

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD

GUERNSEY WASTE ACCOUNTS 2019

The States are asked to decide:-

1. Whether they are of the opinion to agree with the States' Trading Supervisory Board's approval of the Guernsey Waste Accounts for the year ending 31 December 2019.

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

States of Guernsey
States' Trading Supervisory Board
Guernsey Waste

Report and Financial Statements

For the year ended 31 December 2019

States' Trading Supervisory Board Guernsey Waste

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States' Trading Supervisory Board

Guernsey Waste

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

States' Trading Supervisory Board Members

Deputy P. Ferbrache,	President	
Deputy J. Kuttelwascher		deceased 23 January 2020
Deputy J. Smithies		
Deputy P. Roffey		appointed 26 February 2020
Mr S. Falla MBE		
Mr J. Hollis		

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 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 of Guernsey Trading Assets
Mr R. Evans, Deputy Managing Director, States of Guernsey Trading Assets
Mr S. Gardiner, Finance Business Partner, States of Guernsey Trading Assets
Mr A. Ford, Head of Shareholder Executive, States of Guernsey Trading Assets

States' Trading Supervisory Board

Guernsey Waste

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

Guernsey Waste Board Members

Mr J. Hollis	Chairman	appointed 1 January 2019
Deputy J. Smithies		appointed 1 January 2019
Deputy J. Kuttelwascher		appointed 1 January 2019, deceased 23 January 2020
Mr R. Evans		appointed 1 January 2019
Mr M. Jones		appointed 1 January 2019
Mr P. Watson	non-voting adviser	appointed 11 October 2019
Mr B. Le Huray	non-voting adviser	appointed 11 October 2019
Miss S. Robinson	non-voting adviser	appointed 1 January 2019
Mr I. Merrien	non-voting adviser	appointed 1 January 2019

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

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

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

Principal Officers to the Guernsey Waste Board

Miss S. Robinson, Operations Manager, Guernsey Waste	appointed 1 January 2019
Mr I. Merrien, Senior Finance Manager, Guernsey Waste	appointed 1 January 2019
Mr R. Roussel, Technical Advisor, Guernsey Waste	appointed 1 January 2019
Mrs E. Gasse, Contracts Manager, Guernsey Waste	appointed 1 January 2019, resigned 30 April 2019
Mrs R. Scally, Contracts Manager, Guernsey Waste	appointed 15 July 2019

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.

States' Trading Supervisory Board

Guernsey Waste

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

Legal Advisers

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

Independent Auditor

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

States' Trading Supervisory Board

Guernsey Waste

Chairman's report

Overview

As part of the 2019 Budget Report (Billet d'État XXIV, 2018), the States of Guernsey noted *"that Guernsey Waste will be established, from 1 January 2019, as a trading business unit, forming part of the States' Trading Supervisory Board, to carry out operational functions of the Waste Disposal Authority including administering the Solid Waste Trading Account."* The States' Trading Supervisory Board acts as the Waste Disposal Authority ("WDA") and is responsible for implementing the Waste Management and Disposal Plan. Guernsey Waste continued with the States of Guernsey's agreed Waste Strategy to encourage islanders to reduce waste and provide waste services and facilities that make it easy to reuse and recycle.

This was the first year of operation for Guernsey Waste and a year of momentous change for the island of Guernsey.

Business Performance

The new Waste Transfer Station and Household Waste and Recycling Centre were both built, commissioned and handed over to Guernsey Waste for operation in 2019. This year also saw the introduction of household waste charges to encourage island-wide recycling behaviour changes, following the introduction of kerbside collections in 2018.

The household recycling rate achieved for Guernsey by the end of 2019 was 73.1%, exceeding the 2030 target of 70% in the first full year of implementation of the Waste Strategy. This places Guernsey at a higher recycling rate than all UK local authorities and is a great credit to the efforts of Islanders for adopting new behaviours and using the provisions available to them, as well as to all at Guernsey Waste and supporting contractors.

