

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD

GUERNSEY WASTE ACCOUNTS 2021

The States are asked to decide:-

1. Whether they are of the opinion to agree with the States' Trading Supervisory Board's approval of the Guernsey Waste 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.

States of Guernsey
States' Trading Supervisory Board
Guernsey Waste

Annual Report and Financial Statements

For the year ended 31 December 2021

States' Trading Supervisory Board Guernsey Waste

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States' Trading Supervisory Board

Guernsey Waste

States' Trading Supervisory Board Members, Principal Officers and Professional Advisers

States' Trading Supervisory Board Members

| | | |
|---------------------|-----------|--------------------------|
| Deputy P. Roffey | President | |
| Deputy C. Parkinson | | |
| Deputy N. Moakes | | |
| Mr S. Falla CBE | | |
| Mr J. Hollis | | resigned 15 October 2021 |
| Dr S. Thornton | | elected 16 October 2021 |

The constitution of the States' Trading Supervisory Board ("STSB") provides that the membership of the STSB shall be a President and up to two members who shall be members of the States and two members who shall not be members of the States. If and when the STSB is inquorate and an urgent decision is required, the States' Rules of Procedure allow for the insufficiency of members to be replaced by members of the States chosen, in the first instance, from members of the Policy & Resources Committee.

Principal Officers to the States' Trading Supervisory Board

Mr S. Elliott, Managing Director, States Trading Group
Mr S. Gardiner, Finance Business Partner, States Trading Group
Mr A. Ford, Head of Shareholder Executive, States Trading Group

Guernsey Waste Board Members

| | | |
|---------------------|--------------------|---------------------------|
| Dr S. Thornton | Chairman | appointed 16 October 2021 |
| Mr J. Hollis | Chairman | resigned 15 October 2021 |
| Deputy C. Parkinson | | |
| Mr M. Jones | non-voting adviser | |
| Mr P. Watson | non-voting adviser | |
| Miss S. Robinson | non-voting adviser | |
| Mr I. Merrien | non-voting adviser | |

States' Trading Supervisory Board

Guernsey Waste

States' Trading Supervisory Board Members, Principal Officers and Professional Advisers – continued

At its meeting of 4 May 2017, the STSB agreed to establish political subcommittees (company Boards) for the trading businesses, including the Solid Waste Trading Account which transferred its assets to Guernsey Waste on its inception on 1 January 2019.

The constitution of the company Boards was determined by the STSB at its meeting of 4 May 2017, which was adopted by the Guernsey Waste Board ("GWB") on 1 January 2019.

Further information on the role of the GWB is provided in the section on Corporate Governance

Principal Officers to the Guernsey Waste Board

Miss S. Robinson, Operations Manager, Guernsey Waste
Mr I. Merrien, Senior Finance Manager, Guernsey Waste
Mr R. Roussel, Technical Advisor, Guernsey Waste
Mrs R. Scally, Contracts Manager, Guernsey Waste

In these financial statements any reference to "President" refers to the President of the STSB and any reference to "Chairman" refers to the Chairman of the GWB.

Legal Advisers

Law Officers of the Crown
St James Chambers
St James Street
St Peter Port
GY1 2PA

Independent Auditor

Grant Thornton Limited
PO Box 313
Lefebvre House
Lefebvre Street
St Peter Port
GY1 3TF

States' Trading Supervisory Board

Guernsey Waste

Chairman's report

Overview

Guernsey Waste was established as one of the unincorporated trading businesses, overseen by the STSB, in 2019. The STSB acts as the Waste Disposal Authority ("WDA") and is responsible for implementing the island's Waste Management Plan and the agreed Waste Strategy. Waste policy is set by the Committee *for the* Environment & Infrastructure whilst the WDA advises on its development and implements it. All current sites and services were fully operational in 2019 and the Waste Strategy target of 70% household recycling by 2030 was achieved 11 years early, with a rate of 73% in 2019. This success continued into 2020 and 2021.

