

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD

STATES WORKS ACCOUNTS 2022

The States are asked to decide:-

1. Whether they are of the opinion to agree with the States' Trading Supervisory Board's approval of the States Works Accounts for the year ending 31 December 2022.

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

States of Guernsey

States' Trading Supervisory Board

States Works

Annual Report and Audited Financial Statements

For the year ended 31 December 2022

States' Trading Supervisory Board

States Works

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States' Trading Supervisory Board

States Works

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

States' Trading Supervisory Board Members

Deputy P. Roffey President
Deputy C. Parkinson
Deputy N. Moakes
Mr S. Falla CBE
Dr S. Thornton

The constitution of the States' Trading Supervisory Board ("STSB") provides that the membership of the STSB shall be a President and two members who shall be sitting members of the States and up to two voting members who shall not be sitting 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 A. Ford, Head of Shareholder Executive, States Trading Group
Mr S. Gardiner, Finance Business Partner, States Trading Group resigned 5 December 2022
Mr M. Salmon, Finance Business Partner, States Trading Group appointed 5 December 2022

States Works Board Members

Dr S. Thornton Chairman
Deputy N. Moakes
Mr M. Polli non-voting adviser
Mr P. Lickley non-voting adviser
Mr I. Gavet non-voting adviser
Mr I. Merrien non-voting adviser

At its meeting of 4 May 2017, the STSB agreed to establish political subcommittees (company boards) for the trading assets including States Works.

The constitution of the States Works Board ("SWB") was determined by the STSB at its meeting of 4 May 2017.

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

States' Trading Supervisory Board

States Works

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

Principal Officers to the States Works Board

Mr P. Lickley, Managing Director, States Works
Mr I. Gavet, Senior Manager, Technical, States Works
Mr I. Merrien, Senior Finance Manager, States Works
Miss C. Prout, Senior Manager, Business and Support Services, States Works
Mr M. Torode, Senior Manager, Operations, States Works

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

Legal Advisers

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

Independent Auditor

Grant Thornton Limited
St James Place
St James Street
St Peter Port
GY1 2NZ

States' Trading Supervisory Board

States Works

Chairman's Report

Overview

States Works is responsible for the provision of a number of essential municipal and maintenance services that either maintain and develop the island's infrastructure, or help promote Guernsey's natural beauty for islanders and visitors. Due to the diversity and scale of its service offering, States Works is also able to deploy its resources in providing an emergency response resource to unplanned incidents, the cost of which is in part spread across all its activities. This is an added benefit that helps to maintain the safety and security of the island.

States of Guernsey Trading businesses account for 54% of States Works activities, with other States of Guernsey customers representing a further 33%. The remaining 13% relates to work for private clients.

Business performance

A general acceptance that all islanders and businesses need to live with COVID-19 meant a gradual return to business as usual with reasonable precautions during 2022. However, a skills shortage on island continued to impact recruitment and retention and the business's ability to deliver all its contracted obligations. This to the extent that we relinquished our involvement in Highways Repair, Public Service Vehicle Inspections and commercial day time waste and recycling collection services as of 31 December 2022.

The consequential impacts of Brexit and the war in Ukraine negatively impacted global supply chains affecting availability of everything from basic consumables to replacement parts, vehicles, plant and equipment. This market volatility also caused a disproportional rise in the costs of goods and services, and when available, extended delivery times were experienced.

Despite the noted loss of contracts, all remaining contracts performed as expected with some minor incomplete works expected to be recovered in 2023. The efforts of our staff must be recognised, as they have responded well to all the challenges and helped to minimise disruption while embracing new ways of working.

States' Trading Supervisory Board

States Works

Chairman's Report - continued

Our community

States Works' mission is to be a 'community focused provider of essential environmental and infrastructure services operating for the long term benefit of the island.'

This benefit is partly achieved through the diverse range of services provided, the majority of which touch the lives of the whole community in some way. These services not only ensure the maintenance, safety and security of the islands natural and built environment, but help to promote and support the island's natural beauty for islanders and visitors.

