

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE STATES OF GUERNSEY ACCOUNTS 2019

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 2019.

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



THE STATES OF GUERNSEY
ACCOUNTS 2019

Price £5.00

CONTENTS

	Page
States Treasurer's Report	1
Statement of Responsibilities for the Preparation of Annual Accounts	17
Statement of Internal Financial Controls	17
Independent Auditor's Report	18
 Primary Accounts	
Statement of Financial Performance	21
Movement in Reserves Statement	22
Statement of Financial Position	23
Cash Flow Statement	24
Notes to the Accounts	25
 Appendix I – Glossary	72
Appendix II – Segmental Analysis	77
Appendix III – Analysis of Pay Costs and FTE Totals	78
Appendix IV – Capital Reserve Expenditure	79
Appendix V – Consolidated Health and Social Care Accounts	81
Appendix VI – Analysis of Income and Expenditure Attributable to Alderney	83
Appendix VII – Use of Delegated Financial Authority	88

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.

4. External Audit

- 4.1. Grant Thornton Limited has performed the audit of the States' 2019 financial statements in accordance with International Standards on Auditing (UK) and applicable law. The Auditor's Report gives the opinion that *"the accounts for the year ended 31 December 2019 are prepared, in all material respects, in accordance with the accounting policies stated in note 1 to the accounts."*

¹ Billet d'État V, 2012

STATES TREASURER'S REPORT

5. Financial Performance

- 5.1. The overall surplus for 2019 was £105.6m (2018: deficit of £16.2m), 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	538,266	521,740	16,526
Pay Expenditure	(246,953)	(243,262)	(3,691)
Non-Pay Expenditure	(232,576)	(208,468)	(24,108)
Operating Surplus/(Deficit)	58,737	70,010	(11,273)
Investment Returns	86,310	4,523	81,787
Finance Charges and Other Costs	(12,082)	(531)	(11,551)
Transfer to Guernsey Waste	(1,345)	-	(1,345)
Capital Receipts	6,423	2,115	4,308
Capital Expenditure	(32,487)	-	(32,487)
Surplus	105,556	76,117	29,439
Adjustments:			
Overseas Aid & Development			
Commission Fund	-	(2,960)	2,960
Insurance Deductible Fund	-	(1,400)	1,400
Channel Islands Lottery (Guernsey) Fund	-	605	(605)
Appropriation for Aurigny Loss	-	(9,686)	9,686
Adjusted Surplus	105,556	62,676	42,880

- 5.2. The General Revenue surplus of £62.7m compares to the 2019 budgeted surplus of £56.5m and a probable outturn of £57.8m which was included in the 2020 Budget Report:

	Actual £m	Probable Outturn £m	Budget Estimate £m
Revenue Income	479.0	471.9	460.0
Revenue Expenditure	(408.8)	(407.7)	(400.1)
Revenue Surplus	70.2	64.2	59.9
Provision for Aurigny Loss	(9.6)	(7.6)	(4.4)
Capital Income	2.1	1.2	1.0
Operating Surplus	62.7	57.8	56.5

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

STATES TREASURER'S REPORT

- 5.3. After allowing for the transfer to the Capital Reserve (including direct returns from States' Trading Assets), the overall General Revenue unallocated surplus was £6.1m which is £5.1m more than budgeted:

	Actual £m	Probable Outturn £m	Budget Estimate £m
Operating Surplus	62.7	57.8	56.5
Return from States' Trading Assets	<u>4.3</u>	<u>7.6</u>	<u>6.0</u>
	67.0	65.4	62.5
Transfers to Capital Reserve:			
General Revenue Appropriation	(54.5)	(54.5)	(54.5)
Capital Income	(2.1)	(1.2)	(1.0)
Return from States' Trading Assets	(4.3)	(7.6)	(6.0)
Unallocated Surplus	6.1	2.1	1.0

- 5.4. The unallocated surplus forms part of the General Reserve which, at the end of 2019, included an unallocated balance of £38.8m. The States have a policy² 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.
- 5.5. Therefore, after allowing for £24m as the 5% retained balance; a £3.3m provision for delayed delivery of budget reductions; and £2.9m provision for Alderney air route funding, there is £8.6m available for use.
- 5.6. A summary of the balances contained within the General Reserve is included within Note 21. This includes the unallocated balance, together with certain earmarked Funds that have a specific purpose.
- 5.7. 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 Committee³.

² Billet d'État XII, 2017

³ 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, Transport Licensing Authority, Pooled Budgets, Royal Court, Law Officers and States of Alderney

STATES TREASURER'S REPORT

5.8. It shows that net revenue expenditure increased by £29.5m between 2018 and 2019. Excluding the effect of the Income Support Scheme which was introduced in July 2018 (approximately £9m), this is an increase of £20.5m or 5.4% in nominal terms / £11.4m or 3.0% in real terms. This real terms' increase is predominantly attributable to services provided by the Committee *for* Health & Social Care (£7.9m) as a result of the impact of pay awards; increased expenditure on agency staff and locum cover; and an increase in acute off-island expenditure.

5.9. Overall, expenditure was £8.7m higher than Cash Limits which comprises:

- £3.9m due to the delay in delivery of savings targets, for which provision was made in the General Revenue Account Reserve;
- £3.5m of budgeted savings which were not realised; and
- Compared to budget, the Committee *for* Health & Social Care overspent its 2019 authorised budget of £123.3m by £5.5m;

Offset by:

- £3.0m collective underspend of authorised budgets by other Committees; and
- £1.2m remaining unallocated within the Budget Reserve.

5.10. 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 VII).

5.11. In 2019 there was a Budget Reserve of £12.2m which was allocated as follows:

Provision	Notional Allocation £m	Required £m
Pay Awards	6.7	8.5
Turnover Adjustment (Established Staff)	1.0	-
Other Revenue Uses	4.5	2.6
Total	12.2	11.1

5.12. Pay awards agreed during the year were higher than had been budgeted, primarily in respect of the Agenda for Change group. During 2019, the Policy & Resources Committee decided to reallocate part of the general provision within the Budget Reserve in order to increase the pay award it was able to offer for the Agenda for Change group.

STATES TREASURER'S REPORT

6. Income

Income Tax

- 6.1. Income tax receipts increased from £332.5m in 2018 to £349.2m in 2019, an increase of £16.7m (5%). The majority of income tax is collected from individuals and this revenue stream increased by £15.8m to £276.6m which is a 6% nominal, 3.6% in real terms increase. This is an improvement of £9.2m against the 2019 budgeted income of £267.4m and continues the solid real-terms' growth experienced in 2016, 2017 and 2018. Such real-terms' growth is an indicator of continued strength in the economy, and is supported by the increases in the numbers employed. In December 2019, 31,360 people were employed or self-employed in Guernsey, compared to 31,304 in December 2018.
- 6.2. In respect of companies, income tax receipts increased by £1.6m to £62.3m.

Other Taxes

- 6.3. The income from Other Taxes totalled £89.3m in 2019 (and comprises Excise and Import Duties; Tax on Real Property; Document Duty and Vehicle First Registration Duty), an increase of £3.5m from 2018.
- 6.4. Income from Excise and Import Duties increased by £0.4m (0.9%) compared to 2018 which included the effect of the increases in excise duty rates approved as part of the 2019 Budget Report, partially offset by a tobacco excise duty being lower than anticipated (there is often material volatility in tobacco excise duty receipts between years due to the timing of imports).
- 6.5. The Tax on Real Property income increased by £2.4m which reflects the revised tariffs approved as part of the 2019 Budget Report.
- 6.6. Document Duty receipts in 2019 were £18.2m which is £0.6m (3.4%) higher than 2018. The number of transactions increased from 810 to 845, which is the highest annual total since 2007. Overall, the £14.6m budget for Document Duty, which was set in mid-2018 was exceeded by £3.6m in 2019.
- 6.7. The number of open market transactions fell slightly from 76 in 2018 to 67 in 2019 although the accompanying Document Duty receipts were very similar at £4.2m (2018: £4.3m).

STATES TREASURER'S REPORT

Income from Operating Activities

- 6.8. Income from Operating Activities increased by £4.3m to £61.4m in 2019 and includes an additional £1.3m resulting from a change in accounting treatment for staff working in the Revenue Service who were previously directly accounted for within the Social Security Funds; a £1.3m increase in Health & Social Care revenues (largely from private patient income); and a £0.5m increase in lottery ticket sales (which has a similar increase in non-pay expenditure as a result – primarily in respect of prizes).

Other Corporate Income

- 6.9. Other Corporate Income, which includes States' housing rental income; company fees; and dividend income from States' trading entities, increased slightly to £38.4m in 2019 (2018: £37.3m).

7. Expenditure

Pay Costs

- 7.1. The total expenditure on pay (which includes temporary and agency staff together with States Members' remuneration) during 2019 was £247m which, after removing the impact of the change in accounting treatment of staff working in the Revenue Service, is a nominal increase of £14.2m or 6.1% (real terms increase of 3.7% or £8.6m). The effect of 2019 pay awards accounts for £8.5m of the increase.
- 7.2. Pay costs continue to form the largest single item of expenditure totalling 51.5% of total revenue spend (2018: 51.2%) and a paid workforce of 4,666 Full Time Equivalent staff (FTEs), an increase of 84 FTEs compared to 2018. This includes 23FTEs in respect of staff working in the Revenue Service who were previously accounted for within the Social Security Funds. The remainder of the increase of 51FTEs is predominantly within: Health & Social Care (24FTEs) including as a result of the increase to two medical wards at the Princess Elizabeth Hospital in response to the ageing population and the establishment of the autism hub at Le Vieux Jardin which will enable the repatriation of services users from the United Kingdom; staff specifically supporting transformation activities (11FTEs) and contract appointments associated with 'Brexit' (5FTEs).
- 7.3. 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 twenty seven employees between 2018 and 2019 is largely in the lower bandings and is due to the effect of pay awards meaning that a certain grade which was below the threshold in 2018 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

- 7.4. 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. It is intended that this openness will be extended in future years to include other senior individuals in public service.
- 7.5. The Strategic Leadership Team (previously the Chief Executive's Management 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	2019			2018
		Gross Pay	Pension Contribution	Total	Total
Chief Executive	SO12	158,271	22,316	180,587	177,496
States Treasurer	SO11	145,275	19,252	164,527	161,097
Strategic Lead for Operational Delivery and Support *	SO11	138,993	18,575	157,568	150,338
Chief Information Officer	SO10	131,906	17,758	149,664	147,370
Strategic Lead for Place Policy **	SO11	131,864	17,719	149,583	142,357
Strategic Lead for People Policy ***	SO11	35,093	4,688	39,781	
Strategic Lead for Supporting Government ***	SO11	32,071	4,325	36,396	

- * Previously Chief Operating Officer
 ** Previously Chief Strategy & Policy Officer
 *** In post from 1 October 2019

- 7.6. 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 2019 Gross Cost Analysis (as set out in Note 6):
- £140,000 - £159,999 : 3 employees
 - £160,000 - £179,999 : 3 employees
 - £180,000 - £199,999 : 1 employee

STATES TREASURER'S REPORT

Non-Pay

- 7.7. Non-pay expenditure totalled £232.6m in 2019 which is an increase of £11.9m compared to 2018. This increase is primarily due to the introduction of the Income Support Scheme.

Investment Returns

- 7.8. In 2019, there was a net investment gain (largely unrealised) of £86.3m compared to a loss of £19.9m in 2018. This includes £5.4m of interest from loans made from the proceeds of the States of Guernsey Bond Issue and a gain of £80.8m from the Consolidated Investment Fund (paragraphs 8.6 to 8.7 are commentary on the financial investments). This investment gain has been allocated to various reserves, based upon their individual balance throughout 2019 (detailed in Notes 24 to 39). These include the Core Investment Reserve (£20.8m); Bond Reserve (£20.6m); and Capital Reserve (£34.5m).

Impairment for Cabernet Limited Losses

- 7.9. 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.
- 7.10. The 2019 loss by Cabernet Limited (included within its draft 2019 Accounts) was £9.7m (2018: £4.4m) and an appropriation of this amount has been made from the General Reserve to the States' Trading Entities Reserve, taking the total amount set aside for Cabernet Limited's losses up to 31 December 2019 to £15.2m.
- 7.11. The States provide funding to Cabernet Ltd through various forms, including share capitalisation, long term loans, temporary overdraft facilities, and guaranteeing loan facilities from other lenders.
- 7.12. Whilst the States report the balance of the loans they have issued to Cabernet Limited at their outstanding carrying value, there is no formal impairment review of these amounts due to the States. The loan balances continue to be repaid in accordance with the loan schedules, and the capital balances have reduced accordingly. However, with the financing arrangements in place, it is likely that these repayments can only continue with further financial support from the States in one form or another, particularly taking into account the change in operational activities in 2020 resulting from the Covid-19 pandemic.
- 7.13. With the continued development of accounting policies that align themselves to formal accounting standards, it is likely that these loan balances will become subject to a formal impairment review in the future. The implications of such a change would likely result in a reduction in the carrying balance of the loans, and a charge to the Statement of Financial Performance.

