

**Guernsey Water**  
Annual Report and  
Financial Statements

# 2017



States of Guernsey  
Trading Assets



**GuernseyWater**

Running water

[water.gg](http://water.gg)





# CONTENTS




Chairman's Statement	5
General Manager's Statement	6
Strategic Report	8
 > Valued by Customers	9
 > Safe and Good to Drink	12
 > Effective Drainage	15
 > Protect our Environment	18
 > Sufficient and Resilient	21
 > Firm Financial Foundations	24
Health & Safety	27
Investing in the Community	29
Corporate Governance	31
Who's Who?	33
Accounts	35





Our vision is focused on the value of our core business which is water and wastewater service provision.

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

# CHAIRMAN'S STATEMENT



## New Company Board

At its meeting of 4 May 2017, the States' Trading Supervisory Board (STSB) agreed to establish political subcommittees (company Boards) for the trading assets, which will provide authority and strength to their governance. I was appointed as Chairman of the Guernsey Water company Board at the same time; in this role I will be focusing on ensuring that as a competent business we continue to be regarded with confidence and trust. As a Board we will ensure that Guernsey Water continues to be well managed, maintains its focus on efficiency, performs strongly for its customers, is able to evidence continuous improvement and compares well with benchmarks. Good progress has been made towards these aims in 2017 and this is reflected in our annual report.

## Returns

2017 was another year of fiscal challenge, as outlined in the States' Medium Term Financial Plan (2017-2021), which set target returns for the STSB of £30 million. In 2016, the States supported the Policy & Resources Committee's budget proposition for Guernsey Water to refinance the replacement of our Belle Greve wastewater outfalls; this major investment in our island's wastewater infrastructure was completed in 2015. Although it does not contribute to the STSB's target, I am pleased to report that Guernsey Water made a major contribution in

2017 by refunding the £18.6m invested in Belle Greve wastewater outfalls to the States' Capital Reserve, helping the States of Guernsey meet its fiscal challenges.

This investment provides a more resilient service for our customers and helps to protect our environment. It has been funded by redistributing £9.5m of cash reserves, the balance being borrowed from the States of Guernsey Bond. The STSB agreed that this funding mechanism was the best value option for both Guernsey Water customers and the States of Guernsey. Together with the £1.5m redistribution of property reserves made in 2016, this means that Guernsey Water has been able to return just over £20.2m to the States of Guernsey during the last two years. It also means that we have moved away from a 'save to spend' financial model. Going forward this means that a sustainable level of borrowing will allow us to invest in the services we provide in a way that is fairer for customers.

The Board remains confident that Guernsey Water can deliver the planned savings and efficiencies required to make these returns while delivering its business plan and constraining bill increases for customers. This view was reinforced in 2017 when Guernsey Water was able to reduce revenue expenses by 3.9% from 2016. We are now looking at how we can share the benefit from this with our customers in the form of reduced bill increases.

## Strategy Development

In 2017 we made further progress with the development of our long-term water and wastewater plans. Having assessed the feasibility of our drought management plan we learned that more work is needed to understand how we would deal with a drought worse than any on record in Guernsey. This will be important work given that the risk of severe drought is expected to increase in future due to climate change. As reported in our 2016 annual report, we also developed a strategy that will deliver the Surface Water Management Policy approved by the Committee for the Environment & Infrastructure. This will adapt the island's drainage systems to changing weather patterns over the long term, through investment that keeps pace with climate change to ensure resilience to more intense rainfall.

We also commenced refurbishment of Juas water treatment works, which is the central part of our water treatment strategy. Following some initial delays good progress has been made by our Water Production team. In several cases the skills and experience needed for this project are being provided by engineers who have come through our apprenticeship programme, delivering a cost-effective high standard of work. This project is on track for completion in 2018 when it will provide a better quality, more resilient service for our customers.

JOHN HOLLIS, CHAIRMAN



# GENERAL MANAGER'S STATEMENT



**“In delivering the second year of our business plan we started to develop a culture of continuous improvement in the services we provide for our customers.”**

STEPHEN LANGLOIS,  
GENERAL MANAGER

THERE WERE NO RESTRICTIONS ON WATER USE IN 2017 AND THE QUALITY OF OUR DRINKING WATER REMAINS VERY HIGH.

2017 was another successful year for Guernsey Water and this is reflected in our operational and financial performance.

## Business Improvement

It was a year in which we moved away from our save to spend financial model by taking on a sustainable level of borrowing to repay the States of Guernsey for their investment in our Belle Greve wastewater outfalls. Following our reorganisation in 2016 it was also a year of consolidation, and in delivering the second year of our business plan we started to develop a culture of continuous improvement in the services we provide for our customers.

## Financial Performance

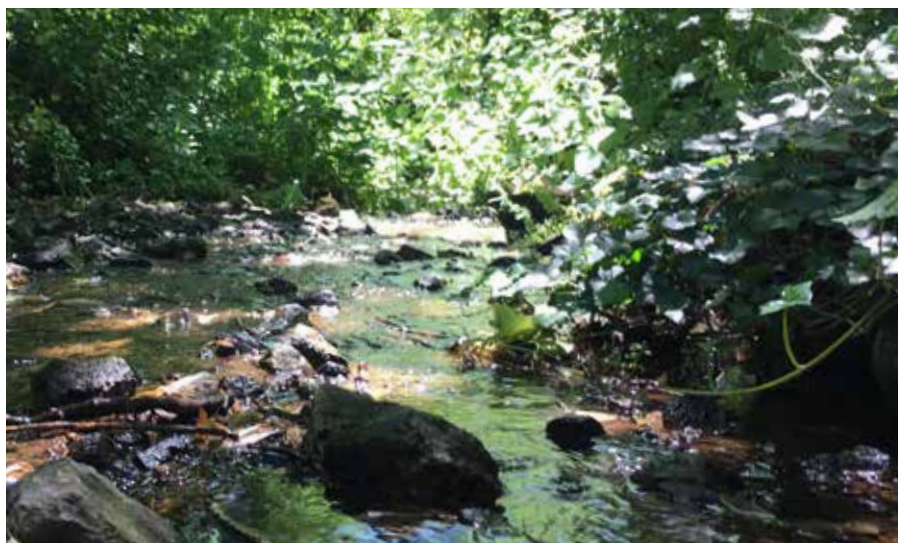
Despite ongoing cost pressures our financial performance during the year remained strong and stable. Savings and efficiencies were made in both revenue and capital expenditure to maintain control of our overall expenditure, which resulted in an end of year surplus of £387k. Returns from investment of our cash reserves by States Treasury made a significant contribution to this surplus, although this was not as substantial as the returns we received in 2016. Next year, following the payment of £9.5m of our reserves to refund the States' for our Belle Greve sea outfalls, the

potential for a contribution from our investments will be reduced, which could influence our ability to make a surplus.

## Investment in Services

We invested £4.5m of capital into maintaining and improving our infrastructure during 2017. This included a major sewerage scheme at Vale Road that is part of a St Sampson's drainage strategy that will make provision for growth, reduce sewer flooding and improve bathing water quality; delivery commenced in 2017 and continues into 2018. We have made good progress with delivery of our water treatment strategy and remain on track to re-commission Juas water treatment works in 2018. We will begin decommissioning Longue Hougue water treatment works in 2019. We also continued to rehabilitate our sewers, cesspit emptying points, wastewater pumping stations and for customers at greatest risk, we have helped protect their property from sewer flooding.





**£4.5m**  
INVESTED IN  
IMPROVING AND  
MAINTAINING THE  
INFRASTRUCTURE  
WE USE TO SERVE  
OUR CUSTOMERS.

### Operational Performance

Overall drinking water compliance in 2017 was 99.85%. This maintains our good record but is the lowest level of compliance since 2011 when it was 99.75%. We also received 33 more taste complaints than we did in 2016, but this was still less than half the number received in 2015.

Our proactive monitoring and response to algal growth in our reservoirs continues to keep the number of taste complaints down. There were no restrictions on water use during the year, which started with lower stored water levels than normal. However, resources quickly recovered during a wet first quarter and remained above ten-year average levels for the remainder of the year.

Intense rainfall during July and August caused flooding for some customers and gave a reminder of the need to address both current issues and future flood risk due to climate change. However, we were also encouraged by those customers who had avoided flood damage due to our recent investment in protection of their property.

Whilst this investment continues, we have made good progress with the

development of a long term strategy to manage flooding. We have also continued to invest in understanding the mechanisms of flooding in St Peter Port and will develop plans to address them in 2018.

Although leakage increased slightly, it remains exceptionally low when compared to the rest of the UK and again this year we responded promptly to water mains bursts, minimising the impact on our customers.

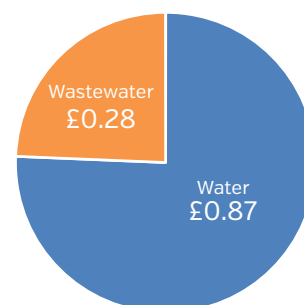
### Forward Look

Next year we will be focusing on maintaining a high standard of drinking water quality. We will continue the refurbishment of Juas water treatment works, which we expect to bring back online in 2018. We will also progress delivery of our St Sampson's drainage strategy. This means that we will continue to make significant investment in improving our services for customers, whilst maintaining focus on controlling our overall expenditure.

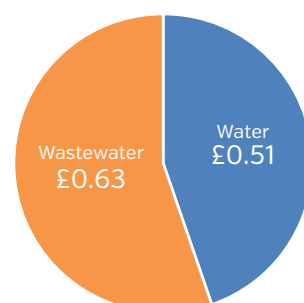
In 2017 the average metered Guernsey Water customer spent £1.15 per day on our services. Of the £1.15 income we received, £0.28 came from wastewater bills however,

we needed to spend £0.63 of it on providing those wastewater services. Next year we will be considering how we address this ongoing imbalance. We will also be considering how we can share the benefit of savings and efficiencies that we made in 2017 with our customers.

### Income from customers per day



### Expenditure on services per day



Further details can be found on page 41.

