

Guernsey Water
Annual Report and
Financial Statements 2016

2016



States of Guernsey
Trading Assets



GuernseyWater
Running water



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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.”

PRESIDENT'S STATEMENT



New Government

2016 was a year of fiscal challenge and political change as our new structure of government was implemented. This included formation of the States' Trading Supervisory Board (STSB) to oversee the States' incorporated and non-incorporated trading entities.

I was elected by the States as President of the STSB on 21 September and would like to pay tribute to my predecessor, the late Deputy Dave Jones. As one of our longest serving States members he was a passionate politician and I am grateful for the formative work he did with the STSB.

New Board

The STSB provides oversight of Guernsey Water which continued to perform well for both customers and the States throughout 2016. While Guernsey Water's business plan was established prior to the formation of the STSB it has flexibility in important areas such as the development of financial strategy. Having this plan in place while the STSB formed provided Guernsey Water with clear direction and enabled it to continue moving forward.

Returns

In 2016 the States supported the Policy & Resources Committee's budget proposition for Guernsey Water to refinance its Belle Greve sea outfalls replacement. This

investment is already delivering benefit for customers and will now return £18.6m to capital reserves in 2017, helping the States meet its emerging fiscal challenges. We will be required to take on debt to fund this investment and work will continue in 2017 to determine the most appropriate funding mechanism for both Guernsey Water customers and the States.

In addition the board also ratified a redistribution of £1.5m from Guernsey Water's property reserve¹ to general revenue. This still leaves the business in a healthy cash position with just over £12m held at the end of 2016, which will be important for refinancing the Belle Greve sea outfalls.

The board is confident that Guernsey Water can deliver planned efficiencies to enable it to fulfil these returns while delivering its business plan and constraining bill increases for customers.

Strategy Development

In 2016 we made significant progress with the development of our long term water and wastewater plans. Our water resource and drought management plan considers the islands water needs until 2040, takes account of our changing climate and provides the tools for dealing with severe drought. This work will establish a clear direction for short to medium-term investment in water resources. A new water treatment strategy will also provide

our customers with a more resilient water supply, even better drinking water quality and significantly improve our operational efficiency.

In addition, Guernsey Water's surface water management policy was approved by the Committee for the Environment & Infrastructure. This policy will ensure adaptation of the island's drainage over the long term, with investment keeping pace with climate change and ensuring resilience to changing weather patterns. A strategy for the delivery of this investment will be developed in 2017.



A new water treatment strategy will provide our customers with a more resilient water supply, even better drinking water quality and significantly improve our operational efficiency.

Charles Parkinson

¹ Comprised of funds from property sales and rental.



GENERAL MANAGER'S STATEMENT



Our new business plan was published in April and we've already made good progress with delivering the outcomes we aim to achieve for our customers.

STEPHEN LANGLOIS

2016 was another successful year for Guernsey Water and this is reflected in our operational and financial performance. It was a year of change for our organisation. It was also a year in which we began our capital restructure, with agreement to fund our Belle Greve sea outfalls triggering preparations for a move away from our save-to-spend financial model. Ultimately this decision will bring long term benefits for our customers, make a significant contribution to the States' financial objectives and benefit our wider community.

Business Improvement

Our new business plan was published in April and we've already made good progress with delivering the outcomes we aim to achieve for our customers.

Earlier in the year we completed a reorganisation to enable us to deliver our business plan successfully. This was a difficult time for our employees as many had to deal with the uncertainty that comes with change. However, they remained unwavering in their commitment to our customers throughout. I appreciate their professionalism and thank them for working with us to make these changes.

Financial Performance

Revenue in 2016 was £15.7m, which was marginally down on the income we received in 2015 due to a small reduction in customers' water usage. Despite considerable restraint during the year, operating expenses have increased by 2%, primarily due to restructuring costs. These two factors combined have reduced our surplus before depreciation to £4.9m from £5m in 2015.

A significant return on our investments with States Treasury helped us achieve a post depreciation surplus of £706k. Interest received from these investments offset an operating deficit caused by increased depreciation costs associated with our water treatment strategy. This

² The accounting standards applicable in the UK and Republic of Ireland [FRS102]
³ Excluding net interest receivable and grant received



£4.8m

IN IMPROVING AND MAINTAINING THE INFRASTRUCTURE WE USE TO SERVE OUR CUSTOMERS

£1.5m

RETURNED TO THE STATES FROM OUR PROPERTY RESERVE

will improve water quality, resilience and the efficiency of our water treatment works, but requires us to reduce the remaining useful life of Longue Hougue from eight to three years. This has added to depreciation costs and will continue to do so for the next two years.

Our strong financial performance in recent years has also enabled us to make a one-off return to the States of £1.5m from our property reserve. This reserve was created from property sales and rental.

In addition, the grant previously received for our Belle Greve outfalls has been converted into a short term loan which will be repaid in 2017. Looking ahead to next year, the cash we hold with Treasury will be added to a proportion of longer term debt and used to fund the Belle

Greve sea outfalls. This will limit interest receipts and incur a cost of capital. Together with the increase in depreciation, this change to our capital structure may result in a short term deficit over the next two years before we return to surplus in 2019.

Investment in Services

We invested £4.8m in improving and maintaining the infrastructure we use to serve our customers. We have made good progress with the implementation of our water treatment strategy. 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.