STATES TREASURER'S REPORT

- 7.14. The States currently appropriates 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. Consequently, any charge to the General Reserve arising from the impairment of the loans will be offset by this balance.

8. Statement of Financial Position

- 8.1. The Statement of Financial Position provides a snapshot of the financial position as at 31 December 2019. 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.
- 8.2. This Statement of Financial Position does not include the deficit on the Superannuation Fund. Note 43 includes disclosures showing pension costs and changes in the pension liability based upon specified assumptions.
- 8.3. At the year end the States' net assets had increased to £757m (2018: £651.4m) as a result of the overall surplus.

Financial investments (Consolidated Investment Fund)

- 8.4. The total amount of financial investments at the year end was £2,340m (2018: £2,116m). The States manage 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.
- 8.5. The Statement of Financial Position includes Depositors, who are separate entities or parties who have deposited cash balances with the States, as current liabilities. This includes £1,498m (2018: £1,357m) in respect of the Superannuation Fund.
- 8.6. After a substantial fall in equity markets in 2018, both developed international and emerging markets posted strong returns in 2019. Despite trade wars involving the USA and China looming over the markets all year, global equities recorded their best year since 2013 with price gains being driven in a large part by an increase in the price/earnings multiple. At 31 December 2019, global equity markets, as measured by the MSCI All Countries World Index, had increased by 22% over the year in sterling terms. UK government bonds, as measured by the Citigroup UK Government Bond Index, returned 4.8%, whilst more modest returns were seen within the commercial property sector. Sterling was not as volatile as in 2018, increasing 4% against the US dollar over the year. The Consolidated Investment Fund, through its diversified portfolio of investments, recorded an investment return of 11.8% in 2019 which was 5.5% ahead of the target.

STATES TREASURER'S REPORT

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

	Trailing 1 Year	Trailing 3 Years pa	Trailing 5 Years pa
Return	11.8%	6.2%	7.0%
Target: Retail Price Index +4%	6.3%	7.1%	6.6%

8.8. The following table details the asset allocation:

Asset Allocation	Equities	Alternatives	Bonds and Fixed Interest Securities	Property	Cash
2019	56%	18%	15%	5%	6%
2018	54%	21%	14%	6%	5%

8.9. 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.

8.10. In February 2018 it was announced that £25m has been committed to a new locally managed fund, the Guernsey Investment Fund, to support the development of innovation and technology businesses, along with £12.5m of private sector investment. This investment, which is a little over 1% of the total investment portfolio, is independently managed with an investment objective to achieve a commercial return for its investors and support business in the Bailiwick or which will realise benefits to the Bailiwick. At 31 December 2019, £14.1m of the States of Guernsey commitment to the Fund had been drawn-down and the Net Asset Value per share increased by 46%.

8.11. A second cell, called the Guernsey Investment Fund Property Cell, was launched in 2019 with a £40m commitment from the States of Guernsey (approximately 1.7% of the portfolio), although the first payment into the Fund was not made until 2020.

STATES TREASURER'S REPORT

Capital Reserve

8.12. Annual appropriations are made to the Capital Reserve from the General Reserve and the current policy is to maintain the value of these transfers in real terms in addition to any specific additional transfers e.g. property sales. The balance on the Capital Reserve increased in 2019 by £64.7m to £305.9m.

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

	2019 £m		2018 £m	
Opening Balance		241.2		240.2
Capital Returns	4.3		-	
Net Investment Return	34.5		(9.2)	
Expenditure	(33.0)		(46.5)	
		5.8		(55.7)
Transfers from General Reserve:				
Appropriation	54.5		53.2	
Capital Income	2.1		2.0	
Guernsey Post Ltd – Special Dividend	0.5		0.5	
States Works – Distribution of Reserves	1.8		1.0	
		58.9		56.7
Closing Balance		305.9		241.2

8.14. Capital returns comprises £3m from Guernsey Ports as partial repayment of funding previously provided from the Capital Reserve for works on Berths 4/5/6 (within the Crane Strategy project) and £1.3m from Guernsey Water as partial repayment of grants for projects funded from the Capital Reserve (Belle Greve Outfall projects).

8.15. Expenditure in 2019 totalled £33.0m which included £13.1m in respect of minor capital projects. Appendix IV details the Capital Reserve expenditure.

8.16. The General Revenue appropriation to the Capital Reserve of £54.5m was in line with the parameter set out in the Fiscal Policy Framework to make sufficient transfers to the Capital Reserve to enable “*capital expenditure averaging 3% of GDP in the medium-term*”.

8.17. The Capital Income of £2.1m included receipts from the sale of land to Guernsey Dairy (£1.0m) and £918,000 from the sale of Fort Richmond. In accordance with agreed policy⁴, receipts from these transactions have been transferred to the Capital Reserve.

⁴ 2019 Budget Report (Billet d’État XXIV, 2018)

STATES TREASURER'S REPORT

8.18. As part of the 2019 Budget Report, a target minimum contribution to General Revenue of £6m of capital returns was assumed (in addition to any dividend paid in accordance with existing policy) from the States' trading assets. During 2019, in addition to the capital returns of £4.3m and £1m from the sale of land on which the Dairy Building is sited, Guernsey Post Limited made a special dividend payment of £500,000 and States Works distributed £1.75m of its reserves. Therefore, the 2019 capital returns totalled £7.55m (2018 target: £5.5m; actual: £1.5m with £4m planned for 2018 being transacted in 2019).

Core Investment Reserve

8.19. 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.

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

	2019 £m	2018 £m
Opening Balance	174.9	168.4
Plus:		
Appropriation from General Reserve	-	12.9
Net Investment Return	20.8	(6.4)
Closing Balance	195.7	174.9

8.21. The balance of the Core Investment Reserve represents 41% of the 2020 General Revenue income budget.

Bond Reserve

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

STATES TREASURER'S REPORT

Entity	Amount Agreed £m	Outstanding 31/12/2019 £m	Anticipated Repayment Date(s)	Purpose
Approved in 2015:				
Guernsey Housing Association LBG	51.0	47.0	2045	Refinancing of existing borrowings for social housing development
Guernsey Housing Association LBG	24.0	20.7	2036	Refinancing of existing borrowings for social housing development
Cabernet Ltd	31.7	23.0	2020 - 2025	Refinancing of existing borrowings for purchase of aircraft (plus purchase of a new Dornier aircraft)
JamesCo750 Ltd	13.1	10.4	2028	Refinancing of existing borrowings for purchase of two tankships
H&SC Accommodation Fund	2.1	1.5	2029	Refinancing of existing borrowings for building of key worker accommodation
Approved in 2016:				
Cabernet Ltd	6.8	6.6	2027	Purchase of a new Dornier aircraft
Guernsey Housing Association LBG	5.1	4.7	2046	Development of social housing
Guernsey Housing Association LBG	10.0	9.6	2046	Development of social housing
Approved in 2017:				
Guernsey Registry	0.3	0.3	2023	Introduction of a Beneficial Ownership Register
Guernsey Water	9.0	8.6	2046	Refinancing of Belle Greve Long Sea Outfall replacement
Guernsey Harbour	3.3	-	2039	Refinancing of purchase of two mobile cranes
Approved in 2018:				
Alderney Housing Association LBG	2.9	2.9	2046	Refinancing of existing borrowings for social housing development
Guernsey Dairy	0.8	0.7	2046	Site purchase
Guernsey Harbour	2.5	2.4	2039	Refinancing of works on Berths 4/5/6
Approved in 2019:				
Guernsey Housing Association LBG	14.0	13.9		Development of social housing
Guernsey Electricity Ltd	16.5	11.0		Part-funding the replacement of the GJ1 cable (£11.0m advanced by end of 2019)
Total	193.1	163.3		

STATES TREASURER'S REPORT

8.23. 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%.

8.24. 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 2019, the Bond Reserve had a balance of £17.8m (2018: £3.3m) which will mitigate against the potential for investment returns being lower than the coupon rate in future years.

Superannuation Fund

8.25. 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.

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

Superannuation Fund	2019 £m	2018 £m
Opening Balance	1,357.8	1,426.2
Plus:		
Contributions	50.7	48.1
Net appreciation/(depreciation) of investments	159.8	(52.3)
Less:		
Pensions and lump sums paid	(66.6)	(64.2)
Closing Balance	1,501.7	1,357.8

8.27. 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 43. The funding level, prepared under accounting assumptions, has decreased slightly to 58.6% (2018: 59.9%).

STATES TREASURER'S REPORT

- 8.28. Every three years, the Policy & Resources Committee commissions an actuarial valuation of the Superannuation Fund. 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%.
- 8.29. The reason for the difference between the accounting position and the funding position reported within an Actuarial Valuation is that the discount rate assumption used in the accounting position has no regard for the actual asset classes in which the Superannuation Fund is invested in but is based on government bonds. 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 8.7, actual returns over the last 5 years have averaged 4.4% 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 0.9% (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.

9. Cash Flow Statement

- 9.1. This statement summarises the total cash movements during the year for both capital and revenue purposes, arising from income and payments and movements in working capital. The cash flow shows a net increase in cash of £5.7m (2018: decrease of £6.7m).

10. Covid-19

- 10.1 The full effect on the States' financial position of the Covid-19 pandemic is highly uncertain and will be dependent on the duration and magnitude of the economic shock as a result of this unprecedented situation. The States of Guernsey have put in place a comprehensive package of measures designed to provide financial support and liquidity for businesses and individuals. As authorised by the States on 1 May 2020, the Policy & Resources Committee has entered into a short-term external borrowing facility of £225m in order to meet the short-term cash-flow requirements of the States. A policy letter entitled *"Revive and Thrive: Our Recovery Strategy for Guernsey Together"* has recently been published for debate by the States and is intended to guide and coordinate the development and delivery of action plans to achieve recovery.
- 10.2 No adjustment has been made to the financial position and results reported for the year ending 31 December 2019 as the duration and impact of the Covid-19 pandemic is unclear at this early stage. It is not possible to reliably estimate the duration and severity of the pandemic consequences on either the value of the assets or liabilities of the States. This also extends to the incorporated and un-incorporated entities included within Note 13, which are principally owned or controlled by the States.

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 accounts of the States of Guernsey (the "States") for the year ended 31 December 2019 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 accounts including a summary of significant accounting policies.

- In our opinion, the accounts for the year ended 31 December 2019 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 (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the accounts' section of our report. We are independent of the States in accordance with the ethical requirements that are relevant to our audit of the accounts in Guernsey, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 States and should not be distributed to or used by parties other than the States. Our opinion is not modified in respect of this matter.

The Impact of Macro-economic Uncertainties on our Audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as COVID-19. All audits assess and challenge the reasonableness of estimates made by those charged with governance and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and future prospects and performance.

At the date of this report the effects of COVID-19 are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the future prospects and performance of the States. However, no audit should be expected to predict the unknowable factors or all possible future implications associated with these particular events.

INDEPENDENT AUDITOR'S REPORT TO THE POLICY & RESOURCES COMMITTEE

Other information

The Policy & Resources Committee (the "Committee") is responsible for the other information. The other information comprises of the President's Foreword, the States Treasurer's Report, the Statement of Responsibilities for the Preparation of Annual Accounts and the Statement of Internal Financial Controls. Our opinion on the accounts 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 accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts 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 of the accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following matters 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 basis of preparation and accounting policies in note 1 to the accounts. The Committee is also responsible for such internal control as they determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, 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 entity or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE POLICY & RESOURCES COMMITTEE

Auditor's Responsibilities for the Audit of the Accounts

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 (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our Report

This report is made solely to the 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 this report, or for the opinions we have formed.



