

# **States of Guernsey**

## **Miscellaneous Accounts 2010**

---



# CONTENTS

Public Services Department – Ports	1
Public Services Department – Guernsey Water	24
Commerce and Employment Department – Dairy Trading Account	41
Public Services Department – States Works	57
 Social Security Department	
Guernsey Insurance Fund	74
Non Contributory Services	95
Guernsey Health Service Fund	107
Long-term Care Insurance Fund	125
 Elizabeth College	142
Ladies’ College	155
 States of Alderney	164



# States of Guernsey Public Services Department

## Ports

### Statement of activities and performance

*Year ended 31 December 2010*

#### **Principal activities**

The Airport provides for the safe and expeditious movement of commercial and private aircraft, passengers and cargo to and from the Island on the most cost-effective basis.

The Airport also ensures that policies, facilities and services are commensurate with the requirements of the Island in respect of air transport services, general aviation and standards set by the United Kingdom's Civil Aviation Authority.

The Harbours provide essential services including sea passenger and freight facilities for the commercial operators. Additional facilities include the provision of berthing and / or marina facilities for local and visiting boat-owners, together with berthing and handling facilities for the commercial sea transport requirements of the Island.

The finances of the Harbours of St Peter Port and St Sampson and the Airport have been presented in an amalgamated format since 1962 on the basis that "the three Ports exist for the common purpose of facilitating the entry and exit from Guernsey of goods and passengers" and that "the States, as owners of the Ports, are responsible for the expenditure needed to provide such facilities. Uneconomic expenditure may be forced upon them from time to time by the vagaries of the demand for facilities as between one port and another".

Under this group arrangement the trading position of the Ports is identified, but the assets and liabilities are consolidated in recognition of the States' strategic asset in the form of the Ports.

#### **Financial highlights**

The turnover for the Airport for the year was £9.3m, an increase of £26k (0.3%) from 2009. Turnover at Guernsey Harbours for the year was £7.9m, an increase of £367k (4.9%) from 2009.

In terms of expenditure, the Airport had budgeted to spend £9.5m in 2010 (2009: £8.9m) and it had been forecast that the Airport would generate a net deficit for the year of £0.1m. The Airport actually incurred costs of £10.2m (2009: £9.5m), which resulted in an operating deficit of £1.0m (2009: £0.3m). Guernsey Harbours had budgeted to spend £6.7m during the year (2009:£6.9m) with a forecast deficit of £0.1m (2009: deficit £0.9m). The Harbours actually incurred costs of £5.9m (2009: £6.0m) and achieved a surplus of £1.0m (2009: £0.5m).

#### **Operational performance**

Total passenger movements for the year ended 31 December 2010 were 1,352,840 (Guernsey Airport 889,108, Guernsey Harbours 463,732), which were down 0.3% on the previous year. The movements attributable to Guernsey Airport were 1.83% lower and those for Guernsey Harbours 2.76% higher than the previous year.

There were a total of 6 full emergencies declared at Guernsey Airport during 2010 (2009:5).

The Airport employed 114 full time equivalents at the end of 2010 (2009: 116).

The Harbour employed 75 full time equivalents at the end of 2010 (2009: 77).

# States of Guernsey Public Services Department Ports

## Statement of activities and performance - continued

*Year ended 31 December 2010*

### **Board members and principal officers**

The Ports are the responsibility of the Public Services Department.

During 2010:

Board Members were:

Deputy B F Flouquet, Minister

Deputy S J Ogier, Deputy Minister

Deputy T M Le Pelley

Deputy A Spruce

Mr W Walden (resigned 31<sup>st</sup> December 2010)

Deputy J Kuttelwascher (appointed 23<sup>rd</sup> February 2011)

Principal officers were:

Mr A Lewis, Chief Officer, Public Services Department

Mr J S N Menhenitt, Finance Director, Public Services Department

Mr C J Le Ray, Airport Director, Guernsey Airport

Capt. P Gill, Harbour Master

Stephen Langlois, Finance and Administration Manager, Guernsey Airport

Richard Pinchemain, Commercial Manager, Guernsey Harbours

### **Auditor**

Deloitte LLP have expressed their willingness to continue in office as auditors.

# States of Guernsey Public Services Department

## Ports

### Statement of responsibilities for the preparation of financial statements

The Public Services Department (the “Department”) is responsible for preparing financial statements for each financial year and for selecting suitable accounting policies for the Guernsey Airport and the Harbours of St Peter Port and St Sampson (the “Ports”). In preparing those financial statements, the Department is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Ports will continue in business.

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

### Statement of internal financial controls

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

The Public Services Department is also responsible for the economic, efficient and effective operations and management of the Ports.

It is acknowledged that the Ports are subject to financial and manpower restrictions. Nevertheless, the Public Services Department has a duty to ensure that they fulfil their obligations to install and maintain adequate internal controls and safeguard the States’ resources for which they are responsible.

The Ports’ internal financial controls and monitoring procedures include:

- Annually reported and approved budgets monitored against monthly management accounts with additional operational detail reported in a detailed quarterly report, which monitors actual income, and expenditure against that anticipated. All such detail is regularly reviewed at meetings of the Public Services Department to ensure that all Board members are informed of the Ports’ financial affairs.
- Client invoices are subjected to a range of pre-determined computerised integrity checks prior to despatch in order to ensure accuracy.
- The control of materials and stores purchases are managed using a computerised job-costing programme with specific authorisation limits for purchases and segregated areas of responsibility for processing of payments, all of which maintain detailed audit trails.
- Manpower expenditure is monitored and controlled at source via time sheets, which are authorised and reconciled with the wage bill.

# States of Guernsey Public Services Department Ports

## Statement of internal financial controls - continued

- Capital expenditure authorisation is subject to strict valuation guidelines and purchase procedures.
- Regular independent review and appraisal of the soundness, adequacy and application of internal controls by the Internal Audit, Treasury and Resources Department.

The Department strives to ensure that all staff with financial responsibilities in the Ports have the necessary integrity, skills and motivation to discharge their duties with the proficiency which the community has the right to expect.

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

### **Going concern**

The Department has reviewed the cash flows and projected income and expenses over the next twelve months prepared by management and deem that the Ports have adequate financial resources to meet their obligations as they fall due. The Department therefore believe that the Ports are a going concern for at least twelve months from the date of approval of the financial statements.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY PUBLIC SERVICES DEPARTMENT**

We have audited the financial statements of States of Guernsey Public Services Department – Ports (the “Ports”) for the year ended 31 December 2010 which comprise the Revenue Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 15 and the supplemental information set out thereafter. These financial statements have been prepared under the accounting policies set out in Note 1.

This report is made solely to the members of the States of Guernsey Public Services Department (the “Department”), as a body, in accordance with the terms of our engagement letter dated 26 November 2007 as appended to on 26 May 2010. Our audit work has been undertaken so that we might state to the Department those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Department, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Department and auditor**

As explained more fully in the Statement of Responsibilities for the preparation of financial statements, the Department is responsible for the preparation of the financial statements. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Ports’ circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements have been properly prepared in accordance with the accounting policies set in Note 1.

### **Matters on which we are required to report by exception**

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP  
Chartered Accountants  
Guernsey  
20 April 2011

# States of Guernsey Public Services Department Ports

## Revenue account

for the year ended 31 December 2010

	Notes	2010 £	2009 £
<b>Income</b>			
Airport Fees, Charges & Other Income	1	9,313,159	9,287,675
Harbour Dues, Charges & Other Income	1	<u>7,928,643</u>	<u>7,560,400</u>
		<b>17,241,802</b>	16,848,075
<b>Expenses</b>			
Airport		8,857,952	8,185,020
Harbours		5,785,823	5,927,217
Loss on disposal of fixed assets	2	5,000	-
Depreciation	2	<u>2,656,942</u>	<u>2,569,591</u>
		<b>17,305,717</b>	16,681,828
<b>Operating (deficit)/surplus on ordinary activities</b>		<b>(63,915)</b>	166,247
Interest received from States Treasury		<u>43,470</u>	<u>51,243</u>
<b>(Deficit)/surplus for the financial year</b>		<b><u>(20,445)</u></b>	<b><u>217,490</u></b>

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 revenue account.

Notes 1 to 15 form an integral part of these financial statements.

# States of Guernsey Public Services Department Ports

## Balance sheet *at 31 December 2010*

	Notes	2010 £	2009 £
<b>Fixed Assets</b>			
Tangible fixed assets - Airport	2	43,286,520	43,253,837
Tangible fixed assets - Harbours	2	132,272,217	132,434,503
Assets under construction	3	86,327	86,327
		<u>175,645,064</u>	<u>175,774,667</u>
<b>Current assets</b>			
Stock	4	462,730	485,148
Debtors and prepayments	5	2,420,716	3,003,991
Balances with States Treasury	10	4,346,141	4,364,153
		<u>7,229,587</u>	<u>7,853,292</u>
<b>Creditors: amounts falling due within one year</b>	6	(723,068)	(694,540)
<b>Net current assets</b>		<u>6,506,519</u>	<u>7,158,752</u>
<b>Total net assets</b>		<u>182,151,583</u>	<u>182,933,419</u>
<b>Reserves</b>	7	<u>182,151,583</u>	<u>182,933,419</u>

These financial statements were approved by the Public Services Department on 20 April 2011.

Signed on behalf of the Board.

B M Flouquet  
Minister

S J Ogier  
Deputy Minister

Notes 1 to 15 form an integral part of these financial statements.

# States of Guernsey Public Services Department Ports

## Cash flow statement for the year ended 31 December 2010

	<i>Notes</i>	<b>2010</b> £	2009 £
<b>Net cash inflow from operating activities</b>	8	<b><u>3,232,248</u></b>	<u>2,128,633</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		<b><u>43,470</u></b>	<u>51,243</u>
<b>Capital expenditure</b>			
Payment to acquire tangible fixed assets		<b><u>(2,532,339)</u></b>	<u>(1,738,603)</u>
<b>Management of liquid resources</b>			
Contribution from Capital Reserve	7	<b>1,880,106</b>	-
Contribution to Capital Reserve	7	<b>(2,641,497)</b>	-
Decrease in amounts held with States Treasury	9,10	<b><u>(18,012)</u></b>	<u>(441,273)</u>
<b>Movement in cash</b>		<b><u><u>-</u></u></b>	<u><u>-</u></u>

Notes 1 to 15 form an integral part of these financial statements.

# States of Guernsey Public Services Department Ports

## Notes to the financial statements

### 1. Principal accounting policies

The accounting policies adopted are described below.

The accounts are produced on a going concern basis. The Treasury and Resources Department monitors and projects the States of Guernsey income and expenditure and confirms the appropriateness of this basis.

#### *Accounting convention*

The financial statements are prepared in accordance with the stated accounting policies and under the historical cost convention as modified for the revaluation of assets.

#### *Income and Expenditure*

Income and expenditure to be accounted for on an accruals basis.

Income comprises amounts in respect of services provided and goods supplied in the year.

#### *Tangible fixed assets*

Tangible fixed assets are subject to annual depreciation over their useful economic life.

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

#### *Depreciation*

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

	<b>Estimated life in years</b>	<b>Depreciation % per annum</b>
Land	-	-
Buildings	60	1.67
Plant and machinery	15	6.67
Equipment, fixtures and fittings	10	10.00
Motor vehicles and electrical equipment	5	20.00
Computers and ICT	3	33.33

#### *Stock and work in progress*

Stock and work in progress is valued at the lower of cost and net realisable value.

#### *Pension costs*

The costs of the defined benefit scheme are charged to the revenue account over the period during which the Department benefits from the employees' services. Surpluses or deficits are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll costs.

# States of Guernsey Public Services Department

## Ports

### Notes to the financial statements - continued

#### 2. Tangible fixed assets

##### Airport

	1 January 2010 £	Additions £	Written off/ Disposals £	31 December 2010 £
<i>Cost</i>				
Land	2,296,578	168,859	-	2,465,438
Buildings	40,140,630	798,840	-	40,925,978
Plant and machinery	4,547,061	299,729	-	4,846,790
Equipment, fixtures and fittings	4,432,159	(220,405)	-	4,211,754
Motor vehicles and electrical equipment	2,156,342	466,262	(140,000)	2,482,604
Computers and ICT	200,765	16,817	-	217,582
	<u>53,773,535</u>	<u>1,530,102</u>	<u>(140,000)</u>	<u>55,163,637</u>
	1 January 2010 £	Charge for the year £	Written off/ Disposals £	31 December 2010 £
<i>Depreciation</i>				
Land	-	-	-	-
Buildings	3,752,549	671,106	-	4,423,655
Plant and machinery	2,343,428	318,302	-	2,661,730
Equipment, fixtures and fittings	2,487,896	412,915	-	2,900,811
Motor vehicles and electrical equipment	1,735,210	89,945	(135,000)	1,690,155
Computers and ICT	200,615	151	-	200,766
	<u>10,519,698</u>	<u>1,492,419</u>	<u>(135,000)</u>	<u>11,877,117</u>
<b>Net book value</b>	<u>43,253,837</u>			<u>43,286,520</u>

# States of Guernsey Public Services Department

## Ports

### Notes to the financial statements – continued

#### Tangible fixed assets (continued)

##### Harbours

<i>Cost</i>	1 January 2010 £	Additions £	Written off/ Disposals £	31 December 2010 £
Land	87,515,374	-	-	<b>87,515,374</b>
Buildings	47,705,561	825,146	-	<b>48,530,707</b>
Plant and machinery	2,424,012	-	-	<b>2,424,012</b>
Equipment, fixtures and fittings	1,745,175	177,091	-	<b>1,922,266</b>
Motor vehicles and electrical equipment	449,663	-	-	<b>449,663</b>
Computers and ICT	63,858	-	-	<b>63,858</b>
	<u>139,903,643</u>	<u>1,002,237</u>	<u>-</u>	<u><b>140,905,880</b></u>
	1 January 2010 £	Charge for the year £	Written off/ Disposals £	31 December 2010 £
<i>Depreciation</i>				
Land	-	-	-	-
Buildings	4,865,281	793,968	-	<b>5,659,249</b>
Plant and machinery	1,128,133	161,601	-	<b>1,289,734</b>
Equipment, fixtures and fittings	1,032,550	178,245	-	<b>1,210,795</b>
Motor vehicles and electrical equipment	379,318	30,709	-	<b>410,027</b>
Computers and ICT	63,858	-	-	<b>63,858</b>
	<u>7,469,140</u>	<u>1,164,523</u>	<u>-</u>	<u><b>8,633,663</b></u>
<b>Net book value</b>	<u>132,434,503</u>			<u><b>132,272,217</b></u>

### 3. Assets under construction

	2010 £	2009 £
<b>Airport</b>		
Runway Extension Feasibility Study	<u><b>86,327</b></u>	<u>86,327</u>

# States of Guernsey Public Services Department Ports

## Notes to the financial statements – continued

### 4. Stock

	2010 £	2009 £
Airport	64,774	64,774
Harbours	397,956	420,374
	<u>462,730</u>	<u>485,148</u>

### 5. Debtors and prepayments

	2010 £	2009 £
Trade debtors	2,340,581	2,935,766
Prepayments	54,105	48,287
Other debtors	26,030	19,938
	<u>2,420,716</u>	<u>3,003,991</u>

### 6. Creditors: amounts falling due within one year

	2010 £	2009 £
Trade creditors	658,141	604,313
Accruals	42,965	68,241
Deferred income	20,562	20,586
Other creditors:		
Harbour operational licence deposits	1,400	1,400
	<u>723,068</u>	<u>694,540</u>

### 7. Reserves

	2010 £	2009 £
Balance 1 January	182,933,419	182,715,929
(Deficit)/surplus for financial year	(20,445)	217,490
Contribution from Capital Reserve	1,880,106	-
Contribution to Capital Reserve	(2,641,497)	-
<b>Balance 31 December</b>	<u>182,151,583</u>	<u>182,933,419</u>



# States of Guernsey Public Services Department Ports

## Notes to the financial statements – continued

### 8. Reconciliation of operating surplus to net cash inflow from operating activities

	2010 £	2009 £
Operating (deficit)/surplus	(63,915)	166,247
Depreciation charges and loss on sale of tangible fixed assets	2,661,942	2,569,591
Decrease in stocks	22,418	42,311
Decrease/(increase) in debtors	583,276	(695,119)
Increase in creditors	<u>28,528</u>	<u>45,603</u>
<b>Net cash inflow from operating activities</b>	<b><u>3,232,248</u></b>	<b><u>2,128,633</u></b>

### 9. Reconciliation of net cash flow to movement in net funds

	2010 £	2009 £
Movement in cash	-	-
Increase in liquid resources	<u>(18,012)</u>	<u>441,273</u>
	<u>(18,012)</u>	<u>441,273</u>
Net funds at 1 January	<u>4,364,153</u>	<u>3,922,880</u>
<b>Net funds at 31 December</b>	<b><u>4,364,141</u></b>	<b><u>4,364,153</u></b>

### 10. Analysis of changes in net funds

	At 1 January 2010 £	Cash Flows £	At 31 December 2010 £
Balance held with States Treasury	<u>4,364,153</u>	<u>(18,012)</u>	<b><u>4,346,141</u></b>

# States of Guernsey Public Services Department Ports

## Notes to the financial statements – continued

### **11. Contingent Liabilities/ Overspends**

The Accounts include the amounts already paid and agreed in respect of contractors' claims for the Airport Terminal Building, St Peter Port New Jetty cladding replacement and St Sampson's Marina development projects.

In relation to the St Sampson's Marina project, previously the contractor made a claim for a further £3.1 million which was rejected by the engineer. No formal proceedings have been commenced.

It is emphasised that contractors' claims values are the amounts that the contractors themselves are seeking to claim and are not an indication of the merit or likelihood of success.

### **12. Pension Fund**

The employees of the Ports are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation Fund (the "Fund") at 31 December 2004 indicated that a deficit existed. However, the States decided to maintain the current employer's contribution rate to the Fund at 7.85% for the Airport and 7.35% for the Harbours which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees' contribution rate would be increased to 6.5% with effect from 1 January 2010.

During 2010 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2007 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010.

Further details relating to the funding of the Superannuation Scheme are provided in the notes of the States of Guernsey accounts.

The Ports have applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2010 were £1,096,776 (2009: £660,946).

# States of Guernsey Public Services Department Ports

## Notes to the financial statements – continued

### **13. Related party transactions**

The Department is of the opinion that there have been no related party transactions in the current or preceding financial years apart from with other States entities.

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

### **14. Statement of control**

The Ports are wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of the Ports has been delegated to the members of the Department who have been appointed by the States of Guernsey.

### **15. Subsequent events**

Management know of no event, subsequent to the year end that would materially affect the financial statements.

## Supplemental Information

The additional information has been prepared from the accounting records of the Department. While it does not form part of the financial statements, it should be read in conjunction with them.

# GUERNSEY AIRPORT

2010 Original Budget £'000s	2010 Probable Outturn £'000s	<b><u>Net Expenditure by Category</u></b>		2010 Actual £'000s	2009 Actual £'000s
		<b>Income</b>			
9,599	9,468	<i>Operating Income</i>		9,313	9,288
1,391	1,447	<i>Recoveries</i>		1,351	1,313
<u>10,990</u>	<u>10,915</u>			<u>10,664</u>	<u>10,601</u>
		<b>Expenditure</b>			
		<i>Staff</i>			
		<i>Pay costs</i>			
2,522	2,583	Established Staff		2,426	2,381
789	745	Public Service Employees		817	802
2,973	2,911	Other Pay Groups		3,169	2,849
<u>6,284</u>	<u>6,239</u>			<u>6,412</u>	<u>6,032</u>
		<i>Non-Pay costs</i>			
167	139	Recruitment and Training		203	185
57	39	Other Staff Costs		43	39
125	101	<i>Communications and IT</i>		108	97
14	11	<i>Consultants' Fees</i>		16	15
267	110	<i>Contracted Out Work</i>		91	258
3	8	<i>Promotional Activities</i>		9	6
		<i>Premises</i>			
44	40	Equipment, Fixtures and Fittings		47	51
246	400	Repairs, Maintenance and Servicing		607	575
577	642	Utilities		605	570
255	225	<i>Risk Management and Insurance</i>		232	228
		<i>Supplies and Services</i>			
72	98	Plant, Machinery and Vehicles		146	67
436	436	Services and Materials		425	419
3	2	Other Operational Costs		9	14
		<i>Administration Expenses</i>			
1	-	Bank Charges		-	-
943	1,189	Incidental and Other costs		1,242	926
19	16	Postage, Stationery and Printing		14	17
<u>9,513</u>	<u>9,695</u>			<u>10,209</u>	<u>9,499</u>
<u>1,477</u>	<u>1,220</u>	<b>Operating Surplus for the financial year</b>		<u>455</u>	<u>1,102</u>
<u>1,600</u>	<u>1,500</u>	<i>Depreciation</i>		<u>1,492</u>	<u>1,424</u>
<u><b>(123)</b></u>	<u><b>(280)</b></u>	<b>Operating Deficit transferred to the Ports Holding Account</b>		<u><b>(1,037)</b></u>	<u><b>(322)</b></u>

# GUERNSEY AIRPORT

2010 Original Budget £'000s	2010 Probable Outturn £'000s	<b><u>Net Expenditure by Service Area</u></b>	2010 Actual £'000s	2009 Actual £'000s
		<i>Income</i>		
404	425	Advertising, picketing etc	409	406
849	845	Airport Development Charge	778	804
546	548	Car Parking Fees	567	525
1,710	1,700	Rents	1,813	1,749
6,090	5,950	Traffic Receipts	5,746	5,803
9,599	9,468		9,313	9,287
		<i>Operational Expenditure</i>		
829	874	Administration	1,065	839
1,986	1,991	Aerodrome Fire Service	2,141	1,936
1,877	2,064	Airport Infrastructure	2,305	2,176
3,580	3,471	Navigational Services	3,499	3,380
8,272	8,400		9,010	8,331
(150)	(152)	<i>Recovery from Alderney Airport</i>	(152)	(146)
<b>1,477</b>	<b>1,220</b>	<b>Operating Surplus for the financial year</b>	<b>455</b>	<b>1,102</b>
1,600	1,500	<i>Depreciation</i>	1,492	1,424
<b>(123)</b>	<b>(280)</b>	<b>Operating Deficit for the financial year</b>	<b>(1,037)</b>	<b>(322)</b>

2010 Original Budget £'000s	2010 Probable Outturn £'000s	<b><u>Routine Capital Expenditure</u></b>	2010 Actual £'000s	2009 Actual £'000s
160	-	<i>Major Construction and Development Projects</i>	93	784
225	75	<i>Miscellaneous Capital Works</i>	9	57
42	-	<i>IT Projects and Equipment</i>	82	-
1,030	845	<i>Equipment, Machinery and Vehicles</i>	471	510
1,457	920	<b>Routine Capital Expenditure</b>	655	1,351
4,500	935	Airport Pavments Project	875	-
700	-	Airport Radar	-	-
(5,200)	(935)	Less Transfer from Capital Reserve	(875)	-
<b>1,457</b>	<b>920</b>	<b>Net Capital Expenditure</b>	<b>655</b>	<b>1,351</b>

# HARBOUR OF ST PETER PORT

2010 Original Budget £'000s	2010 Probable Outturn £'000s	<b>Net Expenditure by Category</b>		2010 Actual £'000s	2009 Actual £'000s
		<b>Income</b>			
6,361	6,409	<i>Operating Income</i>		6,975	6,611
90	102	<i>Recoveries</i>		144	136
<u>6,451</u>	<u>6,511</u>			<u>7,119</u>	<u>6,747</u>
		<b>Expenditure</b>			
		<i>Staff</i>			
		<i>Pay costs</i>			
1,375	1,367	Established Staff		1,264	1,184
2,145	2,121	Public Service Employees		1,926	1,924
<u>3,520</u>	<u>3,488</u>			<u>3,190</u>	<u>3,108</u>
		<i>Non-Pay costs</i>			
2	1	Recruitment and Training		1	-
21	20	Other Staff Costs		20	21
144	123	<i>Communications and IT</i>		90	101
45	40	<i>Contracted Out Work</i>		41	41
35	24	<i>Promotional Activities</i>		28	22
		<i>Premises</i>			
6	9	Equipment, Fixtures and Fittings		17	2
7	6	Rents and Leasing		-	-
767	816	Repairs, Maintenance and Servicing		583	785
357	353	Utilities		310	311
98	81	<i>Risk Management and Insurance</i>		61	68
		<i>Supplies and Services</i>			
115	746	Plant, Machinery and Vehicles		537	244
674	349	Services and Materials		364	577
110	54	Other Operational Costs		52	55
		<i>Administration Expenses</i>			
211	212	Incidental and Other costs		108	177
23	31	Postage, Stationery and Printing		20	19
<u>6,135</u>	<u>6,353</u>			<u>5,422</u>	<u>5,531</u>
<u>316</u>	<u>158</u>	<b>Operating Surplus for the financial year</b>		<u>1,697</u>	<u>1,216</u>
1,100	1,000	<i>Depreciation</i>		936	918
<u>(784)</u>	<u>(842)</u>	<b>Operating (Deficit) / Surplus transferred to the Ports Holding Account</b>		<u>761</u>	<u>298</u>

# HARBOUR OF ST PETER PORT

2010 Original Budget £'000s	2010 Probable Outturn £'000s	<b><u>Net Expenditure by Service Area</u></b>	2010 Actual £'000s	2009 Actual £'000s
		<i>Income</i>		
2,650	2,700	Facilities charges	3,146	3,021
1,613	1,550	Local Marina and Mooring Fees	1,511	1,431
475	475	Visitor Marina and Mooring Fees	473	459
5	5	Pilotage Dues less payments to pilots	5	4
640	640	Rents etc.	757	679
880	900	Shipping Dues	955	897
98	139	Sundries	128	121
6,361	6,409		6,975	6,612
		<i>Operational Expenditure</i>		
2,865	2,773	Administration	2,372	2,428
1,461	2,043	Harbour Infrastructure	1,435	1,419
1,130	844	Marina and Moorings	877	1,050
589	591	Navigational Services	594	499
6,045	6,251		5,278	5,396
<b>316</b>	<b>158</b>	<b>Operating Surplus for the financial year</b>	<b>1,697</b>	<b>1,216</b>
1,100	1,000	<i>Depreciation</i>	936	918
<b>(784)</b>	<b>(842)</b>	<b>Operating (Deficit) / Surplus for the financial year</b>	<b>761</b>	<b>298</b>

2010 Original Budget £'000s	2010 Probable Outturn £'000s	<b><u>Routine Capital Expenditure</u></b>	2010 Actual £'000s	2009 Actual £'000s
-	-	<i>Major Construction and Development Projects</i>	-	58
770	98	<i>Miscellaneous Capital Works</i>	98	177
205	-	<i>Equipment, Machinery and Vehicles</i>	79	20
975	98	<b>Routine Capital Expenditure</b>	177	255
5,000	900	<i>Crane Strategy</i>	825	116
250	-	<i>Pontoons</i>	-	-
1,000	-	<i>Sarnia Work Boat</i>	-	-
(6,250)	(900)	<i>Less transfer from Capital Reserve</i>	(825)	(180)
<b>975</b>	<b>98</b>	<b>Net Capital Expenditure</b>	<b>177</b>	<b>191</b>



# HARBOUR OF ST SAMPSON

2010 Original Budget £'000s	2010 Probable Outturn £'000s	<b><u>Net Expenditure by Category</u></b>		2010 Actual £'000s	2009 Actual £'000s
		<b>Income</b>			
1,387	968	<i>Operating Income</i>		954	949
21	21	<i>Recoveries</i>		2	1
<u>1,408</u>	<u>989</u>			<u>956</u>	<u>950</u>
		<b>Expenditure</b>			
		<i>Staff</i>			
		<i>Pay costs</i>			
86	89	<i>Established Staff</i>		81	75
281	273	<i>Public Service Employees</i>		257	245
<u>367</u>	<u>362</u>			<u>338</u>	<u>320</u>
4	2	<i>Communications and IT</i>		4	5
58	50	<i>Repairs, Maintenance and Servicing</i>		55	118
74	50	<i>Utilities</i>		31	32
10	12	<i>Risk Management and Insurance</i>		14	14
		<i>Supplies and Services</i>			
14	14	<i>Plant, Machinery and Vehicles</i>		15	7
67	67	<i>Services and Materials</i>		53	25
-	1	<i>Other Operational Costs</i>		-	12
		<i>Administration Expenses</i>			
2	1	<i>Incidental and Other costs</i>		-	-
<u>596</u>	<u>559</u>			<u>510</u>	<u>533</u>
<u>812</u>	<u>430</u>	<b>Operating Surplus for the financial year</b>		<u>446</u>	<u>417</u>
<u>100</u>	<u>200</u>	<i>Depreciation</i>		<u>228</u>	<u>228</u>
<u><b>712</b></u>	<u><b>230</b></u>	<b>Operating Surplus transferred to the Ports Holding Account</b>		<u><b>218</b></u>	<u><b>189</b></u>

# HARBOUR OF ST SAMPSON

2010 Original Budget £'000s	2010 Probable Outturn £'000s	<b><u>Net Expenditure by Service Area</u></b>	2010 Actual £'000s	2009 Actual £'000s
		<i>Income</i>		
971	570	Facilities charges	521	553
361	343	Marina and Mooring Fees	355	337
40	40	Rents etc.	65	43
14	15	Sundries	13	16
<b>1,386</b>	<b>968</b>		<b>954</b>	<b>949</b>
		<i>Operational Expenditure</i>		
253	248	Administration	234	231
270	239	Harbour Infrastructure	236	288
45	46	Marina and Moorings	34	9
6	5	Navigational Services	4	4
<b>574</b>	<b>538</b>		<b>508</b>	<b>532</b>
<b>812</b>	<b>430</b>	<b>Operating Surplus for the financial year</b>	<b>446</b>	<b>417</b>
100	200	<i>Depreciation</i>	228	228
<b>712</b>	<b>230</b>	<b>Operating Surplus for the financial year</b>	<b>218</b>	<b>189</b>

2010 Original Budget £'000s	2010 Probable Outturn £'000s	<b><u>Routine Capital Expenditure</u></b>	2010 Actual £'000s	2009 Actual £'000s
-	-	<i>Major Construction and Development Projects</i>	-	16
<b>-</b>	<b>-</b>	<b>Net Capital Expenditure</b>	<b>-</b>	<b>16</b>

# PORTS HOLDING ACCOUNT

2010 Original Budget £'000s	2010 Probable Outturn £'000s		2010 Actual £'000s	2009 Actual £'000s
		<b>Revenue Account -</b>		
		<i>Operating Surplus before depreciation</i>		
1,477	1,220	Guernsey Airport	455	1,102
316	158	Harbour of St Peter Port	1,697	1,216
812	430	Harbour of St Sampson	446	417
<u>2,605</u>	<u>1,808</u>		<u>2,598</u>	<u>2,735</u>
50	35	<i>Investment Interest Receivable</i>	44	51
		<i>Capital Expenditure</i>		
(1,457)	(920)	Guernsey Airport	(655)	(1,351)
(975)	(98)	Harbour of St Peter Port	(177)	(191)
-	-	Harbour of St Sampson	-	(16)
<u>(2,432)</u>	<u>(1,018)</u>		<u>(832)</u>	<u>(1,558)</u>
<b>223</b>	<b>825</b>	<b>Surplus before depreciation</b>	<b>1,810</b>	<b>1,228</b>
<u>(2,800)</u>	<u>(2,700)</u>	<i>Depreciation</i>	<u>(2,656)</u>	<u>(2,570)</u>
<b>(2,577)</b>	<b>(1,875)</b>	<b>(Deficit)</b>	<b>(846)</b>	<b>(1,342)</b>
7,004	7,338	<i>Balance at 1st January</i>	7,338	6,110
223	825	<i>Surplus before deprecitaion for the year</i>	1,810	1,228
(2,655)	(1,843)	<i>Transfer to Capital Reserve</i>	(2,642)	-
<u>4,572</u>	<u>6,320</u>	<b>Balance at 31st December</b>	<u>6,506</u>	<u>7,338</u>

# Guernsey Water

## Statement of activities and performance

Year ended 31 December 2010

### Principal purpose

Guernsey Water, a business unit of the Public Services Department, delivers to its customers a reliable supply of high quality drinking water in sufficient quantity that satisfies normal daily demand at lowest cost consistent with meeting a high level of customer service and confidence.

Environmental catchment protection is monitored, storage is maintained at maximum possible levels and treatment techniques and delivery systems are the most appropriate to meet international standards.

### Financial summary

	2010 £'000	2009 £'000	Change %
<b>Income</b>			
Unmeasured	3,571	3,595	- 0.7
Measured	6,119	5,803	+ 5.4
Other trading (net)	316	187	+ 69.0
Total operating income	10,006	9,585	+ 4.4
<b>Expenditure</b>			
Operating	2,983	2,773	+ 7.6
Management	1,842	1,743	+ 5.7
Total expenditure	4,825	4,516	+ 6.8*
<b>Operating surplus before depreciation</b>	5,181	5,069	+ 2.2
Surplus on sale of fixed assets	267	15	
Net interest received	90	86	
Depreciation	(1,478)	(1,472)	
<b>Surplus for the year</b>	4,060	3,698	

Notes: \* Due partially to a large increase in electricity charges and employer pension contributions.

<b>Gross total capital expenditure</b>	<b>4,993</b>	<b>1,922</b>
--	--------------	--------------

The main five capital projects of 2010 were the commencement of the building of the operational depot at the St. Andrew Reservoir site, the replacement of mains, slope stabilisation work at various storage reservoirs, the additional capability of King's Mills water treatment works to act as a raw water pumping station and an upgrade of the SCADA computerised operational control system.

A more detailed summary of capital expenditure during the year is appended to the financial statements.

# Guernsey Water

## Statement of activities and performance - continued

Year ended 31 December 2010

### Operational performance

	2010	2009	Change %
<b>Number of supplies</b>			
Paying by tax on real property	<b>9,986</b>	10,218	- 2.3
Paying by measure	<b>14,912</b>	14,436	+ 3.3
Total	<b>24,898</b>	24,654	+ 1.0

### Volume supplied in million litres

Delivered to customers paying by measure	<b>2,720 ML</b>	2,675 ML	+ 1.7
Delivered to other customers	<b>1,497 ML</b>	1,553 ML	- 3.6
Operational use, fire fighting and losses	<b>460 ML</b>	462 ML	- 0.4
Total put into supply	<b>4,677 ML</b>	4,690 ML	- 0.3

### Service

Restrictions on supply	<b>None</b>	None	
Burst mains	<b>58</b>	43	+ 34.9
Discolouration – claims paid	<b>£ 154</b>	£ 610	- 74.8

### Unit costs (partially weather related)

Water production	<b>£ 399 / ML</b>	£ 375 / ML	+ 6.4
Water distribution	<b>£29 / supply</b>	£ 27 / supply	+ 7.4

### Other matters

2010 saw the commencement of the building work for Guernsey Water's operational depot at the St. Andrew Reservoir site. Once completed in 2011, the building will facilitate the centralisation of Guernsey Water's staff and resources, enabling efficiency and other savings to be made and the town office to be sold.

2010 also saw Guernsey Water becoming responsible for the operational control of waste water. The synergies involved by combining the two operations will enable efficiencies to be realised.

With the decision of the States of Guernsey to introduce a charge for waste water, preparations were put in hand to enable the charges to be processed within Guernsey Water's billing system and shown on Guernsey Water bills, thereby saving stationery, postage, computer, staff and other costs. The new charge is due to be implemented from 1 April 2011.

Baubigny depot was sold during the year to the company that had been renting the premises. The storage reservoir at Baubigny was not part of the sale.

# Guernsey Water

## Statement of activities and performance - continued

*Year ended 31 December 2010*

Finally, once again, due to the careful harnessing of water resources and the storage capacity of the reservoirs on the Island, Guernsey Water was able to supply water to the population of Guernsey without any restrictions.

Further operational and other details can be found in Guernsey Water's 2010 Annual Report.

### **Board members and principal officers**

During 2010 Public Services Department Board Members were:

Deputy BM Flouquet, Minister

Deputy SJ Ogier, Deputy Minister

Deputy TM Le Pelley

Deputy A Spruce

Mr W Walden (resigned 31 December 2010)

Deputy J Kuttelwascher (appointed 23 February 2011)

During 2010 Principal Officers were:

A Lewis, Chief Officer, Public Services Department

J S N Menhenitt, Finance Director, Public Services Department

A A Redhead, Director of Water Services, Guernsey Water

K Carter, Chief Accounting Officer, Guernsey Water

### **Auditors**

Deloitte LLP have expressed their willingness to continue in office as auditors to Guernsey Water.

# Guernsey Water

## Statement of responsibilities for the preparation of financial statements

The Public Services Department (“the Board”) 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 at the end of the financial period, and of the surplus or deficit for that period that are in accordance with applicable laws and regulations. In preparing those financial statements, the Board is required to:

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

The Board is responsible for ensuring Guernsey Water keep proper accounting records which disclose with reasonable accuracy at any time its financial position. It is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Statement of internal financial controls

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

The Board is also responsible for the economical, efficient and effective operations and management of Guernsey Water.

Guernsey Water’s internal financial procedures include:

- An annual budget to allocate, control and monitor the use of capital and revenue resources, analysed by department and type of income/expenditure.
- The production of monthly management accounts enabling income and expenditure to be monitored against budget.
- The production of monthly management accounting reports on capital expenditure and cash flow.
- Authorisation and control of the placing of orders and payments made.
- Regular review of debts, income and expenditure by type and department.
- Regular review of charges for water supplies and other services.
- Consideration of all audit reports by the Board.

The Board strives to ensure that all staff with financial responsibilities have the necessary integrity, skills and motivation to discharge their duties with the proficiency which the community has the right to expect.

Guernsey Water’s internal controls and accounting policies have been and are subject to continuous review and improvement.

The board members and principal officers have reviewed the cashflow and projected income and expenses over the next twelve months and deem that Guernsey Water has adequate financial resources to meet its obligations.

From a review of the above it is therefore deemed that Guernsey Water is a going concern.