Operational Performance

Our reorganisation and the development of strategic plans did not detract from our provision of valued day-to-day services for our customers. During 2016 we improved the safety of our drinking water as compliance increased to 99.91%, equalling our second best ever annual performance.

Taste complaints also fell by 73% making our water even better to drink. Although leakage increased slightly, it remains exceptionally low when compared to the rest of the UK and again this year we responded promptly to mains bursts, minimising the impact on our customers.

OUR 6 OUTCOMES





VALUED BY CUSTOMERS

1

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

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

73%
REDUCTION IN
DRINKING WATER
TASTE
COMPLAINTS

Performance Highlights

Our priority was to make it much easier for our customers to deal with us. To help achieve this we created our Income and Contact team to deal with billing enquiries and initial customer contact.

We also created our Customer Liaison team to manage our relationship with business customers and developers. Customer Liaison acts as a single point of contact for customers with more complicated queries that can't be resolved when they first get in touch with us; the team takes ownership of these issues and works towards resolution with different teams in Guernsey Water. Feedback from our customers tells us that they are already seeing the benefit of these changes.

We also undertook our most comprehensive customer survey to date with feedback on our services from a representative sample of 613 households. The overall

results were positive; one in five customers surveyed had contacted us regarding an issue with their household water supply or drainage system and, where we undertook work for them, the average rating they gave for the quality of service was 82%. In terms of overall value for money the average customer rating was 64% although charges were one of the main concerns raised by respondents.

Their primary concern was the taste of our drinking water; this is a focal point for our 'Safe and Good to Drink' business plan initiatives and we're pleased to report a 73% reduction in taste and odour complaints last year.

Our main focus for 2017 is the introduction of a new customer relationship management system which will allow recording, tracking, monitoring and reporting of customer enquiries. This will give us a comprehensive view of what is important to our customers and, once

CASE STUDY



Proactive engagement with estate agents

Historically it has been difficult to keep as up to date as possible with home occupier information. Our account managers now work proactively with all of the island's estate agents to ensure that, when Guernsey Water customers move in and out of rental and owned properties, records are as accurate as possible.

Business Initiatives

On Target = Satisfactory progress but not all 2016 targets met = 2016 targets missed =

Business Initiative	Description	Target Date	2016 Progress	Performance
Customer Challenge Group	Appoint a group of customer representatives to help develop our customer charter and hold us to account	2016	This has been deferred while the governance of all States' trading assets is reviewed by the newly established States Trading Supervisory Board.	
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	An initial survey was completed in July 2016 and a wealth of customer feedback was received that's being used to inform our plans. The survey did not provide an overall measure of customer satisfaction that can be benchmarked against the performance of other businesses. This will be revisited with the Customer Service Institute in 2017.	
Dedicated Account Managers	Assign specific individuals to make it easier for businesses and developers to do business with us.	2016	Account managers were appointed in the summer of 2016.	
Customer Liaison Team	Create a customer-centred team to deal with more complex water and wastewater customer issues.	2016	This new team was appointed in March 2016.	
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.	
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	Engagement with the Customer Service Institute has enabled access to a wide range of metrics and sectors; further work is planned for 2017.	
Enhance our Website According to Customer's Needs	Continue to update and improve our website to increase the volume and ease of information and services accessed by our customers.	2016 onwards	A new website has been approved and will be launched in 2017.	
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	Our use of social media has significantly increased with staff both reactively and proactively using the facility to engage with customers.	
Focus Groups	Appoint a select group of customer representatives to engage with us on specific initiatives proposed in our business plan.	2016 - 2025	Chosen customers will be given training to maximise the benefit our customers get from this and initial groups will be set up in the first quarter of 2017. Initial focus will be on a review of our customer charter and guaranteed service standards.	

linked in to our operational systems, it will enable much more proactive contact with them when needed.

Capital Investment

Customer Relationship Management (CRM)

Implementation of our new CRM system began in 2016 and will be delivered in early 2017. This will allow for recording, tracking, monitoring and reporting of customer contacts. Trend analysis will be developed to address those issues important to our customers in a timely manner.

Online developments

We are improving our website to make it a more useful and dynamic experience for customers and staff.

Metering

We continued to install meters for new customers and those that switched to using a meter; the number of customers using meters has increased from 16,954 [66.1%] at the end of 2015 to 17,205 [66.8%] by the end of last year.

IT Integration and server renewal

Some small scale IT integration was completed that linked Agility, our asset management system, with Navision, our billing and financial management system. This enabled us to calculate the unit cost of treating water which was important for the development of our water treatment strategy - one of our 'Safe and Good to Drink' initiatives. We are upgrading our Navision server to SQL and have renewed two servers.

Business Performance

Timing of bills

Ensuring customers receive their bills in a timely manner helps households and businesses manage their budgets. 100% of our bills were issued on time in 2016.

Percentage of outstanding debt versus turnover

If we don't manage customer debt effectively it could have an inflationary effect on our prices. It is also important to support those customers who are struggling to pay. Both of these factors are allowed for in our target of 0.5%. During 2016 this percentage was 0.47% which shows there's a good balance between customer support and debt recovery.



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

99.91% COMPLIANCE WITH DRINKING WATER STANDARDS

Performance Highlights

Our priority was to review the Drinking Water Safety Plans that help us manage water quality risk at every step of our process between source and tap.

As a result we have expanded our catchment management (see Protect Our Environment) activity to focus more on addressing water quality risks from agriculture. This work will continue into 2017 and beyond as we improve and refine our plans.

