manager.

All members of the SWB other than the Managing Director and the Financial Manager are appointed by the STSB.

As a sub-committee of the States of Guernsey, the quorum will be two members of the STSB.

The SWB does not hold a fiduciary responsibility.

The SWB will take into account the States of Guernsey's political direction with regard to the operation of States Works, as directed from time to time by the STSB. It must ensure that States Works operations and operational policies align with the wider strategy and policy framework of the States of Guernsey and/or the STSB. The SWB may generate policy for endorsement by the STSB and onward to the States of Guernsey as required.

The STSB specifically confers the following responsibilities and delegated authority to the SWB to:

- Approve capital and revenue annual budgets in line with the long-term budgets approved by the STSB,
- Approve annual business plans in line with long-term strategy and planning approved by or directed by the STSB,
- Approve and issue annual reports, and
- Guide and steer States Works.

In carrying out these responsibilities the SWB is bound and enabled by States of Guernsey rules for financial and resource management and the rules, directives, policies and procedures of the States of Guernsey, such as, but not limited to: Finance; Procurement; Property; Human Resources; Data Protection; Health and Safety Management; Risk and Issue Management; Managing Matters of Litigation; and Relevant legislation. The SWB has the authority delegated by the STSB to direct the States Works Managing Director in the day-to-day operation of States Works in line with approved budget and business plans.

The SWB acts as a political sub-committee of the STSB.

States' Trading Supervisory Board States Works

Corporate Governance - continued

STSB can disband SWB at any time without notice or recourse to any other body.

In the event due process has not been followed, the SWB must render itself unable to make a decision until such time process has been followed.

States' Trading Supervisory Board

States Works

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board – States Works

Opinion

We have audited the financial statements of the States of Guernsey – States' Trading Supervisory Board ("STSB") – States Works for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("United Kingdom Generally Accepted Accounting Practice").

In our opinion, the financial statements:

- give a true and fair view of the state of States Works' affairs as at 31 December 2020 and of its surplus for the year then ended; and
- are in accordance with United Kingdom Generally Accepted Accounting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of States Works in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

States' Trading Supervisory Board

States Works

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board – States Works - continued

Other information

The STSB is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the STSB for the financial statements

As explained more fully in the Statement of responsibilities for the preparation of financial statements in the Managing Director's Report, the STSB is responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the STSB determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the STSB is responsible for assessing States Works' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the STSB either intend to liquidate States Works or to cease operations, or have no realistic alternative but to do so.

States' Trading Supervisory Board

States Works

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board – States Works - continued

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of States Works' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on States Works' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause States Works to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

States' Trading Supervisory Board

States Works

Independent Auditor's Report to the Members of The States of Guernsey – States' Trading Supervisory Board – States Works - continued

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Use of our report

This report is made solely to the members of the STSB. Our audit work has been undertaken so that we might state to the members of STSB those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than States Works and the members of STSB as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited

Chartered Accountants
St Peter Port
Guernsey

20 May 2021

States' Trading Supervisory Board

States Works

Statement of Comprehensive Income

for the year ended 2020

	Notes	2020 £'000	2019 £'000
Revenue	2 & 4	<u>16,153</u>	<u>17,092</u>
Expenses	2 & 5		
Operating expenses		(11,266)	(12,300)
Administration and general expenses		<u>(2,912)</u>	<u>(2,628)</u>
		<u>(14,178)</u>	<u>(14,928)</u>
Operating surplus before depreciation, impairment and (loss)/gain on disposal of fixed assets		1,975	2,164
Depreciation	8	(1,446)	(1,362)
(Loss)/gain on disposal of fixed assets	7	(18)	31
Impairment of fixed assets	8	<u>(41)</u>	<u>-</u>
Operating surplus for the year		<u>470</u>	<u>833</u>
Investment return		<u>212</u>	<u>345</u>
Surplus for the financial year		<u><u>682</u></u>	<u><u>1,178</u></u>

