

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE STATES OF GUERNSEY ACCOUNTS 2021

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 2021.

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



THE STATES OF GUERNSEY
ACCOUNTS 2021

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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. 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. There is currently no consolidation in respect of the States' internal trading entities (Guernsey Ports, Guernsey Water, Guernsey Dairy, States Works and Guernsey Waste) or for the States' Trading Companies (Guernsey Post Ltd, Guernsey Electricity Ltd, the Aurigny Group and JamesCo750 Ltd). The Accounts for the States' internal trading entities are published in this Billet; those of Guernsey Post Ltd and Guernsey Electricity Ltd are published as an item for debate in a Billet d'État; the Accounts of the Aurigny Group (with minor redactions) are publicly released. For reasons of commercial confidentiality, the full Accounts of JamesCo750 Ltd are not published.
- 2.4. As part of the changes to the Statement of Accounts (Section 3), single entity Accounts will be prepared, and it is the intention to commence with incorporation of the Social Security Contributory Funds in the 2022 Accounts.

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3. Changes to the Statement of Accounts

- 3.1. The States currently 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 currently prepared in accordance with the stated accounting policies rather than a recognised accounting framework.
- 3.2. The States have decided¹ to implement International Public Sector Accounting Standards (IPSAS), a recognised accounting framework which is aligned to International Financial Reporting Standards and 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. This is due to the requirement to develop and embed the systems and processes necessary for generating the appropriate financial information for the accounts.
- 3.4. The current phase of the transition is primarily concentrating on the identification, classification and valuation of General Revenue tangible fixed assets as well as developing an asset register to accurately record, manage and report upon them going forward. The fixed asset portfolio will be reported for the first time in the 31 December 2022 Statement of Financial Position together with 2021 comparative balances.
- 3.5. Whilst the majority of fixed assets have been identified and measured for their initial recognition at 1 January 2021, work is still ongoing. Appendix IX to this set of Accounts presents an initial overview of the likely carrying value of the majority of the States of Guernsey fixed assets as at 1 January 2021.
- 3.6. The intention is that the full transition to IPSAS compliant Accounts will be completed by the 2024 financial statements.

¹ Billet d'État V, 2012

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4. External Audit

- 4.1. Grant Thornton Limited has performed the audit of the States' 2021 financial statements in accordance with International Standards on Auditing and applicable law. The Auditor's Report gives the opinion that *"the financial statements for the year ended 31 December 2021 are prepared, in all material respects, in accordance with the accounting policies stated in note 1 to the financial statements."*

Financial Performance

- 5.1. The overall surplus for 2021 was £61.3m (2020: deficit of £63.8m). The following table analyses the surplus between General Revenue (ie in accordance with the Budget framework) and the Reserves and Funds:

	Total £'000s	General Revenue £'000s	Reserves and Funds £'000s
Income	574,206	558,794	15,412
Pay Expenditure	(264,781)	(264,588)	(193)
Non-Pay Expenditure	(272,430)	(258,866)	(13,564)
Operating Surplus	36,995	35,340	1,655
Investment Returns	82,519	45,980	36,539
Finance Charges and Other Costs	(36,914)	(25,465)	(11,449)
Transfer of Seized Assets Fund	17,487	-	17,487
Capital Receipts	1,231	2	1,229
Capital Expenditure	(40,010)	-	(40,010)
Surplus	61,308	55,857	5,451
Adjustments:			
Insurance Deductible Fund	-	(1,620)	1,620
Channel Islands Lottery (Guernsey) Fund	-	700	(700)
Bond Reserve	-	(2,417)	2,417
Adjusted Surplus	61,308	52,520	8,788

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- 5.2. The following table compares the actual outturn in 2021 to the original budget and the forecast included in the 2022 Budget Report.

	Actual £m	Probable Outturn £m	Original Budget £m
Revenue Income	512.8	503.6	460.6
Revenue Expenditure	(452.3)	(459.2)	(464.6)
COVID-19 business and personal support	(22.4)	(25.1)	(5.0)
Revenue Surplus / (Deficit)	38.1	19.3	(9.0)
Capital Income	-	1.0	1.0
Operating Surplus / (Deficit)	38.1	20.3	(8.0)
Provision for Aurigny Loss	(14.7)	(16.1)	(14.0)
Provision for Ports overdraft	(8.6)	(12.2)	-
Net Surplus / (Deficit)	14.8	(8.0)	(22.0)
Investment Income	37.7	3.5	-

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

- 5.3. The General Revenue surplus of £14.8m compares to the original budget for 2021 which was a deficit of £22m and a forecast deficit of £8m. The improvement is due to a combination of higher income and lower expenditure.
- 5.4. The improved financial position in 2021, coupled with a slower rate of investment in infrastructure in 2021 meant the balance on the General Reserve was significantly higher than expected throughout the year. 2021 was also an excellent year for investments within the portfolio in which the General Reserve is invested achieving a return of 9.7%. When this is added to the fact that the return was achieved on higher than anticipated balances, an investment return of £37.7m in 2022 made a large contribution to the overall 2021 result.
- 5.5. Appendix II is a schedule of the Income and Expenditure Account presented in the same format as included within the annual Budget Report and previous Accounts including expenditure by Committee².

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

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5.6. It shows that net revenue expenditure (excluding the expenditure on the COVID-19 support schemes) increased by £26.2m between 2020 and 2021 which is an increase of 6.2% in nominal terms / £6.8m or 1.6% in real terms. However, this includes expenditure of approximately £10m in 2021 which, in previous years, would have been met from separate Funds and Reserves but is now directly funded within General Revenue (paragraphs 8.12 to 8.16).

5.7. All Committees contained expenditure within their Authorised Budget with, overall, expenditure being £12.4m lower than Original Budget comprising:

- £11.3m remaining unallocated of the Budget Reserve of £29.9m mainly due to no pay awards for the majority of employee groups and the full provision for COVID-19 related expenditure not being required;
- £10.6m net underspends by Committees;
- £6.5m of service development funding set aside in the 2020 Budget Report for service developments was not required. Largely due to the impact of COVID-19, many of the service developments were implemented later than had originally been planned or deferred until 2022. This includes £4m of the £5m allocated for funding NICE drugs and treatments as the roll out commenced later than planned. However, the baseline will have increased and the funding will be required in 2022 and future years;

Offset by:

- £10.3m of expenditure which, in previous years, would have been met from separate Funds and Reserves but is now directly funded within General Revenue (paragraphs 8.12 to 8.16); and
- £5.8m of planned savings through the transformation of public services which were not delivered in 2021. This is due to the continuing management of the pandemic absorbing critical resources and delaying the delivery of projects. A sizeable proportion of these savings are now expected to be delivered in 2022 and 2023.

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

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5.9. In 2021 there was a Budget Reserve of £29.9m of which £18.6m was utilised for the following:

- £8.2m for COVID-19 specific expenditure (vaccination; on-island testing and travel testing);
- £6.6m for funding pay awards (including £2.9m in respect of 2020 pay awards which had not been settled at the time of the preparation of the 2021 budget). The only 2021 pay awards given were to the Public Service Employees (2.4%) and Agenda for Change staff (5%);
- £2.8m for the Public Service Obligation (PSO) contract³ which has been put in place with Aurigny that secures the operation of Alderney's air services to and from Guernsey and Southampton; and
- £1.0m for other in-year revenue expenditure.

6. Income

Income Tax

- 6.1. Income tax receipts increased from £328.5m in 2020 to £361.5m in 2021, an increase of £33m (10%). The majority of income tax is collected from individuals and this revenue stream increased by £23.2m to £290.3m which is an 8.7% nominal or 4.1% real increase.
- 6.2. In terms of ETI (Employees Tax Instalment Scheme), which is the best real-time indicator of economic performance, there was growth of 7% nominal or 2.4% real between 2020 and 2021. When compared to 2019, ETI shows growth of 6% which indicates recovery to pre-COVID-19 levels. As there were no material changes in the numbers of either employers or employees, the growth was in remuneration levels.
- 6.3. In respect of companies, income tax receipts increased by £4.7m to £57.6m. Broadly, these revenue streams have bounced back to where they would have been expected to be, based on forecasting pre-COVID nominal levels.

Other Taxes⁴

- 6.4. The income from Other Taxes, comprising Excise and Import Duties; Tax on Real Property; Document Duty and Vehicle First Registration Duty, totalled £110.1m in 2021 an increase of £5.8m from 2020.

³ This contract had not been finalised at the time of preparation of the 2021 Budget, so provision was included within the Budget Reserve. The ongoing budget for this contract now forms part of the expenditure baseline.

⁴ As part of the revised financial arrangements with Alderney that were introduced in 2021; the States of Alderney retains income raised in Alderney from: Tax on Real Property (now part of Alderney Property Tax)(2020: £1.1m); excise duty on motor fuel (2020: £0.4m); and document duty (2020: £0.3m). This was offset by a commensurate adjustment to the States of Alderney Cash Limit.

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- 6.5. Income from Excise and Import Duties decreased by £3.2m compared to 2020, despite the effect of the increases in excise duty rates approved as part of the 2021 Budget Report. The major components of this decrease are Tobacco (a decrease of £2.2m) due to additional stockholdings held in 2020 diminishing and Import duties (decrease of £1.4m) following Brexit.
- 6.6. Tax on Real Property income decreased by £0.3m (increase of £0.8m excluding the effect of Alderney income) and reflects the revised tariffs approved as part of the 2021 Budget Report including :
- a 1.5% increase in domestic tariffs;
 - a 1.5% increase in commercial tariffs except those for Hostelry and Food Outlets and Self-catering Accommodation; and
 - the second phase of an increase in the tariff for the General Office and Ancillary Accommodation category.
- 6.7. Document Duty receipts in 2021 were £32.3m which is £9.3m (40.4%) higher than 2020. Overall, the number of transactions increased from 1,029 in 2020 to 1,108 in 2021 and the 2021 budget for Document Duty of £19.5m was exceeded by £12.8m. This is a result of a combination of increases in the number of properties conveyed, changes in the mix of properties conveyed and significant growth in residential property prices which rose by 11.7% in 2021 (2020: 11.8%).
- 6.8. The number of open market transactions increased from 92 in 2020 to 124 in 2021 with the accompanying Document Duty receipts increasing significantly to £10.5m (2020: £6.1m).

Income from Operating Activities

- 6.9. Income from Operating Activities increased by £8.2m to £64.2m in 2021 which mainly relates to income generated by the Committee for Health & Social Care, including £3m of fees for COVID-19 testing, predominantly border testing, which partially recovered associated costs incurred.

Other Corporate Income

- 6.10. Other Corporate Income, which includes States' housing rental income; company fees; and dividend income from States' trading entities, remained at £38.4m in 2021 although there were minor compensating variances in headings within this category.

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7. Expenditure

Pay Costs

- 7.1. The total expenditure on pay (which includes temporary and agency staff together with States Members' remuneration) during 2021 was £264.8m (2020: £251m) which, is a nominal increase of £13.8m or 5.5% (real terms increase of 0.9% or £2.2m). However, this did include £5.0m on specific COVID-19 measures (vaccine centre; on-island testing and border testing) compared to £1.0m in 2020.
- 7.2. Pay costs continue to form the largest single item of expenditure totalling 49.3% of total revenue spend (51.3% excluding COVID-19) (2020: 51.3%). There was a paid workforce of 4,862 Full Time Equivalent staff (FTEs), an increase of 142 FTEs compared to 2020. The increase in the number of FTEs is attributable to services provided within Health & Social Care which increased by 148 including an additional 100 FTE specifically working on COVID-19 initiatives (vaccine centre: 41FTE [2020: nil]; on-island testing: 40FTE [2020: 15FTE]; and border testing: 39FTE [2020: 5FTE]) and an additional 35FTE in Adult Disability Services.
- 7.3. Note 5 details the number of employees whose gross cost of employment exceeds £90,000. This £90,000 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. An employee with a total cost of employment of £90,000 is likely to earn in the range of £70-75,000 per annum (including overtime and allowances).
- 7.4. The first banding has been revised to start at £90,000 to reflect the increase in inflation since it was revised to £80,000 in 2016. Future pay awards will lead to additional salary scales falling within the criteria each year.
- 7.5. The increase of sixteen employees between 2020 and 2021 is predominantly in the lower bandings. The following table analyses the number of employees whose total costs of employment are above £90,000 by pay group:

Pay Group	2021	2020	Change
Established staff	124	122	2
Nurses	52	43	9
Medical consultants	34	32	2
Teachers and lecturers	21	21	-
Police, Fire, Prison and Guernsey Border Agency Officers	18	15	3
Crown Officers and Judges	7	7	-
Total	256	240	16

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- 7.6. The increase in the number of Nurses whose total costs of employment are above £90,000 is considered to be due to the effect of the 5% pay increase awarded to Agenda for Change staff with effect from 1 January 2021 meaning that a certain grade which was below the threshold in 2020 is now above it. In addition, there were a substantial number of additional hours worked by a number of Nurses as part of the pandemic response and this has resulted in their total cost of employment temporarily exceeding the threshold.
- 7.7. The following table analyses the fifteen employees (2020: thirteen) whose total costs of employment are above £190,000 by group:

Pay Group	2021	2020	Change
Established staff	2	2	-
Medical consultants	8	8	-
Crown Officers and Judges	5	3	2
Total	15	13	2

Non-Pay

- 7.8. Non-pay expenditure totalled £272.4m in 2021 which is a decrease of £22m compared to 2020. This is primarily due to expenditure on COVID-19 business support measures reducing by £28.9m from £51.3m in 2020 to £22.4m in 2021; offset by £6.0m on specific COVID-19 measures (vaccine centre; on-island testing and border testing) compared to £1.0m in 2020.

Investment Returns

- 7.9. In 2021, there was an investment return of £82.5m compared to £66.4m in 2020. This includes £5.8m of interest from loans made from the proceeds of the States of Guernsey Bond Issue and a gain of £76.7m from the Consolidated Investment Fund (paragraphs 8.4 to 8.11 are commentary on the financial investments). This investment gain has been allocated to various reserves, based upon their individual balance throughout 2021. These include the General Revenue Reserve (£37.7m); Core Investment Reserve (£16.2m); and Bond Reserve (£13.2m).

Impairment for Cabernet Limited Losses

- 7.10. Cabernet Limited is the holding company for Aurigny Air Services Limited and Anglo-Normandy Engineering Limited. The States of Guernsey owns all of the shares in Cabernet Limited. The States provide funding and financing to Cabernet Ltd through various forms, including share capitalisation, long term loans, temporary overdraft facilities, and guaranteeing loan facilities from other lenders.

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- 7.11. On 15 October 2021, the States approved the recommendations in “*The Aurigny Group – Financial Sustainability*” policy letter including :

“To approve the recapitalisation of the Aurigny Group in respect of its cumulative losses up to 31st December, 2020, in the sum of £46.8m in accordance with the provisions of section 6 of that policy letter and in accordance with such terms as the Policy & Resources Committee and the States’ Trading Supervisory Board shall deem appropriate; and

To approve the recapitalisation of the Aurigny Group in respect of its losses for the year-ending 31st December, 2021, in accordance with the provisions of section 6 of that policy letter and in accordance with such terms as the Policy & Resources Committee and the States’ Trading Supervisory Board shall deem appropriate.”

- 7.12. The first phase of the recapitalisation, in the sum of £46.8m, was completed on 29 December 2021. The second phase, in respect of the losses for the year-ending 31 December 2021, will be completed when the Aurigny Group’s 2021 Accounts have been finalised (expected by the end of quarter 3 - 2022).
- 7.13. As COVID-19 continued to have an adverse impact upon its trading activities, there was a 2021 loss reported by Cabernet Limited (included within its draft 2021 Accounts) of £14.9m which includes £3.9m of impairment charge in respect of the valuation of aircraft. Taking into account the recapitalisation and the 2021 loss, the States of Guernsey Accounts includes an impairment against the overdraft and loan balances due from Cabernet Limited of £18.4m (2020: £50.4m).

Impairment for Guernsey Ports Losses

- 7.14. The COVID-19 pandemic had a severe impact on the 2020 and 2021 trading results of Guernsey Ports which experienced a significant and sustained reduction in passenger numbers as a result of the travel restrictions. The Policy & Resources Committee made available a short-term loan facility to Guernsey Ports as it was unable to meet its operational cash requirements from within its existing resources. As agreed by the States as part of the 2022 Budget Report (Billet d’État XXI, 2021), transfers have been made in 2021 from General Revenue to Guernsey Ports of a total of £13.9m which has cleared the balance of the short-term loan facility.

8. Statement of Financial Position

- 8.1. The Statement of Financial Position provides a snapshot of the financial position as at 31 December 2021. 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. However, the intention is that these will be included within the 2022 Accounts.

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- 8.2. This Statement of Financial Position does not include the deficit on the Superannuation Fund. Note 47 includes disclosures showing pension costs and changes in the pension liability based upon specified assumptions.
- 8.3. At the year end the States' net assets had increased to £754m (2020: £693m) as a result of the overall surplus.

