

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**POLICY & RESOURCES COMMITTEE**

THE STATES OF GUERNSEY ACCOUNTS 2018

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 2018.

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





THE STATES OF GUERNSEY  
ACCOUNTS 2018

Price £5.00

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# STATES TREASURER'S REPORT

## 1. Introduction

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

## 2. Scope

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

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- 3.2. In 2012 a decision was taken by the States 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 2018 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 2018 are prepared, in all material respects, in accordance with the accounting policies stated in note 1 to the accounts."*

## 5. Financial Performance

- 5.1. The overall deficit for 2018 was £16.2m (2017: surplus of £114.1m), the following table analyses it between General Revenue (ie in accordance with the Budget framework) and the Funds and Reserves:

	<b>Total £'000s</b>	<b>General Revenue £'000s</b>	<b>Funds and Reserves £'000s</b>
Income	518,987	497,102	21,885
Pay Expenditure	(231,789)	(229,789)	(2,000)
Non-Pay Expenditure	(227,199)	(197,467)	(29,732)
<b>Operating Surplus / (Deficit)</b>	<b>59,999</b>	<b>69,846</b>	<b>(9,847)</b>
Investment Charges	(19,859)	(2,539)	(17,320)
Finance Charges and Other Costs	(12,317)	(784)	(11,533)
Capital Receipts	2,122	1,970	152
Capital Expenditure	(46,164)	-	(46,164)
<b>(Deficit) / Surplus</b>	<b>(16,219)</b>	<b>68,493</b>	<b>(84,712)</b>
Adjustments:			
Overseas Aid & Development Commission Fund		(2,960)	2,960
Insurance Deductible Fund		(1,350)	1,350
Channel Islands Lottery (Guernsey) Fund		616	(616)
Solid Waste Trading Account		1,574	(1,574)
<b>Adjusted (Deficit) / Surplus</b>	<b>(16,219)</b>	<b>66,373</b>	<b>(82,592)</b>

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- 5.2. The General Revenue surplus of £66.4m compares to the 2018 budgeted surplus of £60.2m and a probable outturn of £64.2m which was included in the 2019 Budget Report:

	<b>Actual £m</b>	<b>Probable Outturn £m</b>	<b>Budget Estimate £m</b>
Revenue Income	439.1	436.7	431.5
Revenue Expenditure	(376.2)	(380.0)	(377.8)
Revenue Surplus	62.9	56.7	53.7
Capital Income	2.0	2.0	1.0
Return from States' trading assets	1.5	5.5	5.5
<b>Operating Surplus</b>	<b>66.4</b>	<b>64.2</b>	<b>60.2</b>

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

- 5.3. After allowing for a lower transfer to the Capital Reserve (due to timing of the return from States' trading assets – as set out in paragraph 8.17), the overall General Revenue unallocated surplus was £9.7m which is £9.2m more than budgeted:

	<b>Actual £m</b>	<b>Probable Outturn £m</b>	<b>Budget Estimate £m</b>
<b>Operating Surplus</b>	<b>66.4</b>	<b>64.2</b>	<b>60.2</b>
Transfers to Capital Reserve:			
General Revenue Appropriation	(53.2)	(53.2)	(53.2)
Capital Income	(2.0)	(2.0)	(1.0)
Return from States' Trading Assets	(1.5)	(5.5)	(5.5)
<b>Unallocated Surplus</b>	<b>9.7</b>	<b>3.5</b>	<b>0.5</b>

- 5.4. The unallocated surplus forms part of the General Reserve which, at the end of 2018, included an unallocated balance of £35.8m. As agreed as part of the Medium Term Financial Plan, there is a policy 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 £23m as the 5% retained balance and a £3.9m provision for delayed delivery of budget reductions, there is £8.9m available for appropriation. The 2020 Budget Report will include proposals for use of this surplus, taking into account the projected financial position for 2019 and 2020.

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- 5.6. 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 Committee<sup>1</sup>.
- 5.7. It shows that net revenue expenditure increased by £19m between 2017 and 2018. Excluding the effect of the Income Support Scheme which was introduced in July 2018 (approximately £9m), this is an increase of £10m or 2.8% in nominal terms / £1.8m or 0.5% in real terms, the main components of which were:
- Committee *for* Health & Social Care – increase of £4m (3.5%);
  - Committee *for* Employment & Social Security – increase of £2m (3.1%);
  - Committee *for* Home Affairs – increase of £1.7m (5.6%); and
  - Policy & Resources Committee – increase of £1.5m (3.9%).
- 5.8. There were three Committees that overspent their Authorised Budgets by a total of £2.7m:
- The Committee *for* Education, Sport & Culture overspent by £2.0m (2.7%) which is a combination of failure to meet savings targets (£3.5m), offset by staff vacancies and a reduction in expenditure on higher education grants;
  - The Committee *for* Home Affairs overspent by £534,000 (1.7%) including £350,000 relating to non-delivery of savings targets; and
  - The Committee *for* Health & Social Care recorded a minor overspend of £177,000 (0.2%).
- 5.9. These overspends were offset by a collective underspend of £2.4m by other Committees including £1.0m by the Committee *for* Employment & Social Security. Therefore, when comparing to Authorised Budget, Committees collectively overspent by £0.3m and £1.9m remained unallocated within the Budget Reserve, giving a total underspend of £1.6m.
- 5.10. Full Committee Accounts and accompanying narrative are included as appendices to the Policy & Resource Plan 2018 - Review and 2019 Update (Billet d'État IX, 2019).
- 5.11. 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).

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<sup>1</sup> 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 who are also allocated General Revenue Cash Limits: Development & Planning Authority, Overseas Aid Development Commission, States' Trading Supervisory Board, Scrutiny Management Committee, Transport Licensing Authority, Royal Court, Law Officers and States of Alderney



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5.12. In 2018 there was a Budget Reserve of £11.7m which was allocated as follows:

Provision	Notional Allocation £m	Required £m
Pay Awards	7.0	6.4
Turnover Adjustment (Established Staff)	1.0	0.4
Other Revenue Uses	3.7	3.0
<b>Total</b>	<b>11.7</b>	<b>9.8</b>

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

5.14. Appendix VI details the income and expenditure incurred in respect of Alderney.

## 6. Income

### *Income Tax*

6.1. Income tax receipts increased from £324.1m in 2017 to £332.5m in 2018, an increase of £8.4m (2.6%). The majority of income tax is collected from individuals which increased by £7m to £260.8m which is a 2.8% nominal increase or 0.5% in real terms. This is an improvement of £3.6m compared to the 2018 budgeted income of £257.2m and continues the solid real-terms' growth experienced in 2016 and 2017. 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 2018, 31,304 people were employed or self-employed in Guernsey, compared to 31,195 in December 2017.

6.2. In respect of companies, income tax receipts increased by £1.9m to £60.7m.

### *Other Taxes*

6.3. The income from Other Taxes (which totalled £85.7m in 2018 and comprises Excise and Import Duties; Tax on Real Property; Document Duty and Vehicle First Registration Duty) increased by £5.9m between 2017 and 2018.

6.4. Income from Excise and Import Duties increased by £3.1m (7.5%) compared to 2017 which was primarily due to the effect of the increases in excise duty rates approved as part of the 2018 Budget Report together with the effect of the inherent volatility in tobacco excise duty (where in-year income can be materially impacted by the timing of imports).

6.5. The Tax on Real Property income increased by £2.3m which is in line with expectation and reflects the revised tariffs approved as part of the 2018 Budget Report.

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- 6.6. Despite Document Duty income in 2017 including two exceptional transactions which generated £3.4m, 2018 income was £600,000 higher than 2017 with the number of transactions increasing from 745 to 810. The number of open market transactions increased by 65% from 46 in 2017 to 76 in 2018 with accompanying Document Duty receipts increasing from £1.7m to £4.3m. This reflected both an increased number of transactions and an increase in the average price. Overall, the budget for Document Duty was exceeded by £3.4m in 2018.

## *Income from Operating Activities*

- 6.7. Income from Operating Activities increased by £5.6m to £66.5m in 2018 and includes an increase of £2.2m in respect of lottery ticket sales (which has a similar increase in non-pay expenditure as a result – primarily in respect of prizes).

## *Other Corporate Income*

- 6.8. Other Corporate Income, which comprises States' housing rental income; company fees; dividend income from States' trading entities; and other income, stayed broadly similar at £34.2m as in 2017 (£34.6m).

## **7. Expenditure**

### *Pay Costs*

- 7.1. Pay costs continue to form the largest single item of expenditure totalling 50.5% of total revenue spend (2017: 51.1%) and a paid workforce of 4,589 Full Time Equivalent staff (FTEs), an increase of 54 FTEs compared to 2017. This increase is predominantly within Health & Social Care as a result of continued recruitment efforts to fill vacant posts together with the repatriation of Complex Placements which has resulted in an increase in the number of Healthcare Assistants and Support Workers. The total expenditure on pay (which includes temporary and agency staff together with States Members' remuneration) during 2018 was £231.8m which is an increase of £3.4m or 1.5% in real terms (nominal increase of 3.8% or £8.5m). The effect of 2018 pay awards accounts for £6.7m of the increase.
- 7.2. 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 thirty seven employees between 2017 and 2018 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 2017 now has total costs of employment which are above £80,000 in 2018. Future pay awards will lead to additional salary scales falling within the criteria each year. The increase from one to four individuals in the £250,000 and above category was due to a back-dated pay award and a one-off payment.

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7.3. 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 Chief Executive's Management Team will be included.

7.4. 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 Chief Executive's Management Team are remunerated on standard established staff pay scales. The following table details the remuneration paid to the Chief Executive's Management Team, identified by way of job title:

Post Title	Grade	2018			2017
		Gross Pay	Pension Contribution	Total	Total
Chief Executive	SO12	155,562	21,934	<b>177,496</b>	171,185
States Treasurer	SO11	142,164	18,933	<b>161,097</b>	155,398
Chief Operating Officer	SO11	132,558	17,780	<b>150,338</b>	140,798
Chief Information Officer	SO10	129,908	17,462	<b>147,370</b>	138,725
Chief Strategy & Policy Officer	SO11	125,432	16,925	<b>142,357</b>	128,836

7.5. 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 2018 Gross Cost Analysis (as set out in Note 6):

- £140,000 - £159,999 : 3 employees
- £160,000 - £179,999 : 1 employee
- £180,000 - £199,999 : 1 employee

## *Non-Pay*

7.6. Non-pay expenditure totalled £227.2m in 2018 which is an increase of £13.3m compared to 2017 and is primarily due to the introduction of the Income Support Scheme.

## *Investment Returns*

7.7. In 2018, there was a net investment loss (largely unrealised) of £19.8m compared to a return of £61.4m in 2017. This includes £5.8m of interest from loans made from the proceeds of the States of Guernsey Bond Issue and a loss of £25.7m from the Consolidated Investment Fund (paragraphs 8.5 to 8.6 are commentary on the financial investments which explain that this loss was consistent with market performance). This investment loss has been allocated to various reserves, based upon their individual balance throughout 2018 and is detailed in Notes 27 to 39. These include the Core Investment Reserve (£6.4m); Bond Reserve (£6.8m); and Capital Reserve (£9.2m).

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## *Impairment for Cabernet Losses*

- 7.8. In early 2016 the States invested £25.2m in Cabernet Limited to provide for losses that had accrued in previous years plus an allowance for any potential losses in future years. The loss incurred by Cabernet Limited in 2016 was £4.8m and this was provided in full within the Statement of Financial Position leaving a carrying balance of £4.1m.
- 7.9. Cabernet Limited made a further loss of £5.2m in 2017 which was greater than the carrying balance within the Statement of Financial Position of £4.1m. Therefore, the remaining £1.1m was appropriated from the General Reserve to the States' Trading Entities Reserve.
- 7.10. The 2018 loss by Cabernet Limited was £4.43m and an appropriation of this amount has been made from the General Reserve to the States' Trading Entities Reserve.

## **8. Statement of Financial Position**

- 8.1. The Statement of Financial Position provides a snapshot of the financial position as at 31 December 2018. 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 although the notes include disclosures of certain information which would be required under FRS102.
- 8.3. At the year end the States' net assets had decreased to £651.4m (2017: £667.6m) as a result of the overall deficit as explained in the following narrative.

## *Financial investments (Consolidated Investment Fund)*

- 8.4. The total amount of financial investments at the year end was £2,116m (2017: £2,206m). 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. Within current liabilities on the Statement of Financial Position is Depositors who are separate entities or parties who have deposited cash balances with the States, which are almost entirely invested in the Consolidated Investment Fund. This includes £1,357m (2017: £1,426m) in respect of the Superannuation Fund.
- 8.5. Following strong returns in 2016 and 2017, equity markets fell substantially in 2018, particularly towards the end of the year. This started in the first quarter and then returned more severely in the final quarter of the year. At 31<sup>st</sup> December 2018, UK equity markets were down on the quarter nearly 10% and down close to 9% over the whole of 2018. Fixed income returns were positive but not sufficient to overcome the downward movement in equities. The British pound was again volatile, falling 8% against the US dollar over the year. Against this less than ideal backdrop, the Consolidated Investment Fund had some protection through diversification of investments but still suffered a loss of 3.7%.