The business supports a number of work rehabilitation and return to work initiatives aimed at helping individuals back into the work place following a period of absence, or to overcome barriers to employment. We also recognise the importance of investing in our people and have established a proactive training and development framework to support our staff and the next generation of skilled operatives. This helping to address the growing skills shortage on island.

Our team

The team at States Works delivers a number of essential services that also supports the provision of a competent, tried and tested resource capable of responding to unplanned events and emergency situations.

We sincerely appreciate the efforts of all our staff who continued to keep the Island operating in the face of several economic and societal challenges.

Our business strategy and future

States Works' business plan published in 2020, set the scene for a period of significant change and transformation, and although good progress is being made, this was always going to be a longer-term commitment. However, in the backdrop of the challenges experienced during 2022, the management executive has commenced a fundamental review and re-baselining of the business plan. This with a view to establishing a set of focused priorities for the next 1 – 2 years, an approach it is considered will leave the business better placed to respond to market conditions and the changing needs of our clients. In the meantime, a key focus will continue to be digital transformation and the technological enablement of front line staff, the building blocks in relation to which are expected to be in place by mid 2023.

States' Trading Supervisory Board

States Works

Managing Director's Report

The STSB presents its report and the audited financial statements for States Works for the year ended 31 December 2022. These comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 23.

Principal activities

States Works, a business unit of the STSB, operates as a trading business delivering a wide range of services. Those services require a predominantly manual labour force utilising specialist plant and equipment to maintain the island's public infrastructure and associated services.

Our customers

States Works' customer base is predominantly other States of Guernsey committees and trading businesses for which it undertakes work based on formal service level agreements. The remaining 13% of turnover is undertaken for private clients including local Parish Douzaines.

Financial performance

	Actual	Budget	Actual
	2022	2022	2021
	£'000	£'000	£'000
Revenue	17,973	17,314	17,024
Surplus for the financial year	467	649	925
Capital expenditure	600	2,561	929

States Works made a surplus of £467k in 2022 compared to a budgeted surplus of £649k:

- Revenue for 2022 was £17,973k, £659k above budget.
- Operating expenses for 2022 were £15,957k which was £824k over budget. This was primarily as a result of pay increases in line with inflation that was higher than expected.
- Capital purchases of vehicles, plant and equipment were delayed which resulted in depreciation being £268k lower than budget.

The total investment loss for the year was £265k adverse to budget.

States' Trading Supervisory Board

States Works

Managing Director's Report - continued

Operational performance

	2022	2021
Staffing Statistics		
Number of staff members at year end	196	212
Income generated per employee	£91,700	£80,300
Full time equivalent employees	223	235
Emergency call-out		
Number of calls	234	217
Total hours worked	393	427.5

Contributions to the States of Guernsey

States Works made no contribution to the General Reserve in 2022 (2021: £0.5m) but assisted clients in achieving their own target reductions in a way that minimised noticeable impacts on services.

Statement of responsibilities for the preparation of financial statements

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

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

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

States' Trading Supervisory Board

States Works

Managing Director's Report - continued

Statement of financial controls

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

States Works' internal financial controls and monitoring procedures include:

- Annually reported and approved budgets monitored against monthly management accounts with additional operational detail reported in monthly management reports, which monitor actual revenue and expenditure against that anticipated. All such detail is regularly reviewed at meetings of the STSB and SWB, to ensure that all board members are informed of States Works' financial affairs,
- Customer invoices are subjected to a range of pre-determined computerised integrity checks prior to dispatch in order to ensure accuracy,
- Regular review of debtors to ensure that any delinquent debtors are identified at an early stage and dealt with appropriately,
- The control of materials and stores purchases are managed using a computerised job-costing programme with specific authorisation limits for purchases and segregated areas of responsibility for processing of payments, all of which maintain detailed audit trails,
- Manpower expenditure is monitored and controlled at source via time sheets, which are authorised and reconciled with the wage bill,
- Capital expenditure authorisation is subject to strict valuation guidelines and purchase procedures,
- Regular review of charges, and
- Consideration of all audit reports by the STSB.

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

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

States' Trading Supervisory Board

States Works

Managing Director's Report - continued

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 prepared by management, and deem that States Works, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that States Works is a going concern for at least 12 months from the approval of the financial statements.