Financial investments (Consolidated Investment Fund and Cash Pool)

- 8.4. The total amount of financial investments at the year-end was £2,683m (2020: £2,496m) comprising the Consolidated Investment Fund of £2,652m (2020: £2,466m) and the Cash Pool of £31m (2020: £30m). The States manage the Consolidated Investment Fund as a single portfolio of investments and all investments are held in the name of the States and accounted for as an asset within the Statement of Financial Position. Note 13 to the Accounts includes a list of the managers of the Consolidated Investment Fund.
- 8.5. The Statement of Financial Position includes Depositors, who are separate entities or parties which have deposited cash balances with the States, as current liabilities. This includes £1,749m (2020: £1,610m) in respect of the Superannuation Fund.
- 8.6. With economies beginning to re-open and recover from the effects of COVID-19 during 2021, this was reflected in equity markets with gains throughout the year. At 31 December 2021, global equity markets, as measured by the MSCI All Countries World Index, had increased by 19.6% over the year in sterling terms. UK government bonds, as measured by the FTSE UK Government Bond Index, recorded a negative return of 4.7%. Sterling traded in a wide range during the year, weakening during the second half of the year before firming up in the last couple of weeks, ending 2021 1.3% down versus the US dollar.
- 8.7. The Consolidated Investment Fund, through its diversified portfolio of investments, recorded an investment return of 9.7% in 2021 which was 2.1% below the target of UK RPI plus 4%.
- 8.8. The following table details the returns achieved by the Consolidated Investment Fund compared to the targets:

	Trailing 1 Year	Trailing 3 Years pa	Trailing 5 Years pa
Return	9.7%	10.0%	7.4%
Target: UK Retail Price Index +4%	11.8%	7.8%	7.7%

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8.9. The following table summarises the corresponding asset allocation:

Asset Allocation	Equities	Bonds and Fixed Interest Securities	Alternatives	Property	Cash
2021	56%	16%	13%	11%	4%
2020	53%	17%	13%	10%	7%

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

8.11. Following States approval of a policy letter entitled *"Improving the Governance of the States of Guernsey's Investment Funds"* (Billet d'État VIII, 2021), with effect from 1 January 2022, the responsibility for the management of all States' investment funds, including the Social Security Funds, transferred to the States' Investment Board which is a sub-committee of the Policy & Resources Committee.

General Revenue Reserve

8.12. As part of the 2021 Budget Report, the States approved the creation of the General Revenue Reserve by the closure of:

- The Capital Reserve (£290.2m);
- The Transformation and Transition Fund (£12.3m);
- The Future Guernsey Economic Fund (£2.8m);
- The Corporate Housing Programme Fund (£21.3m);
- The Insurance Deductible Fund (£13.7m);
- The Brexit Transition Fund (£2.3m); and
- The General Revenue Account Reserve (Unallocated Balance) (£43.4m)

8.13. Together with £4.1m of other minor balances, the General Revenue Reserve had a balance of £390.1m at the end of 2020, of which £376.4m was unallocated .

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- 8.14. The unallocated balance has increased to £427.3m at the end of 2021 as a result of the revenue surplus of £52.5m; the transfer from the Bond Reserve of £37m; and net capital expenditure of £38.8m comprising expenditure of £40m and receipts of £1.2m. Appendix IV details the capital expenditure which comprises £29.1m of major capital projects and £10.9m of minor capital spend on the everyday replacement of equipment and vehicles, renewal of roads and investment in property assets.
- 8.15. The States agreed that any outstanding obligations, liabilities and commitments on the use of the Funds and Reserves which were closed would transfer to General Revenue. This included funding for: transformation expenditure; grants for supporting development of social housing; ongoing commitments for Guernsey Finance, Locate Guernsey and Digital Greenhouse; and the operating costs of the capital portfolio.
- 8.16. In respect of the General Revenue Account Reserve (Unallocated Balance), The States have a policy⁵ for an amount equivalent to 5% of annual revenue income to be retained within the General Reserve to be used to manage any in year shortfalls in income, short term cyclical variations and any other timing issues. This would require a balance of £27m to be retained.

Core Investment Reserve

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

	2021 £m	2020 £m
Opening Balance	162.7	195.7
Plus:		
Transfer to General Reserve	-	(50.0)
Net Investment Return	16.2	17.0
Closing Balance	178.9	162.7

- 8.19. As part of the 2021 Budget Report, the States agreed the transfer of £50m from the Core Investment Reserve in 2020 to part-fund the impact of the COVID-19 pandemic on General Revenue.
- 8.20. The balance of the Core Investment Reserve represents 33% of the 2022 General Revenue income budget. An amount of approximately £370m would need to be added to this Reserve to attain the target balance of 100% of General Revenue income.

⁵ Billet d'État XII, 2017

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Bond Issue

- 8.21. At the end of 2021, there was a balance of £311m (2020: £158m) outstanding in respect of loans made from the proceeds of the £330m States of Guernsey bond issue (Appendix V). 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%. 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.
- 8.22. In June 2021, following consideration of the Government Work Plan 2021-2025 (Billet d'État XV), £160m of the unlent proceeds of the States of Guernsey bond issue were allocated to General Revenue to be used to finance capital expenditure which is part of the States capital portfolio. The States also agreed to transfer the balance of the Bond Reserve (£37m) to the General Revenue Reserve. The balance on the Bond Reserve had arisen due to the investment returns on the Bond issue proceeds which were not yet lent on exceeding the coupon rate.

Superannuation Fund

- 8.23. 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 (£94,081 as at 31 December 2021) with a defined contribution scheme for earnings in excess of this cap. The revised arrangements include a fixed cost ceiling (excluding the investment risk) on the employer's future contribution rate.
- 8.24. The transactions on the Fund are summarised in the table below:

Superannuation Fund	2021 £m	2020 £m
Opening Balance	1,615.3	1,501.7
Plus:		
Contributions	50.8	53.0
Net appreciation of investments	158.5	127.7
Less:		
Pensions and lump sums paid	(70.5)	(67.1)
Closing Balance	1,754.1	1,615.3

STATES TREASURER'S REPORT

- 8.25. Although the deficit in the Fund is not included in the Statement of Financial Position, detailed disclosures pertaining to the Superannuation Fund are included as Note 47. The funding level, prepared under accounting assumptions, has increased to 57.6% (2020: 57.1%). Once the accounting standard IPSAS 39 (Employee Benefits) is applied, the full impact of any increase in the pension deficit will be charged to the States' reserves. This compares to a funding level of 93.5% included within the actuarial valuation undertaken as at 31 December 2016.
- 8.26. The reason for the difference between the accounting position and the funding position reported within the Actuarial Valuation is because the discount rate assumption used in the accounting position is based solely on the yield on government bonds and does not reflect the actual asset classes in which the Superannuation Fund is invested in.
- 8.27. 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 8.8, actual returns over the last 5 years have averaged 3.7% above inflation per annum. The 2016 Actuarial Valuation was based on an assumption of investment returns of inflation plus 2.5% (which is in line with that used when determining the revised pension arrangements) compared to the accounting based assumption of inflation less 1.4% (the return on an AA corporate bond) used to calculate the 2021 accounting position. The two bases result in material differences in the calculation of liabilities and the resultant net funding position of the scheme.

9. Cash Flow Statement

- 9.1. This statement summarises the total cash movements during the year for both capital and revenue purposes, arising from income and payments and movements in working capital. The cash flow shows a net increase in cash of £8.2m (2020: decrease of £10.3m).

STATEMENT OF RESPONSIBILITIES FOR THE PREPARATION OF ANNUAL ACCOUNTS

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

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

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

STATEMENT OF INTERNAL FINANCIAL CONTROLS

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

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

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

The States' internal financial controls and monitoring procedures include:

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

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

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

INDEPENDENT AUDITOR’S REPORT TO THE POLICY & RESOURCES COMMITTEE

Opinion

We have audited the financial statements of the States of Guernsey (the “States”) for the year ended 31 December 2021 which comprise the Statement of Financial Performance, the Movement in Reserves Statement, the Statement of Financial Position, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements for the year ended 31 December 2021 are prepared, in all material respects, in accordance with the accounting policies stated in note 1 to the financial statements.

Basis for opinion

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

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

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

Other information

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

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

INDEPENDENT AUDITOR'S REPORT TO THE POLICY & RESOURCES COMMITTEE

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not 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 financial statements in accordance with the accounting policies in note 1 to the financial statements. The Committee is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT TO THE POLICY & RESOURCES COMMITTEE

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE POLICY & RESOURCES COMMITTEE

Use of our report

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

A handwritten signature in black ink, appearing to read 'Grant Thornton', with a stylized flourish at the end.

Grant Thornton Limited

Chartered Accountants

St Peter Port, Guernsey

Date: 26 May 2022

STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 31 December 2021

	Note	2021 £'000s	2020 £'000s
Income			
Income Taxes	2	361,513	328,450
Other Taxes and Duties	3	110,052	104,308
Income from Operating Activities		64,212	56,009
Other Corporate Income	4	38,429	38,443
		574,206	527,210
Expenditure			
Pay	5	(264,781)	(250,976)
Staff Related Non-Pay Costs	6	(6,141)	(6,021)
Support Services	6	(48,698)	(47,847)
Premises	6	(26,703)	(27,147)
Third Party Payments	6	(135,572)	(162,625)
Transport	6	(1,422)	(1,272)
Supplies and Services	6	(53,894)	(49,566)
		(537,211)	(545,454)
Operating Surplus/(Deficit)		36,995	(18,244)
Other Income and Expenditure			
Finance Charges and Other Costs	8	(36,914)	(68,747)
Investment Returns			
Net Returns from the Consolidated Investment Fund		76,686	60,202
Interest Receivable on Loans and Overdraft Facilities Granted		5,833	6,153
		82,519	66,355
Amounts Transferred to/(from) Reserves from/(to) Other Entities			
Balance of Seized Asset Fund Transferred from Depositor Account	9	17,487	-
Balance of Wilfred Carey Purchase Fund Transferred to Depositor Account	9	-	(3,855)
		17,487	(3,855)
Capital Receipts and Expenditure			
Capital Receipts	10	1,231	1,229
Capital Expenditure	11	(40,010)	(40,586)
		(38,779)	(39,357)
Net Surplus/(Deficit) for the Year		61,308	(63,848)
Retained by:			
General Revenue Reserve	21	37,608	-
General Reserve	26	-	(63,631)
Capital Reserve	41	-	(17,206)
Bond Reserve	40	7,533	-
Core Investment Reserve	42	16,167	16,989
		61,308	(63,848)

MOVEMENT IN RESERVES STATEMENT

For the Year Ended 31 December 2020

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

For the Year Ended 31 December 2021

	Total Usable Reserves	General Revenue Reserve	General Reserve	Bond Reserve	Capital Reserve	Core Investment Reserve	States' Trading Entities Reserve
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Opening Balance	693,137	390,127	-	27,197	-	162,715	113,098
Surplus for Year	61,308	37,608	-	7,533	-	16,167	-
Transfers In-Year	-	34,583	-	(34,583)	-	-	-
Closing Balance	754,445	462,318	-	147	-	178,882	113,098

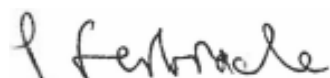
The Bond Reserve was reported as a separate reserve on the Statement of Financial Position from 31 December 2020. Any changes to the balance of the Bond Reserve up to that date, were reported as part of the General Reserve. Following the closure of the Capital Reserve on 31 December 2020, capital expenditure was charged, and capital receipts credited to the General Revenue Reserve during the reporting year 2021.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 £'000s	2020 £'000s
Non-Current Assets			
Shareholdings in States' Trading Entities	12	113,098	113,098
Investments	13	2,683,092	2,496,355
Receivables	14	136,135	149,561
		2,932,325	2,759,014
Current Assets			
Cash and Cash Equivalents		10,256	2,019
Receivables	14	91,999	85,067
Stock		6,932	6,417
Prepayments		11,517	9,213
		120,704	102,716
Current Liabilities			
Revolving Credit Facility	15	(75,000)	(75,000)
Creditors	16	(46,344)	(39,763)
Short-Term Provisions		(160)	(288)
Depositors	17	(1,802,168)	(1,677,947)
Currency in Circulation	18	(56,966)	(57,957)
		(1,980,638)	(1,850,955)
Non-Current Liabilities			
Bond Issue	19	(317,946)	(317,638)
Net Assets		754,445	693,137
Represented by:			
General Revenue Reserve	21	462,318	390,127
Bond Reserve	40	147	27,197
Core Investment Reserve	42	178,882	162,715
States' Trading Entities Reserve	43	113,098	113,098
Reserves		754,445	693,137

These financial statements were approved by the Policy & Resources Committee on 24 May 2022.



Deputy Peter Ferbrache
President of the Policy & Resources Committee



Bethan Haines
States Treasurer

CASH FLOW STATEMENT

For the Year Ended 31 December 2021

	Note	2021 £'000s	2020 £'000s
Net Cash Flows from Operating Activities	44	14,968	(27,303)
Cash Flows from Investing Activities			
Capital Expenditure		(40,010)	(40,586)
Capital Receipts		1,231	1,229
Net Sale of Investments		53,499	36,170
Dividends Received		1,800	1,944
Issue of New External Loans Financed from the Bond		-	(2,000)
Net Cash Funding Provided to Trading Entities		(15,354)	(48,911)
Repayment of External Loans Financed from the Bond		3,761	5,714
Net Cash Flows from Investing Activities		4,927	(46,440)
Cash Flows from Financing Activities			
Short Term Borrowings (Revolving Credit Facility)		-	75,000
Interest Paid		(11,658)	(11,585)
Net Cash Flows from Financing Activities		(11,658)	63,415
Net Increase/(Decrease) in Cash at Bank and in Hand		8,237	(10,328)
Cash and Cash Equivalents at the Beginning of the Year		2,019	12,347
Cash and Cash Equivalents at the End of the Year		10,256	2,019

NOTES TO THE ACCOUNTS

1. States of Guernsey Accounting Policies

Basis of Accounting

- i. The Accounts of the States of Guernsey, set out on pages 21 to 73, are prepared in accordance with the accounting policies included within note 1. The Accounts are prepared under the historical cost convention, except for financial investments that are measured at re-valued amounts or fair values at the end of each reporting period. Unless detailed otherwise below, income and expenditure is accounted for on an accruals basis.
- ii. The accounting policies noted below may depart from rules within internationally recognised accounting frameworks, in order to adhere to internal reporting conventions. Consequently these accounts have not been prepared in accordance with a particular accounting framework, but instead follow the accounting policies as noted.

Going Concern

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

Income Taxes

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

Bad Debts

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

Charging for Services Across States' Functions

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

NOTES TO THE ACCOUNTS

Rendering of Services

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

Lease Payments

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

Investment Returns

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

Capital Receipts

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

Capital Expenditure

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

Pay Costs

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

NOTES TO THE ACCOUNTS

Retirement Benefit Costs and Pension Disclosures

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

States of Alderney

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

Current Assets and Non-Current Assets

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

All other assets are classified as non-current.

Current Liabilities and Non-Current Liabilities

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

All other liabilities are classified as non-current.

Financial Investments

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

NOTES TO THE ACCOUNTS

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

Investments in States' Trading Entities

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

Stock

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

NOTES TO THE ACCOUNTS

Loans Receivable

- xxxv. Loans made by the States, which have fixed or determinable payments and are not quoted in an active market, are measured at their outstanding capital value as at the year-end date. They are not subject to a formal impairment review for accounting purposes, but will be assessed for recoverability during the repayment period. Where the loans have been made from the proceeds of the States of Guernsey Bond Issue, then the interest received from borrowers is credited to the Statement of Financial Performance and allocated to the Bond Reserve.
- xxxvi. Some of the loans made by the States are internal to the organisation. These loans are linked with trading functions that operate within the States. The expenditure is capitalised and written off over the period of the internal loan, which is similar to an expected life of the related asset. These internal loans have been disclosed separately within the Notes to the Accounts.

Currency in Circulation

- xxxvii. The States issue banknotes and coins in the name of The States of Guernsey. The States may issue commemorative notes and coins from time to time. All banknotes and coins issued by the States can be exchanged or redeemed at face value.
- xxxviii. The value of notes and coins in circulation is accounted for as a liability within the Statement of Financial Position.
- xxxix. Demand for the States' issued currency may fluctuate, consequently the liability may rise or fall depending upon the value of notes and coins in circulation at any point in time. At the end of their useful life, they are removed from circulation and destroyed. At that time they will be treated as being withdrawn from circulation, such that both the asset and liability will reduce accordingly. Any cost associated with the issue or destruction of notes and coins will be charged to the Statement of Financial Performance.
- xl. The net liability takes account of the intrinsic value of coinage in circulation and an estimation of the value of notes and coins in circulation that are unlikely to be redeemed.
- xli. Banknotes and coins that have not been issued previously, are recognised as stock and measured at the cost of either printing or minting. When these notes and coins are issued, their corresponding stock value will be charged to the Statement of Financial Performance.

Long Term Liabilities

- xl.ii. The issue of a States of Guernsey Government Bond has been categorised as a long term liability. Long term liabilities are valued in the Statement of Financial Position at amortised cost. Any costs associated with the States Bond will be met from the Bond Reserve.
- xl.iii. The amortised cost is the amount at which the bond loan is measured at initial recognition, less any principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

NOTES TO THE ACCOUNTS

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

Reserves

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

Cash Flow Statement

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

Restatement

- lii. 2020 Accounts columns marked with “#” includes figures that have been restated for comparative purposes.