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

	Trailing 1 Year	Trailing 3 Years pa	Trailing 5 Years pa
Return	(3.7%)	7.0%	5.9%
Target: Retail Price Index +4%	6.8%	7.2%	6.5%

8.7. There were few changes to the investment strategy or managers of the Consolidated Investment Fund during the year. There was a switch from the incumbent Royal London Asset Management (RLAM) strategy to its balanced ESG (Environment, Sustainable, and Governance) strategy. There has been a marked growth in this style of investment driven both within the investment management industry and by investors and this was assessed as an area of particular strength for RLAM. On a similar theme, an investment was made into a new equity neutral fund run by Osmosis Investment Management based on its research into the resource efficiency of global companies. This process has been employed by Osmosis for several years and has been very successful to date.

8.8. In February 2018 it was announced that £25million has been committed to a new locally managed fund, the Guernsey Investment Fund, to support the development of innovation and technology businesses, along with £12.5 million 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.

8.9. During 2018, investments were made in this first Technology and Innovation Cell, with £3.3million of the £25million States of Guernsey commitment drawn-down. It is forecast that draw-downs will accelerate significantly during 2019 with several exciting projects moving from pipeline to implementation and funding stages. It is anticipated that a second cell, focusing on property, will be launched in 2019.

8.10. The following table details the asset allocation:

Asset Allocation	Equities	Alternatives	Bonds and Fixed Interest Securities	Property	Cash
2018	54%	21%	14%	6%	5%
2017	57%	17%	16%	6%	4%

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

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## 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 slightly in 2018 by £1m to £241.2m.

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

	2018 £m		2017 £m	
<b>Opening Balance</b>		<b>240.2</b>		<b>159.2</b>
Belle Greve Outfalls – Repayment of Grant	-		18.6	
Cranes Replacement – Repayment of Grant	-		4.0	
Net Investment Return	(9.2)		14.6	
Expenditure	(46.5)		(8.7)	
		(55.7)		28.5
<b>Transfers from General Reserve:</b>				
Appropriation	53.2		37.9	
Capital Income	2.0		-	
Guernsey Post Ltd – Special Dividend	0.5		1.0	
States Works – Distribution of Reserves	1.0		-	
Routine Capital	-		13.6 <sup>2</sup>	
		56.7		52.5
<b>Closing Balance</b>		<b>241.2</b>		<b>240.2</b>

8.14. Expenditure in 2018 totalled £46.5m which included £29m on waste management facilities and £8.1m in respect of minor capital projects. Appendix IV details the Capital Reserve expenditure.

8.15. The General Revenue appropriation to the Capital Reserve of £53.2million 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*”. The MTFP projected that the 2018 appropriation to the Capital Reserve would be £5.8million lower than the amount necessary to achieve an investment of 3% of GDP. However, as set out in the 2018 Budget Report, due to an improvement in income and lower Cash Limits, it has been possible to make the full transfer.

8.16. The Capital Income included receipts from the sale of Land at La Rue Marguerite (£1.3m) and £518,000 from the sale of a property (Platte Fougere). In accordance with a States resolution agreed following consideration of the 2018 Budget Report (Billet d’État XX, 2017), Capital Income receipts have been transferred to the Capital Reserve.

<sup>2</sup> The States agreed that, with effect from 2018, all capital expenditure is funded from the Capital Reserve. Therefore, the balance on Committees’ routine capital allocations and open votes of £13.6m was transferred to the Capital Reserve from the General Reserve.

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8.17. As part of the 2018 Budget Report, the States' Trading Supervisory Board was set a target minimum contribution to General Revenue of £5.5m of capital returns (in addition to any dividend paid in accordance with existing policy) from the States' trading assets in 2018. During 2018, Guernsey Post Limited made a special dividend payment of £500,000 and States Works distributed £1m of its reserves. The transactions for the balance of the £5.5m contribution were completed in early 2019 (£1m from Guernsey Dairy as the value of the land on which the Dairy building sits; and £3m from Guernsey Ports as partial repayment of funding from the Capital Reserve for works on Berths 4/5/6 within the Crane Strategy project).

## *Core Investment Reserve*

8.18. 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. As agreed as part of the Medium Term Financial Plan, the States have a policy for the target balance of the Core Investment Reserve of 100% of General Revenue income and the Policy & Resources Committee makes proposals for any appropriations when the overall financial position is in surplus.

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

	2018 £m	2017 £m
<b>Opening Balance</b>	<b>168.4</b>	<b>147.1</b>
<b>Plus:</b>		
Appropriation from General Reserve	12.9	5.0
Net Investment Return	(6.4)	16.3
<b>Closing Balance</b>	<b>174.9</b>	<b>168.4</b>

8.20. The balance of the Core Investment Reserve represents 38% of the 2019 General Revenue income budget.

## *Bond Reserve*

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

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Entity	Amount Agreed £m	Outstanding 31/12/2018 £m	Anticipated Repayment Date(s)	Purpose
<b>Approved in 2015:</b>				
Guernsey Housing Association LBG	51.0	48.1	2045	Refinancing of existing borrowings for social housing development
Guernsey Housing Association LBG	24.0	21.6	2036	Refinancing of existing borrowings for social housing development
Cabernet Ltd	31.7	24.6	2019 - 2025	Refinancing of existing borrowings for purchase of aircraft (plus additional borrowings for a new Dornier aircraft)
JamesCo750 Ltd	13.1	11.0	2028	Refinancing of existing borrowings for purchase of two tankships
H&SC Accommodation Fund	2.1	1.6	2029	Refinancing of existing borrowings for building of key worker accommodation
<b>Approved in 2016:</b>				
Cabernet Ltd	6.8	6.9	2027	Purchase of a new Dornier aircraft (£4.0m advanced by end of 2017)
Guernsey Housing Association LBG	5.1	4.8	2046	Development of social housing
Guernsey Housing Association LBG	10.0	9.8	2046	Development of social housing
<b>Approved in 2017:</b>				
Guernsey Registry	0.3	0.3	2023	Introduction of a Beneficial Ownership Register
Guernsey Water	9.0	8.8	2046	Refinancing of Belle Greve Long Sea Outfall replacement
Guernsey Harbour	3.3	-	2039	Refinancing of purchase of two mobile cranes
<b>Approved in 2018:</b>				
Alderney Housing Association LBG	2.9	-	2046	Refinancing of existing borrowings for social housing development
Guernsey Dairy	0.8	-	2046	Site purchase
Guernsey Harbour	2.5	-	2039	Refinancing of works on Berths 4/5/6
<b>Total</b>	<b>162.6</b>	<b>137.5</b>		



## STATES TREASURER'S REPORT

- 8.22. 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%.
- 8.23. 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.
- 8.24. During 2016 and 2017 the investment returns substantially exceeded the coupon payment on the unlent portion of the bond proceeds and there were in-year surpluses. At the end of 2017, the Bond Reserve had a balance of £16.2m which has mitigated against the investment returns being lower than the coupon rate in 2018. At the end of 2018, the balance of the Bond Reserve had reduced to £3.3m.

### *Superannuation Fund*

- 8.25. Although Financial Reporting Standard 102 ("FRS102") has not been adopted in full and 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.
- 8.26. 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 £90,074 from 1 May 2018) 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.

# STATES TREASURER'S REPORT

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

<b>Superannuation Fund</b>	<b>2018 £m</b>	<b>2017 £m</b>
<b>Opening Balance</b>	<b>1,426.2</b>	<b>1,301.2</b>
<b>Plus:</b>		
Contributions	48.1	45.8
Net appreciation of investments	(52.3)	141.7
<b>Less:</b>		
Pensions and lump sums paid	(64.2)	(62.5)
<b>Closing Balance</b>	<b>1,357.8</b>	<b>1,426.2</b>

8.28. The funding level under FRS102 increased to 59.9% (2017: 58.2%).

8.29. 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%.

8.30. The reason for the difference between the FRS102 position and the funding position reported within an Actuarial Valuation is that the discount rate assumption used in the FRS102 calculation 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 8.6, actual returns over the last 5 years have averaged 3.4% 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 FRS102 assumption of inflation less 0.3% (the return on an AA corporate bond). The two bases result in material differences in the calculation of liabilities and the resultant net funding position of the scheme.

## 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 decrease in cash of £6.7m (2017: decrease of £2.5m).

# **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 2018 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 2018 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.

## Who we are reporting to

This report is made solely to the States and the Policy & Resources Committee (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.

# **INDEPENDENT AUDITOR'S REPORT TO THE POLICY & RESOURCES COMMITTEE**

## **Other information**

The Committee is responsible for the other information. The other information comprises of 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

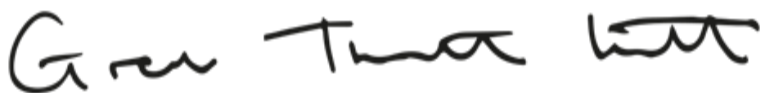
Our objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit 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.

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

- Identify and assess the risks of material misstatement of the accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee.
- Conclude on the appropriateness of the Committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the States' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the States to cease to continue as a going concern.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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



**Grant Thornton Limited**

Chartered Accountants

St Peter Port

Guernsey

21 May 2019

# STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 31 December 2018

	Note	2018 £'000s	2017# £'000s
<b>Income</b>			
Income Taxes	3	332,535	324,068
Other Taxes	4	85,731	79,824
Income from Operating Activities		66,549	60,883
Other Corporate Income	5	34,172	34,644
		<b>518,987</b>	<b>499,419</b>
<b>Expenditure</b>			
Pay	6	(231,789)	(223,307)
Staff Related Non-Pay Costs	7	(5,222)	(5,283)
Support Services	7	(44,505)	(39,877)
Premises	7	(28,398)	(26,211)
Third Party Payments	7	(97,545)	(93,164)
Transport	7	(1,505)	(1,456)
Supplies and Services	7	(50,024)	(48,013)
Total Revenue Expenditure		<b>(458,988)</b>	<b>(437,311)</b>
<b>Operating Surplus</b>		<b>59,999</b>	<b>62,108</b>
<b>Investment Returns</b>			
Net (Charges)/Returns from the Consolidated Investment Fund		(25,707)	56,438
Interest Receivable on Loans and Overdraft Facilities Granted		5,848	5,036
		<b>(19,859)</b>	<b>61,474</b>
<b>Other Income and Expenditure</b>			
Finance Charges and Other Costs	9	(12,317)	(12,919)
Balance of Internal Loans Charged to Capital Reserve	10	(9,107)	-
Impairment for Losses Incurred by Cabernet Limited		-	(4,103)
		<b>(21,424)</b>	<b>(17,022)</b>
<b>Capital Receipts and Expenditure</b>			
Capital Receipts	11	2,122	22,601
Capital Expenditure	12	(37,057)	(15,103)
		<b>(34,935)</b>	<b>7,498</b>
<b>Net (Deficit)/Surplus for the period</b>		<b>(16,219)</b>	<b>114,058</b>
<b>Retained by:</b>			
General Reserve		45,894	69,197
Capital Reserve		(55,701)	28,535
Core Investment Reserve		(6,412)	16,326
		<b>(16,219)</b>	<b>114,058</b>

The 2017 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 2017

	<b>Total Usable Reserves</b>	<b>General Reserve</b>	<b>Capital Reserve</b>	<b>Core Investment Reserve</b>	<b>States' Trading Entities Reserve</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Opening Balance	<b>553,590</b>	134,236	159,161	147,095	113,098
Surplus for Year	<b>114,058</b>	69,197	28,535	16,326	-
Transfers in Year	-	(58,647)	52,553	5,000	1,094
<b>Closing Balance</b>	<b>667,648</b>	<b>144,786</b>	<b>240,249</b>	<b>168,421</b>	<b>114,192</b>

For the Year Ended 31 December 2018

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

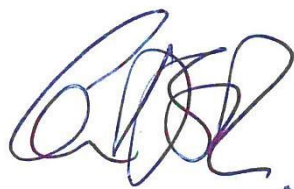


# STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 £'000s	2017# £'000s
<b>Non-Current Assets</b>			
Shareholdings in States' Trading Entities	14	113,098	113,098
Consolidated Investment Fund	13	2,115,634	2,205,548
Receivables	15	134,030	135,520
		2,362,762	2,454,166
<b>Current Assets</b>			
Cash and Cash Equivalents	42	6,638	13,383
Receivables	15	89,145	88,503
Stock		4,746	4,277
Prepayments		9,139	6,717
		109,668	112,880
<b>Current Liabilities</b>			
Creditors	16	(35,177)	(33,697)
Short-Term Provisions		(126)	(590)
Depositors	17	(1,419,195)	(1,502,141)
Currency in Circulation	18	(49,450)	(46,194)
		(1,503,948)	(1,582,622)
<b>Non-Current Liabilities</b>			
Bond Issue	19	(317,053)	(316,776)
<b>Net Assets</b>		<b>651,429</b>	<b>667,648</b>
<b>Represented by:</b>			
General Reserve	21	116,680	144,786
Capital Reserve	38	241,218	240,249
Core Investment Reserve	39	174,909	168,421
States' Trading Entities Reserve	40	118,622	114,192
<b>Reserves</b>		<b>651,429</b>	<b>667,648</b>

These financial statements were approved by the Policy & Resources Committee on 21 May 2019.