# OUR 6 OUTCOMES









## VALUED BY CUSTOMERS

1

**Our customers understand, trust and value the quality of all our services and find them affordable**

-  Better understanding of our customers' needs and experience of our services
-  Make it easier to contact and do business with us

### Performance Highlights

We have continued to make it easier for our customers to make contact and do business with us. In addition to vital assistance that our Income and Contact Team provides with billing enquiries, our Customer Liaison Team has provided much needed support during service interruptions and with enquiries that can't be dealt with on first contact.

We have also made improvements to our digital services including development of our website. Our social media following on Facebook increased by 29% and our Twitter increased by 21% compared to 2016. This increase in social media engagement has helped to open an important line of communication with our customers.

We became members of the Institute of Customer Service in 2017 and asked them to independently benchmark our customer service against a wide range of businesses from across the UK. We achieved an overall customer satisfaction rating of 79.5%, which was 1.3% above the average for UK businesses and 4.4% above the utilities sector benchmark. The survey highlighted that the taste of our drinking water and the cost of our services remain the foremost concerns for our customers, so these priorities have been incorporated into our ongoing plans for improvement.

**79.5%**  
OVERALL CUSTOMER  
SATISFACTION

### CASE STUDY



### New Website

Our website has been improved to make it much easier for our customers to find the online services they use the most.

We also added a range of forms and information resources to enable them to make contact and do business with us electronically.

## Capital Investment

Implementation of our new Customer Relationship Management (CRM) system suffered delays in 2017, however by the end of the year it was being peer reviewed and tested. CRM will allow for better recording, tracking, monitoring and reporting of customer contacts. The trend analysis it provides will enable us to address those issues that are important to our customers in a timely manner.

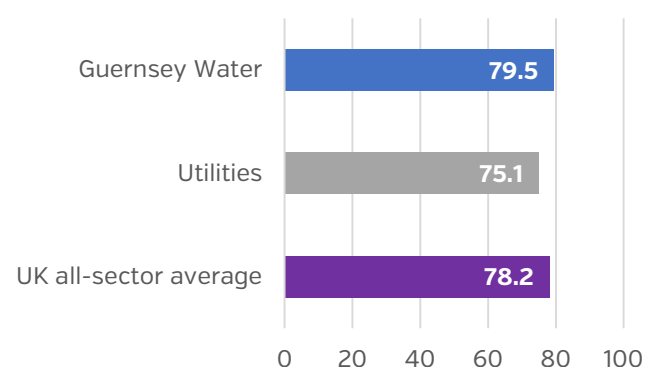
## Business Performance

### Customer Satisfaction Key Performance Indicators

The Institute of Customer Service independently surveyed our customers to provide us with some robust benchmarks and key performance indicators for our customer service. Overall our performance was very good, especially when compared to other utilities. Nevertheless, customer feedback from the survey has helped identify areas for improvement.

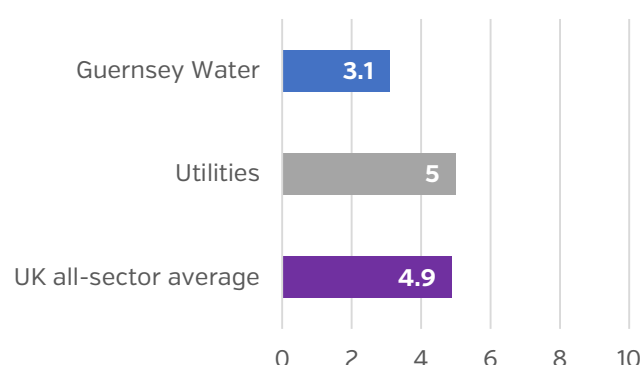
The survey will be repeated annually and as we get more data each year the reliability of our performance scores will improve.

### UK Customer Satisfaction Index (UKCSI) [%]



Our Customer Satisfaction Index is the average of all our customers' satisfaction scores, weighted by importance<sup>1</sup>.




### Customer Effort (out of 10)



Customer Effort is a measure of the efficiency and speed of how we deal with our customers' enquiries; the lower the score the better.

<sup>1</sup>Based on Institute of Customer Service research into customers' priorities

## BUSINESS INITIATIVES

On Target =  Satisfactory progress but not all 2017 targets met =  2017 targets missed = 

Business Initiative	Description	Target Date	2017 Progress	Performance
Customer experience training	Training for all customer-facing staff to help us make the right impression first time, every time.	2016 - 2017	Training needs have been identified during performance appraisals with our staff. A cross-business skills audit has also been completed and budget provision made for training in 2017. However, this training has been deferred to 2018.	
Customer satisfaction performance monitoring	Develop a range of quantitative and qualitative metrics to help understand the value of our services to customers and where we need to improve.	2016	The Institute of Customer Service has carried out an independent survey to benchmark us against a wide range of businesses using a number of measures that will provide a baseline for ongoing performance monitoring.	
Focus groups	Appoint a select group of customer representatives to engage with us on specific initiatives proposed in our business plan.	2016 - 2025	Focus groups have been deferred to 2018 and will focus on our Customer Promise and Service Standards.	
Enhance our website according to customers' needs	Continue to update and improve our website to increase the volume and ease of information and services accessed by our customers.	2016 onwards	Our website has been significantly improved and opportunities for self-service developed. We are receiving positive feedback from customers and staff.	
Expand our IT based customer communications	We will continue to expand our use of social media to inform our customers of service disruptions and of the investment we are making in our services.	2016 onwards	Expansion and development of social media has been ongoing and in general has been well received by customers.	
Benchmark our service against others	We will share performance against our customer satisfaction metrics and learn from the best practice of other utilities in Guernsey, Jersey and the wider UK water industry.	2016 onwards	The Institute of Customer Service has carried out an independent survey to benchmark us against a wide range of UK businesses. Collaboration with Jersey Water means that they have commissioned the same survey, which will give us a Channel Island benchmark. We also investigated customer service training and development in 2017.	
Customer promise and guaranteed service standards	Working with our customer challenge group we will develop our promise to customers and set minimum water and wastewater service standards.	2017	This has been deferred until 2018; following work with the Consultation Institute we have decided to use our customer focus groups for this initiative rather than creating a customer challenge group.	
Smart metering expansion	Expand our smart metering programme to provide meaningful water consumption data to customers to help them manage their usage and costs.	2016 - 2025	There has been no progress in 2017. Following feedback from the UKCSI customer survey, access to usage data is to be provided using our e-billing portal in 2018.	
Support our vulnerable customers	We will review our services in order to ensure equal access to all. We will also review whether customers who are vulnerable and struggle to pay their bill can be given additional support.	2017, 2018	Investigation has commenced and policy development is planned for 2018.	
IT integration and development	Investigate the benefits of linking our systems for customer relationship management. Enable proactive customer communication and provide customer-facing staff with a greater understanding of each customer's experiences of our services. We will also continue to develop our IT systems and use our data to improve the efficiency and reliability of our services.	2017 - 2020	After some initial delays we have made steady progress with the implementation of our Customer Relationship Management (CRM) system, which was peer reviewed by the customer service team in late 2017. The system will be implemented fully in 2018.	
Development of an IT strategy	An IT strategy will be prepared for our business plan review by the end of 2020.	2020	All the unincorporated States' Trading Assets, including Guernsey Water worked together to commission a full review of our IT service needs. These have been fed into the development of the States' Future Digital Services Programme.	





## SAFE AND GOOD TO DRINK

2

**Our customers trust that our drinking water looks good and tastes good**

- Invest in efficient water treatment to improve drinking water and reduce costs
- Reduce water quality-related customer complaints

**99.85%**  
COMPLIANCE WITH  
DRINKING WATER  
STANDARDS

### Performance Highlights

Our priority in 2017 was to continue to develop our Drinking Water Safety Plans to proactively address any risks to water quality at every step of the process between source and tap. These plans continue to be developed as best practice in the water industry to protect water quality.

We continued to develop our catchment management (see Protect Our Environment) activity to ensure that water quality is not compromised by agricultural practice or the domestic use of pesticides. This is ongoing and we will continue to monitor our raw water for pollution to ensure that water quality is not compromised for our customers.

Drinking water is vital for public health so we strive to provide safe, clean water at all times. We continue to apply best practice in line with UK and European legislation. In 2017 our water quality remained high at 99.85% compliance with drinking water standards, a slight drop from 99.91% in 2016. We will continue our strong focus on the areas that pose a risk to compliance. We have robust sampling programmes in place for both drinking water compliance and raw water monitoring. These programmes were benchmarked externally by the Drinking Water Quality Regulator for Scotland in 2017 and were found to be fully compliant with legislation. We will continue to strive for continuous improvement in the quality and taste of our drinking water in 2018.

### CASE STUDY



### Making sure our water tastes good

We continued to closely monitor our drinking water to minimise taste and odour issues; we carried out regular sampling, increased algal monitoring and held taste panels throughout the seasons where water temperature is higher. This provided us with early warning of potential taste issues and allowed us to prevent them by switching our water supply to an unaffected raw water source.

## Capital Investment

In line with our water treatment strategy we have continued the refurbishment of Juas water treatment works to improve the quality, resilience and efficiency of our drinking water supply. Online water quality monitoring will continue to be developed in 2018 and will focus on turbidity measurements of water as it goes through the various processes at our water treatment works.

The security of our sites is important for Health and Safety and water quality risk management. In 2017, a review of existing site security at our critical water sites was carried out and actions taken to implement any improvements that were needed.

We continued to develop our disinfection strategy in 2017; this will be an ongoing process as we continually review and improve disinfection across our water treatment works in light of research findings and innovation. One of the main components of this will be the application of ultra-violet disinfection at our newly refurbished water treatment works at Juas.

## Business Performance

### Water quality compliance

Overall compliance with drinking water standards in 2017 was 99.85%, with 100% compliance for service reservoirs (treated water storage) and 99.96% compliance at our water treatment works. In our North and South water distribution zones compliance was 99.94% and 99.86% respectively, with overall compliance at customers' taps at 99.91%.