NOTES TO THE ACCOUNTS

2. Income Taxes

	2021 £'000s	2020 £'000s
Individuals	290,257	267,019
Companies (including banks)	57,616	52,905
Distributed profits	13,640	8,526
Total Income Taxes	361,513	328,450

3. Other Taxes and Duties

	2021 £'000s	2020 £'000s
Customs - Excise and Import Duties		
Beer	3,916	3,946
Cider	932	1,003
Motor fuel	18,914	18,845
Spirits	5,625	5,221
Tobacco	11,689	13,850
Wine	6,648	6,717
Import duties	370	1,730
	48,094	51,312
Tax on Real Property	28,766	29,075
Document Duty - Conveyancing	32,341	23,029
Vehicle First Registration Duty	851	892
Total Other Taxes and Duties	110,052	104,308

4. Other Corporate Income

	2021 £'000s	2020 £'000s
Housing rental income	20,866	20,828
Company fees	11,477	10,894
Rental income from commercial property	3,079	2,974
Dividend income from States' trading entities	1,800	1,944
Public donations towards COVID-19 expenditure	-	272
Other income	1,207	1,531
Total Other Corporate Income	38,429	38,443

NOTES TO THE ACCOUNTS

5. Pay

Pay Costs by Pay Group	2021 £'000s	2020 £'000s
Established staff	93,345	90,178
Public service employees	17,022	16,769
Nurses and medical consultants	78,457	69,504
Teachers, lecturers and learning support assistants	46,628	45,923
Fire officers	3,542	3,527
Police officers	9,013	9,182
Home support staff	2,537	2,487
Border Agency officers	3,952	3,610
Prison officers	3,688	3,664
Crown Officers and Judges	1,803	1,644
Other pay groups	2,890	2,567
	262,877	249,055
States Members remuneration	1,904	1,921
Total Pay Costs by Pay Group	264,781	250,976

Full Time Equivalents by Pay Group Included Within Pay Costs	2021 Average FTE	2020 Average FTE
Established staff	1,656	1,644
Public service employees	487	531
Nurses and medical consultants	1,380	1,256
Teachers, lecturers and learning support assistants	878	839
Fire officers	59	58
Police officers	145	148
Home support staff	51	51
Border Agency officers	73	67
Prison officers	76	76
Crown Officers and Judges	8	6
Other pay groups	49	44
Total Full Time Equivalents by Pay Group Included Within Pay Costs	4,862	4,720

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 Employees⁶ Gross Cost Analysis

	2021 Number of Employees	2020 Number of Employees
£90,000 to £109,999	122	110
£110,000 to £129,999	49	48
£130,000 to £149,999	26	26
£150,000 to £169,999	26	30
£170,000 to £189,999	18	13
£190,000 to £209,999	6	6
£210,000 to £229,999	1	2
£230,000 to £249,999	1	-
£250,000 to £269,999	1	2
£270,000 to £289,999	3	2
£290,000 to £309,999	2	-
£310,000 and above	1	1
	256	240

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. An employee with a total cost of employment of £90,000 is likely to earn in the range of £70-75,000 per annum (including overtime and allowances).

⁶ This includes the four Crown Officer posts which, although paid by the States of Guernsey, are not employees.

NOTES TO THE ACCOUNTS

6. Operating Expenditure (Non-Pay) by Category

	2021 £'000s	2020 £'000s
Staff Related Non-Pay Costs		
Recruitment	3,900	4,155
Training	1,734	1,390
Other staff costs	507	476
	6,141	6,021
Support Services		
Advertising, marketing and public relations	1,800	1,970
Audit fees	221	244
Bank charges	418	910
Communications and IT	3,471	2,580
Consultants fees	5,291	3,497
Contracted out work	32,954	34,848
Incidental and other costs	66	56
Postage, stationery and printing	1,330	1,243
Risk management and insurance	3,147	2,499
	48,698	47,847
Premises		
Equipment, fixtures and fittings	1,018	907
Rents and leasing	4,546	4,490
Repairs, maintenance and servicing	15,258	16,184
Utilities	5,881	5,566
	26,703	27,147
Third Party Payments		
Benefit payments	62,628	62,498
Grants and subsidies	72,944	100,127
	135,572	162,625
Transport		
Vehicles and vessels	1,422	1,272
Supplies and Services		
Services	35,184	34,759
Supplies	18,710	14,807
	53,894	49,566
Total Operating Expenditure (Non-Pay) by Category	272,430	294,478

NOTES TO THE ACCOUNTS

7. 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.

	2021 £'000s	2020 £'000s
Policy & Resources Committee		
Costs incurred in relation to States Members	1,923	1,980
Committee for Employment & Social Security		
Legal Aid	1,602	1,992
Concessionary TV Licences for the Elderly	-	30
Family Allowance	8,592	8,459
Severe Disability Benefit and Carers' Allowance	7,262	6,749
Social Insurance Grant	17,687	16,332
Income Support Scheme	46,627	46,910
	81,770	80,472
Total Formula-led Costs	83,693	82,452

8. Finance Charges and Other Costs

	2021 £'000s	2020 £'000s
Bond interest charges	11,450	11,439
Revolving credit facility interest charges including non-utilisation fees	516	444
Bad debt expenses and adjustment for impairment of receivables	(21,913)	56,084
Notional loan charges	61	780
Impairment of investment value of trading Entities	46,800	-
Total Finance Charges and Other Costs	36,914	68,747

The COVID-19 pandemic had a significant impact on the trading activities of Cabernet Limited and Ports, and in particular their ability to repay amounts owing to the States.

During 2021, Ports' short term loan facility with the States was written down to nil at the year end. An impairment provision created in 2020 was reversed, such that the overall charge to the Statement of Financial Performance in 2021 was £8.622m.

Following the recapitalisation of Cabernet Limited in 2021, the short term loan facility with the States was reduced by £46.800m. However, as Cabernet Limited continued to make losses in 2021, an impairment provision was still required as at the year end. This amounted to £18.350m, compared with the position at the previous year end of £50.419m.

NOTES TO THE ACCOUNTS

9. Amounts Held as a Reserve Transferred to Other Entities

In March 2021, the States considered a policy letter entitled “The Future Governance and Operation of the Seized Asset Fund” (Billet d'État VIII, 2021) and agreed to establish a new Seized Asset Fund with the Policy & Resources Committee being authorised to approve the use of this Fund. Consequently, the balance of the previous Seized Asset Fund which was previously accounted for as a deposit balance within the States' Accounts (held on behalf of the HM Receiver General), was set up as a separate earmarked reserve within the General Revenue Reserve.

The balance of the previous Seized Asset Fund at 31 March 2021 was £17.487m. This was transferred from the depositor account to the General Revenue Reserve on that date, and resulted in a credit balance being applied to the Statement of Financial Performance, in order to reflect the increase in the net assets of the States.

During 1990, the States approved the sale of two paintings and the establishment of the Wilfred Carey Purchase Fund. The proceeds were credited to the Fund and were to be used solely for the purchase of items of specific local interest to add to the museum's collection. The income and expenditure associated with the Fund has been reported within the Statement of Financial Performance.

The balance of the Fund at 31 December 2020 amounted to £3.855m. This was included as an earmarked fund within the General Reserve. This was transferred to a deposit account on 31 December 2020. As a result, the balance of this earmarked fund has been written down to nil and a corresponding charge included within the Statement of Financial Performance, to reflect the reduction in the net assets of the States.

10. Capital Receipts

	2021 £'000s	2020 £'000s
Repayment of capital grant from - Guernsey Water	1,229	1,229
Property Sales - Sale of other property, plant and equipment	2	-
Total Capital Receipts	1,231	1,229

In previous years, the States have funded the cost of a range of capital projects implemented by Guernsey Water. The capital contributions were paid to Guernsey Water as the expenditure was incurred. These amounts were written off by the States in the year that the payments were made.

NOTES TO THE ACCOUNTS

The States' Trading Supervisory Board took a decision to repay during 2021, £1.229m of the contribution previously paid to Guernsey Water. During 2020, the States' Trading Supervisory Board repaid £1.229m received by Guernsey Water.

Given that the contributions were treated as capital expenditure in the year that they were paid and written off within the Statement of Financial Performance, any repayment of the contributions are treated as capital receipts and credited to the Statement of Financial Performance.

11. Capital Expenditure

The following is a breakdown of the capital expenditure associated with the purchase or creation of fixed assets. The States' accounting policy is to write off the expenditure in the year in which it was incurred.

Capital Expenditure Charged to the Statement of Financial Performance

Capital works on land, buildings and infrastructure
IT projects and equipment
Equipment, machinery and vehicles

Total Capital Expenditure Charged to the Statement of Financial Performance

2021	2020
£'000s	£'000s
18,654	13,302
13,348	23,054
8,008	4,230
40,010	40,586

NOTES TO THE ACCOUNTS

12. 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

	2021 £'000s	2020 £'000s
Guernsey Electricity Limited	105,209	105,209
Guernsey Post Limited	7,886	7,886
Cabernet Limited		
Purchase cost	5,060	5,060
Re-capitalisation during 2016	25,212	25,212
Re-capitalisation during 2021	46,800	-
	77,072	30,272
Provision for amounts written down due to accumulated losses	(30,272)	(30,272)
Impairment charged during the financial year	(46,800)	-
	(77,072)	(30,272)
Balance as at 31 December	-	-
Alderney Electricity Limited	3	3
Balance at 31 December	113,098	113,098

Guernsey Electricity Limited

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

The States did not receive a dividend during 2021 (2020: nil).

The total value of Guernsey Electricity Limited's net assets as at 30 September 2021 was £96.087m (2020: £91.291m restated balance). However, this is after provision has been made for a pension deficit reported under FRS102 of £15.810m (2020: £21.441m restated balance).

Guernsey Post Limited

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

The States received a dividend of £1.3m (2020: £1.444m).

The total value of Guernsey Post Limited's net assets as at 31 March 2021 was £26.862m (£23.969m as at 31 March 2020).

NOTES TO THE ACCOUNTS

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 recapitalise the group's balance sheet. The States' shareholding increased by £25.212m in 2016. During 2021, the States agreed to a further recapitalisation of £46.8m.

Cabernet Limited has continued to report losses during the intervening period. The accumulated losses reported up to the end of December 2021 amounts to £88.582m (2020: £73.673m), compared with the share capital owned by the States of £72.012m (2020: £25.212m).

The total value of the investment including the recapitalisation in 2016 and 2021, has been written down from £77.072m to nil. This includes the full impairment of the investment made during 2021. A further adjustment has been made to the carrying value of the long term loans and the short term loan facility provided by the States during 2021, to reflect the continued losses and the potential for Cabernet Limited to repay the amounts due, given their current financial position. A provision of £18.350m (2020: £50.419m) has been made against those receivable amounts within the Statement of Financial Position.

Alderney Electricity Limited

The States of Guernsey own 17.1% of the ordinary share capital of Alderney Electricity Limited.

JamesCo750 Limited

The States of Guernsey own the two ordinary £1 shares of JamesCo750 Limited.

Social Investment Fund

During 2020, the States established the Social Investment Fund LBG, which is a company limited by guarantee. No share capital has been issued. The Fund is registered as a charity and managed by a Board of Directors, comprising three independent members and two States' representatives. Its primary purpose is to use funds to invest in the Bailiwick's charitable and community sector organisations.

Un-incorporated Trading Entities

The following table shows each of the States' un-incorporated trading entities, which are controlled by the States' Trading Supervisory Board, along with their net asset value at the year end. These amounts are not reported in the Statement of Financial Position.

	2021 £'000s	2020 £'000s
Ports	219,803	215,674
Guernsey Water	136,769	137,229
Guernsey Waste	24,465	26,967
States Works	11,531	11,106
Guernsey Dairy	3,400	3,623
Balance at 31 December	395,968	394,599

The States received a dividend of £0.5m (2020: £0.5m) from States Works.

NOTES TO THE ACCOUNTS

The States have funded from their reserves, the purchase or construction of property, plant and equipment for the benefit of the un-incorporated trading entities with a charge being made to the Statement of Financial performance.

Both Ports and Guernsey Waste account for these transactions as capital contributions, which increases the value of the net assets of that entity, by an equivalent amount.

Guernsey Water account for these transactions as a capital grant. Consequently, any contribution from the States' reserves to Guernsey Water, will not result in a corresponding increase in the value of their net assets.

The table below shows the contributions made by the States to the un-incorporated trading entities for capital projects during the reporting period.

	2021 £'000s	2020 £'000s
Guernsey Waste	41	244
Ports	3,816	-
Balance at 31 December	3,857	244

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.

	2021 £'000s	2020 £'000s
Guernsey Insurance Fund	749,414	705,251
Guernsey Health Service Fund	120,159	115,437
Long-Term Care Insurance Fund	118,407	100,964
Balance at 31 December	987,980	921,652

13. Investments

The States manages a single portfolio of investments through different investment managers. In 2015, the States transferred all of the investments held by the Superannuation Fund into this portfolio of investments. These investments totalling £1.4bn were not segregated for the benefit of the Superannuation Fund, but became part of a larger investment portfolio. The portfolio of investments is controlled solely by the States and all investments are held in the name of the States. It is for this reason that all investments within that portfolio are accounted for as an asset within the States' Statement of Financial Position.

The States continually reviews their cash balances and where necessary transfers amounts into or out of the investment portfolio, depending on whether there is a surplus or a shortfall in cash balances held.

NOTES TO THE ACCOUNTS

The Long-Term and Medium-Term Funds were amalgamated at the start of 2018, into a single fund called the Consolidated Investment Fund under the existing guidelines of the Long-Term Fund.

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

Consolidated Investment Fund Managers - 2021

Aberdeen Asset Managers Limited	Newton Investment Management Limited
AMP Capital Investors Limited	Odey Wealth Management (C.I.) Limited
Blackstone Strategic Capital Advisors LLC	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
Federated Hermes	Sarasin & Partners LLP
FIL Pensions Management Limited	Schroders Investment Management Limited
JP Morgan Asset Management	State Street Global Advisors
Bank Julius Baer & Co Limited Guernsey Branch	Sustainable Growth Management GP Sàrl
MitonOptimal Portfolio Management (CI) Limited	Wellington Management International Limited
Morgan Stanley Investment Management Limited	White Star Capital Guernsey Limited

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

The table below shows the change in the value of the investment portfolio during the financial year.

	2021 £'000s	2020 £'000s
Balance at 1 January	2,496,355	2,339,766
Returns on investments (including realised and unrealised gains/(losses) on revaluation of investments) net of investment management fees and other expenses	240,236	192,759
Net withdrawal of cash during the year	(53,499)	(36,170)
Balance at 31 December	2,683,092	2,496,355

The net investment return of £240.236m (2020: £192.759m) is shared between the States and certain depositors, dependent upon their carrying balances during the year.

NOTES TO THE ACCOUNTS

The tables below show a breakdown of the financial investments that are included within the Statement of Financial Position at 'fair value'. The measurement of this fair value can in some cases be subjective, and can depend on the inputs used in the calculations.

The investments have been classified using a fair value hierarchy. There are three different levels.

- Level 1 – Fair values are measured using quoted prices in an active market (one where transactions are taking place regularly on an arm's length basis);
- Level 2 – Fair values are measured using Inputs, other than quoted prices included within Level 1 that are observable either directly (that is, as prices) or indirectly (that is, derived from prices) and;
- Level 3 – Fair values are measured using inputs and assumptions that are not based on observable market data.

Where Collective Investment Funds are held and the underlying investments comprise of a variety of different asset types, effort has been made to broadly identify the proportions of each asset category when classifying the portfolio. However the assessment of where the holding sits within the Fair Value Hierarchy relates to the Fund security itself. This is because liquidity can only be achieved through selling the Fund securities i.e. the investor has no direct access to the underlying investments. As such, where cash is held by the Fund, this cash will be assessed for Fair Value based on the overall Fund and therefore may likely not be considered Level 1.

An investment that is categorised within Level 2 or 3 would include instances where there are few transactions for the instrument, the price is not current, price quotations vary substantially either over time or among market makers (for example, some brokered markets) or there is little publicly available information.

The States employ the services of Northern Trust to provide valuations of investments held within the portfolio, through their network of independent and internal pricing sources.

Investments Measured at Fair Value	Level 1 2021 £'000s	Level 2 2021 £'000s	Level 3 2021 £'000s	Total 2021 £'000s
Cash (held by investment managers)	118,250	8,499	-	126,749
Equities	1,315,552	158,480	-	1,474,032
Alternatives	12,766	179,299	-	192,065
Bonds and fixed interest securities	307,556	116,432	-	423,988
Property	30,677	206,965	52,993	290,635
Private market investments	-	-	175,623	175,623
Balance at 31 December	1,784,801	669,675	228,616	2,683,092

NOTES TO THE ACCOUNTS

Investments Measured at Fair Value	Level 1 2020 £'000s	Level 2 2020 £'000s	Level 3 2020 £'000s	Total 2020 £'000s
Cash (held by investment managers)	161,335	20,156	-	181,491
Equities	990,622	304,514	-	1,295,136
Alternatives	8,672	187,285	-	195,957
Bonds and fixed interest securities	321,384	113,443	-	434,827
Property	18,194	188,201	54,328	260,723
Private market investments	-	-	128,221	128,221
Balance at 31 December	1,500,207	813,599	182,549	2,496,355

The States had the following commitments in Private Equity Funds as at 31 December 2021.

