

States of Guernsey
States' Trading Supervisory Board
Guernsey Water

Annual Report and Audited Financial Statements

For the year ended 31 December 2023

States' Trading Supervisory Board

Guernsey Water

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States' Trading Supervisory Board

Guernsey Water

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		resigned 27 September 2023
Mr M. Thompson		appointed 27 September 2023
Dr S. Thornton		

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 A. Ford, Head of Shareholder Executive, States Trading Group
Mr P. Lickley, Corporate Services Director, States Trading Group appointed 1 October 2023
Mr M. Salmon, Finance Business Partner, States Trading Group

Guernsey Water Board Members

Dr S. Thornton	Chairman	
Deputy C. Parkinson		
Mr A. Bates	non-voting adviser	
Mr M. Lawther	non-voting adviser	resigned 28 February 2023
Mr S. Langlois	non-voting adviser	
Mr G. Merfield	non-voting adviser	appointed 1 October 2023
Mr A. Morton	non-voting adviser	

At its meeting of 4 May 2017, the STSB agreed to establish political sub-committees (company boards) for the trading businesses including Guernsey Water.

The constitution of the Guernsey Water Board ("GWB") was determined by the STSB at its meeting of 4 May 2017.

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

States' Trading Supervisory Board Guernsey Water

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

Principal Officers to the Guernsey Water Board

Mr S. Langlois, Managing Director, Guernsey Water

Mr C. Falla, Capital Delivery Manager, Guernsey Water

Mr J. Holt, Operations Manager, Guernsey Water

Mrs M. McGuinness, Water Quality Risk Manager, Guernsey Water

Mr A. Morton, Senior Finance Manager, Guernsey Water

Mrs T. Sargent, Customer Services Manager

Ms A. Simpson, Business Change Manager

appointed 1 July 2023

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

St James Place

St James Street

St Peter Port

GY1 2NZ

States' Trading Supervisory Board

Guernsey Water

Chairman's Report

Overview

As we noted last year, although Guernsey Water makes a significant operating surplus, we have made our fifth successive annual deficit in 2023. Clearly this is not sustainable in the medium term because the business is unable to fund a capital investment programme unless it generates surpluses. Guernsey Water operates extensive drinking water and wastewater networks, which require continual maintenance and improvement. The management team are working on ways to restore the business to surplus so it can continue to deliver a high-quality service to its customers at as low a price as possible. We plan to return to surplus in 2025.

Once again Guernsey Water has delivered excellent operational performance. We have achieved very high compliance with drinking water standards and low levels of leakage. The team continue to manage some very complex capital projects with minimal disruptions for customers. Ongoing challenges include well publicised supply chain issues, which have led to significant delays and increases in the cost of delivering capital projects.

We have worked with various States departments on long term strategic initiatives, including an update to the Water Resources and Drought Management Plan for Guernsey. We also continue to work with local community groups and charities on environmental initiatives.

Guernsey Water continues to offer good value for money and our charges compare very favourably with the UK and Jersey, but we are aware of the pressure on households. Looking forward, Guernsey Water must continue its significant capital investment programme if it is to continue to deliver high quality drinking water and the safe return of our wastewater to the environment. We will have to use a sustainable mix of increased debt and increased customer charges to finance this investment in our island's essential infrastructure.

Dr S. Thornton
Chairman
Guernsey Water Board

States' Trading Supervisory Board

Guernsey Water

Managing Director's Report

The STSB presents its report and the audited financial statements for Guernsey Water for the year ended 31 December 2023. 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 26.

Principal activities

Guernsey Water delivers to its customers:

- A reliable supply of high quality drinking water in sufficient quantity that satisfies normal daily demand at the lowest cost consistent with meeting a high level of customer service and confidence.
- A reliable wastewater collection service which treats and returns flow to the environment sustainably and efficiently.

Overview

2023 was an exceptionally challenging financial year for Guernsey Water.

Because of the cost-of-living pressures, we increased prices at the start of the year by less than originally budgeted. Despite inflation of 8.5% during the previous year, we restricted price increases to 6.9% for water charges and 7.5% for wastewater. The resulting reduction in planned revenue was compounded by reduced demand, particularly during the summer.

The effect of ongoing inflationary pressures on expenditure overtook price increases. There was a decline in the operating margin from what had been a stable level of around 28% in recent years. Despite making significant savings through changing the way we outsource wastewater services; this was not enough to offset cost increases elsewhere. The biggest cost increase came from the cesspit emptying service, because of difficulties in attracting and retaining drivers.

A recovery plan that targets a return to surplus in 2025 is in place. This includes a review of outsourced services and bringing them in house where delivery can be more efficient.

