

STATES OF ALDERNEY
WATER BOARD
FINANCIAL STATEMENTS 2020



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 fairly summarise in all material respects, the transactions of the Board for that period and are in accordance with the applicable law.

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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Board. They also have a general responsibility for taking such steps as are reasonably open to it, to safeguard the assets of the Board, and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the website, and for the preparation and dissemination of financial statements.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the States of Alderney Water Board

Opinion

We have audited the financial statements of the States of Alderney Water Board (the "Board") for the year ended 31 December 2020 which comprise the Revenue Account, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements for the year ended 31 December 2020 are prepared, in all material respects, in accordance with the accounting policies stated in Note 1 to the financial statements and the provisions of the Government of Alderney Law, 2004.

Basis for opinion

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

Emphasis of matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The accounts are prepared to assist the Water Board in complying with their financial reporting obligations, under the provisions of The Government of Alderney Law, 2004. As a result, the accounts may not be suitable for another purpose. Our report is intended solely for the States of Alderney (the "States") and should not be distributed to or used by parties other than the Committee. Our opinion is not modified in respect of this matter.

Other information

The Board are responsible for the other information. The other information comprises the Statement of the Board's.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Responsibilities of the Board for the Accounts

As explained more fully in the Statement of the Board's Responsibilities, the Board is responsible for the preparation of the accounts in accordance with the accounting policies in Note 1 to the financial statements. The Board is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Use of our report

This report is made solely to the Board in accordance with our engagement letter dated 11 May 2021. 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, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Grant Thornton' followed by a stylized flourish.

Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey

Date: 4th June 2021

STATES OF ALDERNEY WATER BOARD

REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2020

REVENUE	Notes	2020		2019	
		£	£	£	£
	1				
Unmetered Supplies		624,734		594,243	
Metered Supplies		105,137		97,959	
Service Charges		3,262		4,750	
Contract Work		88		1,646	
Borehole Licence Fees		-		150	
Sale of Fixed Assets		<u>5,052</u>		<u>-</u>	
			738,272		698,748
EXPENSES	1				
OPERATING & MAINTENANCE EXPENSES					
Salaries and Wages		164,162		193,524	
Pension Costs	2	35,444		31,122	
Water Treatment and Testing		24,354		23,130	
Pumping Costs (Fuel, Electricity and Telemetry)		113,137		116,461	
Mains, Machinery and Materials		23,271		43,421	
Maintenance Contracts		24,722		22,871	
Health & Safety expenses		1,992		523	
Depreciation	1 & 6	<u>130,839</u>		<u>124,070</u>	
		<u>517,919</u>		<u>555,122</u>	
ADMINISTRATION AND GENERAL EXPENSES					
Administration Charge		57,616		52,912	
Rents, Rates and Taxes		23,653		21,916	
Insurance		8,416		7,648	
Motor Vehicle Expenses		3,262		4,436	
Office Expenses and Equipment		4,852		5,290	
Accountancy and Audit		6,535		10,500	
Bank Charges		3,536		5,033	
Travelling and General Expenses		1,817		1,922	
Staff Training Costs		-		-	
Consultancy Fees and Expenses		-		550	
Bad Debts Written off		-		338	
Fixed Assets Written Off		-		1,443	
Stock Written Off		<u>-</u>		<u>5,313</u>	
		<u>109,686</u>		<u>117,301</u>	
			(627,605)		(672,422)
OPERATING SURPLUS			110,667		26,326
OTHER INCOME					
Interest and other Receivable			392		854
Rents Receivable	5		<u>6,967</u>		<u>6,519</u>
SURPLUS FOR THE YEAR			118,026		33,699
BALANCE BROUGHT FORWARD			749,462		715,763
BALANCE CARRIED FORWARD			<u>867,489</u>		<u>749,462</u>

The Water Board has no recognised gains or losses other than the surplus for the year.

The Notes on pages 7 to 10 form part of these financial statements.