Grant Thornton Limited
Chartered Accountants
St Peter Port
Guernsey

Date: 23rd June 2020

STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 31 December 2019

	Note	2019 £'000s	2018# £'000s
Income			
Income Taxes	3	349,176	332,535
Other Taxes and Duties	4	89,254	85,731
Income from Operating Activities		61,390	57,046
Other Corporate Income	5	38,446	37,335
		538,266	512,647
Expenditure			
Pay	6	(246,953)	(231,530)
Staff Related Non-Pay Costs	7	(6,307)	(5,216)
Support Services	7	(40,151)	(38,782)
Premises	7	(29,094)	(28,066)
Third Party Payments	7	(101,560)	(97,545)
Transport	7	(1,704)	(1,503)
Supplies and Services	7	(53,760)	(49,540)
		(479,529)	(452,182)
Operating Surplus		58,737	60,465
Other Income and Expenditure			
Finance Charges and Other Costs	9	(12,082)	(12,312)
Balance of Internal Loans Charged to Capital Reserve	10	-	(9,107)
		(12,082)	(21,419)
Services Transferred to Guernsey Waste			
Net Revenue Expenditure	2	-	(471)
Balance of Working Capital Transferred to Guernsey Waste	2	(1,345)	-
		(1,345)	(471)
Investment Returns			
Net Returns/(Charges) from the Consolidated Investment Fund		80,827	(25,707)
Interest Receivable on Loans and Overdraft Facilities Granted		5,483	5,848
		86,310	(19,859)
Capital Receipts and Expenditure			
Capital Receipts	11	6,423	2,122
Capital Expenditure	12	(32,487)	(37,057)
		(26,064)	(34,935)
Net Surplus/(Deficit) for the period		105,556	(16,219)
Retained by:			
General Reserve		78,935	45,894
Capital Reserve		5,804	(55,701)
Core Investment Reserve		20,817	(6,412)
		105,556	(16,219)

The 2018 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 2018

	Total Usable Reserves	General Reserve	Capital Reserve	Core Investment Reserve	States' Trading Entities Reserve
	£'000s	£'000s	£'000s	£'000s	£'000s
Opening Balance	667,648	144,786	240,249	168,421	114,192
Deficit for Year	(16,219)	45,894	(55,701)	(6,412)	-
Transfers in Year	-	(74,000)	56,670	12,900	4,430
Closing Balance	651,429	116,680	241,218	174,909	118,622

For the Year Ended 31 December 2019

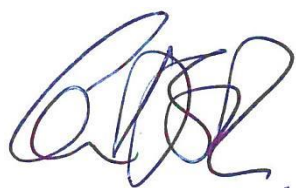
	Total Usable Reserves	General Reserve	Capital Reserve	Core Investment Reserve	States' Trading Entities Reserve
	£'000s	£'000s	£'000s	£'000s	£'000s
Opening Balance	651,429	116,680	241,218	174,909	118,622
Surplus for Year	105,556	78,935	5,804	20,817	-
Transfers in Year	-	(68,547)	58,861	-	9,686
Closing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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 £'000s	2018 £'000s
Non-Current Assets			
Shareholdings in States' Trading Entities	13	113,098	113,098
Consolidated Investment Fund	14	2,339,766	2,115,634
Receivables	15	156,815	134,030
		2,609,679	2,362,762
Current Assets			
Cash and Cash Equivalents	42	12,347	6,638
Receivables	15	93,550	89,145
Stock		5,117	4,746
Prepayments		10,395	9,139
		121,409	109,668
Current Liabilities			
Creditors	16	(40,526)	(35,177)
Short-Term Provisions		(238)	(126)
Depositors	17	(1,565,403)	(1,419,195)
Currency in Circulation	18	(50,596)	(49,450)
		(1,656,763)	(1,503,948)
Non-Current Liabilities			
Bond Issue	19	(317,340)	(317,053)
Net Assets		756,985	651,429
Represented by:			
General Reserve	21	127,068	116,680
Capital Reserve	38	305,883	241,218
Core Investment Reserve	39	195,726	174,909
States' Trading Entities Reserve	40	128,308	118,622
Reserves		756,985	651,429

These financial statements were approved by the Policy & Resources Committee on 16 June 2020.



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



Bethan Haines
States Treasurer

CASH FLOW STATEMENT

For the Year Ended 31 December 2019

	Note	2019 £'000s	2018 £'000s
Net Cash Flows from Operating Activities	41	42,243	34,628
Cash Flows from Investing Activities			
Capital Expenditure		(32,487)	(37,057)
Capital Receipts		6,423	2,122
Net Sale of Investments		23,671	10,727
Dividends Received		2,810	2,100
Issue of New External Loans Financed from the Bond		(31,150)	(12,980)
Repayment of External Loans Financed from the Bond		5,340	4,856
Net Cash Flows from Investing Activities		(25,393)	(30,232)
Cash Flows from Financing Activities			
Interest Paid		(11,141)	(11,141)
Net Cash Flows from Financing Activities		(11,141)	(11,141)
Net Increase/(Decrease) in Cash at Bank and in Hand		5,709	(6,745)
Cash and Cash Equivalents at the Beginning of the Year	42	6,638	13,383
Cash and Cash Equivalents at the End of the Year		12,347	6,638

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 21 to 70, 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 or reduction in tax assessment, 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 debited or credited 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 grant to an external entity and accounted for it as capital expenditure in a previous financial year, any refund of that grant 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 States of Alderney provide details of income and expenditure for the financial year, and these totals are recorded within the States of Guernsey's Statement of Financial Performance against the appropriate headings. If the revenue allocation is not expended in full, the balance is repayable by the States of Alderney and is accounted for as a debtor.

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 financial statements 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

- xl.ii. 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.
- xl.iii. 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.
- xlvi. The balance of reserves will amount to the value of the net assets of the States.

Cash Flow Statement

- xlvi. 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 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. 2018 Accounts columns marked with “#” includes figures that have been restated for comparative purposes.

NOTES TO THE ACCOUNTS

2. Restatement of 2018 Accounts

Rental Income Reclassified as Other Corporate Income

The States have a portfolio of commercial properties that are let and generate rental income. Within the 2018 Statement of Financial Performance, this rental income was included within the category headed Income from Operating Activities and amounted to £3.163m.

A decision was taken during 2018 to reclassify this type of rental income as Other Corporate Income within the budgeting framework.

For the purpose of aligning the reporting of income within these financial statements, to that contained within the budgetary framework, there has been a restatement of the amounts reported in the Statement of Financial Performance for 2018.

Transfer of Assets to Guernsey Waste

In 2014 (Billet d'État II, 2014) the States established the Solid Waste Trading Account for the purpose of managing the financial arrangements relating to solid waste. This included the then 'business as usual' for dealing with solid waste; the development and implementation of the Solid Waste Strategy, funding of waste minimisation and recycling initiatives.

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 table below provides a breakdown of the working capital balances that were invested within Guernsey Waste as at 1 January 2019. The figures below do not include any amounts attributable to property, plant or equipment transferred to Guernsey Waste on that date.

Transfer of Working Capital Balances to Guernsey Water	£'000s
Surplus cash balances deposited with the States	1,175
Receivables	489
Stock	25
Prepayments	52
Total assets	1,741
Creditors	(396)
Total liabilities	(396)
Total value of working capital transferred to Guernsey Waste	1,345

NOTES TO THE ACCOUNTS

The States do not include within the Statement of Financial Position any amounts invested in its un-incorporated trading entities. Consequently the transfer of the working capital balances to Guernsey Waste has 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 has been made to the Statement of Financial Performance, which has been allocated against the Solid Waste Trading Account (earmarked reserve held as part of the General Reserve). The overall balance of the Solid Waste Trading Account (2018: £1.345m) was written down to nil on 1st January 2019.

In order to provide comparative totals of income and expenditure for 2018 with those generated in 2019, an adjustment has been made to the figures previously published within the 2018 States Accounts and in particular the Statement of Financial Performance.

The sum of the operational income and expenditure of the Solid Waste Trading Account is shown as a single figure (operating loss of £471k) within the restated 2018 Statement of Financial Performance. This total excludes the share of the investment losses allocated to the Solid Waste Trading Account during 2018, as well as the capital expenditure that was funded from the Solid Waste Trading Account.

The following analysis shows a breakdown of all income and expenditure associated with the Solid Waste Trading Account during 2018.

Summary of Amounts Charged to the Solid Waste Trading Account in 2018	£'000s
Net Revenue Expenditure of Services Transferred to Guernsey Waste (operating loss)	471
Share of investment losses from Consolidated Investment Fund	48
Capital expenditure	22
Net Deficit Charged to the Solid Waste Trading Account	541

Adjustments to the 2018 Comparative Totals Within the Statement of Financial Performance

The table below shows the changes that have been made to the 2018 comparative totals within the Statement of Financial Performance, resulting from reclassifying rental income generated from commercial property, and the reporting of the net revenue expenditure of services attributed to the Solid Waste Trading Account.

Neither of these changes affect the net deficit reported in the Statement of Financial Performance for 2018, as they merely reclassify transactions within it.

NOTES TO THE ACCOUNTS

	2018 Published Statement of Financial Performance	Rental Income Reclassified as Other Corporate Income	Solid Waste Trading Account - Income and Expenditure	2018 Restated Statement of Financial Performance
	£'000s	£'000s	£'000s	£'000s
Income				
Income taxes	332,535	-	-	332,535
Other taxes and duties	85,731	-	-	85,731
Income from operating activities	66,549	(3,163)	(6,340)	57,046
Other corporate income	34,172	3,163	-	37,335
	518,987	-	(6,340)	512,647
Expenditure				
Pay	(231,789)	-	259	(231,530)
Staff related non-pay costs	(5,222)	-	6	(5,216)
Support services	(44,505)	-	5,723	(38,782)
Premises	(28,398)	-	332	(28,066)
Third party payments	(97,545)	-	-	(97,545)
Transport	(1,505)	-	2	(1,503)
Supplies and services	(50,024)	-	484	(49,540)
	(458,988)	-	6,806	(452,182)
Operating Surplus	59,999	-	466	60,465
Other Income and Expenditure				
Finance charges and other costs	(12,317)	-	5	(12,312)
Balance of internal loans charged to Capital Reserve	(9,107)	-	-	(9,107)
	(21,424)	-	5	(21,419)
Net Revenue Expenditure of Services Transferred to Guernsey	-	-	(471)	(471)
Investment returns	(19,859)	-	-	(19,859)
Capital receipts and expenditure	(34,935)	-	-	(34,935)
Net Deficit for the Period	(16,219)	-	-	(16,219)

NOTES TO THE ACCOUNTS

3. Income Taxes

	2019 £'000s	2018 £'000s
Individuals	276,634	260,790
Companies (including banks)	62,297	60,713
Distributed profits	10,245	11,032
Total Income Taxes	349,176	332,535

4. Other Taxes and Duties

	2019 £'000s	2018 £'000s
Customs - Excise and Import Duties		
Beer	3,782	3,722
Cider	899	920
Motor fuel	20,625	20,287
Spirits	3,855	3,707
Tobacco	7,654	7,908
Wine	5,759	5,433
Import duties	1,887	2,089
	44,461	44,066
Tax on Real Property	25,344	22,920
Document Duty – Conveyancing and Bonds	18,221	17,583
Vehicle First Registration Duty	1,228	1,162
Total Other Taxes and Duties	89,254	85,731

5. Other Corporate Income

	2019 £'000s	2018# £'000s
Housing rental income	20,094	19,914
Company fees	11,012	11,070
Rental income from commercial property	3,099	3,163
Dividend income from States' trading entities	2,810	2,100
Other income	1,431	1,088
Total Other Corporate Income	38,446	37,335

NOTES TO THE ACCOUNTS

6. Pay

Pay Costs by Pay Group	2019 £'000s	2018# £'000s
Established staff	92,913	88,723
Public service employees	16,945	16,435
Nurses and medical consultants	63,831	54,967
Teachers, lecturers and learning support assistants	44,756	42,958
Fire officers	3,453	3,402
Police officers	9,144	9,207
Home support staff	2,138	2,237
Border Agency officers	3,803	3,715
Prison officers	3,575	3,486
Crown officers and judges	1,804	1,859
Other pay groups	2,662	2,655
	245,024	229,644
States Members' remuneration	1,929	1,886
Total Pay Costs by Pay Group	246,953	231,530

The comparative figures for 2018 have been re-stated (refer to Note 2). The total pay cost for Established Staff has been reduced by £259k, which is the amount charged to the Solid Waste Trading Account during 2018. The related costs for 2019 have been charged to Guernsey Waste.

Full Time Equivalents by Pay Group Included Within Pay Costs	2019 Average FTE	2018# Average FTE
Established staff	1,706	1,681
Public service employees	530	546
Nurses and medical consultants	1,151	1,092
Teachers, lecturers and learning support assistants	835	812
Fire officers	58	59
Police officers	148	153
Home support staff	47	50
Border Agency officers	72	69
Prison officers	76	76
Crown officers and judges	7	7
Other pay groups	36	37
Total Full Time Equivalents by Pay Group Included Within Pay Costs	4,666	4,582

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

	2019 Number of Employees	2018 Number of Employees
£80,000 to £99,999	172	152
£100,000 to £119,999	54	59
£120,000 to £139,999	34	30
£140,000 to £159,999	31	33
£160,000 to £179,999	19	9
£180,000 to £199,999	6	7
£200,000 to £219,999	2	3
£220,000 to £239,999	1	1
£240,000 to £259,999	1	1
£260,000 to £279,999	2	-
£280,000 to £299,999	2	2
£300,000 and above	1	1
	325	298

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 Officers who, although paid by the States of Guernsey, are not employees.