Guernsey Water needs to invest significant sums in maintaining the Island's drinking water and wastewater networks. Much of this infrastructure, particularly wastewater, operates in an extremely harsh environment. Our wastewater network is over 170km in length and has 58 pumping stations that pump to the Bellegreve Wastewater Centre. Whilst we have managed our capital programme within our debt facilities, going forward Guernsey Water's operating margin will need to increase if we are to fund 'stand still' investment in water and wastewater services. This investment is essential on a continual basis if service levels are to be maintained.

States' Trading Supervisory Board

Guernsey Water

We deliver drinking water and wastewater to all islanders for just £1.25 per day for the average metered domestic customer. Benchmarking shows that our water bills are low, and if the cesspit emptying subsidy is discounted wastewater bills are also low when compared to other jurisdictions. We remain committed to achieving a sustainable balance between the cost to our customers and providing a resilient service and high-quality supply.

Our customers

Guernsey Water provides water to the majority of the residents and businesses in Guernsey. Guernsey Water also collects and treats wastewater from all properties on the island.

	2023	2022	Change %
Number of supplies:			
Paying by tax on real property	7,635	7,745	(1.42%)
Paying by measure	19,105	18,906	1.05%
Total	26,740	26,651	0.33%

Financial performance

Guernsey Water has reported an operating surplus before depreciation and interest of £3,812k (2022: £4,821k) and a deficit of £1,417k in 2023 (2022: deficit £530k). The decline in operating surplus was down to a combination of increased costs and a fall in revenue. The main cost increases were the cesspit emptying service, electricity and chemicals. Although revenue was 4% higher than the prior year, it was lower than expected because of below original budget price increases and reduced demand.

	Actual 2023 £'000	Budget 2023 £'000	Actual 2022 £'000
Revenue	18,012	18,468	17,312
Expenditure	14,200	13,487	12,491
EBITDA	3,812	4,981	4,821
Deficit for the financial year	(1,417)	(186)	(530)
Capital expenditure	5,920	5,268	5,571

At the end of the year, Guernsey Water had cash and cash equivalents of £693k (2022: £1,258k) but net debt of £11,109k (2022: £8,860k).

States' Trading Supervisory Board

Guernsey Water

Managing Director's Report – continued

Capital programme

Last year we invested £5,920k in renewing and improving the Island's drinking water and wastewater services. Like many infrastructure businesses, Guernsey Water experienced cost pressures in its capital programme. Increased construction and materials costs resulted in the highest level of capital investment since the Belle Greve sea outfalls were replaced in 2015. The major completed projects included replacements of water mains (£1,239k) and installing new screens at Charroterie Pumping Station (£259k). In addition, £325k was spent on sewer rehabilitation.

We continued the complex refurbishment of St Saviour Water Treatment Works. For most of the project the treatment works have remained in operation, but we took the opportunity during the quieter winter months to shut down the facility. This enabled essential water treatment process replacement that could only be completed during shutdown. The plant is due to return to supply at a reduced output early in 2024. Work will then continue throughout the year with the facility due to return to full output in 2025. Once completed, the investment will reduce water treatment costs, increase resilience, and improve drinking water quality.

Another major ongoing project is improving our treated water storage facilities at Forest Road, where further works are planned in 2024 and 2025.

Looking further ahead there is a need to protect future generations from an increasing risk of drought. The team at Guernsey Water have invested a significant amount of time developing the Water Resources and Drought Management Plan, which will inform a decision by the States of Guernsey on the future use of Les Vardes quarry. The plan considers a range of scenarios looking as far ahead as 2080. In the upper scenario a new water source is needed to close the gap between supply and demand that widens over this period. Furthermore, climate change has prompted a more conservative approach to water resource planning, with the water industry now preparing for more severe droughts.

In 2024 we will begin one of several phases of investment in a large trunk main, which is central to the distribution of water in the north of the island. Sections of this main have now reached capacity and upsizing is required. Plans for development in the north of the island mean that new wastewater infrastructure will also be needed, which must be planned and delivered as development takes place to prevent sewer flooding and pollution.

States' Trading Supervisory Board

Guernsey Water

Managing Director's Report – continued

Operational performance

	2023	2022	Change %
Volume supplied in million litres (ML):			
Delivered to customers paying by measure	2,692	2,803	(4.0%)
Delivered to other customers	1,023	1,130	(9.5%)
Operational use, fire fighting and losses	668	521	28.2%
Total put into supply	4,383	4,454	(1.6%)
Service:			
Restrictions on supply	None	None	
Burst mains	16	19	(15.8%)
Discolouration - claims paid	6	3	100.0%
Unit costs (partially weather related):			
Water production (per ML)	£465	£345	34.8%
Water distribution (per supply)	£21	£25	(16.0%)
Average headcount	86	82	4.9%
Average number of full time equivalent employees	88	82	7.3%

Average headcount increased in 2023 due to successful backfilling of vacancies that had been held in 2022. Recruitment remains difficult in our capital delivery team due to skills shortages in engineering and asset management. New roles were also created to support an increase in investment in infrastructure by the operations and customer services teams and to better serve our customers.