In addition the financial statements are subject to independent external audit by auditors appointed by the States of Guernsey.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY PUBLIC SERVICES DEPARTMENT**

We have audited the financial statements of Guernsey Water for the year ended 31 December 2010 which comprise the Revenue Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members of the States of Guernsey Public Services Department ("the Board") as a body, in accordance with the terms of our engagement letter dated 26 November 2007. Our audit work has been undertaken so that we might state to the Board those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Board and auditor**

As explained more fully in the Statement of Responsibilities for the preparation of financial statements, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Guernsey Water's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of Guernsey Water's affairs as at 31 December 2010 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### **Matters on which we are required to report by exception**

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP  
Chartered Accountants  
Guernsey  
14 April 2011



# Guernsey Water

## Revenue account

for the year ended 31 December 2010

<b>Income</b>	<i>Notes</i>	<b>2010</b> £	2009 £
<b>Water supplies</b>	<i>1</i>		
Unmeasured		<b>3,571,114</b>	3,594,943
Measured		<b>6,119,306</b>	5,802,567
		<b>9,690,420</b>	9,397,510
Surplus on other trading activities before management expenses and depreciation:			
Gross Income		<b>595,176</b>	683,937
Gross Expense		<b>(279,547)</b>	(496,808)
	<i>2</i>	<b>315,629</b>	187,129
<b>Total operating income</b>		<b>£ 10,006,049</b>	£ 9,584,639
<b>Operating expenses</b>			
Water production		<b>1,867,263</b>	1,758,009
Water distribution		<b>730,057</b>	674,346
Asset management		<b>385,806</b>	340,978
		<b>2,983,126</b>	2,773,333
<b>Management expenses</b>			
Management & general		<b>226,294</b>	216,437
Compliance		<b>151,590</b>	167,495
Customer services		<b>822,378</b>	778,018
Finance	<i>14</i>	<b>328,241</b>	305,001
Support services		<b>313,096</b>	275,814
		<b>1,841,599</b>	1,742,765
<b>Total expenditure</b>		<b>£ 4,824,725</b>	£ 4,516,098
<b>Operating surplus before depreciation and surplus on sale of fixed assets</b>		<b>5,181,324</b>	5,068,541
Depreciation	<i>4 &amp; 5</i>	<b>(1,477,513)</b>	(1,471,683)
Surplus on disposal of fixed assets	<i>4</i>	<b>9,027</b>	6,379
<b>Operating surplus for the year</b>	<i>9</i>	<b>3,712,838</b>	3,603,237
Net interest receivable	<i>3</i>	<b>89,484</b>	86,274
Surplus on sale of properties		<b>257,821</b>	8,475
<b>Surplus for the year</b>	<i>8</i>	<b>4,060,143</b>	3,697,986

All material activities derive from continuing operations.

There are no recognised gains and losses for the current or preceding financial years other than as stated in the revenue account.

Notes 1 to 16 form an integral part of these financial statements.

# Guernsey Water

## Balance sheet

at 31 December 2010

		2010		2009	
	Notes	£	£	£	£
<b>Tangible fixed assets</b>	5	<b>41,249,454</b>		37,796,409	
<b>Current assets</b>					
Stocks		<b>787,871</b>		667,321	
Debtors and prepayments	6	<b>1,461,502</b>		1,363,350	
Funds held with States Treasury	11	<b>8,061,593</b>		7,727,179	
Cash at bank and in hand	11	<b>124,907</b>		184,283	
		<b>10,435,873</b>		9,942,133	
<b>Current liabilities</b>					
Creditors falling due within one year	7	<b>772,824</b>		886,182	
<b>Net current assets</b>		<b>9,663,049</b>		9,055,951	
<b>Total assets less current liabilities</b>		<b>£ 50,912,503</b>		£ 46,852,360	
<b>Reserves</b>					
General reserve	8	<b>13,246,946</b>		11,715,432	
Property development fund	8	<b>5,420,658</b>		6,537,303	
Revenue account	8	<b>32,244,899</b>		28,599,625	
<b>Total Reserves</b>	8	<b>£50,912,503</b>		£ 46,852,360	

These financial statements were approved by the States of Guernsey Public Services Department on 14 April 2011.

Signed on behalf of the Department

**Bernard M Flouquet**  
Minister

**Scott J Ogier**  
Deputy Minister

Notes 1 to 16 form an integral part of these financial statements.

# Guernsey Water

## Cash flow statement for the year ended 31 December 2010

	Notes	2010 £	£	2009 £	£
<b>Net cash inflow from operating activities</b>	9	<b>4,849,264</b>		5,071,566	
<b>Returns on investments and servicing of finance</b>					
Net interest received	3	89,484		86,274	
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>89,484</b>		86,274	
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets		(4,993,649)		(1,921,512)	
Less: customer contributions to mains		<u>42,637</u>		<u>20,464</u>	
Additions to fixed assets	5	(4,951,012)		(1,901,048)	
Receipts from sale of fixed assets		<u>287,302</u>		<u>14,879</u>	
<b>Net cash outflow from capital expenditure</b>		<b>(4,663,710)</b>		(1,886,169)	
<b>Management of liquid resources</b>					
Increase in amounts held with States Treasury	10 & 11	<u>(334,414)</u>		<u>(3,260,399)</u>	
<b>Net cash (outflow) / inflow from management of liquid resources</b>		<b>(334,414)</b>		<b>(3,260,399)</b>	
<b>(Decrease) / increase in cash</b>	10 & 11	<b>£ (59,376)</b>		<b>£ 11,272</b>	

Notes 1 to 16 form an integral part of these financial statements.

# Guernsey Water

## Notes to the financial statements

### 1. Principal accounting policies

The following accounting policies are prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted are described below.

#### *Accounting convention*

The financial statements are prepared under the historical cost convention.

#### *Going concern*

The board members and principal officers have reviewed the cash flow and projected income and expenses over the next twelve months and deem that Guernsey Water has adequate financial resources to meet its obligations.

From a review of the above it is therefore deemed that Guernsey Water is a going concern.

#### *Stock*

Stock, which consists of materials for capital projects and consumables, is valued at the lower of cost and net realisable value.

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost less depreciation.

Work of a capital nature undertaken by Guernsey Water is capitalised at the cost of materials, supplies and services used plus associated costs of labour.

#### *Depreciation*

Depreciation is calculated at the following annual rates so as to write off the cost of tangible fixed assets over their anticipated useful lives using the straight-line method. The calculations are based on capital expenditure incurred at the commencement of the accounting period, with the exception of motor vehicles, where depreciation is also charged on additions during the accounting period.

	<b>Estimated life in years</b>	<b>Depreciation % per annum</b>
Dam	50	2
Mains	50 – 10	2 – 10
Land and quarries	N/A	Nil
Structures and buildings	50 – 10	2 – 10
Fixed plant	20 – 10	5 – 10
Distribution meters	12	8.3
Office furniture, fittings and equipment	10 – 5	10 – 20
Mobile plant and equipment	5	20
Motor vehicles	7	14.3
Computer equipment	3	33.3

# Guernsey Water

## Notes to the financial statements - continued

### 1. Principal accounting policies - continued

#### *Depreciation - continued*

The accounting records for mains analyse expenditure by reference to the year in which it was incurred without identifying individual items of expenditure.

The historical cost depreciation charge is inadequate to provide for the replacement of fixed assets, therefore, to meet this future expenditure, an annual transfer is made to the general reserve.

#### *Revenue*

Operating revenue is accounted for on an accruals basis and also includes the estimated value of unbilled supplies which, as at 31 December 2010, amounted to £781,770 (2009: £642,619) calculated by reference to the value at which supplies will be invoiced. This total estimated value of unbilled supplies is included in debtors.

#### *Deferred income*

Deferred income relates to income levied for service charges in advance of supply.

#### *Pension costs*

The costs of the defined benefit scheme are charged to the revenue account over the period during which Guernsey Water benefits from the employees' services. Surpluses or deficiencies are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll costs.

# Guernsey Water

## Notes to the financial statements - continued

### 2. Net surplus on other trading activities before management expenses and depreciation

	2010		2009	
	£	£	£	£
<b>Miscellaneous income:</b>				
Standard charges for service laying	148,275		179,382	
Charges for work at ascertained cost	25,018		23,410	
Property rental income	107,892		130,981	
Stores issues	313,991		350,164	
	<u>595,176</u>		<u>683,937</u>	
Expenditure	<u>(279,547)</u>		<u>(496,808)</u>	
<b>Net surplus on other trading activities before management expenses and depreciation</b>	<u><b>£ 315,629</b></u>		<u><b>£ 187,129</b></u>	

### 3. Net interest receivable

	2010		2009	
	£	£	£	£
<b>Interest received:</b>				
Deposit & business accounts	89,533		86,274	
<b>Interest paid:</b>				
Current account	<u>(49)</u>		<u>-</u>	
	<u><b>£ 89,484</b></u>		<u><b>£ 86,274</b></u>	

### 4. Depreciation

	2010		2009	
	£	£	£	£
Depreciation charge for the year (note 5)	1,477,513		1,471,683	
Surplus on disposal of moveable fixed assets	<u>(9,027)</u>		<u>(6,379)</u>	
<b>Charge in revenue account</b>	<b>1,468,486</b>		<b>1,465,304</b>	
Transfer to general reserve (note 8)	<u>1,531,514</u>		<u>1,534,696</u>	
	<u><b>£ 3,000,000</b></u>		<u><b>£ 3,000,000</b></u>	

The transfer to the general reserve is required because the provision for depreciation under the historic cost convention is inadequate to meet the future replacement cost of assets. The total annual depreciation provision has been set at £3,000,000.

# Guernsey Water

## Notes to the financial statements - continued

### 5. Tangible fixed assets

	1 January 2010 £	Additions £	Disposals £	31 December 2010 £
<i>Cost</i>				
Dam	309,360	-	-	<b>309,360</b>
Mains	26,828,256	344,752	-	<b>27,173,008</b>
Land and quarries	3,181,885	333,845	(500)	<b>3,515,230</b>
Structures and buildings	10,803,932	3,241,199	(27,548)	<b>14,017,583</b>
Fixed plant	9,311,261	569,613	-	<b>9,880,874</b>
Distribution meters	1,597,144	35,690	-	<b>1,632,834</b>
Office furniture, fittings and equipment	1,059,228	206,370	-	<b>1,265,598</b>
Mobile plant and equipment	486,210	59,307	(1,575)	<b>543,942</b>
Motor vehicles	581,128	160,236	(85,843)	<b>655,521</b>
	<u>54,158,404</u>	<u>4,951,012</u>	<u>(115,466)</u>	<u><b>58,993,950</b></u>
	1 January 2010 £	Charge for the year £	Disposals £	31 December 2010 £
<i>Depreciation</i>				
Dam	175,635	3,343	-	<b>178,978</b>
Mains	6,397,748	476,403	-	<b>6,874,151</b>
Structures and buildings	1,509,763	217,207	(9,169)	<b>1,717,801</b>
Fixed plant	5,276,706	580,386	-	<b>5,857,092</b>
Distribution meters	1,277,068	59,651	-	<b>1,336,719</b>
Office furniture, fittings and equipment	902,495	31,904	-	<b>934,399</b>
Mobile plant and equipment	353,392	37,501	-	<b>390,893</b>
Motor vehicles	469,188	71,118	(85,843)	<b>454,463</b>
	<u>16,361,995</u>	<u>1,477,513</u>	<u>(95,012)</u>	<u><b>17,744,496</b></u>
<b>Net book value</b>	<u><u>£37,796,409</u></u>			<u><u><b>£ 41,249,454</b></u></u>

### 6. Debtors and prepayments

	2010 £	2009 £
Estimated value of unbilled supplies	<b>781,770</b>	642,619
Customers' accounts outstanding	<b>601,314</b>	681,200
Other debtors and prepayments	<u><b>78,418</b></u>	<u>39,531</u>
	<u><u><b>£ 1,461,502</b></u></u>	<u><u>£ 1,363,350</u></u>

# Guernsey Water

## Notes to the financial statements - continued

### 7. Creditors: amounts falling due within one year

	2010 £	2009 £
General creditors	581,425	725,248
Deferred income	191,399	160,934
	<u>£ 772,824</u>	<u>£ 886,182</u>

### 8. Reserves

	Property Development Fund £	General Reserve £	Revenue Account £	Total £
Balance 1 January 2010	6,537,303	11,715,432	28,599,625	46,852,360
Surplus for the year	-	-	4,060,143	4,060,143
Transfer to Property Development Fund	1,565,915	-	(1,565,915)	-
Transfer from Property Development Fund	(2,682,560)		2,682,560	-
Provision for future replacement of assets (note 4)	-	1,531,514	(1,531,514)	-
<b>Balance 31 December 2010</b>	<b><u>£ 5,420,658</u></b>	<b><u>13,246,946</u></b>	<b><u>32,244,899</u></b>	<b><u>50,912,503</u></b>

The general reserve is required to fund the asset base of Guernsey Water (note 4).

The property development fund is required to fund Guernsey Water's current centralisation development. Transfers to the fund comprise of net property sales, let property income, nominal interest and the operating surplus before depreciation variance from budget. Transfers from the fund consist of all expenditure associated with the St. Andrew Reservoir site development.

Both reserves are distributable.

### 9. Reconciliation of operating surplus to net cash inflow from operating activities

	2010 £	2009 £
Operating surplus for the year	3,712,838	3,603,237
Depreciation charges and surplus on disposal of moveable fixed assets (notes 4 and 5)	1,468,486	1,465,304
(Increase) in stock	(120,550)	(51,040)
(Increase) in debtors and prepayments	(98,152)	(38,807)
(Decrease) / increase in creditors due within one year	(113,358)	92,872
<b>Net cash inflow from operating activities</b>	<b><u>£ 4,849,264</u></b>	<b><u>£ 5,071,566</u></b>



# Guernsey Water

## Notes to the financial statements - continued

### 10. Reconciliation of net cash flow to movement in net funds

	2010 £	2009 £
(Decrease) / increase in cash in the year	(59,376)	11,272
Increase in balances with States Treasury	<u>334,414</u>	<u>3,260,399</u>
Change in net funds	<b>275,038</b>	3,271,671
Net funds at 1 January	<u>7,911,462</u>	<u>4,639,791</u>
<b>Net funds at 31 December</b>	<b><u>£ 8,186,500</u></b>	<b><u>£ 7,911,462</u></b>

### 11. Analysis of changes in net funds

	At 1 January 2010 £	Cash flows £	At 31 December 2010 £
Cash at bank and in hand	184,283	(59,376)	<b>124,907</b>
Balance with States Treasury	<u>7,727,179</u>	<u>334,414</u>	<b><u>8,061,593</u></b>
	<u>£ 7,911,462</u>	<u>£ 275,038</u>	<b><u>£ 8,186,500</u></b>

### 12. Commitments

Commitments at 31 December for which no provision has been made in these financial statements were as follows:

	2010 £	2009 £
Revenue contracted	<b>20,216</b>	26,879
Capital contracted	<u>2,699,555</u>	<u>652,111</u>
	<b><u>£ 2,719,771</u></b>	<b><u>£ 678,990</u></b>

# Guernsey Water

## Notes to the financial statements - continued

### **13. Pension Fund**

The employees of Guernsey Water are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. During 2008 the States considered a report by the actuaries on the valuation of the Superannuation Fund at 31 December 2007 that indicated that a deficit existed. The States agreed to increase the current employer's contribution rate to the Fund from 8.35% to 14.1% with effect from 1 January 2010.

Further details relating to the funding of the Superannuation Scheme are provided in the Superannuation Fund section of the accounts of the States of Guernsey.

Guernsey Water has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2010 was £319,047 (2009: £189,820).

### **14. Audit fees**

The audit fees for Guernsey Water's 2010 accounts are £17,060 (2009: £16,675).

### **15. Related party transactions**

After making appropriate enquiries in accordance with Guidance Notes issued by the States Treasurer on 27 March 1996, Guernsey Water are of the opinion that there have been no related party transactions in the current or preceding financial years, other than as disclosed within these financial statements.

Of Guernsey Water's annual income and expenditure, less than 20% of their respective value is due to transactions with other States entities.

### **16. 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 Public Services Department who have been appointed by the States of Guernsey.

# Guernsey Water

## Additional information

The additional information has been prepared from the accounting records of Guernsey Water. While it does not form part of the financial statements, it should be read in conjunction with them.

This information is unaudited

### Fixed asset additions during 2010

<u>Water Distribution</u>	£	£
<b>Renewal and replacement of mains</b>		
Renewal of mains		
Rue des Marais, St. Peters	23,621	
Courtil Portier Estate, Castel	16,063	
Vauxlaurens Lane, St. Peter Port	16,032	
Route Isabelle, St. Peter Port	7,680	
Rue des Clerca, St. Peters	5,081	
Other renewals	1,431	
Replacement of mains by insertion of structural lining		
Rue des Huriaux to Frie Plaidy	37,619	
Les Prins Lane, Vale	24,148	
Saumarez Lane, Castel	17,235	
Clos de Mont Arrivee, St. Peter Port	13,849	
Route de Picquerel, St. Sampson	13,445	
La Greve, Vale	11,957	
Retot Lane, Castel	10,885	
New Place, St. Peter Port	8,675	
La Vielle Rue, St. Sampson	7,978	
Rue a la Terre, St. Saviour	5,603	
Church Road, St. Sampson	5,057	
Other replacements	25,935	
<b>Total renewal and replacement of mains</b>	<u>252,294</u>	
<b>Extension of mains and general distribution</b>		
Mains requisitioned by customers	60,139	
Purchase and installation of meters	35,690	
<b>Total extension of mains and general distribution</b>	<u>95,829</u>	
<b><u>Total Water Distribution</u></b>		348,123
<b><u>Water Treatment</u></b>		
SCADA upgrade	238,950	
OSEC plant – St. Saviour Water Treatment Works	73,474	
Hot standby PLC – St. Saviour Water Treatment Works	45,735	
Treatment works at Longue Hougue Reservoir	27,126	
Plant optimisation – Longue Hougue Water Treatment Works	7,091	
Sundry renewals and replacements	56,260	
<b><u>Total Water Treatment</u></b>		
<b>Carried forward</b>		<u>448,636</u>
		796,759

# Guernsey Water

## Additional information - continued

	£	£
<b>Brought forward</b>		796,759
<b><u>Water Resources</u></b>		
Storage reservoirs slope stabilisation works	287,467	
Additional raw water pumping station capability – King’s Mills	251,327	
Raw water mains – King’s Mills to St. Saviour	116,803	
Raw water pumping station – Douit du Moulin	82,181	
Site security measures	80,573	
Raw water pumping improvements – Marais Stream	45,720	
Intake improvements – Vrangue Stream	41,076	
Stream flow monitoring	38,117	
Stream diversion works – St. Saviour Reservoir	13,279	
Raw water pumping improvements – Fermain	9,553	
Tank suction pipework – various sites	6,004	
Replacement gantry – Jamblin	5,811	
Raw water pumping improvements – Mare de Carteret	5,546	
Sundry renewals and other schemes in progress	6,937	
<b><u>Total Water Resources</u></b>		990,394
<b><u>Capital expenditure for General purposes</u></b>		
St. Andrew Reservoir site development	2,682,560	
Deposit for lease	225,000	
Vehicles	160,236	
Computer projects	38,004	
DGPS equipment	32,888	
Mobile plant and equipment	26,420	
Longue Hougue Reservoir external works	15,665	
Minor building and property work	11,837	
Computer equipment	7,236	
Workshop equipment	5,250	
General equipment	1,400	
<b><u>Total General</u></b>		3,206,496
<b>Gross Total Capital Expenditure</b>		4,993,649
Less: Customers’ contributions to capital mains		(42,637)
<b>Fixed Asset Additions</b>		4,951,012
Sale of properties, vehicles and equipment – net proceeds		(287,302)
<b>Net Fixed Asset Additions</b>		£ 4,663,710

# States of Guernsey Commerce and Employment Department Dairy Trading Account

## Statement of activities and performance

*Year ended 31 December 2010*

### Principal purpose

To operate the Guernsey Dairy in order to:

- Support the policies of the Commerce & Employment Department;
- Support a viable dairy industry in Guernsey by purchasing all locally produced milk;
- Satisfy the total consumer demand for fresh milk on Guernsey at an acceptable purchasing price;
- Operate efficiently and in such a manner, that over a year, the business does no worse than break even in financial terms; and
- Provide a safe and rewarding environment to all staff at the Dairy.

### Financial Summary

#### Summary

The Guernsey Dairy made an overall net surplus of £404,756 against a net surplus of £580,286 in 2009. This was higher than the forecast net surplus of £260,000 in the probable outturn published in Billet D'Etat XXV 2010. The Dairy's forecast surplus for 2011 is expected to be in line with the 2011 budgeted figure of £57,000.

The following report highlights the reasons for some key variances in the Dairy's financial statements and provides a summary of the year.

#### Sales

Overall sales turnover increased by £137,347 (2.2%) compared to 2009.

#### *Liquid Milk*

The increase in retail and gate price of milk has resulted in an increase in sales revenue in 2010 of £15,664 (0.3%) compared to 2009.

#### *By-products*

By-product sales turnover increased by £137,374 (13.4%) compared to 2009. With continued promotions throughout the year, butter and cheese sales dramatically increasing by £145,856 (27.1%) and £71,749 (56.8%) respectively compared to 2009. Ice cream showed a marked improvement throughout 2010 with increased growth of £16,650 (17%). Cream sales indicated a marginal decrease of £3,500 (1.3%) compared to 2009. Promotional discounts allowed across all by-products amounted to £93,381.

#### *Sundry Income*

An overall total sundry income of £36,375 was received in 2010 compared to £52,066 in 2009. This was attributable to advertising income received of £11,700 and the continuation of rental income of £22,301 from a telecom operator for mobile aerials situated at the Dairy.

# States of Guernsey

## Commerce and Employment Department

### Dairy Trading Account

#### Statement of activities and performance

*Year ended 31 December 2010*

##### **Cost of Sales**

The cost of sales increased by £206,868 (4.8%) compared to 2009.

##### *Milk Purchases*

The cost of milk purchases rose by £109,180 (3.7%) during 2010. The volume of milk purchased remained similar to volumes purchased in 2009 however, there was an increase in the price paid for raw milk during 2010.

##### *Milk Wastage*

Milk wastage costs reduced by £5,276 (3.7%) in 2010 compared to 2009. Increased efficiencies at the Dairy attributed to the savings resulting in reduced wastage.

##### *Carriage inwards*

Carriage inwards costs increased by £2,912 (23.8%) throughout 2010 compared to 2009. This was attributable to larger than expected freight carriers costs.

##### **Gross Surplus**

The gross surplus for the year 2010 decreased by £69,521 (3.6%) on 2009 figures.

##### **Expenses**

##### *Advertising and Promotion*

Costs increased by £22,572 (72.7%) for advertising and promotion in 2010. This was attributable to the increase in promotional activities of the Dairy during the year resulting in considerable increases in by-products sales.

##### *Depreciation*

The capital projects programme continued throughout 2010 resulting in the depreciation charge for the year increasing by £25,933 (19.2%) as major projects were capitalised.

##### *Fuel, Light, Power and Water*

Further rises in costs attributed to an overall increase of £29,544 (13.3%) compared to 2009.

##### *Laboratory, Motor Vehicle and Other Expenses*

Costs for the laboratory, motor vehicles and other expenses in 2010 resulted in an overall drop of £25,797 (14.6%) compared to 2009.

##### *Repairs, Maintenance and insurance (plant and machinery, site and buildings)*

Costs for repairs, maintenance and insurance for both plant & machinery and site & buildings show an overall decrease of £15,862 (10%) compared to 2009. Saving resulted from old equipment and machinery being replaced as part of the capital programme.

##### *Professional Fees*

Professional fees increased by £49,948 (116.3%) in 2010. This rise was due to additional financial support provided to the Dairy, increased work carried out by professional consultants and a rise in audit costs.

# States of Guernsey

## Commerce and Employment Department

### Dairy Trading Account

#### Statement of activities and performance

*Year ended 31 December 2010*

#### *Salaries and Wages*

Overall costs have increased by £15,852 (3.3%) compared to 2009.

#### **Capital Expenditure**

A comprehensive capital expenditure program continued in 2010 resulting in total expenditure of £131,247 against £277,849 in 2009.

<b>Capital expenditure</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Plant &amp; Machinery</b>		
1.5Kw Stainless Steel Pump	-	2,089
2.5Kw Stainless Steel Pump	-	2,186
Hot Foil Printer (Butter Packaging)	-	3,085
Cold Room Store Shelving	-	1,664
C.I.P. Delivery Pump	-	3,872
Frequency Inverter	-	4,312
3 x Frequency Inverters for C.I.P. Pumps	-	2,400
Pasteuriser Raw Milk Pumps	-	2,695
Compressor Air Dryer	-	2,159
Air Compressor	-	13,732
Refrigeration/Compressor Units for Cold Stores 2,3 &4	-	36,580
Display Freezer Unit	-	1,365
Domino A200+ High Performance Inkjet Coder	-	9,200
Cold Store 7 (Butter)	-	27,831
Fan Convector Heaters for Heated Carton Store	2,769	-
Hot Water Calorifier	1,920	-
PS70 Filling Manifold	842	-
Refrigeration Equipment Unit for Cold Store 5	6,925	-
Refrigeration Equipment for Cheese Maturation Room	6,925	-
Milk Collection Systems	4,742	-
Milk Tanker Data Capture System	22,489	-
C.I.P. Up Grade to Cream Tank Controls	14,635	-
<b>Buildings</b>		
Workshop Wiring	-	5,178
Laboratory Storeroom Refurbishment	1,584	834
Aluminium Doors	2,022	-
Guttering & Fascias	22,923	-
Tanker Office Refurbishment	2,694	-
Loading Bay Refurbishment	6,212	-
Resurface Floor in Cold Store 5	6,170	873

# States of Guernsey

## Commerce and Employment Department

### Dairy Trading Account

Statement of activities and performance  
*Year ended 31 December 2010*

	2010 £	2009 £
<b>Motor Vehicles</b>		
2 x Road Tankers	-	126,969
Forklift Truck	45	15,890
Isuzu Rodeo Denver 4x4 Pickup Truck	17,264	-
<b>Other Office Equipment (F&amp;F)</b>		
File Server	-	4,256
Photocopier	-	4,366
5 x Personal Computers	-	2,195
Server Software	-	1,930
HP Laserjet Printer	-	568
Safety Cabinet	-	1,620
HP Compaq 8000 Elite PC + Work Station	1,616	-
Upgrade to SCADA System Software	9,470	-
<b>Total Capital expenditure</b>	<b>£131,247</b>	<b>£277,849</b>



# States of Guernsey

## Commerce and Employment Department

### Dairy Trading Account

#### Statement of activities and performance

*Year ended 31 December 2010*

#### **Overall purpose and responsibilities of the Dairy Management Board**

The Dairy Management Board exists to review and advise on the strategic objectives of the Dairy and to submit recommendations on these matters to the Commerce & Employment Department. It should operate by challenging established practices and assumptions and critically reviewing annual business plans for recommendation to the Commerce and Employment Department.

#### **Department members and principal officers**

##### **Department members:**

Deputy C McNulty Bauer	-	Minister
Deputy M Laine	-	Deputy Minister
Deputy P Gillson	-	Member
Deputy R Sillars	-	Member
Deputy M Storey	-	Member

##### **Dairy Management Board members**

Mr A Child	-	Chairman
Deputy R Sillars	-	Member
Deputy M Storey	-	Member
Mr S Hogg	-	Co-opted
Mr S Keys	-	Member
Mr R Nash	-	Member
Mr ATabel	-	Member

##### **Principal officers:**

Mr J Buckland	-	Chief Officer
Mr R Nash	-	Director of Client Services
Mr A Tabel	-	General Manager

# States of Guernsey

## Commerce and Employment Department

### Dairy Trading Account

#### Statement of responsibilities for the preparation of financial statements

The States of Guernsey Commerce and Employment Department (“the Department”) is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the States of Guernsey Commerce and Employment Department – Dairy Trading Account (“the Dairy”) and of the surplus or deficit of the Dairy for that period. In preparing those financial statements, the Department 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 Department is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Dairy. It is also responsible for safeguarding the assets of the Dairy and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Statement of internal financial controls

It is the responsibility of the Department to identify and install a system of internal controls, including financial control, which is adequate for its own purposes, and to safeguard the assets of the Dairy and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Department is also responsible for the economical, efficient and effective management of public funds and other resources entrusted to it.

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

The Department’s internal financial procedures include:

- an annual budget and planning process to allocate, control and monitor the use of resources;
- review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit;
- the requirement for all audit reports to be tabled at a meeting of the relevant States Department to ensure that all Department members are aware of their financial affairs; and
- regular review of the performance and security of the States financial assets by the Treasury and Resources Department’s Investment Sub-Committee.

The Department strives to ensure that all staff with financial responsibilities have the necessary integrity, skills and motivation to discharge their duties with the proficiency which the community has the right to expect.

The Department’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 auditors appointed by the States of Guernsey.

The board members and principal officers have reviewed the cashflow and projected income and expenses over the next twelve months and deem that the Dairy has adequate financial resources to meet its obligations as they fall due. The Board therefore believe that the Dairy is a going concern for at least 12 months from the date of approval of these financial statements.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY COMMERCE AND EMPLOYMENT DEPARTMENT**

We have audited the financial statements of the States of Guernsey Commerce and Employment Department - Dairy Trading Account ("the Dairy") for the year ended 31 December 2010, which comprise the Revenue Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members of the States of Guernsey Commerce and Employment Department ("the Department"), as a body, in accordance with the terms of our engagement letter dated 26 November 2007. Our audit work has been undertaken so that we might state to the Department those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Department as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Department and auditor**

As explained more fully in the Statement of Responsibilities for the preparation of financial statements, the Department is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Dairy's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Dairy's affairs as at 31 December 2010 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### **Matters on which we are required to report by exception**

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP  
Chartered Accountants  
Guernsey  
12 April 2011

# States of Guernsey

## Commerce and Employment Department

### Dairy Trading Account

#### Revenue account

For the year ended 31 December 2010

	Notes	£	2010 £	£	2009 £
<b>Sales</b>	<i>1</i>				
Liquid milk			<b>5,177,090</b>		5,161,426
By-products			<b>1,164,800</b>		1,027,426
Sundry income			<b>36,375</b>		52,066
<b>Total sales</b>			<b>6,378,265</b>		6,240,918
<b>Cost of sales</b>					
Opening product stock	<i>4</i>	<b>258,978</b>		197,209	
Opening packaging stock	<i>4</i>	<b>145,338</b>	<b>404,316</b>	<b>145,299</b>	342,508
Production wages		<b>747,770</b>		709,995	
Milk		<b>3,065,740</b>		2,956,560	
Milk wastage		<b>136,889</b>		142,165	
By-product ingredients		<b>36,060</b>		28,503	
Packaging materials		<b>523,504</b>		496,791	
Carriage inwards		<b>15,121</b>		12,209	
Offshore processing and freight		<b>34,015</b>		30,460	
Sundries		<b>111</b>	<b>4,559,210</b>	<b>(12)</b>	4,376,671
Closing product stock	<i>4</i>	<b>(273,061)</b>		(258,978)	
Closing packaging stock	<i>4</i>	<b>(168,734)</b>	<b>(441,795)</b>	<b>(145,338)</b>	(404,316)
<b>Total cost of sales</b>			<b>4,521,731</b>		4,314,863
Gross surplus			<b>1,856,534</b>		1,926,055
Administration expenses	<i>2</i>		<b>(1,455,830)</b>		(1,355,500)
<b>Operating surplus for the year</b>			<b>400,704</b>		570,555
Interest receivable	<i>1</i>		<b>3,992</b>		5,931
Gain on sale of fixed asset			<b>60</b>		3,800
<b>Retained surplus for the year</b>	<i>7</i>		<b>£ 404,756</b>		£ 580,286

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 revenue account.

Notes 1 to 15 form an integral part of these financial statements.

# States of Guernsey Commerce and Employment Department Dairy Trading Account

## Balance sheet at 31 December 2010

	<i>Notes</i>	<b>2010</b> £	2009 £
<b>Tangible fixed assets</b>	3	<b>1,538,804</b>	1,568,242
<b>Current assets</b>			
Stocks	4	<b>506,854</b>	465,313
Debtors and prepayments	5	<b>1,274,271</b>	964,075
Balances held with the States Treasury		<b>332,935</b>	533,485
Bank deposits		<b>628,973</b>	374,352
Cash in hand		<b>124</b>	111
		<b>2,743,157</b>	2,337,336
<b>Creditors: amounts falling due within one year</b>	6	<b>(477,035)</b>	(505,408)
<b>Net current assets</b>		<b>2,266,122</b>	1,831,928
<b>Total net assets</b>		<b>£3,804,926</b>	£3,400,170
<b>Reserves</b>	7	<b>£3,804,926</b>	£3,400,170

The financial statements were approved by the States of Guernsey Commerce and Employment Department on 12 April 2011.

Signed on behalf of the Department

**C McNulty Bauer**  
*Minister*

Notes 1 to 15 form an integral part of these financial statements.

# States of Guernsey

## Commerce and Employment Department

### Dairy Trading Account

#### Cash flow statement

*for the year ended 31 December 2010*

	<i>Notes</i>	£	2010 £	£	2009 £
<b>Net cash inflow from operating activities</b>	8		<b>188,710</b>		554,982
<b>Returns on investments and servicing of finance</b>					
Interest received			<b>3,992</b>		5,931
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets	3	<b>(131,247)</b>		(277,849)	
Receipts from sales of tangible fixed assets			<b>60</b>		3,800
<b>Increase in cash</b>	9,10		<b><u>£ 61,515</u></b>		<b><u>£ 286,864</u></b>

Notes 1 to 15 form an integral part of these financial statements.

# States of Guernsey

## Commerce and Employment Department

### Dairy Trading Account

#### Notes to the financial statements

#### 1. Accounting policies

The financial statements are prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

##### *Stock*

Stock is valued at the lower of cost and net realisable value. Cost includes an appropriate proportion of processing expenses.

##### *Tangible fixed assets*

Tangible fixed assets are stated at cost less depreciation.

##### *Debtors*

Trade debtors are stated less a general provision of 0.5% of the trade debtor's balance.

##### *Depreciation*

Depreciation is calculated at the following annual rates so as to write off tangible fixed assets over their anticipated useful lives using the straight line method:

	Estimated life In years	Depreciation % per annum
Site and roads	10	10
Buildings	20 – 50	2 – 5
Plant, machinery and laboratory equipment	5 – 20	5 – 20
Office furniture and fittings	5 – 8	12.5 – 20
Other office equipment	3 – 8	12.5 – 33.3
Motor vehicles (except forklifts)	5	20
Forklift trucks	15 – 20	5 – 6.7
Computer hardware	3	33.3
Computer software	3 – 5	20-33.3

##### *Income*

Sales are accounted for on an accruals basis. Interest is recognised on an accruals basis.

##### *Expenses*

Expenses are accounted for on an accruals basis.

##### *Pension costs*

The costs of the defined benefit scheme are charged to the revenue account over the period during which the Dairy benefits from the employees' services. Surpluses or deficits are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll costs.

##### *Going concern statement*

The Board members and principal officers have reviewed the cashflow and projected income and expenses over the next 12 months and deem that the Dairy has adequate financial resources to meet its obligations as they fall due. The Board therefore believe that the Dairy is a going concern for at least 12 months from the date of approval of these financial statements.

# States of Guernsey

## Commerce and Employment Department

### Dairy Trading Account

#### Notes to the financial statements - continued

#### 2. Administration expenses

	2010 £	2009 £
Opening non-product stock	60,997	61,043
Advertising and promotion	53,614	31,042
Carriage outwards	8,389	8,170
Cleaning materials	64,236	60,729
Depreciation	160,685	134,752
Fuel, light, power and water	252,347	222,803
General administration costs	30,582	30,292
Laboratory expenses	80,734	89,884
Motor vehicle expenses	24,336	26,863
Other expenses	46,026	60,146
Product research and development	-	58
Professional fees	92,887	42,939
Provision for bad and doubtful debts	13	-
Repairs, maintenance and insurance (plant and machinery)	101,323	102,213
Repairs, maintenance and insurance (site and buildings)	41,487	56,459
Rates	386	358
Salaries and wages	500,503	484,651
Staff training and recruitment	2,344	4,095
Closing non production stock	(65,059)	(60,997)
	<u>1,455,830</u>	<u>1,355,500</u>



# States of Guernsey

## Commerce and Employment Department

### Dairy Trading Account

#### Notes to the financial statements - continued

#### 3. Tangible fixed assets

	1 January 2010 £	Additions £	Disposals £	31 December 2010 £
<i>Cost</i>				
Site and roads	966	-	-	966
Buildings	1,517,708	41,605	-	1,559,313
Plant and machinery	2,856,767	61,247	60,082	2,857,932
Motor vehicles	254,757	17,309	8,068	263,998
Laboratory equipment	122,782	-	-	122,782
Furniture and fittings	149,288	11,086	8,148	152,226
	<u>4,902,268</u>	<u>131,247</u>	<u>76,298</u>	<u>4,957,217</u>
	1 January 2010 £	Charge for the year £	Disposals £	31 December 2010 £
<i>Depreciation</i>				
Site and roads	965	-	-	965
Buildings	648,282	37,014	-	685,296
Plant and machinery	2,343,803	81,331	60,082	2,365,052
Motor vehicles	103,634	29,611	8,068	125,177
Laboratory equipment	119,138	2,526	-	121,664
Furniture and fittings	118,204	10,203	8,148	120,259
	<u>3,334,026</u>	<u>160,685</u>	<u>76,298</u>	<u>3,418,413</u>
<b>Net book value 2010</b>	<u>£1,568,242</u>			<u>£1,538,804</u>
<b>Net book value 2009</b>	<u>£1,425,145</u>			<u>£1,568,242</u>

#### 4. Stocks

	2010 £	2009 £
Milk and milk by-products	273,061	258,978
Packaging materials	168,734	145,338
Other stock	65,059	60,997
	<u>£506,854</u>	<u>£465,313</u>

# States of Guernsey

## Commerce and Employment Department

### Dairy Trading Account

#### Notes to the financial statements - continued

##### 5. Debtors and prepayments

	2010 £	2009 £
Trade debtors	837,269	796,730
Prepayments	344,176	82,827
Accrued income	92,826	84,518
	<u>£1,274,271</u>	<u>£964,075</u>

##### 6. Creditors: amounts falling due within one year

	2010 £	2009 £
Bank	10,990	18,421
Trade creditors	415,941	418,283
Accruals	50,104	68,704
	<u>£477,035</u>	<u>£505,408</u>

##### 7. Reserves

	General Reserve £	Revenue Account £	Total £
Balance 1 January 2010	3,002,491	397,679	3,400,170
Surplus for the financial year	<u>-</u>	<u>404,756</u>	<u>404,756</u>
<b>Balance 31 December 2010</b>	<b><u>3,002,491</u></b>	<b><u>802,435</u></b>	<b><u>£3,804,926</u></b>

##### 8. Reconciliation of operating surplus to net cash inflow from operating activities

	2010 £	2009 £
Operating surplus for the year	400,704	570,555
Depreciation	160,685	134,752
(Increase) in debtors and prepayments	(310,196)	(176,695)
(Increase) in stocks	(41,541)	(61,762)
(Decrease)/increase in creditors and accruals	(20,942)	88,132
<b>Net cash inflow from operating activities</b>	<b><u>£ 188,710</u></b>	<b><u>£ 554,982</u></b>

# States of Guernsey

## Commerce and Employment Department

### Dairy Trading Account

#### Notes to the financial statements - continued

##### 9. Analysis of changes in net cash flows during the year

	2010 £	2009 £
Balance at 1 January	889,526	602,662
Net cash inflow during the year	<u>61,515</u>	<u>286,864</u>
Balance at 31 December	<u>£ 951,041</u>	<u>£ 889,526</u>

##### 10. Analysis of the changes in net funds

	At 1 January 2010 £	Cash flows £	At 31 December 2010 £
Bank balances - current	(18,421)	7,430	(10,991)
- deposit	374,351	254,622	628,973
Cash in hand	111	13	124
Balances held with States Treasury	<u>533,485</u>	<u>(200,550)</u>	<u>332,935</u>
	<u>889,526</u>	<u>61,515</u>	<u>951,041</u>

##### 11. Superannuation fund

The employees of the States of Guernsey – Dairy are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. During 2008 the States considered a report by the actuaries on the valuation of the Superannuation Fund at 31 December 2007 that indicated that a deficit existed. The States agreed to increase the current employer's contribution rate to the Fund from 8.85% to 14.1% with effect from 1 January 2010.