NOTES TO THE ACCOUNTS

7. Operating Expenditure (Non-Pay) by Category

	2019 £'000s	2018# £'000s
Staff Related Non-Pay Costs		
Recruitment	3,507	2,285
Training	2,075	2,129
Other staff costs	725	802
	6,307	5,216
Support Services		
Advertising, marketing and public relations	2,487	2,507
Audit fees	249	270
Bank charges	303	328
Communications and IT	12,336	11,364
Consultants fees	3,530	2,876
Contracted out work	17,089	17,564
Incidental and other costs	87	82
Postage, stationery and printing	1,448	1,436
Risk management and insurance	2,622	2,355
	40,151	38,782
Premises		
Equipment, fixtures and fittings	1,107	962
Rents and leasing	4,318	4,135
Repairs, maintenance and servicing	17,620	16,757
Utilities	6,049	6,212
	29,094	28,066
Third Party Payments		
Benefit payments	56,358	47,280
Grants and subsidies	45,202	50,265
	101,560	97,545
Transport		
Vehicles and vessels	1,704	1,503
Supplies and Services		
Services	38,988	36,192
Supplies	14,772	13,348
	53,760	49,540
Total Operating Expenditure (Non-Pay) by Category	232,576	220,652

The comparative figures for 2018 have been re-stated (refer to Note 2). The total operating expenditure (non-pay) has been reduced by £6.806m, which is the amount charged to the Solid Waste Trading Account during 2018. The related costs for 2019 have been charged to Guernsey Waste.

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.

	2019 £'000s	2018 £'000s
Policy & Resources Committee		
Costs incurred in relation to States' Members	1,947	1,895
Committee for Employment & Social Security		
Legal Aid	2,531	2,486
Concessionary TV Licences for the Elderly	222	469
Family Allowance	8,485	8,332
Severe Disability Benefit and Carers' Allowance	6,326	6,260
Social Insurance Grant	16,737	16,135
Supplementary Benefit/Income Support Scheme	41,114	30,796
	75,415	64,478
Total Formula-led Costs	77,362	66,373

9. Finance Charges and Other Costs

	2019 £'000s	2018# £'000s
Bond interest charges	11,428	11,418
Bad debt expenses and adjustment for impairment of receivables	438	712
Notional loan charges	216	182
Total Finance Charges and Other Costs	12,082	12,312

The comparative figures for 2018 have been re-stated (refer to Note 2). The total finance charges and other costs have been reduced by £5k, which is the amount charged to the Solid Waste Trading Account during 2018. The related costs for 2019 have been charged to Guernsey Waste.

NOTES TO THE ACCOUNTS

10. Balance of Internal Loans Charged to Capital Reserve (Household Waste Recycling Centre)

On 19 April 2018 (Billet d'État XI, 2018), the States agreed to rescind a previous decision to fund the initial capital costs of the new waste management facilities through a loan from the proceeds of the States of Guernsey Bond Issue and instead agreed to fund these costs (to a maximum value of £32m) from the Capital Reserve.

The total amount expended up to 31 December 2017 was £9.107m, and this was shown as the "Balance of Internal Loans Charged to Capital Reserve" in the Statement of Financial Performance for the year ended 2018. Expenditure funded from the Capital Reserve during 2018, amounted to £19.948m. This was included within the total reported as "Capital Expenditure", in that Statement of Financial Performance.

During 2019, a further £2.308m was charged to the Capital Reserve, following completion of work at the new facility. This expenditure is included within the total reported as "Capital Expenditure" in the Statement of Financial Performance (for the year ended 2019).

11. Capital Receipts

	2019 £'000s	2018 £'000s
Repayment of capital grant from -		
Ports	3,000	-
Guernsey Water	1,308	-
	4,308	-
Property Sales		
Land at Guernsey Dairy	1,000	-
Fort Richmond	918	-
Land at La Rue Marguerite	-	1,267
Platte Fougere	-	518
8 College Street, St Peter Port	-	152
Sale of other property, plant and equipment	197	185
	2,115	2,122
Total Capital Receipts	6,423	2,122

The States agreed (Billet d'État XXIV, 2018) to transfer capital income generated from the sale of General Revenue property to the Capital Reserve. Therefore, an amount of £2.111m has been appropriated from the General Reserve to the Capital Reserve during 2019 (2018: £1.970m).

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

A decision was taken by the States' Trading Supervisory Board to repay during 2019, £3m of the capital grant previously paid to Ports, and £1.308m of the capital grant previously paid to Guernsey Water.

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

NOTES TO THE ACCOUNTS

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.

Arrangements were put in place from the start of 2018, to fund expenditure on all Committee led capital schemes, from the Capital Reserve. There are some functions within the States where capital expenditure is funded in a different way. This includes expenditure on minor capital projects that relate to the collection of solid waste during 2018, which was funded from the Solid Waste Trading Account, and all capital expenditure incurred by Guernsey Registry, which is capitalised via an internal loan.

Capital Expenditure Charged to the Statement of Financial Performance

	2019 £'000s	2018 £'000s
Capital works on land, buildings and infrastructure	13,946	18,738
IT projects and equipment	13,808	4,529
Equipment, machinery and vehicles	4,733	13,790
Total Capital Expenditure Charged to the Statement of Financial Performance	32,487	37,057

Funding of Capital Expenditure Charged to the Statement of Financial Performance

	2019 £'000s	2018 £'000s
Capital Reserve	32,487	37,035
Solid Waste Trading Account	-	22
Total Funding of Capital Expenditure Charged to the Statement of Financial Performance	32,487	37,057

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

	2019 £'000s	2018 £'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 2019 (2018: nil).

The total value of Guernsey Electricity Limited's net assets as at 31 March 2019 was £108.139m (£91.761m as at 31 March 2018). However, this is after provision has been made for a pension deficit reported under FRS102 of £8.601m (2018: £35.074m).

Guernsey Post Limited

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

The States received a dividend of £1.060m (2018: £1.100m).

The total value of Guernsey Post Limited's net assets as at 31 March 2019 was £23.548m (£22.786m as at 31 March 2018).

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 2019 amounts to £45.482m (2018: £36.230m - re-stated balance within the draft 2019 Cabernet Limited Accounts). This exceeds the gross cost of the investment held by the States (£30.272m), by £15.210m.

In order to provide for the remaining element of Cabernet's accumulated losses, an amount of £9.686m (2018: £4.430m) has been transferred from the General Reserve to the States' Trading Entities Reserve. Consequently, the total amount set aside in the States' Trading Entities Reserve has increased from £5.524m to £15.210m.

It is assumed that the use of landing slots at Gatwick Airport by Cabernet Limited still retains a residual value of £5.06m. This value is based upon the initial purchase cost of Cabernet Limited, compared to the value of the net assets of the group when the acquisition occurred. The accounts of Cabernet Limited do not include the landing slots as assets, therefore it reports a net liability as at 31 December 2019 of £20.270m (2018: £11.018m - re-stated balance within the draft 2019 Cabernet Limited Accounts). The net liability of £20.270m exceeds the amount of £15.210m that has been set aside in the States' Trading Entities Reserve, by £5.06m.

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.

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.

	2019 £'000s	2018 £'000s
Ports	229,509	234,456
Guernsey Water	137,558	138,326
Guernsey Waste	29,574	-
States Works	10,924	11,496
Guernsey Dairy	3,817	4,205
Balance at 31 December	411,382	388,483

The States received a dividend of £1.750m (2018: £1m) 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.

	2019 £'000s	2018 £'000s
Ports	58	12
Guernsey Waste	2,308	-
Balance at 31 December	2,366	12

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.

	2019 £'000s	2018 £'000s
Guernsey Insurance Fund	740,783	712,516
Guernsey Health Service Fund	120,034	114,444
Long-Term Care Insurance Fund	92,748	79,211
Balance at 31 December	953,565	906,171

14. Consolidated Investment Fund

	2019 £'000s	2018 £'000s
Balance at 1 January	2,115,634	2,205,548
Returns/(charges) on investments (including realised and unrealised gains/(losses) on revaluation of investments) net of investment management fees and other expenses	247,803	(79,187)
Net withdrawal of cash during the year	(23,671)	(10,727)
Balance at 31 December	2,339,766	2,115,634
Equities	1,303,035	1,141,329
Alternatives	421,704	441,913
Bonds and fixed interest securities	347,272	292,738
Property	126,735	139,548
Cash (held by investment managers)	141,020	100,106
Balance at 31 December	2,339,766	2,115,634

NOTES TO THE ACCOUNTS

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.

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

Consolidated Investment Fund Managers - 2019

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
Investec Asset Management	State Street Global Advisors
JP Morgan Asset Management	Sustainable Growth Management GP Sàrl
Bank Julius Baer & Co Limited Guernsey Branch	Wellington Management International Limited
MitonOptimal Portfolio Management (CI) Limited	White Star Capital Guernsey Limited
Morgan Stanley Investment Management Limited	

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

NOTES TO THE ACCOUNTS

The States had the following commitments in Private Equity Funds as at 31 December 2019.

	Total Commitment 31 December 2019 £'000s	Drawn Commitment 31 December 2019 £'000s	Undrawn Commitment 31 December 2019 £'000s	31 December 2018 £'000s
CBRE Global Investors (UK) Funds Limited	252,042	209,312	42,730	8,233
Guernsey Investment Fund PCC Limited GIF Property Cell	40,000	-	40,000	-
Morgan Stanley	82,956	62,124	20,832	32,657
Guernsey Investment Fund PCC Limited GIF Technology and Innovation Cell	25,000	14,112	10,888	21,586
White Star Capital	7,570	5,905	1,665	5,090
Partners Group (Guernsey) Limited	7,570	6,338	1,232	1,915
Sustainable Growth Fund	8,500	8,357	143	1,598
AMP Capital Investors Limited	7,570	6,895	675	645
JP Morgan Asset Management	7,570	6,811	759	1,564
Total	438,778	319,854	118,924	73,288

The undrawn commitment reflected within Morgan Stanley portfolio will be met by the investment manager from the assets held within its portfolio. The States will temporarily fund up to £40m of the commitment to CBRE Global Investors (UK) Funds Limited, while they sell other assets. The remaining element of the commitment will be met by the investment manager from the assets held within its portfolio.

The capital calls for the other 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
	2019 £'000s	2019 £'000s	2018 £'000s	2018 £'000s
External Loans				
Guernsey Housing Association LBG*	93,382	2,633	82,091	2,238
Cabernet Limited*	25,976	3,604	29,580	1,875
Guernsey Electricity Limited*	10,724	276	-	-
JamesCo750 Limited*	9,672	663	10,336	638
Guernsey Water*	8,362	191	8,552	184
Home Loans Scheme	1,043	74	1,460	80
Alderney Housing Association*	2,805	64	-	-
Guernsey Dairy*	718	16	-	-
Higher Education Loans Fund	20	10	32	19
Farm Loans Fund	111	17	119	17
Sports Loans Fund	43	15	61	22
Guernsey Harbour*	2,379	89	33	-
	155,235	7,652	132,264	5,073
Internal Loans				
Committee for Health & Social Care - Accommodation Fund*	1,390	128	1,518	124
Company Registry*	190	58	248	57
Company Registry	-	-	-	36
	1,580	186	1,766	217
Other Receivables				
Income tax	-	48,138	-	43,385
Other taxes and duties	-	3,631	-	3,606
	-	51,769	-	46,991
Trade debtors	-	29,997	-	24,951
Other debtors	-	3,946	-	11,913
	-	33,943	-	36,864
Balance at 31 December	156,815	93,550	134,030	89,145

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.

The States previously provided a short-term borrowing facility to Cabernet Limited and charged interest on the carrying balance at a pre-agreed rate. The total amount borrowed as at the end of 2018 was £7.840m, however this was repaid in full during 2019. The balance at the end of 2018 was included within the amount categorised as "Other debtors".

NOTES TO THE ACCOUNTS

16. Creditors

	2019 £'000s	2018 £'000s
Trade creditors	37,811	32,624
Deferred Income	2,543	2,453
Other creditors	172	100
Balance at 31 December	40,526	35,177

17. Depositors

	2019 £'000s	2018 £'000s
Superannuation Fund	1,498,198	1,356,537
States incorporated trading entities	8,144	8,804
States un-incorporated trading entities	18,243	16,680
HM Receiver General, charity and other deposit balances	40,818	37,174
Balance at 31 December	1,565,403	1,419,195

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.