Business performance

Although great success has been achieved in terms of the strategy targets, this has left Guernsey Waste with a deficit on its accounts. The average cost per household to recover operational costs was projected in the original financial model to be £6 per week. Since the strategy was introduced, households have paid on average around £4.50 per week. Similarly commercial waste streams were expected to cover their own costs, even contribute a small surplus in the early years to cover lower revenues from residual waste later in the strategy.

As a result, the STSB increased the household fixed and pay as you throw charges in 2021 to partly rebalance income and expenditure. However, Guernsey Waste will need to continue to explore ways to fully address the deficit to achieve a break-even position over the 20 year life of the strategy.

States' Trading Supervisory Board

Guernsey Waste

Chairman's report - continued

Our community

Guernsey Waste's vision is to enable the island to become a leader in sustainable and environmental waste resource management at an affordable cost by delivering services that enable Islanders to deal with their waste as high up the waste hierarchy as is possible. It aims to do this through providing islanders with the means to deal with their waste as sustainably as possible through services and sites such as the Household Waste & Recycling Centre ("HWRC"). The business runs many campaigns and initiatives to encourage islanders to move their waste up the waste hierarchy (reduce, reuse, recycle) such as Love Food Hate Waste, real nappy subsidies and composting kits and also provides an educational programme to the whole community.

Our team

Guernsey Waste is a commissioning organisation comprised of a small administrative team of 9 staff with support, such as finance, being provided from the corporate function of the Trading Group. It contracts out the majority of its operations to States Works and other local contractors but also has contracts with UK based off takers for many waste streams. The Guernsey Waste team oversees the procurement and management of these contracts and provides a customer service function and education on all waste and recycling matters to the island.

I would like to thank the dedicated staff and employees for all their hard work, and commitment throughout the year.

Our business strategy and future

Whilst the main focus in the short term for Guernsey Waste must be on addressing its annual financial deficit, sites and services must continue to be provided. Guernsey Waste will aim to maintain its early success of household recycling rates and continue to improve waste management across the island.

States' Trading Supervisory Board

Guernsey Waste

Operations Manager's report

The STSB presents its report and the audited financial statements for Guernsey Waste for the year ended 31 December 2021. These comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 22.

Principal activities

Guernsey Waste ensures the statutory obligations of the island's WDA are met, at an operational level in accordance with the current Waste Management Plan approved by the States. Its main activities are to:

- make arrangements for and ensure the operation of Guernsey's public waste management system,
- monitor the creation of waste in Guernsey,
- keep under review the systems for collection, transportation, sorting and recycling of waste,
- identify the best practical environmental options for the recovery or disposal of waste,
- comply with the current Waste Management Plan,
- carry out such other functions as may be created, assigned or transferred for or to it by the Environmental Pollution Law or any other enactment.

Financial performance

| | Actual 2021 £'000 | Budget 2021 £'000 | Actual 2020 £'000 |
|---------------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Revenue | 9,203 | 8,829 | 7,906 |
| Operating deficit before depreciation | (606) | (1,868) | (1,030) |
| Deficit for the financial year | (2,543) | (3,819) | (2,963) |
| Capital expenditure | 15 | 370 | 43 |

In 2018 the States of Deliberation voted to fund the construction costs of the Waste Transfer Station and Household Waste & Recycling Centre from the Capital Reserve and these assets were transferred to Guernsey Waste on its inception in 2019. The depreciation on these assets is outside the breakeven requirement for the 20 year strategy.

States' Trading Supervisory Board

Guernsey Waste

Operations Manager's report – continued

Operational performance

Guernsey Waste improved on the expected position and made an operating deficit before depreciation for the year of £606k compared to a budgeted deficit of £1,868k. The key differences were:

Operating revenue for Guernsey Waste was £9,203k which is £374k higher than budgeted revenue. The main reasons for this are:

- An increase in inert waste revenue, mainly due to increased tonnage.
- An increase in HWRC revenue due to increased tonnages.
- revenue for residual household waste (black bags) was higher than budgeted due to increased tonnages.

Actual expenditure for the year is below budgeted expenditure. The main reasons for the underspend are:

- the temporary closure of the waste sites during the lockdown;
- The contracts with States Works are 'cost-plus' agreements. The budget was based on original modelled costs, however lower expenditure for States Works has continued, resulting in lower charges on to Guernsey Waste.
- expenditure relating to the inert waste project did not take place during 2021 so was deferred into 2022.