	Total Commitment 31 December 2021 £'000s	Drawn Commitment 31 December 2021 £'000s	Undrawn Commitment 31 December 2021 £'000s	31 December 2020 £'000s
AMP Capital Investors Limited	7,420	(7,420)	-	-
Blackstone Strategic Capital Holdings	18,550	(2,981)	15,569	-
CBRE Global Investors (UK) Funds Limited	269,577	(269,149)	428	2,720
Guernsey Investment Fund PCC Limited GIF Property Cell	40,000	(6,600)	33,400	33,400
Guernsey Investment Fund PCC Limited GIF Technology and Innovation Cell	31,250	(27,541)	3,709	3,709
JP Morgan Asset Management	7,420	(7,126)	294	553
Morgan Stanley	36,962	(21,553)	15,409	13,406
Partners Group (Guernsey) Limited	7,420	(6,784)	636	629
Partners Group (Guernsey) Limited	14,840	(6,604)	8,236	-
Sustainable Growth Fund	8,398	(8,381)	17	28
White Star Capital	7,420	(7,420)	-	587
White Star Capital III	14,840	(5,194)	9,646	-
Total Commitments	464,097	(376,753)	87,344	55,032

The capital calls for the undrawn commitments will be met by the States through active management of the investment portfolio.

NOTES TO THE ACCOUNTS

14. Receivables

	Non-Current	Current	Non-Current	Current
	2021 £'000s	2021 £'000s	2020 £'000s	2020 £'000s
External Loans				
Guernsey Housing Association LBG*	87,819	2,833	90,652	2,730
Cabernet Limited* ⁷	11,797	-	20,735	-
Guernsey Electricity Limited*	13,000	-	13,000	-
JamesCo750 Limited*	8,265	717	8,982	690
Guernsey Water*	7,959	205	8,164	198
Home Loans Scheme	697	96	832	48
Alderney Housing Association*	2,670	69	2,739	66
Guernsey Dairy*	684	17	701	17
Higher Education Loans Fund	8	4	13	7
Farm Loans Fund	-	21	83	32
Sports Loans Fund	14	6	37	6
Guernsey Harbour*	2,157	96	2,253	125
Office of the Data Protection Authority	999	142	1,241	-
	136,069	4,206	149,432	3,919
Internal Loans				
Company Registry*	66	63	129	61
Other Receivables				
Income tax	-	48,372	-	42,559
Other taxes and duties	-	3,399	-	3,807
	-	51,771	-	46,366
Trade debtors	-	29,708	-	28,128
Other debtors	-	6,251	-	6,593
	-	35,959	-	34,721
Balance at 31 December	136,135	91,999	149,561	85,067

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 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.

⁷ The carrying balance of the loans has been reduced by £12.353m (2020: £6.9m) to reflect the impairment of amounts receivable from Cabernet Ltd.

NOTES TO THE ACCOUNTS

15. Revolving Credit Facility

During 2020, the Policy & Resources Committee entered into an agreement for a Revolving Credit Facility (RCF) of up to £225m underwritten by a syndicate of five Banks comprising: Lloyds Bank Corporate Markets plc, Guernsey Branch; Butterfield Bank (Guernsey) Limited; The Royal Bank of Scotland International Limited; HSBC Bank PLC, Guernsey Branch; and Barclays Bank PLC.

This RCF provides the States with additional liquidity and the lenders are under obligation to advance money when requested. The facility agreement has an initial termination date of two years and contains an option for the States, which they are not obliged to exercise, to extend the termination date of the facility by two 1 year periods. The RCF is unsecured and the States do not have to provide any assets as security.

The revolving element of the facility allows for separate loan tranches to be drawn and repaid over a period of either 1, 2, 3 or 6 months. During 2021, the States were provided with loans that had repayment periods of 3 months and at the end of 2021, the States had drawn 2 loans totalling £75m (2020: £75m).

16. Creditors

	2021 £'000s	2020 £'000s
Trade creditors	44,539	36,991
Deferred income	1,409	2,506
Other creditors	396	266
Balance at 31 December	46,344	39,763

17. Depositors

	2021 £'000s	2020 £'000s
Superannuation Fund	1,749,421	1,610,042
States incorporated trading entities	8,218	8,943
States un-incorporated trading entities	6,986	8,020
HM Receiver General, charity and other deposit balances	37,543	50,942
Balance at 31 December	1,802,168	1,677,947

The depositors are considered separate entities or parties that have deposited cash balances with the States. All assets reported within the Statement of Financial Position are held in the name of the States, including any balances transferred to the States by the depositors.

NOTES TO THE ACCOUNTS

18. Currency in Circulation

	2021 £'000s	2020 £'000s
All notes and coins in circulation at 1 January	67,933	60,181
<i>Issued during the year</i>	70,120	75,874
<i>Withdrawn during the year</i>	(70,943)	(68,122)
All notes and coins in circulation at 31 December	67,110	67,933
Nominal value of notes and coins which are considered unlikely to be either redeemed or exchanged at 31 December		
<i>Commemorative coins</i>	(8,044)	(7,876)
<i>General notes and coins</i>	(2,100)	(2,100)
	(10,144)	(9,976)
Estimated Value of Liability at 31 December	56,966	57,957

Although the nominal value of the notes and coins in circulation amounted to £67.110m as at 31 December 2021 (2020: £67.933m), 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 2021 was £8.602m (2020: £8.419m). The liability has been reduced by £8.044m (2020: £7.876m), due to the negligible levels of redemption in previous years. The commemorative coins may have a market value that exceeds their nominal value, due to either the value of the metals contained within the coins, and/or their demand within the market place.

19. Bond Issue

The States issued a public bond for general sale in December 2014. It was admitted to the Official List of the Channel Islands Securities Exchange Authority Limited on 12 December 2014. The notional value of the bond amounted to £330m, and is due to be fully repaid on a maturity date of 12 December 2046.

The total costs associated with the issuance of the bond amounted to £14.589m and the annual coupon payment amounts to £11.141m. The bond has been valued at amortised cost, such that the issuance costs and the coupon payments have been used to determine an effective interest rate. The effective interest rate has been used to calculate the amount that is charged to the Statement of Financial Performance and the carrying balance of the loan on the Statement of Financial Position.

NOTES TO THE ACCOUNTS

20. Financial Instruments

The following note provides a breakdown of balances that relate to financial instruments. A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Consequently, there are some balances within the Statement of Financial Position that are not deemed to be financial contracts and therefore excluded from the table below.

The following table shows the different categories of financial instruments held by the States, and the valuation technique that has been applied to calculate their carrying amount as reported in the Statement of Financial Position.

Financial Assets Classified as Financial Instruments	2021 £'000s	2020 £'000s
Financial assets at fair value		
Consolidated Investment Fund	2,683,092	2,496,355
Financial assets at amortised cost		
External loans (associated entities)	138,288	151,052
External loans (other external parties)	1,987	2,299
Trade debtors	29,708	28,128
Other debtors	2,256	2,671
Cash and cash equivalents	10,256	2,019
	182,495	186,169
Financial assets at cost		
Shareholdings in States' Trading Entities	113,098	113,098
Total Financial Assets Classified as Financial Instruments	2,978,685	2,795,622
Financial Liabilities Classified as Financial Instruments		
Financial liabilities at fair value		
Depositors	(1,802,168)	(1,677,947)
Financial liabilities at amortised cost		
Trade creditors	(44,539)	(36,991)
Bond issue	(317,946)	(317,638)
	(362,485)	(354,629)
Financial liabilities at cost		
Revolving credit facility	(75,000)	(75,000)
Total Financial Liabilities Classified as Financial Instruments	(2,239,653)	(2,107,576)

NOTES TO THE ACCOUNTS

21. General Revenue Reserve

As part of the 2021 Budget Report (Billet d'État XXVI, 2020), the States approved the creation of the General Revenue Reserve with the transfer on 31 December 2020 of various earmarked funds and the unallocated balance previously held within the General Reserve and the balance of the Capital Reserve.

The purpose was to create a simplified structure that would increase flexibility around the use of funding; provide clarity on uses authorised by the States and delegated authority given; and increase transparency. It also progresses alignment of the Budgeting Framework towards that used for the preparation of the Accounts.

Within the General Revenue Reserve there are a small number of earmarked funds that were 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. The Insurance Deductible Fund has been amended from that previously reported in the 2020 Accounts, to be included as an earmarked fund instead of within the unallocated Balance of the General Revenue Reserve. This change has no impact upon the total balance of the General Revenue Reserve as at the end of 2020.

	Note	2021 £'000s	2020# £'000s
Earmarked funds at 31 December –			
Seized Asset Fund	23	20,710	-
Insurance Deductible Fund	24,29	14,259	13,674
		34,969	13,674
Unallocated balance at 31 December	22	427,349	376,453
Balance at 31 December		462,318	390,127

The following table shows the surplus/(deficit) for each of the earmarked reserves, as well as the unallocated balance of the General Revenue Reserve.

	Note	2021 £'000s	2020 £'000s
Earmarked funds -			
Seized Asset Fund	23	20,867	-
Insurance Deductible Fund	24,29	(1,035)	-
Channel Islands Lottery (Guernsey) Fund	25	700	-
		20,532	-
Unallocated balance of General Revenue Reserve	22	17,076	-
Total Surplus Reported Within the General Revenue Reserve		37,608	-

NOTES TO THE ACCOUNTS

22. General Revenue Reserve (Unallocated Balance)

The table below shows the movement in the unallocated balance of the General Revenue Reserve, including appropriations to and from other ring-fenced reserves.

	Note	2021 £'000s	2020# £'000s
Balance at 1 January		376,453	-
Revenue Surplus		55,857	-
Net Capital Expenditure		(38,781)	-
		17,076	-
Appropriations to (31 December) -			
Insurance Deductible Fund	24	(1,620)	(13,674)
Bond Reserve	40	(2,417)	-
		(4,037)	(13,674)
Appropriations from (31 December) -			
Bond Reserve	40	37,000	-
Channel Islands Lottery (Guernsey) Fund	25	700	-
Seized Asset Fund	23	157	-
Capital Reserve	41	-	290,177
General Reserve (Unallocated Balance)	26,27	-	43,350
Corporate Housing Programme Fund	28	-	21,342
Insurance Deductible Fund	29	-	13,674
Transformation & Transition Fund	30	-	12,344
Future Guernsey Economic Fund	31	-	2,761
Brexit Transition Fund	32	-	2,251
Higher Education Loans Fund	33	-	1,135
Participatory Budgeting Fund	34	-	1,000
Overseas Aid & Development Impact Investment Fund	35	-	982
Overseas Aid & Development Commission Fund	36	-	842
Sports Loans Fund	37	-	269
		37,857	390,127
Balance at 31 December		427,349	376,453

NOTES TO THE ACCOUNTS

23. Seized Asset Fund

	2021 £'000s	2020 £'000s
Balance at 1 January	-	-
Transfer of balance from HMRG (depositor account) as at 1 April	17,487	-
Net investment return	1,341	-
Operating Income	2,385	-
Operating expenditure	(346)	-
Net surplus for the year	3,380	-
Appropriation -		
To Unallocated Balance of General Revenue Reserve	(157)	-
Balance at 31 December	20,710	-

24. Insurance Deductible Fund (General Revenue Reserve)

	2021 £'000s	2020# £'000s
Balance at 1 January	13,674	-
Operating expenditure	(1,035)	-
Appropriation 31 December -		
From Unallocated Balance of General Revenue Reserve	1,620	13,674
Balance at 31 December	14,259	13,674

25. Channel Islands Lottery (Guernsey) Fund

	2021 £'000s	2020 £'000s
Balance at 1 January	-	2,442
Operating income	13,027	12,920
Operating expenditure	(11,496)	(11,493)
Contributions to third parties	(831)	(2,824)
Net surplus/(deficit) for the year	700	(1,397)
Appropriations -		
To General Reserve	(700)	(1,045)
Balance at 31 December	-	-

NOTES TO THE ACCOUNTS

26. General Reserve

The balance on the General Reserve was reduced to nil as at 31 December 2020, following the decision to create a simplified structure of reserves.

	Note	2021 £'000s	2020 £'000s
Earmarked funds at 31 December			
Bond Reserve	40	-	27,197
Corporate Housing Programme Fund	28	-	21,342
Insurance Deductible Fund	29	-	13,674
Transformation and Transition Fund	30	-	12,344
Future Guernsey Economic Fund	31	-	2,761
Brexit Transition Fund	32	-	2,251
Higher Education Loans Fund	33	-	1,135
Participatory Budgeting Fund	34	-	1,000
Overseas Aid & Development Impact Investment Fund	35	-	982
Overseas Aid & Development Commission Fund	36	-	842
Sports Loans Fund	37	-	269
		-	83,797
Unallocated balance at 31 December	27	-	43,350
Amount held in General Reserve prior to year-end appropriations		-	127,147
Appropriations -			
To General Revenue Reserve		-	(99,950)
To Bond Reserve (as a separate reserve)	40	-	(27,197)
General Reserve Balance at 31 December		-	-

The following table shows the (deficit)/surplus for each of the earmarked reserves, as well as the unallocated balance of the General Reserve.

	Note	2021 £'000s	2020 £'000s
Earmarked funds at 31 December			
Channel Islands Lottery (Guernsey) Fund	25	-	(1,397)
Corporate Housing Programme Fund	28	-	(2,318)
Insurance Deductible Fund	29	-	(885)
Transformation and Transition Fund	30	-	(2,819)
Future Guernsey Economic Fund	31	-	(1,792)
Brexit Transition Fund	32	-	(313)
Higher Education Loans Fund	33	-	91
Overseas Aid & Development Impact Investment Fund	35	-	(18)
Overseas Aid & Development Commission Fund	36	-	(2,686)
Sports Loans Fund	37	-	(50)
Wilfred Carey Purchase Fund	38	-	(3,556)
Health and Social Care Accommodation Fund	39	-	(762)
Bond Reserve	40	-	9,377
		-	(7,128)
Unallocated balance of General Reserve		-	(56,503)
Total Deficit Reported Within the General Reserve		-	(63,631)

NOTES TO THE ACCOUNTS

27. General Reserve (Unallocated Balance)

	2021 £'000s	2020 £'000s
Balance at 1 January	-	38,754
Revenue Deficit	-	(56,503)
	-	(17,749)
Appropriations from		
Channel Islands Lottery (Guernsey) Fund	-	1,045
Core Investment Reserve	-	50,000
States Trading Entities Reserve	-	15,210
	-	66,255
Appropriations to		
Capital Reserve	-	(1,500)
Overseas Aid & Development Commission Fund	-	(2,036)
Insurance Deductible Fund	-	(1,620)
	-	(5,156)
Balance at 31 December	-	43,350

28. Corporate Housing Programme Fund

	2021 £'000s	2020 £'000s
Balance at 1 January	-	23,660
Operating expenditure	-	(2,318)
Closing Balance Prior to Transfer	-	21,342
Appropriations -		
To General Revenue Reserve	-	(21,342)
Balance at 31 December	-	-

NOTES TO THE ACCOUNTS

29. Insurance Deductible Fund (General Reserve)

	2021 £'000s	2020 £'000s
Balance at 1 January	-	12,939
Operating expenditure	-	(885)
Appropriations - From General Reserve	-	1,620
Closing Balance Prior to Transfer	-	13,674
Appropriations - To General Revenue Reserve	-	(13,674)
Balance at 31 December	-	-

30. Transformation and Transition Fund

	2021 £'000s	2020 £'000s
Balance at 1 January	-	15,163
Operating income	-	114
Operating expenditure	-	(2,933)
Net deficit for the year	-	(2,819)
Closing Balance Prior to Transfer	-	12,344
Appropriations - To General Revenue Reserve	-	(12,344)
Balance at 31 December	-	-

NOTES TO THE ACCOUNTS

31. Future Guernsey Economic Fund

	2021 £'000s	2020 £'000s
Balance at 1 January	-	4,553
Operating income	-	175
Operating expenditure	-	(1,967)
Net deficit for the year	-	(1,792)
Appropriations -		
From General Reserve	-	-
Closing Balance Prior to Transfer	-	2,761
Appropriations -		
To General Revenue Reserve	-	(2,761)
Balance at 31 December	-	-

32. Brexit Transition Fund

	2021 £'000s	2020 £'000s
Balance at 1 January	-	2,564
Operating expenditure	-	(313)
Closing Balance Prior to Transfer	-	2,251
Appropriations -		
To General Revenue Reserve	-	(2,251)
Balance at 31 December	-	-

33. Higher Education Loans Fund

	2021 £'000s	2020 £'000s
Balance at 1 January	-	1,044
Investment return	-	88
Interest received on loans issued	-	1
Operating expenditure (adjustment for impairment of loan balances)	-	2
Net surplus for the year	-	91
Closing Balance Prior to Transfer	-	1,135
Appropriations -		
To General Revenue Reserve	-	(1,135)
Balance at 31 December	-	-

NOTES TO THE ACCOUNTS

34. Participatory Budgeting Fund

	2021 £'000s	2020 £'000s
Balance at 1 January	-	1,000
Appropriations - To General Revenue Reserve	-	(1,000)
Balance at 31 December	-	-

35. Overseas Aid & Development Impact Investment Fund

	2021 £'000s	2020 £'000s
Balance at 1 January	-	1,000
Investment charge	-	(18)
Closing Balance Prior to Transfer	-	982
Appropriations - To General Revenue Reserve	-	(982)
Balance at 31 December	-	-

36. Overseas Aid & Development Commission Fund

	2021 £'000s	2020 £'000s
Balance at 1 January	-	1,492
Total grants payable	-	(2,686)
Appropriations - From General Reserve	-	2,036
Closing Balance Prior to Transfer	-	842
Appropriations - To General Revenue Reserve	-	(842)
Balance at 31 December	-	-

NOTES TO THE ACCOUNTS

37. Sports Loans Fund

	2021 £'000s	2020 £'000s
Balance at 1 January	-	319
Operating expenditure	-	(50)
Closing Balance Prior to Transfer	-	269
Appropriations - To General Revenue Reserve	-	(269)
Balance at 31 December	-	-

38. Wilfred Carey Purchase Fund

	2021 £'000s	2020 £'000s
Balance at 1 January	-	3,556
Investment return	-	308
Operating expenditure	-	(9)
Net surplus for the year	-	299
Closing Balance Prior to Transfer	-	3,855
Balance Transferred to Depositor Account	-	(3,855)
Balance at 31 December	-	-

39. Health and Social Care Accommodation Fund

	2021 £'000s	2020 £'000s
Balance at 1 January	-	762
Net investment (charge)/return	-	(42)
Operating income	-	2,435
Operating expenditure	-	(3,155)
Net deficit for the year	-	(762)
Balance at 31 December	-	-

NOTES TO THE ACCOUNTS

40. Bond Reserve

The Bond Reserve was previously reported as an earmarked reserve within the General Reserve. However, from 31 December 2020 this has been reported as a separate reserve on the Statement of Financial Position.