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



Bethan Haines  
States Treasurer

The 2017 totals have been amended for comparative purposes and details of the changes are included within Note 2.

# CASH FLOW STATEMENT

For the Year Ended 31 December 2018

	Note	2018 £'000s	2017# £'000s
<b>Cash Flows from Operating Activities</b>	41	34,628	37,105
<b>Cash Flows from Investing Activities</b>			
Capital Expenditure		(37,057)	(15,103)
Capital Receipts		2,122	22,601
Net Sale/(Purchase) of Investments		10,727	(21,712)
Dividends Received		2,100	2,313
Issue of New External Loans (Receivable) Financed from the Bond		(12,980)	(20,262)
Repayment of External Loans (Receivable) Financed from the Bond		4,856	3,731
Net Cash Flows from Investing Activities		(30,232)	(28,432)
<b>Cash Flows from Financing Activities</b>			
Interest Paid		(11,141)	(11,141)
Net Cash Flow from Financing Activities		(11,141)	(11,141)
Net Decrease in Cash at Bank and in Hand		(6,745)	(2,468)
Cash and Cash Equivalents at the Beginning of the Year	42	13,383	15,851
<b>Cash and Cash Equivalents at the End of the Year</b>		<b>6,638</b>	<b>13,383</b>

The 2017 totals have been amended for comparative purposes and details of the changes are included within Note 2.

# 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 19 to 61, 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.

### **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.

# NOTES TO THE ACCOUNTS

- 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.

## **Retirement Benefit Costs and Pension Disclosures**

- xix. The Consolidated Superannuation Fund disclosures have been presented, as far as practicable, in accordance with Financial Reporting Standard 102 ("FRS 102"). Similarly the actuarial deficit has been calculated in accordance with FRS 102. 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.

## **States of Alderney**

- xx. 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.

# NOTES TO THE ACCOUNTS

## **Current Assets and Non-Current Assets**

- xxi. 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**

- xxii. 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**

- xxiii. Investments are measured at fair value as at the year-end date.
- xxiv. 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.
- xxv. 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.
- xxvi. 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.
- xxvii. 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.
- xxviii. 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**

- xxix. 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.
- xxx. All other incorporated trading entities are accounted for at cost less impairment/provision for losses.
- xxxi. 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.

# NOTES TO THE ACCOUNTS

- xxxii. 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**

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

## **Loans Receivable**

- xxxiv. 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.
- xxxv. 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**

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

## **Long Term Liabilities**

- xl. 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.
- xli. 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.
- xlii. 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**

- xliii. 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.

# NOTES TO THE ACCOUNTS

- xliv. 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.
- xlvi. 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.
- xlvi. Coupon payments associated with the bond loan are classified as Financing Activities. Any other interest charges are included within Operating Activities.
- xlix. Receipts generated from interest received are included within Operating Activities.

## **Restatement**

- I. 2017 Accounts columns marked with “#” includes figures that have been restated for comparative purposes.

# NOTES TO THE ACCOUNTS

## 2. Restatement of 2017 Accounts

Some changes have been made to the accounting policies included within Note 1, for the preparation of these accounts. This note sets out what those changes are and the resultant impact upon the principal financial statements. Where necessary, the figures presented as comparatives for the reporting year 2017 have been amended from that previously published within the 2017 States of Guernsey Accounts.

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

### **Adjustment 1 - Accounting for the long term liabilities using the Amortised Cost accounting method**

During 2014 the States of Guernsey Bond was publicly listed for general sale. The nominal value of the bond issue amounted to £330m. There were various costs associated with the issue of the bond and the accounting approach adopted previously was to treat this related expenditure as a prepayment. The total issuance cost amounted to £14.589m and was charged on a straight line basis to the Statement of Financial Performance over the life of the bond. By 31 December 2016 £936k had been charged to the Statement of Financial Performance, with a further £456k charged in 2017. The carrying value of the Bond loan remained at £330m.

The new accounting policy is to value the carrying balance of the long term loan at amortised cost using an effective interest rate. This means that at the time the Bond loan was issued, the issuance costs of £14.589m would have been deducted from the fair value of the Bond (£330m) and included in the calculation of amortised cost and the effective interest rate. The transaction costs are effectively spread over the life of the bond and included within interest expense.

Adjustments have been made to the comparative 2017 figures, to restate the accounting for the bond loan and measure it retrospectively at amortised cost using an effective interest rate, as if this revised approach had been applied from the date of issue of the bond.

Each year, the carrying balance of the bond loan increases by the difference between the effective interest charged to Statement of Financial Performance and the actual coupon payments, until such time as the maturity date of the bond is reached. At that point, the carrying value of the loan will amount to £330m.

There is an increase of £605k in the overall value of net assets and the reserves as at 31 December 2017 as a result of this adjustment.



# NOTES TO THE ACCOUNTS

## Adjustments to 2017 Comparative Totals Within the Statement of Financial Position

	Published Accounts as at 31 Dec 2017	Adjustment for Changes Prior to 2017	Adjustment for Changes During 2017	Restated Accounts as at 31 Dec 2017
	£'000s	£'000s	£'000s	£'000s
Investments	2,318,646			2,318,646
Cash and Cash Equivalents	13,383			13,383
Receivables and Prepayments	243,938	(13,654)	456	230,740
Stock	4,277			4,277
Current Liabilities	(1,583,201)	579		(1,582,622)
Long Term Liabilities	(330,000)	13,491	(267)	(316,776)
<b>Net Assets</b>	<b>667,043</b>	<b>416</b>	<b>189</b>	<b>667,648</b>
Reserves				
General Reserve	144,181	416	189	144,786
Capital Reserve	240,249			240,249
Core Investment Reserve	168,421			168,421
States' Trading Entities Reserve	114,192			114,192
<b>Reserves</b>	<b>667,043</b>	<b>416</b>	<b>189</b>	<b>667,648</b>

## Adjustments to 2017 Comparative Totals Within the Statement of Financial Performance

	£'000s
Coupon Payment	11,141
Issuance Costs Written Down on a Straight Line Basis	456
Total Charge in the Published 2017 Accounts	11,597
Effective Interest Rate Charge	11,408
Total Charge in the Restated 2017 Accounts	11,408
<b>Reduction in the amount charged to the Statement of Financial Performance in 2017</b>	<b>189</b>

## Adjustment 2 - Categorising assets and liabilities between current and non-current in the Statement of Financial Position

Where applicable, assets and liabilities have been categorised between those that are current and non-current. The comparative 2017 figures have been restated accordingly. Current assets or liabilities are amounts that expect to be received or settled within 12 months of the reporting date. Trade receivables and payables will remain as due within one year.

There is no overall impact on the Statement of Financial Position for 2017, as the change merely reclassifies balances within it.

# NOTES TO THE ACCOUNTS

## **Adjustment 3 - Reclassifying revenue transactions in the Statement of Financial Performance**

Changes have been made to the format of the Statement of Financial Performance to provide a more comprehensive presentation of the States' activities. In particular, gains or losses associated with the Consolidated Investment Fund and interest received from loans are now reported in a separate category headed Investment Returns. These balance were previously reported within the total headed Miscellaneous Income. The remaining items of revenue previously reported within Miscellaneous Income are now classified as Other Corporate Income.

These changes do not affect the net surplus reported in the Statement of Financial Performance for 2017 as they merely reclassify transactions within it.

# NOTES TO THE ACCOUNTS

## 3. Income Taxes

	2018 £'000s	2017 £'000s
Individuals	260,790	253,762
Companies (including banks)	60,713	58,772
Distributed profits	11,032	11,534
<b>Total Income Taxes</b>	<b>332,535</b>	<b>324,068</b>

## 4. Other Taxes and Duties

	2018 £'000s	2017 £'000s
Customs - Excise and Import Duties		
Beer	3,722	3,373
Cider	920	815
Motor fuel	20,287	19,390
Spirits	3,707	3,343
Tobacco	7,908	7,050
Wine	5,433	5,399
Import duties	2,089	1,634
	44,066	41,004
Tax on Real Property	22,920	20,662
Document Duty – Conveyancing and Bonds	17,583	16,964
Vehicle First Registration Duty	1,162	1,194
<b>Total Other Taxes and Duties</b>	<b>85,731</b>	<b>79,824</b>

## 5. Other Corporate Income

	2018 £'000s	2017# £'000s
Housing rental income	19,914	19,904
Company fees	11,070	11,535
Dividend income from States' trading entities	2,100	2,313
Other income	1,088	892
<b>Total Other Corporate Income</b>	<b>34,172</b>	<b>34,644</b>

# NOTES TO THE ACCOUNTS

## 6. Pay

<b>Pay Costs by Pay Group</b>	<b>2018 £'000s</b>	<b>2017 £'000s</b>
Established staff	88,982	86,022
Public service employees	16,435	16,412
Nurses and medical consultants	54,967	51,105
Teachers, lecturers and learning support assistants	42,958	42,545
Fire officers	3,402	3,486
Police officers	9,207	8,803
Home support staff	2,237	2,041
Border Agency officers	3,715	3,308
Prison officers	3,486	3,442
Crown officers and judges	1,859	1,627
Other pay groups	2,655	2,661
	<b>229,903</b>	<b>221,452</b>
States Members' remuneration	1,886	1,855
<b>Total Pay Costs by Pay Group</b>	<b>231,789</b>	<b>223,307</b>

A breakdown of the amounts paid to each of the States' Members is provided within Note 47.

<b>Full Time Equivalents by Pay Group Included Within Pay Costs</b>	<b>2018 Average FTE</b>	<b>2017 Average FTE</b>
Established staff	1,688	1,649
Public service employees	546	558
Nurses and medical consultants	1,092	1,028
Teachers, lecturers and learning support assistants	812	823
Fire officers	59	61
Police officers	153	146
Home support staff	50	46
Border Agency officers	69	61
Prison officers	76	76
Crown officers and judges	7	7
Other pay groups	37	80
<b>Total Full Time Equivalents by Pay Group Included Within Pay Costs</b>	<b>4,589</b>	<b>4,535</b>

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 Employees Gross Cost Analysis

	2018 Number of Employees	2017 Number of Employees
£80,000 to £99,999	152	130
£100,000 to £119,999	59	43
£120,000 to £139,999	30	33
£140,000 to £159,999	33	31
£160,000 to £179,999	9	12
£180,000 to £199,999	7	6
£200,000 to £219,999	3	3
£220,000 to £239,999	1	2
£240,000 to £249,999	-	-
£250,000 and above	4	1
	<b>298</b>	<b>261</b>

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.

# NOTES TO THE ACCOUNTS

## 7. Operating Expenditure (Non-Pay) by Category

	2018 £'000s	2017 £'000s
Staff Related Non-Pay Costs		
Recruitment	2,285	2,438
Training	2,133	2,313
Other staff costs	804	532
	5,222	5,283
Support Services		
Advertising, marketing and public relations	2,711	2,026
Audit fees	270	256
Bank charges	329	156
Communications and IT	11,381	10,035
Consultants fees	3,076	3,836
Contracted out work	22,684	19,764
Incidental and other costs	82	99
Postage, stationery and printing	1,617	1,684
Risk management and insurance	2,355	2,021
	44,505	39,877
Premises		
Equipment, fixtures and fittings	966	900
Rents and leasing	4,459	3,767
Repairs, maintenance and servicing	16,761	15,670
Utilities	6,212	5,874
	28,398	26,211
Third Party Payments		
Benefit payments	47,280	38,784
Grants and subsidies	50,265	54,380
	97,545	93,164
Transport		
Vehicles and vessels	1,505	1,456
Supplies and Services		
Services	36,632	33,769
Supplies	13,392	14,244
	50,024	48,013
<b>Total Operating Expenditure (Non-Pay) by Category</b>	<b>227,199</b>	<b>214,004</b>

# 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.

	2018 £'000s	2017# £'000s
Policy & Resources Committee		
Payments to States Members	1,895	1,855
Committee for Employment & Social Security		
Legal Aid	2,486	2,453
Concessionary TV Licences for the Elderly	469	582
Family Allowance	8,332	8,190
Severe Disability Benefit and Carers' Allowance	6,260	5,569
Social Insurance Grant	16,135	15,668
Supplementary Benefit/Income Support Scheme	30,796	21,683
	64,478	54,145
<b>Total Formula-led Costs</b>	<b>66,373</b>	<b>56,000</b>

## 9. Finance Charges and Other Costs

	2018 £'000s	2017 £'000s
Bond interest charges	11,418	11,408
Bad debt expenses and adjustment for impairment of receivables	717	1,336
Notional loan charges	182	175
<b>Total Finance Charges and Other Costs</b>	<b>12,317</b>	<b>12,919</b>

## 10. Balance of Internal Loans Charged to Capital Reserve

At its meeting 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 amount expended in previous financial years (£9.107m) is shown as "Balance of Internal Loans Charged to Capital Reserve" within the Statement of Financial Performance. The 2018 expenditure is shown within Capital Expenditure.