Our customers

Guernsey Waste's customer base is predominantly the general public, local businesses and private customers including local parishes.

States' Trading Supervisory Board

Guernsey Waste

Operations Manager's report – continued

Statement of responsibilities for the preparation of financial statements

The STSB is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs for Guernsey Waste and of the surplus or deficit of Guernsey Waste for that period. In preparing those financial statements, the STSB is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis, unless it is inappropriate to do so; and
- state whether applicable accounting standards have been followed.

The STSB is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time Guernsey Waste's financial position. The STSB is also responsible for identifying and installing internal controls, including financial controls, which are adequate for its own purposes and to safeguard Guernsey Waste's assets and the States of Guernsey in its care, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of financial controls

The STSB is responsible for the economic, efficient and effective operations and management of Guernsey Waste and has a duty to ensure that they fulfil their obligations.

Guernsey Waste's internal financial controls and monitoring procedures include:

- Annually reported and approved budgets monitored against monthly management accounts with additional operational detail reported in monthly management reports, which monitor actual revenue and expenditure against that anticipated. All such detail is regularly reviewed at meetings of the STSB, to ensure that all STSB Members are informed of Guernsey Waste's financial affairs,
- Customer invoices are subjected to a range of pre-determined computerised integrity checks prior to dispatch in order to ensure accuracy,
- Regular review of debtors to ensure that any delinquent debtors are identified at an early stage and dealt with appropriately,
- The control of materials and stores purchases are managed using a computerised programme with specific authorisation limits for purchases and segregated areas of responsibility for processing of payments, all of which maintain detailed audit trails,
- Manpower expenditure is monitored and controlled at source,

States' Trading Supervisory Board

Guernsey Waste

Operations Manager's report – continued

- Capital expenditure authorisation is subject to strict valuation guidelines and purchase procedures,
- Regular review of waste charges, and
- Consideration of all audit reports by the STSB.

The STSB strives to ensure that all staff with financial responsibility in Guernsey Waste have the appropriate integrity, skills and motivation to professionally discharge their duties.

Guernsey Waste's internal controls and accounting policies have been and are subject to continuous review and improvement. In addition, the financial statements are subject to an independent external audit by an auditor appointed by the States of Guernsey.

Going concern

The financial statements have been prepared on the going concern basis of accounting. The STSB and its Principal Officers have reviewed the cash flows and projected income and expenses over the next 12 months (including the assessment of the impact of COVID-19), prepared by management, and deem that Guernsey Waste, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that Guernsey Waste is a going concern for at least 12 months from the approval of the financial statements.

Auditors

Grant Thornton Limited have expressed their willingness to continue in office as auditors.

States' Trading Supervisory Board

Guernsey Waste

Corporate Governance

The purpose of the GWB is to support the delivery of the STSB's mandate, ensuring the efficient and effective management, operation and maintenance of Guernsey Waste.

The GWB is accountable to the STSB and operates by challenging established practices and assumptions and seeking to support the business in establishing clear strategic direction, business planning and operational delivery in support of the outcomes of the Government Work Plan, the Public Service Reform Agenda, Service Guernsey and other strategic reviews and organisational drivers.

The GWB membership is a minimum of a Chairman who is not a States Member, a political member of the STSB, a Senior Executive of an Incorporated Company or one or more Senior Officers of the States of Guernsey, the Operations Manager and the Financial Manager.

All members of the GWB other than the Operations Manager and the Financial Manager are appointed by the STSB.

As a sub-committee of the States, the quorum will be two members of the STSB.

The GWB does not hold a fiduciary responsibility.

The GWB will take into account the States of Guernsey's political direction with regard to the operation of Guernsey Waste, as directed from time to time by the STSB. It must ensure that Guernsey Waste's operations and operational policies align with the wider strategy and policy framework of the States of Guernsey and/or the STSB. The GWB may generate policy for endorsement by the STSB and onward to the States of Guernsey as required.