The majority of exceedances in 2017 were due to disinfection by-products such as Trihalomethanes (THMs) in the distribution system. THMs are formed when chlorine reacts with organic matter present in the water being treated.

In 2017 we targeted our sampling for disinfection by-products by focusing more on the warmer months of the year when they are most likely to be high, which contributed to a greater number of failures than in 2016. We did this to get a true picture of compliance throughout the year and to better understand the formation of these substances.

A study was carried out in 2017 to investigate THM formation in our treated water storage reservoirs and distribution system. The study identified a number of changes that could be made to the system that would reduce disinfection by product formation. The required changes to our distribution system are planned for 2018 and hydraulic modelling suggests that they will improve our drinking water quality.

### Customer Contacts

Work to minimise water quality related contacts from customers continued in 2017. By the end of the year we had received a total of 126 water quality related contacts compared with 128 in 2016. Taste and odour complaints accounted for 83 of these contacts compared to 45 in 2016; the majority of these related to chlorine taste with 30 related to seasonal earthy musty contacts caused by algal blooms. Close monitoring and response to algal issues in our reservoirs continue to play a part in our work to minimise contacts. Further studies will be carried out in 2018 to minimise the

impact algae can have on the taste of drinking water for our customers and close monitoring of chlorine levels at water treatment works will be undertaken.











**“Drinking water is vital for public health so we strive to provide safe, clean water at all times and in 2017 our water quality remained high.”**

**MARGARET MCGUINNESS,**  
**WATER QUALITY RISK MANAGER**

## BUSINESS INITIATIVES

On Target =  Satisfactory progress but not all 2017 targets met =  2017 targets missed = 

Business Initiative	Description	Target Date	2017 Progress	Performance
Robust risk-based compliance sampling	Our sampling regime will provide our regulator, the Office of Environmental Health and Pollution Regulation (OEHPR) with transparent, quality-assured water quality performance information.	2017	A robust risk based sampling review was completed and a revised programme is in place for 2018. This was benchmarked by the Scottish Drinking Water Quality Regulator in 2017 and found to be fully compliant.	
Contingency and emergency planning	We will continue to develop and test our emergency response and contingency plans to minimise possible impacts on our customers.	2016 - 2018	Emergency plans have been agreed with OEHPR, a series of exercises are planned for 2018 that will test these plans and the resilience of our service.	
Drinking Water Safety Planning	Source to tap water quality risks will be identified and managed through Drinking Water Safety Planning in line with UK water Industry standards.	2016 - 2020	Drinking Water Safety Plans continued to be developed in 2017 to ensure proactive management of possible risks to our water supplies from source to tap.	
Quality assurance	Our operational policies and procedures will be developed in consultation with OEHPR. We will apply the principles of continuous improvement and seek accreditation for our quality management system.	2016 onwards	Working towards continuous improvement via a quality management system that is now under development. A plan is in place for 2018 that focusses on our operational procedures and staff training.	
Online water quality monitoring	We will install online monitors to provide live information on the water quality risks identified in our Drinking Water Safety Plans. This will inform operational decisions to proactively address potential customer issues before they escalate.	2017	During their benchmarking visit the Drinking Water Quality Regulator for Scotland made a number of recommendations for online water quality monitoring at our water treatment works. These will be implemented in 2018.	
Distribution network Planned Preventative Maintenance (PPM)	Using a hydraulic model of our water distribution system we will develop a better targeted, water quality-derived programme of water mains flushing and treated water storage reservoir cleaning to help prevent water quality incidents.	2016 & Ongoing	Our hydraulic model has been used to assess the age of water in our distribution network. This has identified areas that can be flushed when the chlorine demand in our water distribution is high or the disinfection residual is low. Maintenance of our treated water storage reservoirs will be planned in 2018.	
Water byelaws guidance & approved plumber scheme	Our water byelaws will be kept up to date and targeted at high risk areas through supplementary guidance provided by Guernsey Water. We will also investigate working with insurance companies in Guernsey to develop an approval scheme for plumbers. This will help reduce water quality risks and water damage due to leaks in customers' homes.	2017	We met with insurance companies to consider the high value of water damage claims in Guernsey when compared to the UK. Investigations confirmed that there was no correlation with water pressure in our distribution network. An approved plumber scheme was discussed but it was agreed not to take it forward at this time.	
Develop and deliver a Water Treatment Strategy	Our strategy will address current and future water quality risks and determine the optimum operational strategy for our water treatment works.	2016 - 2018	We commenced refurbishment of Juas water treatment works and are on track to recommission it during 2018. We plan to decommission Longue Hougue water treatment works once we are satisfied that Juas is operationally stable.	








## EFFECTIVE DRAINAGE

3

**Our customers are protected from flooding and wastewater is returned safely to the environment**

-  **Develop partnerships that reduce the impact of flooding**
-  **Reverse the deterioration of our wastewater drainage systems**
-  **Tackle sewer flooding and pollution from sewer overflows**

**32,822**  
METRES OF SEWER  
WAS CLEANED  
DURING 2017

### Performance Highlights

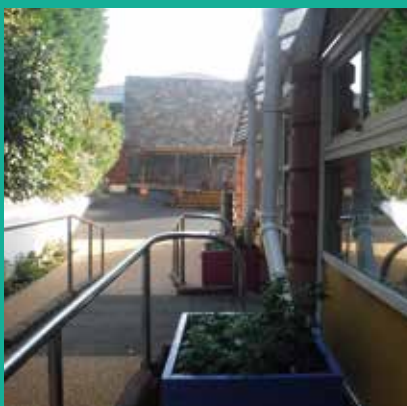
Following endorsement of our Surface Water Management Policy in 2016 by the Committee for the Environment & Infrastructure, one of our priorities was to develop a Surface Water Management Strategy that adapts our drainage systems to climate change over the long term. This was completed during 2017 and will enable us to manage surface water as part of an integrated drainage strategy, which will cover maintenance and improvement of our streams, surface water and foul water drainage systems.

Our Surface Water Management Strategy focused on the retrofit of Sustainable Drainage Systems

[SuDS] in areas with little green space and lots of impermeable surface area such as roofs, roads and car parks, particularly St Peter Port. The work which we carried out with the Committee for Education, Sport and Culture at Vauvert School in 2016 was used as a case study for how this could be practically achieved and has proved successful.

In addition to our work on surface water management, we also continued to plan for our critical wastewater pumping stations to ensure we are prepared if they fail for any reason. Work on these Asset Recovery Plans benefited greatly from our recent investment in remote monitoring and control of our wastewater systems.

### CASE STUDY



### Surface Water Management Strategy

Following the successful implementation of a Sustainable Drainage System [SuDS] at Vauvert School, we have developed a Surface Water Management Strategy to assess how SuDS in urban areas across the island can reduce the future risk of sewer flooding and pollution. We modelled the impacts of climate change, new development and expansion of paved surfaces over the long term to determine where investment in SuDS may be targeted for greatest benefit.

## Capital Investment

To reduce the risk of sewer flooding, major refurbishment of our Gele Road Pumping Station commenced during 2017. This investment of over £600k will give greater control of wastewater flows that have increased since we extended our sewerage network to connect customers to the public sewer at Perelle, L'Eree and at Creux Mahie.

The refurbishment will also protect the station from corrosion, which is a particular threat here due to the upstream cesspit emptying points at Les Landes and Creux Mahie.

Mechanical and electrical refurbishment of our White Rock Pumping Station was also carried out by States Works. This has improved operational performance and reduced the level of ongoing operational maintenance required at the site.

We successfully lined 3.5 km of sewer and refurbished manholes at 25 locations during 2017. These rolling programmes are targeted according to the risk of blockage or collapse. Our approach to sewer lining uses a technique that avoids excavation and minimises disruption to road users.

## Business Performance

### Reportable Discharges Against Permit

Two discharges were made through the short sea outfall at Belle Greve Wastewater Centre during 2017. Both were investigated and reported to OEHP, our environmental regulator.

### Sewer Flooding Register

Sewer flooding incidents reduced in 2017. This is because there were fewer intense storm events and our flooding mitigation programme has protected four customers that previously would have been most at risk from sewer flooding.













**“One of our priorities was to develop a Surface Water Management Strategy that adapts our drainage systems to climate change over the long term. This strategy was completed during 2017.”**

**JON HOLT,**  
**OPERATIONS MANAGER**



## BUSINESS INITIATIVES

On Target =  Satisfactory progress but not all 2017 targets met =  2017 targets missed = 