Further details relating to the funding of the Superannuation Scheme are provided in the Superannuation Fund section of the accounts of the States of Guernsey.

The States of Guernsey – Dairy has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2010 were £125,249 (2009: £80,464).

# States of Guernsey

## Commerce and Employment Department

### Dairy Trading Account

#### Notes to the financial statements - continued

#### **12. Related party transactions**

Since the formation of the new Commerce & Employment and Dairy Management Boards in 2004, no material related party transactions have taken place, except as disclosed in these financial statements. No member of either Board is a material supplier or customer of the Dairy.

#### **13. Statement of control**

The States of Guernsey Commerce and Employment Department – Dairy Trading Account is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of the States of Guernsey Commerce and Employment Department has been delegated to the members of the Department who have been appointed by the States of Guernsey.

#### **14. Subsequent Events**

There have been no material subsequent events since the balance sheet date which affect these financial statements.

#### **15. Commitments and Contingent Liabilities**

There are no commitments or contingent liabilities relating to 2010 which would affect these financial statements (2009: None).

# States of Guernsey Public Services Department

## States Works

### Statement of activities and performance

*Year ended 31 December 2010*

#### Principal activities

States Works, a division of the Public Services Department, operates as a trading organisation which contracts mainly with States clients to deliver a wide range of services. Those services demand the effort of a predominantly manual labour force utilising specialist plant and equipment to maintain the public services of the island.

#### Financial Highlights

	<b>Actual 2010 £'000</b>	<b>Budget 2010 £'000</b>	<b>Actual 2009 £'000</b>
<b>Income</b>	<b>12,373</b>	<b>11,536</b>	<b>11,543</b>
<b>Surplus</b>	<b>408</b>	<b>644</b>	<b>212</b>
<b>Capital expenditure</b>	<b>917</b>	<b>1,283</b>	<b>361</b>

Operating turnover for the year ended 31 December 2010 exceeded the revised budget estimate by 7.3% and the equivalent 2009 turnover by 7.2%. This was the result of higher than anticipated revenue from a number of our business units. The surplus before bank interest has increased from £195,949 in 2009 to £388,809. The operating surplus is now 3.2% of turnover (2009: 1.7%). This is still a very tight margin to operate under, and any significant reductions in contract values could lead to operating losses.

The increase in employer's pension contributions in 2010 from 7.85% to 14.1% has resulted in a rise of £305,324 in contributions in 2010. States Works have managed to cushion this additional expense by gaining additional work during the year. This has partly been achieved by an increase in private work with the proportion of private work to States work increasing from 10% to 12% in the past year. States Works continue to maintain their reputation for providing a quality service which is evident from the number of renewed contracts and new work gained.

States Works has taken over the ownership of the Sewage tanker fleet and the landfill plant and vehicles from 2010 which fits in with the management of these operations. Our overall capital expenditure has increased by £556k this year. The majority of this rise is due to the purchase of five sewage tankers, with a further two expected to arrive at the start of 2011. The sewage tankers are charged at cost to Guernsey Wastewater as part of the service level agreement, and recognised as income for States Works. They are accounted for as fixed assets at States Works and depreciated over a useful economic life of 8 years. During 2010, five sewage tankers were purchased, which accounted for £303k of income and £278k of the profit for the year.

We have also purchased a Bomag compactor for use at Mont Cuët which is being leased back to Central Services (PSD). We continue to maintain the rolling replacement programme for our vehicles which is necessary to ensure that we have a working fleet. In addition to this we have re-clad the Signs and Lines building at La Hure Mare.

We purchased a new Schmidt Swingo road sweeper which, due to its very compact size, can clean in very tight areas reducing the manual labour requirements. As a small, manoeuvrable machine it also has the ability to clean underground car parks and we are hoping to gain additional private work from this.

# States of Guernsey Public Services Department

## States Works

### Statement of activities and performance (continued)

*Year ended 31 December 2010*

#### Operational Performance

##### Staffing Statistics

	2010	2009
Ratio of Support staff to Operational staff	13%	14%
Staff members at year end	235	242
Income generated per Employee	£52,651	£47,700

##### Emergency Call-Out

Number of calls	257	299
Man hours worked	856	992

##### Developments in 2010

The development of our Burnt Lane facility was completed in 2010 with the construction of the final polytunnel being completed at the start of the year. The horticultural facility is now fully operational and we are hoping to raise its profile as a facility of excellence.

We have recently been accepted as a training centre for horticulture by City & Guilds. This will provide the Island with a facility to train local apprentices, as previously they have had to travel off Island for this training. We are using a trainer from Jersey and the manager of Parks and Gardens, who has recently trained as an assessor, which is an essential requirement of the scheme.

As part of the Financial Transformation Programme it was recommended that States departments should utilise the expertise and resources of States Works. We are currently in preliminary talks with another States department with a view to taking over the management of their fleet. We are hoping that we will have the opportunity to proceed with this, which would be managed by our experienced fleet management team and servicing staff. This would provide us with the opportunity of increasing our turnover whilst providing a cost saving to another States department.

##### Environmental issues

We have carried out additional work this year at the green waste site processing the backlog of green waste which had accumulated due to the fire at Mont Cuet. This involved clearing the green waste site and transporting the shredded waste to Longue Hougue where it was formed into windrows. Longue Hougue was allowed to be used as a temporary site for this process which was necessary due to the large quantities of waste to be processed.

# States of Guernsey Public Services Department

## States Works

### Statement of activities and performance (continued)

*Year ended 31 December 2010*

#### **Board Members and Principal Officers**

Deputy B Flouquet, Minister

Deputy S Ogier, Deputy Minister

Deputy T M le Pelley

Deputy A Spruce

Mr W Walden (resigned 31 December 2010)

Deputy J Kuttelwascher (appointed 23 February 2011)

Principal Officers were:

Mr A Lewis, Chief Officer, Public Services Department

Mr J S N Menhenitt, Finance Director, Public Services Department

Mr N J Dorey, General Manager, States Works

Mrs N Nicholson, Senior Manager, Finance and Support Services

# States of Guernsey Public Services Department

## States Works

### Statement of responsibilities for the preparation of financial statements

The Public Services Department (the “Board”) is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of States Works as at the end of the financial year and of the surplus or deficit of States Works for that period. In preparing those financial statements, the Board is required to:

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

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

### Statement of internal financial controls

It is the responsibility of each States Department to identify and install a system of internal controls, including financial controls, which is adequate for its own purposes and to safeguard the assets of the States of Guernsey in their care and hence for taking reasonable steps for the prevention of fraud and other irregularities. The Public Services Department is responsible for the economic, efficient and effective operations and management of States Works and has a duty to ensure that they fulfil their obligations despite financial and manpower restrictions.

The States Works internal financial controls and monitoring procedures include:

- Annually reported and approved budgets monitored against monthly management accounts with additional operational detail reported in a detailed quarterly report which monitors actual income and expenditure against that anticipated. All such detail is regularly reviewed at meetings of the Public Services Department to ensure that all Board members are informed of States Works financial affairs.
- Client invoices are subjected to a range of pre-determined computerised integrity checks prior to dispatch, in order to ensure accuracy.
- The control of materials and stores purchases are managed using a computerised job-costing programme with specific authorisation limits for purchases and segregated areas of responsibility for processing of payments, all of which maintain detailed audit trails.
- Manpower expenditure is monitored and controlled at source via time sheets, which are authorised, and the computerised job costing and financial accounts packages, which check validity, and permits reconciliation with the wage bill.
- Capital expenditure authorisation is subject to strict valuation guidelines and purchase procedures.
- Regular independent review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit Department.



# States of Guernsey Public Services Department

## States Works

### Statement of internal financial controls (continued)

The Board strives to ensure that all staff with financial responsibility in States Works have the necessary integrity, skills and motivation to discharge their duties with the proficiency which the community has the right to expect.

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

In addition, the financial statements are subject to an independent external audit by auditors appointed by the States.

### **Going Concern**

The Board members and principal officers have reviewed the cashflows and projected income and expenses over the next twelve months, prepared by management, and deem that States Works has adequate financial resources to meet its obligations as they fall due. The Board therefore believe that States Works is a going concern for at least twelve months from the date of approval of the financial statements.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY PUBLIC SERVICES DEPARTMENT**

We have audited the financial statements of States Works for the year ended 31 December 2010 which comprise the Revenue Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members of the States of Guernsey Public Services Department ("the Board"), as a body, in accordance with the terms of our engagement letter dated 26 November 2007. Our audit work has been undertaken so that we might state to the Board those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Board and auditor**

As explained more fully in the Statement of Responsibilities for the preparation of financial statements, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to States Works' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the States Works' affairs as at 31 December 2010 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### **Matters on which we are required to report by exception**

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP  
Chartered Accountants  
Guernsey  
14 April 2011

# States of Guernsey Public Services Department

## States Works

### Revenue account

*for the year ending 31 December 2010*

	<i>Notes</i>	<b>2010</b>	2009
		£	£
<b>Income</b>	<b>2</b>	<b>12,372,909</b>	11,543,287
<b>Expenses</b>			
Labour and direct materials	3	<b>9,350,363</b>	8,882,448
Transport, plant and equipment maintenance	4	<b>832,104</b>	763,197
Building maintenance and charges	5	<b>375,039</b>	291,331
Administration and general	6	<b>1,426,594</b>	1,410,362
		<b>11,984,100</b>	11,347,338
<b>Operating surplus</b>		<b>388,809</b>	195,949
Interest received from States Treasury		<b>19,655</b>	15,688
<b>Surplus for the financial year</b>	<b>11</b>	<b>408,464</b>	211,637

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 revenue account.

Notes 1 to 19 form an integral part of these financial statements.

# States of Guernsey Public Services Department

## States Works

### Balance sheet

at 31 December 2010

	Notes	2010 £	2009 £
<b>Tangible fixed assets</b>	7	<b>5,657,698</b>	4,829,649
<b>Current Assets</b>			
Stock and work in progress	8	<b>377,700</b>	296,867
Debtors	9	<b>515,596</b>	303,648
Balances with States Treasury	13	<b>2,716,095</b>	2,929,237
		<b>3,609,391</b>	3,529,752
<b>Creditors: amounts falling due within one year</b>	10	<b>(434,127)</b>	(316,193)
<b>Net current assets</b>		<b>3,175,264</b>	3,213,559
<b>Total net assets</b>		<b>£ 8,832,962</b>	£ 8,043,208
<b>Reserves</b>	11	<b>£ 8,832,962</b>	£ 8,043,208

These financial statements were approved by the Public Services Department on  
Signed on behalf of the Board on 14 April 2011.

B Flouquet  
Minister

S Ogier  
Deputy Minister

Notes 1 to 19 form an integral part of these financial statements.

# States of Guernsey Public Services Department

## States Works

### Cash flow statement

for the year ending 31 December 2010

	<i>Notes</i>	<b>2010</b> £	2009 £
<b>Net cash inflow from operating activities</b>	<i>12</i>	<b><u>663,592</u></b>	<u>2,068,166</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		<b>19,655</b>	15,688
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		<b>(917,336)</b>	(360,790)
Receipts from sales of tangible fixed assets		<b><u>20,947</u></b>	<u>6,500</u>
<b>Net cash outflow from investing activities</b>		<b><u>(896,389)</u></b>	<u>(354,290)</u>
<b>Management of liquid resources</b>			
(Decrease) / increase in amounts held with States Treasury	<i>13</i>	<b><u>(213,142)</u></b>	<u>1,729,564</u>
<b>Movement in cash</b>		<b><u>-</u></b>	<u>-</u>

Notes 1 to 19 form an integral part of these financial statements.

# States of Guernsey Public Services Department

## States Works

### Notes to the financial statements

#### 1. Principal accounting policies

The following accounting policies are prepared in accordance with applicable UK accounting standards and are described below.

##### *Accounting convention*

The financial statements are prepared under the historical cost convention.

##### *Revenue*

Income comprises amounts in respect of services provided and goods supplied in the year.

##### *Trade Debtors*

Trade debtors are stated less a general provision of £10,000 (2009: £10,000).

##### *Tangible fixed assets*

Tangible fixed assets are stated at cost less depreciation.

##### *Depreciation*

Depreciation is calculated at the following annual rates so as to write off the cost of tangible fixed assets over their anticipated useful lives using the straight line method:-

	<b>Estimated life in years</b>	<b>Depreciation % per annum</b>
Plant, tools & equipment	3 – 20	5 – 33.33
Motor vehicles	3 – 10	10 – 33.33
Office equipment	5	20
Buildings and fittings	10 – 50	2 – 10
Land	Unlimited	0

##### *Stock and work in progress*

Stock and work in progress is valued at the lower of cost and net realisable value.

##### *Pension costs*

The costs of the defined benefit scheme are charged to the revenue account over the period during which the Board benefits from the employee's services. Surpluses or deficiencies are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll.

##### *Interest Income*

Interest income is earned from balances held with the States Treasury at the prevailing bank rate less an administration charge.

# States of Guernsey Public Services Department

## States Works

### Notes to the financial statements - continued

<b>2. Income</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Building maintenance	460,590	438,983
Cleansing services	2,156,237	2,132,049
Drainage work	258,169	323,021
Electrical & mechanical work	1,179,120	1,352,714
Emergency services	117,678	119,435
Fleet hire	300,950	242,245
Fleet maintenance	505,397	637,648
Grounds maintenance	1,979,893	1,946,296
Highway repairs	1,029,380	908,088
Landfill & recycling	1,003,658	887,535
Management services	195,557	173,001
Sewage collection	2,028,465	1,373,647
Signs & lines	365,997	353,973
Administration & stores	791,818	654,652
	<u>12,372,909</u>	<u>11,543,287</u>
<b>3. Labour &amp; direct materials</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Labour charges:		
Wages and employer's superannuation	5,909,500	5,701,988
Direct materials:		
Materials and services	2,511,912	2,329,092
Stores	628,702	604,762
Sub contractors	324,102	261,061
Less: discounts received	(23,853)	(14,455)
	<u>3,440,863</u>	<u>3,180,460</u>
	<u>9,350,363</u>	<u>8,882,448</u>

# States of Guernsey Public Services Department

## States Works

### Notes to the financial statements - continued

<b>4. Transport, plant and equipment maintenance</b>		<b>2010</b>	<b>2009</b>
		£	£
Vehicles	- fuel and maintenance	<b>312,711</b>	280,627
	- depreciation	<b>298,767</b>	252,632
Plant & Tools	- maintenance & replacements	<b>152,714</b>	140,053
	- depreciation	<b>67,912</b>	89,885
		<b>832,104</b>	763,197
<b>5. Building maintenance and charges</b>		<b>2010</b>	<b>2009</b>
		£	£
La Hure Mare		<b>168,353</b>	137,825
Burnt Lane & Saumarez Lane Depot		<b>114,449</b>	70,309
Buildings and fittings depreciation		<b>92,237</b>	83,197
		<b>375,039</b>	291,331
<b>6. Administration and general</b>		<b>2010</b>	<b>2009</b>
		£	£
Salaries, wages and employer's superannuation		<b>1,112,884</b>	1,105,880
Travel & training charges		<b>79,336</b>	37,273
Post, stationery & telephone		<b>29,185</b>	37,931
Computer charges		<b>43,285</b>	61,188
Insurance		<b>141,166</b>	129,827
Audit fee		<b>13,510</b>	13,538
Sundry office expenses		<b>16,514</b>	22,126
Office and equipment depreciation		<b>3,714</b>	1,286
(Profit) / loss on disposal of fixed assets		<b>(13,000)</b>	1,313
		<b>1,426,594</b>	1,410,362



# States of Guernsey Public Services Department

## States Works

### Notes to the financial statements - continued

#### 7. Tangible fixed assets

	1 January 2010 £	Additions £	Disposals £	31 December 2010 £
<i>Cost</i>				
Plant, tools & equipment	1,209,833	44,894	10,608	<b>1,244,119</b>
Motor vehicles	2,730,188	1,156,199	280,017	<b>3,606,370</b>
Office equipment	139,137	15,353	2,516	<b>151,974</b>
Buildings and fittings	3,707,311	82,181	-	<b>3,789,492</b>
Land	1,274,220	-	-	<b>1,274,220</b>
	<u>9,060,689</u>	<u>1,298,627</u>	<u>293,141</u>	<u><b>10,066,175</b></u>
	1 January 2010 £	Charge for the year £	Disposals £	31 December 2010 £
<i>Depreciation</i>				
Plant, tools and equipment	870,252	67,912	4,352	<b>933,812</b>
Motor vehicles	1,889,045	298,767	278,326	<b>1,909,486</b>
Office equipment	128,346	3,714	2,515	<b>129,545</b>
Buildings and fittings	1,343,397	92,237	-	<b>1,435,634</b>
Land	-	-	-	-
	<u>4,231,040</u>	<u>462,630</u>	<u>285,193</u>	<u><b>4,408,477</b></u>
<b>Net Book Value</b>	<u>4,829,649</u>			<u><b>5,657,698</b></u>

Included within the additions figure is £381,290 of assets which were transferred from PSD Central Services to States Works on 1<sup>st</sup> January 2010. Their value was based on an estimate of their net book value at the time of transfer. This was calculated by taking the original cost of the asset less the depreciation using our estimate of their useful economic life. It is our opinion that this is representative of their value.

#### 8. Stock and work in progress

	2010 £	2009 £
Stock	<b>190,723</b>	140,574
Work in progress	<b>186,977</b>	156,293
	<u><b>377,700</b></u>	<u>296,867</u>

# States of Guernsey Public Services Department

## States Works

### Notes to the financial statements – continued

<b>9. Debtors</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Trade debtors (Note 1)	<b>440,100</b>	274,475
Prepayments and other debtors	<b>75,496</b>	29,173
	<b><u>515,596</u></b>	<b><u>303,648</u></b>
 <b>10. Creditors: amounts falling due within one year</b>	 <b>2010</b>	 <b>2009</b>
	<b>£</b>	<b>£</b>
Trade creditors	<b>330,215</b>	215,301
Accruals	<b>103,912</b>	100,892
	<b><u>434,127</u></b>	<b><u>316,193</u></b>
 <b>11. Reserves</b>	 <b>2010</b>	 <b>2009</b>
<i>Revenue account</i>	<b>£</b>	<b>£</b>
Balance 1 January	<b>8,043,208</b>	7,831,571
Asset transfer reserve	<b>381,290</b>	-
Surplus for financial year	<b>408,464</b>	211,637
	<b><u>8,832,962</u></b>	<b><u>8,043,208</u></b>
 <b>12. Reconciliation of operating surplus to net cash inflow from operating activities</b>	 <b>2010</b>	 <b>2009</b>
	<b>£</b>	<b>£</b>
Operating surplus	<b>388,809</b>	195,949
Depreciation charges and surplus on sale of tangible fixed assets	<b>449,630</b>	428,313
(Increase) in stocks and work in progress	<b>(80,833)</b>	(5,113)
(Increase) / decrease in debtors	<b>(211,948)</b>	1,456,040
Increase / (decrease) in creditors	<b>117,934</b>	(7,024)
<b>Net cash inflow from operating activities</b>	<b><u>663,592</u></b>	<b><u>2,068,166</u></b>

# States of Guernsey Public Services Department

## States Works

### Notes to the financial statements - continued

<b>13. Reconciliation of net cash flow to movement in net funds</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Movement in cash	<u>(213,142)</u>	<u>1,729,564</u>
Increase in liquid resources	<u>(213,142)</u>	<u>1,729,564</u>
Net funds at 1 January	<u><b>2,929,237</b></u>	<u>1,199,673</u>
Net funds at 31 December	<u><b>2,716,095</b></u>	<u>2,929,237</u>

<b>14. Analysis of changes in net funds</b>	<b>1 January</b>	<b>Cash Flow</b>	<b>31 December</b>
	<b>2010</b>		<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cash held with States Treasury	<u>2,929,237</u>	<u>(213,142)</u>	<u><b>2,716,095</b></u>

<b>15. Capital Commitments</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Contracted for but not provided	<u><b>186,082</b></u>	<u>196,000</u>

### 16. Superannuation Fund

The employees of States Works are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. During 2008 the States considered a report by the actuaries on the valuation of the Superannuation Fund at 31 December 2007 that indicated that a deficit existed. The States agreed to increase the current employer's contribution rate to the Fund from 7.85% to 14.1% with effect from 1 January 2010.

Further details relating to the funding of the Superannuation Scheme are provided in the Superannuation Fund section of the accounts of the States of Guernsey.

States Works has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2010 were £692,493 (2009: £387,169).

# States of Guernsey Public Services Department

## States Works

### Notes to the financial statements - continued

#### **17. Related party transactions**

##### *Income*

The States of Guernsey Public Services Department – States Works are 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 “arms length”. There has been a small change in the proportion of business between States 88% (2009: 90%) and private 12% (2009: 10%) clients.

##### *Expenditure*

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

#### **18. Statement of control**

The States of Guernsey Public Services Department – States Works is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of the States of Guernsey Public Services Department – States Works has been delegated to the members of the Board who have been appointed by the States of Guernsey.

#### **19. Subsequent events**

Management know of no events subsequent to the year end that would materially affect the financial statements.



**STATES OF GUERNSEY - GUERNSEY INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**STATEMENT OF ACTIVITIES AND PERFORMANCE**  
**Year ended 31 December 2010**

**FINANCIAL HIGHLIGHTS**

**Overview**

The Guernsey Insurance Fund ("the Fund") recorded an operating deficit of £3.65m (2009:£5.16m deficit) although less than the £5.7m deficit originally forecast. The better performance was as a result of stronger contribution growth during the fourth quarter of the year. The Fund reserves for the year increased by £63.59m (2009: £80.73m). This increase was created through the net of operating deficit, realised/unrealised profits of £59.81m (2009: £80.73m) and investment income of £7.44m (£10.20m).

At the year-end total reserves of the Fund stood at £634.93m (2009: £571.34m) with expenditure cover up from 5.6 years to 6.0 years.

**Contribution income & states grant**

Total contribution income for the contributory funds increased by 3.0% to £138.19 m (2009: £134.04m) and was above the budget of £137.02m. The income from the contribution classes is as follows:

Contribution income allocated to the Guernsey Health Service Fund decreased by 0.3% to £33.40 m (2009:£33.50m) but marginally above the budget of £33.35m. The Long-term Care Insurance Fund allocation decreased by 3.1% to £16.37m (2009: £16.89m) and below the budget of £16.55m. Income was predicted to fall in 2010 as there was a reallocation of contribution income from the Health Fund and Long-term Care Fund to the Guernsey Insurance Fund.

After allocations to the Guernsey Health Service Fund and the Long-term Care Insurance Fund, the Guernsey Insurance Fund contribution income increased by 5.4% to £88.49m (2009: 3.4% to £83.67m) which was above the budget of £87.13m.

The States' grant, which is based on a fixed percentage of contributions, currently set at 15%, increased to £13.26m (2009: £3.5% to £12.55m) and was above the budget of £13.07m.

<b>Numbers of Contributors as at week 48</b>	<b>2010</b>	<b>2009</b>	<b>5-Year average</b>
Employers	2,419	2,398	2,436
Employed	29,209	28,831	29,075
Self-Employed	3,409	3,388	3,433
Non-Employed	5,113	4,961	4,748
Total Employed	37,731	37,180	37,256

The overall number of contributors, at week 48, increased by 1.5% to 37,731 (2009: 37,180). The number of employed increased by 1.3% while the self-employed and non-employed contributors increased by 0.6% and 3.1% respectively.

The largest economic sector remained the financial sector, which accounted for 22% of the employed population and represented 31% of the total income received from employers and employees.

**Benefit expenditure**

Overall benefit expenditure increased by 4% to £100.30m (2009: £96.48m) and below the budget of £100.76m: the increase included a 2% increase in the general rate of benefit. At the year-end there were 17,373 benefit claims in payment (2009: 17,196), of which 86.6% (2009: 86.0%) were to people in receipt of old age pension.

**Pension**

	<b>2010</b>	<b>2009</b>	<b>5-Year Average</b>
Number of claimants at the year-end	15,047	14,782	14,430
Number of approved claims during the year	835	1,051	940

Pension expenditure increased by 4.8 % to £82.12m (2009: £78.35m) and just above the original budget of £81.88m. The single rate of old age pension and the addition in pension in respect of a dependant wife both increasing by 2%. The number of pensioners increased by 1.8% at the end of the year and is set to rise considerably over the next few years as the so called 'baby-boomers' born in the years following the second world war reach pension age.

**STATES OF GUERNSEY - GUERNSEY INSURANCE FUND**

**Controlled and managed by the  
Social Security Department**

**STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)**

**Year ended 31 December 2010**

**FINANCIAL HIGHLIGHTS (CONTINUED)****Invalidity benefit**

	<b>2010</b>	<b>2009</b>	<b>5-Year Average</b>
Number of claimants at the year-end	937	861	827
Number of approved claims during the year	316	361	381

Invalidity benefit increased significantly by 10.3% to £7.41m (2009: £6.72m) but below the budget of £7.50m which predicted a 11.5% increase. The Department is working on a number of back-to-work initiatives to move more people off benefit into work, including the long-term sick.

**Sickness benefit**

	<b>2010</b>	<b>2009</b>	<b>5-Year Average</b>
Number of claimants at the year-end	498	551	475
Number of approved claims during the year	11,170	12,198	11,484

Sickness benefit decreased by 3.7% to £3.36m (2009: £3.49m) and below the budget of £3.54m; the number of approved claims during the year decreased by 8.43%.

**Unemployment benefit**

	<b>2010</b>	<b>2009</b>	<b>5-Year Average</b>
Number of claimants at the year-end	222	266	188
Number of approved claims during the year	1,189	1,527	1,180

Unemployment benefit has decreased by 5.80% to £1.20m (2009: £1.27m). The Department is working on a number of back-to-work initiatives to move more people off benefit into work, including the unemployed.

**Travel allowance grant**

	<b>2010</b>	<b>2009</b>	<b>3-Year Average</b>
Number of approved claims during the year	1,032	1,255	1,219

The travel allowance grant provides funding and reimbursement of travel expenses for patients visiting Jersey and the UK when medical treatment is not available in Guernsey or Alderney, including emergency flights: it also provides for Alderney patients requiring treatment in Guernsey.

For 2010, overall expenditure fell by 6.8% to £1.92m (2009: £2.06m) and well below the budget which estimated no increase in expenditure. Travel expenses for patients visiting Jersey and the UK fell by 2.9% to £1.27m (2009: £1.30m) while expenditure in respect of emergency flights decreased by 13.5% to £0.65m (2009: £0.76m). Increased controls have been applied in this area to ensure that air charters are not used unnecessarily.

**Maternity benefit**

	<b>2010</b>	<b>2009</b>	<b>5-Year Average</b>
<b>Maternity allowance:</b>			
Number of claimants at the year-end	140	145	127
Number of approved claims during the year	513	582	508
<b>Maternity Grant:</b>			
Number of approved claims during the year	83	82	108

Maternity benefit reduced by 6.3% to £1.01m (2009: £1.07m) which was below the budget of £1.08m. In respect of the maternity allowance, the number of approved claims during the year decreased by 11.9%

# STATES OF GUERNSEY - GUERNSEY INSURANCE FUND

Controlled and managed by the  
Social Security Department

## STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)

Year ended 31 December 2010

### FINANCIAL HIGHLIGHTS (CONTINUED)

#### Administration

Total administration expenditure, excluding depreciation, increased by 4.5% to £6.26m (2009: £5.98m). The cost of administration recovered from the other Funds and other States entities increased by 2.5% on the previous year at £2.30m (2009: £2.24m). Therefore, the net increase in administration after recoveries was 5.7% to £3.96m (2009: £3.75m), below the budget of £4.02m. The depreciation charge was £1.14m (2009: £1.15m).

Staffing costs, which account for approximately 70% of the total administrative budget, increased by 5.2% to £4.43m (2009: £4.22m). The average number of full-time equivalent staff during 2010 was as follows:

Pay Groups	2010	2009
Established	102	102
Public Service employees	1	1
Temporary staff	10	14
<b>Total</b>	<b>113</b>	<b>117</b>

The increased costs were driven mainly by an increase in the employers superannuation contribution rate which saw pension costs nearly double to £0.48m (2009: £0.25m).

Computer expenditure increased by 6.2% to £0.90m (2009: 3.6% to £0.85m).

#### Investment Funds

The investment portfolios of the Guernsey Insurance Fund, Guernsey Health Service Fund and Long-term Care Insurance Fund are combined to form the Common Investment Fund which at the 31 December 2010 had a market value of £722m (2009 £642m).

During 2010 there was no reallocation of assets between the Funds and no new monies added to the Common Investment Fund.

The allocation between the three contributory funds is as follows:

Common Investment Fund allocation	31.12.10		31.12.09	
	£m	%	£m	%
Guernsey Insurance Fund	614	85.1%	546	85.1%
Guernsey Health Service Fund	66	9.1%	59	9.1%
Long-term Care Insurance Fund	42	5.8%	37	5.8%
<b>Total</b>	<b>722</b>	<b>100.0%</b>	<b>642</b>	<b>100.0%</b>

The Department has continued to diversify its investment portfolio to maximise returns for a reduced risk. The Department measures the performance of individual investment manager's over a rolling 3-year period and the overall performance of the common investment fund (gross of fees) is as follows:

Common Investment Fund (CIF) Investment Performance	% CIF return per annum	% Benchmark return per annum	% RPI Guernsey Average Annual Change
1-Year	12.43%	9.39%	2.4%
3-Year	3.96%	1.12%	2.1%
5-Year	6.09%	4.28%	3.0%



# STATES OF GUERNSEY - GUERNSEY INSURANCE FUND

Controlled and managed by the  
Social Security Department

## STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)

Year ended 31 December 2010

### ACTIVITIES DURING THE YEAR

From 1 January 2010, following States approval, the first phase increase in the upper earnings limits for employed, self-employed and non-employed people was introduced as part of a 5-year phasing in period. At the start of 2010 an allowance was also applied to income assessed for non-employed contributions. An amendment to the social insurance regulations was also made in relation to the rate of the overseas voluntary contribution.

The Department continued with the transitional programme to change its investment strategy. In July 2010 Western Asset Management was appointed as an additional investment manager, investing in their Global Multi Strategy Bond Fund. Mid-year saw global equity fund management awarded to Skagen, a Norwegian pooled fund Manager, and Schroders managing a segregated Global High Alpha portfolio. In September 2010, Blackrock was appointed to manage a structured equity mandate. The new investment mandates were funded from the exiting mandates of Schroders and Blackrock.

The adequacy of the Fund is subject to actuarial review at least once every five years to determine the adequacy of contribution rates. The actuarial review of the Guernsey Insurance Fund for the five years to 31 December 2008, with an addendum for the year to the 31 December 2009, commenced during the year.

Following the Fundamental Spending Review by Tribal Consulting, the States' have established a Financial Transformation Programme to manage the delivery of savings over a 5-year period. The Department has been actively involved in a number of work-streams of the programme during the year.

### FUTURE ACTIVITIES

The Department will continue working towards its new investment strategy by implementing the final phase of the transition programme to include an alternatives mandate.

Following its completion in 2011, the actuarial review of the Guernsey Insurance Fund will be published in a States Billet.

It is the intention that the travel allowance grant, which is essentially a health benefit, be transferred from the Guernsey Insurance Fund to the Guernsey Health Service Fund but not before 2012.

The Department will continue to participate constructively in the Financial Transformation Programme, encouraging more corporate working in order to progress business efficiencies at a local level and States wide.

The Department will establish an effective key performance indicator and performance reporting system to enable all staff to align and contribute to its objectives and strengthen its Investor in People status and rating.

### KEY STATISTICS

Number of contributors (as at week 48)	2010	2009	2008	2007	2006
Employers	2,419	2,398	2,492	2,451	2,419
Employed	29,209	28,831	29,531	29,157	28,648
Self-employed	3,409	3,388	3,424	3,495	3,447
Non-employed	5,113	4,961	4,745	4,597	4,326
<b>Total</b>	<b>37,731</b>	<b>37,180</b>	<b>37,700</b>	<b>37,249</b>	<b>36,421</b>

Contributory Funds - General Revenue Grants	2010 %	2009 %	2008 %	2007 %	2006 %
Guernsey Insurance Fund	15%	15%	15%	36%	50%
Guernsey Health Service Fund	12%	12%	12%	27%	40%
Long-term Care Insurance Fund	-	-	-	-	12%
	£	£	£	£	£
Guernsey Insurance Fund	13,262,390	12,547,679	12,122,407	23,472,978	27,939,152
Guernsey Health Service Fund	4,008,148	4,020,564	3,875,916	7,300,863	9,194,359
Long-term Care Insurance Fund	-	-	-	-	1,454,562
<b>Total</b>	<b>17,270,538</b>	<b>16,568,243</b>	<b>15,998,323</b>	<b>30,773,841</b>	<b>38,588,073</b>

# STATES OF GUERNSEY - GUERNSEY INSURANCE FUND

Controlled and managed by the  
Social Security Department

## STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)

Year ended 31 December 2010

The grant received from the States of Guernsey is based on a fixed percentage of contributions allocated to each Fund, accounted for in the relevant year.

### Key Statistics (continued)

Contribution Rates - Annual Earnings/Income limits		2010 £	2009 £	2008 £	2007 £	2006 £
Class 1	<i>Employed</i>					
	Upper earnings limit - employer	117,468	115,128	108,108	53,664	36,036
	Upper earnings limit - employee	79,872	69,108	64,896	53,664	36,036
	Lower earnings limit	5,928	5,824	5,460	5,200	5,044
Class 2	<i>Self-employed</i>					
	Maximum earnings	79,872	69,108	64,896	53,664	36,036
	Minimum earnings	5,928	5,824	5,460	5,200	5,044
Class 3	<i>Non-employed</i>					
	Maximum income	79,872	69,108	64,896	53,664	36,036
	Minimum income	14,820	14,560	13,650	13,000	12,610
	Allowance	6,290	-	-	-	-

Contribution Rates – Contributory Funds		2010 %	2009 %	2008 %	2007 %	2006 %
Class 1	<i>Employer</i>					
	Guernsey Insurance Fund	4.9	4.9	4.9	4.1	4.1
	Guernsey Health Service Fund	1.6	1.6	1.6	1.4	1.4
	Long-term Care Insurance Fund	-	-	-	-	-
		6.5	6.5	6.5	5.5	5.5
	<i>Employee</i>					
	Guernsey Insurance Fund	3.4	3.2	3.2	3.2	3.2
	Guernsey Health Service Fund	1.3	1.4	1.4	1.4	1.4
	Long-term Care Insurance Fund	1.3	1.4	1.4	1.4	1.4
		6.0	6.0	6.0	6.0	6.0
	<i>Combined</i>					
	Guernsey Insurance Fund	8.3	8.1	8.1	7.3	7.3
	Guernsey Health Service Fund	2.9	3.0	3.0	2.8	2.8
	Long-term Care Insurance Fund	1.3	1.4	1.4	1.4	1.4
		12.5	12.5	12.5	11.5	11.5
Class 2	<i>Self-employed</i>					
	Guernsey Insurance Fund	6.5	6.3	6.3	6.3	6.3
	Guernsey Health Service Fund	2.7	2.8	2.8	2.8	2.8
	Long-term Care Insurance Fund	1.3	1.4	1.4	1.4	1.4
		10.5	10.5	10.5	10.5	10.5
Class 3	<i>Non-employed (under 65)</i>					
	Guernsey Insurance Fund	5.7	5.7	5.7	5.7	5.7
	Guernsey Health Service Fund	2.8	2.8	2.8	2.8	2.8
	Long-term Care Insurance Fund	1.4	1.4	1.4	1.4	1.4
		9.9	9.9	9.9	9.9	9.9
	<i>Non-employed (over 65)</i>					
	Guernsey Insurance Fund	-	-	-	-	-
	Guernsey Health Service Fund	1.3	1.2	1.2	1.2	1.2
	Long-term Care Insurance Fund	1.6	1.4	1.4	1.4	1.4
		2.9	2.6	2.6	2.6	2.6

**STATES OF GUERNSEY - GUERNSEY INSURANCE FUND**

**Controlled and managed by the  
Social Security Department**

**STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)**

**Year ended 31 December 2010**

**Key Statistics (continued)**

In 2006 the States resolved as part of its future economic and taxation strategy to increase substantially the upper earnings limits for all classes of contributors and employers, with compensating reductions in the grants from general revenue that apply to the contributory funds. The States further resolved that, although the revised financing of the contributory funds was to take full effect from 1 January 2008, there should be a substantial move in that direction with effect from 1 January 2007.

In 2008, as a result of the strategy adopted in 2006, the upper earnings limits were increased significantly together with a 1% increase in employers' full percentage rate contributions of which 0.8% was allocated to the Guernsey Insurance Fund and 0.2% to the Guernsey Health Service Fund, in order to compensate for the reductions in the general revenue grants.

In 2010, following the 2009 States resolutions concerning the future financing of the contributory social security schemes, the upper earnings and income limits for employed people, self-employed people and non-employed people were increased as part of the strategy to match the upper earnings limit for employers over the next 5 years. Also, an allowance on income for non-employed people was introduced and consequently the contribution rate for non-employed people over 65 was increased from 2.6% to 2.9%.