As a result of the recycling rate being much higher than expected, with residual waste volumes being much lower than expected, there was a revenue deficit on the trading account compared to what was anticipated and modelled. This deficit is the result of lower 'pay-as-you-throw' revenue from lower kerbside residual waste charges, given that no kerbside charges are levied on the waste for recycling. The financial position is further affected by Guernsey Waste inheriting the burden of monitoring historic landfill sites with no revenue associated with it. This is under review by the GWB.

States' Trading Supervisory Board

Guernsey Waste

Chairman's report - continued

The Future

The GWB recognised at the outset the financial challenges associated with greater recycling success earlier than planned. Soon after the introduction of the charges, an Innovation and Pricing Strategy Team was set up to review and make recommendations on how Guernsey Waste could break even over the 20 year life of the Waste Strategy. The Management Team is drawing up a Business Plan which, along with the work of the Innovation and Pricing Strategy Team, will be used to inform the 2021 budget, future innovation and ongoing charges, whilst keeping in mind what is best for the long term interest of islanders. The short term financial challenges will require borrowing and discussions are ongoing with the Policy & Resources Committee to secure an overdraft facility.

States' Trading Supervisory Board

Guernsey Waste

General Manager's report

The STSB presents its report and the audited financial statements for Guernsey Waste for the year ended 31 December 2019. These comprise of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 22.

Principal activities

Guernsey Waste, a business unit of the STSB, operates as a trading organisation whose main activities are:

- Develop and implement waste management strategy,
- Contract waste disposal services, and work with suppliers to ensure that they are delivered effectively,
- Promote sustainable waste practices within the community, and act as the public's 'single point of contact' for waste issues, and
- Ensure that the island's publicly owned waste management assets are appropriately maintained.

Guernsey Waste is predominantly a contracting organisation and contracts with various parties to manage the provision of sites and services. Therefore, Guernsey Waste does not employ operational staff directly. It is also the organisation responsible for providing customer service and education on all waste and recycling matters as well as promoting and providing waste minimisation and recycling initiatives in line with the approved strategy.

Contributions to the States of Guernsey

Guernsey Waste has not made a financial contribution to the States of Guernsey in 2019.

Customers

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

States' Trading Supervisory Board

Guernsey Waste

General Manager's report – continued

Financial highlights

	Actual 2019 £'000	Budget 2019 £'000
Revenue	7,722	11,255
(Deficit)/surplus for the financial year	(3,021)	97
Capital expenditure	-	507

Guernsey Waste made an operating deficit for the year of £3,021k compared to a budgeted surplus of £97k. The key reasons for this were:

- Lower tonnages of hazardous waste received at Mont Cuét than modelled,
- The gate fee for the disposal of some hazardous/RDF exempt wastes being kept at historic rates this year, and
- Revenue for residual waste (black bags) being lower than modelled due to greater recycling and waste prevention behaviours being adopted earlier than anticipated. It was originally modelled and budgeted that 1.47 black bags would be set out per household per week. However the most recent participation survey, post implementation of the revised charging mechanisms, indicates that on average just 0.433 black bags per household per week are set out.

Operating revenue for Guernsey Waste was £7,722k which is £3,533k below budgeted revenue. The main reason for this is greater recycling and waste prevention behaviours being adopted earlier than anticipated resulting in a significant reduction in residual waste (black bags) compared to amounts originally modelled, as noted above.

Actual expenditure for the year is £2,155k below budgeted expenditure, though not enough to counteract the loss of revenue. The main reason for the underspend is due to the lower volume of residual waste being received, this led to a reduction in associated expenditure of £1,826k.

The Waste Transfer Station was capitalised in February 2019 and the Household Waste and Recycling Centre was capitalised in May 2019, resulting in a depreciation charge of £1,718k. Those two facilities, which cost £31,251k, were paid for by the Capital Reserve. The resulting depreciation charges on these assets are not recovered through charges to customers.

States' Trading Supervisory Board

Guernsey Waste

General Manager's report – continued

Statement of responsibilities for the preparation of financial statements

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

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

The STSB is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time Guernsey Waste financial position. The STSB is also responsible for safeguarding Guernsey Waste assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of financial controls

It is the responsibility of the STSB to identify and install internal controls, including financial controls, which are adequate for its own purposes and to safeguard the assets of the States of Guernsey in its care, and hence for taking reasonable steps for the prevention of fraud and other irregularities.