STATES OF ALDERNEY WATER BOARD

BALANCE SHEET AS AT 31 DECEMBER 2020

	Notes	2020	2019
		£	£
ASSETS EMPLOYED			
FIXED ASSETS	1 & 6	2,258,254	2,231,291
CURRENT ASSETS			
Stock	1	78,142	73,134
Debtors	1	118,280	69,845
Bank balances - deposit		602,110	601,718
Bank balances - current		<u>861,883</u>	<u>660,896</u>
		1,660,414	1,405,593
LIABILITIES FALLING DUE WITHIN ONE YEAR			
Creditors	1	<u>115,194</u>	<u>100,436</u>
NET CURRENT ASSETS		<u>1,545,221</u>	<u>1,305,157</u>
NET ASSETS		<u><u>3,803,475</u></u>	<u><u>3,536,448</u></u>
FINANCED BY			
RESERVES			
General	3	86,286	86,286
Capital Contribution from States of Alderney	1 & 4	2,849,700	2,700,700
Revenue Account		<u>867,489</u>	<u>749,462</u>
		<u><u>3,803,474</u></u>	<u><u>3,536,448</u></u>

The Notes on pages 7 to 10 form part of these financial statements.

The financial statements on pages 5 to 10 were approved by the States of Alderney Water Board on 26th May 2021 and are signed on its behalf by:



Mr. B N Kelly
Chairman, General Services Committee

STATES OF ALDERNEY WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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, in accordance with the applicable accounting policies set out below and in accordance with the provisions of The Government of Alderney Law, 2004. The financial statements have been prepared on a going concern basis.

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
Storage Tanks	4.00
Machinery	6.66
Tools and equipment	10.00
Consumer meters	10.00
Filtration Membranes	14.50
Motor vehicles	20.00

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.

Debtors

Water rates are billed quarterly. The debtors balance mostly comprises outstanding amounts at the end of the year related to supply and other chargeable activities. The Water Board considers all debt to be collectable and does not include a provision for bad debt on the balance sheet.

Creditors

The creditor balance represents amounts owed to suppliers at the end of the year in respect of normal business activities carried out during the year.

Capital expenditure grants from States of Alderney

Capital expenditure on major infrastructure projects is funded by annual grants received from the States of Alderney. In 2020, these grants totalled £149,000 (2019 - £74,000). Grants approved by the States are paid in full in the year of account. The accumulated total of capital investment in the Water Board by the States of Alderney is recorded in the balance sheet as £2,849,700.

STATES OF ALDERNEY WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2020

2 PENSION COSTS

The employees of the States of Alderney Water Board (the "Board") are members of the States of Alderney (the "States") Pension Scheme. The States provides pension arrangements for the majority of employees through a defined benefit scheme (the "1982 Scheme") and the related costs are assessed in accordance with the advice of the Scheme Actuary. As previously reported the final salary scheme has been closed to new entrants from 31 December 2011.

The assets of the 1982 Scheme are held separately from those of the States of Alderney in an independently administered fund which up until 2013 were invested with Aviva. Since January 2014 an amended investment strategy commenced, using several alternative fund managers to take on the Aviva role.

Over the year to 31 December 2020, under the 1982 Scheme, 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 are secured under a separate policy.

The new Defined Contributions Scheme, administered by BWCi came into effect on 1st January 2013 "the 2013 Scheme". There was one member of this Scheme from the Water Board who was entered into the Scheme during 2019. The employer contributed 7.5% of pensionable salary, with the employee contribution of 6.5% of pensionable salary.

Pensions costs are paid by the States of Alderney and recharged to the Water Board. The total pension charge to the Water Board for the year was £28,650 (2019: £26,597) for the 1982 Scheme, and £2,180 (2019: £1,079) for the 2013 Scheme. The Employees Death in Service policy costs were £4,447 (2019: £3,360) for the 1982 Scheme and £166 (2019: £86) for the 2013 Scheme.

3 RESERVES

General Reserve

This is a historic record of the States of Alderney investment into the Water Board in the early years of operation.

4 RELATED PARTY TRANSACTIONS

In 2020 Mr S D G McKinley 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 Kevin Gentle during 2020. Mr S D G McKinley also hold minority shares in the company.

The Water Board purchases electricity, oil and specialist electrical services from Alderney Electricity Ltd. In 2020 the value of these purchases was £108,389 (2019: £113,200).

During 2020 the Water Board purchased goods and services from the States of Alderney to the value of £71,045 (2019: £81,638) and supplied goods and services to the States of Alderney to the value of £16,929 (2019: £17,072).