As the increases in the upper earnings and income limits over the next 5 years are intended to increase contributions to the Guernsey Insurance Fund, the apportionment of contribution income between the Guernsey Insurance Fund, Guernsey Health Service Fund and the Long-term Care Insurance Fund was adjusted so that the two latter funds do not also receive a share of the additional income intended for the Guernsey Insurance Fund alone.

<b>Number of claimants at the year-end</b>	<b>31.12.10</b>	<b>31.12.09</b>	<b>31.12.08</b>	<b>31.12.07</b>	<b>31.12.06</b>
Pension	15,047	14,782	14,369	13,845	13,656
Invalidity Benefit	937	861	790	787	762
Sickness Benefit	498	551	518	425	381
Bereavement Benefits	276	328	346	377	410
Unemployment Benefit	222	266	182	118	152
Industrial Disablement Benefit	238	249	255	257	260
Industrial Injury Benefit	15	14	19	17	18
Maternity Allowance	140	145	121	126	104
<b>Total</b>	<b>17,373</b>	<b>17,196</b>	<b>16,600</b>	<b>15,952</b>	<b>15,743</b>

<b>Number of approved claims during the year</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Pension	835	1,051	1,065	825	926
Invalidity Benefit	316	361	421	415	390
Sickness Benefit	11,170	12,198	11,267	11,369	11,416
Bereavement Benefits	294	305	281	368	315
Unemployment Benefit	1,189	1,527	908	851	1,423
Industrial Disablement Benefit	9	11	12	13	12
Industrial Injury Benefit	544	637	619	666	265
Industrial Medical Benefit	1,053	1,144	1,169	1,408	1,521
Maternity Allowance	513	582	531	495	421
Maternity Grant	83	82	91	102	183
Death Grant	457	519	448	425	464
<b>Total</b>	<b>16,463</b>	<b>18,417</b>	<b>16,812</b>	<b>16,937</b>	<b>17,336</b>

# STATES OF GUERNSEY - GUERNSEY INSURANCE FUND

Controlled and managed by the  
Social Security Department

## STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)

Year ended 31 December 2010

### Key Statistics (continued)

5-Year performance	2010 £	2009 £	2008 £	2007 £	2006 £
<b>Financial performance</b>					
Income	101,750,675	96,214,556	93,028,813	88,719,811	84,021,392
Expenditure	(105,398,951)	(101,374,253)	(92,309,733)	(85,486,325)	(81,172,876)
Operating (deficit)/surplus	(3,648,276)	(5,159,697)	719,080	3,233,486	2,848,516
<b>Investments</b>					
Property	-	-	-	-	10,550,000
Common Investment Fund allocation	614,199,092	546,145,664	462,448,211	563,963,613	514,589,931
Total Investments	614,199,092	546,145,664	462,448,211	563,963,613	525,139,931
<b>Investment performance</b>					
Investment income	7,433,800	10,197,455	14,994,907	15,856,980	16,365,773
Realised gains/(losses)	64,398,242	6,659,204	(5,872,667)	31,837,712	28,013,104
Unrealised (losses)/gains	(4,591,927)	74,073,396	(111,145,735)	(11,278,566)	10,102,135
Total return on investments	67,240,115	90,930,055	(102,023,495)	36,416,126	54,481,012
<b>Expenditure cover</b>					
Reserves	634,933,004	571,341,165	485,570,807	586,876,186	547,226,574
Expenditure (including depreciation)	105,398,951	101,374,253	92,309,733	85,486,325	81,172,876
Number of years cover	6.0	5.6	5.3	6.9	6.7

**STATES OF GUERNSEY - GUERNSEY INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)**  
**Year ended 31 December 2010**

**Principal officers**

**Social Security Department**

Minister	Deputy M H Dorey
Deputy Minister	Deputy A H Brouard
Members	Deputy S J Ogier Deputy A R Le Lièvre Deputy M W Collins
Administrator	M Nutley

**STATES OF GUERNSEY - GUERNSEY INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**STATEMENT OF RESPONSIBILITIES OF THE SOCIAL SECURITY DEPARTMENT**  
**Year ended 31 December 2010**

The Social Security Department ("the Department") is required to prepare financial statements for each financial year which give a true and fair view of the disposition of the net assets of the Guernsey Insurance Fund at the end of the financial year and of the fund account of the Guernsey Insurance Fund for that period. In preparing those financial statements, the Department is required to:

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

The Department is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Guernsey Insurance Fund and enable them to ensure that the financial statements comply with Section 100(3) of The Social Insurance (Guernsey) Law, 1978. It is also responsible for safeguarding the assets of the Guernsey Insurance Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Going Concern**

The Department members and principal officers have reviewed the budget and projected income and expenses over the next twelve months and deem that the Guernsey Insurance Fund has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Guernsey Insurance Fund is a going concern.

**Statement of internal financial controls**

It is the responsibility of the Department to identify and install a system of internal controls, including financial control, which is adequate for its own purposes, and to safeguard the assets of the Guernsey Insurance Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Department is also responsible for the economical, efficient and effective management of public funds and other resources entrusted to it.

The Department's internal financial procedures include:

- an annual budget and planning process to allocate, control and monitor the use of resources;
- a requirement to table at a meeting of the Department;
  - the annual audit report together with the audited financial statements;
  - the annual report of observations and recommendations produced by the external auditors;
  - the annual business plan; and
  - the quarterly management accounts;
- by Law, an actuarial review to determine the adequacy of the contribution rates must be undertaken at least once every five years and submitted to the Department and the States of Guernsey;
- a regular review of the performance and security of the Guernsey Insurance Fund by the Department;
- a review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit Department; and
- a requirement for internal audit reports to be tabled at a meeting of the Department.

The Department strives to ensure that all staff with financial responsibilities have the necessary integrity, skills and motivation to discharge their duties with the proficiency which the community has the right to expect.

The Department'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 auditors appointed by the States of Guernsey.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

**Social Security Department  
As controller and manager of**

### **THE STATES OF GUERNSEY - GUERNSEY INSURANCE FUND**

We have audited the financial statements of the States of Guernsey - Guernsey Insurance Fund ("the Fund") for the year ended 31 December 2010 which comprise the fund account, the balance sheet, cash flow statement and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members of the States of Guernsey Social Security Department ("the Department") as a body, in accordance with Section 100 (3) of the Social Insurance (Guernsey) Law, 1978. Our audit work has been undertaken so that we might state to the Department those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Department, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Department and auditor**

As explained more fully in the Statement of Responsibilities of the Social Security Department, the Department is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 December 2010, and of the amount and disposition at this date of its assets and liabilities, other than the liabilities to pay benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Section 100(3) of the Social Insurance (Guernsey) Law, 1978.

#### **Matters on which we are required to report by exception**

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP  
Chartered Accountants  
St Peter Port, Guernsey

Date: 6 April 2011

**STATES OF GUERNSEY - GUERNSEY INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**FUND ACCOUNT**

**Year ended 31 December 2010**

	<b>Note</b>	<b>2010 £</b>	<b>2009 £</b>
<b>Income</b>			
Contributions	1(b),2	88,488,390	83,666,877
States grant	1(b)	13,262,285	12,547,679
		<u>101,750,675</u>	<u>96,214,556</u>
<b>Expenditure</b>			
Benefits payable	1(c),3	100,297,445	96,475,112
Administration	4	6,258,038	5,988,640
Recoveries	5	(2,297,762)	(2,242,373)
		<u>104,257,721</u>	<u>100,221,379</u>
<b>Operating deficit before depreciation charge</b>		(2,507,046)	(4,006,823)
Depreciation charge	7	(1,141,230)	(1,152,874)
<b>Operating deficit</b>		(3,648,276)	(5,159,697)
<b>Investing activities</b>			
Income from invested funds	1(f),6	7,433,800	10,197,456
Realised profit on disposal	8	64,398,242	6,659,204
Movement in unrealised (loss)/profit on investments	8	(4,591,927)	74,073,395
		<u>67,240,115</u>	<u>90,930,055</u>
<b>Net surplus in the fund during the year</b>		63,591,839	85,770,358
<b>Net assets of the fund at 1 January</b>		<u>571,341,165</u>	<u>485,570,807</u>
<b>Net assets of the fund at 31 December</b>		<u><u>634,933,004</u></u>	<u><u>571,341,165</u></u>

All activities are derived from continuing operations.

The Fund has no recognised surplus or deficit in the current or previous financial year other than those passing through the Fund Account.

Notes 1 to 14 form an integral part of these financial statements.



**STATES OF GUERNSEY - GUERNSEY INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**BALANCE SHEET**  
**At 31 December 2010**

	<b>Note</b>	<b>2010</b> <b>£</b>	<b>2009</b> <b>£</b>
<b>Fixed assets</b>			
Tangible assets	7	5,847,347	6,773,311
Common investment fund	8	614,199,745	546,145,664
		<u>620,047,092</u>	<u>552,918,975</u>
<b>Current assets</b>			
Debtors due within one year	9	23,389,411	23,357,208
Debtors due after one year	10	142,632	966,607
Balances with States Treasury		1,959,415	1,221,815
Cash at bank and in hand		560,239	870,995
		<u>26,051,697</u>	<u>26,416,625</u>
<b>Current liabilities</b>			
Creditors due within one year	11	10,026,335	6,898,500
Bank overdraft		1,139,450	1,095,935
		<u>11,165,785</u>	<u>7,994,435</u>
<b>Net current assets</b>		<u>14,885,912</u>	<u>18,422,190</u>
<b>Total net assets</b>		<u>634,933,004</u>	<u>571,341,165</u>
<b>Reserves</b>		<u>634,933,004</u>	<u>571,341,165</u>

The financial statements were approved by the Social Security Department on 6 April 2011.

Signed on behalf of the Department

**M H Dorey**  
Minister

**M Nutley**  
Administrator

Notes 1 to 14 form an integral part of these financial statements.

**STATES OF GUERNSEY - GUERNSEY INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**CASH FLOW STATEMENT**  
**Year ended 31 December 2010**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Operating deficit for the year</b>	(3,648,276)	(5,159,697)
Add back depreciation	1,141,230	1,152,874
Decrease/ (increase) in debtors	791,771	(554,174)
Increase/(Decrease) in creditors	3,127,835	(4,480,182)
<b>Net cash inflow/(outflow) from operating activities</b>	<u>1,412,560</u>	<u>(9,041,179)</u>
<b>Management of liquid resources</b>		
Fixed asset acquisitions during the year	(215,266)	(374,152)
Increase in cash equivalent in Common Investment Fund	67,240,115	90,930,055
<b>Net cash inflow from investing activities</b>	<u>67,024,849</u>	<u>90,555,903</u>
<b>Increase in cash and cash equivalents (including investments)</b>	68,437,409	81,514,724
Opening common investment funds, treasury, cash balances and overdraft	547,142,540	465,627,816
<b>Closing common investment funds, treasury, cash balances and overdraft</b>	<u><u>615,579,949</u></u>	<u><u>547,142,540</u></u>

Notes 1 to 14 form an integral part of these financial statements.

**STATES OF GUERNSEY - GUERNSEY INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2010**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with the particular accounting policies described below:

**a) Accounting convention**

The financial statements are prepared under the historical cost convention, as modified by the revaluation of listed investments and in accordance with United Kingdom Generally Accepted Accounting Practice.

**Going Concern**

The Department members and principal officers have reviewed the budget and projected income and expenses over the next twelve months and deem that the Guernsey Insurance Fund has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Guernsey Insurance Fund is a going concern.

**b) Contributions & States grant**

Contributions represent the amount of cash received before 1 February 2011 in respect of the financial year ended 31 December 2010 and amounts received relating to prior financial periods not accounted for in those prior periods.

The grant received from the States of Guernsey is based on a fixed percentage of contributions, accounted for in the relevant period and for 2010 was 15% (2009: 15%).

**c) Benefits payable**

Benefits are accounted for on an accruals basis.

**d) Guernsey Insurance Fund**

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Fund. They do not take account of obligations to pay benefits which fall due after the end of the financial year. The adequacy of the Guernsey Insurance Fund is, however, subject to actuarial review at least once every five years to determine the adequacy of contribution rates. A review for the five-year period to 31 December 2008 with an addendum to the year ending 31 December 2009, commenced in 2010 and will be completed in 2011.

**e) Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. The costs of computer development projects are capitalised as and when they are considered to be material on an individual project basis. Depreciation is provided on cost at the following annual rates so as to write off the assets over their anticipated useful lives:

	<b>Estimated life in years</b>	<b>Depreciation % per annum</b>
Freehold land and buildings	80	1.25 straight line
Furniture and fittings	10	10.00 straight line
Office equipment	5	20.00 straight line
Computer equipment and software	3	33.33 straight line
Computer development – Technological migration	7	14.29 straight line
Computer development	3	33.33 straight line

**f) Common Investment Fund**

The investment portfolio of the Guernsey Insurance Fund is combined with other Funds of the Department to form the Common Investment Fund. The allocation of the investment portfolio to the Fund is based on a percentage of amounts contributed by the Fund into the Common Investment Fund, as determined by the Department.

**STATES OF GUERNSEY - GUERNSEY INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2010**

**1. ACCOUNTING POLICIES (continued)**

**g) Investments**

Investments are stated in the financial statements at their fair values.

Listed investments are included in the financial statements at mid-market prices ruling at the balance sheet date. Listed investments quoted in foreign currencies and foreign exchange contracts have been translated into sterling at rates of exchange ruling at the balance sheet date.

Unlisted investment funds are stated at the year-end net asset value of the underlying funds as notified by the fund managers or administrators at the year-end. The net asset value reported by the relevant fund manager or administrator as at the year-end may be unaudited, and may differ from the amounts realised from redemption of the investment in the fund at year-end. While the members have no reason to suppose that any such valuations are unreasonable, the amounts realised from the redemption of these funds at year-end may materially differ from the reported amounts.

**Investment income**

Interest receivable is included in the financial statements on an accruals basis and is gross of withholding tax suffered at source. Dividends are recognised in the financial statements when the underlying investments become ex-dividend.

**h) Pension costs**

The costs of the defined benefit scheme are charged to the fund account over the year during which the Department benefits from the employee's services. Surpluses or deficiencies are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll costs.

**i) Security lending**

Securities lending is where securities are transferred from the Fund's custodian to a borrower against collateral in the form of cash. When the loan is terminated, identical securities are to be returned. The borrower is obligated to compensate the lender for various events relating to securities, such as subscription rights, dividends etc. Securities that are lent out are not removed from the Fund's balance sheet. Lending fees are recorded daily as interest income on lending. The borrower has voting rights attached to the securities during the lending period.

Collateral received is not recorded unless it is reinvested. Income, realised and unrealised gains and losses on reinvested securities are recorded in the Fund account.

**j) Derivatives**

All open derivatives are stated at their closing market values established by reference to the applicable index.

**2. CONTRIBUTIONS**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Employer contributions	62,950,553	61,742,780
Employee contributions	55,927,728	54,010,463
	<hr/> 118,878,281	<hr/> 115,753,243
Self-employed contributions	12,431,804	11,518,758
Non-employed contributions	6,874,988	6,772,472
	<hr/> 138,185,073	<hr/> 134,044,473
Allocation to the Guernsey Health Service Fund	(33,401,230)	(33,504,703)
Allocation to the Long-term Care Insurance Fund	(16,368,606)	(16,888,577)
	<hr/> 88,415,237	<hr/> 83,651,193
Employer surcharge and penalty	45,715	66,822
Movement in contributions unallocated	27,438	(51,138)
	<hr/> 88,488,390	<hr/> 83,666,877

**STATES OF GUERNSEY - GUERNSEY INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2010**

**3. BENEFITS PAYABLE**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Pension	82,119,288	78,355,012
Invalidity	7,413,298	6,723,767
Sickness	3,360,021	3,490,052
Bereavement	2,056,615	2,191,727
Travel allowance grant	1,920,646	2,060,407
Unemployment	1,195,241	1,269,025
Maternity benefit	1,007,126	1,074,624
Industrial disablement	614,329	650,755
Industrial injury	233,229	275,425
Death grant	228,820	241,623
Industrial medical	122,471	142,695
	<hr/>	<hr/>
	100,271,084	96,475,112
Benefit debt written-off	26,361	-
	<hr/>	<hr/>
	<u>100,297,445</u>	<u>96,475,112</u>

**4. ADMINISTRATION**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Salaries and pension costs	4,433,652	4,215,564
Computer expenses	903,897	851,351
Administration expenses	583,913	582,772
Property expenses	247,991	237,585
Actuarial expenses	53,468	18,729
Legal and professional expenses	24,067	74,539
Audit fee	11,050	8,100
	<hr/>	<hr/>
	<u>6,258,038</u>	<u>5,988,640</u>

**5. RECOVERIES**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Amounts received from:		
Non Contributory Services	1,562,574	1,555,921
Guernsey Health Service Fund	450,063	424,277
Long-term Care Insurance Fund	147,980	127,953
Other States of Guernsey entities	137,145	134,222
	<hr/>	<hr/>
	<u>2,297,762</u>	<u>2,242,373</u>

**STATES OF GUERNSEY - GUERNSEY INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2010**

**6. INCOME FROM INVESTED FUNDS**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Income</b>		
Dividends from equities	5,436,904	8,057,306
Interest from fixed interest securities	3,379,800	2,861,384
Interest from property funds	1,242,595	960,449
Interest on short term deposits	216,888	338,242
Interest from SWAPS	(327,981)	406,258
Less: withholding tax suffered	(277,821)	(287,729)
	<hr/> 9,670,385	<hr/> 12,335,910
Securities lending fees	243,171	255,307
Less: Securities lending expenses	(60,772)	(52,650)
	<hr/> 182,399	<hr/> 202,657
 <b>Income of the Common Investment Fund</b>	 <hr/> 9,852,784	 <hr/> 12,538,567
<b>Expenditure</b>		
Investment managers' fees	2,654,993	1,977,711
Less: Rebate of management fees charged on in-house unit trusts	(463,933)	(1,380,077)
Less: Management fees charged directly on pooled funds	(1,132,582)	-
	<hr/> 1,058,478	<hr/> 597,634
Investment advisor's fees	90,000	40,000
Investment advisor's fees – additional work	65,000	50,000
	<hr/> 155,000	<hr/> 90,000
Global custodian – custody fees	78,504	80,126
Global custodian – performance monitoring fees	13,173	11,203
	<hr/> 91,677	<hr/> 91,329
Legal and professional fees	3,772	-
	<hr/> 1,308,927	<hr/> 778,963
<b>Net expenditure of the Common Investment Fund</b>		
	<hr/> 1,308,927	<hr/> 778,963
 <b>Net income of the Common Investment Fund</b>	 8,543,857	11,759,604
<b>Net income allocated to:</b>		
Guernsey Health Services Fund	(787,916)	(1,026,703)
Long-term Care Insurance Fund	(496,999)	(637,440)
	<hr/>	<hr/>
<b>Net income of the Common Investment Fund allocated to the Guernsey Insurance Fund</b>	7,258,942	10,095,461
 <b>Other income</b>		
Interest on call and treasury deposits	50,404	101,995
Interest award following court judgement	124,454	-
	<hr/> 7,433,800	<hr/> 10,197,456
	<hr/> <hr/>	<hr/> <hr/>

Following a civil action on which a judgement was issued in 2010, the Department recovered the majority of expenditure incurred in funding nursing care for a handicapped individual over many years, including an award of interest.

# STATES OF GUERNSEY - GUERNSEY INSURANCE FUND

Controlled and managed by the  
Social Security Department

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2010

### 7. TANGIBLE ASSETS

	1 January 2010 £	Additions £	31 December 2010 £
<b>Cost</b>			
Freehold land and buildings	3,729,457	72,260	3,801,717
Furniture, fittings and office equipment	1,104,678	67,006	1,171,684
Computer equipment and software	2,475,209	-	2,475,209
Computer development – Technological migration	6,630,637	-	6,630,637
Computer development	2,316,150	76,000	2,392,150
	<u>16,256,131</u>	<u>215,266</u>	<u>16,471,397</u>
	1 January 2010 £	Charge for the year £	31 December 2010 £
<b>Accumulated Depreciation</b>			
Freehold land and buildings	1,031,057	49,437	1,080,494
Furniture, fittings and office equipment	870,206	58,720	928,926
Computer equipment and software	2,447,175	27,812	2,474,987
Computer development – Technological migration	3,015,931	935,832	3,951,763
Computer development	2,118,451	69,429	2,187,880
	<u>9,482,820</u>	<u>1,141,230</u>	<u>10,624,050</u>
<b>Net book value</b>	<u>6,773,311</u>		<u>5,847,347</u>

Freehold land and buildings comprises Edward T Wheadon House, which was valued at 31 December 2008 by Lovell & Partners Limited, a firm of estate agents and valuers, at an open market value of £11.02m (2007:£10.60m) and is carried at cost.

Depreciation commenced being charged on computer development costs associated with the technological migration project from the end of September 2006, when the new benefit system became operational.

**STATES OF GUERNSEY - GUERNSEY INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2010**

**8. COMMON INVESTMENT FUND**

	<b>2010</b> £	<b>2009</b> £
Equities and derivatives	391,115,945	488,200,425
Fixed income and derivatives	255,439,997	76,531,162
Cash and cash equivalents	42,196,025	45,665,827
Property funds	19,882,731	19,833,909
Commodities	8,312,704	8,285,630
Alternative investments and hedge funds	4,972,256	3,515,171
	<u>721,919,658</u>	<u>642,032,124</u>
Reinvested collateral	28,313,972	36,995,659
Collateral returnable	(28,313,972)	(37,097,471)
	<u>-</u>	<u>(101,812)</u>
Collateral deficiency	-	(101,812)
	<u>721,919,658</u>	<u>641,930,312</u>
Investments allocated to:		
Guernsey Health Service Fund	(66,024,659)	(58,709,189)
Long-term Care Insurance Fund	(41,695,254)	(37,075,459)
	<u>614,199,745</u>	<u>546,145,664</u>

At the year-end the common investment fund value comprised of £714,219,371 of listed investments (2009: £635,457,971) and unlisted investments of £7,700,287 (2009: £6,472,341)

At the year-end securities lending stood at £27,082,192 (2009: £35,338,293) secured by cash collateral of £28,313,972 (2009: £36,995,659) being 104.55% (2009: 104.69%) of the value of the securities on loan and well below the US\$60m maximum limit (£ equivalent: £39m) imposed by the Department.

The cash collateral is invested by the custodian in a pooled fund comprising short-term cash instruments. In September 2008 the custodian informed its clients of a collateral deficiency in the pooled fund and a cash collateral deficiency was charged against all investment portfolios in order to reinstate the market-to-book ratio to 1.00. On 15 March 2010 the global custodian reversed the remaining collateral deficiency charged against the Common Investment Fund. This reversal, in conjunction with the partial reversal processed on 30 November 2009, eliminates the charge against the Fund, after accounting for existing realised losses and related settlement costs.

**Common Investment Fund movements during the year**

	<b>2010</b> £	<b>2009</b> £
Market value 1 January	641,930,312	517,743,183
Investment income reinvested	9,645,374	12,415,625
Realised profit on disposal	75,692,569	9,105,801
Movement on unrealised (loss)/profit on investments	(5,397,506)	93,665,703
New monies to reduce collateral deficiency	48,909	-
New monies invested - Guernsey Insurance Fund	-	4,500,000
New monies invested - Long-term Care Insurance Fund	-	4,500,000
	<u>721,919,658</u>	<u>641,930,312</u>
Market value 31 December	<u>721,919,658</u>	<u>641,930,312</u>

The realised profit allocated to the Guernsey Insurance Fund for the year is £64,398,242 (2009: £6,659,204) with a movement in unrealised loss of £4,591,927 (2009: £74,073,395).

The common investment fund is managed through six investment managers, namely Schroder Investment Management Limited, Blackrock Investment Management UK) Limited, Barings Asset Management, M&G Investment's, Legge Mason (trading name Western Asset Management) and Skagen who are Norwegian based. The governance of the Fund is supported by the Fund custodian, Northern Trust and a professional investment advisor, P-Solve.



**STATES OF GUERNSEY - GUERNSEY INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2010**

**9. DEBTORS DUE WITHIN ONE YEAR**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Contributions receivable	20,169,421	19,450,727
Benefits prepaid	1,860,784	1,895,703
Recoveries due from Non Contributory Services	919,480	1,060,833
Administration expenses prepaid	192,518	241,653
States grant receivable	192,286	-
Trade debtors	54,922	622,912
Benefits and allowances recoverable	-	85,380
	<u>23,389,411</u>	<u>23,357,208</u>

**10. DEBTORS DUE AFTER ONE YEAR**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Unsecured benefit debt and recoveries	142,632	729,191
Secured loans	-	237,416
	<u>142,632</u>	<u>966,607</u>

In previous years, long-term debt was recorded solely in the financial statements of the Guernsey Insurance Fund. In 2010 all non-contributory benefit debt was transferred to Non Contributory Services of which £432,013 related to unsecured benefit debt and recoveries, and a further £245,669 in respect of secured loans.

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Recoveries due to Guernsey Health Service Fund	4,896,319	2,461,309
Recoveries due to Long-term Care Insurance Fund	2,614,279	1,853,809
Trade creditors	2,168,240	1,992,375
Other creditors and accruals	347,497	468,686
States grant repayable	-	122,321
	<u>10,026,335</u>	<u>6,898,500</u>

**12. SUPERANNUATION FUND**

The employees of the Social Security Department are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. During 2008 the States considered a report by the actuaries on the valuation of the Superannuation Fund at 31 December 2007 that indicated that a deficit existed. The States agreed to increase the current employer's contribution rate to the Fund from 7.85% to 14.1% with effect from 1 January 2010.

Further details relating to the funding of the Superannuation Scheme are provided in the Superannuation Fund section of the accounts of the States of Guernsey.

The Department has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2010 were £483,395 (2009: £251,737) of which the Guernsey Insurance Fund contributed £308,670 (2009: £162,818).

**STATES OF GUERNSEY - GUERNSEY INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2010**

**13. RELATED PARTY TRANSACTIONS**

The Department members confirm that there have been no disclosable related party transactions with members and senior management in this financial year (2009: Nil). Of the Department's annual income and expenditure, less than 20% of their respective value for both 2010 and 2009 is due to transactions with other States entities, except as disclosed in notes 1, 2, 5, 6, 8, 9, 10 and 11. Balances with the States Treasury at the year-end amounted to £1,959,415 (2009: £1,221,815).

**14. STATEMENT OF CONTROL**

The Guernsey Insurance Fund is controlled and managed by the Social Security Department, as required by Section 100(1) of the Social Insurance (Guernsey) Law, 1978, as amended. The members of the Social Security Department have been appointed by the States of Guernsey.

## STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES

### Controlled and managed by the Social Security Department

## STATEMENT OF ACTIVITIES AND PERFORMANCE

Year ended 31 December 2010

### Financial highlights

#### Overview

The overall annual grant from the States of Guernsey increased by 5% to £32.09m (2009:£30.57m) and includes a 2% increase in the general rate of benefit. The original budget was £31.52m. Total expenditure consists of:

- Formula led expenditure of £29.76m (2009: £28.26m) and above the original budget of £29.15m. This element is flexible in that it is driven by the level of demand for supplementary benefit, family allowance, attendance and invalid care allowances and concessionary television licenses.
- Non-Formula Led expenditure of £2.33m (2009: £2.32m). This element consists of administration costs, medical expenses assistance scheme, community and environmental projects scheme and charitable grants. Actual expenditure for 2010 was below the original budget was £2.37m (2009: £2.29m plus £50k from savings).

#### Review of main formula led expenditure

##### ■ Supplementary benefit

	2010	2009	5-Year Average
Number of claimants at the year-end	2,295	2,300	2,161

Overall supplementary benefit expenditure increased by 6.9% to £16.99m (2009:£15.88m) being mainly attributable to continuing high levels of unemployment and the incapacitated. Expenditure also includes a bad debt provision of £241k in respect of unsecured loans and recoveries. The provision is driven in the main by debt that is historic and irrecoverable.

Although special grants expenditure decreased by nearly 10% to £2.21m (2009: £2.44m) this is mainly due to the previous year including a provision of £175,000 in respect of unrecoverable expenditure incurred in funding nursing care for a disabled individual over many years. This was subject to a civil action on which a judgement was issued on 14 January 2010. During 2010, £29,505 of the provision was recovered and therefore written-back. Medical grants fell by 2% to £1.75 m (2009: £1.79m) of which medical treatment fell slightly to £1.2m and in line with the original budget.

##### ■ Family allowance

	2010	2009	5-Year Average
Number of claimants at the year-end	6,861	6,858	6,810

Expenditure remained fairly static at £9.08m (2009:£9.05m) with the allowance remaining at its 2009 level of £14.60 per child per week. The original budget for 2010 was £9.05m.

##### ■ Attendance Allowance (AA) & Invalid Care Allowance (ICA)

	2010	2009	5-Year Average
AA - Number of claimants at the year-end	488	495	420
ICA - Number of claimants at the year-end	292	267	246

Combined expenditure increased by 12% to £3.07m (2009: £2.74m). The Department has been advertising the availability of both allowances in 2010 and, as a result, expenditure has increased significantly although well below the original budget of £3.68m.

#### Review of main non-formula led expenditure

##### ■ Charitable grants

The Department makes annual grants to eight local charities to support their provision of social welfare and in 2010 paid £183k (2009: £212k) which was below the original budget of £202k. Although the charities are specified by resolution of the States, the grant is subject to each charity making an annual submission to the Department; one of the charities submission remained incomplete and therefore no grant for 2010 was awarded

## STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES

### Controlled and managed by the Social Security Department

## STATEMENT OF ACTIVITIES AND PERFORMANCE

Year ended 31 December 2010

### Community and environmental projects scheme

In support of the States' strategy to support individuals into employment the Department funded the scheme to train and up-skill, on average, just over 20 people each week. In 2010, the cost of this initiative increased by 11.2% to £241k (2009: 13.6% to £217k).

### Administration costs

Although the increase in the employers superannuation contribution rate saw pension costs nearly double to £0.13m (2009: £0.70m), total costs for the year increased by only 1.4% to £1.78m (2009: £1.76m).

### ACTIVITIES DURING THE YEAR

The Department has continued to progress the modernisation of supplementary benefit project during the year focussing on work incentivisation, support for young adults in education and, rent rebate integration.

The higher levels of unemployment, and the associated high number of job seekers requiring supplementary benefit, continued to place a heavy additional workload on the Department's staff. With the continuation of the high levels of unemployment, the Department has been actively developing initiatives, within resource constraints, to facilitate return to work.

The Department is currently reviewing the adequacy of the attendance and invalid care allowances, with particular reference to the rules governing the payment of the carer's allowance which may be too restrictive.

Following the Fundamental Spending Review by Tribal Consulting, the States' have established a Financial Transformation Programme to manage the delivery of savings over a 5-year period. The Department have been actively involved in a number of work-streams of the programme during the year.

### FUTURE DEVELOPMENTS

The Department will continue to progress the modernisation of supplementary benefit project with the aim of drafting an agreed strategy by the end of 2011.

Following the review of the attendance and invalid care allowances, and pending any proposals for change that might be recommended to the States during 2011, the Department will actively promote and raise awareness of both allowances.

The Department will continue to participate constructively in the Financial Transformation Programme, encouraging more corporate working in order to progress business efficiencies at a local level and States wide.

The Department will establish an effective key performance indicator and performance reporting system to enable all staff to align and contribute to its objectives and strengthen its Investors in People status and rating.

### Key Statistics

Number of claimants at year-end	31.12.10	31.12.09	31.12.08	31.12.07	31.12.06
Family Allowances	6,861	6,858	6,791	6,720	6,822
Supplementary Benefit	2,295	2,300	2,112	2,034	2,062
Attendance Allowance	488	495	382	373	363
Invalid Care Allowance	292	267	227	225	221

Supplementary Benefit by Classification Number of claimants at year-end	31.12.10	31.12.09	31.12.08	31.12.07	31.12.06
Pensionable age or over	716	738	756	768	829
Incapacitated	570	508	442	405	387
Single parent	405	478	429	424	407
Unemployed (Job seekers)	308	293	218	173	189
Disabled	210	210	198	193	187
Others	86	73	69	71	63
	2,295	2,300	2,112	2,034	2,062

# STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES

Controlled and managed by the  
Social Security Department

## STATEMENT OF ACTIVITIES AND PERFORMANCE

Year ended 31 December 2010

Five-year performance	2010 £	2009 £	2008 £	2007 £	2006 £
<b>Benefits expenditure - Formula Led</b>					
Supplementary Benefit	16,988,145	15,884,660	14,024,153	12,966,023	12,108,032
Family Allowance	9,076,454	9,045,441	8,598,024	8,232,609	8,055,230
Attendance Allowance	2,128,514	1,894,820	1,610,421	1,486,307	1,375,705
Invalid Care Allowance	944,084	849,527	750,997	707,063	674,546
Concessionary television licences	568,964	542,707	504,728	463,788	482,912
Travel expenses assistance scheme	48,833	37,952	25,565	41,505	34,053
<b>Benefits expenditure - Non-Formula Led</b>					
Administration	1,784,593	1,759,543	1,623,468	1,625,044	1,561,101
Charitable grants	182,610	211,910	211,910	193,000	185,935
Community & Environmental Projects	241,071	216,876	190,947	200,626	218,494
Medical expenses assistance scheme	125,370	127,996	123,062	119,225	111,232

**STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES**  
**Controlled and managed by the**  
**Social Security Department**

**STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)**  
**Year ended 31 December 2010**

**Principal officers**

**Social Security Department**

Minister	Deputy M H Dorey
Deputy Minister	Deputy A H Brouard
Members	Deputy S J Ogier Deputy A R Le Lièvre Deputy M W Collins
Administrator	M Nutley

## **STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES**

### **Controlled and managed by the Social Security Department**

#### **STATEMENT OF RESPONSIBILITIES OF THE SOCIAL SECURITY DEPARTMENT**

**Year ended 31 December 2010**

The Social Security Department (“the Department”) is required to prepare financial statements for each financial year which give a true and fair view of the disposition of the net assets of Non Contributory Services and of the income and expenditure of Non Contributory Services for that period. In preparing those financial statements, the Department is required to:

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

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

#### **Going Concern**

The Department members and principal officers have reviewed the budget over the next twelve months and deem that Non Contributory Services has adequate financial resources to meet its obligations. The Department has obtained confirmation that a grant will be received from General Revenue and have assessed its adequacy to keep the entity a going concern. From a review of the above it is therefore deemed that Non Contributory Services is a going concern.

#### **Statement of internal financial controls**

It is the responsibility of the Department to identify and install a system of internal controls, including financial control, which is adequate for its own purposes, and to safeguard the assets of the Non Contributory Services and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Department is also responsible for the economical, efficient and effective management of public funds and other resources entrusted to it.

The Department’s internal financial procedures include:

- an annual budget and planning process to allocate, control and monitor the use of resources;
- a requirement to table at a meeting of the Department;
  - the annual audit report together with the audited financial statements;
  - the annual report of observations and recommendations produced by the external auditors;
  - the annual business plan; and
  - the quarterly management accounts;
- a review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit Department; and
- a requirement for internal audit reports to be tabled at a meeting of the Department.

The Department strives to ensure that all staff with financial responsibilities have the necessary integrity, skills and motivation to discharge their duties with the proficiency which the community has the right to expect.

The Department’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 auditors appointed by the States of Guernsey.

:

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

**Social Security Department  
As controller and manager of**

### **THE STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES**

We have audited the financial statements of the States of Guernsey - Non Contributory Services ("the Fund") for the year ended 31 December 2010 which comprise the income and expenditure account, the balance sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members of the States of Guernsey Social Security Department ("the Department") as a body, in accordance with the terms of our engagement letter dated 26 November 2007. Our audit work has been undertaken so that we might state to the Department those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Department, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Department and auditor**

As explained more fully in the Statement of Responsibilities of the Social Security Department, the Department is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 December 2010, and of the amount and disposition at this date of its assets and liabilities, other than the liabilities to pay benefits after the end of the year; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

#### **Matters on which we are required to report by exception**

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP  
Chartered Accountants  
St Peter Port, Guernsey

Date: 6 April 2011



**STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES**  
**Controlled and managed by the**  
**Social Security Department**

**INCOME AND EXPENDITURE ACCOUNT**  
**For the year ended 31 December 2010**

	Note	2010 £	2009 £
<b>Income</b>			
States of Guernsey Grant	1(b) & 2	32,088,638	30,571,432
<b>Expenditure (Formula led)</b>	1(f)		
Supplementary benefit	3	16,988,145	15,884,660
Family allowance		9,076,454	9,045,441
Attendance & invalid care allowance		3,072,598	2,744,347
Concessionary television licences		568,964	542,707
Travel expenses assistance scheme		48,833	37,952
		<u>29,754,994</u>	<u>28,255,107</u>
<b>Expenditure (Non-Formula led)</b>	1(f)		
Administration	7	1,784,593	1,759,543
Community & environmental projects		241,071	216,876
Charitable grants	6	182,610	211,910
Medical expenses assistance scheme		125,370	127,996
		<u>2,333,644</u>	<u>2,316,325</u>
<b>Total expenditure</b>		<u>32,088,638</u>	<u>30,571,432</u>
<b>Operating result for the financial year</b>		<u>-</u>	<u>-</u>

All activities are derived from continuing operations.

The entity has no recognised gains or losses in the current or previous financial year.

Notes 1 to 13 form an integral part of these financial statements.

**STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES**  
**Controlled and managed by the**  
**Social Security Department**

**BALANCE SHEET**  
**At 31 December 2010**

	<b>Note</b>	<b>2010</b> <b>£</b>	<b>2009</b> <b>£</b>
<b>Current assets</b>			
Debtors due within one year	8	832,096	1,547,216
Debtors due after one year	9	677,682	-
		<hr/>	<hr/>
		1,509,778	1,547,216
 <b>Creditors: amounts falling due within one year</b>	 10	 (1,509,778)	 (1,547,216)
		<hr/>	<hr/>
<b>Net current assets</b>		-	-
		<hr/>	<hr/>
<b>Revenue account</b>		-	-
		<hr/>	<hr/>

These financial statements were approved by the Social Security Department on 6 April 2011.

Signed on behalf of the Department

**M H Dorey**  
*Minister*

**M Nutley**  
*Administrator*

# **STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES**

## **Controlled and managed by the Social Security Department**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2010**

#### **1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with the particular accounting policies described below:

##### **a) Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practices.

A Cash Flow statement has not been prepared as the entity does not have a bank account and all payments are made through the Guernsey Insurance Fund which is reimbursed from the Treasury and Resources Department.