All material activities derive from continuing operations.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Statement of Financial Position

as at 31 December 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Tangible fixed assets	8	7,315	6,499
Investment property	9	530	530
		<u>7,845</u>	<u>7,029</u>
Current assets			
Inventories and work in progress	11	543	438
Debtors and prepayments	12	2,079	2,042
Balances with States Treasury		3,218	2,834
		<u>5,840</u>	<u>5,314</u>
Creditors: amounts falling due within one year	13	<u>(2,579)</u>	<u>(1,419)</u>
Net current assets		<u>3,261</u>	<u>3,895</u>
Total net assets		<u>11,106</u>	<u>10,924</u>
Reserves	14	<u>11,106</u>	<u>10,924</u>

Signed on behalf of the States of Guernsey - States' Trading Supervisory Board

Deputy P. Roffey
President

20 May 2021

Signed on behalf of the States Trading Group

Mr S. Elliott
Managing Director

20 May 2021

Notes 1 to 22 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 2020

	Notes	2020 £'000	2019 £'000
Balance at 1 January		10,924	11,496
Surplus for the financial year		682	1,178
Transfer to States of Guernsey General Revenue	14	<u>(500)</u>	<u>(1,750)</u>
Balance at 31 December	14	<u>11,106</u>	<u>10,924</u>

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Statement of Cash Flows

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Net cash flows from operating activities	15	<u>3,094</u>	<u>2,884</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	35
Purchase of fixed assets	10	<u>(2,321)</u>	<u>(1,205)</u>
Net cash flows used in investing activities		<u>(2,321)</u>	<u>(1,170)</u>
Cash flows from financing activities			
Contribution to States of Guernsey General Revenue	14	<u>(500)</u>	<u>(1,750)</u>
Investment return received		<u>111</u>	<u>86</u>
Net cash flows from financing activities		<u>(389)</u>	<u>(1,664)</u>
Net increase in cash and cash equivalents		384	50
Cash and cash equivalents at the beginning of the year		<u>2,834</u>	<u>2,784</u>
Cash and cash equivalents at the end of the year		<u>3,218</u>	<u>2,834</u>
Reconciliation to cash at bank and in hand:			
Balances with States Treasury		<u>3,218</u>	<u>2,834</u>
Cash and cash equivalents		<u>3,218</u>	<u>2,834</u>

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements

1. General information

States Works is an unincorporated business, the management, operation and maintenance of which is the responsibility of the States of Guernsey - STSB. The nature of States Works operations and principal activities are set out in the General Manager's report.

States Works' principal place of business is La Hure Mare, Vale, Guernsey, GY3 5UD.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

The financial statements are prepared in accordance with the stated accounting policies and under the historical cost convention as modified to include Investment Properties at fair value and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Functional and presentational currency

The financial statements are presented in Pounds Sterling, which is the functional and presentational currency of States Works and have been rounded to the nearest thousand.

Going concern

The financial statements have been prepared on the going concern basis of accounting. The STSB and Principal Officers have reviewed the cash flows and projected income and expenses over the next 12 months (including the assessment of the impact of Covid-19), prepared by management, and deem that States Works, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that States Works is a going concern for at least 12 months from approval of the financial statements.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Tangible fixed assets

i) Investment properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the Statement of Comprehensive Income.

ii) Property, plant and equipment

Property, plant and equipment is stated at cost or valuation, net of depreciation and any provision for impairment. Property, plant and equipment is depreciated over its expected useful life.

iii) Assets under construction

Assets under construction are capitalised and are transferred to tangible fixed assets and depreciated once brought into use. All costs associated with capital projects, including professional fees are capitalised.

Depreciation

Depreciation is calculated at the following annual rates so as to write off the cost of tangible fixed assets over their anticipated expected useful lives using the straight-line method. Depreciation commences from the month of the acquisition of an asset.

	Estimated life in years	Depreciation % per annum
Land	-	-
Buildings & fittings	10 – 50	2% - 10%
Plant & equipment	3 – 20	5% - 33.3%
Motor vehicles	3 – 10	10% - 33.3%
Office equipment	5	20%

Impairment of assets (excluding inventories)

Assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income. An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Costs include an appropriate proportion of processing expenses and are calculated at average value method. Provisions are made for obsolete and slow-moving items where appropriate.

Work in progress

Work in progress is valued at cost.