Drinking water services

Providing high quality tap water is the top priority for our customers, so I am pleased to report that we achieved 99.93% compliance with drinking water standards in 2023 (2022: 99.98%). This means that Guernsey continues to have excellent drinking water quality, which is vital if we are to achieve our aim of providing the drinking water of choice.

Customer drinking water quality issues remained just above the 10 year low (2021) with 10 taste and odour contacts (2022: 18) and 19 discolouration contacts (2022: 7). Improved reservoir management, investment in new disinfection processes, and ongoing investment in water mains rehabilitation have made important contributions, but this success is primarily down to our people.

States' Trading Supervisory Board

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Managing Director's Report – continued

Leakage from the water distribution system equated to 66 litres per property served per day in 2023. This compares well with the average for water companies in England and Wales (2022-23: 113 litres per property served per day) but was an increase on leakage last year (2022: 52), so this will be monitored closely.

Demand for water last year fell by 5% when compared to the average for the previous 5 years. This was predominantly weather related. Annual rainfall in 2023 was 22% higher than the average for the previous 10 years, and sunshine hours were much lower than normal during the summer months. A wet end to the year included storm Ciaran, which contributed to over twice the average rainfall in November. This meant that water resource levels were full by the end of the year, so no further rainfall could be stored ahead of peak summer demand.

Wastewater services

The wet winter also caused flooding in some parts of the island, increased volumes in our wastewater network and put the cesspit collection service under seasonal pressures. Last year we transferred over 168,000 loads (around 576 million litres of wastewater), from 5,500 cesspit customers' homes to the sewerage network.

Our cesspit collection service represents a significant part of our operating cost base. In recent years, because we have restrained price increases, we have recovered slightly less than the one third of cost target set by the States, as a result we have now increased cesspit collection charges. The remaining two thirds of the cost of the service is shared amongst all customers. We have conducted a review of how we charge for the cesspit emptying service and will be introducing charges for unrequired and no access visits. The purpose of these charges is to reduce unnecessary journeys and make the service more efficient.

We continue to work with our partners at States Works to provide the most cost effective service possible. Collectively, our new cesspit emptying management system, was in operation for the full year and is providing the team with the data needed to effectively manage the service and identify where we can be more efficient.

States' Trading Supervisory Board

Guernsey Water

Managing Director's Report – continued

Our community

2023 was another busy year for Guernsey Water in the community. We continued to promote the Refill Guernsey initiative, which included supporting a wide range of island sports events by providing temporary standpipes to enable the public to refill their bottles with tap water. Five permanent refill stations are now provided around the island, together they provided the equivalent to 27,926 500ml bottled water bottles. This helped reduce plastic waste and provided an affordable and healthy hydration option for the public.

Guernsey Water continues to maintain the Millennium Walk around St Saviour Reservoir for the island community. The outdoor learning space that opened in 2021 has been used by schools and community groups such as the education team at La Société Guernesiaise. This has helped foster and share knowledge about nature and connect our island community with nature; both are goals within the States of Guernsey Strategy for Nature. The walk suffered extensive damage during storm Ciaran in November, and had to be closed, but was made safe and reopened again before the spring of 2024.

Our team

Our Licence to Operate (LTO) development programme started in 2021. The aim of this is to upskill our technicians, improve retention and attract further talent into vital operational roles. The third stage of development commenced in 2023. Almost all those who were eligible transferred to the LTO programme and 100% successfully completed the mandatory core competency stage 1 and stage 2. In addition, everyone who chose to complete stage 3 (81% of people at stage 2) went on to gain a Level 3 Diploma in Water Treatment or Water Network Operations.

Much was achieved by the people at Guernsey Water last year and I thank them for their dedication, hard work and commitment to excellent service.

States' Trading Supervisory Board

Guernsey Water

Managing Director's Report – continued

Our business strategy and future

In the future Guernsey Water will need to become more flexible to meet new regulatory requirements, keep up with the rapid pace of technological change and meet ever increasing customer expectations. This will all be set against a backdrop of growing pressure on our island's resources and a squeeze on household budgets. These challenges cannot be met by Guernsey Water alone, so cross-committee collaboration and partnership working will become even more important in the future.

How Guernsey Water plans to meet these challenges is included in its strategic direction statement. This establishes Guernsey Water's purpose, which is to 'provide water for life' and a vision that it will continually strive for:

"Customers always value the quality of our drinking water and the safe return of our wastewater to the environment."

The strategic direction statement sets out the following outcomes;

- Proud performing people,
- Valued by customers,
- Drinking water of choice,
- Sustainable drainage,
- Protect our environment,
- Sufficient and resilient,
- Firm financial foundations,

The strategic direction statement provided direction for a new business plan that was approved by the GWB at the end of 2021 and subsequently endorsed by the STSB. As an island infrastructure provider Guernsey Water is an asset intensive business. Efficient investment in this infrastructure requires long term planning and proactive asset renewal. This is why the new business plan has been developed in tandem with an asset management system. Asset management principles underpin the new business plan, which covers the period to 2026 in detail. However, it is set within an infrastructure plan that looks at investment needs up to 2060.