# NOTES TO THE ACCOUNTS

## 11. Capital Receipts

	2018 £'000s	2017 £'000s
Repayment of capital grant from -		
Guernsey Water	-	18,580
Ports	-	4,000
	-	22,580
Property Sales		
Land at La Rue Marguerite	1,267	-
Platte Fougere	518	-
8 College Street, St Peter Port	152	-
Other property sales	185	21
	2,122	21
<b>Total Capital Receipts</b>	<b>2,122</b>	<b>22,601</b>

The property at 8 College Street was part of the States' housing stock and thus the capital receipt arising from its sale has been credited to the Corporate Housing Programme Fund.

The States agreed (Billet d'État XX, 2017) to transfer capital income generated from the sale of General Revenue property to the Capital Reserve. Therefore, an amount of £1.970m has been appropriated from the General Reserve to the Capital Reserve during 2018.

During 2014 and 2015, the States provided a capital grant totalling £18.580m to Guernsey Water to fund the completion of Phase IV of the Belle Greve Outfalls project, which included the replacement of discharge pipes from the Belle Greve Wastewater Centre. Guernsey Water re-paid the grant in full during 2017. The payments of the capital grant to Guernsey Water were written off by the States against the balance of the Capital Reserve. Consequently, the repayment of the capital grant in 2017 has been treated as a capital receipt and credited to the Capital Reserve.

The Crane Strategy project was approved by the States in February 2012, to fund the cost of performing remedial work on the harbour and replace the cranes. The approved budget was £13.675m and the grant funding provided by the States amounted to £13.399m. The payments of the capital grant to Guernsey Ports were written off by the States against the balance of the Capital Reserve. A decision was taken by the States' Trading Supervisory Board in November 2017 to repay £4m of the capital grant. Consequently, the repayment of the capital grant in 2017 has been treated as a capital receipt and credited to the Capital Reserve.



# NOTES TO THE ACCOUNTS

## 12. Capital Expenditure

The following is a breakdown of the total 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.

In 2017, new 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, which is funded from the Solid Waste Trading Account, and all capital expenditure incurred by Guernsey Registry, which is capitalised via an internal loan.

### Capital Expenditure

	2018 £'000s	2017 £'000s
Capital works on land, buildings and infrastructure	18,738	9,107
IT projects and equipment	4,529	2,217
Equipment, machinery and vehicles	13,790	3,779
<b>Total Capital Expenditure</b>	<b>37,057</b>	<b>15,103</b>

### Funding of Capital Expenditure

	2018 £'000s	2017 £'000s
Capital Reserve	37,035	8,236
Solid Waste Trading Account	22	98
General Reserve	-	6,769
<b>Total Funding of Capital Expenditure</b>	<b>37,057</b>	<b>15,103</b>

There was a change in the funding arrangements for the Waste Transfer Station (note 10 refers), and as a result capital expenditure incurred during 2018 (£19.948m) is included in the table above. However, the expenditure incurred prior to 2018 (£9.107m) was accounted for as an internal loan, and thus is not included within the expenditure totals for 2017 in the table above.

# NOTES TO THE ACCOUNTS

## 13. Financial Investments

	2018 £'000s	2017 £'000s
Balance at 1 January	2,205,548	1,980,747
Returns on investments (including realised and unrealised gains/(losses) on revaluation of investments) net of investment management fees and other expenses	(79,187)	203,089
Net (withdrawals)/deposits of cash during the year	(10,727)	21,712
<b>Balance at 31 December</b>	<b>2,115,634</b>	<b>2,205,548</b>
Equities	1,141,329	1,258,082
Alternatives	441,913	379,335
Bonds and fixed interest securities	292,738	359,160
Property	139,548	132,185
Cash (held by investment managers)	100,106	76,786
<b>Balance at 31 December</b>	<b>2,115,634</b>	<b>2,205,548</b>

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.

### Consolidated Investment Fund Managers - 2018

Aberdeen Asset Managers Limited	Newton Investment Management Limited
Allan Gray Africa Equity Fund Limited	Odey Wealth Management (C.I.) Ltd
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
MittonOptimal Portfolio Management (CI) Limited	White Star Capital Guernsey Limited
Morgan Stanley Investment Management Limited	

# NOTES TO THE ACCOUNTS

## Long Term Investment Fund Managers - 2017

Aberdeen Asset Managers Limited	Morgan Stanley Investment Management Limited
Allan Gray Africa Equity Fund Limited	Newton Investment Management Limited
AMP Capital Investors Limited	Partners Group (Guernsey) Limited
CBRE Global Investors (UK) Funds Limited	Sarasin & Partners LLP
FIL Pensions Management	Schroders Investment Management Limited
GAM (U.K.) Limited	State Street Global Advisors
Investec Asset Management	TIAA Henderson Real Estate Limited
JP Morgan Asset Management	Wellington Management International Limited

## Medium Term Investment Fund Managers - 2017

Brooks Macdonald Asset Management (International) Limited	Ravenscroft Investment Management
Canaccord Genuity Wealth (International) Limited	Rocq Capital Management Limited
Credit Suisse (Channel Islands) Limited	Royal London Asset Management C.I. Limited
Newton Investment Management Limited	Royal London Asset Management Limited
Odey Wealth Management (C.I.) Limited	

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

The States had the following commitments in Private Equity Funds as at 31 December 2018.

	<b>Total Commitment 31 December 2018 £'000s</b>	<b>Drawn Commitment 31 December 2018 £'000s</b>	<b>Undrawn Commitment 31 December 2018 £'000s</b>	<b>31 December 2017 £'000s</b>
CBRE	209,274	201,041	8,233	16,552
Morgan Stanley	71,642	38,985	32,657	19,679
Guernsey Investment Fund	25,000	3,414	21,586	-
Sustainable Growth Fund	8,970	7,372	1,598	3,903
AMP	7,831	7,186	645	414
JP Morgan	7,831	6,267	1,564	2,359
Partners Group	7,831	5,916	1,915	4,300
White Star	7,831	2,741	5,090	6,662
<b>Total</b>	<b>346,210</b>	<b>272,922</b>	<b>73,288</b>	<b>53,869</b>

The undrawn commitment reflected within the CBRE and Morgan Stanley portfolios will be met by the respective 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

## 14. 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

	2018 £'000s	2017 £'000s
<b>Guernsey Electricity Limited</b>	105,209	105,209
<b>Guernsey Post Limited</b>	7,886	7,886
<b>Cabernet Limited</b>		
Purchase cost and subsequent re-capitalisation	30,272	30,272
Provision for amounts written down due to accumulated losses	(30,272)	(30,272)
	-	-
<b>Alderney Electricity Limited</b>	3	3
<b>Balance at 31 December</b>	<b>113,098</b>	<b>113,098</b>

### 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 2018 (2017: £749,000).

The total value of Guernsey Electricity Limited's net assets as at 31 March 2018 was £91.761m (£85.636m as at 31 March 2017). However, this is after provision has been made for a pension deficit reported under FRS102 of £35.074m (2017: £40.674m).

### Guernsey Post Limited

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

The States received a dividend of £1.100m (2017: £1.564m).

The total value of Guernsey Post Limited's net assets as at 31 March 2018 was £22.786m (£22.363m as at 31 March 2017).

### 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.

Cabernet Ltd has continued to report losses during the intervening period. The accumulated net losses reported up to the end of December 2018 amounts to £35.796m (2017: £31.366m). This exceeds the gross cost of the investment held by the States (£30.272m), by £5.524m.

In order to provide for the remaining element of Cabernet's accumulated losses, an amount of £4.430m (2017: £1.094m) has been transferred from the General Reserve to the States' Trading Entities Reserve.

# NOTES TO THE ACCOUNTS

It is assumed that the use of landing slots at Gatwick Airport by Cabernet Ltd still retains a residual value of £5.06m. This value is based upon the initial purchase cost of Cabernet Ltd, compared to the value of the net assets of the group when the acquisition occurred. The accounts of Cabernet Ltd do not include the landing slots as assets so therefore they report a net liability as at 31 December 2018 of £10.584m (2017: £6.154m), which exceeds the amount set aside in the States' Trading Entities Reserve of £5.524m (2017: £1.094m) 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 also 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.

	<b>2018 £'000s</b>	<b>2017 £'000s</b>
Ports	234,456	236,246
Guernsey Water	138,326	138,200
States Works	11,496	11,777
Guernsey Dairy	4,205	4,691
<b>Balance at 31 December</b>	<b>388,483</b>	<b>390,914</b>

## 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.

	<b>2018 £'000s</b>	<b>2017 £'000s</b>
Guernsey Insurance Fund	712,516	769,278
Guernsey Health Service Fund	114,444	122,528
Long-Term Care Insurance Fund	79,211	75,013
<b>Balance at 31 December</b>	<b>906,171</b>	<b>966,819</b>

# NOTES TO THE ACCOUNTS

## 15. Receivables

	Non-Current	Current	Non-Current	Current
	2018 £'000s	2018 £'000s	2017 £'000s	2017 £'000s
<b>External Loans</b>				
Guernsey Housing Association LBG*	82,091	2,238	74,486	1,949
Cabernet Limited*	29,580	1,875	28,582	1,884
JamesCo750 Limited*	10,336	638	10,974	614
Guernsey Water*	8,552	184	8,736	178
Home Loans Scheme	1,460	80	1,513	77
Higher Education Loans Fund	32	19	45	41
Farm Loans Fund	119	17	122	17
Sports Loans Fund	61	22	98	11
Guernsey Harbour*	33	-	-	-
	132,264	5,073	124,556	4,771
<b>Internal Loans</b>				
Committee for Health & Social Care - Accommodation Fund*	1,518	124	1,642	119
Solid Waste Strategy Infrastructure*	-	-	9,107	-
Company Registry*	248	57	176	-
Company Registry	-	36	39	63
	1,766	217	10,964	182
<b>Other Receivables</b>				
Income tax	-	43,385	-	51,199
Other taxes and duties	-	3,606	-	3,069
	-	46,991	-	54,268
Trade debtors	-	24,951	-	20,439
Other debtors	-	11,913	-	8,843
	-	36,864	-	29,282
<b>Balance at 31 December</b>	<b>134,030</b>	<b>89,145</b>	<b>135,520</b>	<b>88,503</b>

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 provides a short-term borrowing facility to Cabernet Ltd and charges interest on the carrying balance at a pre-agreed rate. The total amount borrowed as at the end of 2018 was £7.840m (2017: £5.067m) and is included within the amount categorised as "Other debtors".

# NOTES TO THE ACCOUNTS

## 16. Creditors

	2018 £'000s	2017# £'000s
Trade creditors	32,624	31,414
Deferred Income	2,453	2,241
Other creditors	100	42
<b>Balance at 31 December</b>	<b>35,177</b>	<b>33,697</b>

## 17. Depositors

	2018 £'000s	2017 £'000s
Superannuation Fund	1,356,537	1,425,623
States incorporated trading entities	8,804	14,970
States un-incorporated trading entities	16,680	11,142
Charity and other deposit balances	37,174	50,406
<b>Balance at 31 December</b>	<b>1,419,195</b>	<b>1,502,141</b>

The depositors are 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.

Details of the change in the balance of the Superannuation Fund are included within Note 43.

## 18. Currency in Circulation

	2018 £'000s	2017 £'000s
All notes and coins in circulation at 1 January	55,270	55,941
<i>Issued during the year</i>	96,149	101,049
<i>Withdrawn during the year</i>	(92,743)	(101,720)
All notes and coins in circulation at 31 December	58,676	55,270
Nominal value of notes and coins which are considered unlikely to be either redeemed or exchanged at 31 December		
<i>Commemorative coins</i>	(7,126)	(6,976)
<i>General notes and coins</i>	(2,100)	(2,100)
	(9,226)	(9,076)
<b>Estimated Value of Liability at 31 December</b>	<b>49,450</b>	<b>46,194</b>

Although the nominal value of the notes and coins in circulation amounted to £58.676m as at 31 December 2018 (2017: £55.270m), it has been estimated that a certain proportion of this total would not be redeemed at any point in the future. Consequently, it has been assumed that the liability would reduce accordingly.

This estimate has been calculated using formulae, which considers the type of note or coin, as well as the levels of redemption in past years.

With regard to commemorative coins, the nominal value of coins issued as at 31 December 2018 was £7.595m (2017: £7.433m). The liability has been reduced by £7.126m (2017: £6.976m), 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.

# NOTES TO THE ACCOUNTS

## 19. Long Term Liabilities

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.