Going Concern - The Department members and principal officers have reviewed the budget over the next twelve months and deem that Non Contributory Services has adequate financial resources to meet its obligations. The Department has obtained confirmation that a grant will be received from General Revenue and have assessed its adequacy to keep the entity a going concern. From a review of the above it is therefore deemed that Non Contributory Services is a going concern.

##### **b) Grant – States of Guernsey**

The grants received from the States of Guernsey are set at a level equal to expenditure accounted for in the relevant period.

##### **c) Benefits payable**

Benefits are accounted for on an accruals basis.

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Fund. They do not take account of obligations to pay benefits which fall due after the end of the financial year.

##### **d) Pension costs**

The costs of the defined benefit scheme are charged to the income and expenditure account over the period during which the Department benefits from the employee's services. Surpluses/deficiencies are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll costs.

##### **e) Assets held in fiduciary capacity**

Assets held in a fiduciary capacity for charitable settlements are not included in the balance sheet. These assets amounted to £38,429 at 31 December 2010 (2009: £38,168).

##### **f) Formula led and Non-formula led expenditure**

Formula led expenditure is largely variable in its nature as it is driven by the level of demand for a number of benefits, allowances and grants. Non-formula led expenditure is fixed in so far as it is subject to a cash limit approved by the States of Guernsey each year.

#### **2. GRANT - STATES OF GUERNSEY**

It is the practice of the States to match the expenditure of Non Contributory Services with grants. The income received from the States in the financial year may therefore be analysed in the same manner and under the same headings as the expenditure. It is expected that this practice will continue for the foreseeable future.

**STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES**  
**Controlled and managed by the**  
**Social Security Department**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2010**

**3. SUPPLEMENTARY BENEFIT**

		<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
Benefit and fuel allowance	Note 4	14,557,212	13,474,167
Special grants	Note 5	2,208,762	2,443,310
Concessionary TV licenses for 65 to 74 year olds		20,249	19,156
Emergency payments under Public Assistance Law		120	403
		<hr/>	<hr/>
		16,786,343	15,937,036
Unsecured loans and recoveries – bad debt provision		240,728	-
Maintenance recoveries		(38,926)	(52,376)
		<hr/>	<hr/>
		16,988,145	15,884,660
		<hr/> <hr/>	<hr/> <hr/>

**4. BENEFIT AND FUEL ALLOWANCE**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Single parents	4,403,935	4,766,375
Incapacitated	3,623,385	2,996,116
Over pensionable age	2,132,884	2,172,532
Disabled persons	1,476,705	1,343,423
Persons seeking work	2,257,173	1,625,720
Incapable of self support	427,081	394,465
Persons caring for spouse	161,974	81,486
Pregnant women	60,128	75,756
Prisoners Spouses	12,780	16,852
Persons caring for children	1,167	1,442
	<hr/>	<hr/>
	14,557,212	13,474,167
	<hr/> <hr/>	<hr/> <hr/>

**5. SPECIAL GRANTS**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Medical - Treatment	1,200,683	1,209,811
- Dental	251,254	264,859
- Chiropody	69,426	75,212
- Medical sundries	69,821	66,413
- Ophthalmic	70,004	65,722
- Physiotherapy	44,619	49,164
- Hearing aids	45,337	55,259
	<hr/>	<hr/>
	1,751,144	1,786,440
Disabled persons	333,032	316,007
Funeral	75,019	90,328
Surgical and medical requisites	52,343	46,755
Exceptional needs	17,913	15,015
Exceptional needs – disabled individual	(29,505)	175,000
Sundries (not medical)	3,665	7,859
Travelling expenses	5,151	5,906
	<hr/>	<hr/>
	2,208,762	2,443,310
	<hr/> <hr/>	<hr/> <hr/>

In 2009, exceptional needs included a provision of £175,000 in respect of unrecoverable expenditure incurred in funding nursing care for a disabled individual over many years. This was subject to a civil action on which a judgement was issued on 14 January 2010. During 2010, £29,505 of the provision has been recovered and written-back.

**STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES**  
**Controlled and managed by the**  
**Social Security Department**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2010**

**6. CHARITABLE GRANTS**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Guernsey Welfare Service Limited (Playgroup)	50,707	50,707
Guernsey Citizens Advice Bureau	26,450	36,450
The Methodist Church (Wesley playgroup)	30,165	30,165
Women's Royal Voluntary Service	29,378	29,378
Relate	20,618	20,618
Guernsey Women's Refuge Limited	20,461	20,461
The Samaritans	4,831	4,831
The Salvation Army (Clifton Community Centre)	-	19,300
	<u>182,610</u>	<u>211,910</u>

The Department makes annual grants to eight local charities to support their provision of social welfare. Although the charities are specified by resolution of the States, the grant is subject to each charity making an annual submission to the Department; as the Salvation Army's submission was incomplete, no grant was paid in 2010.

**7. ADMINISTRATION**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Recharged from Guernsey Insurance Fund:		
Salaries and pension costs	1,198,459	1,192,342
Computer expenses	220,358	216,278
Property expenses and sundries	185,874	183,090
Bank charges	89,934	96,261
	<u>1,694,625</u>	<u>1,687,971</u>
Management and training costs – Community & environmental projects	145,387	139,164
Administration expenses	45,932	32,716
Medical reports	21,053	21,050
Audit fee	6,750	6,600
Repatriation	1,960	3,063
Legal and professional fees	937	1,030
	<u>1,916,644</u>	<u>1,891,594</u>
Rent recovery received from the States Property Services, Treasury and Resources Department	<u>(132,051)</u>	<u>(132,051)</u>
	<u>1,784,593</u>	<u>1,759,543</u>

The Guernsey Insurance Fund charged rental on office space of £132,051 (2009: £132,051) to Non Contributory Services, the expenditure being included in property expenses. This rental is paid by the States Property Services, Treasury and Resources Department.

**8. DEBTORS DUE WITHIN ONE YEAR**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Benefits and allowances paid in advance	832,096	864,694
States grant	-	682,522
	<u>832,096</u>	<u>1,547,216</u>

**STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES**  
**Controlled and managed by the**  
**Social Security Department**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2010**

**9. DEBTORS DUE AFTER ONE YEAR**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Unsecured debt and recoveries	432,013	-
Secured loans	245,669	-
	<u>677,682</u>	<u>-</u>

The unsecured debt and recoveries relate to outstanding benefit debt. The secured loans are interest free and secured by way of a registered bond against the realty of each borrower

In previous years, the Department's long-term debt was recorded in the financial statements of the Guernsey Insurance Fund. However, in 2010 all non-contributory benefit debt was transferred to Non Contributory Services.

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Guernsey Insurance Fund recharges payable	919,276	1,060,832
States grant	403,362	-
Benefits and allowances payable	178,166	473,481
Other creditors and accruals	8,974	12,903
	<u>1,509,778</u>	<u>1,547,216</u>

**11. RELATED PARTY TRANSACTIONS**

The Department members confirm that there have been no related party transactions with members or senior management in this financial year (2009: Nil).

Of the Department's annual income and expenditure, less than 20% of their respective value for both 2010 and 2009 is due to transactions with other States entities, except as disclosed in notes 1, 2, 6, 7, 8, 9 and 10.

**12. SUPERANNUATION FUND**

The employees of the Social Security Department are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. During 2008 the States considered a report by the actuaries on the valuation of the Superannuation Fund at 31 December 2007 that indicated that a deficit existed. The States agreed to increase the current employer's contribution rate to the Fund from 7.85% to 14.1% with effect from 1 January 2010.

Further details relating to the funding of the Superannuation Scheme are provided in the Superannuation Fund section of the accounts of the States of Guernsey.

The Department has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2010 were £483,395 (2009: £251,737) of which Non-Contributory Services contributed £130,764 (2009: £68,205).

**13. STATEMENT OF CONTROL**

Non Contributory Services is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of Non Contributory Services has been delegated to the members of the Social Security Department, who have been appointed by the States of Guernsey.

# STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND

Controlled and managed by the  
Social Security Department

## STATEMENT OF ACTIVITIES AND PERFORMANCE

Year ended 31 December 2010

### FINANCIAL HIGHLIGHTS

#### Overview

The Guernsey Health Service Fund ("the Fund") recorded an operating surplus of £2.64m (2009:£3.20m). The Fund reserves for the year increased by £9.86m (2009: £16.94m) and was created through net of operating surplus, realised/unrealised profits on investments of £6.43m (2009: £12.71m) and investment income of £0.79m (£1.03m).

At the year-end total reserves of the Fund stood at £70.89m (2009: £61.03m) with expenditure cover up from 1.8 years to 2.0 years.

#### Contribution income and states grant

Contribution income decreased marginally to £33.40m (2009: £33.50m) but was marginally above the budget of £33.35m. Income was predicted to fall in 2010 as a result of a reallocation of contribution income from the Guernsey Health Service Fund to the Guernsey Insurance Fund. The States grant based on 12% of contribution income was £4.0m (2009: £4.02m).

#### Benefit expenditure

Overall benefit expenditure increased by 1.3% to 33.89m (2009: £33.45m) and 0.5% down on the budget of £34.077m.

#### ■ Consultation grants

	2010	2009	5-Year Average
Number of doctors grants	254,349	254,487	250,033
Number of nurses grants	75,667	79,886	76,230

Consultation Grant expenditure decreased by 0.8% to £3.51m (2009: £3.53m) with the number of doctor and nurse consultation grants decreasing by 0.1% and 5.3% respectively. The doctor and nurse consultation grant rates have been fixed at £12 and £6 respectively since 2004.

#### ■ Specialist Health Insurance Scheme

	2010	2009	5-Year Average
Medical specialist Group - full-time equivalent consultants (average)	39.0	38.5	37.7

Specialist medical benefit decreased marginally to £13.22m (2009: £13.26m) with the average number of consultants employed during the year increasing to 39.0 (2009: 38.5) partially offset by a decrease in the contract price based on the September 2009 RPI of -1.2%.

	2010	2009	5-Year Average
Guernsey Physiotherapy Group - full-time equivalent physiotherapists & assistants	28.48	27.40	26.26

Physiotherapy expenditure increased by 0.7 % to £1.73m (2009: £1.72m) and was due to an increase in the average full-time equivalent physiotherapists & assistants employed during the year, partially offset by a decrease in the contract price based on the September 2009 RPI of -1.2%.

#### ■ Drugs and medicines

	2010	2009	5-Year Average
Total prescriptions	1,411,648	1,351,700	1,299,446
Average basic cost	£9.61	£9.55	£9.82

Total drug and medicine expenditure increased by 3.4% to £15.37 m (2009: £14.87m). As shown above, the number of items prescribed during the year increased by 4.4% to 1.41m (2009: 1.35m). The continuation of initiatives introduced by the prescribing support unit, including the strict control of new entries to the white-list, increased generic prescribing and reduced wastage have helped to contain costs.

#### Administration

Overall administration expenditure increased by 0.2% to £0.87m (2009:£0.87m).

## STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND

Controlled and managed by the  
Social Security Department

### STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)

Year ended 31 December 2010

#### Investment Funds

The investment portfolios of the Guernsey Insurance Fund, Guernsey Health Service Fund and Long-term Care Insurance Fund are combined to form the Common Investment Fund which at the 31 December 2010 had a market value of £722m (2009 £642m).

During 2010 there was no reallocation of assets between the Funds and no new monies added to the Common Investment Fund. The allocation between the three contributory funds is as follows:

Common Investment Fund allocation	31.12.10		31.12.09	
	£m	%	£m	%
Guernsey Insurance Fund	614	85.1%	546	85.1%
Guernsey Health Service Fund	66	9.1%	59	9.1%
Long-term Care Insurance Fund	42	5.8%	37	5.8%
<b>Total</b>	<b>722</b>	<b>100.0%</b>	<b>642</b>	<b>100.0%</b>

The Department has continued to diversify its investment portfolio to maximise returns for a reduced risk. The Department measures the performance of individual investment manager's over a rolling 3-year period and the overall performance of the common investment fund (gross of fees) is as follows:

Common Investment Fund (CIF) Investment Performance	% CIF return per annum	% Benchmark return per annum	% RPI Guernsey Average Annual Change
1-Year	12.43%	9.39%	2.4%
3-Year	3.96%	1.12%	2.1%
5-Year	6.09%	4.28%	3.0%

#### ACTIVITIES DURING THE YEAR

An actuarial review of the Guernsey Health Service Fund for the three years to 31 December 2009 commenced during the year. The adequacy of the Fund is subject to actuarial review at least once every five years to determine the adequacy of contribution rates. The review of the Fund has been brought forward by two years, so that all three contributory funds are reviewed at the same time and that all three reviews will be in phase for the future.

Following the Fundamental Spending Review by Tribal Consulting, the States' have established a Financial Transformation Programme to manage the delivery of savings over a 5-year period. The Department have been actively involved in a number of work-streams of the programme during the year.

#### FUTURE ACTIVITIES

In respect of specialist health insurance scheme, the Department will focus on normal maintenance of the contracts and performance monitoring. In co-operation with the Health and Social Services Department and the Treasury and Resources Department consideration will be given to long term health strategies and financing. This is a project that will run beyond 2011.

In cooperation with the Health and Social Services Department, the Department will, in 2011, introduce on a pilot basis, a primary care mental health service. The aim of the service is to develop an integrated mental health service on Guernsey to ensure that, following an assessment in the community, psychological support and therapy is available for the early intervention of mild to moderate mental health problems.

It is the intention that the travel allowance grant, which is essentially a health benefit, be transferred from the Guernsey Insurance Fund to the Guernsey Health Service Fund but not before 2012.

The Department will remain active, through the Prescribing Support Unit in keeping pharmaceutical costs as well controlled and cost effective as possible.

Following its completion in 2011, the actuarial review of the Guernsey Health Service Fund will be published in a States Billet.

The Department will continue to participate constructively in the Financial Transformation Programme, encouraging more corporate working in order to progress business efficiencies at a local level and States wide. The Department will establish an effective key performance indicator and performance reporting system to enable all staff to align and contribute to its objectives and strengthen its Investor in People status and rating.



# STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND

Controlled and managed by the  
Social Security Department

## STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)

Year ended 31 December 2010

### KEY STATISTICS

<b>Drugs &amp; medicines</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Ordinary prescriptions	580,955	566,572	557,665	559,939	537,139
% change	2.54%	1.59%	-0.41%	4.20%	3.30%
Exempt prescriptions	830,693	785,128	737,389	690,105	651,644
% change	5.80%	6.47%	6.85%	5.90%	7.10%
Total prescriptions	1,411,648	1,351,700	1,295,054	1,250,044	1,188,783
% change	4.44%	4.37%	3.60%	5.15%	5.30%
Average basic cost	£9.61	£9.55	£9.71	£10.00	£10.25
% change	+0.63%	-1.65%	-2.90%	-2.43%	-3.57%

<b>Specialist Health Insurance Scheme Medical Specialist Group</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Inpatient & Day Case episodes	15,211	13,292	12,197	11,381	11,423
% change	14.44%	n/a*	7.16%	-0.37%	-8.02%
Outpatient Appointments					
New	15,049	15,039	15,346	15,372	15,457
Follow-up	43,702	36,726	29,515	23,304	23,272
Total	58,751	51,765	44,861	38,676	38,729
% change	13.50%	n/a*	15.99%	-0.12%	-1.29%

\*With the introduction of a new computer system in 2009, the method of calculating statistical information was changed and therefore the 2009 figures should not be compared against previous years.

<b>Consultation grants</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<i>Guernsey</i>					
Doctors	243,827	243,460	239,921	234,477	232,661
Nurses	73,023	77,490	73,584	71,602	72,000
<b>Total</b>	316,850	320,950	313,505	306,079	304,661
<i>Alderney</i>					
Doctors	10,522	11,027	11,109	11,338	11,822
Nurses	2,644	2,396	2,687	2,568	3,156
<b>Total</b>	13,166	13,423	13,796	13,906	14,978
<i>Combined</i>					
Doctors	254,349	254,487	251,030	245,815	244,483
Nurses	75,667	79,886	76,271	74,170	75,156
<b>Total</b>	330,016	334,373	327,301	319,985	319,639
% change	-1.30%	2.16%	2.28%	0.10%	3.55%

<b>Contributory Funds - General Revenue Grants</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Guernsey Insurance Fund	15%	15%	15%	36%	50%
Guernsey Health Service Fund	12%	12%	12%	27%	40%
Long-term Care Insurance Fund	-	-	-	-	12%
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Guernsey Insurance Fund	13,262,390	12,547,679	12,122,407	23,472,978	27,939,152
Guernsey Health Service Fund	4,008,148	4,020,564	3,875,916	7,300,863	9,194,359
Long-term Care Insurance Fund	-	-	-	-	1,454,562
<b>Total</b>	<b>17,270,538</b>	<b>16,568,243</b>	<b>15,998,323</b>	<b>30,773,841</b>	<b>38,588,073</b>

# STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND

Controlled and managed by the  
Social Security Department

## STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)

Year ended 31 December 2010

### KEY STATISTICS (CONTINUED)

Number of contributors (as at week 48)	2010	2009	2008	2007	2006
Employers	2,419	2,398	2,492	2,451	2,419
Employed	29,209	28,831	29,531	29,157	28,648
Self-employed	3,409	3,388	3,424	3,495	3,447
Non-employed	5,113	4,961	4,745	4,597	4,326
<b>Total</b>	<b>37,731</b>	<b>37,180</b>	<b>37,700</b>	<b>37,249</b>	<b>36,421</b>

Contribution Rates - Annual Earnings/Income limits		2010 £	2009 £	2008 £	2007 £	2006 £
Class 1	<i>Employed</i>					
	Upper earnings limit - employer	117,468	115,128	108,108	53,664	36,036
	Upper earnings limit - employee	79,872	69,108	64,896	53,664	36,036
	Lower earnings limit	5,928	5,824	5,460	5,200	5,044
Class 2	<i>Self-employed</i>					
	Maximum earnings	79,872	69,108	64,896	53,664	36,036
	Minimum earnings	5,928	5,824	5,460	5,200	5,044
Class 3	<i>Non-employed</i>					
	Maximum income	79,872	69,108	64,896	53,664	36,036
	Minimum income	14,820	14,560	13,650	13,000	12,610
	Allowance	6,290	-	-	-	-

	Contribution Rates – Contributory Funds	2010 %	2009 %	2008 %	2007 %	2006 %
Class 1	<i>Employer</i>					
	Guernsey Insurance Fund	4.9	4.9	4.9	4.1	4.1
	Guernsey Health Service Fund	1.6	1.6	1.6	1.4	1.4
	Long-term Care Insurance Fund	-	-	-	-	-
		6.5	6.5	6.5	5.5	5.5
	<i>Employee</i>					
	Guernsey Insurance Fund	3.4	3.2	3.2	3.2	3.2
	Guernsey Health Service Fund	1.3	1.4	1.4	1.4	1.4
	Long-term Care Insurance Fund	1.3	1.4	1.4	1.4	1.4
		6.0	6.0	6.0	6.0	6.0
	<i>Combined</i>					
	Guernsey Insurance Fund	8.3	8.1	8.1	7.3	7.3
	Guernsey Health Service Fund	2.9	3.0	3.0	2.8	2.8
	Long-term Care Insurance Fund	1.3	1.4	1.4	1.4	1.4
		12.5	12.5	12.5	11.5	11.5
Class 2	<i>Self-employed</i>					
	Guernsey Insurance Fund	6.5	6.3	6.3	6.3	6.3
	Guernsey Health Service Fund	2.7	2.8	2.8	2.8	2.8
	Long-term Care Insurance Fund	1.3	1.4	1.4	1.4	1.4
		10.5	10.5	10.5	10.5	10.5
Class 3	<i>Non-employed (under 65)</i>					
	Guernsey Insurance Fund	5.7	5.7	5.7	5.7	5.7
	Guernsey Health Service Fund	2.8	2.8	2.8	2.8	2.8
	Long-term Care Insurance Fund	1.4	1.4	1.4	1.4	1.4
		9.9	9.9	9.9	9.9	9.9
	<i>Non-employed (over 65)</i>					
	Guernsey Insurance Fund	-	-	-	-	-
	Guernsey Health Service Fund	1.3	1.2	1.2	1.2	1.2
	Long-term Care Insurance Fund	1.6	1.4	1.4	1.4	1.4
		2.9	2.6	2.6	2.6	2.6

## STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND

Controlled and managed by the  
Social Security Department

### STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)

Year ended 31 December 2010

#### KEY STATISTICS (CONTINUED)

In 2006 the States resolved as part of its future economic and taxation strategy to increase substantially the upper earnings limits for all classes of contributors and employers, with compensating reductions in the grants from general revenue that apply to the contributory funds. The States further resolved that, although the revised financing of the contributory funds was to take full effect from 1 January 2008, there should be a substantial move in that direction with effect from 1 January 2007.

In 2008, as a result of the strategy adopted in 2006, the upper earnings limits were increased significantly together with a 1% increase in employers' full percentage rate contributions of which 0.8% was allocated to the Guernsey Insurance Fund and 0.2% to the Guernsey Health Service Fund, in order to compensate for the reductions in the general revenue grants.

In 2010, following the 2009 States resolutions concerning the future financing of the contributory social security schemes, the upper earnings and income limits for employed people, self-employed people and non-employed people were increased as part of the strategy to match the upper earnings limit for employers over the next 5 years. Also, an allowance on income for non-employed people was introduced and consequently the contribution rate for non-employed people over 65 was increased from 2.6% to 2.9%.

As the increases in the upper earnings and income limits over the next 5 years are intended to increase contributions to the Guernsey Insurance Fund, the apportionment of contribution income between the Guernsey Insurance Fund, the Guernsey Health Service Fund and the Long-term Care Insurance Fund was adjusted so that the two latter funds do not also receive a share of the additional income intended for the Guernsey Insurance Fund alone.

Five-year performance	2010 £	2009 £	2008 £	2007 £	2006 £
<b>Benefits</b>					
Drugs and medicines	15,370,720	14,870,523	14,107,499	13,812,514	13,418,056
% annual increase	3.36%	5.40%	2.13%	2.93%	2.00%
<b>Income &amp; Expenditure</b>					
Income	37,409,378	37,525,267	36,175,217	34,341,097	32,180,259
Expenditure	34,767,161	34,321,253	31,965,271	29,906,321	29,012,807
Operating surplus	2,642,217	3,204,014	4,209,946	4,434,776	3,167,452
<b>Investment performance</b>					
Investment income	788,162	1,027,408	1,219,044	1,166,186	1,123,751
Realised gains/(losses)	6,922,621	1,368,717	(453,665)	(855,765)	1,966,512
Unrealised (losses)/gains	(493,761)	11,335,859	(8,586,045)	2,340,792	442,063
Total return on investments	7,217,022	13,731,984	(7,820,666)	2,651,213	3,532,326
<b>Common Investment Fund</b>					
Allocation at market value	66,024,659	58,709,189	35,724,280	43,600,707	37,903,511
<b>Expenditure cover</b>					
Reserves	70,891,649	61,032,410	44,096,412	47,707,132	40,621,143
Expenditure	34,767,161	34,321,253	31,965,271	29,906,321	29,012,807
Number of years cover	2.0	1.8	1.4	1.6	1.4

# **STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND**

Controlled and managed by the  
Social Security Department

## **STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)**

**Year ended 31 December 2010**

### **Principal officers**

#### **Social Security Department**

Minister	Deputy M H Dorey
Deputy Minister	Deputy A H Brouard
Members	Deputy S J Ogier Deputy A R Le Lièvre Deputy M W Collins
Administrator	M Nutley

## **STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND**

Controlled and managed by the  
Social Security Department

### **STATEMENT OF RESPONSIBILITIES OF THE SOCIAL SECURITY DEPARTMENT Year ended 31 December 2010**

The Social Security Department ("the Department") is required to prepare financial statements for each financial year which give a true and fair view of the disposition of the net assets of the Guernsey Health Service Fund and of the fund account of the Guernsey Health Service Fund for that period. In preparing those financial statements, the Department is required to:

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

The Department is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Guernsey Health Service Fund and enable them to ensure that the financial statements comply with Section 100(3) of The Social Insurance (Guernsey) Law, 1978 and Section 1(4) of The Health Service (Benefit) (Guernsey) Law, 1990. It is also responsible for safeguarding the assets of the Guernsey Health Service Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Going Concern**

The Department members and principal officers have reviewed the budget and projected income and expenses over the next twelve months and deem that the Guernsey Health Service Fund has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Guernsey Health Service Fund is a going concern.

#### **STATEMENT OF INTERNAL FINANCIAL CONTROLS**

It is the responsibility of the Department to identify and install an appropriate system of internal controls, including financial controls, which is adequate for its own purposes, and to safeguard the assets of Guernsey Health Service Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Department is also responsible for the economical, efficient and effective management of public funds and other resources entrusted to it.

The Department's internal financial procedures include:

- an annual budget and planning process to allocate, control and monitor the use of resources;
- a requirement to table at a meeting of the Department;
  - the annual audit report together with the audited financial statements;
  - the annual report of observations and recommendations produced by the external auditors;
  - the business plan; and
  - the quarterly management accounts;
- by Law, an actuarial review to determine the adequacy of the contribution rates must be undertaken at least once every five years and submitted to the Department and the States of Guernsey;
- a regular review of the performance and security of the Guernsey Health Service Fund by the Department and Combined Actuarial Performance Services Limited;
- a review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit Department; and
- a requirement for internal audit reports to be tabled at a meeting of the Department.

The Department strives to ensure that all staff with financial responsibilities have the necessary integrity, skills and motivation to discharge their duties with the proficiency which the community has the right to expect.

The Department'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 auditors appointed by the States of Guernsey.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

**Social Security Department  
As controller and manager of**

### **THE STATES OF GUERNSEY – GUERNSEY HEALTH SERVICE FUND**

We have audited the financial statements of the States of Guernsey - Guernsey Health Service Fund (“the Fund”) for the year ended 31 December 2010 which comprise the fund account, the balance sheet, cash flow statement and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members of the States of Guernsey Social Security Department (“the Department”) as a body, in accordance with Section 100 (3) of the Social Insurance (Guernsey) Law, 1978 and Section 1(4) of the Health Service (Benefit) (Guernsey) Law 1990. Our audit work has been undertaken so that we might state to the Department those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Department, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Department and auditor**

As explained more fully in the Statement of Responsibilities of the Social Security Department, the Department is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 December 2010, and of the amount and disposition at this date of its assets and liabilities, other than the liabilities to pay benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Section 100(3) of the Social Insurance (Guernsey) Law, 1978 and Section 1(4) of the Health Service (Benefit) (Guernsey) Law 1990.

#### **Matters on which we are required to report by exception**

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP  
Chartered Accountants  
St Peter Port, Guernsey

Date: 6 April 2011

**STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**FUND ACCOUNT**  
**At 31 December 2010**

	<b>Note</b>	<b>2010 £</b>	<b>2009 £</b>
<b>Income</b>			
Contributions allocated	1(b), 2	33,401,230	33,504,703
States grant	1(b)	4,008,148	4,020,564
		<u>37,409,378</u>	<u>37,525,267</u>
<b>Expenditure</b>			
Drugs and medicines	3	15,370,720	14,870,523
Specialist Health Insurance Scheme	4	15,017,367	15,046,207
Consultation grants		3,506,190	3,533,160
Administration	5	872,884	871,363
		<u>34,767,161</u>	<u>34,321,253</u>
<b>Operating surplus for the year</b>		2,642,217	3,204,014
<b>Investing activities</b>			
Income from invested funds	1(f), 6	788,162	1,027,408
Realised profit on disposal	7	6,922,621	1,368,717
Movement in unrealised (loss)/profit on investment	7	(493,761)	11,335,859
		<u>7,217,022</u>	<u>13,731,984</u>
<b>Net surplus in the Fund during the year</b>		9,859,239	16,935,998
Net assets of the Fund at 1 January		<u>61,032,410</u>	<u>44,096,412</u>
<b>Net assets of the Fund at 31 December</b>		<u><u>70,891,649</u></u>	<u><u>61,032,410</u></u>

All activities are derived from continuing operations.

The Fund has no recognised surplus or deficit in the current or previous financial year other than those passing through the Fund Account.

Notes 1 to 12 form an integral part of these financial statements

# STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND

Controlled and managed by the  
Social Security Department

## BALANCE SHEET

Year ended 31 December 2010

	Note	2010 £	2009 £
<b>Fixed assets</b>			
Common Investment Fund allocation	1(d), 7	66,024,659	58,709,189
<b>Current assets</b>			
Debtors and prepayments	8	4,913,111	2,461,309
Balances with States Treasury		32,322	32,075
		4,945,433	2,493,384
<b>Creditors: amounts falling due within one year</b>	9	78,443	170,163
<b>Net current assets</b>		4,866,990	2,323,221
<b>Total net assets</b>		70,891,649	61,032,410
<b>Reserves</b>		70,891,649	61,032,410

The financial statements were approved by the Social Security Department on 6 April 2011.

Signed on behalf of the Department

**M H Dorey**  
*Minister*

**M Nutley**  
*Administrator*

Notes 1 to 12 form an integral part of these financial statements



**STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**CASH FLOW STATEMENT**  
**Year ended 31 December 2010**

	<b>Note</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
<b>Operating surplus for the year</b>		2,642,217	3,204,014
(Increase)/decrease in debtors		(2,451,802)	2,809,678
(Decrease)/increase in creditors		(91,720)	139,938
<b>Net cash inflow from operating activities</b>		<u>98,695</u>	<u>6,153,630</u>
<b>Management of liquid resources</b>			
Transfer to the Common Investment Fund		-	(4,500,000)
Increase in Common Investment Fund and treasury balance		<u>7,217,022</u>	<u>18,231,984</u>
<b>Net cash inflow from investing activities</b>		<u>7,217,022</u>	<u>13,731,984</u>
<b>Increase in cash and cash equivalents (including investments)</b>		7,315,717	19,885,614
Opening common investment funds and treasury balance		<u>58,741,264</u>	<u>38,855,650</u>
<b>Closing common investment funds and treasury balance</b>		<u><u>66,056,981</u></u>	<u><u>58,741,264</u></u>

Notes 1 to 12 form an integral part of these financial statements

# STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND

Controlled and managed by the  
Social Security Department

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with the particular accounting policies described below:

#### a) Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of listed investments and in accordance with United Kingdom Generally Accepted Accounting Practice.

#### Going Concern

The Department members and principal officers have reviewed the cash flow and projected income and expenses over the next twelve months and deem that the Guernsey Health Service Fund has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Guernsey Health Service Fund is a going concern.

#### b) Contributions allocated & States grant

Income to the Guernsey Health Service Fund represents an allocation to that Fund of specific proportions of contribution income. The contribution income represents the amount of cash received before 1 February 2011 in respect of the financial year ended 31 December 2010 and amounts received relating to prior financial periods.

The grant received from the States of Guernsey is based on a fixed percentage of contributions, accounted for in the relevant period and for 2010 was 12% (2009: 12%).

#### c) Guernsey Health Service Fund

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Fund. They do not take account of obligations to pay benefits which fall due after the end of the financial year.

The adequacy of the Guernsey Health Service Fund is, however, subject to actuarial review at least once every five years to determine the adequacy of contribution rates. The actuarial review of the Fund has been brought forward by two years, so that all three contributory funds are reviewed at the same time and that all three reviews will be in phase for the future. The actuarial review for the three years to 31 December 2009 commenced in 2010 and will be completed in 2011.

#### d) Common Investment Fund

The investment portfolio of the Guernsey Health Service Fund is amalgamated with the other Funds of the Department to form the Common Investment Fund. The allocation of the investment portfolio to the Fund is based upon the percentage of amounts contributed by the Fund into the Common Investment Fund, as determined by the Department.

#### e) Investments

Investments are stated in the financial statements at their fair values.

Listed investments are included in the financial statements at mid-market prices ruling at the balance sheet date. Listed investments quoted in foreign currencies and foreign exchange contracts have been translated into sterling at rates of exchange ruling at the balance sheet date.

Unlisted investment funds are stated at the year-end net asset value of the underlying funds as notified by the fund managers or administrators at the year-end. The net asset value reported by the relevant fund manager or administrator as at the year-end may be unaudited, and may differ from the amounts realised from redemption of the investment in the fund at year-end. While the members have no reason to suppose that any such valuations are unreasonable, the amounts realised from the redemption of these funds at year-end may materially differ from the reported amounts.

# STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND

Controlled and managed by the  
Social Security Department

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2010

### ACCOUNTING POLICIES (CONTINUED)

#### f) Investment income

Dividends are recognised in the financial statements when the underlying investments become ex-dividend.

Other investment income is accounted for on a receivable basis.

#### g) Benefits payable

Benefits payable are included on an accruals basis, based on returns submitted by doctors and pharmacists in respect of the year.

#### h) Pension costs

The costs of the defined benefit scheme are charged to the fund account over the period during which the Department benefits from the employees' services. Surpluses or deficiencies are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll costs.

#### i) Security lending

Securities lending is where securities are transferred from the Fund's custodian to a borrower against collateral in the form of cash. When the loan is terminated, identical securities are to be returned. The borrower is obligated to compensate the lender for various events relating to securities, such as subscription rights, dividends etc. Securities that are lent out are not removed from the Fund's balance sheet. Lending fees are recorded daily as interest income on lending. The borrower has voting rights attached to the securities during the lending period.

Collateral received is not recorded unless it is reinvested. Income, realised and unrealised gains and losses on reinvested securities are recorded in the Fund account.

#### j) Derivatives

All open derivatives are stated at their closing market values established by reference to the applicable index.

## 2. CONTRIBUTIONS

	2010 £	2009 £
Employer contributions	62,950,553	61,742,780
Employee contributions	55,927,728	54,010,463
	<hr/>	<hr/>
	118,878,281	115,753,243
Self-employed contributions	12,431,804	11,518,758
Non-employed contributions	6,874,988	6,772,472
	<hr/>	<hr/>
	138,185,073	134,044,473
Contributions allocated to:		
Guernsey Insurance Fund	(88,415,237)	(83,651,193)
Long-term Care Insurance Fund	(16,368,606)	(16,888,577)
	<hr/>	<hr/>
	33,401,230	33,504,703
	<hr/>	<hr/>

## STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND

Controlled and managed by the  
Social Security Department

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2010

#### 3. DRUGS AND MEDICINES

	2010 £	2009 £
Drugs and medicines	16,277,946	15,662,817
Appliances	584,372	566,580
Oxygen service	250,809	286,906
	<u>17,113,127</u>	<u>16,516,303</u>
Prescription charges receivable	(1,742,349)	(1,643,982)
Health and Social Services Department - reciprocal treatment	(58)	(1,798)
	<u>15,370,720</u>	<u>14,870,523</u>

Due to changes in the Reciprocal Health Agreement with the United Kingdom, from 1 April 2009, UK residents are no longer entitled to drugs, medicines and appliances from Guernsey and recoveries in respect of that former entitlement received from the Health and Social Security Department have ceased.

#### 4. SPECIALIST HEALTH INSURANCE SCHEME

	2010 £	2009 £
Specialist medical benefit	13,220,608	13,260,119
Physiotherapy benefit	1,726,724	1,715,202
Alderney hospital benefit	70,035	70,886
	<u>15,017,367</u>	<u>15,046,207</u>

The States of Guernsey entered into new contracts with the Medical Specialist Group and the Guernsey Physiotherapy Group from 1 January 2003. These contracts are for 15-year terms with major reviews after each 5 year period.

The contract with the Medical Specialist Group is based on a per-consultant contracted price adjusted annually on 1 January each year taking account of any increase or decrease in the Guernsey RPI for the previous September. The contract price for 2010 was £339,893 per consultant (2009: £344,022), including a 1.2% RPI decrease.

The contract with the Guernsey Physiotherapy Group is based on a per-physiotherapist and per-assistant price, with different rates applying to different grades of physiotherapist and adjusted annually on 1 January each year taking account of any increase or decrease in the Guernsey RPI for the previous September. The contract price for 2010 includes a 1.2% RPI decrease.

The contract with the Island Medical Centre for services in the Mignot Memorial Hospital in Alderney commenced on 1 March 2008. The contract price is adjusted annually on 1 January each year taking account of any increase or decrease in the Guernsey RPI.

**STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND**

Controlled and managed by the  
Social Security Department

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****Year ended 31 December 2010****5. ADMINISTRATION**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Recharged from Guernsey Insurance Fund:		
Salaries and pension costs	261,228	237,535
Computer expenses	139,288	138,217
Property expenses and sundries	49,547	48,525
	<hr/>	<hr/>
	450,063	424,277
Health and Social Services Department charges	161,161	170,974
Prescription pricing fees	198,967	191,505
Administration expenses	41,479	74,772
Actuarial fees and expenses	14,464	1,933
Audit fee	6,750	6,600
Professional fees	-	1,302
	<hr/>	<hr/>
	872,884	871,363
	<hr/>	<hr/>

# STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND

Controlled and managed by the  
Social Security Department

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2010

### 6. INCOME FROM INVESTED FUNDS

	2010 £	2009 £
<b>Income</b>		
Dividends from equities	5,436,904	8,057,306
Interest from fixed interest securities	3,379,800	2,861,384
Interest from property funds	1,242,595	960,449
Interest on short term deposits	216,888	338,242
Interest from SWAPS	(327,981)	406,258
Less: withholding tax suffered	(277,821)	(287,729)
	<hr/> 9,670,385	<hr/> 12,335,910
Securities lending fees	243,171	255,307
Less: Securities lending expenses	(60,772)	(52,650)
	<hr/> 182,399	<hr/> 202,657
	<hr/>	<hr/>
<b>Income of the Common Investment Fund</b>	<hr/> 9,852,784	<hr/> 12,538,567
	<hr/>	<hr/>
<b>Expenditure</b>		
Investment managers' fees	2,654,993	1,977,711
Less: Rebate of management fees charged on in-house unit trusts	(463,933)	(1,380,077)
Less: Management fees charged directly on pooled funds	(1,132,582)	-
	<hr/> 1,058,478	<hr/> 597,634
	<hr/>	<hr/>
Investment advisor's fees	90,000	40,000
Investment advisor's fees – additional work	65,000	50,000
	<hr/> 155,000	<hr/> 90,000
	<hr/>	<hr/>
Global custodian – custody fees	78,504	80,126
Global custodian – performance monitoring fees	13,173	11,203
	<hr/> 91,677	<hr/> 91,329
	<hr/>	<hr/>
Legal and professional fees	3,772	-
	<hr/>	<hr/>
<b>Net expenditure of the Common Investment Fund</b>	<hr/> 1,308,927	<hr/> 778,963
	<hr/>	<hr/>
<b>Net income of the Common Investment Fund</b>	<hr/> 8,543,857	<hr/> 11,759,604
<b>Net income allocated to:</b>		
Guernsey Insurance Fund	(7,258,942)	(10,095,461)
Long-term Care Insurance Fund	(496,999)	(637,440)
	<hr/>	<hr/>
<b>Net income of the Common Investment Fund allocated to the Guernsey Insurance Fund</b>	<hr/> 787,916	<hr/> 1,026,703
	<hr/>	<hr/>
<b>Other income</b>		
Interest on call and treasury deposits	246	705
	<hr/> 788,162	<hr/> 1,027,408
	<hr/>	<hr/>

# STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND

Controlled and managed by the  
Social Security Department

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2010

### 7. COMMON INVESTMENT FUND

	2010 £	2009 £
Equities and derivatives	391,115,945	488,200,425
Fixed income and derivatives	255,439,997	76,531,162
Cash and cash equivalents	42,196,025	45,665,827
Property funds	19,882,731	19,833,909
Commodities	8,312,704	8,285,630
Alternative investments and hedge funds	4,972,256	3,515,171
	<u>721,919,658</u>	<u>642,032,124</u>
Reinvested collateral	28,313,972	36,995,659
Collateral returnable	(28,313,972)	(37,097,471)
	<u>-</u>	<u>(101,812)</u>
Collateral deficiency		
	<u>721,919,658</u>	<u>641,930,312</u>
Investments allocated to:		
Guernsey Insurance Fund	(614,199,745)	(546,145,664)
Long-term Care Insurance Fund	(41,695,254)	(37,075,459)
	<u>66,024,659</u>	<u>58,709,189</u>

At the year-end the common investment fund value comprised of £714,219,371 of listed investments (2009: £635,457,971) and unlisted investments of £7,700,287 (2009: £6,472,341).