The STSB specifically confers the following responsibilities and delegated authority to the GWB to:

- Approve capital and revenue annual budgets in line with the long-term budgets approved by the STSB;
- Approve annual business plans in line with long-term strategy and planning approved by or directed by the STSB;
- Approve and issue annual reports; and
- Guide and steer Guernsey Waste.

In carrying out these responsibilities the GWB is bound and enabled by States of Guernsey rules for financial and resource management and the rules, directives, policies and procedures of the States of Guernsey, such as, but not limited to: Finance; Procurement; Property; Human Resources; Data Protection; Health and Safety Management; Risk and Issue Management; Managing Matters of Litigation; and Relevant legislation. The GWB has the authority delegated by the STSB to direct the Guernsey Waste Operations Manager in the day-to-day operation of Guernsey Waste, in line with approved budgets and business plans.

The GWB acts as a political sub-committee of the STSB.

States' Trading Supervisory Board Guernsey Waste

Corporate Governance - continued

The STSB can disband GWB at any time without notice or recourse to any other body.

In the event that due process has not been followed, the GWB must render itself unable to make a decision until such time process has been followed.

States' Trading Supervisory Board

Guernsey Waste

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

Opinion

We have audited the financial statements of The States of Guernsey – States' Trading Supervisory Board ("STSB") – Guernsey Waste for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102).

In our opinion, the financial statements:

- give a true and fair view of the state of Guernsey Waste's affairs as at 31 December 2021 and of its deficit for the year then ended; and
- are in accordance with FRS 102.

Basis for opinion

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

States' Trading Supervisory Board

Guernsey Waste

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

Other information

The STSB are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the STSB for the financial statements

As explained more fully in the statement of responsibilities for the preparation of financial statements set out on page 10, the STSB are responsible for the preparation of the financial statements which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, and for such internal control as the STSB determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

States' Trading Supervisory Board

Guernsey Waste

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

States' Trading Supervisory Board

Guernsey Waste

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

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

Use of our report

This report is made solely to the members of the STSB. Our audit work has been undertaken so that we might state to the members of the STSB those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Guernsey Waste and the members of the STSB, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited

Chartered Accountants
St Peter Port, Guernsey

16 May 2022

States' Trading Supervisory Board

Guernsey Waste

Statement of Comprehensive Income

for the year ended 31 December 2021

| | Notes | 2021 £'000 | 2020 £'000 |
|--|-------|----------------|---------------|
| Revenue | 2 & 4 | 9,203 | 7,906 |
| Expenses | 2 & 5 | | |
| Operating expenses | | (8,012) | (7,076) |
| Administration and general expenses | | (1,797) | (1,860) |
| | | (9,809) | (8,936) |
| Operating deficit before depreciation | | (606) | (1,030) |
| Depreciation | 9 | (1,929) | (1,905) |
| Operating deficit for the year | | (2,535) | (2,935) |
| Investment return receivable | | - | 12 |
| Interest payable | 7 | (8) | (40) |
| Deficit for the financial year | | (2,543) | (2,963) |

All material activities derive from continuing operations.

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

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Statement of Financial Position

as at 31 December 2021

| | Notes | 2021 £'000 | 2020 £'000 |
|--|-------|----------------|----------------|
| Non-current assets | | | |
| Tangible fixed assets | 9 | <u>26,154</u> | <u>28,027</u> |
| Current assets | | | |
| Inventories | 11 | 255 | 256 |
| Debtors and prepayments | 12 | <u>1,503</u> | <u>2,243</u> |
| | | <u>1,758</u> | <u>2,499</u> |
| Current liabilities | | | |
| Balances with States Treasury | | (2,253) | (2,579) |
| Creditors: amounts falling due within one year | 13 | <u>(1,194)</u> | <u>(980)</u> |
| | | <u>(3,447)</u> | <u>(3,559)</u> |
| Net current liabilities | | <u>(1,689)</u> | <u>(1,060)</u> |
| Total net assets | | <u>24,465</u> | <u>26,967</u> |
| Reserves | 14 | <u>24,465</u> | <u>26,967</u> |