States' Trading Supervisory Board

Guernsey Water

Managing Director'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 of Guernsey Water and of the surplus or deficit of Guernsey Water 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 Guernsey Water'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 the assets of Guernsey Water's 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 Water and has a duty to ensure that they fulfil their obligations.

Guernsey Water'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 and GWB, to ensure that all board members are informed of Guernsey Water's financial affairs,
- Customer invoices are subjected to a range of pre-determined 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 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 via time sheets, which are authorised and reconciled with the wage bill,

States' Trading Supervisory Board

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Managing Director's Report – continued

- Capital expenditure authorisation is subject to approval and review against budget by the Capital Investment Group which is constituted from the Principal Officers of Guernsey Water,
- Regular review of charges for water supplies and other services, and
- Consideration of all audit reports by the STSB.

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

Guernsey Water'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 prepared by management, and deem that Guernsey Water, 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 Water is a going concern for at least 12 months from the approval of the financial statements.

Independent Auditor

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

States' Trading Supervisory Board

Guernsey Water

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 Water.

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 Guernsey Water Managing Director and the Financial Manager.

All members other than the Guernsey Water 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 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 Water, as directed from time to time by the STSB. It must ensure that Guernsey Water'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 Water.

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 Water Managing Director in the day-to-day operation of Guernsey Water in line with approved budget and business plans.

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

States' Trading Supervisory Board Guernsey Water

Corporate Governance - continued

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

In the event 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

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Independent Auditor's Report to the Members of the States of Guernsey - States' Trading Supervisory Board - Guernsey Water

Opinion

We have audited the financial statements of the States of Guernsey – States' Trading Supervisory Board ("STSB") – Guernsey Water for the year ended 31 December 2023 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.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of Guernsey Water as at 31 December 2023 and of its financial performance and its cash flows for the year then ended; and
- are in accordance with the United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("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 Water 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

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Independent Auditor's Report to the Members of the States of Guernsey - States' Trading Supervisory Board - Guernsey Water - 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

The STSB are responsible for the preparation of the financial statements which give a true and fair view in accordance with FRS102, 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 Water'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 Water or to cease operations, or have no realistic alternative but to do so.

States' Trading Supervisory Board

Guernsey Water

Independent Auditor's Report to the Members of the States of Guernsey - States' Trading Supervisory Board - Guernsey Water - 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 Water'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 Water'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 Water 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 Water

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

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 Water 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

7 May 2024

States' Trading Supervisory Board

Guernsey Water

Statement of Comprehensive Income

for the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Revenue	2 & 4		
Water supplies		5,988	5,793
Wastewater supplies		10,217	9,860
Other income		1,807	1,659
		<u>18,012</u>	<u>17,312</u>
Expenses	2 & 5		
Operating expenses		(9,498)	(8,542)
Management expenses		(4,702)	(3,949)
		<u>(14,200)</u>	<u>(12,491)</u>
Operating surplus before depreciation and amortisation, impairment and gain on disposal of fixed assets		3,812	4,821
Depreciation and amortisation	8 & 9	(4,814)	(4,956)
Gain on disposal of fixed assets		16	-
Revaluation of investment property		(45)	54
		<u>(1,031)</u>	<u>(81)</u>
Operating deficit for the year		(1,031)	(81)
Investment return/(loss) and net interest receivable		71	(88)
Interest payable		(457)	(361)
		<u>(1,417)</u>	<u>(530)</u>
Deficit for the financial year		(1,417)	(530)

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 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Statement of Financial Position

as at 31 December 2023

	Notes	2023 £'000	2022 £'000
Non-current assets			
Intangible fixed assets	8	567	380
Tangible fixed assets	9	144,635	144,371
Investment property	10	846	891
Assets under construction	11	5,867	5,214
		<u>151,915</u>	<u>150,856</u>
Current assets			
Inventories	12	2,526	2,224
Debtors and prepayments	13	2,354	2,066
Cash at bank and in hand		551	926
Balances with States Treasury		151	332
		<u>5,582</u>	<u>5,548</u>
Creditors: amounts falling due within one year	14	<u>(4,370)</u>	<u>(3,291)</u>
Net current assets		<u>1,212</u>	<u>2,257</u>
Creditors: amounts falling due after more than one year	15	<u>(18,305)</u>	<u>(16,874)</u>
Total net assets		<u>134,822</u>	<u>136,239</u>
Reserves	18	<u>134,822</u>	<u>136,239</u>