Business Initiative	Description	Target Date	2017 Progress	Performance
Combined sewer overflow (CSO) monitoring	We will use instrumentation to provide online monitoring of the frequency, duration and volume of overflows from our wastewater system. We will use this data to inform our bathing water management initiative (see Protect our Environment).	2016	The CSO monitoring system is in place and has been connected into our control system to give live alarm data. However we've experienced unreliability in some of our installations. An assessment of their performance was carried out in 2017 and recommendations made for improvements in 2018.	
Promote sustainable drainage systems (suds) for storm water management	We will develop guidance for planners and builders to ensure SuDS meet consistently high standards on new developments. We will retrofit SuDS proactively where they bring the most benefit. We will also promote SuDS that divert rainwater from our sewerage system as cost effective opportunities arise and adapt our drainage systems to climate change on an ongoing basis.	2017	The SuDS Retrofit at Vauvert has been successfully proven from Phase 1 works. There has been excellent engagement from the school and we have measured a reduction in flow into the public foul sewer. There were over 13,500 views of the accompanying online video. Initial surveys to assess suitability for SuDS have been carried out at the Odeon car park and Vauvert for Phase 2 of the project there.  Our Surface Water Management Strategy was completed, and guidelines for the installation of SuDS and permeable paving were published on our website in 2017.	
Wastewater hydraulic model	We will continue to develop and maintain our wastewater hydraulic model. We will use it to develop programmes of investment to maintain and improve our sewerage system.	2016 - 2018	The wastewater hydraulic model is complete and is being actively used to develop drainage solutions for new housing development, flooding and pollution. It was also used in the development of our Surface Water Management Strategy.	
Surface water modelling	We will continue to develop our surface water hydraulic model. We will use it to improve our understanding of the interaction between streams and our surface water drainage network.	2017	A cautious approach was taken to this pilot study due to the techniques being established in river, rather than stream modelling. The pilot study has shown that to be effective, a significant amount of additional survey work and modelling would be needed. The cost outweighs the benefit of carrying out this work so we have decided not to take the project forward at this time.	
Hydrogen sulphide management	Hydrogen sulphide gas corrodes our wastewater assets can be the cause of odour complaints and is a health and safety risk to our employees and contractors. We will manage it proactively by learning from best practice elsewhere, monitoring and treating it. We will also rationalise and improve our cesspit emptying points to reduce hydrogen sulphide produced by cesspit waste.	2016 - 2018	Good progress was made in 2017 in reducing the peak readings of hydrogen sulphide within the sewerage network by dosing with an oxygenating bacterial product. Our new emptying point improvements at Les Huriaux have been designed to incorporate additional wastewater storage time to make this product more effective. Les Huriaux emptying point improvement is due for completion early in 2018, following which hydrogen sulphide levels will be monitored and compared with baseline levels to assess the benefit of providing this storage time.	
Flooding management strategy	We will lead a Flood Working Group, made up of several States Departments, to provide a co-ordinated approach to flooding. We will also work with this group to develop a co-ordinated, customer-focused response to flooding.	2017	The development of a Flood Management Strategy has started internally with our Customer Liaison and Operations teams. Additions to the website have been made along with progress on customer response plans. "Flood boxes" have been developed and purchased in order to assist with customer response and property protection during heavy rainfall. Progress on the overall strategy has been slower than planned in 2017 and is yet to involve other States Departments.	
Fats, oils & greases (FOG) and unflushable management	We work with supermarkets to educate their customers on the problems caused by flushing unflushable wet wipes. We will initiate a focused campaign to change the behaviour of key social groups such as the parents of young children who use wipes and fast food restaurants to minimise the cost of proactive and reactive FOG and unflushable management within the sewerage system.	2017 onwards	We had good social media engagement from posts relating to FOG, timing them to coincide with wider UK Water industry campaigns that received coverage in the national media. No stakeholder engagement has been carried out with supermarkets or key social groups.	





## PROTECT OUR ENVIRONMENT

4

**Water quality is protected from source to sea and our environmental impact is carefully managed**

 **Reduce our office waste**

 **Work in partnership to improve bathing water quality**

# 88%

REDUCTION IN OIL STORAGE DEFECTS SINCE 2016

### Performance Highlights

Our priority is to ensure that our operations do not have an unacceptable impact on the environment; including streams, our surrounding seas and the atmosphere through release of odour.

Our environmental regulator, OEHP, issued a Food and Environment Protection Act (FEPA) licence for our discharge from Belle Greve Wastewater Centre in 2017, and we have adopted a 'working together' approach to ensure that this permit protects the marine environment.

Bathing water compliance remains an ongoing focus for us and we remain an active member of the States' Bathing Water Partnership.

Our Bathing Water Management initiative shows that water quality

is most often affected by heavy rainfall, which enters streams and storm drains that flow onto beaches. Along the way this run-off can collect bacteria from livestock, dogs and birds.

To better understand bathing water quality issues at Petit Bot we led a catchment survey by the Bathing Water Partnership. As part of this survey microbial source tracking was used to identify sources of contamination. Tests for human, livestock, dog, bird and seabird species were undertaken.

The only sources identified in measurable concentrations were seabirds, which suggests that they may be the source of water quality issues.

### CASE STUDY



### Bathing Water Quality

To better understand bathing water quality issues at Petit Bot we led a catchment survey by the Bathing Water Partnership.

As part of this survey microbial source tracking was used to identify sources of contamination. Tests for human, livestock, bird and seabird species were undertaken. The only sources identified in measurable concentrations were seabirds.

However, it is important to note that the samples taken for our catchment study represent a snapshot of conditions and water quality can change even over the course of a day.

Defective cesspits or sewers around the island can cause bathing water pollution and we work closely with States Works and cesspit owners to prevent this.

We have also installed monitoring equipment on our sewer overflows (see Effective Drainage) so that we can see how they are performing and investigate any environmental problems that they may be causing.

We continued to work closely with fuel supply companies to reduce the number of heating oil storage defects, which have reduced from 448 at the start of 2016 to 54 at the end of 2017, a reduction of 88%.

Around 800 properties are risk assessed for water pollution potential and approximately 10 high risk premises are audited annually.

Working with the OEHPR, we met farmers to put in place more farm management plans to protect the environment from risk of contamination from slurry storage or nitrates that have been applied to the land.

25 water quality audits were undertaken at vinery sites to assess risks to the public water supply from borehole water connections. Pollution risks from oil and chemical storage facilities were also assessed.

## Capital Investment

### Harbour St Sampson (HSS) Improvements

Phase one provided a new pumped sewer that increased flow from the pumping station at St Sampson Harbour. It also provides resilience to the problems encountered in December 2014 when the old pumped sewer main adjacent to Bulwer Avenue burst. This old sewer main was repaired as a backup to the new main. Difficulties with commissioning the joints on the new main were resolved during the year and it has worked well since completion. The increased flows that this main has allowed are already benefiting the environment. Flows are not backing up at the pumping station as they were previously, which has reduced the risk of sewer overflows affecting bathing water quality at Bordeaux.

Phase two of our improvements will reduce the risk of sewer flooding for customers, this also commenced in 2017 and continued into 2018.

### Belle Greve Wastewater Outfalls Replacement

Our Long Sea and Short Sea Outfalls were replaced in 2015 and continued to operate well during 2017. Although performance was not affected, one of our regular inspections showed that some minor rectifications were needed on the outfall diffusers. This was carried out under ongoing arrangements with the contractor that installed them.

## Fort George Discharge

Our proposal to install a passive 6mm screen to remove non-biodegradable items from the Fort George discharge was approved in 2017. In 2018 this solution will provide a cost-effective equivalent to the screening provided at our Belle Greve Wastewater Centre.

## Business Performance

### Bathing Water Compliance

10 out of 13 bathing water beaches showed no change in water quality in 2017, one deteriorated and two improved from 2016.

We are working with the States of Guernsey Bathing Water Quality Partnership to improve water quality in the catchment of streams that pose a risk to bathing waters. This is of particular relevance to our customers in catchments such as Petit Bot, where we collect water for storage in our raw water reservoirs prior to treatment for supply as drinking water. In 2017 this source was collected during 44 days of the year.









**"10 out of 13 bathing water beaches showed no change in water quality in 2017, one deteriorated and two improved from 2016."**

**MARK WALKER,**  
CAPITAL DELIVERY MANAGER

## BUSINESS INITIATIVES

On Target =  Satisfactory progress but not all 2017 targets met =  2017 targets missed = 




Business Initiative	Description	Target Date	2017 Progress	Performance
Catchment management	<p>Prevention of groundwater pollution that could prevent our water supply from being 'safe and good to drink'.</p> <p>Adopt a risk based approach to managing the application of pesticides, herbicides and fertilisers whilst seeking to prohibit the use of any high risk chemicals.</p> <p>Audit high risk oil installations and poorly maintained cesspits.</p> <p>Ensure our road infrastructure is appropriately treated during cold weather.</p>	2016 - 2025	Continuing development of our Drinking Water Safety Plans (see Safe & Good to Drink) helped us to prioritise efforts on our highest risk catchments.	
Bathing Water Partnership	Collaborative partnership with other stakeholders to protect and improve the quality of the island's bathing waters.	2016 onwards	A water quality survey of the Petit Bot catchment was undertaken to better understand the causes of poor bathing water quality in the bay. Although the results are not conclusive, the main source of potential contamination was seabirds.	
Trade effluent management	Liaise with OEHPR to ensure that the Water Pollution Ordinance provides adequate powers for control of trade effluents.	2016 - 2017	OEHPR and the Law Officers are drafting the Water Pollution Ordinance and they are aware of our requirements. However, this has been delayed due to resource availability within St James Chambers.	
Bathing water management	Working with Intertek, assess the combined impact of our wastewater discharges and streams. We will use this information to inform the public about bathing water quality risk following wet weather events.	2016 onwards	Building on previous studies by Intertek, we presented a proposal to OEHPR for notifying the public when bathing waters may not meet required standards. As the primary source of contamination was found to be environmental, not our wastewater discharges, OEHPR are to take this forward with the Committee for the Environment and Infrastructure.	
Demand Management Strategy	<p>This strategy will co-ordinate the delivery of our demand management measures for:</p> <ul style="list-style-type: none"> <li>• Water supply</li> <li>• Wastewater collection</li> </ul>	2016 - 2020 onwards	We have investigated the management of pressure, which changes according to demand on our water distribution network. A proposal for installing 66 pressure monitors (see Sufficient & Resilient) has been developed. Detailed work to understand scope and costs will continue in 2018 with potential implementation taking place in 2019.	
Office waste minimisation	Ensure that waste production and consumption of resources is minimised within our office environment.	2016 - 2018	Further digitisation of paper based processes took place during the year and a new cleaning contract was agreed that enables us to measure our volume of 'black bag' waste. Initiatives to reduce this are planned for 2018.	



## SUFFICIENT AND RESILIENT

5

**Our water and wastewater systems are adapted to climate change and have sufficient capacity to meet the future needs of our island**

-  **Develop long-term strategies for water resources and drainage**
-  **Invest in the resilience of our critical assets**
-  **Plan to be ready for emergencies**

### Performance Highlights

Our priority was to assess the feasibility of our Drought Management Plan and we have found that the temporary installation of a containerised desalination plant is cost prohibitive given the low risk of a drought so severe that this measure would be needed. This means that although we currently have a good level of protection from drought, further work is needed to determine how we would deal with a major drought that is more severe than any on record.