Signed on behalf of the States of Guernsey – States' Trading Supervisory Board

Deputy P. Roffey
President

16 May 2022

Signed on behalf of the States Trading Group

Mr S. Elliott
Managing Director

16 May 2022

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Statement of Changes in Equity

for the year ended 31 December 2021

| | Notes | 2021 £'000 | 2020 £'000 |
|--|-------|----------------------|---------------|
| Balance at 1 January | | 26,967 | 29,574 |
| Deficit for the financial year | | (2,543) | (2,963) |
| Transfer in of Waste Transfer Station & HWRC | | <u>41</u> | <u>356</u> |
| Balance at 31 December | 14 | <u>24,465</u> | <u>26,967</u> |

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Statement of Cash Flows

for the year ended 31 December 2021

| | Notes | 2021 £'000 | 2020 £'000 |
|---|-------|----------------|----------------|
| Net cash flows from operating activities | 15 | <u>349</u> | <u>(2,670)</u> |
| Cash flows from investing activities | | | |
| Purchase of fixed assets | 10 | <u>(15)</u> | <u>(43)</u> |
| Net cash flows used in investing activities | | <u>(15)</u> | <u>(43)</u> |
| Cash flows from financing activities | | | |
| Interest paid | | (8) | (40) |
| Investment return received | | <u>-</u> | <u>12</u> |
| Net cash flows from financing activities | | <u>(8)</u> | <u>(28)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 326 | (2,741) |
| Cash and cash equivalents at the beginning of the year | | <u>(2,579)</u> | <u>162</u> |
| Cash and cash equivalents at the end of the year | | <u>(2,253)</u> | <u>(2,579)</u> |
| Reconciliation to cash at bank and in hand: | | | |
| Balances with States Treasury | | <u>(2,253)</u> | <u>(2,579)</u> |
| Cash and cash equivalents | | <u>(2,253)</u> | <u>(2,579)</u> |

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements

1. General information

Guernsey Waste is an unincorporated business unit, the management, operation and maintenance of which is the responsibility of the States of Guernsey – STSB. The nature of Guernsey Waste's operations and principal activities are set out in the Operations Manager's report.

Guernsey Waste's principal places of business are Longue Hougue, Bulwer Avenue, St Sampson, GY2 4LE and La Hure Mare, Vale, Guernsey, GY3 5UD.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

The financial statements are prepared in accordance with the stated accounting policies and under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Functional and presentational currency

The financial statements are presented in Pounds Sterling, which is the functional and presentational currency of Guernsey Waste and have been rounded to the nearest thousand.

Going concern

The financial statements have been prepared on the going concern basis of accounting. The STSB and its Principal Officers have reviewed the cash flows and projected income and expenses over the next 12 months (including the assessment of the impact of COVID-19), prepared by management, and deem that Guernsey Waste, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that Guernsey Waste is a going concern for at least 12 months from approval of the financial statements.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Tangible fixed assets

i) Property, plant and equipment

Property, plant and equipment is stated at cost or valuation, net of depreciation and any provision for impairment. Property, plant and equipment is depreciated over its expected useful life.

ii) Assets under construction

Assets under construction are capitalised and are transferred to tangible fixed assets and depreciated once brought into use. All costs associated with capital projects, including professional fees are capitalised. No impairment reviews are undertaken for assets under construction.

Depreciation

Depreciation is calculated at the following annual rates so as to write off the cost of tangible fixed assets over their anticipated expected useful lives using the straight-line method. Depreciation commences from the month of the acquisition of an asset.

| | Estimated life in years | Depreciation % per annum |
|--------------------------|-------------------------------|--------------------------------|
| Buildings and fittings | 10 – 50 | 2% - 10% |
| Plant and equipment | 3 – 20 | 5% - 33.3% |
| Office and ICT equipment | 3 – 10 | 10% - 33.3% |

Impairment of assets (excluding inventories)

Assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income. An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Costs include an appropriate proportion of processing expenses and are calculated at average value method. Provisions are made for obsolete and slow-moving items where appropriate.