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



Deputy P. Roffey
President

7 May 2024

Signed on behalf of the States Trading Group



Mr S. Elliott
Managing Director

7 May 2024

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Statement of Changes in Equity

for the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Balance at 1 January		136,239	136,769
Deficit for the financial year		<u>(1,417)</u>	<u>(530)</u>
Balance at 31 December	18	<u>134,822</u>	<u>136,239</u>

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Statement of Cash Flows

for the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Net cash flows from operating activities	19	4,048	4,433
Cash flows from investing activities			
Purchase of fixed assets	11	(5,920)	(5,571)
Proceeds from disposal of fixed assets		18	-
Net cash flows used in investing activities		(5,902)	(5,571)
Cash flows from financing activities			
Loans taken out in year	16	2,000	2,200
Capital repaid	16	(316)	(247)
Interest paid		(457)	(361)
Investment return/(loss) and interest received		71	(88)
Net cash flows from financing activities		1,298	1,504
Net (decrease)/increase in cash and cash equivalents		(556)	366
Cash and cash equivalents at the beginning of the year		1,258	892
Cash and cash equivalents at the end of the year		702	1,258
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		551	926
Balances with States Treasury		151	332
Cash and cash equivalents		702	1,258

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements

1. General information

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

Guernsey Water's principal place of business is Brickfield House, St Andrew, Guernsey, GY1 3AS.

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 Guernsey Water 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 Guernsey Water, 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 Water is a going concern for at least 12 months from the approval of the financial statements.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

2. Principal accounting policies - continued

Intangible assets

i) Long-term strategies

Expenditure on reports that are designed to inform the long-term strategies of Guernsey Water are capitalised as an intangible fixed asset and amortised over the period for which the GWB expects to be able to rely on the usefulness of the recommendations within the report. This period is five years. Provision is made for any impairment.

If the expenditure is only relevant to a decision in relation to a single asset then the expenditure is expensed as incurred. Expenditure on reports into the implementation of GWB decisions are capitalised as part of the tangible fixed asset constructed as a result of those decisions.

Tangible fixed assets

i) Investment property

Investment property shall be measured at fair value at each reporting date with changes in fair value recognised in the Statement of Comprehensive Income.

ii) 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 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.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

2. Principal accounting policies - continued

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 beginning of the month following 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
Land		
Land and quarries	-	-
Land and quarries improvements	10 - 50	2% - 10%
Buildings		
Structures and buildings	10 - 50	2% - 10%
Infrastructure		
Dam	50	2%
Distribution meters	12	8.3%
Fixed plant (machinery)	5 - 15	6.7% - 20%
Mains	10 - 50	2% - 10%
Mobile plant and tools	5	20%
Pumping stations – Civil	50	2%
Pumping stations – Mechanical and Electrical	15	6.7%
Pumping stations – Control/Instrumentation	10	10%
Rising Mains	50	2%
Rolling Capital Programmes	7	14.3%
Sewers – Pipes	70 - 90	1.1% - 1.4%
Sewers – Chambers	20	5%
Sewers – Manhole Covers	5	20%
Furniture, fixtures and fittings		
Computer equipment	5	20%
Office furniture, fittings and equipment	5 - 10	10% - 20%
Motor vehicles		
Motor vehicles	7	14.3%

The useful life of sewers - pipes is 70 - 90 years. The above table has been amended to reflect this.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

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 materials and are calculated using the average cost method. Provisions are made for obsolete, slow-moving or defective items where appropriate.

Basic financial instruments

i) Trade debtors

Invoiced 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 Water. Whilst Guernsey Water operates two bank accounts, it 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 on Guernsey Water'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.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

2. Principal accounting policies - continued

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) Loans from the States of Guernsey

Loans from the States of Guernsey are initially recognised at cost. These loans are subsequently measured at amortised cost.

v) Derecognition 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 and expenses are accounted for on an accruals basis and also includes the estimated value of unbilled water and wastewater supplies and cesspit emptying income which is calculated by reference to the value at which supplies will be invoiced. This total estimated value of unbilled supplies is included in debtors.

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. When the work has been completed this is recognised immediately as income.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

2. Principal accounting policies - continued

Pension costs

Pension costs are treated as described in note 22.

Capital grants

Grants from the States of Guernsey relating to tangible fixed assets are treated as deferred income and released to the Statement of Comprehensive Income over the anticipated useful life of the assets concerned on a basis consistent with the depreciation of the underlying asset. Other grants are credited to the Statement of Comprehensive Income as the related expenditure is incurred.

Where the original amount of a grant is repaid any deferred income that has previously been released to the Statement of Comprehensive Income is treated as a reduction in income in the Statement of Comprehensive Income in the period that the repayment is made.

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.

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 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of Guernsey Water's accounting policies, which are described in note 2, the STSB 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.