18. Currency in Circulation

	2019 £'000s	2018 £'000s
All notes and coins in circulation at 1 January	58,676	55,270
<i>Issued during the year</i>	89,323	96,149
<i>Withdrawn during the year</i>	(87,817)	(92,743)
All notes and coins in circulation at 31 December	60,182	58,676
Nominal value of notes and coins which are considered unlikely to be either redeemed or exchanged at 31 December		
<i>Commemorative coins</i>	(7,486)	(7,126)
<i>General notes and coins</i>	(2,100)	(2,100)
	(9,586)	(9,226)
Estimated Value of Liability at 31 December	50,596	49,450

Although the nominal value of the notes and coins in circulation amounted to £60.182m as at 31 December 2019 (2018: £58.676m), 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.

NOTES TO THE ACCOUNTS

With regard to commemorative coins, the nominal value of coins issued as at 31 December 2019 was £7.989m (2018: £7.595m). The liability has been reduced by £7.486m (2018: £7.126m), 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.

19. 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

20. 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.

	2019 £'000s	2018 £'000s
Financial Assets Classified as Financial Instruments		
Financial assets at fair value		
Consolidated Investment Fund	2,339,766	2,115,634
Financial assets at amortised cost		
External loans (associated entities)	161,554	135,527
External loans (other external parties)	1,333	1,810
Trade debtors	29,997	24,951
Other debtors	3,665	11,617
Cash and cash equivalents	12,347	6,638
	208,896	180,543
Financial assets at cost		
Shareholdings in States' Trading Entities	113,098	113,098
Total Financial Assets Classified as Financial Instruments	2,661,760	2,409,275
Financial Liabilities Classified as Financial Instruments		
Financial liabilities at fair value		
Depositors	(1,565,403)	(1,419,195)
Financial liabilities at amortised cost		
Trade creditors	(37,811)	(32,624)
Bond issue	(317,340)	(317,053)
	(355,151)	(349,677)
Total Financial Liabilities Classified as Financial Instruments	(1,920,554)	(1,768,872)

NOTES TO THE ACCOUNTS

21. 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.

	Note	2019 £'000s	2018 £'000s
Earmarked funds at 31 December			
Corporate Housing Programme Fund	23	23,660	24,524
Bond Reserve	24	17,820	3,339
Transformation and Transition Fund	25	15,163	20,247
Insurance Deductible Fund	26	12,939	12,084
Future Guernsey Economic Fund	27	4,553	5,732
Wilfred Carey Purchase Fund	28	3,556	3,228
Brexit Transition Fund	29	2,564	3,000
Channel Islands Lottery (Guernsey) Fund	30	2,442	1,932
Overseas Aid & Development Commission Fund	31	1,492	1,137
Higher Education Loans Fund	32	1,044	934
Overseas Aid & Development Impact Investment Fund	33	1,000	1,000
Participatory Budgeting Fund	34	1,000	1,000
Health and Social Care Accommodation Fund	35	762	1,020
Sports Loans Fund	36	319	319
Solid Waste Trading Account	37	-	1,345
		88,314	80,841
Unallocated balance at 31 December	22	38,754	35,839
General Reserve Balance at 31 December		127,068	116,680

NOTES TO THE ACCOUNTS

22. General Reserve (Unallocated Balance)

	2019 £'000s	2018 £'000s
Balance at 1 January	35,839	49,966
Revenue Surplus	76,117	68,493
	111,956	118,459
Appropriations from		
Channel Islands Lottery (Guernsey) Fund	605	616
Solid Waste Trading Account	-	1,574
	605	2,190
Appropriations to		
Capital Reserve	(58,861)	(56,670)
Overseas Aid & Development Commission Fund	(2,960)	(2,960)
Insurance Deductible Fund	(1,400)	(1,350)
Future Guernsey Economic Fund	(900)	(1,500)
Core Investment Reserve	-	(12,900)
States' Trading Entities Reserve	(9,686)	(4,430)
Brexit Transition Fund	-	(3,000)
Overseas Aid & Development Impact Investment Fund	-	(1,000)
Participatory Budgeting Fund	-	(1,000)
	(73,807)	(84,810)
Balance at 31 December	38,754	35,839

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

The net appropriation of £56.670m to the Capital Reserve during 2018 was made up of –

- (i) £53.2m (Billet d'État XX,2017)
- (ii) £1.970m (Billet d'État XX,2017) – sale of property
- (iii) £1m (Billet d'État XX,2017) – dividend from States Works
- (iv) £0.5m (Billet d'État XX,2017) – special dividend from Guernsey Post Limited

23. Corporate Housing Programme Fund

	2019 £'000s	2018 £'000s
Balance at 1 January	24,524	27,090
Capital receipts	-	152
Operating expenditure	(864)	(2,718)
Net deficit for the year	(864)	(2,566)
Balance at 31 December	23,660	24,524

NOTES TO THE ACCOUNTS

24. Bond Reserve

	2019 £'000s	2018 £'000s
Balance at 1 January	3,339	16,215
Investment return/(charge)	20,596	(6,781)
Interest received from loans	5,394	5,316
Non utilisation fees	-	51
Total income	25,990	(1,414)
Interest charge	(11,428)	(11,418)
Other expenses	(81)	(44)
Total expenditure	(11,509)	(11,462)
Net surplus/(deficit) for the year	14,481	(12,876)
Balance at 31 December	17,820	3,339

25. Transformation and Transition Fund

	2019 £'000s	2018 £'000s
Balance at 1 January	20,247	23,326
Operating income	168	-
Operating expenditure	(5,252)	(3,079)
Net deficit for the year	(5,084)	(3,079)
Balance at 31 December	15,163	20,247

26. Insurance Deductible Fund

	2019 £'000s	2018 £'000s
Balance at 1 January	12,084	10,851
Operating expenditure	(545)	(117)
Appropriations - From General Reserve	1,400	1,350
Balance at 31 December	12,939	12,084

NOTES TO THE ACCOUNTS

27. Future Guernsey Economic Fund

	2019 £'000s	2018 £'000s
Balance at 1 January	5,732	5,693
Operating income	366	165
Operating expenditure	(2,445)	(1,626)
Net deficit for the year	(2,079)	(1,461)
Appropriations -		
From General Reserve	900	1,500
Balance at 31 December	4,553	5,732

28. Wilfred Carey Purchase Fund

	2019 £'000s	2018 £'000s
Balance at 1 January	3,228	3,419
Investment return/(charge)	381	(122)
Operating Expenditure	(53)	(69)
Net surplus/(deficit) for the year	328	(191)
Balance at 31 December	3,556	3,228

29. Brexit Transition Fund

	2019 £'000s	2018 £'000s
Balance at 1 January	3,000	-
Operating Expenditure	(436)	-
Appropriations -		
From General Reserve	-	3,000
Balance at 31 December	2,564	3,000

NOTES TO THE ACCOUNTS

30. Channel Islands Lottery (Guernsey) Fund

	2019 £'000s	2018 £'000s
Balance at 1 January	1,932	1,459
Operating income	13,637	13,092
Operating expenditure	(12,207)	(11,678)
Contributions to third parties	(315)	(325)
Net surplus for the year	1,115	1,089
Appropriations - To General Reserve	(605)	(616)
Balance at 31 December	2,442	1,932

31. Overseas Aid & Development Commission Fund

	2019 £'000s	2018 £'000s
Balance at 1 January	1,137	903
Total grants payable	(2,605)	(2,726)
Appropriations - From General Reserve	2,960	2,960
Balance at 31 December	1,492	1,137

32. Higher Education Loans Fund

	2019 £'000s	2018 £'000s
Balance at 1 January	934	958
Investment return/(charge)	106	(33)
Interest received on loans issued	-	-
Operating expenditure (adjustment for impairment of loan balances)	4	9
Net surplus/(deficit) for the year	110	(24)
Balance at 31 December	1,044	934

33. Overseas Aid & Development Impact Investment Fund

	2019 £'000s	2018 £'000s
Balance at 1 January	1,000	-
Appropriations - From General Reserve	-	1,000
Balance at 31 December	1,000	1,000

NOTES TO THE ACCOUNTS

34. Participatory Budgeting Fund

	2019 £'000s	2018 £'000s
Balance at 1 January	1,000	-
Appropriations - From General Reserve	-	1,000
Balance at 31 December	1,000	1,000

35. Health and Social Care Accommodation Fund

	2019 £'000s	2018 £'000s
Balance at 1 January	1,020	1,127
Net investment return/(charge)	19	(89)
Operating income	2,352	2,047
Operating expenditure	(2,629)	(2,065)
Net deficit for the year	(258)	(107)
Balance at 31 December	762	1,020

36. Sports Loans Fund

	2019 £'000s	2018 £'000s
Balance at 1 January	319	319
Net surplus for the year	-	-
Balance at 31 December	319	319

37. Solid Waste Trading Account

	2019 £'000s	2018 £'000s
Balance at 1 January	1,345	3,460
Investment charge	-	(48)
Operating income	-	6,340
Operating expenditure	-	(6,811)
Capital expenditure	-	(22)
Transfer of balance of working capital to Guernsey Waste	(1,345)	-
Net deficit for the year	(1,345)	(541)
Appropriations - To General Reserve	-	(1,574)
Balance at 31 December	-	1,345

NOTES TO THE ACCOUNTS

38. Capital Reserve

	2019 £'000s	2018 £'000s
Balance at 1 January	241,218	240,249
Investment return/(charge)	34,474	(9,151)
Capital receipts	4,308	-
Expenditure on capital votes	(32,487)	(46,142)
Operating expenditure	(491)	(408)
	5,804	(55,701)
Appropriations from General Reserve	58,861	56,670
Balance at 31 December	305,883	241,218

A breakdown of the total appropriation from the General Reserve, is included in Note 22.

39. Core Investment Reserve

	2019 £'000s	2018 £'000s
Balance at 1 January	174,909	168,421
Investment return/(charge)	20,817	(6,412)
Appropriations - From General Reserve	-	12,900
Balance at 31 December	195,726	174,909

NOTES TO THE ACCOUNTS

40. States' Trading Entities Reserve

	2019 £'000s	2018 £'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	5,524	1,094
Appropriations - From General Reserve	9,686	4,430
Balance at 31 December	15,210	5,524
Total Balance at 31 December	128,308	118,622

An appropriation of £9.686m (2018: £4.430m) was made between the General Reserve and the States' Trading Entities Reserve during 2019, to provide for the difference between the cumulative amounts charged to the Statement of Financial Performance and accumulated losses incurred by Cabernet Limited.

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

	2019 £'000s	2018 £'000s
Overall surplus/(deficit)	105,556	(16,219)
Adjustment for net capital expenditure charged to revenue	32,487	37,057
Adjustment for net capital receipts credited to revenue	(6,423)	(2,122)
Adjustment for dividends received	(2,810)	(2,100)
Adjustment for coupon payment	11,141	11,141
Adjustment for Effective Interest Rate charged to amortised loan	287	277
(Gains)/losses on revaluation of investments	(247,803)	79,187
Increase in stocks	(371)	(469)
Increase in debtors and prepayments	(3,113)	(2,727)
Decrease in other loan balances	477	9,277
Increase/(decrease) in depositor balances	146,208	(82,946)
Increase in creditors	6,607	4,272
Net cash inflows from Operating Activities	42,243	34,628

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

NOTES TO THE ACCOUNTS

42. Analysis of Cash Balances

	At 1 January 2018 £'000s	Movements in 2018 £'000s	At 31 December 2018 £'000s	Movements in 2019 £'000s	At 31 December 2019 £'000s
Cash at banks	13,338	(6,774)	6,564	5,742	12,306
Cash in hand	45	29	74	(33)	41
Total	13,383	(6,745)	6,638	5,709	12,347

43. 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 2018 £'000s	Movements in Net Funds 2018 £'000s	At 31 December 2018 £'000s	Movements in Net Funds 2019 £'000s	At 31 December 2019 £'000s
Combined Pool	1,362,808	(64,301)	1,298,507	138,650	1,437,157
Teachers Fund	59,125	(3,615)	55,510	5,014	60,524
States Members Fund	4,251	(434)	3,817	220	4,037
Total	1,426,184	(68,350)	1,357,834	143,884	1,501,718

Combined Pool

	2019 £'000s	2018 £'000s
Employers' contributions	30,556	29,034
Employees' contributions	16,283	14,992
Refund of contributions repaid	102	45
Transfer values received	3,391	3,712
	50,332	47,783
Pensions	(49,257)	(46,714)
Lump sum payments	(12,772)	(12,305)
Contributions refunded to employees	(1,496)	(1,395)
Transfer values paid	(1,038)	(1,623)
	(64,563)	(62,037)
Returns/(charges) on investments (including realised and unrealised gains/(losses) on revaluation of investments) net of investment management fees and other expenses	152,881	(50,047)
Net Increase/(Decrease) in Fund for the Year	138,650	(64,301)