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

Guernsey Waste internal financial controls and monitoring procedures include:

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

States' Trading Supervisory Board

Guernsey Waste

General Manager's report – continued

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

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

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

Going concern

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

Auditors

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

States' Trading Supervisory Board

Guernsey Waste

Corporate Governance

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

The GWB is accountable to the STSB and operates by challenging established practices and assumptions and seeking to support the business in establishing clear strategic direction, business planning and operational delivery in support of the outcomes of the Policy & Resource Plan, the Medium Term Financial 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, the General Manager and the Financial Manager.

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

As a subcommittee of the States, the quorum will be two members of the STSB.

The GWB does not hold a fiduciary responsibility.

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

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

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

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

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

States' Trading Supervisory Board Guernsey Waste

Corporate Governance - continued

STSB can disband 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

Guernsey Waste

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

Opinion

We have audited the financial statements of the States of Guernsey – States' Trading Supervisory Board ("STSB") – Guernsey Waste for the year ended 31 December 2019, 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 Financial Reporting Standard 102; 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements give a true and fair view of the state of Guernsey Waste's affairs as at 31 December 2019 and of its deficit for the year then ended and are in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you where:

- the STSB's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the STSB has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Guernsey Waste's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

States' Trading Supervisory Board

Guernsey Waste

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

Other information

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of the STSB for the financial statements

As explained more fully in the Statement of responsibilities for preparation of financial statements in the General Manager's report, the STSB is responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the STSB determines 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 Guernsey Waste's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the STSB either intends to liquidate Guernsey Waste or to cease operations, or has no realistic alternative but to do so.

States' Trading Supervisory Board

Guernsey Waste

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the States of Guernsey – States' Trading Supervisory Board ("STSB"), as a body, in accordance with the terms of our engagement letter. Our audit work has been undertaken so that we might state to the members of STSB those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Guernsey Waste and the members of STSB as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited

Chartered Accountants

St Peter Port

Guernsey

8 June 2020

States' Trading Supervisory Board

Guernsey Waste

Statement of Comprehensive Income

for the year ended 31 December 2019

	Notes	2019 £'000
Revenue	2 & 4	<u>7,722</u>
Expenses	2 & 5	
Operating expenses		7,282
Administration and general expenses		<u>1,862</u>
		<u>9,144</u>
Operating deficit before depreciation		(1,422)
Depreciation	9	<u>(1,718)</u>
Operating deficit for the year		<u>(3,140)</u>
Investment return	6	<u>119</u>
Deficit for the financial year		<u><u>(3,021)</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

Guernsey Waste

Statement of Financial Position

as at 31 December 2019

	Notes	2019 £'000
Non-current assets		
Tangible fixed assets	9	<u>29,533</u>
Current assets		
Inventories	11	267
Debtors and prepayments	12	876
Balances with States Treasury		<u>162</u>
		<u>1,305</u>
Creditors: amounts falling due within one year	13	<u>(1,264)</u>
Net current assets		<u>41</u>
Total net assets		<u>29,574</u>
Reserves	14	<u>29,574</u>

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

Deputy P. Ferbrache
President

8 June 2020

Signed on behalf of the States of Guernsey Trading Assets

Mr S. Elliott
Managing Director

8 June 2020

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

States' Trading Supervisory Board

Guernsey Waste

Statement of Changes in Equity

for the year ended 31 December 2019

	Notes	2019 £'000
Balance at 1 January		-
Deficit for the financial year		(3,021)
Transfer in of Waste Transfer Station & HWRC		31,251
Transfer in of Solid Waste Trading Account		1,344
		<hr/>
Balance at 31 December	14	29,574
		<hr/>