There were no critical judgements that require disclosure made by the GWB in the process of applying Guernsey Water's accounting policies. The following estimations made by GWB 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, Guernsey Water's 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

Guernsey Water's infrastructure 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 infrastructure assets has been disclosed in note 2.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

3. Critical accounting judgement and key sources of estimation uncertainty - continued

iii) Reassessment of the useful life of St Saviour water treatment works assets

As a result of the approval of Guernsey Water's Water Treatment Strategy in September 2020, the decision was taken to replace the membranes at St Saviour water treatment works with Rapid Gravity Filters. The assets that constitute the membranes have been reviewed and their end of life has been adjusted in line with the expected completion of the project. The results of this are disclosed in note 9.

iv) Rolling capital and meters

As a result of past experience and due to the nature of these assets, management has automatically treated these assets as disposals when they are at the end of their useful lives.

v) Unbilled services

Measured and unmeasured water supplies and wastewater and cesspit emptying are billed on a quarterly cycle which means at the year-end a significant volume of water has been supplied and wastewater treated that has not been invoiced. Management estimates the value of these services based on subsequent invoicing.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

4. Revenue

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

An analysis of Guernsey Water's revenue by class of business is set out below:

	2023	2022
	£'000	£'000
Water Supplies		
Unmeasured	1,844	1,750
Measured	4,144	4,043
	5,988	5,793
Wastewater Supplies		
Unmeasured	3,286	3,116
Measured	6,931	6,744
	10,217	9,860
Other Income		
Cesspit emptying income	1,370	1,220
Net surplus on other trading activities (below)	253	255
Net government grant released (note 17)	184	184
	1,807	1,659
	18,012	17,312

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

4. Revenue - continued

	2023 £'000	2022 £'000
Net surplus on other trading activities		
Standard charges for service laying	211	311
Charges for work at ascertained cost	21	21
Property rental income	170	165
Notional rental income	11	10
Cost of items issued from stores	47	(8)
	460	499
Expenditure	(207)	(244)
	253	255

5. Expenses

	2023 £'000	2022 £'000
Operating expenses		
Tactical support	549	426
Water production	2,038	1,536
Water distribution	574	655
Asset management	484	497
Pumping	1,110	1,202
Sewers	4,743	4,226
	9,498	8,542
Management expenses		
Management and general	1,845	1,362
Water quality and risk management	516	456
Customer services	1,031	974
Finance and support services	1,310	1,157
	4,702	3,949
Total expenses	14,200	12,491

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

6. Staff numbers and costs

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

	2023	2022
Capital delivery	11	12
Operations	41	38
Customer services	24	22
Administration and support	6	4
Water quality risk management	6	6
	<u>88</u>	<u>82</u>

Their aggregate remuneration comprised:

	Note	2023 £'000	2022 £'000
Wages and salaries		4,383	3,784
Social security costs		298	253
Pension costs	22	421	434
Remuneration costs transferred to capital assets		(928)	(629)
		<u>4,174</u>	<u>3,842</u>

Pension costs include only those items within operating and management expenses.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

7. Deficit for the financial year

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

	Note	2023 £'000	2022 £'000
Auditor's remuneration		27	26
Net government grants released	17	(184)	(184)
Notional rental income		(11)	(10)
Amortisation of intangible fixed assets	8	143	79
Depreciation of tangible fixed assets	9	4,671	4,877
Gain on disposal of fixed assets		(16)	-
		<u>4,630</u>	<u>4,788</u>

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

8. Intangible fixed assets

	1 January 2023 £'000	Additions £'000	Disposals £'000	31 December 2023 £'000
Cost				
Long-term strategies	868	330	-	1,198
	868	330	-	1,198
	1 January 2023 £'000	Charge for the year £'000	Disposals £'000	31 December 2023 £'000
Amortisation				
Long-term strategies	488	143	-	631
	488	143	-	631
Net Book Value	380			567

Long-term strategies represent reports prepared to inform the long-term decision making of Guernsey Water.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

9. Tangible fixed assets

	1 January 2023 £'000	Additions £'000	Disposals £'000	31 December 2023 £'000
Cost				
Land	3,154	6	-	3,160
Infrastructure	206,936	4,258	(275)	210,919
Buildings	17,844	385	-	18,229
Motor vehicles	905	189	(114)	980
Office equipment	1,458	99	-	1,557
	<u>230,297</u>	<u>4,937</u>	<u>(389)</u>	<u>234,845</u>
	1 January 2023 £'000	Charge for the year £'000	Disposals £'000	31 December 2023 £'000
Depreciation				
Land	359	32	-	391
Infrastructure	78,316	3,998	(275)	82,039
Buildings	5,704	474	-	6,178
Motor vehicles	582	105	(112)	575
Office equipment	965	62	-	1,027
	<u>85,926</u>	<u>4,671</u>	<u>(387)</u>	<u>90,210</u>
Net Book Value	<u>144,371</u>			<u>144,635</u>

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

10. Investment properties

	1 January 2023 £'000	Additions/ Disposals £'000	Revaluations £'000	31 December 2023 £'000
Investment properties	891	-	(45)	846
	<u>891</u>	<u>-</u>	<u>(45)</u>	<u>846</u>

Investment properties, which are all freehold, were revalued to fair value at 31 December 2023, based on a valuation undertaken by an independent valuer with recent experience in the location and class of the investment property being valued. The method of determining fair value was using the Red Book value. There are no restrictions on the realisability of investment property.