	2021 £'000s	2020 £'000s
Balance at 1 January	27,197	17,820
Investment return	13,217	14,779
Interest received from loans	5,814	6,084
Total income	19,031	20,863
Interest charge	(11,449)	(11,439)
Other expenses	(49)	(47)
Total expenditure	(11,498)	(11,486)
Net surplus for the year	7,533	9,377
Appropriations -		
To General Revenue Reserve	(37,000)	-
From General Revenue Reserve	2,417	-
Balance at 31 December	147	27,197

41. Capital Reserve

	2021 £'000s	2020 £'000s
Balance at 1 January	-	305,883
Investment return	-	22,701
Capital receipts	-	1,229
Expenditure on capital votes	-	(40,586)
Operating expenditure	-	(550)
	-	(17,206)
Appropriations -		
From General Reserve	-	1,500
Closing Balance Prior to Transfer	-	290,177
Appropriations -		
To General Revenue Reserve	-	(290,177)
Balance at 31 December	-	-

NOTES TO THE ACCOUNTS

42. Core Investment Reserve

	2021 £'000s	2020 £'000s
Balance at 1 January	162,715	195,726
Investment return	16,167	16,989
Appropriations - To General Reserve	-	(50,000)
Balance at 31 December	178,882	162,715

43. States' Trading Entities Reserve

	2021 £'000s	2020 £'000s
Alderney Electricity Limited	3	3
Guernsey Electricity Limited	105,209	105,209
Guernsey Post Limited	7,886	7,886
Cabernet Limited		
Balance at 1 January	-	15,210
Appropriations - From General Reserve	-	-
To General Reserve	-	(15,210)
Balance at 31 December	-	-
Total Balance at 31 December	113,098	113,098

In previous years, a balance was set aside within the States' Trading Entities Reserve, to provide for losses incurred by Cabernet Limited. With the impairment of the balance of receivables due from Cabernet Limited being charged to the Statement of Financial Performance in 2020, there was no longer a requirement to continue with this approach. Consequently, the amount of £15.210m which had been set aside up to the end of 2019, was transferred to the General Reserve during 2020.

NOTES TO THE ACCOUNTS

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

	2021 £'000s	2020 £'000s
Overall surplus/(deficit)	61,308	(63,848)
Adjustment for net capital expenditure charged to revenue	40,010	40,586
Adjustment for net capital receipts credited to revenue	(1,231)	(1,229)
Adjustment for dividends received	(1,800)	(1,944)
Adjustment for interest payments	11,658	11,585
Adjustment for Effective Interest Rate charged to amortised loan	308	298
Adjustment for impairment of carrying value of Cabernet Ltd as an investment held by the States	46,800	-
Adjustment for impairment of short term loan facilities provided to trading entities	(22,415)	54,604
Gains on revaluation of investments	(240,236)	(192,759)
Increase in stocks	(515)	(1,300)
(Increase)/decrease in debtors and prepayments	(8,947)	8,478
Decrease/(Increase) in other loan balances	345	(966)
Increase in depositor balances	124,221	112,544
Increase in creditors and short term provisions	5,462	6,648
Net cash inflows/(outflows) from Operating Activities	14,968	(27,303)

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

45. Analysis of Cash Balances

	At 1 January 2020 £'000s	Movements During 2020 £'000s	At 31 December 2020 £'000s	Movements During 2021 £'000s	At 31 December 2021 £'000s
Cash at banks	12,306	(10,337)	1,969	8,240	10,209
Cash in hand	41	9	50	(3)	47
Total	12,347	(10,328)	2,019	8,237	10,256

NOTES TO THE ACCOUNTS

46. Reconciliation of Liabilities Arising from Financing Activities

	At 1 January 2021 £'000s	Cash Flows During 2021 £'000s	Non-Cash Changes During 2021 £'000s	At 31 December 2021 £'000s
Long Term Borrowings				
Bond issue	317,638	-	308	317,946
Short Term Borrowings				
Revolving credit facility	75,000	-	-	75,000
Total Liabilities from Financing Activities	392,638	-	308	392,946

	At 1 January 2020 £'000s	Cash Flows During 2020 £'000s	Non-Cash Changes During 2020 £'000s	At 31 December 2020 £'000s
Long Term Borrowings				
Bond issue	317,340	-	298	317,638
Short Term Borrowings				
Revolving credit facility	-	75,000	-	75,000
Total Liabilities from Financing Activities	317,340	75,000	298	392,638

NOTES TO THE ACCOUNTS

47. Consolidated Superannuation Fund

The tables below show the movement in the different funds, which arise from income and expenditure for that financial year.

	At 1 January 2020 £'000s	Movements in Net Funds 2020 £'000s	At 31 December 2020 £'000s	Movements in Net Funds 2021 £'000s	At 31 December 2021 £'000s
Combined Pool	1,437,157	109,914	1,547,071	134,306	1,681,377
Teachers' Fund	60,524	3,605	64,129	4,394	68,523
States Members' Fund	4,037	102	4,139	63	4,202
Total	1,501,718	113,621	1,615,339	138,763	1,754,102

Combined Pool

	2021 £'000s	2020 £'000s
Employers' contributions	32,386	33,072
Employees' contributions	16,858	17,160
Refund of contributions repaid	122	94
Transfer values received	1,121	2,315
	50,487	52,641
Pensions	(53,729)	(51,595)
Lump sum payments	(11,844)	(11,053)
Contributions refunded to employees	(2,084)	(1,509)
Transfer values paid	(379)	(898)
	(68,036)	(65,055)
Returns on investments (including realised and unrealised gains on revaluation of investments) net of investment management fees and other expenses	151,855	122,328
Net Increase in Fund for the Year	134,306	109,914

NOTES TO THE ACCOUNTS

Teachers' Fund

Employers' contributions
Teachers' contributions

Pensions
Lump sum payments

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

Net Increase in Fund for the Year

2021 £'000s	2020 £'000s
119	139
60	70
179	209
(1,568)	(1,496)
(479)	(201)
(2,047)	(1,697)
6,262	5,093
4,394	3,605

States Members' Pension Fund

Capital payment

Pensions
Transfer values paid

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

Net Increase in Fund for the Year

2021 £'000s	2020 £'000s
114	163
(293)	(295)
(152)	(85)
(445)	(380)
394	319
63	102

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 on revaluation of investments) net of investment management fees and other expenses

Net Increase in Fund for the Year

2021 £'000s	2020 £'000s
32,505	33,211
16,918	17,230
114	163
122	94
1,121	2,315
50,780	53,013
(55,590)	(53,386)
(12,323)	(11,254)
(2,084)	(1,509)
(531)	(983)
(70,528)	(67,132)
158,511	127,740
138,763	113,621

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

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

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

A full actuarial valuation of the Fund as at 31 December 2016 was carried out. The results of this valuation were reported to the States in July 2018 (Billet d'État XIX, 2018), and it was agreed that the base employer rate (including teachers) would remain at 14.1%.

The Statement of Financial Performance includes only net amounts contributed by the States to the Superannuation Fund for staff employed during the reporting period.

The States have contracted the fund's qualified independent actuaries to calculate the pension obligation based upon accounting assumptions that allow for comparisons to be made with other entities. The approach taken to valuing the pension obligation for accounting purposes is different to that applied for determining contribution rates and associated funding levels.

The actuarial balances disclosed for accounting purposes have not been incorporated within the principal financial statements, and the deficit on the Consolidated Superannuation Fund is not included in the Statement of Financial Position.

NOTES TO THE ACCOUNTS

Accounting rules require the pension assets to be presented at their current value. However, these rules specify that the future pension liability be discounted at a prescribed rate. This discount rate should have regard to the current rates of return on high quality corporate bonds of a currency and term consistent with the Consolidated Superannuation Fund's liabilities. The actuary has applied a discount rate of 1.8% (2020: 1.4%) which is equivalent to a bond that has been rated at a level of AA or equivalent status.

This compares with the discount rate of over 6%, used by the actuary in determining future funding levels and contribution rates. The lower discount rate applied for accounting purposes, results in a much greater pension liability and pension deficit. It should also be noted that for accounting purposes, the assumptions are reviewed annually and may be subject to short term fluctuations, whereas the valuation for funding and contribution rates, is normally carried out every 3 years taking account of medium and longer term trends.

The valuation for accounting purposes was updated by the actuary as at 31 December 2021.

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

	31 December 2021 % p.a.	31 December 2020 % p.a.
Discount rate	1.80%	1.40%
Rate of inflation	3.20%	2.70%
Increases to deferred benefits during deferment - Teachers Scheme	2.90%	2.40%
Increases to deferred benefits during deferment - Other Schemes	3.20%	2.70%
Increases to pensions in payment - Teachers Scheme	2.90%	2.40%
Increases to pensions in payment - Other Schemes	3.20%	2.70%
Increases to salaries	3.95%	3.45%
Mortality assumptions:		
Female pensioners aged 65 will live until	89	88
Male pensioners aged 65 will live until	87	86
Female employees aged 45 will live until	90	90
Male employees aged 45 will live until	88	88

The following tables also include amounts attributed to the Defined Contribution Scheme.

NOTES TO THE ACCOUNTS

Analysis of Changes in Scheme Deficit

Movements in the scheme deficit for the year were as follows

	2021 £'000s	2020 £'000s
Current service cost	72,593	63,429
Net interest on net defined liability		
Interest on obligation	39,138	48,067
Interest on assets	(22,477)	(28,399)
	16,661	19,668
Cumulative amounts of re-measurements		
Return on assets (not included in interest)	(136,786)	(100,174)
Actuarial losses/(gains) on obligation	153,896	204,036
	17,110	103,862
Administration expenses	751	833
	107,115	187,792
Contributions by employer	(32,619)	(33,374)
Net Increase in Deficit for the Year	74,496	154,418

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

	2021 £'000s	2020 £'000s
Defined benefit obligation at 1 January	2,830,243	2,562,204
Service cost	72,593	63,429
Contribution by members	16,918	17,230
Benefits paid	(69,286)	(64,723)
Interest on obligation	39,138	48,067
Experience gains	56,684	(39,879)
Losses from changes in assumptions	97,212	243,915
Defined Benefit Obligation at 31 December	3,043,502	2,830,243

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

	2021 £'000s	2020 £'000s
Fair value of fund assets at 1 January	1,615,339	1,501,718
Interest on assets	22,477	28,399
Return on assets (not included in interest)	136,786	100,174
Contributions by employer	32,619	33,374
Contributions by members	16,918	17,230
Benefits paid	(69,286)	(64,723)
Administration expenses	(751)	(833)
Fair Value of Fund Assets at 31 December	1,754,102	1,615,339

NOTES TO THE ACCOUNTS

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

	2021 £'000s	2021 %	2020 £'000s	2020 %
Cash (held by investment managers)	82,443	4.7	117,439	7.3
Equities	963,002	54.9	838,055	51.9
Alternatives	126,295	7.2	126,800	7.9
Bonds and fixed interest securities	277,148	15.8	281,368	17.4
Property	189,443	10.8	168,708	10.4
Private market investments	115,771	6.6	82,969	5.1
Total Fund Assets	1,754,102	100.0	1,615,339	100.0

The States operates a Defined Contribution Account which holds balances for those staff that receive pensionable benefits in the form of defined contributions, as well as those members who have made additional voluntary contributions. This balance is held by BWCI and is separate to the amount deposited with the States. The total amount held by BWCI at the end of December 2021 was £3.069m (2020: £2.606m).

All other investments held by the Consolidated Investment Fund are in the name of the States, therefore the figures presented in the table above reflect an equivalent share of that portfolio. Any cash introduced to or withdrawn from the Superannuation Fund during the reporting period, is directly managed through the States' operating cash balances, and not the Consolidated Investment Fund.

The Total Fund Assets valued at £1,754m (2020: £1,615m) reported in the table above includes amounts deposited with both the States and BWCI.

The employer expects to contribute £34m to the Fund from 1 January 2022 to 31 December 2022.

The overall scheme deficit is as follows:

	2021 £'000s	2020 £'000s
Defined benefit obligation at 31 December	3,043,502	2,830,243
Fair value of fund assets at 31 December	(1,754,102)	(1,615,339)
Net defined benefit liability	1,289,400	1,214,904

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

NOTES TO THE ACCOUNTS

48. Non-Audit Services

Grant Thornton Limited did not provide any non-audit services during 2021.

In 2020, Grant Thornton Limited was contracted to undertake forensic investigations for Guernsey Border Agency. The total paid to Grant Thornton Limited in 2020 for these non-audit services amounted to £30,000, and the service provided did not affect the audit process.

49. Contingent Liabilities

The following guarantees are considered to be contingent liabilities. A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the States. The obligation has not been recognised as a liability within the Statement of Financial Position, because there is a current expectation that no payment will be required to settle that obligation.

Cabernet Limited

On 29 June 2005 (Billet d'État IX, 2005), the States authorised the provision of guarantees relating to borrowings from third parties by Cabernet Limited (the holding company of Aurigny Air Services Limited and Anglo Normandy Engineering Limited).

On 20 December 2018, the States guaranteed a loan facility entered into by Aurigny Air Services Limited with the Royal Bank of Scotland International Limited (RBSI) for the replacement of ATR72-500 aircraft with three ART72-600 aircraft subject to a maximum amount guaranteed of £51m. The guarantee includes provision for any interest rate and/or currency exchange swap agreements that may be required. The balance drawn against this facility as at 31 December 2021 amounted to £40.8m (2020: £43.0m).

The States guarantees the company's trading operational loan facilities with RBSI comprising of an overdraft facility up to a maximum of £1.25m. The balance drawn against this overdraft facility as at 31 December 2021 amounted to £nil (2021: £nil).

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 2021, amounted to £1.5m (2020: £2.0m). The facility will expire on 31 March 2022.

NOTES TO THE ACCOUNTS

Alderney Housing Association Limited (by Guarantee)

Under the terms of the Framework Agreement between the States of Alderney and the Alderney Housing Association Limited (AHA), the States of Alderney have Step-In rights for the assets and liabilities of the AHA in the event that the latter was unable to meet its obligations.

If it becomes necessary for the States of Alderney to exercise their Step-In rights, then all assets and liabilities of the AHA would revert to the States of Alderney at that time. The net assets of AHA as at 31 December 2021 amounted to £8.0m (2020: £9.5m) and comprised of year-end reserves adjusted to include a revaluation to market value of property and excluding the States of Alderney grant liability in respect of deferred income. The States of Guernsey have agreed to 'step-in' if the States of Alderney were unable to service the facility or repay any amounts due.

In June 2013 the States of Alderney provided a Step-In Letter in respect of the AHA's overdraft facility of £3m with a private financial institution. In August 2013 the States of Guernsey guaranteed the obligations of the States of Alderney under the Step-In Letter.

Loan Guarantee Scheme

In March 2020 the States authorised the Policy & Resources Committee to facilitate a Loan Guarantee Scheme to enable additional liquidity support to be made available to Bailiwick businesses during the COVID-19 outbreak.

The States have entered into agreements with four local banks and will provide underwriting guarantees of up to 80% of additional lending up to a maximum of £40m. The Scheme does not provide underwriting support for lending in place prior to the introduction of the Scheme, so there is no transfer of existing risk to the States. The original scheme was agreed until 31 December 2020. An extension of up to six months was approved on 22 December 2020.

As at 31 December 2021, 54 businesses (2020: 49) have existing loans drawn under the Scheme with a total exposure to the States of £2.4m (2020: £3.1m).

The Ladies' College, Guernsey

The Ladies' College has a bank loan with the Royal Bank of Scotland International Limited (trading as NatWest) to assist with building development. The loan of £3 million is repayable over 20 years from January 2017. The States have undertaken to assume The College's obligations to the Bank under the loan agreement should there be an event of default under that loan agreement. As at 31 December 2021, the balance of the loan was £2.33m (2020: £2.48m).

NOTES TO THE ACCOUNTS

50. Table of Grants and Subsidies Payable

The States provides grant funding and subsidies to a number of different entities. Details of amounts that were payable during 2021 and 2020 are as follows.