At the year-end securities lending stood at £27,082,192 (2009: £35,338,293) secured by cash collateral of £28,313,972 (2009: £36,995,659) being 104.55% (2009: 104.69%) of the value of the securities on loan and well below the US\$60m maximum limit (£ equivalent: £39m) imposed by the Department.

The cash collateral is invested by the custodian in a pooled fund comprising short-term cash instruments. In September 2008 the custodian informed its clients of a collateral deficiency in the pooled fund and a cash collateral deficiency was charged against all investment portfolios in order to reinstate the market-to-book ratio to 1.00. On 15 March 2010 the global custodian reversed the remaining collateral deficiency charged against the Common Investment Fund. This reversal, in conjunction with the partial reversal processed on 30 November 2009, eliminates the charge against the Fund, after accounting for existing realised losses and related settlement costs.

#### Common Investment Fund movements during the year

	2010 £	2009 £
Market value 1 January	641,930,312	517,743,183
Investment income reinvested	9,645,374	12,415,625
Realised profit on disposal	75,692,569	9,105,801
Movement on unrealised (loss)/profit on investments	(5,397,506)	93,665,703
New monies to reduce collateral deficiency	48,909	-
New monies invested - Guernsey Insurance Fund	-	4,500,000
New monies invested - Long-term Care Insurance Fund	-	4,500,000
	<u>721,919,658</u>	<u>641,930,312</u>
Market value 31 December		

The realised profit allocated to the Guernsey Health Service Fund for the year is £6,922,621 (2009: £1,368,717) with a movement in unrealised loss of £493,761 (2009: £11,335,859 profit).

The common investment fund is managed through six investment managers, namely Schroder Investment Management Limited, Blackrock Investment Management UK) Limited, Barings Asset Management, M&G Investment's, Legge Mason (trading name Western Asset Management) and Skagen who are Norwegian based. The governance of the Fund is supported by the Fund custodian, Northern Trust and a professional investment advisor, P-Solve.

## STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND

Controlled and managed by the  
Social Security Department

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2010

#### 8. DEBTORS AND PREPAYMENTS

	2010 £	2009 £
Recharge due from the Guernsey Insurance Fund	4,896,319	2,461,309
Other debtors and prepayments	10,644	-
States grant	6,148	-
	<u>4,913,111</u>	<u>2,461,309</u>

#### 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Other creditors and accruals	58,123	110,727
Benefits Payable	20,320	-
States grant	-	59,436
	<u>78,443</u>	<u>170,163</u>

#### 10. RELATED PARTY TRANSACTIONS

The Department members confirm that there have been no disclosable related party transactions with members and senior management in this financial year (2009: Nil).

Of the Department's annual income and expenditure, less than 20 % of their respective value for both 2010 and 2009 is due to transactions with other States entities, except as disclosed in notes 1, 2, 3, 4, 5, 6 and 7. Balances with the States Treasury at the year-end amounted to £32,322 (2009: £32,075).

#### 11. STATEMENT OF CONTROL

The Guernsey Health Service Fund is controlled and managed by the Social Security Department, as required by Section 21 of the Health Service (Benefit) (Guernsey) Law, 1990. The members of the Social Security Department have been appointed by the States of Guernsey.

#### 12. SUPERANNUATION FUND

The employees of the Social Security Department are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. During 2008 the States considered a report by the actuaries on the valuation of the Superannuation Fund at 31 December 2007 that indicated that a deficit existed. The States agreed to increase the current employer's contribution rate to the Fund from 7.85% to 14.1% with effect from 1 January 2010.

Further details relating to the funding of the Superannuation Scheme are provided in the Superannuation Fund section of the accounts of the States of Guernsey.

The Department has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2009 were £483,395 (2009: £251,737) of which the Guernsey Health Service Fund contributed £29,123 (2009: £13,586).



**STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**STATEMENT OF ACTIVITIES AND PERFORMANCE**  
**Year ended 31 December 2010**

**FINANCIAL HIGHLIGHTS**

**Overview**

The Long-term Care Insurance Fund ("the Fund") recorded an operating surplus of £1.07m (2009: £2.87m). The Fund reserves for the year increased by £5.63m (2009: £12.84m) and was created through the net of the operating surplus, realised/unrealised profits on investments of £4.06m (2009: £9.33m) and investment income of £0.50m (£0.64m). At the year-end total reserves of the Fund stood at £44.42m (2009: £38.80m) with expenditure cover up from 2.8 years to 2.9 years.

**Contribution income**

Contribution income decreased marginally to £16.37m (2009: £16.89m) and marginally below the budget of £16.55m. Income was predicted to fall in 2010 as a result of a reallocation of contribution income from the Long-term Care Insurance Fund to the Guernsey Insurance Fund.

**Benefit expenditure**

Overall benefit expenditure increased by 9.0% to £15.13m (2009: £13.88m) but less than the budget which estimated an increase of 10.3% to £15.46m. The general rate of benefit was increased by 2%.

• **Residential Home Care grant**

	2010	2009	5-Year Average
Number of claimants at the year-end	357	336	319

A new provision in the much needed area of care for elderly people with mental infirmity increased in the numbers of residential care beds. Together with a general increase in benefit of 2%, this contributed to the 14.0% increase in benefit expenditure to £6.83m (2009: 11.5% to £5.99m).

• **Nursing Home Care grant**

	2010	2009	5-Year Average
Number of claimants at the year-end	234	233	208

Although the number of claimants at the year-end was similar to 2009, the average number of claimants during the year increased by 4.6% to 229 (2009: 219). The increase in the average number of nursing care beds together with a general increase in benefit of 2% contributed to the 6.6% increase in benefit expenditure to £8.10m (2009: £7.59m) although well below the budget of £8.28m.

**Administration**

Overall administration expenditure increased to £168k (2009: £137k) but under the budget of £177k. The increased costs were driven mainly by an increase in the employers' superannuation contribution rate which saw pension costs nearly double and an increase in actuarial fees as a result of the review currently underway.

**Investment Funds**

The investment portfolios of the Guernsey Insurance Fund, Guernsey Health Service Fund and Long-term Care Insurance Fund are combined to form the Common Investment Fund which at the 31 December 2010 had a market value of £722m (2009 £642m). During 2010 there was no reallocation of assets between the Funds and no new monies added to the Common Investment Fund. The allocation between the three contributory funds is as follows:

Common Investment Fund allocation	31.12.10		31.12.09	
	£m	%	£m	%
Guernsey Insurance Fund	614	85.1%	546	85.1%
Guernsey Health Service Fund	66	9.1%	59	9.1%
Long-term Care Insurance Fund	42	5.8%	37	5.8%
<b>Total</b>	<b>722</b>	<b>100.0%</b>	<b>642</b>	<b>100.0%</b>

The Department has continued to diversify its investment portfolio to maximise returns for a reduced risk. The Department measures the performance of individual investment manager's over a rolling 3-year period and the overall performance of the common investment fund (gross of fees) is as follows:

**STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)**  
**Year ended 31 December 2010**

<b>Common Investment Fund (CIF)</b> <b>Investment Performance</b>	<b>% CIF return</b> <b>per annum</b>	<b>% Benchmark</b> <b>return per annum</b>	<b>% RPI Guernsey</b> <b>Average Annual Change</b>
1-Year	12.43%	9.39%	2.4%
3-Year	3.96%	1.12%	2.1%
5-Year	6.09%	4.28%	3.0%

**ACTIVITIES DURING THE YEAR**

The Department reported to the States in September 2010 with proposals to introduce a new island-wide elderly mental infirm (EMI) rate for long-term care benefit. The proposals were approved by the States and will be introduced in 2011.

The adequacy of the Fund is subject to actuarial review at least once every five years to determine the adequacy of contribution rates. The review of the Fund has been brought forward by two years, so that all three contributory funds are reviewed at the same time and that all three reviews will be in phase for the future. The actuarial review of the Long-term Care Insurance Fund for the three years to 31 December 2009, commenced during the year.

Following the Fundamental Spending Review by Tribal Consulting, the States' have established a Financial Transformation Programme to manage the delivery of savings over a 5-year period. The Department have been actively involved in a number of work-streams of the programme during the year.

**FUTURE DEVELOPMENTS**

From the beginning of January 2011, the Department will introduce a new island-wide elderly mental infirm (EMI) rate for long-term care benefit.

Following its completion in 2011, the actuarial review of the Long-term Care Insurance Fund will be published in a States Billet.

The Department will continue to co-operate with the Health and Social Services Department, the Housing Department and the Treasury and Resources Department regarding the development of the older persons' housing and care strategy. This will include examining the financing models for care services currently outside the scope of long-term care insurance, including extra-care housing.

The Department will continue to participate constructively in the Financial Transformation Programme, encouraging more corporate working in order to progress business efficiencies at local level and States wide.

The Department will establish an effective key performance indicator and performance reporting system to enable all staff to align and contribute to its objectives and strengthen its Investors in People status and rating.

**KEY STATISTICS**

<b>Number of contributors (as at week 48)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Employers	2,419	2,398	2,492	2,451	2,419
Employed	29,209	28,831	29,531	29,157	28,648
Self-employed	3,409	3,388	3,424	3,495	3,447
Non-employed	5,113	4,961	4,745	4,597	4,326
<b>Total</b>	<b>37,731</b>	<b>37,180</b>	<b>37,700</b>	<b>37,249</b>	<b>36,421</b>

<b>Contributory Funds -</b> <b>General Revenue Grants</b>	<b>2010</b> <b>%</b>	<b>2009</b> <b>%</b>	<b>2008</b> <b>%</b>	<b>2007</b> <b>%</b>	<b>2006</b> <b>%</b>
Guernsey Insurance Fund	15%	15%	15%	36%	50%
Guernsey Health Service Fund	12%	12%	12%	27%	40%
Long-term Care Insurance Fund	-	-	-	-	12%
	<b>2010</b> <b>£</b>	<b>2009</b> <b>£</b>	<b>2008</b> <b>£</b>	<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
Guernsey Insurance Fund	13,262,236	12,547,679	12,122,407	23,472,978	27,939,152
Guernsey Health Service Fund	4,008,148	4,020,564	3,875,916	7,300,863	9,194,359
Long-term Care Insurance Fund	-	-	-	-	1,454,562
<b>Total</b>	<b>17,270,384</b>	<b>16,568,243</b>	<b>15,998,323</b>	<b>30,773,841</b>	<b>38,588,073</b>

**STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)**  
**Year ended 31 December 2010**

**KEY STATISTICS (CONTINUED)**

	<b>Contribution Rates - Annual Earnings/Income limits</b>	<b>2010 £</b>	<b>2009 £</b>	<b>2008 £</b>	<b>2007 £</b>	<b>2006 £</b>
Class 1	<i>Employed</i>					
	Upper earnings limit - employer	117,468	115,128	108,108	53,664	36,036
	Upper earnings limit - employee	79,872	69,108	64,896	53,664	36,036
	Lower earnings limit	5,928	5,824	5,460	5,200	5,044
Class 2	<i>Self-employed</i>					
	Maximum earnings	79,872	69,108	64,896	53,664	36,036
	Minimum earnings	5,928	5,824	5,460	5,200	5,044
Class 3	<i>Non-employed</i>					
	Maximum income	79,872	69,108	64,896	53,664	36,036
	Minimum income	14,820	14,560	13,650	13,000	12,610
	Allowance	6,290	-	-	-	-

	<b>Contribution Rates – Contributory Funds</b>	<b>2010 %</b>	<b>2009 %</b>	<b>2008 %</b>	<b>2007 %</b>	<b>2006 %</b>
Class 1	<i>Employer</i>					
	Guernsey Insurance Fund	4.9	4.9	4.9	4.1	4.1
	Guernsey Health Service Fund	1.6	1.6	1.6	1.4	1.4
	Long-term Care Insurance Fund	-	-	-	-	-
		6.5	6.5	6.5	5.5	5.5
	<i>Employee</i>					
	Guernsey Insurance Fund	3.4	3.2	3.2	3.2	3.2
	Guernsey Health Service Fund	1.3	1.4	1.4	1.4	1.4
	Long-term Care Insurance Fund	1.3	1.4	1.4	1.4	1.4
		6.0	6.0	6.0	6.0	6.0
	<i>Combined</i>					
	Guernsey Insurance Fund	8.3	8.1	8.1	7.3	7.3
	Guernsey Health Service Fund	2.9	3.0	3.0	2.8	2.8
	Long-term Care Insurance Fund	1.3	1.4	1.4	1.4	1.4
		12.5	12.5	12.5	11.5	11.5
Class 2	<i>Self-employed</i>					
	Guernsey Insurance Fund	6.5	6.3	6.3	6.3	6.3
	Guernsey Health Service Fund	2.7	2.8	2.8	2.8	2.8
	Long-term Care Insurance Fund	1.3	1.4	1.4	1.4	1.4
		10.5	10.5	10.5	10.5	10.5
Class 3	<i>Non-employed (under 65)</i>					
	Guernsey Insurance Fund	5.7	5.7	5.7	5.7	5.7
	Guernsey Health Service Fund	2.8	2.8	2.8	2.8	2.8
	Long-term Care Insurance Fund	1.4	1.4	1.4	1.4	1.4
		9.9	9.9	9.9	9.9	9.9
	<i>Non-employed (over 65)</i>					
	Guernsey Insurance Fund	-	-	-	-	-
	Guernsey Health Service Fund	1.3	1.2	1.2	1.2	1.2
	Long-term Care Insurance Fund	1.6	1.4	1.4	1.4	1.4
		2.9	2.6	2.6	2.6	2.6

**STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)**  
**Year ended 31 December 2010**

**KEY STATISTICS (CONTINUED)**

In 2006 the States resolved as part of its future economic and taxation strategy to increase substantially the upper earnings limits for all classes of contributors and employers, with compensating reductions in the grants from general revenue that apply to the contributory funds. The States further resolved that, although the revised financing of the contributory funds was to take full effect from 1 January 2008, there should be a substantial move in that direction with effect from 1 January 2007.

In 2008, as a result of the strategy adopted in 2006, the upper earnings limits were increased significantly together with a 1% increase in employers' full percentage rate contributions of which 0.8% was allocated to the Guernsey Insurance Fund and 0.2% to the Guernsey Health Service Fund, in order to compensate for the reductions in the general revenue grants.

In 2010, as a result of States Resolutions in 2009 concerning the future financing of the contributory social security schemes, the upper earnings and income limits for employed people, self-employed people and non-employed people were increased to match the upper earnings limit for employers; this change to be phased in over 5 years. Also, an allowance on income for non-employed people was introduced and consequently an increase in the contribution rate for non-employed people over 65 from 2.6% to 2.9%.

As the increases in the upper earnings and income limits over the next 5 years are intended to increase contributions to the Guernsey Insurance Fund, in 2010 the apportionment of contribution income between the Guernsey Insurance Fund, the Guernsey Health Service Fund and the Long-term Care Insurance Fund was adjusted in order to avoid those two latter funds from also receiving a share of the additional income intended for the Guernsey Insurance Fund alone.

<b>Five-year performance</b>	<b>2010 £</b>	<b>2009 £</b>	<b>2008 £</b>	<b>2007 £</b>	<b>2006 £</b>
<b>Benefits (permanent care)</b>					
Residential home	6,828,583	5,988,564	5,372,130	4,996,742	4,840,833
Nursing home	8,099,134	7,594,142	6,631,392	5,713,650	4,849,826
<b>Benefits (respite care)</b>					
Residential home	112,602	115,606	89,026	85,076	134,924
Nursing home	90,863	179,973	97,859	171,331	92,810
<b>Income &amp; Expenditure</b>					
Income	16,368,606	16,888,577	16,203,032	14,344,604	13,575,910
Expenditure	(15,299,015)	(14,015,537)	(12,312,829)	(11,091,168)	(10,044,592)
Operating surplus	1,069,591	2,873,040	3,890,203	3,253,436	3,531,318
<b>Investment performance</b>					
Investment income	497,245	638,152	695,203	599,733	549,660
Realised gains/(losses)	4,371,707	1,077,880	(248,530)	1,190,316	905,546
Unrealised (losses)/gains	(311,815)	8,256,449	(4,703,659)	(461,087)	153,099
Total return on investments	4,557,137	9,972,481	(4,256,986)	1,328,962	1,608,305
<b>Common Investment Fund</b>					
Allocation at market value	41,659,254	37,075,459	19,570,692	23,900,150	18,745,054
<b>Expenditure cover</b>					
Reserves	44,424,652	38,798,691	25,952,403	26,319,186	21,736,788
Expenditure	15,299,015	14,015,537	12,312,829	11,091,168	10,044,592
Number of years cover	2.9	2.8	2.1	2.4	2.2

<b>Number of Claimants at year-end</b>	<b>31.12.10</b>	<b>31.12.09</b>	<b>31.12.08</b>	<b>31.12.07</b>	<b>31.12.06</b>
Residential grant-permanent	357	336	308	296	297
Nursing grant-permanent	234	233	212	185	176
<b>TOTAL</b>	<b>591</b>	<b>569</b>	<b>520</b>	<b>481</b>	<b>473</b>

**STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)**  
**Year ended 31 December 2010**

**Principal officers**

**Social Security Department**

Minister	Deputy M H Dorey
Deputy Minister	Deputy A H Brouard
Members	Deputy S J Ogier Deputy A R Le Lièvre Deputy M W Collins
Administrator	M Nutley

## **STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND**

**Controlled and managed by the  
Social Security Department**

### **STATEMENT OF RESPONSIBILITIES OF THE SOCIAL SECURITY DEPARTMENT Year ended 31 December 2010**

The Social Security Department ("the Department") is required to prepare financial statements for each financial year which give a true and fair view of the disposition of the net assets of the Long-term Care Insurance Fund and of the fund account of the Long-term Care Insurance Fund for that period. In preparing those financial statements, the Department is required to:

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

The Department is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Long-term Care Insurance Fund and enable them to ensure that the financial statements comply with Section 100(3) of The Social Insurance (Guernsey) Law, 1978 and Section 1(4) of The Long-term Care Insurance (Guernsey) Law, 2002. It is also responsible for safeguarding the assets of the Long-term Care Insurance Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Going Concern**

The Department members and principal officers have reviewed the budgeted income and expenses over the next twelve months and deem that the Long-term Care Insurance Fund has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Long-term Care Insurance Fund is a going concern.

#### **STATEMENT OF INTERNAL FINANCIAL CONTROLS**

It is the responsibility of the Department to identify and install an appropriate system of internal controls, including financial controls, which is adequate for its own purposes, and to safeguard the assets of Long-term Care Insurance Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Department is also responsible for the economical, efficient and effective management of public funds and other resources entrusted to it.

The Department's internal financial procedures include:

- an annual budget and planning process to allocate, control and monitor the use of resources;
- a requirement to table at a meeting of the Department;
  - the annual audit report together with the audited financial statements;
  - the annual report of observations and recommendations produced by the external auditors;
  - the annual policy and resource plan; and
  - the quarterly management accounts;
- by Law, an actuarial review to determine the adequacy of the contribution rates must be undertaken at least once every five years and submitted to the Department and the States of Guernsey;
- a regular review of the performance and security of the Long-term Care Insurance Fund by the Department;
- a review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit Department; and
- a requirement for internal audit reports to be tabled at a meeting of the Department.

The Department strives to ensure that all staff with financial responsibilities have the necessary integrity, skills and motivation to discharge their duties with the proficiency which the community has the right to expect.

The Department'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 auditors appointed by the States of Guernsey.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE OF GUERNSEY**

### **Social Security Department**

#### **As controller and manager of**

#### **THE STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND**

We have audited the financial statements of the States of Guernsey - Long-term Care Insurance Fund ("the Fund") for the year ended 31 December 2010 which comprise the fund account, the balance sheet, cash flow statement and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members of the States of Guernsey Social Security Department ("the Department") as a body, in accordance with Section 100 (3) of the Social Insurance (Guernsey) Law, 1978 and Section 1(4) of the Long Term Care Insurance (Guernsey) Law 2002. Our audit work has been undertaken so that we might state to the Department those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Department, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Department and auditor**

As explained more fully in the Statement of Responsibilities of the Social Securities Department, the Department is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 December 2010, and of the amount and disposition at this date of its assets and liabilities, other than the liabilities to pay benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Section 100(3) of the Social Insurance (Guernsey) Law, 1978 and Section 1(4) of the Long Term Care Insurance (Guernsey) Law 2002.

#### **Matters on which we are required to report by exception**

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP  
Chartered Accountants  
St Peter Port, Guernsey

Date: 6 April 2011

**STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**FUND ACCOUNT**  
**Year ended 31 December 2010**

	<b>Note</b>	<b>2010 £</b>	<b>2009 £</b>
<b>Income</b>			
Contributions allocated	1(b), 2	16,368,606	16,888,577
<b>Expenditure</b>			
Benefits payable	1(d), 3	15,131,183	13,878,285
Administration expenses	4	167,832	137,252
		<u>15,299,015</u>	<u>14,015,537</u>
<b>Operating surplus for the year</b>		1,069,591	2,873,040
<b>Investing activities</b>			
Income from invested funds	1(h), 5	497,245	638,152
Realised profit on disposal	6	4,371,707	1,077,880
Movement in unrealised (loss)/profit on investments	6	(311,815)	8,256,449
		<u>4,557,137</u>	<u>9,972,481</u>
<b>Net surplus in the Fund during the year</b>		5,626,728	12,845,521
Net assets of the Fund at 1 January		<u>38,797,924</u>	<u>25,952,403</u>
<b>Net assets of the Fund at 31 December</b>		<u><u>44,424,652</u></u>	<u><u>38,797,924</u></u>

All activities are derived from continuing operations.

The Fund has no recognised surplus or deficit in the current or previous financial year other than those passing through the Fund Account.

Notes 1 to 11 form an integral part of these financial statements.



**STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**BALANCE SHEET**  
**At 31 December 2010**

	<b>Note</b>	<b>2010</b> <b>£</b>	<b>2009</b> <b>£</b>
<b>Fixed assets</b>			
Common Investment Fund allocation	1(g), 6	41,695,254	37,075,459
<b>Current assets</b>			
Debtors and prepayments	7	2,698,211	1,853,809
Balances with States Treasury		32,187	31,941
		2,730,398	1,885,750
<b>Creditors: amounts falling due within one year</b>	8	(1,000)	(163,285)
<b>Net current assets</b>		2,729,398	1,722,465
<b>Total net assets</b>		44,424,652	38,797,924
<b>Reserves</b>		44,424,652	38,797,924

The financial statements were approved by the Social Security Department on 6 April 2011.

Signed on behalf of the Department

**M H Dorey**  
*Minister*

**M Nutley**  
*Administrator*

Notes 1 to 11 form an integral part of these financial statements.

**STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**CASH FLOW STATEMENT**  
**Year ended 31 December 2010**

	<b>Note</b>	<b>2010</b> <b>£</b>	<b>2009</b> <b>£</b>
<b>Operating surplus for the year</b>		1,069,591	2,873,040
(Increase)/decrease in debtors		(844,402)	1,734,403
(Decrease)/increase in creditors		(162,285)	55,555
<b>Net cash inflow from operating activities</b>		<u>62,904</u>	<u>4,662,998</u>
<b>Management of liquid resources</b>			
Transfer to the common investment fund		-	(4,500,000)
Increase in common investment fund and treasury balance		4,557,137	14,472,481
<b>Net cash inflow from investing activities</b>		<u>4,557,137</u>	<u>9,972,481</u>
<b>Increase in cash and cash equivalents (including investments)</b>		4,620,041	14,635,479
Opening common investment funds and treasury balance		37,107,400	22,471,921
<b>Closing common investment funds and treasury balance</b>		<u><u>41,727,441</u></u>	<u><u>37,107,400</u></u>

Notes 1to11 form an integral part of these financial statements.

**STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2010**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with the particular accounting policies described below:

**a) Accounting convention**

The financial statements are prepared under the historical cost convention, as modified by the revaluation of listed investments and in accordance with applicable United Kingdom Generally Accepted Accounting Practice.

**Going Concern**

The Department members and principal officers have reviewed the budget and projected income and expenses over the next twelve months and deem that the Long-term Care Insurance Fund has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Long-term Care Insurance Fund is a going concern.

**b) Contributions allocated & States grant**

Income to the Long-term Care Insurance Fund represents an allocation to that Fund of specific proportions of contribution income. The contribution income represents the amount of cash received before 1 February 2011 in respect of the financial year ended 31 December 2010 and amounts received relating to prior financial periods not accounted for in those prior periods.

Prior to 2007, the grant received from the States of Guernsey was based on a fixed percentage of contributions, accounted for in the relevant period, the rate being set at 12%. The grant was withdrawn in 2007.

**c) Long-term Care Insurance Fund**

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Fund. They do not take account of obligations to pay benefits which fall due after the end of the financial year. The adequacy of the Long-term Care Insurance Fund is, however, subject to actuarial review at least once every five years to determine the adequacy of contribution rates. The actuarial review of the Long-term Care Insurance Fund has been brought forward by two years, so that all three contributory funds are reviewed at the same time and that all three reviews will be in phase for the future. The actuarial review for the three years to 31 December 2009 commenced in 2010 and will be completed in 2011.

**d) Benefits payable**

Benefits payable are included on an accruals basis.

**e) Pension costs**

The costs of the defined benefit scheme are charged to the fund account over the period during which the Department benefits from the employees' services. Surpluses or deficiencies are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll costs.

**f) Investments**

Investments are stated in the financial statements at their fair values.

Listed investments are included in the financial statements at mid-market prices ruling at the balance sheet date. Listed investments quoted in foreign currencies and foreign exchange contracts have been translated into sterling at rates of exchange ruling at the balance sheet date.

Unlisted investment funds are stated at the year-end net asset value of the underlying funds as notified by the fund managers or administrators at the year-end. The net asset value reported by the relevant fund manager or administrator as at the year-end may be unaudited, and may differ from the amounts realised from redemption of the investment in the fund at year-end. While the members have no reason to suppose that any such valuations are unreasonable, the amounts realised from the redemption of these funds at year-end may materially differ from the reported amounts.

**STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2010**

**1. ACCOUNTING POLICIES (CONTINUED)**

**g) Common Investment Fund**

The investment portfolio of the Long-term Care Insurance Fund is combined with other Funds of the Department to form the Common Investment Fund. The allocation of the investment portfolio to the Fund is based on a percentage of amounts contributed by the Fund into the Common Investment Fund, as determined by the Department.

**h) Investment income**

Dividends are recognised in the financial statements when the underlying investments become ex-dividend. Other investment income is accounted for on a receivable basis.

**i) Security lending**

Securities lending is where securities are transferred from the Fund's custodian to a borrower against collateral in the form of cash. When the loan is terminated, identical securities are to be returned. The borrower is obligated to compensate the lender for various events relating to securities, such as subscription rights, dividends etc. Securities that are lent out are not removed from the Fund's balance sheet. Lending fees are recorded daily as interest income on lending. The borrower has voting rights attached to the securities during the lending period. Collateral received is not recorded unless it is reinvested. Income, realised and unrealised gains and losses on reinvested securities are recorded in the Fund account.

**j) Derivatives**

All open derivatives are stated at their closing market values established by reference to the applicable index.

**2. CONTRIBUTIONS**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Employer contributions	62,950,553	61,742,780
Employee contributions	55,927,728	54,010,463
	<u>118,878,281</u>	<u>115,753,243</u>
Self-employed contributions	12,431,804	11,518,758
Non-employed contributions	6,874,988	6,772,472
	<u>138,185,073</u>	<u>134,044,473</u>
Contributions allocated to:		
Guernsey Insurance Fund	(88,415,237)	(83,651,193)
Guernsey Health Service Fund	(33,401,230)	(33,504,703)
	<u><u>16,368,606</u></u>	<u><u>16,888,577</u></u>

**STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2010**

**3. BENEFITS PAYABLE**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Residential home care benefit		
Permanent	6,828,583	5,988,564
Respite care	112,603	115,606
	<hr/> 6,941,186	<hr/> 6,104,170
Nursing home care benefit		
Permanent	8,099,134	7,594,142
Respite care	90,863	179,973
	<hr/> 15,131,183	<hr/> 13,878,285
	<hr/> <hr/>	<hr/> <hr/>

**4. ADMINISTRATION EXPENSES**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Recharged from Guernsey Insurance Fund:		
Salaries and pension costs	129,580	110,050
Computer expenses	9,286	9,215
Property expenses and sundries	9114	8,688
	<hr/> 147,980	<hr/> 127,953
Actuarial fees and expenses	13,102	-
Audit fee	6,750	6,600
Printing expenses	-	1,933
Professional fees	-	766
	<hr/> 167,832	<hr/> 137,252
	<hr/> <hr/>	<hr/> <hr/>

**STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2010**

**5. INCOME FROM INVESTED FUNDS**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Income</b>		
Dividends from equities	5,436,904	8,057,306
Interest from fixed interest securities	3,379,800	2,861,384
Interest from property funds	1,242,595	960,449
Interest on short term deposits	216,888	338,242
Interest from SWAPS	(327,981)	406,258
Less: withholding tax suffered	(277,821)	(287,729)
	<u>9,670,385</u>	<u>12,335,910</u>
Securities lending fees	243,171	255,307
Less: Securities lending expenses	(60,772)	(52,650)
	<u>182,399</u>	<u>202,657</u>
<b>Income of the Common Investment Fund</b>	<u>9,852,784</u>	<u>12,538,567</u>
<b>Expenditure</b>		
Investment managers' fees	2,654,993	1,977,711
Less: Rebate of management fees charged on in-house unit trusts	(463,933)	(1,380,077)
Less: Management fees charged directly on pooled funds	(1,132,582)	-
	<u>1,058,478</u>	<u>597,634</u>
Investment advisor's fees	90,000	40,000
Investment advisor's fees – additional work	65,000	50,000
	<u>155,000</u>	<u>90,000</u>
Global custodian – custody fees	78,504	80,126
Global custodian – performance monitoring fees	13,173	11,203
	<u>91,677</u>	<u>91,329</u>
Legal and professional fees	3,772	-
	<u>1,308,927</u>	<u>778,963</u>
<b>Net expenditure of the Common Investment Fund</b>		
	<u>1,308,927</u>	<u>778,963</u>
<b>Net income of the Common Investment Fund</b>	8,543,857	11,759,604
<b>Net income allocated to:</b>		
Guernsey Insurance Fund	(7,258,942)	(10,095,461)
Guernsey Health Services Fund	(787,916)	(1,026,703)
	<u>(8,046,858)</u>	<u>(11,122,164)</u>
<b>Net income of the Common Investment Fund allocated to the Guernsey Insurance Fund</b>	496,999	637,440
<b>Other income</b>		
Interest on call and treasury deposits	246	712
	<u>497,245</u>	<u>638,152</u>

**STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2010**

**6. COMMON INVESTMENT FUND**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Equities and derivatives	391,115,945	488,200,425
Fixed income and derivatives	255,439,997	76,531,162
Cash and cash equivalents	42,196,025	45,665,827
Property funds	19,882,731	19,833,909
Commodities	8,312,704	8,285,630
Alternative investments and hedge funds	4,972,256	3,515,171
	<hr/> 721,919,658	<hr/> 642,032,124
Reinvested collateral	28,313,972	36,995,659
Collateral returnable	<hr/> (28,313,972)	<hr/> (37,097,471)
Collateral deficiency	<hr/> -	<hr/> (101,812)
	<hr/> 721,919,658	<hr/> 641,930,312
Investments allocated to:		
Guernsey Insurance Fund	(614,199,745)	(546,145,664)
Guernsey Health Service Fund	<hr/> (66,024,659)	<hr/> (58,709,189)
	<hr/> 41,695,254	<hr/> 37,075,459

At the year-end the common investment fund value comprised of £714,219,371 of listed investments (2009: £635,457,971) and unlisted investments of £7,700,287 (2009: £6,472,341).

At the year-end securities lending stood at £27,082,192 (2009: £35,338,293) secured by cash collateral of £28,313,972 (2009: £36,995,659) being 104.55% (2009: 104.69%) of the value of the securities on loan and well below the US\$60m maximum limit (£ equivalent: £39m) imposed by the Department.

The cash collateral is invested by the custodian in a pooled fund comprising short-term cash instruments. In September 2008 the custodian informed its clients of a collateral deficiency in the pooled fund and a cash collateral deficiency was charged against all investment portfolios in order to reinstate the market-to-book ratio to 1.00. On 15 March 2010 the global custodian reversed the remaining collateral deficiency charged against the Common Investment Fund. This reversal, in conjunction with the partial reversal processed on 30 November 2009, eliminates the charge against the Fund, after accounting for existing realised losses and related settlement costs.

**Common Investment Fund movements during the year**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Market value 1 January	641,930,312	517,743,183
Investment income reinvested	9,645,374	12,415,625
Realised profit/(loss) on disposal	75,692,569	9,105,801
Movement on unrealised (loss)/profit on investments	(5,397,506)	93,665,703
New monies to reduce collateral deficiency	48,909	-
New monies invested - Guernsey Insurance Fund	-	4,500,000
New monies invested - Long-term Care Insurance Fund	<hr/> -	<hr/> 4,500,000
Market value 31 December	<hr/> 721,919,658	<hr/> 641,930,312

The realised profit allocated to the Long-term Care Insurance Fund for the year is £4,371,707 (2009: £1,077,880) with an unrealised loss of £311,815 (2009: £8,256,449 profit).

**STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2010**

**6. COMMON INVESTMENT FUND (CONTINUED)**

The common investment fund is managed through six investment managers, namely Schroder Investment Management Limited, Blackrock Investment Management UK Limited, Barings Asset Management, M&G Investment's, Legge Mason (trading name Western Asset Management) and Skagen who are Norwegian based. The governance of the Fund is supported by the Fund custodian, Northern Trust and a professional investment advisor, P-Solve.

**7. DEBTORS AND PREPAYMENTS**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Recharge due from Guernsey Insurance Fund	2,614,279	1,853,809
Benefits and allowances receivable	83,932	-
	<u>2,698,211</u>	<u>1,853,809</u>

**8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Benefits and allowances payable	-	156,685
Other creditors and accruals	1,000	6,600
	<u>1,000</u>	<u>163,285</u>

**9. RELATED PARTY TRANSACTIONS**

The Department members confirm that there have been no disclosable related party transactions with members and senior management in this financial year (2009: Nil).

Of the Department's annual income and expenditure, less than 20% of their respective value for 2010 and 2009 is due to transactions with other States entities, except as disclosed in notes 1, 3, 4 and 5. Balances with the States Treasury at the year-end amounted to £32,187 (2009: £31,941).

**10. SUPERANNUATION FUND**

The employees of the Social Security Department are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. During 2008 the States considered a report by the actuaries on the valuation of the Superannuation Fund at 31 December 2007 that indicated that a deficit existed. The States agreed to increase the current employer's contribution rate to the Fund from 7.85% to 14.1% with effect from 1 January 2010.

Further details relating to the funding of the Superannuation Scheme are provided in the Superannuation Fund section of the accounts of the States of Guernsey.

The Department has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2010 were £483,395 (2009: £251,737) of which the Long-term Care Insurance Fund contributed £14,808 (2009: £7,129).



**STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND**  
**Controlled and managed by the**  
**Social Security Department**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2010**

**11. STATEMENT OF CONTROL**

The Long-term Care Insurance Fund is controlled and managed by the Social Security Department, as required by Section 1(1) of The Long-term Care Insurance (Guernsey) Law, 2002. The members of the Social Security Department have been appointed by the States of Guernsey.

# **INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF ELIZABETH COLLEGE - GUERNSEY**

We have audited the financial statements of Elizabeth College – Guernsey for the year ended 31 August 2010 which comprise the Revenue Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out in note 1.

Our audit work is undertaken so that we might state to the Board of Directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Board of Directors and auditors**

The Board of Directors is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the revenue surplus or deficit of the College for that period and are in accordance with applicable laws and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In preparing those financial statements the Board of Directors 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 presume that the College will continue its operations.

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

It is our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the College has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law is not disclosed.

## **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed. In this matter we draw particular attention to notes 1(b) and 3 to the financial statements:

Notes 1(b) and 3 to the financial statements explain that the historic main College buildings and playing fields are not included in fixed assets; that the costs of furniture and equipment and of minor improvements and maintenance to all buildings and grounds are written off through the revenue account when incurred; and that no depreciation is provided for on freehold properties as it is the College's policy to maintain the properties in such a condition that the estimated residual values are at least equal to their book values. We concur with these accounting policies.

**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF  
DIRECTORS OF ELIZABETH COLLEGE - GUERNSEY**  
(continued)

**Basis of opinion (continued)**

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 August 2010 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the applicable laws.