The original book value of the investment properties was £254k.

On 29 April 2020 Guernsey Water signed a lease with Guernsey Housing Association LBG in relation to Shamrock Cottage for a term of 15.5 years. The terms of the lease provided for the cost of the property refurbishment to be borne by the lessee in return for a rental of £1 per annum over the life of the lease. Guernsey Water is able to void the lease at any time should the property be required for operational reasons by paying the lessee the outstanding balance on the loan taken out by the lessee to cover the cost of the refurbishments.

Guernsey Water has accounted for the cost of the refurbishments carried out by the lessee (£186k) as an addition to the value of the property and is holding a balance of deferred income that represents the balance of the loan taken out by the lessee. As the lessee makes capital repayments the value of those repayments is charged to the revenue account as rental income. Guernsey Water spent a further £1k on the property.

In 2023, Guernsey Water received £11k (2022: £10k) in notional rent for the property.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

11. Assets under construction

	1 January £'000	Expense in the year £'000	Transfer to Tangible & Intangible Fixed Assets £'000	31 December £'000
2023 Total	5,214	5,920	(5,267)	5,867
2022 Total	4,842	5,571	(5,199)	5,214

Assets under construction completed in 2023 and transferred to fixed assets include, replacement of water mains (£1,239k), sewer rehabilitation (£325k), Meter replacements (£294k), Forest Road Transfer Main and Drainage (£201k), Forest Road Service Reservoir improvements (£190k), Belle Greve Long Sea Outfall (£199k), Wastewater CCTV survey (£176k) and Combined Sewer Outfall monitoring (£115k).

Assets under construction as at 31 December 2023 relate principally to work on returning St Saviour Water Treatment Works to rapid gravity filters (£3,860k), improvements to the treated water storage at Forest Road (£356k), new screens at Charroterie Pumping Station (£267k) and updates to the Water Resources and Drought Management Plan (£253k).

12. Inventories

	2023 £'000	2022 £'000
Water production	895	751
Water distribution	678	627
Wastewater	953	846
	2,526	2,224

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

13. Debtors and prepayments

	2023	2022
	£'000	£'000
Customers' billed accounts outstanding	828	521
Unbilled water supplies	419	422
Unbilled wastewater	720	722
Unbilled cesspit income	207	172
Other debtors and prepayments	180	229
	<u>2,354</u>	<u>2,066</u>

14. Creditors: amounts falling due within one year

	Note	2023	2022
		£'000	£'000
Trade creditors		1,371	779
Accruals		2,483	2,026
Deferred income		177	205
		<u>4,031</u>	<u>3,010</u>
Loan from States of Guernsey	16	328	270
Deferred income (below)		11	11
		<u>4,370</u>	<u>3,291</u>

In 2020 Guernsey Water entered into a lease agreement for Shamrock Cottage with Guernsey Housing Association LBG (see note 10). As a result of this transaction £11k (2021: £11k) of deferred income has been recognised as due within one year.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

15. Creditors: amounts falling due after more than one year

	Note	2023 £'000	2022 £'000
Loan from States of Guernsey	16	11,474	9,848
Capital grants	17	6,694	6,878
Deferred income		137	148
		<u>18,305</u>	<u>16,874</u>

The deferred income represents notional rental income that is due after more than one year in relation to Shamrock Cottage (see note 10).

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

16. Loan from States of Guernsey

	2023	2022
	£'000	£'000
Balance at 1 January	10,118	8,165
Additional borrowing	2,000	2,200
Capital repaid	(316)	(247)
Balance at 31 December	11,802	10,118

On 30 September 2017 Guernsey Water borrowed £9.9m from the States of Guernsey, which is repayable on a quarterly basis over a period of 29.5 years at an annual interest rate of 3.625%.

On 22 February 2021 Guernsey Water borrowed £2.2m from the States of Guernsey which is repayable on a quarterly basis over a period of 24.75 years at an annual interest rate of 3.625%.

On 2 January 2022 Guernsey Water borrowed £2.0m from the States of Guernsey which is repayable on a quarterly basis over a period of 24 years at an annual interest rate of 4.787%.