## 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.

	2018 £'000s	2017 £'000s
<b>Financial Assets Classified as Financial Instruments</b>		
Financial assets at fair value		
Consolidated Investment Fund	2,115,634	2,205,548
Financial assets at amortised cost		
External loans	137,337	129,327
Trade debtors	24,951	20,439
Other debtors	11,617	8,626
Cash and cash equivalents	6,638	13,383
	180,543	171,775
Financial assets at cost		
Shareholdings in States' Trading Entities	113,098	113,098
<b>Total Financial Assets Classified as Financial Instruments</b>	<b>2,409,275</b>	<b>2,490,421</b>
<b>Financial Liabilities Classified as Financial Instruments</b>		
Financial liabilities at fair value		
Depositors	(1,419,195)	(1,502,141)
Financial liabilities at amortised cost		
Trade creditors	(32,624)	(31,414)
Other creditors	-	(30)
Bond issue	(317,053)	(316,776)
	(349,677)	(348,220)
<b>Total Financial Liabilities Classified as Financial Instruments</b>	<b>(1,768,872)</b>	<b>(1,850,361)</b>



# 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	2018 £'000s	2017# £'000s
Earmarked funds at 31 December			
Corporate Housing Programme Fund	23	24,524	27,090
Transformation and Transition Fund	24	20,247	23,326
Insurance Deductible Fund	25	12,084	10,851
Future Guernsey Economic Fund	26	5,732	5,693
Bond Reserve	27	3,339	16,215
Wilfred Carey Purchase Fund	28	3,228	3,419
Brexit Transition Fund	29	3,000	-
Channel Islands Lottery (Guernsey) Fund	30	1,932	1,459
Solid Waste Trading Account	31	1,345	3,460
Overseas Aid & Development Commission Fund	32	1,137	903
Health and Social Care Accommodation Fund	33	1,020	1,127
Overseas Aid & Development Impact Investment Fund	34	1,000	-
Participatory Budgeting Fund	35	1,000	-
Higher Education Loans Fund	36	934	958
Sports Loans Fund	37	319	319
		80,841	94,820
Unallocated balance at 31 December	22	35,839	49,966
<b>General Reserve Balance at 31 December</b>		<b>116,680</b>	<b>144,786</b>

## 22. General Reserve (Unallocated Balance)

	2018 £'000s	2017 £'000s
Balance at 1 January	49,966	44,795
Revenue Surplus	68,493	65,945
	118,459	110,740
Appropriations from		
Solid Waste Trading Account	1,574	1,595
Channel Islands Lottery (Guernsey) Fund	616	493
	2,190	2,088
Appropriations to		
Capital Reserve	(56,670)	(52,553)
Core Investment Reserve	(12,900)	(5,000)
States' Trading Entities Reserve	(4,430)	(1,094)
Brexit Transition Fund	(3,000)	-
Overseas Aid & Development Commission Fund	(2,960)	(2,915)
Future Guernsey Economic Fund	(1,500)	-
Insurance Deductible Fund	(1,350)	(1,300)
Overseas Aid & Development Impact Investment Fund	(1,000)	-
Participatory Budgeting Fund	(1,000)	-
	(84,810)	(62,862)
<b>Balance at 31 December</b>	<b>35,839</b>	<b>49,966</b>

# NOTES TO THE ACCOUNTS

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

The appropriation of £52.553m to the Capital Reserve during 2017 was made up of –

- (i) £29.8m (Billet d'État XXVI,2016)
- (ii) £8.1m (Billet d'État XX,2017)
- (iii) £13.653m transfer of funding for Routine Capital projects
- (iv) £1m (Billet d'État XXVI,2016) – special dividend from Guernsey Post Limited

## 23. Corporate Housing Programme Fund

	2018 £'000s	2017 £'000s
Balance at 1 January	27,090	30,092
Capital receipts	152	-
Operating expenditure	(2,718)	(3,002)
Net deficit for the year	(2,566)	(3,002)
<b>Balance at 31 December</b>	<b>24,524</b>	<b>27,090</b>

## 24. Transformation and Transition Fund

	2018 £'000s	2017 £'000s
Balance at 1 January	23,326	25,115
Operating income	-	27
Operating expenditure	(3,079)	(1,816)
Net deficit for the year	(3,079)	(1,789)
<b>Balance at 31 December</b>	<b>20,247</b>	<b>23,326</b>

## 25. Insurance Deductible Fund

	2018 £'000s	2017 £'000s
Balance at 1 January	10,851	10,399
Operating expenditure	(117)	(848)
Appropriations - From General Reserve	1,350	1,300
<b>Balance at 31 December</b>	<b>12,084</b>	<b>10,851</b>

# NOTES TO THE ACCOUNTS

## 26. Future Guernsey Economic Fund

	2018 £'000s	2017 £'000s
Balance at 1 January	5,693	6,776
Operating income	165	96
Operating expenditure	(1,626)	(1,179)
Net deficit for the year	(1,461)	(1,083)
Appropriations -		
From General Reserve	1,500	-
<b>Balance at 31 December</b>	<b>5,732</b>	<b>5,693</b>

## 27. Bond Reserve

	2018 £'000s	2017# £'000s
Balance at 1 January	16,215	6,323
Investment (charge)/return	(6,781)	16,201
Interest received from loans	5,316	4,871
Non utilisation fees	51	238
Total income	(1,414)	21,310
Interest charge	(11,418)	(11,408)
Other expenses	(44)	(10)
Total expenditure	(11,462)	(11,418)
Net (deficit)/surplus for the year	(12,876)	9,892
<b>Balance at 31 December</b>	<b>3,339</b>	<b>16,215</b>

## 28. Wilfred Carey Purchase Fund

	2018 £'000s	2017 £'000s
Balance at 1 January	3,419	3,261
Investment (charge)/return	(122)	206
Operating Expenditure	(69)	(48)
Net (deficit)/surplus for the year	(191)	158
<b>Balance at 31 December</b>	<b>3,228</b>	<b>3,419</b>

# NOTES TO THE ACCOUNTS

## 29. Brexit Transition Fund

	2018 £'000s	2017 £'000s
Balance at 1 January	-	-
Appropriations - From General Reserve	3,000	-
<b>Balance at 31 December</b>	<b>3,000</b>	<b>-</b>

## 30. Channel Islands Lottery (Guernsey) Fund

	2018 £'000s	2017 £'000s
Balance at 1 January	1,459	922
Operating income	13,092	10,844
Operating expenditure	(11,678)	(9,502)
Contributions to third parties	(325)	(312)
Net surplus for the year	1,089	1,030
Appropriations - To General Reserve	(616)	(493)
<b>Balance at 31 December</b>	<b>1,932</b>	<b>1,459</b>

## 31. Solid Waste Trading Account

	2018 £'000s	2017 £'000s
Balance at 1 January	3,460	3,611
Investment (charge)/return	(48)	205
Operating income	6,340	6,697
Operating expenditure	(6,811)	(5,360)
Capital expenditure	(22)	(98)
Net (deficit)/surplus for the year	(541)	1,444
Appropriations - To General Reserve	(1,574)	(1,595)
<b>Balance at 31 December</b>	<b>1,345</b>	<b>3,460</b>

## 32. Overseas Aid & Development Commission Fund

	2018 £'000s	2017 £'000s
Balance at 1 January	903	590
Total grants payable	(2,726)	(2,602)
Appropriations - From General Reserve	2,960	2,915
<b>Balance at 31 December</b>	<b>1,137</b>	<b>903</b>

# NOTES TO THE ACCOUNTS

## 33. Health and Social Care Accommodation Fund

	2018 £'000s	2017 £'000s
Balance at 1 January	1,127	1,122
Net investment charge	(89)	(16)
Operating income	2,047	1,749
Operating expenditure	(2,065)	(1,728)
Net (deficit)/surplus for the year	(107)	5
<b>Balance at 31 December</b>	<b>1,020</b>	<b>1,127</b>

## 34. Overseas Aid & Development Impact Investment Fund

	2018 £'000s	2017 £'000s
Balance at 1 January	-	-
Appropriations - From General Reserve	1,000	-
<b>Balance at 31 December</b>	<b>1,000</b>	<b>-</b>

## 35. Participatory Budgeting Fund

	2018 £'000s	2017 £'000s
Balance at 1 January	-	-
Appropriations - From General Reserve	1,000	-
<b>Balance at 31 December</b>	<b>1,000</b>	<b>-</b>

## 36. Higher Education Loans Fund

	2018 £'000s	2017 £'000s
Balance at 1 January	958	911
Investment (charge)/return	(33)	51
Interest received on loans	-	1
Operating expenditure (change in bad debt provision)	9	(5)
Net (deficit)/surplus for the year	(24)	47
<b>Balance at 31 December</b>	<b>934</b>	<b>958</b>

# NOTES TO THE ACCOUNTS

## 37. Sports Loans Fund

	2018 £'000s	2017 £'000s
Balance at 1 January	319	319
Net surplus for the year	-	-
<b>Balance at 31 December</b>	<b>319</b>	<b>319</b>

## 38. Capital Reserve

	2018 £'000s	2017 £'000s
Balance at 1 January	240,249	159,161
Investment (charge)/return	(9,151)	14,598
Capital receipts	-	22,580
Expenditure on capital votes	(46,142)	(8,236)
Operating expenditure	(408)	(407)
	(55,701)	28,535
Appropriations from General Reserve	56,670	52,553
<b>Balance at 31 December</b>	<b>241,218</b>	<b>240,249</b>

The net appropriation of £56.670m from the General 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

The net appropriation of £52.553m from the General Reserve during 2017 was made up of –

- (v) £29.8m (Billet d'État XXVI,2016)
- (vi) £8.1m (Billet d'État XX,2017)
- (vii) £13.653m transfer of funding for Routine Capital projects
- (viii) £1m (Billet d'État XXVI,2016) – special dividend from Guernsey Post Limited

## 39. Core Investment Reserve

	2018 £'000s	2017 £'000s
Balance at 1 January	168,421	147,095
Investment (charge)/return	(6,412)	16,326
Appropriations - From General Reserve	12,900	5,000
<b>Balance at 31 December</b>	<b>174,909</b>	<b>168,421</b>

# NOTES TO THE ACCOUNTS

## 40. States' Trading Entities Reserve

	2018 £'000s	2017 £'000s
<b>Alderney Electricity Limited</b>	3	3
<b>Guernsey Electricity Limited</b>	105,209	105,209
<b>Guernsey Post Limited</b>	7,886	7,886
<b>Cabernet Limited</b>		
Balance at 1 January	1,094	-
Appropriations - From General Reserve	4,430	1,094
Balance at 31 December	5,524	1,094
<b>Total Balance at 31 December</b>	<b>118,622</b>	<b>114,192</b>

An appropriation of £4.430m (2017: £1.094m) was made between the General Reserve and the States' Trading Entities Reserve during 2018, 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 (Deficit)/Surplus to Net Cash Flows from Operating Activities

	2018 £'000s	2017# £'000s
Overall (deficit)/surplus	(16,219)	114,058
Adjustment for net capital expenditure charged to revenue	37,057	15,103
Adjustment for net capital receipts credited to revenue	(2,122)	(22,601)
Adjustment for Cabernet Ltd losses	-	4,103
Adjustment for dividends received	(2,100)	(2,313)
Adjustment for coupon payment	11,141	11,141
Adjustment for Effective Interest Rate charged to amortised loan	277	267
Losses/(gains) on revaluation of investments	79,187	(203,089)
Increase in stocks	(469)	(94)
Increase in debtors and prepayments	(2,727)	(16,520)
Decrease in other loan balances	9,277	2,326
(Decrease)/increase in depositor balances	(82,946)	129,904
Increase in creditors	4,272	4,820
<b>Net cash inflows from Operating Activities</b>	<b>34,628</b>	<b>37,105</b>

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

# NOTES TO THE ACCOUNTS

## 42. Analysis of Cash Balances

	At 1 January 2017 £'000s	Movements in 2017 £'000s	At 31 December 2017 £'000s	Movements in 2018 £'000s	At 31 December 2018 £'000s
Cash at banks	15,798	(2,460)	13,338	(6,774)	6,564
Cash in hand	53	(8)	45	29	74
<b>Total</b>	<b>15,851</b>	<b>(2,468)</b>	<b>13,383</b>	<b>(6,745)</b>	<b>6,638</b>

## 43. Superannuation Fund

	At 1 January 2017 £'000s	Movements in Net Funds 2017 £'000s	At 31 December 2017 £'000s	Movements in Net Funds 2018 £'000s	At 31 December 2018 £'000s
Combined Pool	1,242,647	120,161	1,362,808	(64,301)	1,298,507
Teachers Fund	54,553	4,572	59,125	(3,615)	55,510
States Members Fund	3,955	296	4,251	(434)	3,817
<b>Total</b>	<b>1,301,155</b>	<b>125,029</b>	<b>1,426,184</b>	<b>(68,350)</b>	<b>1,357,834</b>