BDO Limited

CHARTERED ACCOUNTANTS

Place du Pré  
Rue du Pré  
St Peter Port  
Guernsey

1 December 2010

# ELIZABETH COLLEGE - GUERNSEY

## REVENUE ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2010

	Note		2009
<b>INCOME</b>	2		
States' Block Grant		2,272,850	2,146,850
Fees receivable		2,455,093	2,155,121
Sundry income		100,315	119,590
		<hr/>	<hr/>
		4,828,258	4,421,561
<b>EXPENDITURE</b>			
School and departmental expenses	3,228,363	3,044,427	
Youth training expenses	19,472	29,030	
Administrative expenses	760,551	767,673	
Maintenance of buildings and grounds	458,378	423,743	
	<hr/>	<hr/>	
		(4,466,764)	(4,264,873)
<b>OPERATING SURPLUS FOR THE YEAR BEFORE INTEREST</b>		<hr/>	<hr/>
		361,494	156,688
Interest receivable from fixed asset investments		23,512	31,658
Interest receivable from banks		6,252	26,004
Interest payable		(1,750)	(3,051)
		<hr/>	<hr/>
<b>OPERATING SURPLUS FOR THE YEAR</b>	2	389,508	211,299
<i>Restricted income</i>			
Capital grant from Elizabeth College Foundation	796,298	-	
Transfer to Capital Reserve - Restricted	(796,298)	-	
	<hr/>	<hr/>	
		-	-
<i>Elizabeth College Foundation costs</i>	14		
Amortisation of establishment costs	(2,006)	(2,006)	
Annual running costs	(24,895)	(24,151)	
	<hr/>	<hr/>	
		(26,901)	(26,157)
Transfer to Maintenance Reserve	9	(150,000)	-
<b>RETAINED SURPLUS FOR THE FINANCIAL YEAR TRANSFERRED TO CAPITAL ACCOUNT</b>	9	<hr/>	<hr/>
		£ 212,607	£ 185,142
		<hr/>	<hr/>

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses other than the surplus for the financial year.

A statement of movements on reserves is included in note 9 to the financial statements.

The notes 1 to 15 form an integral part of these financial statements.

**ELIZABETH COLLEGE – GUERNSEY****BALANCE SHEET  
31 AUGUST 2010**

	Note		2009
<b>FIXED ASSETS</b>			
Tangible assets	3	3,568,059	2,771,761
Investments	4	545,520	507,829
		<hr/>	<hr/>
		4,113,579	3,279,590
<b>CURRENT ASSETS</b>			
Stock		4,136	852
Debtors	5	748,153	522,178
Cash at bank and in hand		845,683	768,250
		<hr/>	<hr/>
		1,597,972	1,291,280
<b>CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	6	(561,916)	(564,942)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		1,036,056	726,338
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		5,149,635	4,005,928
<b>CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	7	(20,000)	(35,198)
		<hr/>	<hr/>
		£ 5,129,635	£ 3,970,730
		<hr/>	<hr/>
<b>REPRESENTED BY:-</b>			
<b>RESERVES</b>	9	£ 5,129,635	£ 3,970,730
		<hr/>	<hr/>

**APPROVED BY THE BOARD OF DIRECTORS AND AUTHORISED FOR ISSUE BY:**

K. Paul Mellor  
Chairman

1 December 2010  
Date approved by the Board

The notes 1 to 15 form an integral part of these financial statements.

# ELIZABETH COLLEGE – GUERNSEY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2010

	Note		2009
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	10	327,935	6,328
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received from fixed asset investments	12,333	21,840	
Interest received from bank deposits	7,156	63,439	
Interest paid	(1,750)	(3,468)	
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		17,739	81,811
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS</b>			
Amounts (advanced to)/repaid by non grant-aided sector	(8,168)	164,976	
Elizabeth College Foundation costs	(24,895)	(24,151)	
Purchase of tangible fixed assets	(748,608)	-	
Purchase of fixed asset investments	(37,691)	(507,829)	
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS</b>		(819,362)	(367,004)
<b>NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>		(473,688)	(278,865)
<b>FINANCING</b>			
Repayment of loan from States Culture and Leisure Department	(10,000)	(10,000)	
Repayment of bank loan	(6,198)	(4,620)	
Restricted grant received from Elizabeth College Foundation	567,319	-	
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING</b>		551,121	(14,620)
<b>INCREASE/(DECREASE) IN CASH FOR THE YEAR</b>		£ 77,433	£ (293,485)
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
Increase/(decrease) in cash for the year		77,433	(293,485)
Cash at bank and in hand at 1 September		768,250	1,061,735
Cash at bank and in hand at 31 August		£ 845,683	£ 768,250

The notes 1 to 15 form an integral part of these financial statements.

# **ELIZABETH COLLEGE – GUERNSEY**

## **NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2010**

### **1. ACCOUNTING POLICIES**

#### **(a) CONVENTION**

These financial statements have been prepared under the historical cost convention. The principal accounting policies which the Board of Directors has adopted within that convention are set out below.

#### **(b) TANGIBLE FIXED ASSETS AND DEPRECIATION**

The policy of the Board of Directors is that all College properties should be maintained to the highest standards, such that the useful economic life of all properties is considered to be in excess of 50 years.

As referred to in note 3, the historic main College buildings and playing fields are not included in fixed assets. The Board of Directors considers that the aggregate residual value of the other College properties, which are included within these financial statements at cost, is in excess of their aggregate cost, and therefore no depreciation has been provided on freehold property. In accordance with the requirements of Financial Reporting Standard No. 11 – Impairment of Fixed Assets and Goodwill, the Board of Directors carries out annual impairment reviews to ensure that the carrying value of the College's freehold properties is not greater than their recoverable amount.

Maintenance expenditure and the costs of minor improvements to all buildings and grounds are written off to the revenue account when incurred. Expenditure on furniture and equipment is also written off to the revenue account when incurred.

#### **(c) STOCK**

Stock is stated at the lower of cost and estimated net realisable value after making due provision for damaged, obsolete and slow moving items. The valuation was arrived at after deducting the estimated gross profit from the goods valued at selling price, in a manner consistent with that used in previous years.

#### **(d) PRIZE FUNDS AND BEQUESTS**

Prize funds and other charitable bequests are not included in these financial statements as they do not constitute part of the day-to-day activities of the College.

#### **(e) REVENUE RECOGNITION**

Fee income is recognised as receivable on the first day of each term for which pupils are enrolled. The element of the States' Block Grant relating to scholars' fees is recognised on the same basis as fee income; the element relating to the reimbursement of teachers' employment costs is recognised on the same basis as the expenditure on the related costs. All other income is recognised on an accruals basis.

#### **(f) FIXED ASSET INVESTMENTS**

Fixed asset investments, which comprise quoted fixed interest securities, are included at historical cost. Interest income from fixed asset investments is accounted for on an accruals basis.

## ELIZABETH COLLEGE – GUERNSEY

### NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2010

#### 2. INCOME AND OPERATING SURPLUS

The College's income and operating surplus derive wholly from continuing activities.

#### 3. TANGIBLE FIXED ASSETS

The historic College buildings, being those situated at the College's original site in the Grange and in College Street, and the College Field playing fields and pavilion at King's Road, were gifted to the College at no cost. No value is attributed to these assets within the total value of tangible fixed assets included in the balance sheet.

In choosing to exclude these assets, the Board of Directors has taken advantage of the exemptions available within the Statement of Recommended Practice – Accounting and Reporting by Charities (published March 2005), as the assets are considered to be inalienable (in other words assets which the College is prohibited by virtue of its statutes from disposing of) and it would not be possible to determine a current market valuation without incurring significant expenditure.

Other College buildings are included in the financial statements at cost. These buildings comprise the modern buildings on the main College site off the Grange, and the modern changing room and groundsmen's buildings at the College Field.

The policy of the Board of Directors is that all College properties should be maintained to the highest standards, such that the useful economic life of all properties is considered to be in excess of 50 years. The Board also considers that the aggregate residual value of those College properties which are included within the financial statements at cost is in excess of their aggregate cost, and therefore no depreciation is provided on freehold property. In accordance with the requirements of Financial Reporting Standard No. 11 – Impairment of Fixed Assets and Goodwill, the Board carries out annual impairment reviews to ensure that the carrying value of the College's freehold properties is not greater than their value in use or net realisable value.

As an indication of the relative value of the College's freehold property assets, and the values at which they are included within the financial statements, the following table sets out (a) the cost values at which the properties are included within the accounts and (b) their current insurance values, as at June 2010 when the properties were valued for insurance purposes by a qualified Quantity Surveyor. All figures exclude land.

	<i>Cost At 1.9.09</i>	<i>Additions</i>	<i>Cost At 31.8.10</i>	<i>Insurance Valuation</i>
Main College site				
- Historic buildings	-	-	-	19,178,644
- Modern buildings	2,318,451	-	2,318,451	23,759,452
- Sixth Form Centre	388,470	-	388,470	424,114
College playing fields				
- CF - Old pavilion	-	-	-	567,660
- CF - Modern buildings	64,840	-	64,840	735,130
- MF Pavilion	-	796,298	796,298	800,000
	<hr/>	<hr/>	<hr/>	<hr/>
	£ 2,771,761	£ 796,298	£ 3,568,059	£ 45,465,000
	<hr/>	<hr/>	<hr/>	<hr/>



**ELIZABETH COLLEGE - GUERNSEY****NOTES TO THE FINANCIAL STATEMENTS  
31 AUGUST 2010**

<b>4. INVESTMENTS</b>		<b>2009</b>
AT COST		
Sterling fixed income securities	£ 545,520	£ 507,829
	<hr/>	<hr/>
AT MARKET VALUE		
Sterling fixed income securities	£ 571,987	£ 518,485
	<hr/>	<hr/>

The investments consist of sterling fixed income securities traded within Europe and/or the United Kingdom. The individual securities have terms to maturity of between two and eight years, and it is the intention of the Board of Directors to hold the assets until maturity.

<b>5. DEBTORS</b>		<b>2009</b>
DUE WITHIN ONE YEAR		
Fee debtors	45,436	16,084
Accrued income	11,179	904
Amounts due from brokers	7,862	33,785
Unamortised establishment costs – Elizabeth College Foundation (note 14)	56,020	74,693
Other debtors and prepayments	61,570	331,853
	<hr/>	<hr/>
	182,067	457,319
DUE AFTER MORE THAN ONE YEAR		
Amounts due from Elizabeth College Foundation	566,086	64,859
	<hr/>	<hr/>
TOTAL DEBTORS	£ 748,153	£ 522,178
	<hr/>	<hr/>

The amounts due from Elizabeth College Foundation will be paid as soon as the Foundation's cashflow allows.

<b>6. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		<b>2009</b>
Trade creditors	176,645	282,376
Loan – States Culture and Leisure Department (note 7)	10,000	10,000
Bank loan (note 8)	4,313	5,313
Old Elizabethan Association contribution to Elizabeth College Foundation costs (note 14)	49,999	66,666
Current account – College non grant-aided sector	80,907	89,075
Other creditors and accruals	240,052	111,512
	<hr/>	<hr/>
	£ 561,916	£ 564,942
	<hr/>	<hr/>

The current account is interest free, unsecured and repayable upon demand.

## ELIZABETH COLLEGE – GUERNSEY

### NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2010

<b>7. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>		<b>2009</b>
Loan – States Culture and Leisure Department		
Repayable by instalments:		
- Due within five years	20,000	30,000
Bank loan (note 8)	-	5,198
	<hr/>	<hr/>
	£ 20,000	£ 35,198
	<hr/>	<hr/>

The States Culture and Leisure Department loan was advanced to the College in connection with the replacement of the artificial sports surface at Memorial Field. The loan bears interest at a rate of 5% per annum and is repayable in equal capital instalments over 10 years from 31 December 2003. The loan is secured by a registered bond in the sum of £100,000 over the Acorn House premises, King's Road, which forms part of the fixed assets of the non grant-aided sector of the College.

<b>8. BANK LOAN</b>		<b>2009</b>
Wholly repayable by instalments within five years	£ 4,313	£ 10,511
	<hr/>	<hr/>
Aggregate amounts repayable:		
Within one year	4,313	5,313
Between one and two years	-	5,198
	<hr/>	<hr/>
	£ 4,313	£ 10,511
	<hr/>	<hr/>

The bank loan, which was taken out to fund the cost of a replacement school minibus, bears interest at 2% above The Royal Bank of Scotland International Limited base rate and is repayable by monthly instalments until 30 April 2012, although the present level of instalment payments will extinguish the loan balance during 2011.

# ELIZABETH COLLEGE – GUERNSEY

## NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2010

9. RESERVES	<u>Restricted Capital Reserve</u>	<u>Capital Account</u>	<u>Maintenance Reserve</u>	<u>Total</u>
Balance at 1 September 2009	-	3,520,730	450,000	3,970,730
Transfer from Revenue Account	796,298	-	-	796,298
Retained surplus for the financial year	-	212,607	150,000	362,607
Capital expenditure – Memorial Field Pavilion	(796,298)	796,298	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 August 2010	£ -	£ 4,529,635	£ 600,000	£ 5,129,635
	<hr/>	<hr/>	<hr/>	<hr/>

10. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES		2009
Operating surplus for the year before interest	361,494	156,688
(Increase)/decrease in stock	(3,284)	7
Increase in operating debtors	(5,394)	(199,564)
(Decrease)/increase in operating creditors	(24,881)	49,197
	<hr/>	<hr/>
Net cash inflow from operating activities	£ 327,935	£ 6,328
	<hr/>	<hr/>

## 11. PENSION COSTS

A majority of the employees of Elizabeth College are members of the States of Guernsey Superannuation Scheme (“the Scheme”). This is a defined benefit pension scheme, funded by contributions from both employer and employee, at rates which are determined on the basis of actuarial advice and which are calculated to spread the expected costs of benefits to employees over the period of those employees' expected working lives.

The Scheme is a multi-employer scheme and the level of contributions made to the Scheme by each employer will be affected by actuarial risks relating to the employees of other employers. It is also not possible for the underlying pension assets and liabilities within the Scheme relating to the employees of Elizabeth College to be determined on a reasonable and consistent basis. The Board of Directors has therefore taken advantage of the exemption available under paragraph 9(b) of Financial Reporting Standard No. 17 – Retirement Benefits from the requirement to make the full disclosures that would normally apply to an employer operating a defined benefits scheme on behalf of its employees.

Following the States' approval, in July 2005, of the Public Sector Remuneration Committee's proposal to close the Teachers' Scheme to new entrants and to allow current members to opt to transfer to the Public Servants' Pension Scheme (Combined Pool), a transfer was made from the Teachers' Scheme to the Combined Pool on 1 November 2005.

## **ELIZABETH COLLEGE – GUERNSEY**

### **NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2010**

#### **11. PENSION COSTS (continued)**

The last actuarial valuation of the Scheme was conducted at 31 December 2007. At that date the actuarial value of the assets relating to the “Public Servants’ Pool” within the overall Scheme, to which the College’s administration and teaching staff belong, represented 94.9% of the actuarial valuation of the liabilities relating to that group. With effect from 1 January 2010 the rate of employer’s contributions was increased to 14.1% of pensionable salary in respect of all employees. Prior to this date the rate of the employer’s contributions in respect of administration and teaching ancillary staff was 7.85% of pensionable salary and the rate of the employer’s contributions in respect of teachers was 13.5% of pensionable salary.

The total amount of superannuation contributions payable by the College to the Scheme for the year ended 31 August 2010 was £500,842 (2009: £473,360). At 31 August 2010 the amount of outstanding contributions not paid over to the Scheme was £87,433 (2009: £200,073).

Further details relating to the funding of the Scheme are provided in the Superannuation Fund section of the accounts of the States of Guernsey.

#### **12. CONTROLLING PARTY**

Throughout the year the College was under the control of the Board of Directors acting in concert. In the opinion of the Board of Directors there is no single controlling party as defined by Financial Reporting Standard No. 8 - Related Party Disclosures, as no party has the ability to direct the financial and operating policies of the College with a view to gaining economic benefits from their direction.

#### **13. RELATED PARTY TRANSACTIONS**

The College operates a central accounting system administered by the Bursar, elements of which cover both the grant-aided and non grant-aided sectors of the College’s activities. A majority of the operating receipts and operating expenditure related to the College’s activities, whether related to the grant-aided sector or otherwise, pass through common bank accounts, all of which are included in the balance sheet within these financial statements. The net movement arising from cash transactions relating to non grant-aided activities is disclosed in the cash flow statement as a movement on the current account operated between the two sectors. At each year end, account balances within the central accounting system, including individual debtor and creditor account balances, are allocated as appropriate into the financial statements of the different sectors.

During the year ended 31 August 2010 an amount of £13,250 (2009: £30,000) has been charged from the grant-aided sector of the College to the non grant-aided sector in relation to the employment expenses of administrative and accounting staff, a proportion of whose duties relate to the non grant-aided sector of the College’s activities.

#### **14. ELIZABETH COLLEGE FOUNDATION**

The Elizabeth College Foundation comprises two charitable trusts (one UK and one Guernsey) which were established in 2006 to raise funds, principally from parents and ex-alumni of the College, to enable the College to undertake projects and activities which might otherwise be beyond the means of the school to finance from its own operations.

## **ELIZABETH COLLEGE – GUERNSEY**

### **NOTES TO THE FINANCIAL STATEMENTS**

**31 AUGUST 2010**

#### **14. ELIZABETH COLLEGE FOUNDATION (continued)**

The Trustees of the Foundation trusts, although initially appointed by the College Board of Directors, are independent of the College and are required to act in accordance with the terms of the relevant trust deed. The basis upon which donations to the Foundation have been requested from donors is such that all monies donated are to be retained within the Foundation until such time as they may be expended as grants towards the funding of specified projects or activities for the benefit of the College.

Other than donations and interest arising on retained funds, the Foundation trusts have no other sources of income. Therefore the Foundation is reliant upon the College to meet a substantial proportion of its annual running costs, including the employment of Foundation staff involved with fund-raising, clerical support and project development. These costs are shown as an exceptional cost within the College's Revenue Account.

The initial costs of establishing the Foundation, which was originally an initiative jointly pursued by the Board and members of the Old Elizabethan Association, were borne by the College and amounted to £112,039. This expenditure was partially covered by a donation from the Old Elizabethan Association of £100,000. The Board has determined that these net initial costs of £12,039 should be written off on a straight line basis over a six year period from 1 September 2007, this being the period over which the College is expected to benefit from the release by the Foundation of the proceeds from its initial fund-raising appeal, anticipated to amount to in the region of £1.5 million.

#### **15. FINANCIAL COMMITMENTS**

The College has entered into an agreement to lease certain computer equipment, in connection with the implementation of the Guernsey Integrated Learning Environment project, on a three year operating lease which terminates in 2013. No rentals were payable under this agreement in the current year and the amount currently expected to be paid under the agreement in the next financial year (based on the equipment currently in use) is £4,646.

**ELIZABETH COLLEGE – GUERNSEY****DETAILED REVENUE ACCOUNT  
FOR THE YEAR ENDED 31 AUGUST 2010**

		<b>2009</b>
<b>INCOME</b>		
States' Block Grant	2,272,850	2,146,850
Fees receivable	2,455,093	2,155,121
Hire of facilities	82,732	92,562
Other income	17,583	27,028
	<hr/>	<hr/>
	4,828,258	4,421,561
<b>EXPENDITURE</b>	<hr/>	<hr/>
<b>SCHOOL AND DEPARTMENTAL EXPENSES</b>		
Teachers' salaries	2,276,857	2,298,261
Teachers' superannuation	284,453	277,437
Teaching ancillary salaries and superannuation	210,324	170,371
Departmental expenses	409,219	243,597
Other school expenses	7,903	10,405
Examination fees	39,607	44,356
	<hr/>	<hr/>
	3,228,363	3,044,427
<b>YOUTH TRAINING EXPENSES</b>	<hr/>	<hr/>
	19,472	29,030
<b>ADMINISTRATIVE EXPENSES</b>	<hr/>	<hr/>
Services	252,719	240,636
Administration salaries and superannuation	255,955	245,369
School administration	79,828	61,408
General expenses	90,682	128,880
Rates, insurance and taxes	49,060	60,092
Discounts given	29,231	43,012
Audit and accountancy	11,960	12,100
Bad debts	4,366	6,176
Recharge to non grant-aided sector	(13,250)	(30,000)
	<hr/>	<hr/>
	760,551	767,673
<b>MAINTENANCE OF BUILDINGS AND GROUNDS</b>	<hr/>	<hr/>
Maintenance of playing fields	124,526	83,084
Maintenance of other areas	333,852	340,659
	<hr/>	<hr/>
	458,378	423,743
<b>OPERATING SURPLUS FOR THE YEAR BEFORE INTEREST</b>	<hr/>	<hr/>
	£ 361,494	£ 156,688

# **INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF THE LADIES' COLLEGE - GUERNSEY**

We have audited the financial statement of The Ladies' College for the year ended 31 August 2010 which comprise the Income and Expenditure Account, the Balance Sheet and the notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008). These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out in note 1.

This report is made solely to the Board of Governors of The Ladies' College, as a body. Our audit work is undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Board of Governors and auditors**

The Board of Governors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the results of the College for that year. In preparing those financial statements the Board of Governors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the College will continue its operations.

The Board of Governors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College. They are also responsible for safeguarding the assets of the College and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

It is our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the College has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law is not disclosed.

## **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed. In this matter we draw attention to note 1(b) to the financial statements. This note states that all capital expenditure is written off through the income and expenditure account when incurred. We concur with this accounting policy.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS  
OF  
THE LADIES' COLLEGE – GUERNSEY  
(CONTINUED)**

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard – Provisions Available for Small Entities, in the circumstances set out in note 2 to the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the College's affairs as at 31 August 2010 and of its surplus for the year then ended.

BDO LIMITED

CHARTERED ACCOUNTANTS

Place du Pré  
Rue du Pré  
St Peter Port  
Guernsey

28 JANUARY 2011



# THE LADIES' COLLEGE - GUERNSEY

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2010

	Note		2009
<b>INCOME</b>	3		
States grant		941,328	908,643
Fees receivable		2,448,144	2,252,419
Bank interest received		26,440	59,030
Student registration fees		6,900	5,100
Miscellaneous income		19,921	8,250
		<hr/>	<hr/>
		3,442,733	3,233,442
<b>EXPENDITURE</b>			
School expenditure		(2,875,721)	(2,789,458)
<b>OPERATING SURPLUS FOR THE YEAR</b>	3	<hr/>	<hr/>
		567,012	443,984
<b>TRANSFER TO MAINTENANCE &amp; IMPROVEMENTS RESERVE</b>	4/6	(450,000)	(300,000)
<b>RETAINED SURPLUS FOR THE YEAR</b>	6	<hr/>	<hr/>
		£ 117,012	£ 143,984

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses other than the operating surplus for the year.

A statement of movement on reserves is included in note 6 to the financial statements.

The notes 1 to 10 form an integral part of these financial statements.

# THE LADIES' COLLEGE - GUERNSEY

## BALANCE SHEET 31 AUGUST 2010

	Note		2009
<b>CURRENT ASSETS</b>			
Stock of uniforms and student equipment		130	2,623
Accrued bank interest		12,745	20,214
Bank balances		2,369,011	1,866,109
Cash in hand		168	84
		<hr/>	<hr/>
		2,382,054	1,889,030
<b>CURRENT LIABILITIES</b>			
Creditors	5	125,853	125,160
Fees for Autumn Term received in advance		203,347	154,661
		<hr/>	<hr/>
		(329,200)	(279,821)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		£ 2,052,854	£ 1,609,209
		<hr/>	<hr/>
<b>REPRESENTED BY:-</b>			
Reserves	6	£ 2,052,854	£ 1,609,209
		<hr/>	<hr/>

**APPROVED ON BEHALF OF THE BOARD OF GOVERNORS AND AUTHORISED FOR ISSUE  
BY:**

P GILLSON

Chairman, the Board of Governors

Date 28 JANUARY 2011

The notes 1 to 10 form an integral part of these financial statements.

# **THE LADIES' COLLEGE - GUERNSEY**

## **NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2010**

### **1. ACCOUNTING POLICIES**

#### **(a) CONVENTION**

These financial statements have been prepared under the historical cost convention and in accordance with the requirements of the Financial Reporting Standard for Smaller Entities (effective April 2008). The principal accounting policies which the Board of Governors have adopted within that convention are set out below.

#### **(b) CAPITAL EXPENDITURE**

All capital expenditure is written off in the year in which it is incurred, thus the balance sheet of the College does not disclose fixed assets.

#### **(c) STOCK**

Stock of uniforms and student equipment is stated at the lower of cost and estimated net realisable value after making due provision for damaged, obsolete and slow moving items.

#### **(d) INCOME RECOGNITION**

Student registration fees and miscellaneous income are recognised on receipt. All other income is recognised on an accruals basis.

### **2. APB ETHICAL STANDARD – PROVISIONS AVAILABLE FOR SMALL ENTITIES**

In common with many other organisations of its size and nature, the College uses its auditors to assist with the preparation of the financial statements.

### **3. INCOME AND OPERATING SURPLUS FOR THE YEAR**

Income and operating surplus for the year derive wholly from continuing activities.

### **4. MAINTENANCE & IMPROVEMENTS RESERVE**

The Board of Governors has resolved to set aside funds to meet:

- i) maintenance expenditure to which the College is committed at 31 August 2010;
- ii) maintenance needs which have been deferred;
- iii) anticipated future maintenance needs; and
- iv) anticipated expenditure in respect of future improvements to the College premises.

# THE LADIES' COLLEGE - GUERNSEY

## NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2010

### 5. CREDITORS

		2009
School and administrative expenses	£ 125,853	£ 125,610
	<hr/>	<hr/>

### 6. RESERVES

	Income & Expenditure <u>Account</u>	Maintenance & Improvements <u>Reserve</u>	<u>Total</u>
Balance at 1 September 2009	293,962	1,315,247	1,609,209
Operating surplus for the year	567,012	-	567,012
6 <sup>th</sup> Form Centre redevelopment costs	-	(107,291)	(107,291)
Melrose linked building – professional fees	-	(16,076)	(16,076)
Transfer from income & expenditure account to maintenance & improvements reserve	(450,000)	450,000	-
	<hr/>	<hr/>	<hr/>
Balance at 31 August 2010	£ 410,974	£ 1,641,880	£ 2,052,854
	<hr/>	<hr/>	<hr/>

### 7. PENSION COSTS

A majority of the employees of The Ladies' College are members of the States of Guernsey Superannuation Scheme. This is a defined benefit pension scheme, funded by contributions from both employer and employee, at rates which are determined on the basis of actuarial advice and which are calculated to spread the expected cost of benefits to employees over the period of those employees' expected working lives.

The States of Guernsey Superannuation Scheme is a multi-employer scheme and the level of contributions made to the scheme by each employer will be affected by actuarial risks relating to the employees of other employers. It is also not possible for the underlying pension assets and liabilities within the Scheme relating to the employees of The Ladies' College to be determined on a reasonable and consistent basis, as required by the Financial Reporting Standard for Smaller Entities (effective April 2008). In addition, the Board of Governors considers that the additional costs which would be incurred, were it possible to do so, in providing such information considerably outweigh any benefit to the proposed users of these financial statements.

The last actuarial valuation of the Scheme was conducted at 31 December 2007. At that date the actuarial value of the assets relating to the "Public servants pool" within the overall Scheme, to which the College's administration and teaching staff belong, represented 94.9% of the actuarial valuation of the liabilities relating to that group. Until 1 January 2010 the rate of the employer's contributions in respect of administration and teaching ancillary staff was 7.85% of pensionable salary and the rate of the employer's contributions in respect of teachers was 13.5% of pensionable salary. With effect from 1 January 2010 the rate of employer's contribution increased to 14.1% in respect of all staff.

## **THE LADIES' COLLEGE - GUERNSEY**

### **NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2010**

#### **7. PENSION COSTS (continued)**

The total amount of superannuation contributions payable by the College to the Scheme for the year ended 31 August 2010 was £240,737 (2009:£214,956). At 31 August 2010 the amount of outstanding contributions not paid over to the Scheme was £41,733 (2009:£34,593).

Further details relating to the funding of the superannuation scheme are provided in the Superannuation Fund section of the accounts of the States of Guernsey.

#### **8. CONTROLLING PARTIES**

Throughout the year the College was under the control of the Board of Governors acting in concert. In the opinion of the Board of Governors there is no controlling party as defined by the Financial Reporting Standard for Smaller Entities (effective April 2008) as no party has the ability to direct the financial and operating policies of the College with a view to gaining economic benefit from their direction.

#### **9. RELATED PARTY TRANSACTIONS**

There were no material related party transactions.

#### **10. FINANCIAL COMMITMENTS**

The College has entered into contracts for stonemasonry works and the redevelopment of the 6<sup>th</sup> Form Centre, the anticipated total costs being £19,125 and £750,000 respectively, inclusive of related professional fees. During the financial year ended 31 August 2010, a total of £107,291 was expended in respect of the 6<sup>th</sup> Form Centre and was charged against the Maintenance & Improvements Reserve. The stonemasonry works were included in the budget for the financial year but had not yet been started at 31 August 2010. It is anticipated that both projects will be completed during the next financial year, the expected future costs being £19,125 and £642,709 respectively.

The Board of Governors has also resolved to commence work on a further building project (the 'Melrose linked building') during the academic year 2010/11. Tender documents will be issued in January 2011, and the anticipated total cost, inclusive of professional fees, is £1.7 million. £16,076 was expended in respect of this project during the year ended 31 August 2010, and has accordingly been charged against the Maintenance & Improvements Reserve.

**THE FOLLOWING PAGE DOES NOT FORM A PART OF THE  
FINANCIAL STATEMENTS OF THE COLLEGE  
AND ARE PRESENTED FOR INFORMATION PURPOSES ONLY**

# THE LADIES' COLLEGE - GUERNSEY

## DETAILED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2010

2009

### INCOME

States grant	941,328	908,643
Fees receivable	2,448,144	2,252,419
Student registration fees	6,900	5,100
Bank interest received	26,440	59,030
Miscellaneous income	19,921	8,250

---

3,442,733

---

3,233,442

### EXPENDITURE

Teachers' salaries	2,102,129	2,055,309
Staff training	3,291	7,783
Staff recruitment and relocation	9,522	18,457
Office and administration salaries	131,558	116,007
Maintenance salaries	133,028	122,158
Books, stationery and other teaching materials	75,612	73,444
Laboratory and design and technology	16,209	18,825
Sports and expedition	18,097	18,151
Field trips	5,833	4,119
Art	9,237	10,575
Examination fees	52,565	44,304
Electricity, oil, gas, water and telephone	54,134	43,789
Rates, taxes and insurance	11,200	10,517
Routine maintenance of buildings,  grounds and equipment	88,935	139,755
Fixed asset acquisition costs	61,594	70,835
General administrative expenses	28,360	26,585
Audit fee	5,925	5,850
Professional fees	-	2,995
Marketing and fundraising costs	68,492	-

---

2,875,721

---

2,789,458

### OPERATING SURPLUS FOR THE YEAR

---

£ 567,012

---

£ 443,984

## **STATES OF ALDERNEY**

---

### **STATEMENT OF RESPONSIBILITIES OF THE POLICY AND FINANCE COMMITTEE AND THE STATES TREASURER**

The States Treasurer is responsible for preparing accounts for each financial year which fairly summarise, in all material respects, the transactions of the States of Alderney for that period and are in accordance with the applicable law. In preparing those accounts she is required to:

- select suitable accounting policies and apply them consistently; and
- make judgements and estimates that are reasonable and prudent.

The Policy and Finance Committee acknowledges that it is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the States of Alderney and to enable them to ensure that the accounts comply with The Government of Alderney Law, 2004. They are also responsible for safeguarding the assets of the States of Alderney and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **Independent auditor's report to the Policy and Finance Committee**

We have audited the financial statements of The States of Alderney (the "States") for the year ended 31 December 2010 which comprise the Revenue Income and Expenditure Accounts, Capital Account, Summary of Balances and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Policy and Finance Committee, as a body, in accordance with the terms of our engagement dated 17 February 2009. Our audit work has been undertaken so that we might state to the Policy and Finance Committee those matters we have been engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the States and the Policy and Finance Committee as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the States Treasurer and auditor**

As explained more fully in the Statement of responsibilities of the Policy and Finance Committee and the States Treasurer set out on the previous page, the States Treasurer is responsible for the preparation of the financial statements in accordance with the accounting policies set out in note 1. Our responsibility is to audit and express an opinion on the financial statements having regard to International Standards on Auditing (UK and Ireland). Those standards require compliance with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the States circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the States Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Accounts 2010 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements fairly summarise the transactions for the year ended 31 December 2010 in accordance with the accounting policies set out in note 1.

### **Matters on which we report by exception**

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

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

**KPMG Channel Islands Limited**

*Chartered Accountants*

Guernsey

21 March 2011

# STATES OF ALDERNEY

## NOTES TO THE ACCOUNTS

### 1 PRINCIPAL ACCOUNTING POLICIES

- a. General revenue account receipts and payments arising during the year and in the month following the year end are brought into account in the accounting year to which they relate. Rental income, Numismatic revenue and Harbour account revenues are accounted for on an accruals basis.
- b. Capital expenditure from general revenue account votes is written off in the year in which it is incurred. Depreciation is therefore not provided.

### 2 PENSION COSTS

The States provides pension arrangements for the majority of employees through a defined benefit scheme and the related costs are assessed in accordance with the advice of actuaries. The assets of this scheme are held separately from those of the States in an independently administered fund and are invested in a Unitised With-Profits Policy with Aviva.

In preparing the disclosures for the States of Alderney (the “States”) accounts, the States have noted the disclosure requirements of Financial Reporting Standard 17, “Retirement Benefits” (FRS 17). The States has used actuarial calculations provided by the actuary to identify the implications of any surplus/(deficit) to the States as at 31 December 2009.

The calculations have been carried out by a qualified independent actuary based on the results of the last full actuarial valuation, updated to 31 December 2010.

The major assumptions used by the actuary were (in nominal terms):

	Valuation at 31 December 2010	Valuation at 31 December 2009
Pensionable salary growth	5.10% pa	5.10% pa
Pension escalation in payment – to 31.12.2009 – from 01.01.2010	4.0% pa 3.0% pa	4.00% pa
Discount rate	5.3% pa	5.8% pa
Inflation assumption	4.1% pa	4.1% pa

The assets in the scheme and the expected rate of return were:

	Value at 31 December 2010 (£)	Expected return for 2009 (%)	Value at 31 December 2009 (£)	Expected return for 2010 (%)
Fair value of plan assets	£3,244,000	5.75%	£2,672,000	5.75%

## STATES OF ALDERNEY

### PENSION COSTS (Continued)

	2010	2009
Fair value of plan assets	£3,244,000	£2,672,000
Present value of funded obligations	(£4,875,000)	(£3,970,000)
<b>Deficit in the scheme</b>	<b>(£1,631,000)</b>	<b>(£1,298,000)</b>
<b>Net pension liability</b>	<b>(£1,631,000)</b>	<b>(£1,298,000)</b>

Over the year to 31 December 2010 the employer contributed at the rate of 20% of pensionable salaries, subject to review at future actuarial valuations. The employee's contribution was 6.5% of pensionable salaries. Employee's Death in Service benefits were secured under a separate policy.

The Actuary has based the above calculations on the assumption that 25% of scheme members will retire at age 60 and 75% at age 65.

In 2010 Employer premiums amounted to £244,290 (2009: £238,572) and Employee premiums were £79,394 (2009: £71,572). At the end of the year the total annual value of pensions paid to 32 pensioners and spouses was £197,053 (2009: £169,712).

### 3 RELATED PARTY TRANSACTIONS

The States has a majority share-holding in Alderney Electricity Ltd and purchases electricity, oil and specialist electrical services from the Company. In 2010 the value of these purchases was £176,507 (2009: £79,992). The States has provided goods and services to the Company during 2010 to the value of £60,815 (2009: £8,603).

Mr Ian Tugby is a member of the States of Alderney, and is also the beneficial owner of Tugby Contractors Ltd. During 2010 the States of Alderney purchased goods and services from Tugby Contractors Ltd to the value of £20,169.

### 4 ALDERNEY GAMBLING CONTROL COMMISSION

During the year the States of Alderney received a total of £3,885,650 (2009: £3,395,650) in respect of licences issued by the Commission under the Gambling (Alderney) Law 1999. This sum was transferred in total to the Commission to defray expenses and for the investment of the surplus.

Costs relating to the promotion of the Gambling Industry are financed out of the Gambling licence fee reserves which are held by the Commission and ultimately payable to the States of Alderney.

During 2010 Alderney eGambling Ltd was set up as a wholly States owned company to handle the promotion and development of the on-line gambling industry in Alderney. A report on the company's activity and accounts will be available to the States in April.

### 5 ALDERNEY COMMISSION FOR RENEWABLE ENERGY

With effect from 10 November 2008 the Alderney Commission for Renewable Energy (ACRE), was appointed by the States as a statutory body operating under the provisions of the Renewable Energy (Alderney), Law 2007. A report on the Commission's activities and accounts for 2010 will be available to the States in April 2011.

### 6 ALDERNEY HARBOUR ACCOUNT

The trading surplus is credited to the General Services Committee and capital expenditure is funded by the General Services Committee.

