

STATES OF ALDERNEY
WATER BOARD
FINANCIAL STATEMENTS 2019



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

Our opinion is unmodified

We have audited the financial statements of The States of Alderney Water Board (the "Water Board") which comprise the Revenue Account, Balance sheet and the related notes. The financial statements have been prepared under the accounting policies set out therein.

In our opinion the financial statements, which summarise the transactions for the year ended 31 December 2019, have been prepared, in all material respects, in accordance with the provisions of The Government of Alderney Law, 2004 and the accounting policies set out in note 1.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Water Board in accordance with, UK ethical requirements including FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of Matter – Special Purpose Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Water Board to comply with the provisions of The Government of Alderney Law, 2004. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Respective responsibilities

The Water Board's responsibilities

As explained more fully in their statement set out on page 1, the Water Board is responsible for: the preparation of the financial statements including being satisfied that they are prepared in accordance with the accounting policies set out in note 1; 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; assessing the Water Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Board or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the States of Alderney Water Board (continued)

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Water Board

This report is made solely to the Water Board, in accordance with the section 61 of The Government of Alderney Law, 2004. Our audit work has been undertaken so that we might state to the Water 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 Water Board for our audit work, for this report, or for the opinions we have formed.

KPMG Channel Islands Limited

KPMG Channel Islands Limited
Chartered Accountants, Guernsey

27th May 2020

STATES OF ALDERNEY WATER BOARD

REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019

REVENUE	Notes	2019		2018	
		£	£	£	£
	1				
Unmetered Supplies		594,243		565,720	
Metered Supplies		97,959		96,819	
Service Charges		4,750		7,422	
Contract Work		1,646		2,017	
Borehole Licence Fees		<u>150</u>		<u>-</u>	
			698,748		671,978
EXPENSES	1				
OPERATING & MAINTENANCE EXPENSES					
Salaries and Wages		193,524		183,822	
Pension Costs	2	31,122		30,793	
Water Treatment and Testing		23,130		25,595	
Pumping Costs (Fuel, Electricity and Telemetry)		116,461		121,615	
Mains, Machinery and Materials		43,421		46,044	
Maintenance Contracts		22,871		20,983	
Depreciation	1 & 6	124,070		125,481	
Health & Safety expenses		<u>523</u>		<u>2,461</u>	
		<u>555,122</u>		<u>556,794</u>	
ADMINISTRATION AND GENERAL EXPENSES					
Administration Charge		52,912		48,000	
Rents, Rates and Taxes		21,916		21,083	
Insurance		7,648		7,275	
Motor Vehicle Expenses		4,436		6,611	
Office Expenses and Equipment		5,290		4,358	
Accountancy and Audit		10,500		6,935	
Bank Charges		5,033		2,036	
Travelling and General Expenses		1,922		1,288	
Staff Training Costs		-		956	
Consultancy Fees and Expenses		550		550	
Bad Debts Written off		338		1,294	
Fixed Assets Written Off		1,443		3,028	
Stock Written Off		<u>5,313</u>		<u>-</u>	
		<u>117,301</u>		<u>103,414</u>	
			(672,422)		(660,208)
OPERATING SURPLUS			26,326		11,770
OTHER INCOME					
Interest and other Receivable			854		351
Rents Receivable	5		<u>6,519</u>		<u>9,321</u>
SURPLUS FOR THE YEAR			33,699		21,442
BALANCE BROUGHT FORWARD			715,763		694,321
BALANCE CARRIED FORWARD			<u>749,462</u>		<u>715,763</u>

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

The Notes on pages 6 to 9 form part of these financial statements.

STATES OF ALDERNEY WATER BOARD

BALANCE SHEET AS AT 31 DECEMBER 2019

	Notes	2019		2018	
		£	£	£	£
ASSETS EMPLOYED					
FIXED ASSETS	1 & 6		2,231,291		2,228,949
CURRENT ASSETS					
Stock	1	73,134		73,366	
Debtors		69,845		70,163	
Bank balances - deposit		601,718		400,864	
Bank balances - current		<u>660,896</u>		<u>755,616</u>	
		1,405,593		1,300,009	
LIABILITIES FALLING DUE WITHIN ONE YEAR					
Creditors		<u>100,436</u>		<u>100,208</u>	
NET CURRENT ASSETS			<u>1,305,157</u>		<u>1,199,801</u>
NET ASSETS			<u>3,536,448</u>		<u>3,428,750</u>
FINANCED BY					
RESERVES					
General	3		86,286		86,286
Capital Contribution from States of Alderney	4		2,700,700		2,626,700
Revenue Account			749,462		715,763
			<u>3,536,448</u>		<u>3,428,749</u>

The Notes on pages 6 to 9 form part of these financial statements.