We have made good progress with the development of recovery plans for our critical assets, which means that we are now better prepared for emergencies on our critical water and wastewater sites. We have also developed a Surface Water Management Strategy that will implement our policy for the long term adaptation of our island's drainage systems to climate change. As there is so much uncertainty regarding how much impact climate change will have over time, we will gradually progress this and adjust our pace of investment as uncertainty reduces.

**ZERO**  
RESTRICTIONS ON  
WATER USE  
IN 2017

### CASE STUDY



### Asset Recovery Plans

We have been preparing for challenges by assessing all the different ways that our most critical wastewater pumping stations and water treatment works could fail. We have assessed the resilience of these sites and made improvements. This might not always prevent the failure from occurring, but by ensuring critical spares are stocked and emergency pumping arrangements are understood in advance we can minimise any impact on customers if problems do occur.



## Capital Investment

### Raw water mains refurbishment

We completed the lining of the raw water transfer main between Longue Hougue and Juas raw water reservoirs. We used an innovative spray lining method which required minimal excavation of roads to keep costs down and minimise disruption. However, concerns with the structural integrity of the lining have imposed operational limits on the main. Whilst this is not affecting water resource management it does have implications for delivery of our raw water strategy, which is now being developed further.

### Water supply mains replacement

1.7 km of asbestos cement mains were lined or replaced as we continue to target pipes made of this material due to their age and fragility. A total of 2.6km of water main were lined or replaced in 2017.

### Water pressure management

Plans were put in place for remote monitoring of water pressure across our distribution network. This first phase of work will be delivered in 2018 and will allow us to assess the benefit of managing water pressure, which can reduce leakage and pumping costs. It will also enable us to provide early warning of pressure issues for customers, capture data that will help us to better manage our network and plan for future improvements.

## Business Performance

### Water resources

There were no restrictions on water use during the year, which started with lower stored water levels than normal. However, resources quickly recovered during a wet first quarter and were at 100% by March; this meant we hit our business plan target of being 95% full by April, the end of the winter recharge period. Water resources then remained healthy and remained above ten-year average levels for the rest of the year.

### Unplanned water supply interruptions

Water supply leakage and burst mains remained low and we continued to minimise the impact of these bursts on customers. Our distribution team worked quickly to deploy temporary supplies to reduce water supply interruptions.

Throughout the year the average monthly number of water supply interruptions as a percentage of our total number of customer supplies<sup>2</sup> was 0.5%, which is an acceptable performance<sup>3</sup> but means we just missed our target of less than 0.5%.



**We are now better prepared for emergencies on our critical water and wastewater sites**


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**STEPHEN LANGLOIS,**  
**GENERAL MANAGER**

<sup>2</sup> In accordance with Ofwat serviceability measure this is weighted according to the length of interruption.

<sup>3</sup> Good (<0.5%), Acceptable (0.5 - 2.0%), Needs Improvement (>2.0%).

## BUSINESS INITIATIVES

On Target =  Satisfactory progress but not all 2017 targets met =  2017 targets missed = 



Business Initiative	Description	Target Date	2017 Progress	Performance
Develop a Drought Plan	This plan will determine how we deal with drought and assess the risk of water use restrictions.	2016 - 2017	The cost of temporarily installing a containerised desalination plant was found to be prohibitive when compared to the risk. Alternative measures now need to be identified to deal with a very severe drought and this work will continue into 2018.	
Raw water strategy	We will invest in refurbishing and extending our network of raw water pipes.	2016 - 2017	Lining of the raw water main between Longue Hougue and Juas raw water reservoirs has been completed. Concerns with the strength of the new structural layer have imposed reduced operational limits on the main and put planned work on the Vale Pond to Juas raw water reservoir main on hold.	
		2022 - 2025	Work on Moulin Huet to St Andrews raw water main has been deferred pending a review of our strategy. To inform this review a hydraulic model of our raw water network is being developed to allow us to re-assess the priority of investment in replacing the main between Kings Mills water treatment works and Saumarez Tank.	
Develop an integrated drainage strategy	This strategy will determine how we manage all our drainage assets in the short to long-term.	2016 - 2018	A Surface Water Management Strategy for the island has now been completed. This will be needed to prepare proposals for improving the drainage of St Peter Port in 2018.	
Cost benefit assessment of Les Vardes quarry for raw water storage	Our water resource management plan will determine if this assessment is required. If so, it would also consider opportunities to decommission other water storage quarries.	2017 - 2018	This initiative was put on hold while the feasibility assessment of our proposed drought management measures was completed, as this may have deemed it unnecessary. A decision on whether it is required now or in future will be made in 2018.	
Development of emergency response & recovery plans	We will develop response and recovery plans for our critical assets using our hydraulic modelling.	2016 - 2019	Recovery plans have been prepared for all of our most critical wastewater sites. These are now available both electronically and on site. This has identified improvements to the availability of critical spares and emergency pumping arrangements. This initiative was put on hold while the feasibility assessment of our proposed drought management measures was completed, as this may have deemed it unnecessary. Further work on assessing the cost benefit is planned in 2018.	
Treated water storage resilience	Manage the age of drinking water in our distribution system to optimise drinking water disinfection.	2019	The importance of treated water storage for our disinfection strategy has advanced work to get a better understanding of how these assets perform. This will be needed to prepare proposals for significant investment in maintaining and improving our treated water storage facility on Forest Road.	



# FIRM FINANCIAL FOUNDATIONS

6

**Our operations and services are efficient, investment in our assets is affordable and an appropriate return on investment is available to the States of Guernsey**

-  **Benchmark our services to ensure we are providing value for money**
-  **Review our financial strategy to balance delivery of our plan against affordability for customers**

## Performance Highlights

Our priority was to ensure that we are in a strong financial position to meet the demands of our customers, the States of Guernsey and our staff. We made savings and efficiencies this year to help us achieve this.

Following the States' decision for us to refund the Belle Greve wastewater outfalls, £18.6m was repaid on 1 July 2017 from our cash reserves and a loan of £9.0m from the States of Guernsey Bond. The interest rate on the loan is fixed for the life of the loan. The savings and efficiencies we achieved in 2017 mean that we will not need to borrow to fund our capital programme in 2018 as previously anticipated.

This is the first year that budget holders have been fully empowered in relation to setting and managing their budgets. This helped us exceed our savings and efficiency target of £300k for 2017.

We carried out efficiency benchmarking against other water utilities. As a result we have set a saving and efficiency target of 1.5% per annum for the next eight years across both revenue and capital expenditure. This is on top of the efficiencies that are expected as a result of the recommissioning of Juas water treatment works and the decommissioning of Longue Hougue water treatment works. In 2018 we will go further than this by setting a 2.7% savings and efficiency target across revenue and capital expenditure.

**£428k**  
REDUCTION IN  
OPERATIONAL COSTS  
COMPARED TO 2016

## CASE STUDY

### Efficiency Benchmarking

Following a successful tender, Cambridge Economic Policy Associates benchmarked Guernsey Water expenditure against Ofwat's [The economic regulator of the water sector in England and Wales] models and Jersey and the Isle of Man to understand our relative efficiency.

The results of the exercise recommended an operational efficiency of 1 – 2% and capital efficiency of 2 – 3% per annum for the next eight years.

## Capital Investment

### Vehicles & Lorries

We replaced two lorries with just one in 2017 which has improved the efficiency of our fleet of vehicles. Two vans were also replaced.

## Business Performance

### Efficiency<sup>4</sup>

In 2017, additional savings of £428k were made compared to 2016 expenditure and a saving of £778k against budget was achieved. This meant that by the end of the year our efficiency of 32.4% exceeded our target of 31.4% for this key performance indicator.

During 2017 there were a number of vacancies in various departments that were not filled. In addition, the level of work carried out on capital

projects using in house expertise was significantly ahead of 2016. These two factors contributed to savings of approximately £377k. Whilst electricity costs were up on 2016 this was offset by the tariff optimisation work we did in 2016 with Guernsey Electricity. Further efficiencies were also made by continuing to carry out our water quality sampling according to risk.

### Funding Our Capital Programme<sup>5</sup>

Refunding the Belle Greve sea outfalls and a decision to shorten the asset life of Longue Hougue water treatment works continues to have a significant impact on our performance against our 'Funding Our Capital Programme' key performance indicator, which ended the year at 2.5% against a target of 4.4%.



**“Our priority was to ensure that we are in a strong financial position to meet the demands of our customers, the States of Guernsey and our staff. We made savings and efficiencies this year to help us achieve this”.**

**ANDREW MORTON,  
SENIOR FINANCE MANAGER**











<sup>4</sup> Operating surplus before depreciation and grants as a percentage of total income (excluding interest).