Since 2008 capital contributions amounting to £2,849,700 have been awarded by way of grants from the States of Alderney in order to upgrade the Water Board infrastructure. The latest of these, relating to the distribution networks (Phases 9, 16, 18 & 19), were approved in 2020 to the total of £149,000 (Phase 9 Lower Section £36,000, Phase 9 Upper Section £55,000, Phase 16 £26,000, Phase 18 £22,000 & Phase 19 £10,000). As at 31 December 2020 this amount had been received in full.

The General Services Committee is appointed by the States of Alderney to act on behalf of the Water Board.

STATES OF ALDERNEY WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020**5 RENTS RECEIVABLE**

During 2020 the Board received rent from a mobile telephone company, that utilises the Mouriaux water tower as a base station for their equipment and aerials. Rent was also received from the lease of Corblets Quarry for fishing rights.

6 FIXED ASSETS

	At 01-Jan-20	Additions/ Charge	Disposals / Written off & Transfers	At 31-Dec-20
	£	£	£	£
COST				
Land	3,737	-	-	3,737
Mains and Services	1,796,755	81,961	-	1,878,716
Buildings	211,604	-	-	211,604
Storage Tanks	104,449	-	-	104,449
Machinery	933,518	70,388	-	1,003,906
Filter Membranes	69,414	-	-	69,414
Tools and Equipment	34,290	-	-	34,290
Motor Vehicles	32,137	25,453	-	57,590
Consumer Meters	7,535	-	-	7,535
Assets in course of construction (Phase 9 Lower Section)*	53,365	5,756	(59,121)	0.00
Assets in course of construction (Phase 9 Upper Section)*	35,705	47,109	-	82,814
Assets in course of construction (Phase 12)*	66,618	443	(67,061)	0.00
Assets in course of construction (Phase 16)*	-	33,806	-	33,806
Assets in course of construction (Phase 18)*	-	22,840	(22,840)	0.00
Assets in course of construction (Phase 19)*	-	19,070	-	19,070
	3,349,129	306,824	(149,022)	3,506,932
DEPRECIATION				
Mains and Services	407,229	46,249	-	453,478
Buildings	49,711	4,954	-	54,665
Storage Tanks	30,200	4,178	-	34,378
Machinery	513,927	63,223	-	577,150
Filter Membranes	65,578	631	-	66,209
Tools and Equipment	23,018	3,140	-	26,158
Motor Vehicles	24,200	7,734	-	31,933
Consumer Meters	3,976	731	-	4,707
	1,117,839	130,839	-	1,248,678
NET BOOK VALUE	2,231,289	175,986	(149,022)	2,258,254

*Assets in the course of construction. No depreciation is charged on assets in the course of construction until they are brought into operational use in the business, at which point the assets are transferred into the relevant asset category on the fixed asset register and depreciated over their useful economic life. In the year ended 31 December 2020, assets in the course of construction relate to Phases 9 (Lower and Upper Section), 12, 16, 18 and 19. Phases 9 (Lower Section), 12 and 18 was completed and capitalised during 2020.

7 SUBSEQUENT EVENTS

The ongoing impact of the Covid-19 global health and economic crisis on the Water Board finances and operations has been assessed since the end of the reporting period.

In October 2020, the States of Alderney approved the Water Board Budget for 2021.

As the major funding source for the Water Board relates to unmetered water charges, with charges set by Ordinance in the previous year, income is not considered to be at risk and therefore the Water Board will be able to meet its expenditure obligations. Water rates are billed quarterly and evidence to date shows no significant delays to receipts in 2021. In the event of a major change to this position, general revenue reserves maintained by the Water Board at 31 December 2020 are sufficient to cover in excess of one year's expenditure. The Water Board is therefore able to meet its expenditure obligations without any requirement to refer to the States of Alderney for support funding.

The 2021 Capital programme has been delayed due to restrictions in place in the first quarter of the year. The programme will continue to be reviewed with a view to reprioritising and accelerating projects where appropriate, subject to any restrictions that may be in place at the time.

The Water Board has demonstrated that it is operationally resilient during the pandemic. Revised and flexible working practices have been implemented consistent with the latest guidance for the Bailiwick. As a result, supply and essential maintenance works have not been interrupted.