Drinking water is vital for public health so it is very important that we have a good compliance record in water quality. We continue to apply best practice in line with UK and European legislation and, in 2016, our compliance improved to 99.91% from 99.84% in 2015. We

have robust sampling programmes in place both for compliance and monitoring the raw water we collect and store for drinking water. We will continue to strive for continuous improvement in the quality and taste of our drinking water in 2017 and beyond. That's why next year we are planning to invite the Drinking Water Quality Regulator for Scotland to externally audit our drinking water compliance monitoring.

Capital Investment

We have carried out initial refurbishment works at Juas water

CASE STUDY



Making sure our water tastes good

Last year our customers reported they didn't like the seasonal taste issues with the drinking water. We've invested in a meter to monitor algae in our reservoirs; we also set up a panel to monitor the taste of our water supply allowing us to switch to different water sources if algae start to cause problems.

Business Initiatives

On Target = Satisfactory progress but not all 2016 targets met = 2016 targets missed =

Business Initiative	Description	Target Date	2016 Progress	Performance
Robust Risk-based Compliance Sampling	Our sampling regime will provide our regulator with transparent, quality-assured water quality performance information. It will also be externally audited by a UK Regulator.	2016 – 2017	A robust risk based sampling programme investigation was completed and is in place for 2017. This will be externally audited in 2017.	
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 produced and are in the process of being agreed with our regulator; exercises are planned for 2017 that will test these plans.	
Drinking Water Safety Planning	Source-to-tap water quality risks will be identified and managed through Drinking Water Safety Planning in line with the UK water industry.	2016 – 2020	Drinking Water Safety Plans were in place by the end of 2016.	
Quality Assurance	Our operational policies and procedures will be developed in consultation with the Office of Environmental Health and Pollution Regulation. 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 2017 that focusses on our operational procedures.	
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 WTW.	2016 – 2018	We attained board approval for our strategy which would refurbish our Juas WTW and decommission our Longue Hougue WTW. Detailed design and delivery will commence in 2017.	

treatment works in line with our water treatment strategy to improve the resilience of our drinking water supply.

Online water quality monitoring will be progressed in 2017 and focus on conductivity measurements of raw water intakes to our water treatment works (WTW).

The security of our sites is important for health and safety and water quality risk management. In 2016 we invested in securing our Brickfield House site and a number of our raw water storage sites. A review of existing site security at our critical water sites has also started and will continue in 2017.

Following the development of a hydraulic model for our water distribution system (see Sufficient and Resilient) we have started developing a preventative maintenance programme of mains flushing. We have over 400km of water mains so it is important for

this programme to effectively target potential problem areas at the right time. This work will continue in 2017. In 2016 work on our disinfection strategy was deferred to 2017 to prioritise completion of our drinking water safety plans.

Business Performance

Water quality compliance

Our overall compliance figure for 2016 is 99.91% with 100% compliance for both water treatment works and service reservoirs; for our North and South water distribution zones the compliance was 99.69% and 99.12%, respectively.

The distribution failures we saw in 2016 were bacteriological failures at customers' taps that were traced to a number of factors including poor tap hygiene. In one case historic valve management in our water distribution system caused an area of

low flow and reduced chlorine levels; a 'lessons learned' review has updated our valve operating procedure. Disinfection by-products also affected distribution compliance although this improved when compared with 2015. Distribution compliance will remain a focus in 2017.

Customer contacts

Work to minimise customer contacts regarding water quality has progressed well in 2016. By the end of the year we had received a total of 128 water quality-related contacts compared with 227 in 2015. Taste and odour complaints were also significantly reduced with only 45 complaints in 2016 compared to 164 in 2015. Closer monitoring and recovery plans for algal issues played a part in this decrease. Further work will be carried out in 2017 to minimise the impact algae can have on the taste of our water for customers.



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

41,430 METRES OF SEWER WAS CLEANED DURING 2016

Performance Highlights

Our priority was to develop a long term strategy for adapting our drainage systems to climate change and managing surface water on the island as part of our integrated drainage strategy. Our surface water management policy was completed and endorsed by the Committee for the Environment and Infrastructure. This allowed us to develop proposals for a Surface Water Management Strategy which will be completed in 2017.

To demonstrate our surface water management policy we worked with other States Offices to refurbish an outdoor play area at Vauvert Primary School using sustainable drainage techniques. Monitoring after the work was completed proved the benefit of this approach. We will now develop our strategy for

implementing this policy across the island.

Completion of our wastewater SCADA system has enabled us to better understand the performance of our foul and surface water pumping stations, control them remotely and respond to emergencies caused by asset failure.

Year-on-year performance data can now be analysed and trends on performance can be better understood. Asset recovery plans using the benefits of remote monitoring and control have also been developed for some of our critical pumping stations. This work will continue in 2017.

The completion of our wastewater hydraulic model has enabled us to better understand some of the recent flooding on the island. Solutions to reduce the risk of flooding for customers can now be tested within the model.

CASE STUDY



Sustainable Drainage Project

Guernsey Water worked in partnership with the Education Department at Vauvert Primary School to reduce the speed of run-off water into the main foul sewer and consequential flash flooding downstream. Some of the surface water management techniques included a shallow planted trench and permeable playground. Rain water flow monitoring now shows a significant reduction in the surface water speed into the foul sewer network.