Auditors

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

States' Trading Supervisory Board

States Works

Corporate Governance

The purpose of the SWB is to support the delivery of the STSB's mandate, ensuring the efficient and effective management, operation and maintenance of States Works.

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

The SWB membership is a minimum of a Chairman who is not a States Member, a Political Member of the STSB, a Senior Executive of an Incorporated Company or one or more senior Officers of the States of Guernsey, the States Works Managing Director and the Financial Manager.

All members of the SWB other than the Managing Director and the Financial Manager are appointed by the STSB.

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

The SWB does not hold a fiduciary responsibility.

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

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

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

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

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

States' Trading Supervisory Board States Works

Corporate Governance - continued

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

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

States' Trading Supervisory Board

States Works

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

Opinion

We have audited the financial statements of the States of Guernsey – States' Trading Supervisory Board ("STSB") – States Works for the year ended 31 December 2022, 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 States Works' affairs as at 31 December 2022 and of its surplus 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 States Works 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

States Works

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

Other information

The STSB is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the STSB for the financial statements

As explained more fully in the statement of responsibilities for the preparation of financial statements set out on page 8, the STSB is responsible for the preparation of the financial statements which give a true and fair view in accordance with FRS 102, and for such internal control as the STSB determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

States' Trading Supervisory Board

States Works

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

States' Trading Supervisory Board

States Works

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

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

Use of our report

This report is made solely to the members of the STSB. Our audit work has been undertaken so that we might state to the members of 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 States Works 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

22 May 2023

States' Trading Supervisory Board

States Works

Statement of Comprehensive Income

for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Revenue	2 & 4	<u>17,973</u>	<u>17,024</u>
Expenses	2 & 5		
Operating expenses		(12,521)	(11,830)
Administration and general expenses		<u>(3,436)</u>	<u>(3,263)</u>
		<u>(15,957)</u>	<u>(15,093)</u>
Operating surplus before depreciation and gain on disposal of fixed assets		2,016	1,931
Depreciation	8	(1,230)	(1,427)
Impairment of fixed assets	8	(54)	-
Gain on disposal of fixed assets		-	207
Revaluation of investment property	9	-	<u>90</u>
Operating surplus for the year		<u>732</u>	<u>801</u>
Investment (loss)/return		<u>(265)</u>	<u>124</u>
Surplus for the financial year		<u><u>467</u></u>	<u><u>925</u></u>

All material activities derive from continuing operations.

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

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

States' Trading Supervisory Board

States Works

Statement of Financial Position

as at 31 December 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Tangible fixed assets	8	6,114	6,798
Investment property	9	620	620
Assets under construction	10	30	-
		<u>6,764</u>	<u>7,418</u>
Current assets			
Inventories and work in progress	11	383	643
Debtors and prepayments	12	3,274	2,594
Balances with States Treasury		3,222	2,590
		<u>6,879</u>	<u>5,827</u>
Creditors: amounts falling due within one year	13	<u>(1,645)</u>	<u>(1,714)</u>
Net current assets		<u>5,234</u>	<u>4,113</u>
Total net assets		<u>11,998</u>	<u>11,531</u>
Reserves	14	<u>11,998</u>	<u>11,531</u>

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



Deputy P. Roffey
President

22 May 2023

Signed on behalf of the States Trading Group



Mr S. Elliott
Managing Director

22 May 2023

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

States' Trading Supervisory Board

States Works

Statement of Changes in Equity

for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Balance at 1 January		11,531	11,106
Surplus for the financial year		467	925
Transfer to States of Guernsey General Revenue	14	<u>-</u>	<u>(500)</u>
Balance at 31 December	14	<u>11,998</u>	<u>11,531</u>