<sup>5</sup> Operating surplus after depreciation and grants as a percentage of total income (excluding interest)



## BUSINESS INITIATIVES

On Target =  Satisfactory progress but not all 2017 targets met =  2017 targets missed = 

Business Initiative	Description	Target Date	2017 Progress	Performance
Financial risk management	Independently review and cost our business risks to ensure they are reflected within an appropriate financial strategy, reducing the likelihood of financial difficulty.	2016	This is an ongoing process; financial risks have been identified and controls to mitigate those risks have been reviewed.	
Efficiency benchmarking	An independent review to identify our optimum level of efficiency for, assessing service levels and cost of water and wastewater service provision in comparison with water and wastewater companies in island jurisdictions and the UK water industry.	2016 - 2017	Efficiency benchmarking has been completed and a savings and efficiency target of 1% to 2% of operational expenditure has been recommended for the next eight years. In 2017 savings of 7% were achieved against budget and 4% against 2016 operational expenditure. The Guernsey Water Board has agreed a saving and efficiency target of 2.7% for 2018 with a further 1.5% per annum for the next 7 years.	
Performance monitoring system	Develop and embed a performance monitoring system that is relevant to staff at all levels in our organisation and reports key performance indicators that demonstrate the benefits of delivering our outcomes.	2016 - 2017	Our Scoreboard system has been enhanced to include additional key performance indicators.	
Financial strategy capital structure review	Joint review of Guernsey Water capital structure and borrowing requirement with Policy & Resources.	2016 - 2018	We have borrowed £9m from the States of Guernsey Bond to fund the Belle Greve Wastewater Outfalls Project. Future projects will be funded from the Bond as appropriate to the 'user pays' philosophy of the States of Guernsey.	
Empowered budget management	Develop and empower budget holders at all levels within our organisation.	2016 - 2018	This year was the first year that budget holders have been fully responsible for setting and working to an approved budget. The finance team continues to provide support in relation to forecasting and reporting.	
Energy efficiency	Deliver a 10% reduction in power consumption and identify opportunities for further efficiency.	2016 - 2020	An energy usage review was carried out with Guernsey Electricity at St Saviours water treatment works where it was felt there would be greatest opportunity for energy efficiencies. The opportunities identified were insufficient to merit a full audit. Future work is planned to review the timing of operations that could benefit from the use of low overnight tariffs.	
Customer 'willingness to pay' surveys	Where relevant for business cases; assess the value that customers place on key initiatives within our business plan. Establish a 'willingness to pay' consultation process to inform the review of our business plan in 2020.	2016 - 2020	Suitable business cases have not come forward in 2017, but this will be considered for any future capital projects that require significant financing.	
Property review	Review our property portfolio, which includes our quarries, to ensure these assets are delivering best value by maximising commercial, environmental and leisure opportunities for the public. Maximise returns from the sale of any assets that are surplus to requirements.	2017 - 2018	A number of assets were identified in 2017 that are potentially surplus to our requirements. Further work is to be carried out in 2018 to assess the potential risks and benefits of disposing of these assets.	







# HEALTH & SAFETY

The number of reported accidents in 2017 increased by a third, from 10 to 13 when compared to 2016. The increase in the number of accidents cannot be linked to one single factor, although sprains and strains continued to be responsible for 50% of our injuries, mainly from slips, trips and manual handling.

No RIDDOR [Reporting of Injuries Diseases and Dangerous Occurrences Regulations] injury reports needed to be made to the Health and Safety Executive (HSE) in 2017. Our number of near miss reports increased to 36 from 33 reports in 2016, which shows that we have continued to encourage a culture of reporting.

Our Accident Frequency Rate ended the year at zero against our target of less than 0.71. In 2016, 133.5 days were lost to injury, this was predominately linked with two manual handling accidents. In 2017 only 4.5 days were lost due to injury, a significant reduction of 97%.

17 health & safety training courses were delivered in 2017 by internal and external training providers. 386 individual training courses were delivered with the majority of training requirements identified through the implementation plans for our recently revised Health and Safety Directives. We continue to provide health and safety communications and four Safety Alerts were issued to employees in 2017. One of the alerts related to the installation of our new Sulphur Dioxide gas alarms and the three other Safety Alerts related to specific safety issues [First Aid, Noise and Water Meter boxes], two of which were linked to near miss reports.

As our WorkSafe HomeSafe initiative started to mature and as part of an overall strengthening of our internal governance, our Health & Safety Leadership Team was replaced with a Health & Safety Group, which now considers reports on all matters relating to Health & Safety.

Our Health & Safety plan for 2017 had seventeen objectives; two were not met. The two objectives that were not completed were the result of delays in launching our risk assessment program and a change to our proposal for a safety climate survey, both will be completed in 2018.

Our other objectives included full implementation of new Health & Safety directives for the management of confined spaces, sulphur dioxide, asbestos, working at height, management of contractors and mechanical lifting. Whilst only partially completed during 2017 these new directives have already introduced safer systems of work and good progress has been made with their implementation.

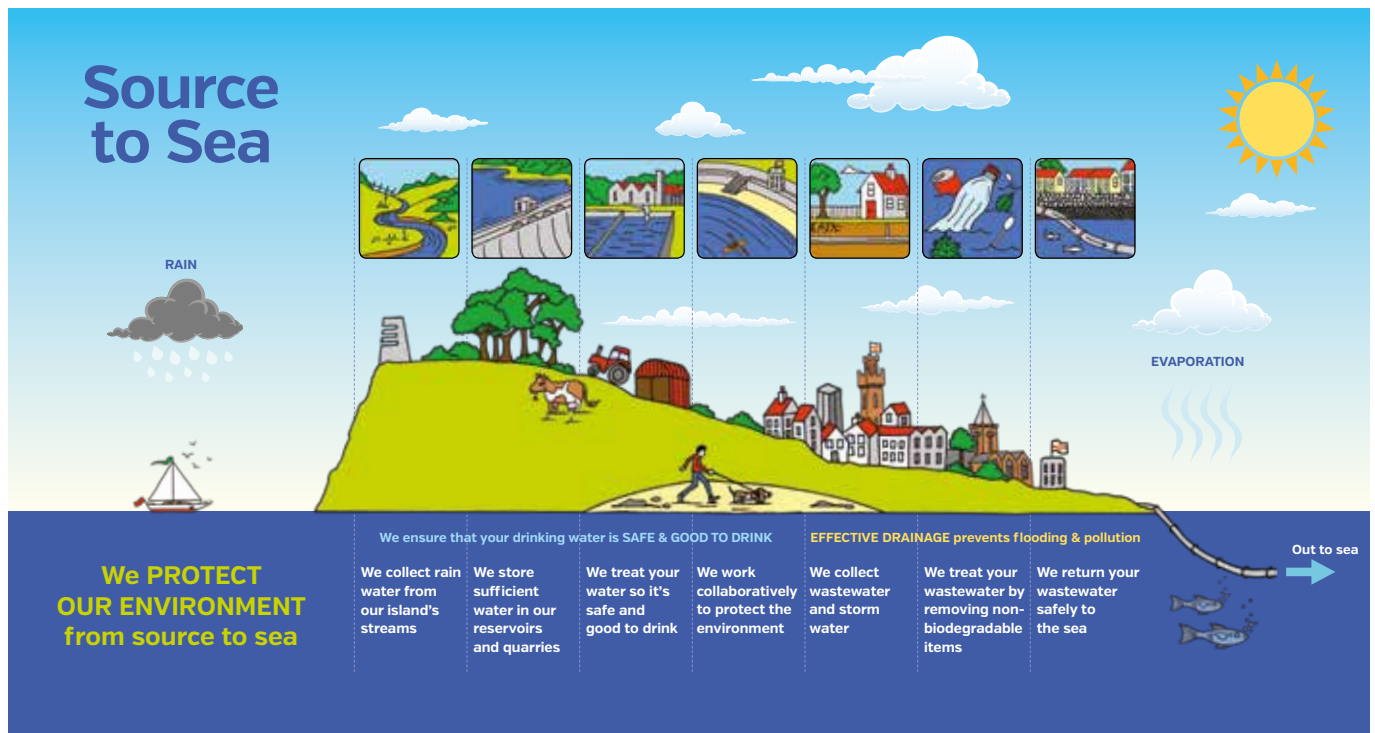


**“Zero RIDDOR injury reports to the Health and Safety Executive in 2017 and our Accident Frequency Rate ended the year at zero”.**

STEPHEN LANGLOIS,  
GENERAL MANAGER



# INVESTING IN THE COMMUNITY



Water is at the heart of our island community and we really value our responsibility for looking after it between source and sea.

We have a role in educating groups within the community and we proactively work with the island's primary and secondary schools, giving talks and hosting visits to our raw water reservoirs, water treatment works and the wastewater treatment centre at Belle Greve. We endeavour to engage with a broad range of groups interested in our work from local Women's Institutes to the Guernsey Grammar School & Sixth Form Centre.

We are committed to investing time in developing young people and this year we welcomed work experience

students from local schools to gain an understanding of all aspects of our business from customer service to stream sampling.

We continue to work with the Guernsey Work Experience and Institute of Directors Management Shadowing programmes to find suitable placements for students from a range of backgrounds.

Around the island, we have continued to support local events including providing potable water for Chaos Festival and the Saffrey Rotary Walk.

Our staff based at Brickfield House in St. Andrews supported local charities by taking part in the 2017 'Great Brickfield Bake Off'. Bakers competed for 'star baker' with all proceeds

donated to the Guernsey Welfare Service.

Crocuses planted at the entrance to Brickfield House by St Andrews Floral Group in 2016 supporting the Rotary 'Purple4Polio' campaign have flourished this year. The purple flowers help to raise awareness of the Rotary's fight for a polio free world, and by the end of 2017 this goal was closer than ever to being achieved.

Looking forward to 2018, we will be doing more to protect and improve the biodiversity of our operational sites. Members of staff will be volunteering to help Floral St Saviour Group plant native wild flowers at St Saviour's reservoir car parks to enhance areas of public access to the popular Millennium Walk.





**“We are committed to investing time in developing young people and this year we welcomed work experience students from local schools to gain an understanding of all aspects of our business from customer service to stream sampling”.**

STEPHEN LANGLOIS, GENERAL MANAGER



### Educational Visits

Students from Lycee Tocqueville technical college in Cherbourg visited the island in September 2017. The group explored the area around St. Saviour's reservoir with Sarah Brown from our water quality team to learn about our source to sea approach to clean and wastewater services.

### Work experience 'in the field'

Work experience student Samuel Galpin from Elizabeth College joined us in June. Working alongside the water quality team, he helped conduct benthic surveys of streams to monitor stream pollution and ecology.

Samuel said of his time with us, 'I found the experience very enjoyable because it involved a good balance between being out and about as well as inside an office. I particularly enjoyed doing benthic sampling in the streams at Petit Bot'.



# CORPORATE GOVERNANCE

The purpose of the Guernsey Water Board (GWB) is to support the delivery of the States' Trading Supervisory Board's (STSB) mandate, ensuring the efficient and effective management, operation and maintenance of Guernsey Water. The GWB is accountable to the STSB.

The GWB will normally focus attention on a relatively small number of critical items, in particular those with potential to have the greatest impact on, and manage risk to, Guernsey Water operations whether financial, regulatory, health and safety, environmental or reputational.