Description	2021 £'000	2020 £'000
COVID-19 Business Support	22,567	50,919
Social Insurance Fund Grant	17,687	16,332
Overseas aid grants (various)	2,132	2,686
Aurigny Limited (PSO)	2,755	-
St John Ambulance and Rescue Service	2,515	2,466
Guernsey Finance LBG	2,000	1,500
Pre-schools (various)	1,861	1,964
Elizabeth College (College Grant)	1,823	1,896
Guille-Alles Library	1,669	1,668
The Ladies' College (College Grant)	1,519	1,613
Guernsey Housing Association	1,509	1,219
Dairy farm management payments (various)	1,025	1,025
Health Improvement Commission	947	879
Social Investment Fund LBG	822	2,494
H E Lieutenant Governor	692	674
Guernsey Training Agency	628	628
Youth Commission	617	601
Guernsey Sports Commission	478	503
Guernsey Employment Trust	501	500
Action for Children	451	299
Blanchelande College (College Grant)	419	416
Priaulx Library	334	335
Guernsey Sports Commission (Sport Strategy)	321	-
Channel Islands Brussels Office	319	317
States of Alderney	300	1,973
Dyslexia Day Centre	253	262
Guernsey Competition and Regulatory Authority	386	244
Flybe Limited (Heathrow Air Route Subsidy)	-	200
Guernsey Contraceptive Service	145	145
Grow Limited	141	141
Events Group	126	128
Guernsey Arts Commission	114	114
2023 Island Games	100	325
Guernsey Retail Group LBG	85	110
Friends of St James Association	87	58
Health Improvement Commission (Sport Strategy)	52	-
Bright Beginnings	50	-
Guernsey Enterprise Agency (Start Up Guernsey)	-	11
Other grant payments less than £50,000 (various)	5,514	5,482
Total Grants and Subsidies Payable	72,944	100,127

NOTES TO THE ACCOUNTS

51. 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.

	2021	2020	2020	2020
	Total	1 January to 15 October	16 October to 31 December	Total
	£	£	£	£
S E Aldwell	40,521	-	8,496	8,496
C P Blin	40,521	-	8,496	8,496
B L Brehaut	-	43,265	-	43,265
A H Brouard	54,167	43,265	11,479	54,744
Y Burford	54,744	-	11,479	11,479
T L Bury	40,521	-	8,496	8,496
A Cameron	40,521	-	8,496	8,496
D de G De Lisle	38,813	30,646	8,138	38,784
H L De Sausmarez	54,744	32,025	11,479	43,504
M H Dorey	-	32,025	-	32,025
A C Dudley-Owen	54,744	32,025	11,479	43,504
J F Dyke	40,521	-	8,496	8,496
S Fairclough	40,521	-	8,496	8,496
S J Falla	40,521	-	8,496	8,496
M J Fallaize	-	43,265	-	43,265
P T R Ferbrache	68,245	30,646	14,309	44,955
A Gabriel	40,521	-	8,496	8,496
J A B Gollop	40,521	32,025	8,496	40,521
R H Graham LVO, MBE	-	30,646	-	30,646
C J Green	-	43,265	-	43,265
S T Hansmann Rouxel	-	29,738	-	29,738
S P Haskins	40,521	-	8,496	8,496
M A J Helyar	54,744	-	11,479	11,479
N R Inder	54,744	43,265	11,479	54,744
A Kazantseva-Miller	40,521	-	8,496	8,496
J Kuttelwascher (Deceased)	-	3,231	-	3,231
S L Langlois	-	28,458	-	28,458
M K Le Clerc	-	43,265	-	43,265
P R Le Pelley	-	30,646	-	30,646
C J Le Tissier	20,867	-	8,138	8,138
J P Le Tocq	54,744	43,265	11,479	54,744
M P Leadbeater	40,521	32,025	8,496	40,521
M M Lowe	-	38,446	-	38,446
D J Mahoney	54,744	-	11,479	11,479
A D S Matthews	40,521	-	8,496	8,496
L J McKenna	40,521	-	8,496	8,496
E A McSwiggan	-	29,738	-	29,738
C P Meerveld	54,744	32,025	11,479	43,504
J S Merrett	-	32,025	-	32,025

NOTES TO THE ACCOUNTS

	2021	2020	2020	2020
	Total	1 January to 15 October	16 October to 31 December	Total
	£	£	£	£
N G Moakes	40,521	-	8,496	8,496
J I Mooney	-	32,025	-	32,025
R C Murray	38,813	-	8,138	8,138
V S Oliver	40,521	32,025	8,496	40,521
B J E Paint	-	30,646	-	30,646
C N K Parkinson	38,813	41,403	8,138	49,541
R G Prow	52,437	28,457	10,995	39,452
L B Queripel	-	29,738	-	29,738
L C Queripel	38,813	30,646	8,138	38,784
S Roberts	21,422	16,914	4,492	21,406
P J Roffey	54,744	32,025	11,479	43,504
J C S Smithies	-	30,646	-	30,646
E A J Snowdon	22,365	17,676	4,689	22,365
H J R Soulsby MBE	54,744	43,265	11,479	54,744
G A St. Pier	40,521	56,309	8,496	64,805
T J Stephens	-	41,403	-	41,403
A W Taylor	40,521	-	8,496	8,496
D A Tindall	-	32,025	-	32,025
R H Tooley	-	32,025	-	32,025
L S Trott	40,521	43,265	8,496	51,761
S P J Vermeulen	40,521	-	8,496	8,496
Total Payments	1,752,615	1,349,718	371,364	1,721,082

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 7. This is because the figure above excludes pension payments in respect of previous service, Non States Members attendance allowances, IT equipment expenditure and expenses incurred in respect of the travel expenses of Alderney Representatives.

The entry regarding Deputy J Kuttelwascher relates to the period from 1 January 2020 to 23 January 2020 (the date of his death).

NOTES TO THE ACCOUNTS

52. Related Party Transactions

There were no material related party transactions that require to be disclosed in accordance with the reporting requirements approved by the States (Billet d'État XVIII, 1997).

All States Members are required to provide Declarations of Members' Interests, which are available at the Greffe for public inspection and published on the States' website.

53. Events After the Reporting Date

In June 2019 (Billet d'État X), the States considered the Policy & Resources Committee's policy letter entitled "Reform of Health Care Funding" and agreed the proposals to bring the governance of all health services provision unambiguously under the mandate of the Committee for Health & Social Care. The intention is to make the provision and funding of health services more transparent, effective and efficient.

The revenues will continue to be collected via the social security contributions system, but the contributions currently directed towards the Guernsey Health Reserve will be credited to General Revenue.

The Social Security Contributory Funds have accounted for the transactions and balance of the Guernsey Health Service Fund up to 31 December 2021. Thereafter, the Guernsey Health Service Fund will be discontinued and the fund balance transferred to the Guernsey Health Reserve, which is a new ring-fenced fund within the General Revenue Reserve.

The value of the Guernsey Health Service Fund as at 31 December 2021 was £120.159m.

54. Segmental Analysis

The States prepared the 2021 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/(deficit) included within the segmental analysis.

NOTES TO THE ACCOUNTS

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

	Note	2021 £'000s	2020 £'000s
Surplus/(deficit) for the year as per the Statement of Financial Performance		61,308	(63,848)
Adjustments for (surplus)/deficit on earmarked balances within the General Revenue Reserve			
Seized Asset Fund	23	(20,867)	-
Insurance Deductible Fund	24	1,035	-
Lottery Fund	25	(700)	-
		(20,532)	-
Adjustments for (surplus)/deficit on earmarked balances within the General Reserve			
Corporate Housing Programme Fund	28	-	2,318
Insurance Deductible Fund	29	-	885
Transformation and Transition Fund	30	-	2,819
Future Guernsey Economic Fund	31	-	1,792
Brexit Transition Fund	32	-	313
Higher Education Loans Fund	33	-	(91)
Overseas Aid & Development Impact Investment Fund	35	-	18
Overseas Aid & Development Commission Fund	36	-	2,686
Sports Loans Fund	37	-	50
Bond Reserve	40	-	(9,377)
Wilfred Carey Purchase Fund	38	-	3,556
Channel Islands Lottery (Guernsey) Fund	25	-	1,397
Health and Social Care Accommodation Fund	39	-	762
		-	7,128
Adjustment for capital expenditure and capital receipts	10,11, 43	38,781	17,206
Adjustment for balances credited to the Bond Reserve	40	(7,533)	-
Adjustment for balances credited to the Core Investment Reserve	42	(16,167)	(16,989)
		15,081	217
Other adjusting items included within the Segmental Analysis			
Transfer to Insurance Deductible Fund	24,29	(1,620)	(1,620)
Transfer to Bond Reserve	40	(2,417)	-
Transfer from Channel Islands Lottery (Guernsey) Fund	25	700	1,045
Transfer to Overseas Aid & Development Commission	36	-	(2,036)
Adjustment for balances credited from the States' Trading Entities Reserve	43	-	15,210
		(3,337)	12,599
Surplus/(Deficit) reported within the Segmental Analysis		52,520	(43,904)

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
 Corporate Services
 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
 Policy & Resources Committee – Core Services
 Scrutiny Management Committee
 Development & Planning Authority
 Transport Licensing Authority
 Overseas Aid & Development Commission
 States' Trading Supervisory Board
 Royal Court
 Law Officers
 Pooled Budgets
 COVID-19 Business and Personal Support
 States of Alderney

Category B

Insurance Deductible Fund
 Channel Islands Lottery (Guernsey) Fund
 Seized Asset Fund (as part of the General Revenue Reserve)
 Bond Reserve
 Core Investment Reserve
 States' Trading Entities Reserve
 Corporate Housing Programme Fund
 Transformation and Transition Fund
 Future Guernsey Economic Fund
 Wilfred Carey Purchase Fund
 Brexit Transition Fund
 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

GLOSSARY

Appendix I

Accruals Basis - is a basis of accounting under which transactions and other events are recognised when they occur, and not when cash or its equivalent is received or paid. Consequently the transactions and events are included in the financial statements for the periods to which they relate.

Appropriation – the transfer of a balance between two or more reserves.

Assets - resources controlled by the States as a result of past events, and from which future economic benefits or service potential are expected to flow.

Bond Reserve – an earmarked reserve, used to hold the issue proceeds prior to any onward allocation and to accumulate funds for eventual repayment at the end of the life of the bond. The Bond Reserve also funds the issue costs and any ongoing expenses.

Brexit Transition Fund – an earmarked reserve used to support urgent and necessary measures to manage Brexit in a controlled and timely manner and mitigate against any risks that may arise, without adversely impacting on funding for existing States' priorities. This will be used to implement projects, inter alia, concerning: amendments to the customs and immigration systems; extension of the UK's membership of the World Trade Organization to Guernsey; and participating in any new economic partnership agreed by the UK, such as Free Trade Agreements. It could also be used to: manage any contingency risk including in relation to supply chains; implement measures to minimise risk to transport links; and maintain critical infrastructure. This Fund was closed on 31 December 2020 and the balance transferred to the General Revenue Reserve.

Capital Reserve - is an earmarked long term reserve. It has been created to provide funding for the States' programme of capital expenditure. The profile of funding may differ markedly year on year from the programme of expenditure. The Capital Reserve allows for the funding and expenditure to be managed over the longer term, without there being any significant impact on other reserves. This Reserve was closed on 31 December 2020 and the balance transferred to the General Revenue Reserve.

Channel Islands Lottery (Guernsey) Fund - an earmarked reserve that is used to report income and expenditure associated with the operation of the Channel Islands Lottery.

Contingent Liability – A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The obligation is not recognised as a financial liability within the Statement of Financial Position because it is not probable that an outflow of resources will occur (in order to settle the obligation) or the amount cannot be quantified with any sufficient reliability.

Core Investment Reserve – an earmarked long term reserve, the capital value of which is only available to be used in the exceptional and specific circumstances of severe and structural decline in public sector finances or major emergencies.

Cost – the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

Coupon payment – is the interest payment made by the States to the bond holders.

Credit Risk – the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

GLOSSARY

Appendix I

Currency Risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Depositors – external parties and entities (outwith those functions noted in the Accounting Boundary) who place surplus funds with the States of Guernsey.

Earmarked Reserve - an amount that is set aside for a specific purpose.

Effective Interest Rate – a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest returns or charges over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument. These cash flows will consider all contractual terms of the financial instrument (including all fees, premiums, discounts and other transactions costs).

Financial Year/Reporting Period – the States' financial statements are prepared for accounting periods that span the calendar year. The year end is 31 December.

Future Guernsey Economic Fund - an earmarked reserve used to provide funding for initiatives which deliver on the objectives within the Future Guernsey Programme for Government (in Phase One of the Policy & Resources Plan) and which ensure that the right conditions exist for businesses to set up, grow and operate; improve or protect economic growth; and have measurable economic and fiscal benefits. This Fund was closed on 31 December 2020 and the balance transferred to the General Revenue Reserve.

General Reserve – retains the net balance of surpluses and deficits arising from the operational activities of the States. Within the General Reserve there are a number of earmarked funds that have been created for a specific purpose and these are detailed within the Note to the Accounts. Also within the General Reserve is the Unallocated Balance, which is used for managing any in year shortfalls in income, short term cyclical variations and other timing issues. The States have a policy for the Unallocated Balance to maintain a value that equates to 5% of annual General Revenue income. This Reserve was closed on 31 December 2020 and the balance transferred to the General Revenue Reserve.

General Revenue Reserve - retains the net balance of surpluses and deficits arising from the operational activities of the States. Within the General Revenue 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 Revenue Reserve is the Unallocated Balance, which is used for managing any in year shortfalls in income, short term cyclical variations and other timing issues.

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. This Fund was closed during 2020.

Higher Education Loans Fund - an earmarked reserve that is used to fund the issue of loans to students and to record operating income (interest receivable) and expenditure associated with the scheme. No new loans have been issued in recent years. This Fund was closed on 31 December 2020 and the balance transferred to the General Revenue Reserve.

Impairment - a diminution in value of an asset resulting from particular circumstances.

Insurance Deductible Fund - an earmarked reserve that is used to fund expenditure on the self-insured element of insurance settlements that are paid during the financial year.

Interest Rate Risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

IPSAS – are International Public Sector Accounting Standards that are issued by the International Public Sector Accounting Standards Board (IPSASB). The IPSASB encourages public sector entities to adopt the accrual basis of accounting — which will improve financial management and increase transparency resulting in a more comprehensive and accurate view of a government’s financial position.

Liabilities - are present obligations of the States arising from past events, the settlement of which is expected to result in a future outflow of assets.

Liquidity Risk – the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market Risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three different elements, namely currency risk, interest rate risk and other price risk.

Materiality - an item is material if its omission, non-disclosure or misstatement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.

Movement in Reserves Statement – presents a reconciliation of the balances held in reserves at the start and the end of the financial year, and the summary changes that have come about during that reporting period.

Non-exchange Transactions – this type of transaction occurs when an entity either receives value from another entity without directly giving approximately equal value in return, or gives value to another entity without directly receiving approximately equal value in exchange.

Other Price Risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or the issuer, or factors affecting all similar financial instruments traded in the market.

Overseas Aid & Development Commission Fund - is an earmarked reserve that is used to make grant payments associated with programmes of overseas aid and development, as well as contribute to emergency and disaster relief schemes. This Fund was closed on 31 December 2020 and the balance transferred to the General Revenue Reserve.

Overseas Aid & Development Impact Investment Fund – is an earmarked reserve to provide funding for investments designed in a manner to have the ability to make a different, more lasting impact in the world’s least developed countries and with sustainable objectives in mind. This Fund was closed on 31 December 2020 and the balance transferred to the General Revenue Reserve.

GLOSSARY

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Participatory Budgeting Fund – is an earmarked reserve. Participatory (or community) budgeting is a means of the community engaging with government and deciding where to spend part of a public budget. This is an increasingly popular initiative in other communities which should deliver social and economic dividends including through community building by participants prioritising projects requiring one-off funding that they assess will address the greatest community need. This reserve is a pilot scheme for funding initiatives identified through the participatory budgeting process. This Fund was closed on 31 December 2020 and the balance transferred to the General Revenue Reserve.

Reserves – collectively the total balances held within the reserves equate to the net assets of the States as at 31 December.

Sports Loans Fund – an earmarked reserve that is used to provide funding for the issue of loans (subject to certain conditions) to sporting organisations or playing field authorities. This Fund was closed on 31 December 2020 and the balance transferred to the General Revenue Reserve.

Statement of Financial Performance - presents the total revenue income generated and expenditure incurred by the States during the calendar year (in accordance with the accounting policies).

Statement of Financial Position - presents the value, as at 31 December, of the assets, liabilities and other balances recognised by the States (in accordance with the accounting policies).

States' Trading Entities Reserve - is an earmarked long term reserve. It represents the book value of the shares held in Guernsey Electricity Limited and Guernsey Post Limited (ie the value of the assets transferred at commercialisation less any subsequent share buy-backs), as well as Alderney Electricity Limited. It also includes amounts held for potential liabilities or future impairments that may arise in respect of Cabernet Limited.

Taxable Event – an event that the States have determined will be subject to taxation and result in a liability for either an individual or external entity.

Wilfred Carey Purchase Fund - an earmarked reserve that is used to report expenditure on the purchase of items of specific local interest from this Fund. This Fund was closed on 31 December 2020 and the balance transferred to a depositor account.