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

States' Trading Supervisory Board

Guernsey Waste

Statement of Cash Flows

for the year ended 31 December 2019

	Notes	2019 £'000
Net cash flows from operating activities	15	<u>(1,132)</u>
Cash flows from financing activities		
Transfer in of Solid Waste Trading Account	14	1,175
Investment return received		<u>119</u>
Net cash flows from financing activities		<u>1,294</u>
Net increase in cash and cash equivalents		162
Cash and cash equivalents at the beginning of the year		<u>-</u>
Cash and cash equivalents at the end of the year		<u><u>162</u></u>
Reconciliation to cash at bank and in hand:		
Cash at bank and in hand		-
Balances with States Treasury		<u>162</u>
Cash and cash equivalents		<u><u>162</u></u>

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

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements

1. General information

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

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

2. Principal accounting policies

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

Accounting convention

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

Functional and presentational currency

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

Going concern

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

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

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

2. Principal accounting policies - continued

Tangible fixed assets

i) Property, plant and equipment

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

ii) Assets under construction

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

Depreciation

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

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

Impairment of assets (excluding inventories)

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

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

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

2. Principal accounting policies - continued

Inventories

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

Basic financial instruments

i) Trade debtors

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

ii) Cash and cash equivalents

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

iii) Trade creditors

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

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

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

2. Principal accounting policies - continued

iv) De-recognition of basic financial instruments

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

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

Revenue and expenses

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

Pension costs

Pension costs are treated as described in note 17.

Investment return

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

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

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

2. Principal accounting policies - continued

Leases

i) As lessee

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

ii) As lessor

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

i) Depreciation rates

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

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

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

4. Revenue

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

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

	2019
	£'000
WDA Fixed charges	2,293
HWRC Operations	264
Sticker charges	1,512
Inert Waste	1,308
Commercial gate fees	1,156
Mont Cuet	656
Green Waste	284
Other	249
	<hr/>
	7,722
	<hr/>

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

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

5. Expenses

	2019 £'000
Operating Expenses	
Waste Transfer Station	3,325
HWRC	524
Inert waste	544
Mont Cuet	655
Kerbside recycling	584
Green waste	392
Bring bank collections	202
Other landfill	473
Other operating expenses	583
	<hr/>
	7,282
	<hr/>
Administration and general expenses	
Salaries, wages and employer's pension costs	422
Rent	330
Management expenses	321
Audit fees	15
Insurance premium	185
Other administration expenses	589
	<hr/>
	1,862
	<hr/>
Total expenses	<hr/> 9,144 <hr/>

6. Investment return

	2019 £'000
Investment return	119
	<hr/>
	<hr/> 119 <hr/>

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

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

7. Deficit for the financial year

Deficit for the financial year is stated after charging:

	Note	2019 £'000
Auditor's remuneration		15
Depreciation of tangible fixed assets	9	<u>1,718</u>
		<u><u>1,733</u></u>

8. Staff numbers and costs

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

	2019
Administration staff	<u>9</u>
	<u><u>9</u></u>

Their aggregate remuneration comprised:

	Note	2019 £'000
Wages and salaries		337
Social security costs		58
Pension costs	17	<u>27</u>
		<u><u>422</u></u>

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

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

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

9. Tangible fixed assets

	1 January 2019 £'000	Transfers £'000	Disposals £'000	31 December 2019 £'000
Cost				
Buildings & fittings	-	18,407	-	18,407
Plant & equipment	-	11,568	-	11,568
Office equipment	-	1,276	-	1,276
	-	31,251	-	31,251
	1 January 2019 £'000	Charge for the year £'000	Disposals £'000	31 December 2019 £'000
Depreciation				
Buildings & fittings	-	546	-	546
Plant & equipment	-	1,055	-	1,055
Office equipment	-	117	-	117
	-	1,718	-	1,718
Net Book Value	-			29,533

The fixed assets were paid for by the capital reserve. On its inception on 1 January 2019 £29,055k was transferred into Guernsey Waste. A further £2,196k was transferred in after the date of inception. No cash consideration was given for these assets.

10. Assets under construction

Guernsey Waste did not have any assets under construction during or at the end of the financial year.