NOTES TO THE ACCOUNTS

Teachers' Fund

Employers' contributions
Teachers' contributions

Pensions
Lump sum payments
Contributions refunded to teachers
Transfer values paid

Returns/(charges) on investments (including realised and unrealised gains/(losses) on revaluation of investments) net of investment management fees and other expenses

Net Increase/(Decrease) in Fund for the Year

2019 £'000s	2018 £'000s
150	172
74	85
224	257
(1,510)	(1,411)
(176)	(292)
(7)	-
-	(29)
(1,693)	(1,732)
6,483	(2,140)
5,014	(3,615)

States Members' Pension Fund

Capital payment

Pensions
Transfer values paid

Returns/(charges) on investments (including realised and unrealised gains/(losses) on revaluation of investments) net of investment management fees and other expenses

Net Increase/(Decrease) in Fund for the Year

2019 £'000s	2018 £'000s
160	157
(290)	(301)
(87)	(148)
(377)	(449)
437	(142)
220	(434)

Consolidated Superannuation Fund

Employers' contributions
Employees' contributions
Capital payments
Refund of contributions repaid
Transfer values received

Pensions
Lump sum payments
Contributions refunded
Transfer values paid

Returns/(charges) on investments (including realised and unrealised gains/(losses) on revaluation of investments) net of investment management fees and other expenses

Net Increase/(Decrease) in Fund for the Year

2019 £'000s	2018 £'000s
30,706	29,206
16,357	15,077
160	157
102	45
3,391	3,712
50,716	48,197
(51,057)	(48,426)
(12,948)	(12,597)
(1,503)	(1,395)
(1,125)	(1,800)
(66,633)	(64,218)
159,801	(52,329)
143,884	(68,350)

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 (which was £87,434 from 1 May 2016, increasing to £92,236 from 1 December 2019) 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 1.9% (2018: 2.8%) which is equivalent to a bond that has been rated at a level of AA or equivalent status.

This compares with the discount rate of 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 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 2019.

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

	31 December 2019 % p.a.	31 December 2018 % p.a.
Discount rate	1.90%	2.80%
Rate of inflation	2.80%	3.10%
Increases to deferred benefits during deferment - Teachers Scheme	1.90%	2.20%
Increases to deferred benefits during deferment - Other Schemes	2.80%	3.10%
Increases to pensions in payment - Teachers Scheme	1.90%	2.20%
Increases to pensions in payment - Other Schemes	2.80%	3.10%
Increases to salaries	3.55%	3.85%
Mortality assumptions:		
Female pensioners aged 65 will live until	88	89
Male pensioners aged 65 will live until	86	87
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

	2019 £'000s	2018 £'000s
Current service cost	58,727	71,177
Net interest on net defined liability		
Interest on obligation	62,573	62,964
Interest on assets	(37,797)	(36,873)
Cumulative amounts of re-measurements		
(Return)/charge on assets (not included in interest)	(122,717)	88,370
Actuarial losses/(gains) on obligation	221,363	(274,346)
Administration expenses	713	832
	182,862	(87,876)
Contributions by employer	(30,865)	(29,363)
Net Increase/(Reduction) in Deficit for the Year	151,997	(117,239)

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

	2019 £'000s	2018 £'000s
Defined benefit obligation at 1 January	2,266,323	2,451,912
Service cost	58,727	71,177
Contribution by members	16,357	15,077
Benefits paid	(63,139)	(60,461)
Interest on obligation	62,573	62,964
Experience gains	(18,986)	(22,374)
Losses/(gains) from changes in assumptions	240,349	(251,972)
Defined Benefit Obligation at 31 December	2,562,204	2,266,323

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

	2019 £'000s	2018 £'000s
Fair value of fund assets at 1 January	1,357,834	1,426,184
Interest on assets	37,797	36,873
Return/(charge) on assets (not included in interest)	122,717	(88,370)
Contributions by employer	30,865	29,363
Contributions by members	16,357	15,077
Benefits paid	(63,139)	(60,461)
Administration expenses	(713)	(832)
Fair Value of Fund Assets at 31 December	1,501,718	1,357,834

NOTES TO THE ACCOUNTS

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

	2019 £'000s	2019 %	2018 £'000s	2018 %
Equities	840,962	56	732,871	54
Alternatives	270,309	18	283,353	21
Gilts and bonds	225,258	15	187,703	14
Property	75,086	5	89,478	6
Cash	90,103	6	64,429	5
Total Fund Assets	1,501,718	100	1,357,834	100

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 2019 was £1.928m (2018: £1.081m).

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 £1,502m (2018: £1,358m) reported in the table above includes amounts deposited with both the States and BWCI.

The employer expects to contribute £32m to the Fund from 1 January 2020 to 31 December 2020.

The overall scheme deficit is as follows:

	2019 £'000s	2018 £'000s
Defined benefit obligation at 31 December	2,562,204	2,266,323
Fair value of fund assets at 31 December	(1,501,718)	(1,357,834)
Net defined benefit liability	1,060,486	908,489

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.

44. Non-Audit Services

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 amount paid to Grant Thornton Limited in 2019 for these non-audit services amounted to £11,050 (2018: nil).

NOTES TO THE ACCOUNTS

45. Contingent Liabilities

The following guarantees are considered to be contingent liabilities, but have not been accounted for in the principal financial statements. 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 Limited (the holding company of Aurigny Air Services Limited and Anglo Normandy Engineering Limited).

On 20 December 2018, the States of Guernsey guaranteed a loan facility entered into by Aurigny Air Services Limited with the Royal Bank of Scotland International Limited (RBSI) for the replacement of ATR72-500 aircraft with three ART72-600 aircraft subject to a maximum amount guaranteed of £51m. The guarantee includes provision for any interest rate and/or currency exchange swap agreements that may be required. The balance drawn against this facility as at 31 December 2019 amounted to £45.3m (2018: £7.7m).

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). The States' continues to guarantee the obligations and liabilities of Aurigny under the restated agreement.

On 4 December 2019 the States of Guernsey was 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. The balance drawn against this loan facility as at 31 December 2019 amounted to £14.0m (2018: £7.8m on the previous facility with the States of Guernsey).

The States' also guarantees the company's trading operational loan facilities with RBSI comprising of an overdraft facility up to a maximum of £1.25m and States of Guernsey Customs & Excise Bonds to a maximum of £40,500. A further guarantee is in place with Barclaycard for an unlimited amount of credit card sales in respect of unflown flights. The balance drawn against this overdraft facility as at 31 December 2019 amounted to £0.364m (2018: £0.379m).

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 2019, amounted to £nil (2018: £3.0m). The facility will expire on 31 March 2022.

NOTES TO THE ACCOUNTS

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 2019 amounted to £9.5m (2018: £7.6m) 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.

In 2019 the States of Guernsey agreed to give the AHA a loan of £2.9m from the proceeds of the bond issue, replacing the overdraft facility and as such the private financial institution released both the States of Alderney and States of Guernsey from the guarantees.

NOTES TO THE ACCOUNTS

46. Table of Grant Payments

The States provides grant funding to a number of different entities. Details of those grants that were payable during 2019 and 2018 are as follows.

Description	2019 £'000	2018 £'000
Social Insurance Fund Grant	16,738	16,135
Rent rebate payments (various)	-	5,835
Overseas aid grants (various)	2,600	2,725
St John Ambulance and Rescue Service	2,350	2,350
Elizabeth College (College Grant)	2,049	2,103
Pre-school grants (various)	1,974	1,854
The Ladies College (College Grant)	1,778	1,853
Guille-Alles Library	1,642	1,621
Guernsey Finance LBG	1,200	1,200
Dairy farm management payments (various)	1,025	1,225
Flybe Limited (Heathrow Air Route Subsidy)	1,025	-
Office of Data Protection Authority	998	465
Guernsey Training Agency	703	703
H E Lieutenant Governor	657	638
Youth Commission	588	548
Guernsey Employment Trust	497	459
Guernsey Sports Commission	409	209
Blanchelande College (College Grant)	391	393
Health Improvement Commission	391	182
Priaulx Library	330	327
Action for Children	314	327
Channel Islands Brussels Office	300	340
Guernsey Housing Association	267	2,118
Dyslexia Day Centre	209	159
Association of Guernsey Charities	184	218
Events Group	157	137
Guernsey Competition and Regulatory Authority	146	140
Grow Limited	141	141
Guernsey Contraceptive Service	137	140
2021 Island Games	125	100
Guernsey Arts Commission	114	114
Guernsey Enterprise Agency (Start Up Guernsey)	112	112
Alderney Commission for Renewable Energy	65	237
Dairy & Land Management (Alderney)	63	65
Friends of St James Association	58	58
Other grant payments less than £50,000 (various)	5,465	5,034
Total Grant Payments	45,202	50,265

NOTES TO THE ACCOUNTS

47. 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.

	2019 Total £	2018 Total £
B L Brehaut	54,161	52,666
A H Brouard	54,161	52,666
D de G De Lisle	38,363	37,304
H L De Sausmarez	40,089	38,982
M H Dorey	40,089	38,982
A C Dudley-Owen	40,089	38,982
M J Fallaize	54,161	52,666
P T R Ferbrache	38,363	37,304
J A B Gollop	40,089	38,982
R H Graham LVO, MBE	38,363	37,304
C J Green	54,161	52,666
S T Hansmann Rouxel	37,629	37,629
N R Inder	54,161	40,971
L E Jean	-	12,288
J Kuttelwascher	38,363	37,304
S L Langlois	36,008	36,009
M K Le Clerc	54,161	52,666
P R Le Pelley	38,363	39,459
J P Le Tocq	54,161	52,666
M P Leadbeater	40,089	38,982
M M Lowe	48,648	48,648
S D G McKinley, OBE	-	20,589
C P Meerveld	40,089	38,982
J S Merrett	40,089	38,982
J I Mooney	40,089	38,982
V S Oliver	40,089	38,982
B J E Paint	38,363	37,304
C N K Parkinson	52,400	52,666
R G Prow	36,008	36,009
L B Queripel	37,629	37,629
L C Queripel	38,363	37,304
S R Roberts	19,518	-
P J Roffey	40,089	49,306
J C S F Smithies	38,363	37,304
E A J Snowdon	20,396	-
H J R Soulsby	54,161	52,666
G A St Pier	70,490	68,543
T J Stephens	51,829	50,398
D A Tindall	40,089	38,982
R H Tooley	40,089	38,982
L S Trott	54,161	52,666
E A Yerby	37,629	37,629
Total Payments to States Members	1,723,605	1,679,031

NOTES TO THE ACCOUNTS

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.

Mr S R Roberts and Mr E A J Snowdon replaced Mr L E Jean and Mr S D G McKinley OBE, as the Alderney Representatives.

48. 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 £0.446m (2018: £11.541m) in respect of goods and services provided by companies within that Group to the States' Trading Supervisory Board (non-trading responsibilities) during 2019. The Accounts of each States' Trading Supervisory Board trading entity (incorporated and unincorporated) include a related party transaction note.

Deputy Mark Dorey is a member of the Committee *for the* Environment & Infrastructure 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 2019, a relation of Deputy Dorey received £55k (2018: £42k) 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 and Non-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

49. Events After the Reporting Date

COVID-19 Pandemic

With the recent and rapid spread of the novel coronavirus pandemic (thereafter referred to as COVID-19 pandemic), there has been a significant impact on a global scale. This has had a profound effect upon communities, businesses and governments.

The States have put in place a comprehensive package of measures designed to provide financial support and liquidity for businesses and individuals.

No adjustment has been made to the financial position and results reported for the year ending 31 December 2019 as the COVID-19 pandemic is considered to be a post balance sheet event. The duration and impact of the COVID-19 pandemic is unclear at this early stage and it is not possible to reliably estimate the duration and severity of the pandemic consequences on either the future value of the assets and liabilities of the States, or future income and expenditure. This also extends to the incorporated and un-incorporated entities included within Note 13, which are principally owned or controlled by the States.

Revolving Credit Facility

The Policy & Resources Committee has entered into an agreement for a Revolving Credit Facility (RCF) in the sum of £225m with 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 RCF has an initial termination date of two years and contains an option for the States of Guernsey, 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.