SEGMENTAL ANALYSIS

2021 Original Budget £'000s	2021 Total Authorised £'000s	
460,550	460,550	Revenue Income
1,000	1,000	Capital Income
461,550	461,550	Total Income
		Net Revenue Expenditure
42,645	46,799	<i>Corporate Services</i>
6,045	8,573	<i>Committee for Economic Development</i>
82,655	85,072	<i>Committee for Education, Sport & Culture</i>
93,660	96,032	<i>Committee for Employment & Social Security</i>
12,990	13,030	<i>Committee for the Environment & Infrastructure</i>
135,275	149,733	<i>Committee for Health & Social Care</i>
32,700	33,481	<i>Committee for Home Affairs</i>
10,640	14,388	<i>Policy & Resources Committee – Core Services</i>
540	549	<i>Scrutiny Management Committee</i>
1,345	1,251	<i>Development & Planning Authority</i>
2,320	2,321	<i>Overseas Aid & Development Commission</i>
1,345	1,832	<i>States' Trading Supervisory Board</i>
2,590	2,686	<i>Royal Court</i>
5,880	6,276	<i>Law Officers</i>
525	527	<i>Pooled Budgets</i>
300	300	<i>States of Alderney</i>
10,180	6,517	<i>Government Work Plan/Service Developments</i>
29,915	11,344	<i>Budget Reserve</i>
(7,000)	(5,846)	<i>Savings Targets</i>
464,550	474,865	Total Cash Limits
5,000	5,000	<i>COVID-19 Business and Personal Support</i>
(8,000)	(18,315)	Net Surplus/(Deficit)
14,000	14,000	<i>Impairment of Loans and Short Term Loan Facilities Provided to Cabernet Limited</i>
-	-	<i>Impairment of Loans and Short Term Loan Facilities Provided to Ports</i>
(22,000)	(32,315)	Net Surplus/(Deficit) to/(from) General Revenue Reserve

Appendix II

2021 Actual £'000s	2020 Actual £'000s
550,534	473,843
2	-
550,536	473,843
45,713	42,189
8,006	5,746
84,190	81,242
93,796	91,352
12,617	12,355
147,749	134,231
32,165	31,868
13,164	10,666
474	518
923	1,204
2,169	2,081
1,780	1,556
2,427	3,032
6,263	5,451
493	527
300	1,973
-	-
-	-
-	-
452,229	425,991
22,434	51,257
75,873	(3,405)
14,731	35,209
8,622	5,290
52,520	(43,904)

ANALYSIS OF PAY COSTS AND FTE TOTALS

Appendix III

Committee	2021 Actual £'000s	2021 Average FTE	2020 Actual £'000s	2020 Average FTE
Corporate Services	19,257	305	18,181	299
Committee <i>for</i> Economic Development	3,092	44	2,737	35
Committee <i>for</i> Education, Sport & Culture	62,962	1,238	61,206	1,199
Committee <i>for</i> Employment & Social Security	4,035	71	4,119	85
Committee <i>for the</i> Environment & Infrastructure	3,061	56	3,100	56
Committee <i>for</i> Health & Social Care	117,605	2,298	104,878	2,150
Committee <i>for</i> Home Affairs	29,329	531	29,038	532
Policy & Resources Committee – Core Services	8,072	129	7,840	129
Scrutiny Management Committee	470	6	469	6
Development & Planning Authority	2,257	37	2,305	39
Overseas Aid & Development Commission	35	-	40	-
States' Trading Supervisory Board	1,703	25	1,919	27
Royal Court	3,798	52	3,820	51
Law Officers	5,998	51	5,476	50
Pooled Budgets	492	7	527	10
	262,166	4,850	245,655	4,668
Other Functions				
Transformation and Transition Fund	-	-	1,448	16
Guernsey Registry	432	7	485	7
Future Guernsey Economic Fund	-	-	446	8
Brexit Transition Fund	-	-	192	3
Portfolio Team	-	-	315	6
Channel Islands Lottery (Guernsey) Fund	70	1	68	1
Health and Social Care Accommodation Fund	-	-	265	7
Corporate Housing Programme Fund	-	-	93	2
Notes and Coins Trading Account	86	2	88	2
Seized Asset Fund	123	2	-	-
	711	12	3,400	52
States Members	1,904	-	1,921	-
Total expenditure reported as Pay Costs within the Statement of Financial Performance and equivalent FTE's	264,781	4,862	250,976	4,720
Capital Projects	-	-	1,440	17
Total Pay Costs and Equivalent FTE's	264,781	4,862	252,416	4,737

EXPENDITURE ON CAPITAL PROJECTS

Appendix IV

	2021 £'000s	2020 £'000s
Policy & Resources Committee		
IT Transformation	5,038	9,431
MyGOV Programme	3,792	6,296
Cremator and Emissions Equipment – replacement	1,628	466
Contributions System - replacement	398	335
Botanical Gardens (Grant)	93	-
Property Rationalisation	56	-
St James LBG (Grant)	54	123
IT Transition	15	598
Strategic Air and Sea Links Infrastructure	-	36
St Peter Port Christmas Lights (Grant)	-	3
Revenue Service Programme	(343)	2,675
Future Digital Services	(524)	26
Committee for Economic Development		
Seafront Enhancement Area	7	5
Runway Extension	-	182
Committee for Education, Sport & Culture		
Transforming Education Digital	1,430	164
Guernsey Institute: Les Ozouets Campus - construction	1,067	931
Transforming Education Programme Delivery Costs	95	-
Footes Lane - refurbishment	2	117
11-18 Schools	-	780
Castle Cornet - refurbishment	-	4
Education Estates Development – Phase 1	-	(16)
Committee for Employment & Social Security		
Kenilworth Vinery & Excelsior House, Salt pans and land & derelict glasshouse, Lowlands (conveyed to Guernsey Housing Association)	6,500	-
Committee for the Environment & Infrastructure		
Admiral Park North Piling Work	-	2
Committee for Health & Social Care		
Hospital Modernisation – Phase 1	1,515	1,949
Radiology Equipment - replacement	802	583
Electronic Patient Record System - replacement	441	305
COVID-19 – border testing facility	398	468
COVID-19 Vaccination Programme – IT system	168	236
COVID-19 Surveillance Testing – IT system	29	-
Clinical & Animal Waste incinerator – replacement	3	-
Health & Social Care Local Area Network	-	104
Committee for Home Affairs		
Tetra Public Service Network	695	-
St Sampson Fire Main	405	7
Home Affairs Estate Rationalisation	142	8
Upland Road Business Centre - refurbishment	14	-
CCTV - replacement	-	24
Turntable Fire Appliance - replacement	-	1

EXPENDITURE ON CAPITAL PROJECTS

Appendix IV

	2021 £'000s	2020 £'000s
Royal Court		
Courts IT system - upgrade	230	-
States' Trading Supervisory Board		
Guernsey Airport Hold Baggage System	3,556	-
Sarnia Cherie Ballast Water Management System	321	238
Future Guernsey Dairy	250	149
Airport Pavements Rehabilitation	234	-
Alderney Airport Runway Rehabilitation	227	193
Future Harbour Requirements	167	565
Land Reclamation and Development -Environment Impact Assessment	89	245
Household Waste Recycling Centre	24	48
Airport Radar - replacement	24	-
Waste Transfer Station	17	196
St Peter Port Harbour Crane Strategy	2	-
Mont Crevelt Breakwater - reinstatement	-	9
Total Major Capital Project Costs	29,061	27,486
Minor Capital Projects		
Property maintenance and minor works	6,120	6,834
Information technology	1,657	2,885
Medical equipment	1,554	2,252
Vehicles and other equipment	1,618	1,129
Total Minor Capital Project Costs	10,949	13,100
Total Project Expenditure Charged to Reserves	40,010	40,586
Portfolio Administration Costs	-	550
Total Expenditure Charged to Reserves	40,010	41,136

LOANS OUTSTANDING FROM THE STATES OF GUERNSEY BOND ISSUE

Appendix V

The following loans from the proceeds of the States of Guernsey bond issue were outstanding at the end of 2021:

Entity	Amount Agreed £m	Outstanding 31/12/2021 £m	Anticipated Repayment Date(s)	Purpose
Approved in 2015:				
Guernsey Housing Association LBG	51.0	44.8	2045	Refinancing of existing borrowings for social housing development
Guernsey Housing Association LBG	24.0	18.9	2036	Refinancing of existing borrowings for social housing development
Cabernet Ltd	27.1	18.2	2024 - 2025	Refinancing of existing borrowings for purchase of aircraft (plus purchase of a new Dornier aircraft)
JamesCo750 Ltd	13.1	9.0	2028	Refinancing of existing borrowings for purchase of two tankships
Approved in 2016:				
Cabernet Ltd	7.0	6.0	2028	Purchase of a new Dornier aircraft
Guernsey Housing Association LBG	5.1	4.5	2046	Development of social housing
Guernsey Housing Association LBG	10.0	9.2	2046	Development of social housing
Approved in 2017:				
Guernsey Registry	0.3	0.1	2023	Introduction of a Beneficial Ownership Register
Guernsey Water	9.0	8.2	2046	Refinancing of Belle Greve Long Sea Outfall replacement
Approved in 2018:				
Alderney Housing Association LBG	2.9	2.7	2046	Refinancing of existing borrowings for social housing development
Guernsey Dairy	0.8	0.7	2046	Site purchase
Guernsey Harbour	2.5	2.2	2039	Refinancing of works on Berths 4/5/6
Approved in 2019:				
Guernsey Housing Association LBG	14.0	13.3	2046	Development of social housing
Guernsey Electricity Ltd	13.0	13.0	2045	Part-funding the replacement of the GJ1 cable
Approved in 2021:				
General Revenue	160.0	160.0	2046	Part-fund the capital portfolio
Total		310.8		

CONSOLIDATED HEALTH AND SOCIAL CARE ACCOUNTS

Appendix VI

These consolidated Health & Social Care Accounts comprise net income and expenditure incurred by the Committee *for* Employment & Social Security (E&SS), the Committee *for* Health & Social Care (H&SC) and within Pooled Budgets (PB).

	2021			
	Total £'000s	E&SS £'000s	H&SC £'000s	PB £'000s
Primary Health Care				
<i>Ambulatory Services</i>	2,600	-	2,600	-
<i>Emergency Department</i>	2,213	-	2,213	-
<i>COVID-19 Primary Care Support</i>	15	-	15	-
<i>GP and Nurse Consultation Grants</i>	3,494	3,494	-	-
	8,322	3,494	4,828	-
Secondary and Tertiary Health Care				
<i>Acute Services provided Off-Island</i>	9,565	-	9,565	-
<i>Guernsey Therapy Group Services</i>	2,886	2,886	-	-
<i>Hospital Services</i>	62,064	7,868	54,196	-
<i>Medical Specialist Group Services</i>	20,604	20,604	-	-
<i>Prescription Drugs and Medicines</i>	17,674	17,674	-	-
<i>Travel Costs</i>	3,542	3,221	321	-
	116,335	52,253	64,082	-
Community Care				
<i>Children and Adult Disability Services</i>	16,390	184	16,206	-
<i>Children and Adult Mental Health Services</i>	13,908	532	13,376	-
<i>Community and Social Care Services</i>	29,501	-	29,008	493
<i>Older People Services</i>	29,797	23,074	6,723	-
	89,596	23,790	65,313	493
Public Health Services				
<i>Prevention and Awareness</i>	12,617	91	12,526	-
<i>Treatments</i>	365	-	365	-
	12,982	91	12,891	-
Net Cost of Providing Health and Social Care Services	227,235	79,628	147,114	493

CONSOLIDATED HEALTH AND SOCIAL CARE ACCOUNTS

Appendix VI

	2020			
	Total £'000s	E&SS £'000s	H&SC £'000s	PB £'000s
Primary Health Care				
<i>Ambulatory Services</i>	2,551	-	2,551	-
<i>Emergency Department</i>	1,905	-	1,905	-
<i>COVID-19 Primary Care Support</i>	1,105	-	1,105	-
<i>GP and Nurse Consultation Grants</i>	3,284	3,284	-	-
	<hr/> 8,845	<hr/> 3,284	<hr/> 5,561	<hr/> -
Secondary and Tertiary Health Care				
<i>Acute Services provided Off-Island</i>	8,470	-	8,470	-
<i>Guernsey Therapy Group Services</i>	2,665	2,665	-	-
<i>Hospital Services</i>	56,193	4,442	51,751	-
<i>Medical Specialist Group Services</i>	20,472	20,472	-	-
<i>Prescription Drugs and Medicines</i>	17,674	17,674	-	-
<i>Travel Costs</i>	2,868	2,586	282	-
	<hr/> 108,342	<hr/> 47,839	<hr/> 60,503	<hr/> -
Community Care				
<i>Children and Adult Disability Services</i>	14,745	243	14,502	-
<i>Children and Adult Mental Health Services</i>	14,524	472	14,052	-
<i>Community and Social Care Services</i>	26,763	-	26,236	527
<i>Older People Services</i>	27,267	20,753	6,514	-
	<hr/> 83,299	<hr/> 21,468	<hr/> 61,304	<hr/> 527
Public Health Services				
<i>Prevention and Awareness</i>	6,355	98	6,257	-
<i>Treatments</i>	350	-	350	-
	<hr/> 6,705	<hr/> 98	<hr/> 6,607	<hr/> -
Net Cost of Providing Health and Social Care Services	<hr/> 207,191	<hr/> 72,689	<hr/> 133,975	<hr/> 527

Notes:

The above includes an element of administrative and central costs amounting to £20.9m (2020: £19.7m) 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.

ANALYSIS OF INCOME AND EXPENDITURE ATTRIBUTABLE TO ALDERNEY

Appendix VII

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

It was also agreed that the financial arrangements between the two islands would be modified such that:

- Guernsey retains responsibility to fund all transferred services, and the Social Security Funds, through the pooled income sources of Income Tax and Social Security Contributions; and
- the States of Alderney are responsible for funding all other public services in Alderney (including the harbour, drainage [foul and surface water], roads, coastal defences and water), from all other levies, rates, taxes, permit fees, rents, duties and other income collected from sources based in Alderney (such as tax on real property, occupiers' rates, import duties and excise duties, fees in lieu of Congé, document duty, numismatic and philatelic profits, and company registration fees).

As part of the revised financial arrangements with Alderney that were introduced in 2021, the States of Alderney retains income raised in Alderney from: Tax on Real Property (now part of Alderney Property Tax) (2020: £1.1m); excise duty on motor fuel (2020: £0.4m); and document duty (2020: £0.3m). This was offset by a commensurate adjustment to the States of Alderney grant which, from 2022, will be nil. However, there was a grant of £0.3m provided to the States of Alderney for the transitional year of 2021. The States of Alderney is now expected to raise sufficient income to fund its expenditure on all public services which are not transferred services.

ANALYSIS OF INCOME AND EXPENDITURE ATTRIBUTABLE TO ALDERNEY

Appendix VII

	Note	2021 £'000s	2020 £'000s
Income			
Taxation and duty revenue received by the States of Guernsey	1	6,890	8,275
States of Alderney - Net Revenue Income	2	1,282	-
States of Alderney - capital receipts		196	8
Alderney Gambling Control Commission		1,666	1,246
Total Income		10,034	9,529
Expenditure			
States of Alderney - Net Revenue Expenditure	2	-	1,710
States of Alderney - Capital Expenditure		1,798	1,286
States of Alderney - Economic Development Expenditure		300	300
Transferred Services - Net Revenue Expenditure	3	12,309	11,646
Transferred Services - Capital Expenditure	4	912	645
Aurigny operating loss in respect of Alderney routes		2,755	3,500
COVID-19 Business Support Expenditure		360	1,175
Total Expenditure		18,434	20,262
Net Cost		8,400	10,733

The total direct gross economic contribution to the Bailiwick of the e-Gaming Sector in Alderney is estimated to be £29.6m in 2021 (2020: £28m) which comprises £4m in respect of Alderney (2020: £4.6m) and £25.7m in respect of Guernsey (2020: £23.4m) including £1.84m (2020: £1.66m) in personal income tax and social security contributions.