### Combined Pool

	2018 £'000s	2017 £'000s
Employers' contributions	29,034	28,059
Employees' contributions	14,992	14,085
Capital payments	-	126
Refund of contributions repaid	45	86
Transfer values received	3,712	2,997
	<b>47,783</b>	<b>45,353</b>
Pensions	(46,714)	(44,591)
Lump sum payments	(12,305)	(11,050)
Contributions refunded to employees	(1,395)	(1,590)
Transfer values paid	(1,623)	(3,033)
	<b>(62,037)</b>	<b>(60,264)</b>
Returns on Investments (including realised and unrealised gains/(losses) on revaluation of investments) net of investment management fees and other expenses	(50,047)	135,072
<b>Net (Decrease)/Increase in Fund for the Year</b>	<b>(64,301)</b>	<b>120,161</b>



# NOTES TO THE ACCOUNTS

## Teachers' Fund

Employers' contributions  
Teachers' contributions  
Transfer values received

Pensions  
Lump sum payments  
Contributions refunded to teachers  
Transfer values paid

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

**Net (Decrease)/Increase in Fund for the Year**

2018 £'000s	2017 £'000s
172	193
85	96
-	27
257	316
(1,411)	(1,420)
(292)	(234)
-	(2)
(29)	(207)
(1,732)	(1,863)
(2,140)	6,119
<b>(3,615)</b>	<b>4,572</b>

## States Members' Pension Fund

Capital payment

Pensions  
Transfer values paid

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

**Net (Decrease)/Increase in Fund for the Year**

2018 £'000s	2017 £'000s
157	153
(301)	(303)
(148)	(48)
(449)	(351)
(142)	494
<b>(434)</b>	<b>296</b>

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

**Net (Decrease)/Increase in Fund for the Year**

2018 £'000s	2017 £'000s
29,206	28,252
15,077	14,181
157	279
45	86
3,712	3,024
48,197	45,822
(48,426)	(46,314)
(12,597)	(11,284)
(1,395)	(1,592)
(1,800)	(3,288)
(64,218)	(62,478)
(52,329)	141,685
<b>(68,350)</b>	<b>125,029</b>

# 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 £90,074 from 1 May 2018) 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. FRS 102 has been adopted as a means of providing further information relating to the Superannuation Fund. The actuarial balances have not been incorporated within the principal financial statements. The deficit on the Superannuation Fund is not included in the Statement of Financial Position.

The valuation was updated by the actuary on an FRS 102 basis as at 31 December 2018.

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

	<b>31 December 2018 % p.a.</b>	<b>31 December 2017 % p.a.</b>
Discount rate	2.80%	2.60%
Rate of inflation	3.10%	3.40%
Increases to deferred benefits during deferment - Teachers Scheme	2.20%	2.50%
Increases to deferred benefits during deferment - Other Schemes	3.10%	3.40%
Increases to pensions in payment - Teachers Scheme	2.20%	2.50%
Increases to pensions in payment - Other Schemes	3.10%	3.40%
Increases to salaries	3.85%	4.15%
Mortality assumptions:		
Female pensioners aged 65 will live until	89	89
Male pensioners aged 65 will live until	87	87
Female employees aged 45 will live until	90	90
Male employees aged 45 will live until	88	88

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

# NOTES TO THE ACCOUNTS

## Analysis of changes in scheme deficit

Movements in the scheme deficit for the year were as follows

	2018 £'000s	2017 £'000s
Current service cost	71,177	77,151
Net interest on net defined liability		
Interest on obligation	62,964	63,262
Interest on assets	(36,873)	(33,625)
Cumulative amounts of re-measurements		
Return on assets (not included in interest)	88,370	(108,047)
Actuarial gains on obligation	(274,346)	(106,486)
Administration expenses	832	884
	(87,876)	(106,861)
Contributions by employer	(29,363)	(28,671)
<b>Net Reduction in Deficit for the Year</b>	<b>(117,239)</b>	<b>(135,532)</b>

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

	2018 £'000s	2017 £'000s
Defined benefit obligation at 1 January	2,451,912	2,462,415
Service cost	71,177	77,151
Contribution by members	15,077	14,060
Benefits paid	(60,461)	(58,490)
Interest on obligation	62,964	63,262
Experience gains	(22,374)	(29,795)
Gains from changes in assumptions	(251,972)	(76,691)
<b>Defined Benefit Obligation at 31 December</b>	<b>2,266,323</b>	<b>2,451,912</b>

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

	2018 £'000s	2017 £'000s
Fair value of fund assets at 1 January	1,426,184	1,301,155
Interest on assets	36,873	33,625
Return on assets (not included in interest)	(88,370)	108,047
Contributions by employer	29,363	28,671
Contributions by members	15,077	14,060
Benefits paid	(60,461)	(58,490)
Administration expenses	(832)	(884)
<b>Fair Value of Fund Assets at 31 December</b>	<b>1,357,834</b>	<b>1,426,184</b>

# NOTES TO THE ACCOUNTS

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

	2018 £'000s	2018 %	2017 £'000s	2017 %
Equities	732,871	54	852,645	60
Alternatives	283,353	21	246,183	17
Gilts and bonds	187,703	14	198,837	14
Property	89,478	6	103,801	7
Cash	64,429	5	24,718	2
<b>Total Fund Assets</b>	<b>1,357,834</b>	<b>100</b>	<b>1,426,184</b>	<b>100</b>

All 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 employer expects to contribute £29m to the Fund from 1 January 2019 to 31 December 2019.

The overall scheme deficit is as follows:

	2018 £'000s	2017 £'000s
Defined benefit obligation at 31 December	2,266,323	2,451,912
Fair value of fund assets at 31 December	(1,357,834)	(1,426,184)
<b>Net defined benefit liability</b>	<b>908,489</b>	<b>1,025,728</b>

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

There were no non-audit services provided by Grant Thornton Limited during 2018 (2017: nil).

## 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 Policy & Resources Committee 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 facility also includes £8.4m, outstanding to the bank under an existing loan dated 5 February 2008, which will be repaid within the next twelve months. The value of the existing loan amounted to £9.6m as at 31 December 2017.

# NOTES TO THE ACCOUNTS

This agreement replaces in its entirety each of the guarantees with The Royal Bank of Scotland International Limited, dated 20 August 2008 and 23 July 2010.

The Policy & Resources Committee has also guaranteed the company's trading operational loan facilities with RBSI Limited comprising: an overdraft facility of £1.25m and HM Customs Bonds of a maximum of £40,000. A further guarantee is in place with Barclaycard for an unlimited amount of credit card sales in respect of unflown flights.

## **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 2018, amounted to £3m (2017: £8.3m).

## **Alderney Housing Association Limited**

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. Accordingly, the States of Alderney have provided a letter of comfort in respect of the AHA's overdraft facility of £3m with a private financial institution. The balance drawn against this facility as at 31 December 2018 amounted to £2.6m (2017: £2.1m).

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 2018 amounted to £7.6m (2017: £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.

# 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 2018 and 2017 are as follows.

Description	2018 £'000	2017 £'000
Social Insurance Fund Grant	16,135	15,667
Rent rebate payments (various)	5,835	11,022
Overseas aid grants (various)	2,725	2,602
St John Ambulance and Rescue Service	2,350	2,486
Guernsey Housing Association	2,118	2,291
Elizabeth College (College Grant)	2,103	2,134
Pre-school grants (various)	1,854	1,836
The Ladies College (College Grant)	1,853	1,856
Guille-Alles Library	1,621	1,604
Dairy farm management payments (various)	1,225	1,425
Guernsey Finance LBG	1,200	1,200
Guernsey Training Agency	703	275
H E Lieutenant Governor	638	628
Youth Commission	548	498
Office of Data Protection Authority	465	-
Guernsey Employment Trust	459	417
Blanchelande College (College Grant)	393	404
Channel Islands Brussels Office	340	260
Priaulx Library	327	319
Action for Children	327	314
Alderney Commission for Renewable Energy	237	54
Association of Guernsey Charities	218	190
Guernsey Sports Commission	209	209
Health Improvement Commission	182	-
Dyslexia Day Centre	159	148
Grow Limited	141	141
Guernsey Competition and Regulatory Authority	140	140
Guernsey Contraceptive Service	140	140
Events Group	137	165
Guernsey Arts Commission	114	114
Guernsey Enterprise Agency (Start Up Guernsey)	112	112
2021 Island Games	100	100
Dairy & Land Management (Alderney)	65	65
Friends of St James Association	58	58
Other grant payments less than £50,000 (various)	5,034	5,506
<b>Total Grant Payments</b>	<b>50,265</b>	<b>54,380</b>

# 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.

	<b>2018 Total £</b>	<b>2017 Total £</b>
B L Brehaut	52,666	51,617
A H Brouard	52,666	51,617
D de G De Lisle	37,304	36,561
H L De Sausmarez	38,982	38,206
M H Dorey	38,982	38,206
A C Dudley-Owen	38,982	38,206
M J Fallaize	52,666	51,617
P T R Ferbrache	37,304	49,394
J A B Gollop	38,982	38,206
R H Graham LVO, MBE	37,304	36,561
C J Green	52,666	51,617
S T Hansmann Rouxel	37,629	37,629
N R Inder	40,971	38,206
L E Jean	12,288	12,287
J Kuttelwascher	37,304	36,561
S L Langlois	36,009	36,008
M K Le Clerc	52,666	51,617
P R Le Pelley	39,459	49,394
J P Le Tocq	52,666	51,617
M P Leadbeater	38,982	38,206
M M Lowe	48,648	48,648
S D G McKinley, OBE	20,589	14,591
C P Meerveld	38,982	38,206
J S Merrett	38,982	38,206
J I Mooney	38,982	38,206
V S Oliver	38,982	38,206
B J E Paint	37,304	36,561
C N K Parkinson	52,666	38,896
R G Prow	36,009	37,359
L B Queripel	37,629	37,629
L C Queripel	37,304	36,966
P J Roffey	49,306	38,206
J C S F Smithies	37,304	36,561
H J R Soulsby	52,666	51,617
G A St Pier	68,543	67,179
T J Stephens	50,398	49,394
D A Tindall	38,982	38,206
R H Tooley	38,982	38,206
L S Trott	52,666	51,617
E A Yerby	37,629	37,629
<b>Total Payments to States Members</b>	<b>1,679,031</b>	<b>1,645,422</b>

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.

# NOTES TO THE ACCOUNTS

## **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 £11.541m (2017: £577k) in respect of goods and services provided by companies within that Group to the States' Trading Supervisory Board (non-trading responsibilities) during 2018. The Accounts of each States' Trading Supervisory Board trading entity (incorporated and unincorporated) include a related party transaction note.

Mr Falla has also advised that companies within the Garenne Group have received payments as sub-contractor from contractors appointed by the States' Trading Supervisory Board.

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 2018, a relation of Deputy Dorey received £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.

## **49. Post Balance Sheet Events**

The States approved the creation of Guernsey Waste which, from 2019 onwards, will be treated as a separate reporting entity. Consequently, the balances attributed to the Solid Waste Trading Account will transfer to Guernsey Waste on 1 January 2019.

## **50. Segmental Analysis**

The States prepared the 2018 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.



# NOTES TO THE ACCOUNTS

## Reconciliation Between Totals Reported in Statement of Financial Performance and the Segmental Analysis

	Note	2018 £'000s	2017 £'000s
(Deficit)/Surplus for the year as per the Statement of Financial Performance		(16,219)	114,058
Adjustments for (surplus)/deficit on earmarked balances within the General Reserve			
Corporate Housing Programme Fund	23	2,566	3,002
Transformation and Transition Fund	24	3,079	1,789
Insurance Deductible Fund	25	117	848
Future Guernsey Economic Fund	26	1,461	1,083
Bond Reserve	27	12,876	(9,892)
Wilfred Carey Purchase Fund	28	191	(158)
Channel Islands Lottery (Guernsey) Fund	30	(1,089)	(1,030)
Solid Waste Trading Account	31	541	(1,444)
Overseas Aid & Development Commission Fund	32	2,726	2,602
Health and Social Care Accommodation Fund	33	107	(5)
Higher Education Loans Fund	36	24	(47)
		22,599	(3,252)
Adjustment for balances debited/(credited) to the Capital Reserve	38	55,701	(28,535)
Adjustment for balances credited to the Core Investment Reserve	39	6,412	(16,326)
<b>Surplus credited to General Reserve (Unallocated Balance)</b>		<b>68,493</b>	<b>65,945</b>
Other adjusting items included within the Segmental Analysis			
Transfer to Insurance Deductible Fund	25	(1,350)	(1,300)
Transfer from Channel Islands Lottery (Guernsey) Fund	30	616	493
Transfer from Solid Waste Trading Account	31	1,574	1,595
Transfer to Overseas Aid & Development Commission Fund	32	(2,960)	(2,915)
		(2,120)	(2,127)
Other adjusting items excluded from the Segmental Analysis			
Impairment for Cabernet losses		-	4,103
<b>Surplus reported within the Segmental Analysis</b>		<b>66,373</b>	<b>67,921</b>

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  
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

*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.

# GLOSSARY

## Appendix I

*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.

*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.