The GWB membership is a minimum of a Chairman who is not a States Member, a Political Member of the STSB, a Senior Executive of an Incorporated Company or one or more Senior Officers of the States, the General Manager and the Financial Manager.

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

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

The Chairman is responsible for:

The proper observance of the Terms of Reference;

- Overseeing and facilitating the conduct of the GWB meetings;
- Ensuring all GWB members have an opportunity to participate in discussion in an open, respectful and encouraging manner;
- Seeking consensus from the whole GWB for matters that may be referred to the STSB or when acting as a subcommittee;
- Setting agenda items in conjunction with the General Manager.

The GWB does not hold a fiduciary responsibility.

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

The GWB should operate by challenging established practices and assumptions, and creating, developing and critically reviewing long-term business plans and budgets to be set before the STSB for approval.

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

- To approve capital and revenue annual budgets in line with the long-term budgets approved by the STSB;
- To approve annual business plans in line with long-term strategy and planning approved by or directed by the STSB;
- To approve and issue annual reports;
- To guide and steer Guernsey Water.

In carrying out these responsibilities the GWB is bound and enabled by States of Guernsey rules for financial and resource management and the rules, directives policies and procedures of the States of Guernsey, such as, but not limited to: Finance; Procurement; Property; Human Resources; Data Protection; Health and Safety Management; Risk and Issue Management; Managing Matters of Litigation; Relevant legislation.

The GWB has the authority delegated by the STSB to direct the Guernsey Water General Manager in the day-to-day operation of Guernsey Water in line with approved budget and business plans.

In fulfilling this purpose, the GWB will:

- Receive regular operational, sale/management information and financial reports from the General Manager and, as appropriate, reports from the Guernsey Water management team, with a view to directing Guernsey Water as appropriate or recommending a course of action to the STSB;
- Receive and review regular financial performance report;
- Receive updates on significant projects;
- Prioritise and ensure work streams progress in order to meet objectives and key performance indicators;
- Consider, advise and make recommendations on aspects of Guernsey Water operations and provision of service;
- Provide challenge and guidance within the capital investment and capital approvals process and approve capital expenditure within the GWB's delegated authority;
- Submit annual budgets and business plans in line with the States of Guernsey budgeting process to STSB;
- Consider and agree long-term business plans, budgets, forecasts [capital and revenue] prior to submission to the STSB for approval;
- Advise on and agree prices and pricing policy in relation to the

services provided by Guernsey Water;

- Consider any regulatory authority reports in relation to Guernsey Water, including the Health and Safety Executive, review options and take action to ensure compliance;
- Own the Guernsey Water risk register and report risks in line with agreed policy;
- Receive, review and recommend action from other reports as may be requested by the GWB.

A recommendation by the GWB to the STSB to amend the Terms of Reference must be made by majority of all GWB members.

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

The GWB will meet on an as and when required basis, and in any event once a quarter. One such meeting shall be the equivalent of an Annual General Meeting, which all members of the STSB, the Managing Director, States of Guernsey Trading Assets and the Finance Business Partner shall attend.

In the event due process has not been followed, the GWB must render itself unable to make a decision until such time process has been followed.

Within five days of the meeting, the relevant Executive Assistant who attended the meeting, will prepare and circulate a confidential copy of the minutes for approval by members. Reports are distributed for consideration by the GWB not less than 5 days prior to the meeting.

# WHO'S WHO?

## THE LEADERSHIP TEAM

**Stephen Langlois**

General Manager

Stephen joined Guernsey Water in July 2014 and his leadership draws upon a wealth of experience from many years working in the UK water sector, most recently Anglian Water. He is a chartered water and environmental manager with a post graduate qualification in water and wastewater treatment technology from Cranfield University.

Stephen has 20 years of professional water and wastewater management and operational experience. His role is to lead a team that ensures the quality and resilience of the island's drinking water supply and the safe return of wastewater to the environment. As an executive to the company Board he ensures that Guernsey Water continues to be well managed, maintains its focus on efficiency, performs strongly for its customers, is able to evidence continuous improvement and compares well with benchmarks.

**Margaret McGuinness**

Water Quality Risk Manager

Margaret joined Guernsey Water in August 2015 after almost 20 years' experience within the water industry. She has an in-depth knowledge of water and wastewater systems. As Public Health Manager at Scottish Water she was responsible for managing drinking water quality and wastewater pollution incidents.

Margaret is a Fellow of the Royal Society of Chemistry, a member of the Royal Society of Public Health and chair of the Public Health Network for Water UK. Her team manages water quality risk from source to sea, ensuring customers receive drinking water of the highest quality and that wastewater discharges meet environmental standards.

**Mark Walker**

Capital Delivery Manager

Mark is a chartered civil engineer with over 30 years' experience in the water industry in the UK. This includes substantial experience of working under the economic regulation needed by the UK water industry. He has also worked in local government and for engineering consultants. Mark's role is to oversee all Guernsey Water's capital projects.



**Chris Hall**

Customer Services Manager

Chris joined Guernsey Water in 2007 bringing a wide range of experience from dairy, retail, motor Industries and the Royal Air Force. He oversaw the successful centralisation of Guernsey Water to the Brickfield House site in St. Andrews and the introduction of the wastewater charge in 2011.

He is responsible for ensuring all of our customers receive a high quality service with billing or account queries. He also oversees the organisation's administration.

**Jon Holt**

Operations Manager

Jon is a chartered engineer with 20 years' experience across operations and asset management in the water industry. He joined Guernsey Water in 2011 from Anglian Water. As operations manager, Jon oversees the operation and performance of all of Guernsey Water's clean and wastewater assets. This ensures that Guernsey Water is able to provide a resilient, high quality service to its customers 24 hours a day.

**Andrew Morton**

Senior Finance Manager

Andrew joined Guernsey Water in December 2015 and was appointed to his current position in May 2016. He was previously Chief Operating Officer for the Channel Islands Securities Exchange; a position he held for over 15 years.

Andrew is a Chartered Accountant and a member of the Institute of Directors and is responsible for all financial aspects of Guernsey Water. As an executive to the company Board he ensures that Guernsey Water continues to be well managed, maintains its focus on efficiency, performs strongly for its customers, is able to evidence continuous improvement and compares well with benchmarks.

# ACCOUNTS

## Financial Performance

### for the year ended 31 December 2017

Guernsey Water made a surplus of £387k in 2017 (2016 - £706k). The performance continues to be impacted by costs associated with the Water Treatment Strategy, the current phase of which will be completed in 2018 with the re-commissioning of Juas Water Treatment Works and the decommissioning of Longue Hougue Water Treatment Works.

In addition, Guernsey Water benefited from high levels of returns from the States of Guernsey investments, accounting for £496k of income in 2017 (2016 - £882k). This is lower than the amount achieved in 2016 but during 2017 £9.6m of cash reserves was reimbursed to the Capital Reserve as part of the payment for the Belle Greve Wastewater Outfalls.

In a difficult operating environment Guernsey Water was able to reduce the level of expenditure in 2017 by £428k (a reduction of 3.9%).

## 'Contributions' to the States of Guernsey

On 1 July 2017 Guernsey Water returned £18.6m to the Capital Reserve in accordance with the States of Guernsey resolution on 2 November 2016. This return relates to the reimbursement of the cost of the Belle Greve Wastewater Outfalls.

Guernsey Water did not make any other financial contribution to the States of Guernsey (2016 - £1.5m)

## Customers

Guernsey Water provides water to the majority of the residents and business on Guernsey. Guernsey Water also collects and treats wastewater from all properties on the Island.

	2017	2016	Change %
<b>Number of supplies:</b>			
Paying by tax on real property	8,414	8,558	-1.7%
Paying by measure	17,469	17,205	+1.5%
<b>Total</b>	<b>25,883</b>	25,763	+0.5%

## Financial Highlights

	Actual 2017 £'000s	Budget 2017 £'000s	Actual 2016 £'000s
Revenue	15,689	16,334	15,707
Surplus for the financial year	387	668	706
<b>Capital Expenditure</b>	<b>4,489</b>	6,884	4,788

During 2017 there were significant changes that had a material impact on the financial position.

1. Following the approval of the Water Treatment Strategy in 2016, Juas Water treatment works is being re-commissioned and once completed Longue Hougue water treatment works will be decommissioned in 2018. As a result of this, those assets that cannot be utilised have had their useful life shortened and hence additional depreciation of £526k (2016 - £477k) has been incurred.
2. The States of Guernsey resolved on 2 November 2016 to direct Guernsey Water to transfer a maximum of £19.9m to the Capital Reserve to reimburse the total cost of Belle Greve Wastewater Outfalls Project. On 1 July 2017 Guernsey Water transferred £18.6m to the Capital Reserve of which £9.0m was borrowed from the States of Guernsey Bond, the balance was funded from cash reserves.
3. As a result of the performance of the States of Guernsey's investments, Guernsey Water has accounted for £496k (2016 - £882k) in investment return on balances held with States Treasury despite returning £9.6m from cash reserves to the Capital Reserve.

In relation to capital expenditure, the major works completed include the rolling capital programme, Fort George wastewater outfall and the slip lining of water mains.

## Operational Performance

### Volume supplied in million litres (ML):

Delivered to customers paying by measure
Delivered to other customers
Operational use, firefighting and losses
Total put into supply

2017	2016	Change %
2,612	2,620	-0.3%
1,205	1,269	-5.0%
725	685	+5.8%
4,542	4,574	-0.7%

### Service:

Restrictions on supply
Burst mains
Discolouration - claims paid

None	None	None
38	41	-7.3%
5	3	+66.7%

### Unit costs (partially weather related):

Water production (per ML)
Water distribution (per supply)
Full time equivalent employees
Average number of full time employees

£398	£386	+3.2%
£18	£20	-8.7%
81	83	-2.4%
80	80	±0.0%

## Statement of Comprehensive Income

### for the year ended 31 December 2017

	2017 £	2016 £
<b>Revenue</b>		
Water supplies	10,666,647	10,627,330
Waste water supplies	3,464,837	3,400,024
Other income	1,557,111	1,679,200
	<b>15,688,595</b>	15,706,554
<b>Expenses</b>		
Operating expenses	7,174,976	7,360,277
Management expenses	3,246,237	3,488,442
	<b>10,421,213</b>	10,848,719
<b>Operating surplus before depreciation, amortisation and loss on disposal of fixed assets</b>	<b>5,267,382</b>	4,857,835
Depreciation/amortisation	[5,225,796]	[4,998,494]
Loss on disposal of fixed assets	10,989	[36,568]
<b>Operating (deficit)/surplus for the year</b>	<b>52,575</b>	[177,227]
Investment return and net interest receivable	496,757	883,568
Interest payable	[162,736]	-
<b>Surplus for the financial year</b>	<b>386,596</b>	706,341

All material activities derive from continuing operations.