Business Initiatives

On Target = Satisfactory progress but not all 2016 targets met = 2016 targets missed =

Business Initiative	Description	Target Date	2016 Progress	Performance
CSO [Combined Sewer Overflow 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 SCADA system to give live alarm data. However we've experienced unreliability in some of our installations; their performance will be assessed in 2017 to determine whether a different approach is needed.	
Promote SuDS [Sustainable Drainage Systems] 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 bit-by-bit over time.	2016 – 2017	Our SuDS Policy was completed during 2016 and received endorsement from the Committee for the Environment and Infrastructure. Phase 1 of our exemplar SuDS retrofit scheme at Vauvert School was completed and flow monitors showed the pilot was successful. A proposal for a Surface Water Management Strategy was completed and work is due to start in 2017 to identify areas which will deliver greatest benefit from retrofit SuDS in the future. User guides for SuDS and permeable paving were completed and will be made available 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.	
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.	2016	Steady progress has been made on the development of a surface water hydraulic model. So far effort has been focussed on a small pilot area in order to test the effectiveness of applying computational models to streams. Progress has been slower than planned due to our deliberately cautious approach to using techniques developed for river modelling rather than our small streams. We have also used summer placement students to undertake surveys rather than more costly consultants.	
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 2016 in reducing the peak readings of Hydrogen Sulphide within the sewerage network by dosing with a 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.	

Capital Investment

Pumping Station Refurbishment
We have completed some refurbishment work at our Belle Greve Wastewater Centre to ensure ongoing compliance with our discharge permit. We have also developed a proposal for refurbishment of our Gele Road pumping station which has suffered from corrosion caused by Hydrogen Sulphide gas.

Sewer Rehabilitation and Manhole Replacement
We have lined 5km of sewer and refurbished manholes and covers at 30 locations during 2016. These rolling programmes are primarily targeted at the refurbishment of

foul sewers and manholes at risk of blocking or collapse.

Flood Mitigation
We have provided flood mitigation measures to four properties which are at risk of internal foul flooding.

La Piette Outfall
We have carried out major cleaning and inspection of La Piette outfall. This reduces the risk of flooding to properties by discharging storm water in the event of heavy rainfall. Further refurbishment is still needed and proposals will be developed in 2017.

Operational Capital
We have carried out refurbishment and

replaced a number of failed culverts, chamber covers, lateral drains, valves and pumps as part of our operational capital investment programme.

Business Performance

Reportable Discharges Against Permit
There was one reportable discharge from Belle Greve Wastewater Centre during 2016.

Sewer Flooding Register
Sewer flooding incidents reduced in 2016 largely due to there being fewer intense storm events.



PROTECT OUR ENVIRONMENT

4

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

- Reduce our waste
- Work in partnership to improve bathing water quality

66%
REDUCTION IN
OVERDUE OIL
STORAGE
IMPROVEMENTS

Performance Highlights

Our priority was to ensure our discharges do not have an unacceptable impact on the environment - be that the marine environment or the atmosphere through odorous gases from our wastewater systems. In 2016 our environmental regulator issued a draft FEPA⁴ licence for operations at our Belle Greve Wastewater Centre. In the near future we expect permits to be issued for all our wastewater discharges; once in place we will publish details of our compliance with them.

Bathing water compliance is an ongoing focus for us even though our bathing water management initiative shows that, in most cases, overflows from our wastewater system are not the primary risk to bathing water quality. We have installed monitoring equipment on all

our combined sewer overflows (see Effective Drainage) to assess this risk. However, although data is being collected, the performance of some of these monitors is under review. Alternative options will be explored in 2017 if these monitors cannot provide the reliability we need.

Capital Investment

Harbour St Sampson's Pumping Station Refurbishment

Phase one of this project, to provide an alternative rising main capable of passing increased flows from the pumping station, was completed following difficulties with the jointing of the new pipe. Commissioning of this new main was ongoing at the end of the year. The increase in capacity will reduce spill volumes from our North harbour side and South harbour side combined sewer overflows helping to improve bathing water compliance particularly at Bordeaux.

CASE STUDY



Bathing Water Quality

We carried out a hydrodynamic study of our coastline to understand and predict the quality of the water. This looked at the impact our assets, together with contamination from streams and animals, have on bathing water. It particularly looked at the east coast and Pembroke and Ladies Bays where compliance has been poor. Findings suggest streams and seagulls are a greater risk to compliance than our assets (e.g. CSOs).

Business Initiatives

On Target = Satisfactory progress but not all 2016 targets met = 2016 targets missed =