Basic financial instruments

i) Trade debtors

Trade debtors are recognised initially at original invoiced amount. Subsequent to initial recognition they are measured at amortised cost, less any impairment losses. Trade debtors are stated less a specific provision against debtor balances that are identified as irrecoverable.

ii) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and balances held by States Treasury on behalf of Guernsey Waste. Whilst Guernsey Waste operates a treasury account, the entity will make payments and receive money via bank accounts held centrally by the States of Guernsey. The net cash balance held with the States Treasury at the year-end is treated as Cash and Cash Equivalents in Guernsey Waste's Statement of Financial Position. This net cash balance may change on a daily basis, with surplus cash balances generating financial returns, and balances in deficit being charged interest. Any net cash balance held with the States Treasury could be reduced over a very short period of time without detriment, and therefore is considered to be a highly liquid investment, readily convertible to known amounts of cash and subject to an insignificant risk of any change in notional value.

iii) Trade creditors

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

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

iv) De-recognition of basic financial instruments

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Business Unit transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Business Unit, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in a contract is discharged, cancelled or expires.

Revenue and expenses

Revenue and expenses are accounted for on an accruals basis. Revenue from the sale of goods is recognised when the goods are physically delivered to the customer. Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date, turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, which includes 'pay-as-you-throw' stickers, the amounts are recorded as deferred revenue and included as part of creditors due within one year.

Pension costs

Pension costs are treated as described in note 18.

Investment return and interest receivable/payable

Investment return on balances held with the States of Guernsey and interest receivable/payable is accounted for on an accruals basis.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Leases

i) As lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

ii) As lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of Guernsey Waste's accounting policies, which are described in note 2, the STSB Members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Board Members have made in the process of applying Guernsey Waste accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i) Depreciation rates

Some of Guernsey Waste's infrastructure assets have no definite life of the assets, so management makes an assumption based on the usage of the assets. The rate used for each type of asset that makes up the infrastructure assets has been disclosed in note 2.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

4. Revenue

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

An analysis of Guernsey Waste revenue by class of business, is set out below:

| | 2021 | 2020 |
|----------------------|---------------------|--------------|
| | £'000 | £'000 |
| WDA Fixed charges | 2,442 | 2,299 |
| HWRC Operations | 406 | 242 |
| Sticker charges | 1,840 | 1,595 |
| Inert Waste | 1,719 | 1,539 |
| Commercial gate fees | 1,351 | 1,035 |
| Mont Cuet | 1,010 | 735 |
| Green Waste | 324 | 307 |
| Other | 111 | 154 |
| | <u>9,203</u> | <u>7,906</u> |

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

5. Expenses

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Operating Expenses | | |
| Waste Transfer Station | 3,723 | 3,435 |
| HWRC | 583 | 582 |
| Inert waste | 340 | 375 |
| Mont Cuet | 641 | 525 |
| Kerbside recycling | 986 | 633 |
| Green waste | 428 | 508 |
| Bring bank collections | 60 | 9 |
| Other landfill | 508 | 496 |
| Other operating expenses | 743 | 513 |
| | <u>8,012</u> | <u>7,076</u> |
| Administration and general expenses | | |
| Salaries, wages and employer's pension costs | 455 | 467 |
| Rent | 336 | 329 |
| Management expenses | 382 | 339 |
| Audit fees | 16 | 10 |
| Insurance premium | 481 | 349 |
| Other administration expenses | 127 | 366 |
| | <u>1,797</u> | <u>1,860</u> |
| Total expenses | <u>9,809</u> | <u>8,936</u> |

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

6. Staff numbers and costs

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

| | 2021 | 2020 |
|----------------------|-----------------|-----------------|
| Administration staff | <u>9</u> | <u>9</u> |
| | <u>9</u> | <u>9</u> |

Their aggregate remuneration comprised:

| | Note | 2021 £'000 | 2020 £'000 |
|-----------------------|------|-----------------------------|---------------|
| Wages and salaries | | 373 | 388 |
| Social security costs | | 26 | 25 |
| Pension costs | 18 | <u>57</u> | <u>53</u> |
| | | <u>456</u> | <u>466</u> |

Pension costs include only those items within administration and general expenses.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