Basic financial instruments

i) Trade debtors

Trade debtors are recognised initially at original invoiced amount. Subsequent to initial recognition they are measured at amortised cost, less any impairment losses.

ii) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and balances held by States Treasury on behalf of States Works. Whilst States Works operates a treasury account, the entity will make payments and receive money via bank accounts held centrally by the States of Guernsey. The net cash balance held with the States Treasury at the year-end is treated as cash and cash equivalents in States Works' Statement of Financial Position. This net cash balance may change on a daily basis, with surplus cash balances generating financial returns, and balances in deficit being charged interest. Any net cash balance held with the States Treasury could be reduced over a very short period of time without detriment, and therefore is considered to be a highly liquid investment, readily convertible to known amounts of cash and subject to an insignificant risk of any change in notional value.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

iii) Trade creditors

Trade creditors are recognised initially at original invoiced amount plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost.

iv) Derecognition of basic financial instruments

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the business transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the business, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in a contract is discharged, cancelled or expires.

Revenue and expenses

Revenue is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Revenue from the sale of goods is recognised when the goods are physically delivered to the customer. Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year. Expenses are accounted for on an accruals basis.

Pension costs

Pension costs are treated as described in note 18.

Investment return

Investment return on balances held with the States of Guernsey is accounted for on an accruals basis.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Leases

i) As lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

ii) As lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of States Works' accounting policies, which are described in note 2, the STSB Members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Board Members have made in the process of applying States Works' accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i) Valuation of investment property

As stated in the accounting policies above, States Works' investment properties are stated at fair value, as accounted for by management based on an independent external appraisal. The estimated fair value may differ from the price at which the properties could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also certain estimates require an assessment of factors not within management's control such as overall market conditions. As a result, actual realisable proceeds could differ from the valuations in these financial statements, and the difference could be significant.

ii) Depreciation rates

States Works' building and equipment assets have no definite life, so management makes an assumption based on previous experience of the usage of the assets. The rate used for each type of asset that makes up the building and equipment assets has been disclosed in note 2.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

4. Revenue

All revenue is derived from activities within the Bailiwick of Guernsey.

An analysis of States Works' revenue by class of business is set out below:

	2020	2019
	£'000	£'000
Administration and stores	494	550
Cleansing	1,358	1,366
Drainage	324	320
Electrical and mechanical	1,032	1,115
Emergency services	102	90
Fleet hire	92	96
Fleet maintenance	685	485
Highway repair	925	1,566
Household Waste Recycling Centre and Waste Transfer Station	2,243	2,247
Land management	1,797	2,101
Landfill and recycling	1,859	2,154
Management services	116	199
Sewage collection	3,004	2,741
Signs and lines	459	469
Waste collection	1,663	1,593
	<u>16,153</u>	<u>17,092</u>

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

5. Expenses

	2020	2019
	£'000	£'000
Operating expenses		
Direct labour	6,871	6,808
Direct materials	3,701	4,713
Vehicles – fuel costs	253	278
Plant and tools – maintenance and replacements	203	268
Building maintenance and charges	238	233
	<u>11,266</u>	<u>12,300</u>
Administration and general expenses		
Salaries, wages and employer's pension costs	1,962	1,860
Travel and training	48	75
Post, stationery and telephone	46	43
Information technology	44	77
Insurance	297	161
Audit fee	20	18
Professional fees and office expenses	494	394
Debt write off	1	-
	<u>2,912</u>	<u>2,628</u>
Total expenses	<u>14,178</u>	<u>14,928</u>

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board States Works

Notes to the Financial Statements – continued

6. Staff numbers and costs

The average monthly number of full time equivalent employees (including senior management) was:

	2020	2019
Operational staff	202	202
Administration staff	39	37
	241	239

Their aggregate remuneration comprised:

	Note	2020	2019
		£'000	£'000
Wages and salaries		7,376	7,468
Social security costs		485	490
Pension costs	18	882	867
		8,743	8,825

Pension costs include only those items within operating and administration and general expenses.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

7. Surplus for the financial year

Surplus for the financial year is stated after charging/(crediting):