The financial statements on pages 4 to 9 were approved by the States of Alderney Water Board on 26th May 2020 and are signed on its behalf by:



Mr. S. D. G. McKinley OBE
Chairman, General Services Committee

STATES OF ALDERNEY WATER BOARD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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.

STATES OF ALDERNEY WATER BOARD**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 2019, 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 £26,597 (2018: £26,202) for the 1982 Scheme, and £1,079 (2018: £1,756) for the 2013 Scheme. The Employees Death in Service policy costs were £3,360 (2018: £2,678) for the 1982 Scheme and £86 (2018: £157) 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 2019 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 the Company. This position was held by Mr Kevin Gentle during 2019. 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 2019 the value of these purchases was £113,200 (2018: £114,005).

During 2019 the Water Board purchased goods and services from the States of Alderney to the value of £81,638 (2018: £82,666) and supplied goods and services to the States of Alderney to the value of £17,072 (2018: £17,029).

Since 2008 capital contributions amounting to £2,700,700 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 & 15), were approved in 2019 to the total of £74,000 (Phase 9 Lower Section £62,000 & Phase 15 £12,000). As at 31 December 2019 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 2019**5 RENTS RECEIVABLE**

During 2019 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-19	Additions/ Charge	Disposals / Written off & Transfers	At 31-Dec-19
	£	£	£	£
COST				
Land	3,737	-	-	3,737
Mains and Services	1,782,064	14,692	-	1,796,756
Buildings	211,604	-	-	211,604
Storage Tanks	104,449	-	-	104,449
Machinery	927,804	7,198	(1,484)	933,518
Filter Membranes	65,000	4,414	-	69,414
Tools and Equipment	34,289	-	-	34,289
Motor Vehicles	31,245	893	-	32,138
Consumer Meters	7,536	-	-	7,536
Assets in course of construction (Phase 9 Lower Section)*	12,287	41,078	-	53,365
Assets in course of construction (Phase 9 Upper Section)*	-	35,705	-	35,705
Assets in course of construction (Phase 12)*	42,742	23,877	-	66,619
Assets in course of construction (Phase 15)*	-	11,084	(11,084)	-
	3,222,757	138,941	(12,568)	3,349,130
DEPRECIATION				
Mains and Services	362,735	44,495	-	407,229
Buildings	44,757	4,954	-	49,711
Storage Tanks	26,022	4,178	-	30,200
Machinery	454,012	60,068	(154)	513,927
Filter Membranes	65,000	578	-	65,578
Tools and Equipment	19,686	3,332	-	23,018
Motor Vehicles	18,353	5,847	-	24,200
Consumer Meters	3,245	731	-	3,976
	993,810	124,183	(154)	1,117,839
NET BOOK VALUE	2,228,949	14,758	(12,414)	2,231,291

*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 2019, assets in the course of construction relate to Phases 9 (Lower and Upper Section), 12 and 15. Phase 15 was completed and capitalised during 2019. Work commenced on Phase 9 (Upper Section) during 2019 however the capital contribution from the States of Alderney will not be paid until 2020.

7 SUBSEQUENT EVENTS

The impact of the Covid-19 global health and economic crisis on the State's finances and operations has been assessed since the end of the reporting period.

In October 2019, the States of Alderney approved the Water Board Budget for 2020.

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 2020. In the event of a major change to this position, general revenue reserves maintained by the Water Board at 31 December 2019 are sufficient to cover one years 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 2020 Capital programme has been delayed and steps are being put in place to reprioritise and accelerate projects, particularly where this will stimulate economic recovery, as soon as restrictions are lifted.

Looking ahead, a Recovery Plan is being prepared for the Island alongside the Bailiwick-wide recovery plan. The agreed financial relationship with Guernsey to date means that the States of Alderney has limited revenue reserves to support a recovery plan. However, the States of Guernsey has agreed the first tranche of longer-term funding for the Bailiwick-wide plan which will be available for all parts of the Bailiwick.

The States response to the crisis has shown that it is operationally resilient. Revised and flexible working practices have been implemented including working from home and redeployment. As a result, critical public services continue to be delivered. The States of Alderney continues to work closely with the States of Guernsey to ensure that any decisions made for the community and employees are consistent with the latest health and well-being guidance.