7. Interest

| | 2021 | 2020 |
|---|--------------|-------------|
| | £'000 | £'000 |
| Interest receivable | | |
| Investment return | - | 12 |
| | <u>-</u> | <u>12</u> |
| Interest payable | | |
| Interest payable on balances with States Treasury | (8) | (40) |
| | <u>(8)</u> | <u>(40)</u> |

8. Deficit for the financial year

Deficit for the financial year is stated after charging:

| | Note | 2021 | 2020 |
|---------------------------------------|------|---------------------|---------------------|
| | | £'000 | £'000 |
| Auditor's remuneration | 5 | 16 | 10 |
| Depreciation of tangible fixed assets | 9 | <u>1,929</u> | <u>1,905</u> |
| | | <u>1,945</u> | <u>1,915</u> |

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

9. Tangible fixed assets

| | 1 January 2021 £'000 | Transfers/ Additions £'000 | Disposals £'000 | 31 December 2021 £'000 |
|-----------------------|----------------------------|----------------------------------|--------------------|---------------------------------|
| Cost | | | | |
| Buildings & fittings | 18,642 | 61 | - | 18,703 |
| Plant & equipment | 11,732 | (5) | - | 11,727 |
| Office equipment | 1,276 | - | - | 1,276 |
| | <u>31,650</u> | <u>56</u> | <u>-</u> | <u>31,706</u> |
| | | | | |
| | 1 January 2021 £'000 | Charge for the year £'000 | Disposals £'000 | 31 December 2021 £'000 |
| Depreciation | | | | |
| Buildings & fittings | 1,162 | 625 | - | 1,787 |
| Plant & equipment | 2,217 | 1,176 | - | 3,393 |
| Office equipment | 244 | 128 | - | 372 |
| | <u>3,623</u> | <u>1,929</u> | <u>-</u> | <u>5,552</u> |
| | | | | |
| Net Book Value | <u>28,027</u> | | | <u>26,154</u> |

£41k of fixed assets were paid for by the States of Guernsey and transferred into Guernsey Waste. No cash consideration was given for these assets.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

10. Assets under construction

| | 1 January 2021 £'000 | Expense in the year £'000 | Transfers to Tangible Fixed Assets £'000 | 31 December 2021 £'000 |
|------------|----------------------------|------------------------------------|---|---|
| 2021 Total | - | 15 | (15) | - |
| 2020 Total | - | 43 | (43) | - |

Assets under construction completed in 2021 and transferred to fixed assets is for a weighbridge.

11. Inventories

| | 2021 £'000 | 2020 £'000 |
|-------------|-----------------------|---------------|
| Inventories | 255 | 256 |
| | 255 | 256 |

12. Debtors and prepayments

| | 2021 £'000 | 2020 £'000 |
|-------------------------------|-----------------------|---------------|
| Trade debtors | 283 | 196 |
| Prepayments and other debtors | 737 | 1,542 |
| Accrued revenue | 483 | 505 |
| | 1,503 | 2,243 |

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

13. Creditors: amounts falling due within one year

| | 2021 | 2020 |
|------------------|---------------------|--------------|
| | £'000 | £'000 |
| Trade creditors | 149 | 176 |
| Accruals | 909 | 674 |
| Deferred revenue | 136 | 130 |
| | <u>1,194</u> | <u>980</u> |

14. Reserves

| | Revenue reserve £'000 | Asset transfer reserve £'000 | Total £'000 |
|---|--------------------------------------|---|------------------------|
| Balance at 1 January 2021 | (5,984) | 32,951 | 26,967 |
| Deficit for the financial year | (2,543) | - | (2,543) |
| Waste Transfer Station Assets transferred in | - | 41 | 41 |
| Balance at 31 December 2021 | <u>(8,527)</u> | <u>32,992</u> | <u>24,465</u> |

All reserves are distributable.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

15. Reconciliation of operating deficit to net cash flows from operating activities

| | 2021 | 2020 |
|--|----------------|---------|
| | £'000 | £'000 |
| Operating deficit for the year | (2,535) | (2,935) |
| Depreciation charges | 1,929 | 1,905 |
| Decrease in inventories | 1 | 11 |
| Decrease/(increase) in debtors and prepayments | 741 | (1,367) |
| Increase/(decrease) in creditors due within one year | 213 | (284) |
| Net cash flows from operating activities | 349 | (2,670) |

16. Financial commitments and contingent liabilities

There is a constructive obligation to cap the landfill site at Mont Cuét once it has reached the end of its useful life. It is not possible to reliably estimate when this will occur, or the cost of this obligation. As the obligation cannot be measured with sufficient reliability, no provision has been made in these financial statements.