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

States' Trading Supervisory Board

States Works

Statement of Cash Flows

for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Net cash flows from operating activities	15	<u>1,546</u>	<u>294</u>
Cash flows from investing activities			
Purchase of fixed assets	10	(630)	(929)
Proceeds on disposal of fixed assets		<u>-</u>	<u>226</u>
Net cash flows used in investing activities		<u>(630)</u>	<u>(703)</u>
Cash flows from financing activities			
Contribution to States of Guernsey General Revenue	14	-	(500)
Investment (loss)/return received		<u>(284)</u>	<u>281</u>
Net cash flows from financing activities		<u>(284)</u>	<u>(219)</u>
Net increase/(decrease) in cash and cash equivalents		632	(628)
Cash and cash equivalents at the beginning of the year		<u>2,590</u>	<u>3,218</u>
Cash and cash equivalents at the end of the year		<u>3,222</u>	<u>2,590</u>
Reconciliation to cash at bank and in hand:			
Balances with States Treasury		<u>3,222</u>	<u>2,590</u>
Cash and cash equivalents		<u>3,222</u>	<u>2,590</u>

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

States' Trading Supervisory Board

States Works

Notes to the Financial Statements

1. General information

States Works is an unincorporated business, the management, operation and maintenance of which is the responsibility of the States of Guernsey - STSB. The nature of States Works' operations and principal activities are set out in the Managing Director's report.

States Works' principal place of business is La Hure Mare, Vale, Guernsey, GY3 5UD.

2. Principal accounting policies

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

Accounting convention

The financial statements are prepared in accordance with the stated accounting policies and under the historical cost convention as modified to include Investment Properties at fair value and in accordance with Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council.

Functional and presentational currency

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

Going concern

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

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

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Tangible fixed assets

i) Investment properties

Investment properties for which fair value can be measured reliably on an ongoing basis are measured at fair value annually with any change recognised in the Statement of Comprehensive Income.

ii) Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Property, plant and equipment is depreciated over their expected useful life except assets in the course of construction.

iii) Assets under construction

Assets under construction are capitalised and are transferred to tangible fixed assets and depreciated once brought into use. All costs associated with capital projects, including professional fees are capitalised.

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 or, in the case of constructed assets, the asset being brought into a condition to be used as intended.

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

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

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Impairment of assets (excluding inventories)

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

Inventories

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

Work in progress

Work in progress is valued at cost.

Basic financial instruments

i) Trade debtors

Trade debtors are recognised initially at original invoiced amount. Subsequent to initial recognition they are measured at amortised cost, less any impairment losses.

ii) Cash and cash equivalents

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

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

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

convertible to known amounts of cash and subject to an insignificant risk of any change in notional value.

iii) Trade creditors

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

iv) 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 transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the business, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

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

Revenue and expenses

Revenue is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Revenue from the sale of goods is recognised when the goods are physically delivered to the customer. Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date.

Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Expenses are accounted for on an accruals basis.

Pension costs

Pension costs are treated as described in note 18.

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

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Investment return

Investment return on balances held with the States of Guernsey is accounted for on an accruals basis.

Leases

i) As lessee

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

ii) As lessor

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

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

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of States Works' accounting policies, which are described in Note 2, the SWB is 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.

There were no critical judgements that require disclosure made by the SWB in the process of applying States Works' accounting policies. The following estimations made by the SWB have the most significant effect on the amounts recognised in the financial statements.

i) Valuation of investment property

As stated in the accounting policies above, States Works' investment properties are stated at fair value, as accounted for by management based on an independent external appraisal. The estimated fair value may differ from the price at which the properties could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also certain estimates require an assessment of factors not within management's control such as overall market conditions. As a result, actual realisable proceeds could differ from the valuations in these financial statements, and the difference could be significant.

ii) Depreciation rates

States Works' building and equipment assets have no definite life, so management makes an assumption based on previous experience of the usage of the assets. The rate used for each type of asset that makes up the building and equipment assets has been disclosed in note 2.

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

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

4. Revenue

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

An analysis of States Works' revenue by class of business is set out below:

	2022	2021
	£'000	£'000
Administration and stores	598	493
Cleansing	1,608	1,593
Drainage	396	474
Electrical and mechanical	902	1,033
Emergency services	100	98
Fleet hire	115	115
Fleet maintenance	514	707
Highway repair	954	1,155
HWRC and Waste Transfer Station	2,454	2,309
Land management	2,095	1,887
Landfill and recycling	2,231	1,952
Management services	71	109
Sewage collection	3,431	2,993
Signs and lines	582	474
Waste collection	1,922	1,632
	<u>17,973</u>	<u>17,024</u>