# STATES OF ALDERNEY

## SUMMARY OF GENERAL REVENUE INCOME AND EXPENDITURE

for the year ended 31 December 2010

	Accounts 2010	Probable Outturn 2010	Budget 2010	Accounts 2009
	£	£	£	£
<b>INCOME ON REVENUE ACCOUNT</b>				
Building and Development Control Committee	41,132	23,000	29,000	16,898
General Services Committee	528,520	585,800	231,700	496,356
Policy and Finance Committee	731,124	723,150	827,400	759,231
<b>TOTAL INCOME ON REVENUE ACCOUNT</b>	<b>1,300,776</b>	<b>1,331,950</b>	<b>1,088,100</b>	<b>1,272,485</b>
Net revenue cash allocation from States of Guernsey	1,601,000	1,601,000	1,800,000	1,570,000
	<b>2,901,776</b>	<b>2,932,950</b>	<b>2,888,100</b>	<b>2,842,485</b>

	Accounts 2010	Probable Outturn 2010	Budget 2010	Accounts 2009
	£	£	£	£
<b>EXPENDITURE ON REVENUE ACCOUNT</b>				
Building and Development Control Committee	62,359	70,500	57,500	46,512
General Services Committee	1,686,913	1,693,800	1,579,900	1,775,562
Policy and Finance Committee	1,252,776	1,284,980	1,327,000	1,137,881
<b>TOTAL EXPENDITURE ON REVENUE ACCOUNT</b>	<b>3,002,048</b>	<b>3,049,280</b>	<b>2,964,400</b>	<b>2,959,955</b>
Use of Accumulated Unspent Balances	(100,272)	(116,330)	(76,300)	(117,470)
	<b>2,901,776</b>	<b>2,932,950</b>	<b>2,888,100</b>	<b>2,842,485</b>

K A HATCHER-GAUDION  
STATES TREASURER

**STATES OF ALDERNEY**  
**BUILDING AND DEVELOPMENT CONTROL COMMITTEE**

*for the year ended 31 December 2010*

	Accounts 2010	Probable Outturn 2010	Budget 2010	Accounts 2009
	£	£	£	£
Planning fees	39,332	20,000	29,000	16,898
Land Use Plan Inquiries - recoveries	1,800	3,000	-	-
<b>TOTAL REVENUE INCOME</b>	<b>41,132</b>	<b>23,000</b>	<b>29,000</b>	<b>16,898</b>

	Accounts 2010	Probable Outturn 2010	Budget 2010	Accounts 2009
	£	£	£	£
<b>Administration</b>				
Staff costs	49,697	55,500	47,000	29,968
Supplies and services	6,038	8,000	8,000	14,265
Planning records system	2,279	2,500	2,500	2,279
Land Use Plan Inquiries	4,345	4,500	-	-
<b>TOTAL REVENUE EXPENDITURE</b>	<b>62,359</b>	<b>70,500</b>	<b>57,500</b>	<b>46,512</b>

# STATES OF ALDERNEY

## GENERAL SERVICES COMMITTEE

for the year ended 31 December 2010

	Accounts 2010		Probable Outturn 2010		Budget 2010		Accounts 2009	
	£	£	£	£	£	£	£	£
<b>Agriculture</b>								
Fees and charges	1,625		3,200		3,200		3,529	
Rents	7,145		6,500		7,000		5,932	
Slaughterhouse fees	4,578		3,500		3,000		3,430	
		<b>13,348</b>		<b>13,200</b>		<b>13,200</b>		<b>12,891</b>
<b>Gardens, Cemetery and Church</b>								
Burial plots		<b>1,250</b>		<b>1,500</b>		<b>1,500</b>		<b>950</b>
<b>Public Services</b>								
<b>Administration</b>								
Hire vehicle fees	2,160		2,000		3,300		1,350	
Vehicle import licence fees	39,505		35,000		35,000		32,202	
	41,665		37,000		38,300		33,552	
<b>Properties - General</b>								
Rent	123,356		123,000		126,500		108,657	
<b>Properties - Housing</b>								
Rent	289,287		296,000		-		293,753	
<b>Refuse Collection and Disposal</b>								
Refuse charges (scrapped vehicles)	21,000		21,000		21,000		21,000	
<b>Sewage and Sanitation</b>								
Cesspit emptying fees	11,778		12,000		10,000		9,100	
		<b>487,086</b>		<b>489,000</b>		<b>195,800</b>		<b>466,062</b>
<b>Recreation</b>								
<b>Campsite</b>								
Campsite fees (net)	4,302		4,500		6,000		4,296	
Rent of showers / shop	200		200		200		200	
	4,502		4,700		6,200		4,496	
<b>Island Hall</b>								
Island Hall charges	10,472		12,000		15,000		11,957	
		<b>14,974</b>		<b>16,700</b>		<b>21,200</b>		<b>16,453</b>
<b>Alderney Harbour Trading Surplus</b>		<b>11,862</b>		<b>65,400</b>		<b>-</b>		<b>-</b>
<b>TOTAL REVENUE INCOME</b>		<b>528,520</b>		<b>585,800</b>		<b>231,700</b>		<b>496,356</b>

**STATES OF ALDERNEY**  
**GENERAL SERVICES COMMITTEE (continued)**  
*for the year ended 31 December 2010*

	Accounts 2010		Probable Outturn 2010		Budget 2010		Accounts 2009	
	£	£	£	£	£	£	£	£
<b>Alderney Harbour trading loss</b>		-		-	17,000			97,074
<b>Agriculture</b>								
Staff	126,943		117,200		121,000		121,685	
Supplies and services	22,445		21,000		21,000		16,709	
Bovine Spongiform Encephalopathy - Compensation	1,050		1,500		1,500		1,050	
Disposal costs	-		600		600		-	
Burhou and Ramsar site costs	5,733		6,000		6,000		6,087	
Dairy and land management compensation	63,993		65,000		65,000		57,462	
Foot and mouth insurance	1,380		1,400		1,400		1,380	
Slaughterhouse	4,897		5,500		5,500		2,176	
Veterinary services	3,412		7,700		7,700		4,981	
	229,853		225,900		229,700		211,530	
<i>Less: Recoveries</i>	(1,156)		(2,000)		(5,000)		(12,052)	
		228,697		223,900		224,700		199,478
<b>Camp Site and Recreation</b>								
<b>Camp Site</b>								
Camp site expenses	6,948		8,000		2,100		21,764	
<b>Children's Playground</b>								
Supplies and services	4,443		5,000		5,000		5,054	
<b>Island Hall</b>								
Premises	6,288		7,000		7,000		5,131	
Staff	7,076		10,300		10,300		11,053	
Supplies and services	1,252		2,500		3,500		1,216	
	14,616		19,800		20,800		17,400	
		26,007		32,800		27,900		44,218
<b>Civil Emergency</b>								
Premises	1,465		2,000		2,500		1,672	
Supplies and services	11,895		13,500		3,500		2,373	
Environmental monitoring	18,348		19,500		19,500		18,023	
Responses to major incidents	141		2,500		2,500		-	
		31,849		37,500		28,000		22,068
<b>Fieldwork Scheme</b>								
Staff	81		4,000		8,000		2,929	
Supplies and services	-		500		500		-	
		81		4,500		8,500		2,929
<b>Sea Fisheries</b>								
Staff	17,600		17,600		17,600		17,600	
Supplies and services	1,805		2,000		3,300		1,469	
		19,405		19,600		20,900		19,069
<b>Gardens, Cemetery and Church</b>								
Staff	29,619		31,700		27,500		28,893	
Supplies and services	3,784		5,000		4,000		5,498	
	33,403		36,700		31,500		34,391	
<i>Less recoveries</i>	(5,400)		(3,000)		(2,600)		(3,047)	
		28,003		33,700		28,900		31,344

# STATES OF ALDERNEY

## GENERAL SERVICES COMMITTEE (continued)

for the year ended 31 December 2010

	Accounts 2010		Probable Outturn 2010		Budget 2010		Accounts 2009	
	£	£	£	£	£	£	£	£
<b>Public Services</b>								
<b>Administration</b>								
Staff	82,556		66,300		101,700		84,866	
Supplies and services	15,774		15,600		15,600		12,542	
Training & equipment - Health and Safety	13,948		10,000		5,000		356	
	112,278		91,900		122,300		97,764	
<b>Fire Brigade and Cliff Rescue</b>								
Staff	20,549		22,500		24,500		22,262	
Supplies and services	16,972		15,000		12,000		15,258	
Administration of Law	2,064		2,000		2,000		634	
	39,585		39,500		38,500		38,154	
<b>Properties - General</b>								
Staff	136,036		110,800		109,600		123,749	
Supplies and services	82,346		113,000		113,000		129,244	
	218,382		223,800		222,600		252,993	
Less recoveries	(36,918)		(30,000)		(30,000)		(48,069)	
	181,464		193,800		192,600		204,924	
<b>Properties - Housing</b>								
Staff	42,963		32,100		63,000		52,251	
Supplies and services	78,845		72,000		72,000		72,460	
	121,808		104,100		135,000		124,711	
Less recoveries - recharges to AHA	-		-		(135,000)		-	
	121,808		104,100		-		124,711	
<b>Refuse Collection, Separation and Disposal</b>								
<b>Household Collection and Impôt</b>								
Staff	142,760		140,600		120,000		142,842	
Supplies and services: -								
Vehicles & Plant maintenance	55,661		38,500		20,000		11,003	
Household & general waste - disposal	144,169		154,000		186,000		152,251	
Vehicles & white goods etc - disposal	13,178		30,000		36,000		27,250	
	355,768		363,100		362,000		333,346	
<b>Recycling Centre - Glacis</b>								
Refuse separation / Recycling - staff	104,060		115,500		110,000		117,020	
Refuse separation / recycling - supplies & services	25,756		39,000		39,000		34,064	
	129,816		154,500		149,000		151,084	
Less recoveries	(6,518)		(9,000)		(11,000)		(3,050)	
	123,298		145,500		138,000		148,034	
<b>Roads, Coasts and Beaches</b>								
Staff	34,357		59,300		55,300		34,387	
Supplies and services	219,561		192,000		140,000		75,635	
	253,918		251,300		195,300		110,022	
Less recoveries	(54,714)		(34,000)		(5,000)		(4,456)	
	199,204		217,300		190,300		105,566	
<b>Sewage and Sanitation</b>								
Staff	98,530		97,000		95,000		101,754	
Supplies and services	69,298		50,000		37,500		144,618	
	167,828		147,000		132,500		246,372	
Less recoveries	(4,255)		(3,000)		(6,000)		(5,668)	
	163,573		144,000		126,500		240,704	
<b>Vehicle Fleet</b>								
Staff	29,262		27,600		28,300		33,625	
Supplies and services	50,849		35,000		33,000		42,047	
	80,111		62,600		61,300		75,672	
Less recoveries	(24,218)		(20,000)		(7,500)		(9,493)	
	55,893		42,600		53,800		66,179	
		1,352,871		1,341,800		1,224,000		1,359,382
<b>TOTAL REVENUE EXPENDITURE</b>		1,686,913		1,693,800		1,579,900		1,775,562



**STATES OF ALDERNEY**  
**POLICY AND FINANCE COMMITTEE**  
*for the year ended 31 December 2010*

	Accounts 2010		Probable Outturn 2010		Budget 2010		Accounts 2009	
	£	£	£	£	£	£	£	£
<b>Administration</b>								
Company registrations	45,600		41,000		48,000		44,328	
Court receipts	41,799		40,000		52,000		44,052	
Duty free concession	24,000		24,000		32,000		27,751	
Interest receivable	9,339		5,000		30,000		11,942	
Numismatic revenues	75,156		60,000		120,000		137,891	
Occupiers rates	449,199		448,700		431,000		415,312	
Permits and licences	19,297		20,000		17,000		20,598	
Post Office - share of philatelic profits	10,940		15,000		30,000		15,282	
Rents	35,274		35,300		35,300		35,274	
Royalties and fees	3,235		3,000		5,000		2,578	
Sundry sales and charges	14,968		15,000		16,000		13,609	
Television tender payments	218		500		500		471	
	<u>729,025</u>		<u>707,500</u>		<u>816,800</u>		<u>769,088</u>	
<i>Less</i> transfer to currency reserve	(21,528)		(8,000)		(15,000)		(34,627)	
	<u>707,497</u>		<u>699,500</u>		<u>801,800</u>		<u>734,461</u>	
<b>Grants</b>								
Lottery profits	2,886		2,800		3,000		2,945	
<i>Less</i> : Distribution of Christmas Draw profits	(1,715)		(1,400)		(1,500)		(1,500)	
	<u>1,171</u>		<u>1,400</u>		<u>1,500</u>		<u>1,445</u>	
<b>Promotion and Marketing</b>								
Accommodation permits	6,180		5,750		5,600		4,992	
Sale of advertising space	16,276		16,500		18,500		18,333	
	<u>22,456</u>		<u>22,250</u>		<u>24,100</u>		<u>23,325</u>	
<b>TOTAL REVENUE INCOME</b>		<b>731,124</b>		<b>723,150</b>		<b>827,400</b>		<b>759,231</b>

**STATES OF ALDERNEY**  
**POLICY AND FINANCE COMMITTEE (continued)**  
*for the year ended 31 December 2010*

	Accounts 2010		Probable Outturn 2010		Budget 2010		Accounts 2009	
	£	£	£	£	£	£	£	£
<b>Administration</b>								
Premises	21,487		21,500		18,000		19,370	
Staff	591,667		574,300		613,400		539,832	
Supplies and services	105,350		99,000		123,000		76,703	
Alderney Commission for Renewable Energy	345		-		-		1,876	
Alderney Housing Association - Set up costs	38,340		40,000		40,000		8,290	
Audit fees and expenses	27,429		28,000		26,000		26,597	
Breakwater maintenance contribution	15,000		15,000		15,000		15,000	
Health and safety regulation	1,995		3,000		6,000		1,816	
Insurance	21,820		28,000		34,000		29,039	
States Members allowances	81,286		84,000		84,000		86,183	
Supplementary & Retirement pensions	15,471		15,400		800		710	
Unforeseen expenditure: -					40,000			
Marina Investigations	5,393		30,000				18,456	
Review & Report on Staff Pension Scheme	4,600		10,000					
	930,183		948,200		1,000,200		823,872	
Less recoveries	(8,998)		(16,000)		(16,000)		(8,796)	
		<b>921,185</b>		<b>932,200</b>		<b>984,200</b>		<b>815,076</b>
<b>Administration of Justice</b>								
Supplies and services		<b>17,828</b>		<b>20,000</b>		<b>30,000</b>		<b>15,042</b>
<b>Education and Health</b>								
Supplies and services	1,409		1,500		800		598	
Grant to Alderney playschools	500		500		500		500	
School bus subsidy	19,966		20,000		20,000		17,976	
Youth employment scheme	992		3,000		3,000		-	
Youth Services grant	6,500		10,000		10,000		10,000	
	29,367		35,000		34,300		29,074	
<b>Social and Welfare Services</b>								
Social Services and welfare support	45,268		42,500		22,500		1,921	
Less recoveries	(37,521)		(20,000)		(700)		-	
	7,747		22,500		21,800		1,921	
		<b>37,114</b>		<b>57,500</b>		<b>56,100</b>		<b>30,995</b>
<b>Grants</b>								
Alderney Island Games Association							7,000	
Alderney Library	3,500		3,500		3,500		3,500	
Alderney Week	4,000		4,000		4,000		4,000	
Alderney Wildlife Trust	16,000		16,000		16,000		15,000	
Minor grants	8,501		10,000		10,000		9,874	
St. John Ambulance Brigade	30,000		31,000		30,000		30,000	
		<b>62,001</b>		<b>64,500</b>		<b>63,500</b>		<b>69,374</b>
<b>Promotion and Marketing</b>								
<b>Administration</b>								
Premises	6,702		8,200		8,200		8,458	
Staff	51,208		49,900		48,000		49,944	
Supplies and services	16,746		17,000		17,000		24,262	
	74,656		75,100		73,200		82,664	
<b>Promotions</b>								
Promotion of Tourism	139,992		135,680		120,000		126,500	
Promotion of Gambling industry	-		-		136,000		154,302	
	139,992		135,680		256,000		280,802	
Less contribution from AGCC	-		-		(136,000)		(156,072)	
	139,992		135,680		120,000		124,730	
		<b>214,648</b>		<b>210,780</b>		<b>193,200</b>		<b>207,394</b>
<b>TOTAL REVENUE EXPENDITURE</b>		<b>1,252,776</b>		<b>1,284,980</b>		<b>1,327,000</b>		<b>1,137,881</b>

**STATES OF ALDERNEY**  
**GENERAL SERVICES COMMITTEE - ALDERNEY HARBOUR**  
*for the year ended 31 December 2010*

	Accounts 2010		Probable Outturn 2010		Budget 2010		Accounts 2009	
	£	£	£	£	£	£	£	£
<b>REVENUE ACCOUNT</b>								
<b>INCOME</b>								
<b>Administration</b>								
Facilities charges	209,832		190,000		107,000		64,544	
Sundries	3,208		4,000		7,000		3,764	
	213,040		194,000		114,000		68,308	
<i>Less concessions on charges</i>	(1,542)		(3,000)		(1,500)		(2,883)	
	211,498		191,000		112,500		65,425	
<b>Crane dues and boat lifts</b>	61,792		58,000		55,000		57,188	
<b>Moorings and Navigation</b>								
Fees	132,527		125,000		125,000		125,822	
Pilotage fees	95,548		90,000		27,000		33,874	
	228,075		215,000		152,000		159,696	
<i>Less pilots remuneration</i>	(36,743)		(35,000)		(9,000)		(12,653)	
<i>concessions on charges</i>	(3,115)		(6,000)		(3,000)		(6,507)	
	188,217		174,000		140,000		140,536	
<b>Quays and Buildings rent</b>	12,127		11,000		11,000		8,615	
<b>TOTAL INCOME</b>		<b>473,634</b>		<b>434,000</b>		<b>318,500</b>		<b>271,764</b>
<b>EXPENDITURE</b>								
<b>Administration</b>								
Staff	249,241		243,600		239,600		241,738	
Supplies and services	26,449		25,000		22,000		26,496	
Training costs	3,315		10,000		12,000		11,466	
Insurance	4,240		4,000		5,000		4,338	
Port security expenses	602		2,000		2,000		448	
	283,847		284,600		280,600		284,486	
<i>Less recoveries</i>	(49,868)		(45,000)		(40,000)		(45,575)	
	233,979		239,600		240,600		238,911	
<b>Cranes, Plant and Vehicles</b>								
Staff	35,061		33,000		30,900		32,537	
Supplies and services	76,798		25,000		20,000		16,554	
	111,859		58,000		50,900		49,091	
<i>Less recoveries</i>	(3,567)		(4,000)		(4,000)		(3,747)	
	108,292		54,000		46,900		45,344	
<b>Moorings and Navigation</b>								
Supplies and services	48,682		45,000		25,000		52,389	
Wrecks and salvage	2,120		3,000		3,000		2,120	
	50,802		48,000		28,000		54,509	
<b>Quays and Buildings</b>								
Consultancy Fees	46,524							
Premises	22,175		27,000		20,000		30,074	
	68,699		27,000		20,000		30,074	
<b>TOTAL EXPENDITURE</b>		<b>461,772</b>		<b>368,600</b>		<b>335,500</b>		<b>368,838</b>
<b>TRADING SURPLUS/(LOSS) FOR THE FINANCIAL YEAR FUNDED BY THE GENERAL SERVICES COMMITTEE</b>		<b>11,862</b>		<b>65,400</b>		<b>(17,000)</b>		<b>(97,074)</b>

# STATES OF ALDERNEY

## CAPITAL ACCOUNT SUMMARY

*for the year ended 31 December 2010*

	Accounts 2010	Probable Outturn 2010	Budget 2010	Accounts 2009
	£	£	£	£
<b>INCOME ON CAPITAL ACCOUNT</b>				
General Services Committee	155	1,150	305,000	-
Policy and Finance Committee	734,234	838,330	1,309,320	243,849
<b>TOTAL INCOME ON CAPITAL ACCOUNT</b>	<b>734,389</b>	<b>839,480</b>	<b>1,614,320</b>	<b>243,849</b>
Routine capital allocation from States of Guernsey	200,000	200,000		200,000
Transfer of funds from AGCC reserves	3,080,929	3,459,064	2,000,000	4,568,931
Excess of Expenditure over Income on Capital Account	217,730	-	1,757,680	221,366
	<b>4,233,048</b>	<b>4,498,544</b>	<b>5,372,000</b>	<b>5,234,146</b>

	Accounts 2010	Probable Outturn 2010	Budget 2010	Accounts 2009
	£	£	£	£
<b>EXPENDITURE ON CAPITAL ACCOUNT</b>				
General Services Committee	4,233,048	4,498,544	5,372,000	5,234,146
Policy and Finance Committee	-	-	-	-
<b>TOTAL EXPENDITURE ON CAPITAL ACCOUNT</b>	<b>4,233,048</b>	<b>4,498,544</b>	<b>5,372,000</b>	<b>5,234,146</b>

**STATES OF ALDERNEY**  
**GENERAL SERVICES COMMITTEE**  
*for the year ended 31 December 2010*

	Accounts 2010	Probable Outturn 2010	Budget 2010	Accounts 2009
	£	£	£	£
Sewerage Law contributions	-	1,000	6,000	-
Transfer from Housing Loans fund (re Social Housing)	-	-	299,000	-
Sale of Vehicle	155	150	-	-
<b>TOTAL CAPITAL INCOME</b>	<b>155</b>	<b>1,150</b>	<b>305,000</b>	<b>-</b>

	Accounts 2010	Probable Outturn 2010	Budget 2010	Accounts 2009
	£	£	£	£
<b>Alderney Harbour capital expenditure</b>	<b>1,764,128</b>	<b>1,753,070</b>	<b>118,000</b>	<b>4,515,120</b>
<b>Alderney Water Board - Capital contribution: -</b>				
Water Filtration Plant	550,000	700,000	1,200,000	-
<b>Health and Welfare</b>				
Royal Connaught Residential Home: -				
New Connaught Care Home - £2,500,000	1,716,900	1,700,000	2,000,000	101,296
<b>Public Services</b>				
<b>Land and Property</b>				
Acquisition of land for runway safety area - £50,000	11,515	28,794	-	-
Camp Site - Improved facilities	-	-	120,000	-
Courthouse renovations - £539,678	-	-	-	51,288
St. Anne's Church roof repairs - Consultants Fees £20,000	-	-	300,000	-
Social Housing Projects	-	-	1,000,000	-
Transfer of Loans Fund to Alderney Housing Associator	-	-	299,000	-
Whitegates - repairs & renovation - Preliminaries £30,000	890	1,000	-	1,155
Whitegates -demolition - £34,300	34,413	34,400	-	-
<b>Sewage, Sanitation and Refuse</b>				
Sewerage Projects	4,648	30,000	200,000	-
Upgrade foul water sewer - La Vallee - £1,258,805	47,147	47,180	-	(5,143)
<b>Vehicles and Plant</b>				
Fire Brigade - Water Tanker replacement - £20,000	18,753	19,000	20,000	-
Fire Brigade - Water Tender replacement - £97,600	70	97,600	100,000	-
Mini Excavator replacement - £30,000	28,165	30,000	-	-
Vehicles - replacements - £25,000 & £32,500	56,419	57,500	15,000	-
Per published accounts 2009	-	-	-	570,430
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>4,233,048</b>	<b>4,498,544</b>	<b>5,372,000</b>	<b>5,234,146</b>

**STATES OF ALDERNEY**  
**POLICY AND FINANCE COMMITTEE**

*for the year ended 31 December 2010*

	Accounts 2010		Probable Outturn 2010		Budget 2010		Accounts 2009	
	£	£	£	£	£	£	£	£
Loan repayments								
Alderney Snooker Club		4,982		4,980		3,320		3,322
Property Transfer Duties								
Congé	198,887		200,000		220,000		213,990	
Leasehold Duty	-		2,000		35,000		26,537	
Transfer Duty	15		1,000		1,000		-	
		198,902		203,000		256,000		240,527
Sale of States Properties		530,350		530,350		1,050,000		-
Transfer from Coin Reseserve account		-		100,000		-		-
<b>TOTAL CAPITAL INCOME</b>		734,234		838,330		1,309,320		243,849

# STATES OF ALDERNEY

## GENERAL SERVICES COMMITTEE - ALDERNEY HARBOUR (continued)

*for the year ended 31 December 2010*

	Accounts 2010	Probable Outturn 2010	Budget 2010	Accounts 2009
	£	£	£	£
<b>CAPITAL ACCOUNT - EXPENDITURE</b>				
Commercial Quay renovation & survey costs - £9,500,000	106,171	140,000	-	4,287,478
Commercial Quay - Survey of Upper Berth - £68,000	-	-	-	63,432
Commercial Quay renovation - Stage 2 - £274,815	94,899	112,570	-	162,245
Commercial Quay renovation - Stage 3 - £1,200,000	1,478,828	1,400,000	-	1,965
Dinghy Pontoon - £75,000	73,422	75,000	75,000	-
Fuelling pontoon	-	-	18,000	-
Harbour Office reconstruction - Preliminaries - £15,000 + £17,000	10,808	25,500	-	-
Tractor replacement	-	-	25,000	-
<b>TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR FUNDED BY THE GENERAL SERVICES COMMITTEE</b>	<b>£1,764,128</b>	<b>£1,753,070</b>	<b>£118,000</b>	<b>£4,515,120</b>

# STATES OF ALDERNEY

## Summary of Balances at 31 December 2010

<u>Loans made and not repaid</u>	Balance of Loans 01.01.10 £	Repayments 2010 £	Balance 31.12.10 £
New Alderney Snooker Club (vote 16.07.01)	4,981	(4,981)	0

### LE BANQUAGE HOUSING LOANS SCHEME

CAPITAL ACCOUNT	<b>2010</b>
Balance of Funds at 01.01.10 and at 31.12.10	£
	299,099
	<u>299,099</u>

### COINS IN CIRCULATION ACCOUNT

Value of coins in circulation at 01.01.10	2,565,802
Value of coins issued in 2010	131,725
	<u>2,697,527</u>
Less: Value of coins withdrawn from circulation	0
Value of coins in circulation at 31.12.10	<u>2,697,527</u>

### CURRENCY RESERVE FUND

Balance at 01.01.10	278,218
Reserve for base metal coins issued in 2010	21,525
	<u>299,743</u>
Less: Value of coins redeemed.	0
Balance at 31.12.09	<u>299,743</u>

### INVESTMENTS

<b>2009</b>			<b>2010</b>		
SHARES	£		SHARES	£	
1,146,090	39,860		1,146,090	39,860	
<u>1,146,090</u>	<u>39,860</u>		<u>1,146,090</u>	<u>39,860</u>	
<b>2009</b>			<b>2010</b>		
SHARES	£		SHARES	£	
11,150	5,659		11,150	5,659	
<u>11,150</u>	<u>5,659</u>		<u>11,150</u>	<u>5,659</u>	
<b>2009</b>			<b>2010</b>		
SHARES	£		SHARES	£	
1	1		1	1	
<u>1</u>	<u>1</u>		<u>1</u>	<u>1</u>	
<b>2009</b>			<b>2010</b>		
SHARES	£		SHARES	£	
650	650		650	650	
<u>650</u>	<u>650</u>		<u>650</u>	<u>650</u>	
<b>2009</b>			<b>2010</b>		
SHARES	£		SHARES	£	
2	2		2	2	
<u>2</u>	<u>2</u>		<u>2</u>	<u>2</u>	



# STATES OF ALDERNEY

## Summary of Balances at 31 December 2010 (continued)

<u>2009</u>	<u>Bank accounts</u>	<u>2010</u>
£	<u>Daisy Hansen St Anne's School Trust</u>	£
977	Balance at 01.01.10	980
3	Interest received	3
<u>980</u>	Balance at 31.12.10	<u>983</u>
11,882	<u>The Anne French Hospital Annexe Fund</u>	11,927
45	Balance at 01.01.10	30
<u>11,927</u>	Interest received	<u>11,957</u>
11,882	<u>States of Alderney Interest on Investments Account</u>	11,125
43	<u>(Educational Bequests)</u>	26
11,925	Balance at 01.01.10	11,151
(800)	Interest received	(1,000)
<u>11,125</u>	Grants	<u>10,151</u>
1,571	<u>The Packe History Trust</u>	1,550
4	Balance at 01.01.10	1
1,575	Interest received	1,551
(25)	School History Prize	(25)
<u>1,550</u>	Balance at 31.12.10	<u>1,526</u>

# STATES OF ALDERNEY

## Summary of Balances at 31 December 2010 (continued)

<u>2009</u> £	Bank accounts	<u>2010</u> £
<u>200</u>	<u>Alderney Pilotage Board</u> Balance at 01.01.10 and 31.12.10	<u>200</u>
17,287	<u>The Mary Roylance Jubilee Home Fund</u> Balance at 01.01.10	17,353
66	Interest received	43
<u>17,353</u>		<u>17,396</u>
-	Residents amenities	(119)
<u>17,353</u>	Balance at 31.12.10	<u>17,277</u>
15,051	<u>The Mary Roylance Mignot Memorial Hospital Fund</u> Balance at 01.01.10	15,273
222	Interest received	158
<u>15,273</u>	Balance at 31.12.10	<u>15,431</u>
36,466	<u>St Anne's Trust</u> Balance at 01.01.10	34,629
163	Interest received	83
<u>36,629</u>		<u>34,712</u>
(2,000)	Grants	(3,767)
<u>34,629</u>	Balance at 31.12.10	<u>30,945</u>
69,389	<u>The New Parsonage House Trust</u> Balance at 01.01.10	69,785
939	Interest received	675
<u>70,328</u>		<u>70,460</u>
(543)	Maintenance costs	(267)
<u>69,785</u>	Balance at 31.12.10	<u>70,193</u>

### Outstanding Commitments on major projects at 31.12.10

	Vote	Spend to 31.12.10	Balance outstanding
Commercial Quay Renovation - Phase 1	9,500,000	10,382,370	(882,370)
Commercial Quay Renovation - Phase 2	274,815	257,144	17,671
Commercial Quay Renovation - Phase 3	1,280,000	1,480,793	(200,793)
New Conaught Care Home	2,500,000	1,845,422	654,578

Phase 1 The outstanding item in Phase 1 is the rock revetment. There is disagreement between the Consulting Engineer and the Contractor as to whether the design was correct, the construction was satisfactory and whether appropriate sea condition data was used. To help resolve this impasse, the States have appointed independent Consulting Engineer Mouchel and the result of their analysis is being progressed.

Phase 2 was completed on time and within budget.

Phase 3 A report on Phase 3, the Upper Berth, was given to the States of Alderney in May 2010. Two major extra cost elements were noted, i.e. the anti-scour mattress and additional concrete for filling gaping cavities exposed when the quay was drilled. The cost uplift was estimated to be £100,000. Since that time additional lighting and unforeseen costs installing the new fire fighting system, the remaining item awaiting collection, have added to the spend.

## **STATES OF ALDERNEY WATER BOARD**

### **STATEMENT OF THE BOARD'S RESPONSIBILITIES**

The States of Alderney Water Board ('the Board') acknowledges that it is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Board and of the surplus or deficit of the Board for that year. In preparing those financial statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Board will continue in business.

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

## **Independent auditor's report to the members of the States of Alderney Water Board**

We have audited the financial statements of the States of Alderney Water Board (the "the Water Board") for the year ended 31 December 2010 which comprise the Revenue Account, Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the members, as a body, in accordance with the terms of our engagement dated 7 February 2009. Our audit work has been undertaken so that we might state to the members those matters we have been engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Water Board and the members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Board and auditor**

As explained more fully in the Statement of the Board's Responsibilities set out on the previous page, the Board is responsible for the preparation of the financial statements in accordance with the accounting policies set out in note 1. Our responsibility is to audit and express an opinion on the financial statements having regard to International Standards on Auditing (UK and Ireland). Those standards require compliance with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Water Board circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements fairly summarise the transactions for the year ended 31 December 2010 in accordance with the accounting policies set out in note 1.

### **Matters on which we report by exception**

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

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

**KPMG Channel Islands Limited**

*Chartered Accountants*

Guernsey

21 March 2011

**STATES OF ALDERNEY WATER BOARD**

**REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2010**

	Notes	2010	2009
		£	£
<b>REVENUE</b>	<b>1</b>		
Unmetered Supplies		442,131	394,609
Metered Supplies		65,718	59,276
Service Charges		5,425	2,673
Contract Work		<u>1,542</u>	<u>1,926</u>
		514,816	458,484
<b>EXPENSES</b>	<b>1</b>		
<b>OPERATING AND MAINTENANCE EXPENSES</b>			
Salaries and Wages		163,696	171,282
Water Treatment Charges		54,348	49,041
Fuel and Electricity		65,516	67,472
Maintenance		70,764	57,751
Health & Safety expenses		4,941	-
Pension Costs	2	26,463	25,781
Depreciation	1 & 6	<u>33,406</u>	<u>25,529</u>
		419,134	396,856
<b>ADMINISTRATION AND GENERAL EXPENSES</b>			
Wages and Administration Charge		14,567	14,148
Rents, Rates and Taxes		8,064	7,045
Insurance		6,951	5,481
Motor Vehicle Expenses		7,711	5,954
Postage and Telephone		3,733	3,132
Printing and Stationery		687	514
Accountancy and Audit		5,700	5,336
Bank Charges		668	738
Travelling and General Expenses		1,544	1,969
Staff Training Costs		5,745	1,916
Consultancy Fees and Expenses		8,099	44
Fixed Asset Written off		<u>0</u>	<u>1,337</u>
		63,469	47,614
		(482,603)	(444,470)
<b>OPERATING SURPLUS</b>		32,213	14,014
<b>OTHER INCOME</b>			
Interest Receivable		61	437
Rents Receivable	5	<u>9,408</u>	<u>9,008</u>
<b>SURPLUS FOR THE YEAR</b>		41,682	23,459
<b>BALANCE BROUGHT FORWARD</b>		446,931	423,472
<b>BALANCE CARRIED FORWARD</b>		<u>£ 488,613</u>	<u>£ 446,931</u>

The Water Board has no recognised gains or losses other than the surplus for the year.

The Notes 1 to 6 form part of these financial statements.

**STATES OF ALDERNEY WATER BOARD**

**BALANCE SHEET AS AT 31ST DECEMBER 2010**

	Notes	2010	2009
		£	£
<b>ASSETS EMPLOYED</b>			
<b>FIXED ASSETS</b>	1 & 6	1,171,378	706,951
<b>CURRENT ASSETS</b>			
Stock	1	52,057	50,720
Debtors		282,153	80,850
Bank balances - deposit		102	31,398
Bank balances - current		47,057	68,420
		<u>381,369</u>	<u>231,388</u>
<b>LIABILITIES FALLING DUE WITHIN ONE YEAR</b>			
Creditors		78,848	56,122
<b>NET CURRENT ASSETS</b>		<u>302,521</u>	<u>175,266</u>
<b>NET ASSETS</b>		<u>£ 1,473,899</u>	<u>£ 882,217</u>
<b>FINANCED BY</b>			
<b>RESERVES</b>			
General	3	86,286	86,286
Capital Contribution from States of Alderney	3	899,000	349,000
Revenue Account		488,613	446,931
		<u>£ 1,473,899</u>	<u>£ 882,217</u>

The Notes 1 to 6 form part of these financial statements.

The financial statements were approved by the States of Alderney Water Board on 21 March 2011 and are signed on its behalf by:

W Walden  
Chairman

## STATES OF ALDERNEY WATER BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

---

#### 1 PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the States of Alderney Water Board's financial statements:

##### **Basis of Preparation**

The financial statements have been prepared under the historical cost convention and in accordance with UK applicable accounting standards.

##### **Revenue and Expenses**

Revenue and Expenditure is recognised on an accruals basis.

##### **Fixed Assets**

Fixed assets are stated at cost less depreciation. Staff time spent on capital projects is capitalised at cost.

##### **Depreciation**

Depreciation is calculated at the following annual rates so as to write off the cost of fixed assets over their anticipated useful lives using the straight line method:

	%
Mains and services	2.50
Buildings	2.50
Machinery	6.66
Tools and equipment	10.00
Motor vehicle	20.00
Consumers' meters	10.00

Calculation of depreciation is based on capital expenditure incurred at the commencement of the accounting period, and also on additions during the accounting period.

##### **Stock**

Stock is valued at the lower of cost and net realisable value.

##### **Cash Flow Statement**

Under Financial Reporting Standard No 1 the States of Alderney Water Board is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

#### 2 PENSION COSTS

The employees of the States of Alderney Water Board are members of the States of Alderney Pension Scheme. This is a defined benefit scheme, providing benefits based on final pensionable pay, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost over the period of those employees' expected service lives. The report by the actuary on the valuation of the pension fund as at 1st January 2009 indicated that the fund was in deficit. The next triannual report is due as at 1st January 2012. Over the year to 31st December 2009 the employer contributed at the rate of 20% of pensionable salaries, including death in service premiums, subject to review at future actuarial valuations.

Employees contribute at a rate of 6.5%.

As the scheme is a multi employer arrangement the Board is unable to identify its share of the scheme assets and liabilities on a consistent basis, as required by Financial Reporting Standard FRS17.

The pension charge to the Water Board for the year was £26,463 (2009: £25,781).

# STATES OF ALDERNEY WATER BOARD

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2010

### 3 RESERVES

#### General Reserve.

This is an historic record of the States of Alderney investment into the Water Board in the early years of operation.

#### Capital Contribution from States of Alderney.

A Capital Contribution of £349,000 was approved by the States of Alderney on 23rd July 2008 to fund the Board's Potable Water Project.

A further Capital Contribution of £700,000 was approved by the States of Alderney on 23rd June 2010 to fund the installation of new water filtration plant. (Phase 2)

As at 31.12.10 £400,00 had been received and a further £150,000 was due to be received and is therefore included in debtors.

### 4 RELATED PARTY TRANSACTIONS

In 2010 Mr W Walden was Chairman of the General Services Committee and the Water Board.

The States of Alderney has a majority shareholding in Alderney Electricity Ltd and appoints annually a director to the Board of Company. This position was held by Mr R Willmott until 18th May 2010 and then by Mr J Beaman.

The Water Board purchases electricity, oil and specialist electrical services from Alderney Electricity Ltd. In 2010 the value of the purchases was £99,401.98. (2009 £72,293)

Mr I Tugby is a member of the Water Board, and is also the beneficial owner of Tugby Contractors Ltd. In 2010 the Board purchased goods and services from Tugby Contractors Ltd to the value of £77,557.25.

The General Services Committee is appointed by the States of Alderney to act as the Water Board.

### 5 RENTS RECEIVABLE

During 2010 the Board received rent from two mobile telephone companies that utilise the Mouriaux water tower as a base station for their equipment and aerials.

### 6 FIXED ASSETS

	At 1st January 2010	Additions/ Charge	Disposals and amounts written off	At 31st December 2010
	£	£	£	£
<b>COST</b>				
Land	10	-	-	10
Mains and Services	303,670	382,183	-	685,853
Buildings	19,863	-	-	19,863
Machinery	200,131	52,255	-	252,386
Tools and Equipment	11,607	2,520	-	14,127
Motor Vehicles	24,742	-	-	24,742
Consumer Meters	2,820	-	-	2,820
Assets in course of construction (Phase 1)*	325,191	(325,191)	-	0
Assets in course of construction (Phase 2 & 3)*	23,509	386,066	-	409,575
	911,543	497,833	-	1,409,376
<b>DEPRECIATION</b>				
Mains and Services	119,261	12,578	-	131,839
Buildings	10,331	496	-	10,827
Machinery	49,167	15,223	-	64,390
Tools and Equipment	8,740	1,281	-	10,021
Motor Vehicles	14,808	3,598	-	18,406
Consumer Meters	2,285	230	-	2,515
	204,592	33,406	-	237,998
<b>NET BOOK VALUE.</b>	£ 706,951	464,427	£	1,171,378

\* At 31st December 2009 £348,700 had been expended or accrued on the Potable Water Projects and is shown above as "Assets in course of construction". Phase 1 has now been completed and capitalised. Phases 2 & 3 will be capitalised on completion.