# GLOSSARY

## Appendix I

*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.

*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.

# GLOSSARY

## Appendix I

*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.

*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.

*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

2018 Original Budget £'000s	2018 Total Authorised £'000s	
431,500	431,500	Revenue Income
6,500	6,500	Capital Income
<b>438,000</b>	<b>438,000</b>	<b>Total Income</b>
		<b>Net Revenue Expenditure</b>
37,410	39,172	<i>Policy &amp; Resources Committee</i>
6,235	6,504	<i>Committee for Economic Development</i>
73,925	75,387	<i>Committee for Education, Sport &amp; Culture</i>
76,902	76,990	<i>Committee for Employment &amp; Social Security</i>
11,975	12,467	<i>Committee for the Environment &amp; Infrastructure</i>
114,658	117,851	<i>Committee for Health &amp; Social Care</i>
29,825	31,468	<i>Committee for Home Affairs</i>
547	560	<i>Scrutiny Management Committee</i>
1,340	1,408	<i>Development &amp; Planning Authority</i>
2,960	2,960	<i>Overseas Aid &amp; Development Commission</i>
-	24	<i>Transport Licensing Authority</i>
1,490	1,628	<i>States' Trading Supervisory Board</i>
2,535	2,690	<i>Royal Court</i>
4,475	4,877	<i>Law Officers</i>
1,840	1,891	<i>States of Alderney</i>
11,683	1,923	<i>Budget Reserve</i>
<b>377,800</b>	<b>377,800</b>	<b>Net Revenue Expenditure</b>
-	-	Routine Capital Expenditure
<b>377,800</b>	<b>377,800</b>	<b>Total Cash Limits</b>
<b>60,200</b>	<b>60,200</b>	<b>Net Surplus</b>

## Appendix II

2018 Actual £'000s	2017 Actual £'000s
440,555	431,832
1,970	18
<b>442,525</b>	<b>431,850</b>
39,142	37,678
6,204	6,755
77,413	77,276
75,943	64,938
12,281	11,456
118,028	114,072
32,002	30,305
511	474
1,259	1,167
2,960	2,915
24	-
1,239	885
2,571	2,800
4,820	4,592
1,755	1,847
-	-
<b>376,152</b>	<b>357,160</b>
-	6,769
<b>376,152</b>	<b>363,929</b>
<b>66,373</b>	<b>67,921</b>

# ANALYSIS OF PAY COSTS AND FTE TOTALS

## Appendix III

Committee	2018 Actual £'000s	2018 Average FTE	2017 Actual £'000s	2017 Average FTE
Policy & Resources Committee	24,009	410	21,778	394
Committee <i>for</i> Economic Development	2,539	40	2,645	42
Committee <i>for</i> Education, Sport & Culture	58,304	1,195	57,963	1,234
Committee <i>for</i> Employment & Social Security	4,041	82	3,891	83
Committee <i>for the</i> Environment & Infrastructure	2,963	58	2,654	53
Committee <i>for</i> Health & Social Care	90,087	2,011	85,800	1,953
Committee <i>for</i> Home Affairs	28,303	540	27,408	533
Scrutiny Management Committee	446	6	430	6
Development & Planning Authority	2,330	42	2,267	42
States' Trading Supervisory Board	4,113	65	4,005	64
Royal Court	3,817	52	4,040	53
Law Officers	4,762	41	4,490	41
States of Alderney	1,796	-	1,684	-
	227,510	4,542	219,055	4,498
<b>Other Functions</b>				
Transformation and Transition Fund	835	14	752	6
Guernsey Registry	298	6	395	7
Future Guernsey Economic Fund	379	8	353	6
Portfolio Team	269	3	353	5
Solid Waste Trading Account	259	7	241	5
Channel Islands Lottery (Guernsey) Fund	41	1	-	-
Health and Social Care Accommodation Fund	217	6	216	6
Notes and Coins Trading Account	95	2	87	2
	2,393	47	2,397	37
States' Members	1,886	-	1,855	-
<b>Total pay costs charged to the Statement of Financial Performance and equivalent FTE's</b>	<b>231,789</b>	<b>4,589</b>	<b>223,307</b>	<b>4,535</b>
Capital Reserve and Routine Capital projects	719	10	1,343	15
<b>Total Pay Costs and Equivalent FTE's</b>	<b>232,508</b>	<b>4,599</b>	<b>224,650</b>	<b>4,550</b>



# CAPITAL RESERVE EXPENDITURE

## Appendix IV

	2018 £'000s	2017 £'000s
<b>States Capital Investment Programme</b>		
<b>Portfolio Administration Costs</b>	408	407
<b>Policy &amp; Resources Committee</b>		
IT Wide Area Network (£1.09m)	53	-
Cremator and Emissions Equipment Replacement	96	106
Income Tax Electronic Document and Records Management	-	4
Revenue Service Programme	894	428
Sir Charles Frossard House Re-Roofing (£0.8m)	-	11
Future Digital Services	614	257
Office Rationalisation Project 1 Phase 1 (£2.098m)	309	1,523
SAP Roadmap	161	65
Digital Infrastructure	24	-
<b>Committee for Economic Development</b>		
Seafront Enhancement Area	40	-
<b>Committee for Education, Sport &amp; Culture</b>		
Les Beaucamps High School (£36.8m)	16	(102)
Les Nicolles Secondary and Special Needs Schools (£44.4m)	108	104
La Mare De Carteret Schools (£1.65m)	959	121
Education Estates Development – Phase 1	16	49
Footes Lane Refurbishment	8	-
<b>Committee for the Environment &amp; Infrastructure</b>		
Bus Replacement (£4.745m)	2,795	1,617
Sea Wall Repointing (£1.807m)	-	462
Hydrocarbon Supplies	1	1,107
L'Ancrese Wall – East Section	72	-
L'Eree - Coastal Repairs	356	-
Vazon - Coastal Repairs	352	-
<b>Committee for Health &amp; Social Care</b>		
Mental Health and Wellbeing Centre (£24m)	12	(486)
Health & Social Care Site Development	(4)	-
Electronic Health and Social Care record (£3.9m)	347	354
Radiology Equipment Replacement (£1.246m)	219	575
Princess Elizabeth Hospital Re-Profiling	23	28
Sherwill Ward Redevelopment	-	6
Hospital Modernisation – Phase 1	121	-
Health & Social Care Local Area Network (£1.866m)	1,319	-
<b>Committee for Home Affairs</b>		
New Generation Passport (£1.0m)	-	32
Linkworks Information System Replacement (£1.2m)	9	61
Replacement Prison Fencing (£1.7m)	-	1,708
Home Operational Services Transformation	-	88
CCTV Replacement	2	-
Home Affairs Estate Rationalisation	19	-
<b>States' Trading Supervisory Board</b>		
Airport Pavements Rehabilitation (£78.2m)	1	25
Belle Greve Wastewater Centre (£11.03m)	-	37
St Peter Port Harbour Crane Strategy (£13.675m)	11	27
Alderney Airport Runway Rehabilitation	43	29
Household Waste Recycling Centre (£2.2m)	1,442	-
Waste Transfer Station (£29.5m)	27,613	-

# CAPITAL RESERVE EXPENDITURE

## Appendix IV

### Minor Capital Projects

Property maintenance and minor works  
Information technology  
Medical equipment  
Vehicles and other equipment

### Total Expenditure Charged to the Capital Reserve

2018 £'000s	2017 £'000s
5,073	-
1,129	-
1,239	-
650	-
<b>46,550</b>	<b>8,643</b>

# CONSOLIDATED HEALTH AND SOCIAL CARE ACCOUNTS

## Appendix V

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

	2018			2017		
	Total £'000s	E&SS £'000s	H&SC £'000s	Total £'000s	E&SS £'000s	H&SC £'000s
<b>Primary Health Care</b>						
<i>Ambulatory Services</i>	2,769	-	2,769	2,586	-	2,586
<i>Emergency Department</i>	1,403	-	1,403	1,147	-	1,147
<i>GP and Nurse Consultation Grants</i>	3,485	3,485	-	3,401	3,401	-
	<u>7,657</u>	<u>3,485</u>	<u>4,172</u>	<u>7,134</u>	<u>3,401</u>	<u>3,733</u>
<b>Secondary and Tertiary Health Care</b>						
<i>Acute Services provided Off-Island</i>	10,602	-	10,602	9,123	-	9,123
<i>Guernsey Therapy Group Services</i>	2,432	2,432	-	2,287	2,287	-
<i>Hospital Services</i>	43,730	4,627	39,103	49,973	3,576	46,397
<i>Medical Specialist Group Services</i>	19,335	19,335	-	18,354	18,354	-
<i>Prescription Drugs and Medicines</i>	16,813	16,813	-	16,247	16,247	-
<i>Travel Costs</i>	2,890	2,890	-	2,462	2,163	299
	<u>95,802</u>	<u>46,097</u>	<u>49,705</u>	<u>98,446</u>	<u>42,627</u>	<u>55,819</u>
<b>Community Care</b>						
<i>Children and Adult Disability Services</i>	13,291	275	13,016	11,841	366	11,475
<i>Children and Adult Mental Health Services</i>	13,752	398	13,354	11,954	367	11,587
<i>Community and Social Care Services</i>	26,521	-	26,521	22,803	-	22,803
<i>Older People Services</i>	27,443	20,188	7,255	26,085	19,961	6,124
	<u>81,007</u>	<u>20,861</u>	<u>60,146</u>	<u>72,683</u>	<u>20,694</u>	<u>51,989</u>
<b>Public Health Services</b>						
<i>Prevention and Awareness Treatments</i>	3,263	-	3,263	2,591	-	2,591
	326	-	326	392	-	392
	<u>3,589</u>	<u>-</u>	<u>3,589</u>	<u>2,983</u>	<u>-</u>	<u>2,983</u>
<b>Net Cost of Providing Health and Social Care Services</b>	<u><b>188,055</b></u>	<u><b>70,443</b></u>	<u><b>117,612</b></u>	<u><b>181,246</b></u>	<u><b>66,722</b></u>	<u><b>114,524</b></u>

### Notes:

The above includes an element of administrative and central costs amounting to £17.9m (2017: 18.8m) 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	2018 £'000s	2017 £'000s
<b>Income</b>			
Taxation and duty revenue received by the States of Guernsey	1	8,610	9,148
States of Alderney - Capital receipts		66	6
Alderney Gambling Control Commission		2,642	1,972
<b>Total Income</b>		<b>11,318</b>	<b>11,126</b>
<b>Expenditure</b>			
States of Alderney - Net Revenue Expenditure	2	1,755	1,848
States of Alderney - Capital Expenditure		952	2,180
States of Alderney - Economic Development Expenditure		300	300
Transferred Services - Net Revenue Expenditure	3	10,629	10,045
Transferred Services - Capital Expenditure	4	560	282
Aurigny operating loss in respect of Alderney routes		2,800	3,300
<b>Total Expenditure</b>		<b>16,996</b>	<b>17,955</b>
<b>Net Cost</b>		<b>5,678</b>	<b>6,829</b>

The total direct gross economic contribution to the Bailiwick of the e-Gaming Sector in Alderney is estimated to be £28.7m in 2018 (2017: £25.9m) which comprises £5.4m in respect of Alderney (2017: £5.2m) and £23.3m in respect of Guernsey (2017: £20.7m) including £1.68m (2017: £1.44m) in personal income tax and social security contributions.