	Note	2020 £'000	2019 £'000
Auditor's remuneration		20	18
Depreciation of tangible fixed assets	8	1,446	1,362
Loss/(gain) on disposal of fixed assets		18	(31)
Impairment of tangible fixed assets		41	-
		1,525	1,349

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

8. Tangible fixed assets

	1 January 2020 £'000	Additions £'000	Write offs/ Disposals £'000	31 December 2020 £'000
Cost				
Land	649	-	-	649
Buildings & fittings	4,222	76	(29)	4,269
Plant & equipment	1,860	273	-	2,133
Motor vehicles	9,031	1,972	(167)	10,836
Office equipment	283	-	-	283
	<u>16,045</u>	<u>2,321</u>	<u>(196)</u>	<u>18,170</u>
	1 January 2020 £'000	Charge for the year £'000	Write offs/ Disposals £'000	31 December 2020 £'000
Accumulated Depreciation and Impairment				
Land	-	-	-	-
Buildings & fittings	2,327	103	30	2,460
Plant & equipment	1,348	198	-	1,546
Motor vehicles	5,640	1,126	(167)	6,599
Office equipment	231	19	-	250
	<u>9,546</u>	<u>1,446</u>	<u>(137)</u>	<u>10,855</u>
Net Book Value	<u>6,499</u>			<u>7,315</u>

During the year an impairment of £41k was made on buildings and fittings to reflect a shorter remaining life on the tarmac surfaces at the Hure Mare site.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

9. Investment property

	1 January 2020 £'000	Additions/ Disposals £'000	Revaluations £'000	31 December 2020 £'000
Investment property	530	-	-	530
	<u>530</u>	<u>-</u>	<u>-</u>	<u>530</u>

This investment property, which is freehold, was purchased on 1 January 2007. The fair value of this property at 31 December 2020 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 £625k.

Operating lease of investment property

The investment property is rented out under an operating lease.

At the Statement of Financial Position date, States Works had contracted with tenants for the following future minimum lease payments:

	2020 £'000	2019 £'000
Within one year	<u>37</u>	<u>36</u>
	<u>37</u>	<u>36</u>

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

10. Assets under construction

	1 January 2020 £'000	Expense in the year £'000	Transfers to Tangible Fixed Assets £'000	31 December 2020 £'000
2020 Total	<u>-</u>	<u>2,321</u>	<u>(2,321)</u>	<u>-</u>
2019 Total	-	1,205	(1,205)	-

Assets under construction completed in 2020 and transferred to fixed assets primarily comprises replacement plant and vehicles.

11. Inventories and work in progress

	2020 £'000	2019 £'000
Inventories	315	293
Work in progress	<u>228</u>	<u>145</u>
	<u>543</u>	<u>438</u>

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

12. Debtors and prepayments

	2020 £'000	2019 £'000
Trade debtors	1,727	1,707
Prepayments and other debtors	<u>140</u>	<u>224</u>
	1,867	1,931
Accrued investment return	<u>212</u>	<u>111</u>
	<u><u>2,079</u></u>	<u><u>2,042</u></u>

13. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	540	331
Accruals and deferred income	<u>2,039</u>	<u>1,088</u>
	<u><u>2,579</u></u>	<u><u>1,419</u></u>

14. Reserves

	2020 £'000	2019 £'000
Balance at 1 January	10,924	11,496
Surplus for the financial year	682	1,178
Transfer to States of Guernsey General Revenue	<u>(500)</u>	<u>(1,750)</u>
Balance at 31 December	<u><u>11,106</u></u>	<u><u>10,924</u></u>

All reserves are distributable

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

15. Reconciliation of operating surplus to net cash flows from operating activities

	2020	2019
	£'000	£'000
Operating surplus for the year	470	833
Depreciation charges	1,446	1,362
Loss/(gain) on disposal of fixed assets	18	(31)
Impairment of fixed assets	41	-
(Increase)/decrease in inventories and work in progress	(105)	100
(Increase)/decrease in debtors	64	87
Increase in creditors due within one year	1,160	533
Net cash flows from operating activities	3,094	2,884

16. Financial commitments and contingent liabilities

	2020	2019
	£'000	£'000
Commitments at 31 December for which no provision has been made in these financial statements.	362	1,167

Financial commitments are for orders placed for new vehicles not yet delivered.