	2021 £'000s	2020 £'000s
Income		
Contributions		
Guernsey Insurance Fund	2,367	2,169
Guernsey Health Service Fund	871	803
Long-Term Care Insurance Fund	586	545
States Grant	355	319
Total Income	4,179	3,836
Benefits and Administration Costs		
Guernsey Insurance Fund	5,903	5,839
Guernsey Health Service Fund	1,883	1,806
Long-Term Care Insurance Fund	1,018	915
Total Expenditure	8,804	8,560
Investing Activities	3,639	151
Net Deficit	986	4,573

NOTES

1. Taxation and duty revenue received by States of Guernsey

Income Tax

Individuals - ETI
Individuals - Other
Companies
Banks
Distributions

Total Income Tax

Customs - Excise and Import Duties

Tax on Real Property

Document Duty

Appendix VII

2021 £'000s	2020 £'000s
3,281	3,222
2,358	1,906
182	163
23	24
111	131
5,955	5,446
935	1,405
-	1,080
-	344
6,890	8,275

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

2021 £'000s	2020 £'000s
87	65
(48)	(26)
39	39
1,475	1,400
(105)	(42)
1,370	1,358
1,500	1,554
(4,191)	(1,241)
(2,691)	313
(1,282)	1,710

3. Transferred Services - Net Revenue Expenditure

Corporate Services

Digimap services
Information Systems & Services
Shared Services Centre
States' Property Services
Cadastre
Alderney civil service
Insurance

2021 £'000s	2020 £'000s
(23)	(7)
262	232
17	21
21	23
19	16
80	87
59	56
435	428

NOTES

3. Transferred Services - Net Revenue Expenditure (continued)

Appendix VII

	2021 £'000s	2020 £'000s
Committee for Economic Development	6	15
Committee for Education, Sport & Culture		
St Anne's School	1,659	1,712
Special Schools	5	6
College of Further Education	199	244
Higher Education	132	120
Institute of Health & Social Care Studies	91	-
Travel, Subsistence and Accommodation	7	11
School and Pupil Support Services	1	1
Central support services and management	130	106
Special Needs Support	44	51
Other	95	87
	2,363	2,338
Committee for Employment & Social Security		
Administration	72	74
Legal Aid	37	48
Severe Disability Benefit and Carers' Allowances	233	210
Family Allowance	164	152
Income Support	872	1,030
Concessionary TV Licences for the Elderly	-	2
Social Insurance Fund – Grant	355	319
	1,733	1,835
Committee for the Environment & Infrastructure		
Alderney Breakwater	80	88
Other	(33)	(28)
	47	60
Committee for Health & Social Care		
Mignot Memorial Hospital	2,298	2,108
Princess Elizabeth Hospital - inpatient	473	432
Diagnostic Services and Hospital Administration	780	785
Emergency & Day Patient Hospital Services	177	161
Private patient income	(287)	(304)
Children's Services	104	87
Adult Services	123	95
Off island - complex placement	-	12
Acute Off islands treatment	277	245
Management & Strategy	590	440
	4,535	4,061

NOTES

3. Transferred Services - Net Revenue Expenditure (continued)

Policy & Resources Committee - Core Services

Policy & Strategy
External Affairs
Payments to States Members
HE Lieutenant Governor
Revenue Service
Treasury

Committee *for* Home Affairs

Domestic Abuse Strategy
Law Enforcement
Probation Service
Trading Standards

Scrutiny Management Committee

Overseas Aid & Development Commission

Law Officers

States' Trading Supervisory Board

Alderney Airport

4. Transferred Services - Capital Expenditure

Committee *for the* Environment & Infrastructure

Alderney Breakwater

Committee for Health & Social Care

States' Trading Supervisory Board

Alderney Airport

Appendix VII

	2021 £'000s	2020 £'000s
	34	42
	19	19
	58	59
	27	26
	72	73
	23	33
	233	252
	6	4
	1,102	1,066
	2	2
	-	1
	1,110	1,073
	15	16
	70	65
	322	288
	1,440	1,215
	12,309	11,646

	2021 £'000s	2020 £'000s
	541	434
	145	-
	226	211
	912	645

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VIII

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

The Committee approved the following increases in 2021 revenue budgets:

	£
Pay Awards	6,563,500
COVID-19 response	
Guernsey Finance – additional grant	500,000
Guernsey Competition and Regulatory Authority - investigations	200,550
Committee for Health & Social Care	
COVID-19: on-island testing	3,728,000
COVID-19: vaccine programme	2,639,000
COVID-19: border testing	1,606,000
Policy & Resources Committee – Core Services	
Alderney air services – Public Service Obligation	2,754,966
States' Trading Supervisory Board	
Alderney Airport runway – urgent repairs	269,500
Alderney Airport – impact of COVID-19	211,300
Miscellaneous non-recurring cost pressures	238,167
Total	18,710,983

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

Major Capital Projects	£
Digital Infrastructure – upgrade	12,500,000
MyGOV Programme	7,800,000
Affordable Housing Developments – grants to Guernsey Housing Association LBG	6,500,000
Upland Road Business Centre – refurbishment	5,310,000
Guernsey Institute: Les Ozouets Campus - construction	4,295,000
Electronic Patient Record system – replacement	4,111,000
Secondary Education Model: Les Varendes Pool – re-purposing	2,500,000
Hospital Modernisation (Phase 1) - project planning	1,920,000
Revenue Service Programme	1,565,000
Property Rationalisation	1,291,000
Transforming Education Programme – project planning	1,200,000
Mont Crevelt Breakwater – reinstatement	1,147,000
Education end user devices – life cycle refresh	919,000
Havelet Slip – repairs	610,000
Footes Lane – refurbishment	507,000
Guernsey Registry IT Systems – replacement	276,000
Courts IT system upgrade – project planning	234,649
Clinical & Animal Waste Incinerator – project planning	190,000
Alderney Airport Runway Rehabilitation – project planning	155,000
COVID-19 Surveillance Testing – IT system	100,000
COVID-19 Vaccination Programme - IT System	70,000
Total Major Capital Projects	53,200,649

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VIII

Minor Capital Projects

Housing: Committee for Employment & Social Security

£

Housing modernisation projects – refurbishment	844,278
Clos de Bordage – refurbishment	450,503
	1,294,781

Information Technology

£

Corporate

Network Platform - upgrade	421,000
SAP upgrade – process integration	418,184
End user devices – replacements	293,256
Microsoft Office 365 – additional licences	225,000
Accounting system module – upgrade	220,000
Network remediation	190,000
Vaccination certificates – IT software	126,140
Contribution System – upgrade	105,000
Business Support Claim Software - upgrade	95,000
Royal Court audio system – upgrade	53,000
Payroll system – additional licences	51,638
Other (less than £50,000 per project)	148,756
	2,346,974

Committee for Employment & Social Security

Benefits system – upgrade	60,845
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Committee for Home Affairs

Guernsey Border Agency Electronic Freight Manifest System – upgrade	55,000
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Total Information Technology

2,462,819

Medical Equipment: Committee for Health & Social Care

£

Hospital beds – replacements	205,745
Electrocardiogram machines – replacements	172,730
Electro cardiology recorders – replacements	152,293
Haemodialysis machines – replacements	150,000
Orthopaedic power tools – replacements	106,000
Continuous positive airway pressure machines – replacement	101,080
Ears, nose and throat microscope – replacement	99,761
States Analytical Laboratory testing equipment - replacement	78,500
Non-invasive ventilation equipment – replacements	68,000
Other (less than £50,000 per project)	313,126

Total Medical Equipment

1,447,235

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VIII

Property Maintenance and Minor Works

£

Corporate

Public Conveniences – refurbishment	110,000
St Barnabas air conditioning – replacement	60,000
Network Cabling – building alterations	60,000
St John's Residential Home boiler – replacement	12,144

242,144

Committee for Education, Sport & Culture

St Martins School roof – replacement	232,633
Delancey Campus pitched roof – replacement (phase 3)	175,000
Dave Ferguson Hall – repairs	152,000
La Houquette School roof – replacement	120,000
Rosaire Building roof – replacement	102,000
Castel School wiring – replacement	55,400
Other (less than £50,000 per project)	41,897

878,930

Committee for the Environment & Infrastructure

Alderney Breakwater – maintenance contract	400,000
La Vallette Bathing Pools - refurbishment	354,770
Other (less than £50,000 per project)	182,777

937,547

Committee for Health & Social Care

Princess Elizabeth Hospital building management system control - replacement	164,046
Princess Elizabeth Hospital Kitchen – repairs	95,918
COVID-19 Sequencing Testing laboratory – construction / adaption	82,103
Other (less than £50,000 per project)	140,792

482,859

Committee for Home Affairs

Prison hot water cylinder – replacement	50,000
Other (less than £50,000 per project)	26,002

76,002

Total Property Maintenance and Minor Works

2,617,482

Coastal Repairs: Committee for the Environment & Infrastructure

£

St George's Esplanade Sea Wall - repointing and repairs	310,000
Grand Port Area Sea Wall – repointing and repairs	200,000
Havelet Bay Sea Wall – repointing and repairs	175,000
Catioroc to Perelle Sea Wall – repointing and repairs	150,000
Douit Du Moulin Slipway – repair	70,000
Other (less than £50,000 per project)	30,044

935,044

Integrated Transport Strategy: Committee for the Environment & Infrastructure

£

Accessibility Infrastructure – pavement upgrades	125,000
Bus Infrastructure – new website and bus shelter upgrades	75,000
Other (less than £50,000 per project)	85,000

285,000

Total Integrated Transport Strategy

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VIII

Road Resurfacing and Reconstruction: Committee <i>for the</i> Environment & Infrastructure	£
Route Militaire	240,000
Port Soif (Drainage)	202,000
Les Banques	166,000
Route du Camp du Roi	165,000
Church Road	164,000
Les Mauxmarquis	145,000
Les Rouvets Road	130,000
La Fosse De Haut	128,000
Camp Code Lane	123,000
La Vrangue and Rue Thomas	123,000
Portinfer Road	121,000
La Vequesse	121,000
Rue Des Clercs	118,000
Jerboung Road	114,000
Sandy Hook	114,000
Route De Vaugrat	112,000
La Rue Des Fontenelles	112,000
Guelles Lane and Guelles Road	110,000
Union Street	107,000
George Road	104,000
Vale Road	102,000
Vale Avenue	100,000
Route De Pleinmont (part)	99,000
La Route Des Coutures	97,000
Rue De Tertre, Castel	97,000
Rue Des Annevilles	93,000
Sir William Place and Hospital Lane	91,000
Rue De La Hurette	91,000
Port Soif Lane	90,000
Kings Road (part)	90,000
La Gibauderie	90,000
Rue Des Buttes and Rue Des Brehauts	88,000
Rue du Hechet and La Grande Lande	87,000
Les Merriennes (Footway)	84,000
Rue De Landes	81,000
Belval Road	77,000
Route St. Clair	77,000
Rue De La Planque	77,000
Damouettes Lane	76,000
Ruette De Fries	75,000
Stanley Road and St Stephen's Hill (Junction)	71,000
La Couperderie	70,000
Route de L'Issue, St Andrews	70,000
Les Vieux Beaucamps	68,000
Lowlands Road	66,000
La Route De Capelles	65,000
Saline Lane	62,000
Rue Colin	59,000
La Biloterie Road	58,000
Route De Tertre, Vale	58,000
La Couture (Footway) and Collings Road (Junction)	54,000
Carriere Lane	52,000
Rue des Hauts	51,000
Other (less than £50,000 per project)	824,199
Total Road Resurfacing and Reconstruction	6,109,199

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VIII

Vehicles & Other Equipment	£
Corporate	
Electric vehicle charging infrastructure	580,000
St John Ambulance & Rescue Service Ambulances – replacements	298,000
Other (less than £50,000 per project)	83,695
	961,695
Committee for Economic Development	
Other (less than £50,000 per project)	30,000
	30,000
Committee for Education, Sport & Culture	
Other (less than £50,000 per project)	148,528
	148,528
Committee for the Environment & Infrastructure	
Other (less than £50,000 per project)	81,625
	81,625
Committee for Health & Social Care	
Vehicles - replacements	85,000
Other (less than £50,000 per project)	39,094
	124,094
Committee for Home Affairs	
Fire Appliance vehicles – replacements	486,000
Guernsey Border Agency X-Ray machines – replacements	172,551
Bomb disposal remotely operated vehicle	150,000
Breathing Apparatus – replacements	135,000
Fire Service Personal Protective Equipment - replacement	92,500
Other (less than £50,000 per project)	14,200
	1,050,251
Total Vehicles & Other Equipment	2,396,193
Total Minor Capital	17,547,753
States of Alderney	£
Royal Connaught Care Home - upgrade (Phase 3)	737,000
Water Board Improvements (Phase 17 - Quality Control System)	60,000
Other (less than £50,000 per project)	729,000
Total States of Alderney	1,526,000

USE OF DELEGATED FINANCIAL AUTHORITY

Appendix VIII

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

Purchases	£
Conveyance	
Kenilworth Vinery & Excelsior House, Saltpans (conveyed to Guernsey Housing Association)	5,946,924
Land and derelict glasshouse, Lowlands	553,076
Total Purchases	6,500,000
Sales	
Conveyance	
Kenilworth Vinery & Excelsior House, Saltpans and land & derelict glasshouse, Lowlands (conveyed to Guernsey Housing Association)	1
	1
Conveyance by way of exchange and agreement (definition of boundaries)	
Area of land at Monument Gardens	1,000
Area of land at Rue de L'Essart / Carriere Lane	184
Area of land at St Jacques	-
Burton Battery	-
Land forming part of Montville and Tyre Yard, La Charroterie	754
	1,938
Total Sales	1,939

VALUATION OF FIXED ASSETS

Appendix IX

Carrying Values of States of Guernsey Fixed Assets as at 1 January 2021

Introduction

As a part of the move towards adopting International Public Sector Accounting Standards (IPSAS), the States of Guernsey (General Revenue) will report its significant fixed asset (non-current assets) portfolio for the first time in its 31 December 2022 Statement of Financial Position together with 2021 comparative balances, requiring 1 January 2021 values to be determined for the asset categories set out in Table A below. Currently, expenditure on fixed assets is expensed to revenue as it is incurred.

This extensive project involves the identification, classification and valuation of assets as well as developing an asset register to accurately record, manage and report upon them going forward.

For many assets information about their original cost is available, such as for vehicles, plant and equipment. However, other assets such as land, buildings and infrastructure assets, for which reliable cost information does not exist, require specialist knowledge to determine suitable valuations for their initial recognition as at 1 January 2021.

It is important to note that such valuations are provided solely for financial reporting purposes, consistent with accounting requirements, and reflecting the use of the assets in the provision of the States' public services. They cannot be relied upon for any other purpose, including loan valuations, disposal and asset swaps.

Project Status

The schedule set out in **Table A** below provides an initial overview of the carrying values of the States' asset portfolio by asset class and is based on the project work undertaken so far. However, the information presented may be subject to further change based on the matters set out below.

Whilst the majority of States' assets have been identified and measured for their initial recognition at 1 January 2021, there is still some valuation work that requires to be completed in order to determine the final value of fixed assets for inclusion in the financial statements for 2022 and for the purpose of completing the audit. In particular, work is on-going in connection with the identification and measurement of the States' Information Technology assets (both tangible and intangible assets) as well as the measurement of coastal defences and features which, because of their complex nature, require specialist knowledge to determine their valuation. These asset types are marked as 'TBA' in Table A.

In addition, although the valuation exercise for land and buildings is largely complete, valuations for some properties are still outstanding and these are not included in the overall value of £976m.

This means that the information presented in Table A is subject to further change due to these outstanding matters. However, this work will be complete in time for inclusion in the 31 December 2022 Statement of Financial Position and will be audited as a part of the overall 2022 audit process.

VALUATION OF FIXED ASSETS

Appendix IX

Table A, which includes draft carrying values for the States' *General Revenue* fixed assets, does not include the assets of the States' trading entities. The carrying value of these assets as at 31 December 2020 was approximately £417m and are reported in the separate financial statements of each trading entity.

Carrying Values of the States of Guernsey (General Revenue) Fixed Assets as at 1 January 2021 Summarised by Asset Class

Table A

[The 1 January 2021 carrying values presented in this table are subject to review by the States' Property Services and IPSAS Implementation teams as well as audit scrutiny and agreement]

Asset Categories	Asset Class				
	Land & Buildings	Infrastructure	Other	Land & Buildings leased to 3rd parties	Total
	£'m	£'m	£'m	£'m	£'m
Land including Public Open Spaces; Strategic Land and Landfill	16.8				16.8
Operational Administration: Land & Buildings	90.9				90.9
Schools, Leisure facilities, Libraries and Museums	399.6				399.6
Social Housing, Key Worker and Residential Care Accommodation	215.5				215.5
Healthcare including General and Mental Health Hospitals	203.2				203.2
Other Operational assets	50.2				50.2
Road Network		144.0			144.0
Coastal Defences & Features		TBA*			TBA
Vehicles & Vessels			6.0		6.0
Plant & Equipment			9.0		9.0
Information Technology			TBA**		TBA
Investment properties & land				74.5	74.5
Carrying Value at 1 January 2021	976.2	144.0	15.0	74.5	1,209.7
Measurement Approach for initial recognition at 1 January 2021 (Table B below)	<i>Mainly determined by External Valuers</i>	<i>Determined by States' relevant Experts</i>	<i>Obtained from cost of purchase information</i>	<i>Mainly determined by External Valuers</i>	

* Valuation of the States' coastal infrastructure assets is on-going and will be completed for inclusion in the 2022 financial statements.

** Identification and measurement of the States' Information Technology assets is still on-going and will be completed for inclusion in the 2022 financial statements.

VALUATION OF FIXED ASSETS

Appendix IX

Valuation Methods used to Measure the States' (General Revenue) Land & Buildings and Infrastructure Assets

The valuation methods used by both external valuers and the States' internal experts to establish a deemed cost for land & buildings and infrastructure assets, for which reliable cost information was not available, are set out in the following Table B.

Table B

Valuation Method	Description	Asset Type
Market value	Market Value is the estimated price that a property will be sold for.	Non-operational (surplus) assets.
Market value - in existing use (EUV)	EUV is similar to market value, but with the additional assumption that the properties will be used in their existing use for the foreseeable future.	Non-specialised property assets such as administration land & buildings used in the provision of services.
Existing use value for social housing (EUV-SH)	EUV-SH is similar to market value, but with specific additional assumptions reflecting the continued use of the properties for social housing. This valuation method reflects the constraints of a controlled sector, including the level of rents at which properties may be let, which must remain affordable, and a prescribed standard of maintenance. Therefore, it typically produces opinions of value which are considerably lower than market value with vacant possession.	Social Housing.
Depreciated Replacement Cost (DRC)	DRC is used where there is no active market for the asset. It represents the current cost of replacing an asset with its modern equivalent, adjusted for physical deterioration and obsolescence to reflect its current condition.	Specialised assets such as schools; hospitals and infrastructure assets.