Business Initiative	Description	Target Date	2016 Progress	Performance
Catchment Management	To manage the quality of the water we capture for treatment we will adopt a risk-based approach to the use of pesticides, herbicides and fertilisers while seeking to prohibit high risk chemicals. We will audit high risk oil installations and poorly maintained cesspits.	2016 onwards	Following the ongoing review of oil storage defects in liaison with the fuel supply companies, the number of out of date defective units reduced from 448 at the start of the year to 153 at the end. As a result of our Drinking Water Safety Planning we re-prioritised our effort to focus on our highest risk catchments and their water quality risks; this work is ongoing.	
Bathing Water Partnership	Collaborative partnership with other stakeholders to protect and improve the quality of the island's bathing waters.	2016 onwards	Regular meetings held during the year. Investigations into water quality issues at Pembroke/L'Ancrese beaches have not identified a proven source of contamination.	
Trade Effluent Management	Liaison with our regulator to ensure that the forthcoming Water Pollution Ordinance provides adequate powers for control of trade effluents.	2016 - 2017	Our input has ensured that this need is understood by our regulator and a mechanism for including this within the ordinance has been agreed with the Law Officers. However, because of delays to drafting, it is likely that full implementation will not be achieved by the end of 2017.	
Bathing Water Management	This plan will assess the impact of potential contamination sources (streams and overflows) on bathing waters.	2016 - 2017	Phase two of a three-phase approach to this initiative was completed during the year; it indicates that the main risk to bathing water quality is streams. The cost and benefits of phase three (providing real time bathing water quality alerts) is currently being assessed.	
Demand Management Strategy	This strategy will co-ordinate the delivery of our demand management measures for: <ul style="list-style-type: none">Water supplyWastewater collection	2016 - 2020 onwards	Our management of the demand for water is intrinsically linked with the progress of our Water Resources Management Plan (see Sufficient and Resilient), which will inform the level of work needed on leakage and pressure management. Our Integrated Drainage Strategy will consider surface water management and infiltration reduction (see Effective Drainage).	
Office Waste Management	Ensure that waste production and consumption of resources is minimised within our office environment.	2016 - 2018	In 2016 reduced lighting during the bright summer months saved around 25kWh/day of power. We also digitised our water sampling procedure and implemented online access to enable meetings to go paperless. Recycling and waste monitoring was also a key consideration for the tendering of our Brickfield House office cleaning contract. This will enable us to track our ongoing efforts to minimise office waste.	

Belle Greve Outfalls Replacement (phase 4)

Commissioning of our new outfalls was completed in 2015. However the contractual maintenance period did not expire until October 2016 following a successful period of performance. A dive survey in July and August showed the outfalls were performing as expected and no major issues were found.

New pumps were installed in the storm pumping station at Belle Greve Wastewater Centre that now meet design standards and permit requirements for discharging flow in storm conditions.

Fort George

Water quality modelling in 2016 has confirmed the environmental

requirements for our improvement of this discharge. We are working with our regulator and estate management company to progress delivery of a cost effective solution in 2017.

Business Performance

Bathing Water Compliance

Sampling showed deterioration in bathing water quality in 2016. We are working with the States' bathing water quality partnership to improve water quality management in the catchment of streams that pose a risk to bathing water quality. This is of particular relevance to Guernsey Water customers in catchments such as Petit Bot where we also collect water for the supply of drinking water.



Our priority was to ensure our discharges do not have an unacceptable impact on the environment.

⁴ Food and Environment Protection Act 1985



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

ZERO
NO RESTRICTIONS
ON WATER USE
IN 2016

Performance Highlights

Our priority was to develop a long-term water resource strategy for the island and phase 1 of this work is complete. This means we now understand the level of protection from drought we can provide for our customers and how to deal with drought when it occurs. Phase 2 will assess in more detail the feasibility of our drought management plan. However, because of our recent investment in water collection, 2016 was another year without the need for drought measures and there were no water use restrictions.

We have also developed a surface water management policy for the long-term adaptation of our drainage systems to climate change. As there is so much uncertainty regarding how long it will take climate change to really impact us, we will gradually progress this and

adjust our pace of investment as uncertainty reduces.

Capital Investment

Raw water mains refurbishment

We have commenced the lining of the raw water transfer main between Longue Hougue and Juas storage reservoirs. We are using an innovative spray lining method which is largely a ‘no dig’ technique to keep costs down and minimise disruption. It’s a new technique and the work has been slower than we originally planned. However, because of the strength of the material used it can be applied in a thinner layer saving an estimated £380k in comparison to conventional spray lining and £1m in comparison to pipe replacement.

Water supply mains replacement

This ongoing programme has lined or replaced 3.11km of water mains this year. 1.77km of asbestos cement mains are included within these figures as we continue to target

CASE STUDY



St Saviour's reservoir during the drought of 1976

Drought Planning

Our water resource and drought management plan assesses the island's water needs until 2040. It looks at the impact of drought on our water reserves and how to reduce water demand and increase supply as drought intensifies. It identifies three action levels; hosepipe restrictions would be introduced at level 2 and, on average, customers could expect this once every 20 years. 2016 was another year without water use restrictions.

Business Initiatives

On Target = Satisfactory progress but not all 2016 targets met = 2016 targets missed =

Business Initiative	Description	Target Date	2016 Progress	Performance
Develop a Water Resource Management Plan	This plan will help us determine how we meet the long-term water demands of our island.	2016 – 2017	Phase one completed on time, the cost benefit of using Les Vardes Quarry for water storage will be assessed in 2017.	
Usable water investigations	A sedimentation survey of our St Saviours reservoir and water quality survey at different depths of our Longue Hougue reservoir.	2016 – 2017	Bathymetric surveys of our six largest water storage reservoirs were carried out to confirm their storage capacity. Analysis of the depth profile of water quality at Longue Hougue is ongoing.	
Develop a Drought Plan	The plan will determine how we deal with drought and assess the risk of water use restrictions.	2016 – 2017	Action levels for drought management determined. Analysis suggests that drought measures could reduce the risk of hosepipe/sprinkler bans to 1 in 20 years. The feasibility of these measures will be tested in the next phase of this work.	
Raw Water Strategy	We will invest in refurbishing and extending our network of raw water pipes.	2016 – 2017	We planned to commence three schemes in 2016 but only the relining of our raw water transfer main between Longue Hougue and Juas reservoirs has started. Bursts on our Moulin Huet and Vale Pond transfer mains has increased the importance of progressing these schemes in 2017.	
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 policy for the adaptation of our drainage systems to climate change has been supported by the States' Environment & Infrastructure Committee. A sustainable drainage exemplar project has been completed at Vauvert Primary School.	
Development of Emergency Response & Recovery Plans	We will develop response and recovery plans for our critical assets using our hydraulic modelling.	2016 – 2019	A hydraulic model of our water supply network has been completed and is now being used to understand the impact of critical asset failure. Mitigation measures and emergency response plans will be developed in 2017.	

pipes made of this material due to their age and fragility.