# ANALYSIS OF SOCIAL SECURITY ATTRIBUTABLE TO ALDERNEY

## Appendix VI

	2018 £'000s	2017 £'000s
<b>Income</b>		
Contributions		
Guernsey Insurance Fund	2,229	2,145
Guernsey Health Service Fund	833	796
Long-Term Care Insurance Fund	569	535
States Grant	328	313
<b>Total Income</b>	3,959	3,789
<b>Benefits and Administration Costs</b>		
Guernsey Insurance Fund	4,444	4,008
Guernsey Health Service Fund	1,639	1,351
Long-Term Care Insurance Fund	889	814
<b>Total Expenditure</b>	6,972	6,173
<b>Investing Activities</b>	(1,398)	1,587
<b>Net Deficit</b>	<b>4,411</b>	<b>797</b>

# 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

2018 £'000s	2017 £'000s
3,526	3,458
2,484	2,543
149	412
27	32
73	399
6,259	6,844
1,138	1,094
874	822
339	388
8,610	9,148

## 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
Transfer from capital allocation

2018 £'000s	2017 £'000s
88	369
(44)	(34)
44	335
1,520	1,396
(182)	(209)
1,338	1,187
1,568	1,557
(1,195)	(1,135)
-	(96)
373	326
1,755	1,848

## 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

2018 £'000s	2017 £'000s
65	85
18	15
(10)	(9)
173	155
12	19
42	59
24	19
77	89
20	18
127	124
17	20
53	40
618	634

# NOTES

## 3. Transferred Services - Net Revenue Expenditure (continued)

# Appendix VI

	2018 £'000s	2017 £'000s
<b>Committee for Economic Development</b>	17	18
<b>Committee for Education, Sport &amp; Culture</b>		
St Anne's School	1,536	1,551
Special Schools	3	7
College of Further Education	174	178
Higher Education	59	99
Travel, Subsistence and Accommodation	50	49
School and Pupil Support Services	2	2
Central support services and management	137	143
Special Needs Support	44	80
Other	93	98
	2,098	2,207
<b>Committee for Employment &amp; Social Security</b>		
Administration	72	72
Legal Aid	3	36
Medical Expenses Assistance Scheme	2	2
Severe Disability Benefit and Carers' Allowances	196	197
Family Allowance	154	175
Supplementary Benefit	667	489
Concessionary TV Licences for the Elderly	26	32
Social Insurance Fund – Grant	328	313
	1,448	1,316
<b>Committee for the Environment &amp; Infrastructure</b>		
Alderney Breakwater	103	74
Other	(31)	(25)
	72	49
<b>Committee for Health &amp; Social Care</b>		
Mignot Memorial Hospital	1,920	1,879
Princess Elizabeth Hospital - inpatient	206	214
Diagnostic Services and Hospital Administration	630	721
Emergency & Day Patient Hospital Services	122	138
Private patient income	(131)	(121)
Children's Services	121	114
Adult Services	107	26
Off island - complex placement	101	62
Acute Off islands treatment	278	267
Management & Strategy	259	256
	3,613	3,556

# NOTES

## 3. Transferred Services - Net Revenue Expenditure (continued)

### Committee *for* Home Affairs

Domestic Abuse Strategy
Drug and Alcohol 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

	2018 £'000s	2017 £'000s
	5	4
	-	5
	2	5
	1,138	1,079
	2	3
	2	1
	1,149	1,097
	16	15
	91	91
	240	236
	1,224	815
	43	11
	1,267	826
	<b>10,629</b>	<b>10,045</b>

## 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
------------------

	2018 £'000s	2017 £'000s
	72	-
	412	276
	10	6
	66	-
	<b>560</b>	<b>282</b>



# 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 2018 revenue budgets:

	£
<b>Pay Awards</b>	6,356,775
<b>Established Staff and Guernsey Border Agency Staff – turnover adjustment</b>	377,400
<b>Committee <i>for</i> Economic Development</b>	
Office of the Public Trustee	461,194
<b>Committee <i>for</i> Education, Sport &amp; Culture</b>	
Staff restructuring	220,000
<b>Committee <i>for</i> Health &amp; Social Care</b>	
Various non-recurring cost pressures	731,000
<b>Committee <i>for</i> Home Affairs</b>	
Guernsey Data Protection Authority	599,000
Various non-recurring cost pressures	250,000
<b>Policy &amp; Resources Committee</b>	
Medical Malpractice Insurance	675,000
<b>Miscellaneous</b>	89,500
<b>Total</b>	<b>9,759,869</b>

# USE OF DELEGATED FINANCIAL AUTHORITY

## Appendix VII

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

<b>Major Capital Projects</b>	<b>£</b>
Waste Transfer Station	29,500,000
Bus Fleet – replacement	2,905,000
Household Waste Recycling Centre	2,200,000
Radiology Equipment – replacement	2,040,500
Health & Social Care Local Area Network – replacement	1,866,000
Revenue Service Programme	1,092,500
Vazon - coastal repairs	929,000
Turntable Ladder Fire Appliance – replacement	700,000
Future Digital Services	539,000
Education Estates Development - Phase 1	396,000
L'Eree – coastal repairs	371,000
Hospital Modernisation – Phase 1 – project planning	352,000
Replacement Cremator and Emissions Equipment – project planning	260,000
Seafront Enhancement Area – project planning	260,000
Strategic Air and Sea Links Infrastructure – project planning	245,000
CCTV Replacement – project planning	150,000
Cyber Information – project planning	80,000
Digital Infrastructure – project planning	53,000
Alderney Airport Runway Rehabilitation – project planning	50,000
Castle Cornet Refurbishment – project planning	50,000
Footes Lane Refurbishment – project planning	50,000
<b>Total Major Capital Projects</b>	<b>44,089,000</b>

# USE OF DELEGATED FINANCIAL AUTHORITY

## Appendix VII

### Minor Capital Projects

#### Information Technology

£

##### Policy & Resources Committee

End-User devices - life cycle refresh	990,000
Learning Management System (Phase 1)	161,580
General Data Protection Regulation (GDPR) compliance system	50,000
Cyber security awareness training system	22,000

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**1,223,580**

##### Committee for Education, Sport & Culture

College of Further Education (CoFE) student IT facilities – upgrade	93,237
Other (less than £50,000 per project)	88,463

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**181,700**

##### Committee for Health & Social Care

MOSAIC (Children's social care case management system) – upgrade	120,000
Cardiotocography (CTG) connection (maternity equipment) – upgrade	56,450
ChemoCare (chemotherapy electronic prescribing system) – upgrade	15,000

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**191,450**

##### Committee for Home Affairs

Guernsey Electronic Manifest System – upgrade	406,000
Local Area network and Wi-Fi – replacement	129,000
Server storage & network – replacement	80,000
Secure access and communications equipment	59,000
Tetra Radio – minor purchases	55,000
Law Enforcement database – upgrade	50,000
Closed Circuit Television – minor purchases	20,000

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**799,000**

##### Law Officers

Time Recording Software	75,000
Contract Automation System	49,000

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**124,000**

#### Total Information Technology

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**2,519,730**

#### Medical Equipment

£

##### Committee for Health & Social Care

Radiopharmacy facility - refurbishment	435,000
Hyperbaric Chamber	408,000
Intravenous pumps – replacement	177,000
Defibrillators – replacement	80,249
Hoists – replacement	61,333
Haematology analysers – replacement	58,200
Tissue analysers – replacement	57,300
Rigid scopes (theatres) – replacement	50,000
Other (less than £50,000 per project)	454,069

#### Total Medical Equipment

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**1,781,151**

# USE OF DELEGATED FINANCIAL AUTHORITY

## Appendix VII

### Property Maintenance and Minor Works

£

#### Committee *for* Education, Sport & Culture

Amherst School roofing	166,000
Footes Lane floodlighting – refurbishment	126,500
Vale School roofing	120,000
Grammar School – Food Technology Room – refurbishment	80,000
Beau Sejour Centre Bar & Café – refurbishment	60,000
Castle Cornet roofing	8,500

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**561,000**

#### Committee *for* the Environment & Infrastructure

Alderney Breakwater – maintenance contract	350,000
Alderney Breakwater - repairs	200,000
Cattle Incinerator roof & doors – replacement	150,000
Other (less than £50,000 per project)	29,600

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**729,600**

#### Committee *for* Health & Social Care

PEH Incinerator – refurbishment	204,000
Building management control system – replacement	116,100
Corbiere Ward – refurbishment	97,000
Roustel Ward – refurbishment	94,000
PEH car park subsidence – works	70,000
PEH staff changing facilities – refurbishment	44,000

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**625,100**

#### Committee *for* Home Affairs

Prison electronic Control Panel / Air Handling Unit – replacement	110,000
Other (less than £50,000 per project)	42,300

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**152,300**

#### States' Trading Supervisory Board

Summerland - remedial works	130,000
Herm Cliff Face netting	33,000

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**163,000**

### Total Property Maintenance and Minor Works

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**2,231,000**

# USE OF DELEGATED FINANCIAL AUTHORITY

## Appendix VII

<b>Coastal Repairs</b>	<b>£</b>
<b>Committee <i>for the</i> Environment &amp; Infrastructure</b>	
Grand Port Area sea wall – repointing	40,000
<b>Total Coastal Repairs</b>	<b>40,000</b>
<b>Integrated Transport Strategy</b>	<b>£</b>
<b>Committee for Environment &amp; Infrastructure</b>	
Bas Courtils / Grandes Maison toucan crossing – new	85,000
Other (less than £50,000 per project)	87,000
<b>Total Integrated Transport Strategy</b>	<b>172,000</b>
<b>Road Resurfacing and Reconstruction</b>	<b>£</b>
<b>Committee <i>for the</i> Environment &amp; Infrastructure</b>	
Bulwer Avenue	237,000
La Vallette	188,000
Les Mielles and La Moye Road	165,000
La Houquette	119,000
Route de Rocquaine (north)	112,000
Les Vardes	106,000
Route de la Mare de Carteret	100,000
Le Truchot	97,000
Route de Rocque Poisson	87,000
Longue Rue	82,000
Rue des Crabbes	75,000
Rouge Rue	74,000
Rue des Grantez	70,000
Les Landelles, Castel	69,000
Rue au Page and Route de Bas Courtils	68,000
La Folie Lane	64,000
Rue des Haizes	61,000
Le Picquerel Estate	55,000
Maurepas	55,000
Rue de Menages	55,000
Rue des Goddards	55,000
St. Johns Road	55,000
Rue de Galaad	54,000
College Street	52,000
Other (less than £50,000 per project)	340,000
<b>Total Road Resurfacing and Reconstruction</b>	<b>2,495,000</b>

# USE OF DELEGATED FINANCIAL AUTHORITY

## Appendix VII

<b>Vehicles &amp; Other Equipment</b>	<b>£</b>
<b>Policy &amp; Resources Committee</b>	
Government House vehicle – replacement	13,279
	<b>13,279</b>
<b>Committee for Education, Sport &amp; Culture</b>	
Education Services minibus – replacement	82,900
College of Further Education gym equipment – replacement	50,000
Other (less than £50,000 per project)	121,467
	<b>254,367</b>
<b>Committee for the Environment &amp; Infrastructure</b>	
Candie and Saumarez Park litter and recycling bins – replacement	8,700
	<b>8,700</b>
<b>Committee for Health &amp; Social Care</b>	
General Service vehicles – replacement	142,810
Adult Disability Service vehicles – replacement	63,045
Princess Elizabeth Hospital staff paging system – replacement	50,000
	<b>255,855</b>
<b>Committee for Home Affairs</b>	
Law Enforcement vehicle – replacement	98,000
Prison cell alarm system – replacement	60,000
Guernsey Fire & Rescue Service hydraulic cutting & spreading equipment – replacement	56,680
Other (less than £50,000 per project)	115,463
	<b>330,143</b>
<b>States' Trading Supervisory Board</b>	
Alderney Airport radios – replacement	23,671
	<b>23,671</b>
<b>Total Vehicles &amp; Other Equipment</b>	<b>886,015</b>
<b>Total Minor Capital</b>	<b>10,124,896</b>

# USE OF DELEGATED FINANCIAL AUTHORITY

## Appendix VII

<b>States of Alderney</b>	<b>£</b>
Roads resurfacing	245,000
Connaught Extension - architect fees & project management services	55,000
Water Board distribution improvements	55,000
Other (less than £50,000 per project)	343,000
<b>Total States of Alderney</b>	<b>698,000</b>
<b>Future Guernsey Economic Fund</b>	<b>£</b>
Locate Guernsey	975,000
Innovation Centre (Digital Greenhouse)	493,725
Marketing - 'The Guernsey Literary & Potato Peel Pie Society' Film	215,000
<b>Total Future Guernsey Economic Fund</b>	<b>1,683,725</b>
<b>Transformation and Transition Fund</b>	<b>£</b>
Transforming Health & Social Care services	2,543,500
Transforming Education & Training Services	1,506,000
Public Service Reform	750,000
Development of the People Plan	495,000
Development of an Energy Policy	375,000
Social Policy Development	315,000
Population Management	140,000
Transforming Justice & Equality Services	124,000
Bright Ideas Fund	100,000
Guernsey Uploads App	68,000
Digitalisation of Income Support & Housing	55,450
<b>Total Transformation and Transition Fund</b>	<b>6,471,950</b>

# USE OF DELEGATED FINANCIAL AUTHORITY

## Appendix VII

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

<b><u>Purchases</u></b>	<b>£</b>
<b>Wayleave</b>	
Longue Hougue	1
<b>Total Purchases</b>	<b>1</b>
<b><u>Sales</u></b>	
<b>Conveyance</b>	
Car park at La Rue Marguerite	1,100,000
Property known as Platte Fougere; outbuildings; and land	535,000
Land at La Rue Marguerite	200,000
Property at 8, College Street	160,000
Ville au Roi site (GHA)	90,000
Land known as Fort Alice, Fort George	75,000
Fields at Victoria Avenue	19,350
Land at junction of Monument Road and Candie Road	1,000
Land at Millbrook Estate	500
Land at Ville au Roi and Oberlands	1
Land at Chemin des Monts	1
Property known as The Oaks (GHA)	1
Field known as Le Vieux Jardin (GHA)	1
	<b>2,180,854</b>
<b>Conveyance by way of exchange and agreement (definition of boundaries)</b>	
2, Bas Courtils	500
Land at Port Soif	-
	<b>500</b>
<b>Wayleave</b>	
Les Echelons, South Esplanade	500
Le Vieux Jardin	1
The Oaks	1
	<b>502</b>
<b>Total Sales</b>	<b>2,181,856</b>