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

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

5. Expenses

	2022	2021
	£'000	£'000
Operating expenses		
Direct labour	7,290	6,894
Direct materials	4,397	4,183
Vehicles – fuel costs	399	323
Plant and tools – maintenance and replacements	203	192
Building maintenance and charges	232	238
	<u>12,521</u>	<u>11,830</u>
Administration and general expenses		
Salaries, wages and employer's pension costs	2,200	1,995
Travel and training	39	52
Post, stationery and telephone	45	43
Information technology	38	57
Insurance	233	233
Audit fee	20	20
Professional fees and office expenses	861	863
	<u>3,436</u>	<u>3,263</u>
Total expenses	<u>15,957</u>	<u>15,093</u>

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

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

6. Staff numbers and costs

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

	2022	2021
Operational staff	184	197
Administration staff	39	38
	223	235

Their aggregate remuneration comprised:

	Note	2022	2021
		£'000	£'000
Wages and salaries		8,019	7,839
Social security costs		534	516
Pension costs	17	823	920
		9,376	9,275

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

7. Surplus for the financial year

Surplus for the financial year is stated after charging/(crediting):

	Note	2022	2021
		£'000	£'000
Auditor's remuneration		20	20
Depreciation of tangible fixed assets	8	1,230	1,427
Impairment of tangible fixed assets	8	54	-
Gain on disposal of fixed assets		-	(207)
Revaluation of investment property		-	(90)
		1,304	1,150

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

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

8. Tangible fixed assets

	1 January 2022 £'000	Additions £'000	Write offs/ Disposals £'000	31 December 2022 £'000
Cost				
Land	649	-	-	649
Buildings & fittings	4,302	16	(6)	4,312
Plant & equipment	2,212	178	(138)	2,252
Motor vehicles	10,220	406	(118)	10,508
Office equipment	230	-	(14)	216
	<u>17,613</u>	<u>600</u>	<u>(276)</u>	<u>17,937</u>
	1 January 2022 £'000	Charge for the year £'000	Write offs/ Disposals £'000	31 December 2022 £'000
Depreciation				
Land	-	-	-	-
Buildings & fittings	2,546	105	(6)	2,645
Plant & equipment	1,757	148	(138)	1,767
Motor vehicles	6,297	1,022	(118)	7,201
Office equipment	215	9	(14)	210
	<u>10,815</u>	<u>1,284</u>	<u>(276)</u>	<u>11,823</u>
Net Book Value	<u>6,798</u>			<u>6,114</u>

Included in depreciation is an impairment of £54k made on motor vehicles to reflect the impact of a roadside incident where the chassis of a vehicle was severely damaged.

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

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

9. Investment property

	1 January 2022 £'000	Additions/ Disposals £'000	Revaluations £'000	31 December 2022 £'000
Investment property	620	-	-	620
	<u>620</u>	<u>-</u>	<u>-</u>	<u>620</u>

This investment property, which is freehold, was purchased on 1 January 2007. The fair value of this property at 31 December 2022 was based on a valuation undertaken by an independent valuer with recent experience in the location and class of the investment property being valued.

The original book value of this property was £625k.

Operating lease of investment property

The investment property is rented out under an operating lease.

At the Statement of Financial Position date, States Works had contracted with tenants for the following future minimum lease payments:

	2022 £'000	2021 £'000
Within one year	<u>39</u>	<u>38</u>
	<u>39</u>	<u>38</u>

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

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

10. Assets under construction

	1 January 2022 £'000	Expense in the year £'000	Transfers to Tangible Fixed Assets £'000	31 December 2022 £'000
2022 Total	<u>-</u>	<u>630</u>	<u>(600)</u>	<u>30</u>
2021 Total	-	929	(929)	-

Assets under construction completed in 2022 and transferred to fixed assets primarily comprises replacement plant and vehicles.

Assets under construction as at 31 December 2022 relate to the cost of States Works' transition onto SAP as an accounting system.