St Saviour's dam (parapet wall maintenance)

We worked with local contractors and specialist advisors to repair cracks in the parapet wall along the dam walkway at St Saviour's reservoir. While the weathering of the walkway and parapet walls has no implications for the integrity of the dam itself, these repairs avoided greater deterioration of the dam structure in the longer term and have extended the life of this critical asset.

Water network modelling

We have developed a hydraulic model of our water distribution system which has improved our understanding of how it performs. This enables us to test improvements to the system and helps us plan for and deal with emergencies.

Business Performance

Unplanned water supply interruptions

We had 40 water mains bursts in 2016; although a small increase on the 38 bursts we had in 2015, water supply leakage and burst mains remain low. We have also continued to minimise the impact of these bursts on customers; in most cases our distribution team rapidly deployed temporary supplies to reduce the amount of time their water supply was interrupted.

This was tested when one of our critical water mains burst on 13 April in Rue du Dos D'Ane, which resulted in widespread low pressure for customers and a number of discolouration complaints once supply had been restored. Our new customer liaison team supported the customers affected. Throughout the year the average monthly number of interruptions as a percentage of customer supplies⁵ was 1.4%, which is an acceptable performance⁶ but means we missed our target of 0.5%. This was solely due to the Rue du Dos D'Ane burst, as this alone meant the target for the year could not be recovered.



We now understand the level of drought protection we can provide for our customers and how to deal with drought.

⁵ In accordance with Ofwat serviceability measure this is weighted according to the length of interruption.
⁶ Good (<0.5%), Acceptable (0.5 - 2.0%), Needs Improvement (>2.0%).



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

£300k
WE EXCEEDED OUR ANNUAL EFFICIENCY AND SAVINGS TARGET

Performance Highlights

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

Following the decision of the States that Guernsey Water should pay for the Belle Greve outfalls, a review of our future cash flows was carried out to assess the impact of refinancing this investment on our customers. We concluded that we could constrain bill increases and still deliver our business plan if we are able to achieve significant efficiencies across our business before 2020.

States' trading assets are expected to provide a return on investment to the States of Guernsey and work has been carried out to identify the nature and level of these returns. This included an assessment of the one-off £1.5m distribution from

our property reserve that was returned to the States in 2016.

Important work has also been carried out to ensure that budget holders are empowered to make informed decisions when managing their budgets and they understand the impact their decisions have on the business as a whole. Budget holders have been trained in budget forecasting so that the leadership team has good information on which to base financial decisions during the year and into the future.

We carried out funding and tariff benchmarking against similar businesses in Jersey and the UK and a successful tender process has concluded for efficiency benchmarking against other water utilities. These two reports will inform the development of our financial strategy. We have also progressed our energy efficiency initiative to reduce our power costs. Guernsey Electricity estimate that work we did with them last year to ensure our sites are on the right electricity tariff could save us £26k in 2017. We will also be working with Guernsey Electricity

CASE STUDY
Tracking our Performance with Scoreboard

Scoreboard is a software system continually tracking performance in line with our business plan outcomes. Each outcome has key performance indicators (KPI's) assessed against a red (target missed), amber (satisfactory progress - not all targets met) and green (on target) score. Each KPI is weighted based on its importance to the business and our stakeholders with a score for each individual outcome.

Business Initiatives

On Target = Satisfactory progress but not all 2016 targets met = 2016 targets missed =

Business Initiative	Description	Target Date	2016 Progress	Performance
Chargeable Services Review	Implement cost-reflective fees for supplementary services currently provided at no cost to customers.	2016	A review of all services provided to customers was undertaken and a revised fee schedule implemented for these services in 2016.	
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 – 2017	This is an ongoing process – financial risks have been identified and the controls in place to mitigate those risks have been reviewed. The next step is to put a cost on those risks and this is expected to be completed in 2017.	
Efficiency Benchmarking	Independent review to identify an optimum level of efficiency for Guernsey Water - assessing service levels and cost of water and wastewater service provision in comparison with companies in island jurisdictions and the UK.	2016 – 2017	Our funding structure and tariffs have been benchmarked against Jersey Water and water and wastewater utilities in the UK. Efficiency benchmarking has been put out to tender and this work is due to start in February 2017.	
Performance Monitoring System	Develop and embed a performance monitoring system that is relevant to staff at all levels in our organisation and reports KPIs that demonstrate the benefits of delivering our outcomes.	2016 – 2017	A scoreboard system is in place that allows KPIs to be monitored and reported graphically, clearly showing trends in the performance of our business. Further development of our KPIs will continue in 2017.	
Financial Strategy Capital Structure Review	Joint review of Guernsey Water capital structure and borrowing requirement with Policy & Resources.	2016 – 2018	Following the States recent decision that Guernsey Water should pay for Belle Greve outfalls, our financial position has been modelled for the next 10 years and a decision on the nature of our funding for this and future capital structure is expected in 2017.	
Empowered Budget Management	Develop and empower budget holders at all levels within our organisation.	2016 – 2018	During 2016 budget holders within Guernsey Water have received training on budget monitoring and forecasting. In addition ongoing support has been provided by the finance team in relation to forecasting and reporting.	
Energy Efficiency	Deliver a 10% reduction in power consumption and identify opportunities for further efficiency.	2016 – 2020	In 2016 a comprehensive review of the current electricity tariffs for our operational sites was completed and a number of changes were made. In 2017 it is planned to carry out an energy audit on a test site to assess the possibility of saving energy by changing our operating procedures.	
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 2016, but this will be considered for any future capital projects that require significant financing.	

to develop an energy audit process for our operational sites in 2017 to try to identify further cost savings.