There are no recognised gains or losses or other movements in reserves for the current or preceding financial years, other than as stated in the Statement of Comprehensive Income.

## Statement of Financial Position

### as at 31 December 2017

	2017 £	2016 £
<b>Non-current assets</b>		
Intangible fixed assets	141,313	180,913
Tangible fixed assets	147,400,879	151,075,213
Investment property	650,000	650,000
Assets under construction	4,733,359	1,761,513
	<b>152,925,551</b>	153,667,639
<b>Current assets</b>		
Inventories	1,414,699	1,383,000
Debtors and prepayments	2,111,809	2,171,940
Cash at Bank	882,839	177,539
Balances with States Treasury	3,099,805	11,874,258
	<b>7,509,152</b>	15,606,737
<b>Creditors: amounts falling due within one year</b>	<b>[2,137,424]</b>	[20,032,720]
<b>Net current assets/(liabilities)</b>	<b>5,371,728</b>	[4,425,983]
<b>Creditors: amounts falling due after more than one year</b>	<b>[20,097,157]</b>	[11,428,130]
<b>Total net assets</b>	<b>138,200,122</b>	137,813,526
<b>Reserves</b>	<b>138,200,122</b>	137,813,526

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

Deputy C. Parkinson 15 May 2018

President

#### Signed on behalf of the States of Guernsey Trading Assets

Mr S. Elliott 15 May 2018

Managing Director



## Statement of Changes in Equity for the year ended 31 December 2017

	2017 £	2016 £
<b>At 1 January</b>	<b>137,813,526</b>	138,607,185
Surplus for the financial year	<b>386,596</b>	706,341
Contribution to States of Guernsey General Revenue	-	[1,500,000]
<b>At 31 December</b>	<b>138,200,122</b>	137,813,526

## Statement of Cash Flows for the year ended 31 December 2017

	2017 £	2016 £
<b>Net cash flows from operating activities</b>	<b>[12,844,191]</b>	4,536,500
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	<b>[4,489,153]</b>	[4,788,498]
Proceeds from disposal of assets	<b>16,434</b>	-
<b>Net cash flows used in investing activities</b>	<b>[4,472,719]</b>	[4,788,498]
<b>Cash flows from financing activities</b>		
Contribution to States of Guernsey General Revenue	-	[1,500,000]
Investment return and interest received	<b>496,757</b>	943,567
Loans taken out in period	<b>9,000,000</b>	-
Capital repaid	<b>[86,264]</b>	-
Interest paid	<b>[162,736]</b>	-
<b>Net cash flows from financing activities</b>	<b>9,247,757</b>	[556,433]
<b>Net decrease in cash and cash equivalents</b>	<b>[8,069,153]</b>	[808,431]
<b>Cash and cash equivalents at the beginning of the year</b>	<b>12,051,797</b>	12,860,228
<b>Cash and cash equivalents at the end of the year</b>	<b>3,982,644</b>	12,051,797
<b>Reconciliation to cash at bank and in hand:</b>		
Cash at bank and in hand	<b>882,839</b>	177,539
Balances with States Treasury	<b>3,099,805</b>	11,874,258
<b>Cash and cash equivalents</b>	<b>3,982,644</b>	12,051,797

## Revenue

All revenue is derived from activities within the Bailiwick of Guernsey. An analysis of Guernsey Water's revenue by class of business is set out below:

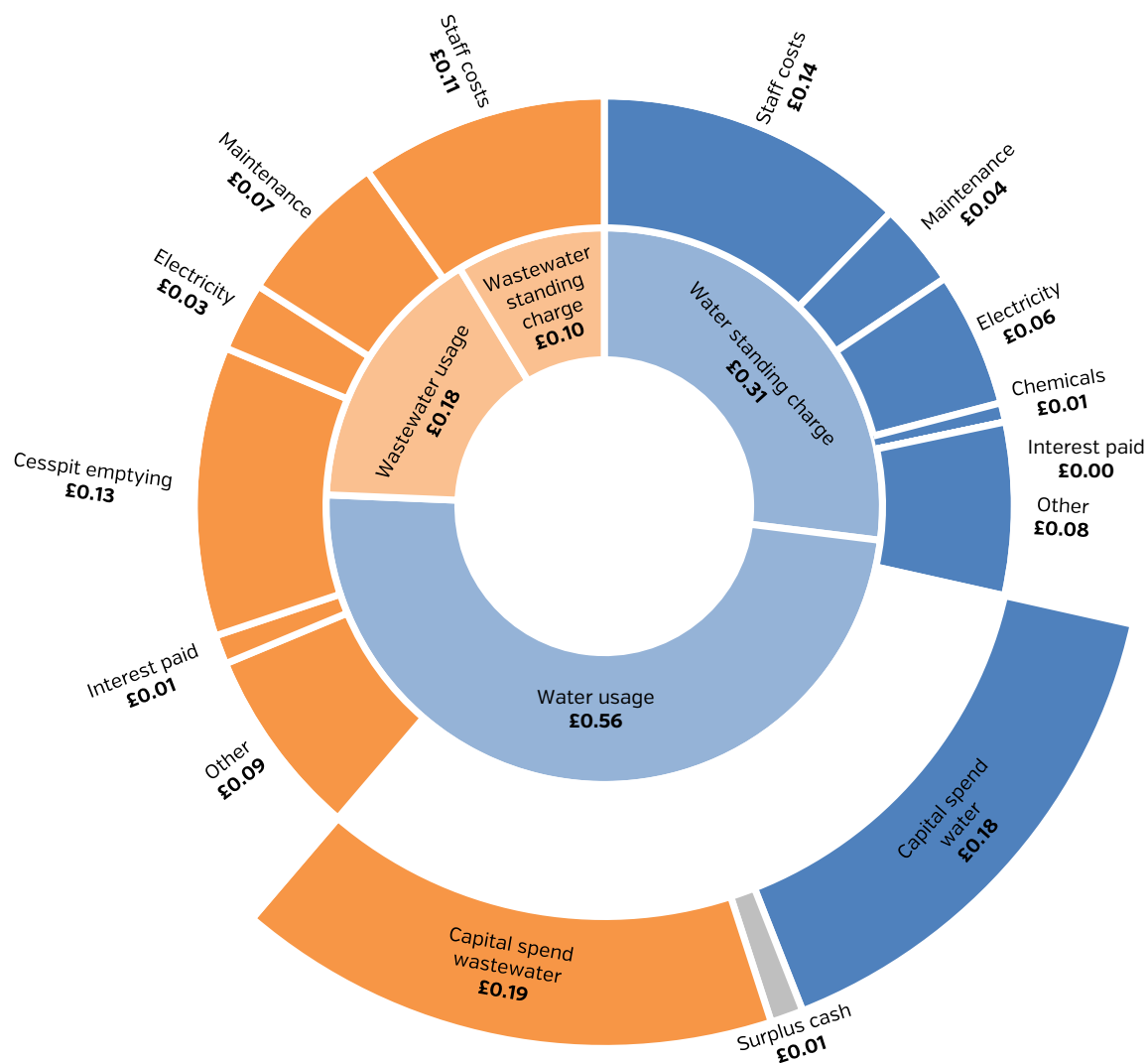
	2017 £	2016 £
<b>Water Supplies</b>		
Unmeasured	3,623,934	3,586,807
Measured	7,042,713	7,040,523
	<b>10,666,647</b>	10,627,330
<b>Waste Water Supplies</b>		
Unmeasured	1,277,573	1,238,777
Measured	2,187,264	2,161,247
	<b>3,464,837</b>	3,400,024
Cesspit emptying income	1,082,585	1,083,122
Net surplus on other trading activities (see below)	205,785	393,342
Grant released	268,741	202,736
	<b>15,688,595</b>	15,706,554
<b>Net surplus on other trading activities</b>		
Standard charges for service laying	146,078	238,574
Charges for work at ascertained cost	30,098	34,755
Property rental income	115,606	127,140
Stores issues	539,257	432,268
	<b>831,039</b>	832,737
<b>Expenditure</b>	<b>[625,254]</b>	[439,395]
	<b>205,785</b>	393,342

## Expenses

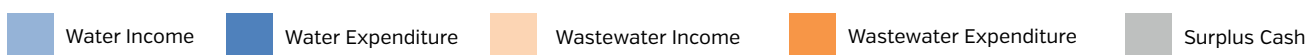
	2017 £	2016 £
<b>Operating expenses</b>		
Water production	1,808,016	1,765,153
Water distribution	472,279	514,814
Asset Management	353,437	434,358
Pumping	1,313,454	1,293,818
Sewers	3,227,790	3,352,134
	<b>7,174,976</b>	7,360,277
<b>Management expenses</b>		
Management and general	1,067,758	969,100
Water quality and risk management	523,303	650,915
Customer services	728,923	861,230
Finance and support services	926,253	1,007,197
	<b>3,246,237</b>	3,488,442
<b>Total expenditure</b>	<b>10,421,213</b>	10,848,719

# HOW WE SPEND YOUR MONEY

The average metered Guernsey Water customer spends £1.15 per day with us. Here's how we spend that income comparing expenditure on water and wastewater service provision.



## Key





States of Guernsey  
Trading Assets



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Running water

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