Guernsey Waste has an assumed commitment to monitor all closed landfill sites for a period of time, possibly up to sixty years, from when they closed. The cost of monitoring all landfill sites in 2021 was £501k (2020: £496k), however it is not possible to reliably estimate the extent and longevity of this monitoring due to a number of varying factors and therefore it is also not possible to reliably estimate the costs that will be incurred in monitoring the landfill sites.

The Guernsey Waste Transfer Station and Household Waste Recycling Centre occupies land owned by the States of Guernsey and consequently has paid rent to the States of Guernsey. Although not finalised it is likely that Guernsey Waste will enter into an agreement for future rent.

There are no further contingent liabilities or financial commitments for which no provision has been made in these financial statements.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

17. Financial instruments

Guernsey Waste's financial instruments may be analysed as follows:

| | 2021 | 2020 |
|--|----------------|---------|
| | £'000 | £'000 |
| Financial assets at amortised cost | | |
| Debtors | 283 | 196 |
| Financial liabilities at amortised cost | | |
| Overdraft | (2,253) | (2,579) |
| Creditors: amounts falling due within one year | (149) | (176) |

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

18. Employee benefits

The employees of Guernsey Waste 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.

Although the scheme is a multi-employer plan, it is not possible to identify Guernsey Waste's share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. There is neither an agreement nor a policy in place to allocate any of the deficit of the pension scheme across the participating entities. The States of Guernsey is liable for any obligations that arise from the States of Guernsey Superannuation Fund in respect of employees of the States of Guernsey. All employees of Guernsey Waste are considered to be ultimately employees of the States of Guernsey.

Consequently, Guernsey Waste has accounted for the plan as if it were a defined contribution plan, whereby it has expensed employer contributions through the Statement of Comprehensive Income. The employees also contribute to the States of Guernsey Superannuation Fund. The contribution rates are determined by a qualified actuary on the basis of periodic valuations.

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £57k (2020: £53k).

Further details relating to the funding of the Superannuation Scheme are included within the States of Guernsey Accounts 2021.

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

19. Statement of control

Guernsey Waste is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of Guernsey Waste has been delegated to the members of the STSB appointed by the States of Guernsey.

20. Related party transactions

The STSB is of the opinion that there have been no related party transactions in the current or preceding financial years other than as described in these financial statements. All transactions are conducted as normal business arrangements carried out at "arm's length".

44% of the value of the organisation's annual expenditure is due to transactions with States Works (2020: 34%).

The total compensation of key management personnel in 2021 (including salaries and other benefits) was £202k (2020: £202k).

Related party transactions between Guernsey Waste and other entities controlled by the States of Guernsey have not been disclosed in accordance with the exemptions available within FRS102 Section 33 "Related Party Disclosures".

STSB member Mr S. Falla CBE has declared certain related party transactions under FRS102 section 33. The aggregate of all of these transactions is disclosed below. And all were conducted at arms-length in the normal course of business. Where any conflict of interest may exist, Mr Falla, as under normal rules, would excuse himself from any STSB or other meetings and has not participated in any discussions or voting regarding awarding any contracts leading to these transactions.

| | 2021 | 2020 |
|----------------------|-------------------|------------|
| | £'000 | £'000 |
| Garenne Group | | |
| Revenue | <u>368</u> | <u>174</u> |

The £368k is from tipping of inert waste at published waste disposal prices (2020: £174k).

Notes 1 to 22 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

21. Subsequent events

Management knows of no events subsequent to the end of the reporting period that would materially affect the financial statements.

22. Off balance-sheet arrangements

There are no commitments or contingent liabilities other than detailed in note 16 relating to 2021 which would affect these financial statements (2020: None).

Notes 1 to 22 form an integral part of these financial statements.