Capital Investment

Vehicles & Lorries
A vehicle strategy was implemented that has led to a reduction in servicing and fuel costs. We have also replaced our network survey unit so that we are well equipped to survey and understand the condition of our network of pipes, helping to ensure that maintenance of this network is focused on those areas that need it the most.

Investment in a new lorry was brought forward due to the escalating cost of maintaining the current one which is reaching the end of its life.

IT
New tablets have been given to our field-based staff and provide invaluable access to asset records and our telemetry system so they can see how those assets are performing in real time.

Business Performance

Efficiency⁷
Tight control of our operating expenditure offset lower than expected operating income last year. At the start of 2016 we targeted £300k of efficiencies and savings against our budget, we delivered £306k. This improved our performance to just below 30% and exceeded our 27.5% target. Further efficiency savings are planned for

2017 when we will also be carrying out a benchmarking assessment to determine a longer term efficiency target based on comparison with other water companies, including those in other island jurisdictions.

Funding Our Capital Programme⁸
Funding the Belle Greve sea outfalls and a decision to shorten the asset life of Longue Hougue water treatment works had a significant impact on this key performance indicator. Our operating surplus as a percentage of revenue was 4.5% against a target of 3%.

⁷ Operating surplus before depreciation and grants as a percentage of total income (excluding interest).
⁸ Operating surplus after depreciation and grants as a percentage of total income (excluding interest).

HEALTH & SAFETY

WorkSafe HomeSafe

Many of our activities and assets pose a constant and significant risk to our colleagues; in some cases this has the potential to result in fatal or major injury if these risks are not carefully controlled and managed. Our 'WorkSafe HomeSafe' initiative was launched in 2015 with the aim of developing a collaborative culture of health and safety throughout our organisation. The foundation for this is our health and safety charter which everyone in Guernsey Water has signed up to. To provide visible support for the initiative our leadership team carry out monthly active management visits to observe and listen to feedback from colleagues carrying out tasks that expose them to health and safety risk.

Policy review

'WorkSafe HomeSafe' also initiated a review of our approach to all high risk areas of work. This has involved close liaison with colleagues across our business to develop policies that are practical, help them to work safely and also meet our legal

requirements. The following high risk activities have been reviewed in the last year:

- Working in confined spaces
- Mechanical lifting
- Toxic gas handling
- Working at height
- Asbestos management
- Management of contractors

Performance

During 2016 our number of reported accidents reduced by 50% when compared to 2015 and throughout the year our average total accident frequency rate¹⁰ trend was downwards. This highlights the benefit of progressing our WorkSafe HomeSafe initiative during the last two years.

Despite this very encouraging performance our RIDDOR¹¹ accident frequency rate¹² increased during 2016, so we have taken steps to address this in our health and safety plan for 2017.

No formal legal action was taken by the Health & Safety Executive against Guernsey Water during 2016.



Throughout the year our average total accident frequency rate¹⁰ trend was downwards. This highlights the benefit of progressing our WorkSafe HomeSafe initiative during the last two years.

STEPHEN LANGLOIS

REPORTED
ACCIDENTS
REDUCED BY 50%
WHEN COMPARED
TO 2015

¹⁰ Total AFR = (Total number of accidents per month / Total hours worked) x 100,000 (as 12 month rolling average).

¹¹ Reporting of Injuries, Diseases and Dangerous Occurrences (Health and Safety at Work (General) (Guernsey) Ordinance 1987.

¹² RIDDOR AFR = (Number of RIDDOR / Total Hours Worked) x 100,000 (as 12 month rolling average).

INVESTING IN THE COMMUNITY



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

Guernsey Water is at the heart of our island community. From source to sea, we value our responsibilities as the island's water stewards. We take great care to ensure water keeps running from its source through the treatment and the supply of drinking water to our customer's taps and finally through the collection and safe return of wastewater to our surrounding coastal sea.

We have a role in educating groups within the community and we

proactively work with the island's primary and secondary schools exhibiting at the annual careers fair, giving talks and hosting visits to our water reservoirs and wastewater treatment centre. Again this year we welcomed a student as part of the Institute of Director's Management Shadowing Scheme – investing our time in the future of young minds in all aspects of our business.

Our Capital Delivery team, on behalf of the Channel Island Group of Civil Engineers (CIGPE), arranged for Nick Baveystock, the Director General of the Institution of Civil Engineers, to present a 'lunch and learn' session focusing on membership of the Institute of Civil Engineers (ICE). We were joined by some 30 civil engineers from other States

departments and individuals from the private sector.

We also take time out to visit primary schools and colleges to talk about a career in engineering.

Through a variety of community initiatives we continue to raise awareness of using water wisely, how to prevent flooding and pollution and explaining more sustainable methods of drainage.