11. Inventories and work in progress

	2022 £'000	2021 £'000
Inventories	323	351
Work in progress	<u>60</u>	<u>292</u>
	<u>383</u>	<u>643</u>

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

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

12. Debtors and prepayments

	2022 £'000	2021 £'000
Trade debtors	3,092	2,337
Prepayments and other debtors	<u>182</u>	<u>257</u>
	<u>3,274</u>	<u>2,594</u>

13. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	401	260
Accruals and deferred income	<u>1,244</u>	<u>1,454</u>
	<u>1,645</u>	<u>1,714</u>

14. Reserves

	2022 £'000	2021 £'000
Balance at 1 January	11,531	11,106
Surplus for the financial year	467	925
Transfer to States of Guernsey General Revenue	<u>-</u>	<u>(500)</u>
Balance at 31 December	<u>11,998</u>	<u>11,531</u>

All reserves are distributable

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

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

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

	2022	2021
	£'000	£'000
Operating surplus for the year	732	801
Depreciation charges	1,230	1,427
Impairment of fixed assets	54	-
Gain on disposal of fixed assets	-	(207)
Revaluation of investment property	-	(90)
Decrease/(increase) in inventories and work in progress	260	(100)
Increase in debtors	(680)	(515)
Decrease in creditors due within one year	(69)	(865)
Decrease/(increase) in accrued interest	19	(157)
	<hr/>	<hr/>
Net cash flows from operating activities	<u>1,546</u>	<u>294</u>

16. Financial commitments and contingent liabilities

	2022	2021
	£'000	£'000
Commitments at 31 December for which no provision has been made in these financial statements.	445	102
	<hr/>	<hr/>

Financial commitments are for orders placed for new vehicles not yet delivered.

States Works has no contingent liabilities as at 31 December 2022 (2021: £10k).

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

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

17. Financial instruments

States Works' financial instruments may be analysed as follows:

	Notes	2022 £'000	2021 £'000
Financial assets at amortised cost			
Cash and cash equivalents		3,222	2,590
Debtors	12	3,092	2,337
Financial liabilities at amortised cost			
Creditors: amounts falling due within one year	13	(401)	(260)

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

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

18. Employee benefits

The employees of States Works are members of the States of Guernsey Public Servants' Pension Scheme. These arrangements provide defined benefits on a career average revalued earnings (CARE) basis up to a salary cap (£94,081 as at 31 December 2022) for members joining from 1 May 2015 and, on a different CARE basis, for the service from 1 March 2016 of members who joined before 1 May 2015. There is a defined contribution section for earnings in excess of this salary cap. The arrangements for service before 1 March 2016 for members who joined before 1 May 2015 and for the future service of those closer to pension age remains final salary. The scheme is funded by contributions from both employer and employee. The employer rates for the defined benefits are determined on the basis of independent actuarial advice, and calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives.

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

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

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £823k (2021: £920k). The rate of employer contributions was reduced with effect from 1 August 2022 from 14.1% to 10.3%.

Further details relating to the funding of the Superannuation Scheme are included within the States of Guernsey Accounts 2022.

19. Statement of control

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

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

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

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". There has been a small change in the proportion of business between States of Guernsey Trading Business 54% (2021: 55%), other States of Guernsey 33% (2021: 33%) and private 13% (2021: 12%) clients.

Less than 20% of the value of the organisation's annual expenditure is due to transactions with other States entities.

The total compensation of key management personnel in 2022 (including salaries and other benefits) was £366k (2021: £320k).

STSB member Mr S. Falla CBE declared that he was a major shareholder in the Garenne Group during 2022. As such, transactions which had taken place between States Works and Garenne Group companies in the ordinary course of business were subject to declaration under FRS102 section 33. The aggregate of all these transactions is disclosed below and all were conducted at arms-length in the normal course of business. Where any conflict of interest may exist, Mr Falla, as under normal rules, would excuse himself from any STSB or other meetings and has not participated in any discussions or voting regarding awarding any contracts leading to these transactions.

	2022	2021
	£'000	£'000
Garenne Group		
Revenue	273	167
Expenses	121	319
	394	486
Trade Debtors	13	35
Trade Creditors	43	7

Of which £60k (2021: £nil) was the result of open tenders for the acquisition of specialist vehicles.

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

States' Trading Supervisory Board

States Works

Notes to the Financial Statements – continued

21. Subsequent events

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 2022 which would affect these financial statements (2021: None).

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