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

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

11. Inventories

	2019 £'000
Inventories	267
	<u>267</u>

12. Debtors and prepayments

	2019 £'000
Trade debtors	425
Prepayments and other debtors	18
Accrued revenue	433
	<u>876</u>

13. Creditors: amounts falling due within one year

	2019 £'000
Trade creditors	424
Accruals	712
Deferred revenue	128
	<u>1,264</u>

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

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

14. Reserves

	Revenue reserve £'000	Asset transfer reserve £'000	Total £'000
Balance at 1 January	-	-	-
Deficit for the financial year	(3,021)	-	(3,021)
Assets transferred in	-	31,251	31,251
Transfer in of Solid Waste Trading Account	-	1,344	1,344
Balance at 31 December	(3,021)	32,595	29,574

All reserves are distributable

Transfer of Solid Waste Trading Account into Guernsey Waste

	2019 £'000
Inventories	25
Debtors	489
Prepayments	52
Balances with States Treasury	1,175
Total assets	1,741
Creditors	(397)
Total value of working capital transferred in	1,344

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

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

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

	2019 £'000
Operating deficit for the year	(3,140)
Depreciation charges	1,718
Increase in inventories	(242)
Increase in debtors	(335)
Increase in creditors due within one year	867
	<hr/>
Net cash flows from operating activities	<u>(1,132)</u>

Included within the reconciliation above are amounts transferred into Guernsey Waste from the Solid Waste Trading Account on 1 January 2019. These amounts include inventories of £25k, debtors of £541k and creditors of £397k all of which decreased their related accounts within the reconciliation.

16. Financial commitments and contingent liabilities

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

Guernsey Waste has an assumed commitment to monitor all closed landfill sites for a period of time, possibly up to sixty years, from when they closed. It is not possible to reliably estimate the extent and longevity of this monitoring due to a number of varying factors and therefore it is also not possible to reliably estimate the costs that will be incurred in monitoring the landfill sites.

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

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

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

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

17. Employee benefits

The employees of Guernsey Waste are members of the States of Guernsey Public Servants' Pension Scheme. These arrangements provide defined benefits on a career average revalued earnings (CARE) basis up to a salary cap (which was £87,434 from 1 May 2016, increasing to £92,236 from 1 December 2019) for members joining from 1 May 2015 and, on a different CARE basis, for the service from 1 March 2016 of members who joined before 1 May 2015. There is a defined contribution section for earnings in excess of this salary cap. The arrangements for service before 1 March 2016 for members who joined before 1 May 2015 and for the future service of those closer to pension age remains final salary. The scheme is funded by contributions from both employer and employee. The employer rates for the defined benefits are determined on the basis of independent actuarial advice, and calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives.

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

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

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £27,362.

Further details relating to the funding of the Superannuation Scheme are included within The States of Guernsey Accounts 2019.

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

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

18. Subsequent events

COVID-19

The World Health Organisation's declaration that the Covid-19 outbreak was a public health emergency of international concern did not take place until 31 January 2020. Subsequently, the STSB considers that the impact of COVID-19 is a non-adjusting subsequent event for all of its financial statements in the year ending 31 December 2019.

Overall risk to operations

Since 31 December 2019, the spread of Covid-19 has severely impacted many local economies around the globe, the States of Guernsey is no exception. Businesses are being forced to cease or limit operations for a long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

The reduction in commercial activity has affected the amount of inert, green, food and general waste being produced and therefore impacted the revenue to Guernsey Waste. This may increase borrowing requirements in the short term.

Guernsey Waste has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the Covid-19 pandemic, as well as the effectiveness of government response, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of Guernsey Waste for future periods.

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

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

19. 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".

47% of the value of the organisation's annual expenditure is due to transactions with States Works.

The total compensation of for key management personnel in 2019 (including salaries and other benefits) was £189k.

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

STSB member Mr S. Falla MBE has declared certain related party transactions 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 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.

20. Statement of control

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

21. Off balance-sheet arrangements

There are no commitments or contingent liabilities other than detailed in note 16 relating to 2019 which would affect these financial statements.

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

States' Trading Supervisory Board

Guernsey Waste

Notes to the Financial Statements – continued

22. Financial instruments

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

	2019
	£'000
Financial assets at amortised cost	
Cash and cash equivalents	162
Debtors	425
Financial liabilities at amortised cost	
Creditors: amounts falling due within one year	(424)

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