NOTES TO THE ACCOUNTS

50. Segmental Analysis

The States prepared the 2019 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

	Note	2019 £'000s	2018# £'000s
Surplus/(Deficit) for the year as per the Statement of Financial Performance		105,556	(16,219)
Adjustments for (surplus)/deficit on earmarked balances within the General Reserve			
Corporate Housing Programme Fund	23	864	2,566
Bond Reserve	24	(14,481)	12,876
Transformation and Transition Fund	25	5,084	3,079
Insurance Deductible Fund	26	545	117
Future Guernsey Economic Fund	27	2,079	1,461
Wilfred Carey Purchase Fund	28	(328)	191
Brexit Transition Fund	29	436	-
Channel Islands Lottery (Guernsey) Fund	30	(1,115)	(1,089)
Overseas Aid & Development Commission Fund	31	2,605	2,726
Higher Education Loans Fund	32	(110)	24
Health and Social Care Accommodation Fund	35	258	107
Solid Waste Trading Account	37	1,345	541
		(2,818)	22,599
Adjustment for balances (credited)/debited to the Capital Reserve	38	(5,804)	55,701
Adjustment for balances (credited)/debited to the Core Investment Reserve	39	(20,817)	6,412
Adjustment for balances credited to the States' Trading Entities Reserve	40	(9,686)	(4,430)
Surplus credited to General Reserve (Unallocated Balance)		66,431	64,063
Other adjusting items included within the Segmental Analysis			
Transfer to Insurance Deductible Fund	26	(1,400)	(1,350)
Transfer from Channel Islands Lottery (Guernsey) Fund	30	605	616
Transfer to Overseas Aid & Development Commission Fund	31	(2,960)	(2,960)
Transfer from Solid Waste Trading Account	37	-	1,574
		(3,755)	(2,120)
Surplus reported within the Segmental Analysis		62,676	61,943

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
 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

Appendix I

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.

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.

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.

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.

GLOSSARY

Appendix I

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.

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.

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.

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.

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.

GLOSSARY

Appendix I

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.

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.

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.

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.

GLOSSARY

Appendix I

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.

SEGMENTAL ANALYSIS

2019 Original Budget £'000s	2019 Total Authorised £'000s	
460,000	460,000	Revenue Income
7,000	7,000	Capital Income
467,000	467,000	Total Income
		Net Revenue Expenditure
39,815	42,158	<i>Policy & Resources Committee</i>
6,040	6,323	<i>Committee for Economic Development</i>
78,350	80,289	<i>Committee for Education, Sport & Culture</i>
87,955	88,045	<i>Committee for Employment & Social Security</i>
12,255	12,243	<i>Committee for the Environment & Infrastructure</i>
119,470	123,253	<i>Committee for Health & Social Care</i>
31,400	32,486	<i>Committee for Home Affairs</i>
531	541	<i>Scrutiny Management Committee</i>
1,410	1,462	<i>Development & Planning Authority</i>
2,960	2,960	<i>Overseas Aid & Development Commission</i>
-	-	<i>Transport Licensing Authority</i>
6,210	6,249	<i>States' Trading Supervisory Board</i>
2,570	2,649	<i>Royal Court</i>
5,055	5,226	<i>Law Officers</i>
506	520	<i>Pooled Budgets</i>
1,875	1,924	<i>States of Alderney</i>
12,238	1,178	<i>Budget Reserve</i>
(4,620)	(3,486)	<i>Savings Target</i>
(3,920)	(3,920)	<i>Delayed Delivery of Budget Reductions</i>
400,100	400,100	Net Revenue Expenditure
4,400	4,400	<i>Aurigny Loss</i>
62,500	62,500	Net Surplus

Appendix II

2019 Actual £'000s	2018# Actual £'000s
479,035	443,718
2,115	1,970
481,150	445,688
42,079	39,142
6,275	6,204
80,168	77,413
87,134	75,943
11,971	12,281
128,807	118,028
32,125	32,002
532	511
1,296	1,259
2,960	2,960
-	24
5,685	4,402
2,229	2,571
5,193	4,820
507	-
1,827	1,755
-	-
-	-
-	-
408,788	379,315
9,686	4,430
62,676	61,943

ANALYSIS OF PAY COSTS AND FTE TOTALS

Appendix III

Committee	2019 Actual £'000s	2019 Average FTE	2018 Actual £'000s	2018 Average FTE
Policy & Resources Committee	25,839	439	24,009	410
Committee <i>for</i> Economic Development	2,766	44	2,539	40
Committee <i>for</i> Education, Sport & Culture	60,005	1,202	58,304	1,195
Committee <i>for</i> Employment & Social Security	4,101	81	4,041	82
Committee <i>for the</i> Environment & Infrastructure	2,972	58	2,963	58
Committee <i>for</i> Health & Social Care	98,500	2,035	90,087	2,011
Committee <i>for</i> Home Affairs	28,260	529	28,303	540
Scrutiny Management Committee	458	6	446	6
Development & Planning Authority	2,394	41	2,330	42
States' Trading Supervisory Board	4,322	66	4,113	65
Royal Court	3,715	51	3,817	52
Law Officers	5,027	45	4,762	41
Pooled Budgets	507	9	-	-
States of Alderney	1,941	-	1,796	-
	240,807	4,606	227,510	4,542
Other Functions				
Transformation and Transition Fund	2,286	25	835	14
Guernsey Registry	427	7	298	6
Future Guernsey Economic Fund	454	9	379	8
Brexit Transition Fund	332	5	-	-
Portfolio Team	278	4	269	3
Channel Islands Lottery (Guernsey) Fund	64	1	41	1
Health and Social Care Accommodation Fund	245	6	217	6
Corporate Housing Programme Fund	32	1	-	-
Notes and Coins Trading Account	99	2	95	2
	4,217	60	2,134	40
States' Members	1,929	-	1,886	-
Total expenditure reported as Pay Costs within the Statement of Financial Performance and equivalent FTE's	246,953	4,666	231,530	4,582
Solid Waste Trading Account (Transferred to Guernsey Waste)	-	-	259	7
Capital Reserve projects	619	10	719	10
Total Pay Costs and Equivalent FTE's	247,572	4,676	232,508	4,599

CAPITAL RESERVE EXPENDITURE

Appendix IV

States Capital Investment Programme

Policy & Resources Committee

IT Wide Area Network (£1.09m)	54	53
Cremator and Emissions Equipment Replacement	146	96
Revenue Service Programme	3,365	894
Future Digital Services	317	614
Office Rationalisation Project 1 Phase 1 (£2.098m)	52	309
SAP Roadmap	105	161
Digital Infrastructure	-	24
Strategic Air and Sea Links Infrastructure	233	-
KGV Redevelopment (Grant)	250	-
St Peter Port Christmas Lights (Grant)	13	-
IT Transition	2,083	-
IT Transformation	2,683	-
Transforming Transactional and Business Support Services	476	-

Committee for Economic Development

Seafront Enhancement Area	18	40
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Committee for Education, Sport & Culture

Les Beaucamps High School (£36.8m)	18	16
Les Nicolles Secondary and Special Needs Schools (£44.4m)	2	108
La Mare De Carteret Schools (£1.65m)	12	959
Education Estates Development – Phase 1	2,035	16
Footes Lane Refurbishment	874	8
11-18 Schools	86	-
Guernsey Institute	29	-
Les Ozouets Campus	(51)	-

Committee for the Environment & Infrastructure

Bus Replacement (£4.745m)	90	2,795
Hydrocarbon Supplies	6	1
L'Ancrese Wall – East Section	-	72
L'Eree - Coastal Repairs	-	356
Vazon - Coastal Repairs	-	352

Committee for Health & Social Care

Mental Health and Wellbeing Centre (£24m)	(5)	12
Health & Social Care Site Development	-	(4)
Electronic Health and Social Care record (£3.9m)	97	347
Radiology Equipment Replacement (£1.246m)	1,746	219
Princess Elizabeth Hospital Re-Profiling	-	23
Hospital Modernisation – Phase 1	796	121
Health & Social Care Local Area Network (£1.866m)	552	1,319

Committee for Home Affairs

Linkworks Information System Replacement (£1.2m)	55	9
CCTV Replacement	112	2
Home Affairs Estate Rationalisation	-	19
St Sampson Fire Main	4	-
Turntable Fire Appliance	683	-
Cyber Information	67	-

CAPITAL RESERVE EXPENDITURE

Appendix IV

States Capital Investment Programme (Cont.)

States' Trading Supervisory Board

Airport Pavements Rehabilitation (£78.2m)	10	1
St Peter Port Harbour Crane Strategy (£13.675m)	48	11
Alderney Airport Runway Rehabilitation	18	43
Household Waste Recycling Centre (£2.2m)	738	1,442
Waste Transfer Station (£29.5m)	1,570	27,613
Mont Crevelt Breakwater Reinstatement	1	-
Future Harbour Requirements	16	-

Total Major Capital Project Costs Charged to the Capital Reserve

19,404 38,051

Minor Capital Projects

Property maintenance and minor works	7,040	5,073
Information technology	3,954	1,129
Medical equipment	1,292	1,239
Vehicles and other equipment	797	650

Total Minor Capital Project Costs Charged to the Capital Reserve

13,083 8,091

Total Project Costs Charged to the Capital Reserve

32,487 46,142

Portfolio Administration Costs

491 408

Total Expenditure Charged to the Capital Reserve

32,978 46,550

CONSOLIDATED HEALTH AND SOCIAL CARE ACCOUNTS

Appendix V

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).

	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	-	-
	7,539	3,288	4,251	-
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	-
	109,181	46,190	62,991	-
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	-
	79,737	21,673	57,557	507
Public Health Services				
<i>Prevention and Awareness</i>	3,424	76	3,348	-
<i>Treatments</i>	320	-	320	-
	3,744	76	3,668	-
Net Cost of Providing Health and Social Care Services	200,201	71,227	128,467	507

CONSOLIDATED HEALTH AND SOCIAL CARE ACCOUNTS

Appendix V

	2018			
	Total# £'000s	E&SS# £'000s	H&SC# £'000s	PB £'000s
Primary Health Care				
<i>Ambulatory Services</i>	2,449	-	2,449	-
<i>Emergency Department</i>	1,241	-	1,241	-
<i>GP and Nurse Consultation Grants</i>	3,487	3,487	-	-
	<u>7,177</u>	<u>3,487</u>	<u>3,690</u>	<u>-</u>
Secondary and Tertiary Health Care				
<i>Acute Services provided Off-Island</i>	9,617	-	9,617	-
<i>Guernsey Therapy Group Services</i>	2,383	2,383	-	-
<i>Hospital Services</i>	51,330	3,983	47,347	-
<i>Medical Specialist Group Services</i>	18,658	18,658	-	-
<i>Prescription Drugs and Medicines</i>	16,813	16,813	-	-
<i>Travel Costs</i>	3,207	2,917	290	-
	<u>102,008</u>	<u>44,754</u>	<u>57,254</u>	<u>-</u>
Community Care				
<i>Children and Adult Disability Services</i>	11,790	275	11,515	-
<i>Children and Adult Mental Health Services</i>	12,538	398	12,140	-
<i>Community and Social Care Services</i>	23,468	-	23,468	-
<i>Older People Services</i>	26,617	20,198	6,419	-
	<u>74,413</u>	<u>20,871</u>	<u>53,542</u>	<u>-</u>
Public Health Services				
<i>Prevention and Awareness</i>	2,972	86	2,886	-
<i>Treatments</i>	289	-	289	-
	<u>3,261</u>	<u>86</u>	<u>3,175</u>	<u>-</u>
Net Cost of Providing Health and Social Care Services	<u>186,859</u>	<u>69,198</u>	<u>117,661</u>	<u>-</u>

Notes:

The above includes an element of administrative and central costs amounting to £20.0m (2018: 19.8m) 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	2019 £'000s	2018# £'000s
Income			
Taxation and duty revenue received by the States of Guernsey	1	8,623	8,610
States of Alderney - capital receipts		7	66
Alderney Gambling Control Commission		1,413	2,642
Total Income		10,043	11,318
Expenditure			
States of Alderney - Net Revenue Expenditure	2	1,827	1,755
States of Alderney - Capital Expenditure		931	952
States of Alderney - Economic Development Expenditure		300	300
Transferred Services - Net Revenue Expenditure	3	11,146	10,767
Transferred Services - Capital Expenditure	4	548	560
Aurigny operating loss in respect of Alderney routes		2,800	2,800
Total Expenditure		17,552	17,134
Net Cost		7,509	5,816

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 VI

	2019 £'000s	2018# £'000s
Income		
Contributions		
Guernsey Insurance Fund	2,265	2,229
Guernsey Health Service Fund	837	833
Long-Term Care Insurance Fund	563	569
States Grant	334	328
Total Income	3,999	3,959
Benefits and Administration Costs		
Guernsey Insurance Fund	4,892	4,582
Guernsey Health Service Fund	1,700	1,688
Long-Term Care Insurance Fund	914	898
Total Expenditure	7,506	7,168
Investing Activities	2,266	(1,398)
Net Deficit	1,241	4,607