States Works has a contingent liability of £22k as at 31 December 2020 (2019: £Nil).

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board States Works

Notes to the Financial Statements – continued

17. Financial instruments

States Works' financial instruments may be analysed as follows:

	2020	2019
	£'000	£'000
Financial assets at amortised cost		
Cash and cash equivalents	3,218	2,834
Debtors	1,727	1,707
Financial liabilities at amortised cost		
Creditors: amounts falling due within one year	(540)	(331)

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

18. 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 (£92,236 as at 31 December 2020) for members joining from 1 May 2015 and, on a different CARE basis, for the service from 1 March 2016 of members who joined before 1 May 2015. There is a defined contribution section for earnings in excess of this salary cap. The arrangements for service before 1 March 2016 for members who joined before 1 May 2015 and for the future service of those closer to pension age remains final salary. The scheme is funded by contributions from both employer and employee. The employer rates for the defined benefits are determined on the basis of independent actuarial advice, and calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives.

Although the scheme is a multi-employer plan, it is not possible to identify States Works' share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. There is neither an agreement nor a policy in place to allocate any of the deficit of the pension scheme across the participating entities. The States of Guernsey is liable for any obligations that arise from the States of Guernsey Superannuation Fund in respect of employees of the States of Guernsey. All employees of States Works are considered to be ultimately employees of the States of Guernsey.

Consequently, States Works has accounted for the plan as if it were a defined contribution plan, whereby it has expensed employer contributions through the Statement of Comprehensive Income. The employees also contribute to the States of Guernsey Superannuation Fund. The contribution rates are determined by a qualified actuary on the basis of periodic valuations.

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £882k (2019: £867k).

Further details relating to the funding of the Superannuation Scheme are included within the States of Guernsey Accounts 2020.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

19. 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.

20. Related party transactions

The STSB is of the opinion that there have been no related party transactions in the current or preceding financial years other than as described in these financial statements. All transactions are conducted as normal business arrangements carried out at "arm's length".

Less than 20% of the value of the organisation's annual expenditure is due to transactions with other States entities.

The total compensation of key management personnel in 2020 (including salaries and other benefits) was £345k (2019: £338k).

STSB member Mr S. Falla MBE has declared certain related party transactions under FRS102 section 33. The aggregate of all these transactions is disclosed below and all were conducted at arms-length in the normal course of business. Where any conflict of interest may exist, Mr Falla, as under normal rules, would excuse himself from any STSB or other meetings and has not participated in any discussions or voting regarding awarding any contracts leading to these transactions.

	2020	2019
	£'000	£'000
Garenne Group		
Expenses	1,085	304
Revenue	186	365
	<u>1,271</u>	<u>669</u>
Trade Debtors	98	97
Trade Creditors	13	17

Of which £902k (2019: £149k) was the result of open tenders for the acquisition of specialist vehicles.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

21. Subsequent events

Covid-19

On 23 January 2021 Guernsey entered into a second full lockdown due to the Covid-19 pandemic. This lasted until Monday 22 March 2021 when the island entered stage 3 of lockdown with a return to a normal level of activity within the Bailiwick, with social, recreation and business activity able to take place.

During lockdown, and in line with our business continuity plan and the advice of the Civil Contingencies Authority and Public Health, States Works business activities were limited to those required to maintain continuity of essential services (sewage collection service, waste management services and the essential maintenance and repair of property and mobile assets. Many office based staff were instructed to work from home which was made easier thanks to modern technology, and operational staff involved in non-essential activity were placed on standby until the spread of the virus was brought under control and restrictions eased. Those staff members being called back as required to cover staff absenteeism and staff who were self-isolating or shielding in accordance with Public Health advice.

States Works has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2020 have not been adjusted to reflect their impact.

Management know of no other events subsequent to the end of the reporting period that would materially affect the financial statements.

22. Off balance-sheet arrangements

There are no commitments or contingent liabilities other than detailed in note 16 relating to 2020 which would affect these financial statements (2019: None).

Notes 1 to 22 form an integral part of these financial statements.