	2023	2022
	£'000	£'000
Within one year	328	270
Between one to two years	340	280
Between two to five years	1,102	903
More than five years	10,032	8,665
	11,802	10,118

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

17. Capital grants

	2023	2022
	£'000	£'000
Balance at 1 January	6,878	7,062
Net government grants released	<u>(184)</u>	<u>(184)</u>
Balance at 31 December	<u>6,694</u>	<u>6,878</u>

An amount of £184k was released to the Statement of Comprehensive Income in 2023 (2022: £184k). This represents an apportionment of the States of Guernsey grants received over the life of the assets to which the grants relate. This offsets the depreciation on those assets. The release of the grant is commenced on the date of recognition of the asset.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

18. Reserves

	Non- Statutory - Revenue Reserve £'000	Funding from the States of Guernsey – Merger Reserve £'000	Revenue Account £'000	Total £'000
Balance at 1 January	900	75,178	60,161	136,239
Deficit for the financial year	-	-	(1,417)	(1,417)
Transfer of non-water surplus	232	-	(232)	-
Balance at 31 December	1,132	75,178	58,512	134,822

On 13 December 2021 the GWB approved the renaming of the Property Development Fund to the Non-Statutory Revenue Reserve to better reflect its purpose. Transfers to the Reserve comprise property related surpluses/deficits and other non-water/non-wastewater related surpluses/deficits. In addition, it was approved that this Reserve should be utilised for the following purposes:

- i) Fund projects that are not related to the core services of providing water and removing wastewater;
- ii) Fund projects that are related to the diversification of the use of our assets in relation to leisure activities;
- iii) Fund projects in relation to biodiversity on our operational sites; and
- iv) Provide a mechanism for making returns to the States of Guernsey.

Funding from the States of Guernsey – Merger Reserve represents the net book value of the assets transferred by the States of Guernsey Public Services Department ("PSD") to Guernsey Water on the amalgamation of Guernsey Water and Guernsey Wastewater effective 1 January 2012.

All reserves are distributable.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

19. Reconciliation of operating deficit to net cash inflow from operating activities

	2023 £'000	2022 £'000
Operating deficit for the year	(1,031)	(81)
Notional rental income received	(11)	(10)
Depreciation and amortisation charges	4,814	4,956
Gain on disposal of fixed assets	(16)	-
Revaluation of investment property	45	(54)
Net government grants released	(184)	(184)
Increase in inventories	(302)	(275)
Increase in debtors	(288)	(274)
Increase in creditors due within one year	1,021	355
Net cash flows from operating activities	4,048	4,433

20. Financial commitments and contingent liabilities

	2023 £'000	2022 £'000
Commitments for fixed asset acquisitions at 31 December for which no provision has been made in these financial statements	119	213

The financial commitments are in relation to projects where elements have been awarded to suppliers but the work has not yet been undertaken. The only commitments at the year end related to the work on the new filters at St Saviour Water Treatment Works.

Guernsey Water has no contingent liabilities as at 31 December 2023 (2022: £nil).

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

21. Financial instruments

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

	Note	2023 £'000	2022 £'000
Financial assets at amortised cost			
Cash and cash equivalents		702	1,258
Debtors	13	828	521
Financial liabilities at amortised cost			
Creditors: amounts falling due within one year	14	(1,699)	(1,049)
Creditors: amounts falling due after more than one year	15	(11,474)	(9,848)

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

22. Employee benefits

The employees of Guernsey Water 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 (£106,235 as at 31 December 2023) 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 Water'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 Water are considered to be ultimately employees of the States of Guernsey.

Consequently, Guernsey Water 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 £421k (2022: £434k).

Further details relating to the funding of the Superannuation Scheme are included within the States of Guernsey Accounts 2023.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

23. Statement of control

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

24. Related party transactions

The STSB is of the opinion that there have been no material 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".

The total compensation of key management personnel in 2023 (including salaries and other benefits) was £560k (2022: £428k).

Related party transactions between Guernsey Water 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 declared that he was a major shareholder in the Garenne Group during 2023, however, the group was put into voluntarily liquidation on 3rd May 2023. As such, transactions which had taken place (between 1 January – 2 May 2023) between the Guernsey Water and Garenne Group companies in the ordinary course of business were subject to declaration under FRS102 Section 33. The aggregate of all of these transactions is not of a material nature to either party and all were conducted at arms-length in the normal course of business. Where any conflicts of interest have existed, Mr Falla CBE, as under normal rules, would excuse himself from any STSB or other meetings and did not participate in any discussions or voting regarding awarding any contracts leading to these transactions. Mr S. Falla resigned from the board on 27 September 2023.

	2023	2022
	£'000	£'000
Garenne Group		
Expenses	19	9
Assets under construction	135	1,288
	154	1,297
Trade Creditors	-	4

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board

Guernsey Water

Notes to the Financial Statements - continued

Of which £nil (2022: £518k) was the result of open public tenders and £65k (2022: £743k) of the remainder coming from a pre-existing framework agreement and the balance of £89k (2022: £36k) being ad hoc work.

25. Subsequent events

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

26. Off balance-sheet arrangements

There are no commitments or contingent liabilities other than detailed in note 20 relating to 2023 which would affect these financial statements (2022: None).

Notes 1 to 26 form an integral part of these financial statements.