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 VI

2019 £'000s	2018 £'000s
3,642	3,526
2,274	2,484
185	149
16	27
101	73
6,218	6,259
1,154	1,138
929	874
322	339
8,623	8,610

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

2019 £'000s	2018 £'000s
70	88
(36)	(44)
34	44
1,603	1,520
(202)	(182)
1,401	1,338
1,605	1,568
(1,213)	(1,195)
392	373
1,827	1,755

3. Transferred Services - Net Revenue Expenditure

Policy & Resources Committee

Policy
External Affairs
Digimap services
Information Systems & Services
Shared Services Centre
Payments to States Members
HE Lieutenant Governor
Income Tax
Cadastre
Alderney civil service
Treasury
Insurance

2019 £'000s	2018# £'000s
53	65
18	18
(13)	(10)
198	173
14	12
57	42
25	24
73	77
20	20
94	127
17	17
53	53
609	618

NOTES

3. Transferred Services - Net Revenue Expenditure (continued)

Appendix VI

	2019 £'000s	2018# £'000s
Committee for Economic Development	61	17
Committee for Education, Sport & Culture		
St Anne's School	1,810	1,536
Special Schools	5	3
College of Further Education	167	174
Higher Education	91	59
Travel, Subsistence and Accommodation	53	50
School and Pupil Support Services	2	2
Central support services and management	115	137
Special Needs Support	42	44
Other	82	93
	2,367	2,098
Committee for Employment & Social Security		
Administration	78	72
Legal Aid	17	3
Medical Expenses Assistance Scheme	-	2
Severe Disability Benefit and Carers' Allowances	199	196
Family Allowance	169	154
Supplementary Benefit	899	667
Concessionary TV Licences for the Elderly	13	26
Social Insurance Fund – Grant	334	328
	1,709	1,448
Committee for the Environment & Infrastructure		
Alderney Breakwater	83	103
Other	(30)	(31)
	53	72
Committee for Health & Social Care		
Mignot Memorial Hospital	1,937	1,920
Princess Elizabeth Hospital - inpatient	423	382
Diagnostic Services and Hospital Administration	755	710
Emergency & Day Patient Hospital Services	149	122
Private patient income	(287)	(259)
Children's Services	129	121
Adult Services	137	107
Off island - complex placement	14	101
Acute Off islands treatment	342	278
Management & Strategy	267	259
	3,866	3,741

NOTES

3. Transferred Services - Net Revenue Expenditure (continued)

Committee *for* Home Affairs

Domestic Abuse Strategy

Data Protection

Law Enforcement

Probation Service

Trading Standards

Scrutiny Management Committee

Overseas Aid & Development Commission

Law Officers

States' Trading Supervisory Board

Alderney Airport

States' Property Services

Appendix VI

	2019 £'000s	2018# £'000s
	5	5
	-	2
	1,081	1,138
	3	2
	2	2
	1,091	1,149
	17	16
	93	91
	269	250
	989	1,224
	22	43
	1,011	1,267
	11,146	10,767

4. Transferred Services - Capital Expenditure

Policy & Resources Committee

Committee *for the* Environment & Infrastructure

Alderney Breakwater

Committee *for* Health & Social Care

States' Trading Supervisory Board

Alderney Airport

	2019 £'000s	2018 £'000s
	51	72
	399	412
	-	10
	98	66
	548	560

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VII

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 2019 revenue budgets:

	£
Pay Awards	8,494,500
Committee for Economic Development	
Office of the Public Trustee	291,000
Committee for Health & Social Care	
Orthopaedic inpatient waitlist initiative	843,600
Committee for Home Affairs	
Preparation for a new electoral roll	138,100
Policy & Resources Committee	
Future Digital Services	740,000
Staff restructuring	185,500
Review of effectiveness of confiscation and forfeiture	117,900
Miscellaneous	249,110
Total	11,059,710

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VII

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

Major Capital Projects	£
IT Transformation	22,600,000
Transforming Transactional and Business Support Services	8,900,000
IT Transition	3,100,000
Revenue Service Programme	2,815,000
Hospital Modernisation – phase 1 – project planning	2,154,300
11-18 Schools – project planning	2,055,600
Guernsey Institute – project planning	1,899,400
Education Estates Development (Phase 1)	1,834,600
Sarnia Cherie Ballast Water Management System	1,300,000
Footes Lane - refurbishment	969,201
Future Harbour requirements – project planning	800,000
Alderney Airport runway rehabilitation – project planning	460,000
QEII Marina potential land reclamation & development - Environmental Impact Assessment	350,000
St Peter Port Harbour Action Plan – project planning	300,000
KGV redevelopment - grant	250,000
Health & Social Care Local Area Network (LAN) - replacement	130,000
Other (less than £50,000 per project)	106,825
Total Major Capital Projects	50,024,926

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VII

Minor Capital Projects

Information Technology	£
Policy & Resources Committee	
SMART Guernsey (Tranche 0)	726,804
SMART Guernsey (electronic data planning)	496,997
SMART Guernsey (Tranche 1 & 2 design)	449,995
SMART Guernsey (minimum viable service)	171,721
SAP upgrade – licence compliance	151,357
SMART Guernsey (portfolio service)	102,905
SMART Guernsey (Electronic Patient Record sourcing strategy)	90,000
Exchange of Information system – upgrade	58,000
Other (less than £50,000 per project)	127,260
	2,375,039
Committee for Economic Development	
Visit Guernsey customer relationship management system - upgrade	31,680
Committee for Education, Sport & Culture	
End-User devices – life cycle refresh	310,000
Committee for Employment & Social Security	
Accounting system - upgrade	90,000
Benefit system – upgrade	30,000
	120,000
Committee for Health & Social Care	
Tablets – replacement / upgrade	204,000
Digitalisation of health records	100,000
	304,000
Committee for Home Affairs	
Economic crime reporting system – upgrade	280,000
Passport system – upgrade	30,000
	310,000
Royal Court	
Digital presentation equipment	185,000
Law Officers	
Contract automation system	21,650
Total Information Technology	3,657,369

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VII

Medical Equipment	£
Committee for Health & Social Care	
Patient monitoring equipment – replacement	617,117
Operating tables – replacement	190,000
Beds, mattresses and rails – replacement (phase 1)	176,500
Transport incubator – replacement	156,152
Neonatal incubators – replacement	118,899
Mobile fluoroscopy - replacement	95,000
Colposcopes - replacement	88,355
Other (less than £50,000 per project)	451,555
Total Medical Equipment	1,893,578
Property Maintenance and Minor Works	£
Committee for Education, Sport & Culture	
Castle Cornet roofing – replacement	463,600
Delancey Campus pitched roof - replacement (phase 1)	300,000
Beau Sejour heating boilers - replacement	171,000
Grammar School roofing (part) - replacement (phase 1)	161,250
Grammar School electrical distribution switchgear - replacement	80,000
St Annes School multi-purpose hall flooring - replacement	50,000
Other (less than £50,000 per project)	83,000
	1,308,850
Committee for the Environment & Infrastructure	
Alderney Breakwater – maintenance contract	400,000
Cliff Path paths / steps - repair	60,000
La Vallette Ladies Pool public toilets - upgrade	36,500
	496,500
Committee for Health & Social Care	
Etoile & Albecq Annex - upgrade	277,500
Oberlands car park - expansion	249,000
PEH incinerator - refurbishment and repairs	244,000
PEH staff change facilities - upgrade	180,000
Plant room - upgrades	170,000
PEH – Ward/Department kitchen / utilities/bathroom - upgrades	63,000
Other (less than £50,000 per project)	61,000
	1,244,500
Committee for Home Affairs	
Prison electronic control panel / air handling unit – replacement	262,500
Prison sports field running track - upgrade	75,000
Other (less than £50,000 per project)	55,924
	393,424
States' Trading Supervisory Board	
St James - repointing & grouting (excluding north and east elevations)	227,000
Guernsey Information Centre disabled access ramp	98,000
St Peter Port street lights - replacements	65,000
Other (less than £50,000 per project)	63,450
	453,450
Total Property Maintenance and Minor Works	3,896,724

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VII

Coastal Repairs	£
Committee <i>for the</i> Environment & Infrastructure	
Croix Martin - repointing	378,500
Red Lion Area - repointing	275,000
Total Coastal Repairs	653,500
Integrated Transport Strategy	£
Committee for Environment & Infrastructure	
Market Street - pedestrian Improvement scheme	249,000
Electric vehicle charging points (Phase 2)	101,000
South Esplanade footway - refurbishment	75,000
Other (less than £50,000 per project)	108,600
Total Integrated Transport Strategy	533,600
Road Resurfacing and Reconstruction	£
Committee <i>for the</i> Environment & Infrastructure	
South Esplanade	405,000
Rue des Pre	162,000
Rue du Monnaie	135,000
Pitronnerie Road	129,000
La Brigade Road	128,000
La Route de L'Islet	117,000
Rue de la Saline	111,000
Rue des Hougues	107,000
Rue de Pont Vaillant	104,000
Mont D'Aval	95,000
Mont Morin	92,000
Route de la Lague	88,000
Rue Flere	87,000
Les Frieteaux	86,000
La Ruelle	83,000
Les Mielles and Les Clotures Road	80,000
Prevost Road	75,000
Duveaux and Baubigny Roads	73,000
Arsenal Road	66,000
Pleinmont Access Road	66,000
Verte Rue	61,000
Rue de la Fontenelle	60,000
Piette Road	57,000
Rue de Marais	57,000
Rue à Fresne	57,000
La Neuve Rue	56,000
Gravee du Sud & St Stephens Hill	56,000
Belmont Road	55,000
Val des Terres	50,000
Other (less than £50,000 per project)	512,000
Total Road Resurfacing and Reconstruction	3,310,000

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VII

Vehicles & Other Equipment	£
Committee <i>for</i> Economic Development	
Sea Fisheries 4x4 vehicle – replacement	9,000
Committee <i>for</i> Education, Sport & Culture	
Mini bus fleet (six special educational needs vehicles) - replacement	283,000
Liberation 75 th Anniversary statue	95,000
Other (less than £50,000 per project)	170,256
	<hr/>
	548,256
Committee <i>for the</i> Environment & Infrastructure	
Other (less than £50,000 per project)	27,000
Committee <i>for</i> Health & Social Care	
Other (less than £50,000 per project)	38,163
Committee <i>for</i> Home Affairs	
Law Enforcement vehicle – replacement	146,000
Alarm system – replacement	140,000
Prisoner transfer vans - replacement	82,000
Traffic collision investigation equipment - replacement	61,095
Other (less than £50,000 per project)	116,548
	<hr/>
	545,643
Total Vehicles & Other Equipment	<hr/>
	1,168,062
Total Minor Capital	<hr/>
	15,112,833
	<hr/>

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VII

States of Alderney	£
Harbour crane – replacement	850,000
Connaught extension – loft conversion	190,000
Fort Doyle sewer screening system	130,000
Sewer tanker – replacement	115,000
Old Connaught – project planning	95,000
Water Board distribution improvements (phase 9)	62,000
Other (less than £50,000 per project)	906,500
Total States of Alderney	2,348,500

Future Guernsey Economic Fund	£
Air route support - Heathrow	1,325,000
Contribution to Guernsey Finance LBG	400,000
Contribution to Guernsey Finance LBG – Green Initiative	300,000
Total Future Guernsey Economic Fund	2,025,000

Transformation and Transition Fund	£
Operating model for land and property	888,000
Organisational design	533,328
Transforming Education & Training Services	358,174
Development of the People Plan	254,000
Pay and Terms & Conditions review	180,000
Social Investment Fund	148,640
Public Service Reform - long term financial baseline	130,000
Justice Review	70,000
Property workstream plan	29,000
Total Transformation and Transition Fund	2,591,142

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VII

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

<u>Purchases</u>	£
Conveyance	
Delisles Methodist Church and land	1,000,000
Land at Rue des Monts, Delancey	7,000
Fort Richmond – section of access track	500
Land at Hartlebury Close	1
La Grande Belle Cottage (exchange for St Andrews Community Centre)	-
	<hr/>
	1,007,501
Wayleave	
Les Marais Farm, Duveaux Road	441
	<hr/>
Total Purchases	1,007,942
	<hr/>
<u>Sales</u>	
Conveyance	
Fort Richmond	1,000,000
Land at Rue des Monts, Delancey	192,100
Land adjacent to Blue Waters, Rue des Corneilles	12,166
Land at Fort Road (Guernsey Water)	1,000
Land at Maurepas Field	480
St Andrews Community Centre (exchange for La Grande Belle Cottage)	-
	<hr/>
	1,205,746
Wayleave	
Le Grande Pre, Coutanchez	660
Conveyance by way of exchange and agreement (definition of boundaries)	
Land at Rue des Cornus	-
	<hr/>
Total Sales	1,206,406
	<hr/>