Our employees also embrace local community projects; volunteering their time to worthy causes throughout the year. They're also encouraged to get involved in their own fundraising activities and, during 2016, staff raised money for local charities in a "Great Brickfield Bake Off" culminating in a Christmas special.

We have supported a number of local initiatives including Living Streets Guernsey, leaflets for The Millenium Walk and the Tumaini Fund and The Eleanor Foundation overseas – specifically their water points work in Kagera, Tanzania. Funds raised have gone to support the studies of two young men in Tanzania, Levocatus and Eliud, so they can achieve their ambition of working to provide safe and sustainable water supplies for the people of their country.



A Level Students' Educational Visits

A level Environmental Studies students from The Grammar School and Sixth Form Centre visited our Belle Greve Wastewater Centre to understand how sewage is disposed of.

"Being able to see, at first hand, the processes involved in treating the island's wastewater gives our students a much better understanding of any issues involved," said Sally Le Poidevin, The Grammar School and Sixth Form Centre Environmental Science teacher.

Wild Flower Meadow

In partnership with St Andrew's Floral Group we helped prepare and plant a wild flower meadow at our Brickfield House site to celebrate the Queen's 90th birthday. This project was part of an ongoing biodiversity programme in the parish and had a strong synergy with our water catchment management programme.

Our employees were also involved in the Rotary Purple Polio Campaign the aim of which is to raise awareness of this water borne disease in polio-endemic countries. We helped plant some of the 10,000 crocus corms in the parish.



A copy of Guernsey Water's Community Investment Policy can be found on water.gg

CORPORATE GOVERNANCE

Compliance

The States Trading Supervisory Board (STSB) provides political oversight of Guernsey Water's delivery of the relevant operational functions conferred on the STSB by legislation and resolutions of the States of Guernsey.

The States' Committee for the Environment & Infrastructure is responsible for the development of government policy relating to the island's water resources and drainage. The STSB is responsible for challenging and helping to develop strategy that enables Guernsey Water to meet these policy requirements and other States' strategic aims.

The STSB evaluates the performance of Guernsey Water leadership by monitoring business performance. They consider the integrity of financial information and the strength of financial controls and compliance with the States' rules and directives.

Guernsey Water recognises the value of proportionate and relevant application of good practice principles in corporate governance - predominantly those contained within the UK Corporate Governance Code published in September 2014. Guernsey Water is committed to working with the STSB to further developing the application of these principles in a way that is relevant to its governance as an unincorporated trading asset.

Election and Constitution of the States Trading Supervisory Board

The constitution and membership of the STSB is determined by the States of Guernsey upon the recommendation of the Policy & Resources Committee. As a minimum the president, and at least one other member of the board, shall be States deputies and at least two other board members not be States deputies. Once appointed the board is responsible for the election of its vice-president from within its membership. None of the STSB members are able to serve on the States' Transport Licensing Authority.

The constitution of the board allows for the recruitment of individuals with an appropriate balance of political and commercial skills with the expectation being that those members who are not States' members have skills in connection with setting strategic direction, corporate governance, board and shareholder responsibilities, strategic and operational benchmarking and so forth. On 21 September 2016¹³ the States agreed that it would not appoint more members beyond the minimum requirements set out above.

Board Transition

2016 was a year of transition for the governance of Guernsey Water. On 27 November 2015¹⁴ the States resolved that, as part of a

reorganisation of States affairs, the STSB would be established as a committee of the States on 1 May 2016. From January to April 2016 political oversight of Guernsey Water continued to be provided by the Public Services Department Board which was dissolved following the restructuring of government.

On 21 September a States member was elected as STSB¹⁵ president to serve the unexpired term of office of the late president who was elected on 11 May 2016¹⁶. On 18 May a States member was elected as member of the STSB until 30 June 2020¹⁷. On 21 September, following an open and robust recruitment process, two voting members of the STSB, that are not members of the States, were elected. The term of all STSB members aligns with the electoral cycle and ends on 30 June 2020¹⁸.

Board Information and Professional Development

States of Guernsey Trading Assets includes a corporate services team responsible for providing administrative and secretariat support to the STSB. They also give guidance on States committee procedures and governance.

For each scheduled board meeting the Corporate Services team ensures that, during the week before the meeting, STSB members receive a copy of the meeting agenda, financial, strategic and operating

information and information on any other matter referred to the board for consideration. The Guernsey Water leadership team is responsible for providing this information to Corporate Services in a timely manner. If a STSB member cannot attend a meeting they receive the agenda and accompanying papers in advance of the meeting and are able to comment on the matters to be discussed.

All newly-appointed STSB members have participated in an extensive internal induction programme that introduces them to all the States' trading entities both incorporated and unincorporated.

Performance Evaluation

Evaluation of STSB performance will be considered once it has been functioning for sufficient time.

The Guernsey Water leadership team commissioned an independent evaluation of its performance in 2016. This consisted of observing the Guernsey Water leadership team meetings and appropriate sub-committee meetings. One-to-one interviews were held with each team member. A summary report and recommendations were presented to the leadership team for consideration and progression.

Remuneration

The remuneration of the Guernsey Water leadership team consists of basic salary and retirement benefits

in line with their grade and standard States of Guernsey employment terms and conditions for civil servants.

Remuneration for STSB members is set out in States' members pay rules and is resolved by the States following recommendation by an independent review panel¹⁹.

Accountability and audit

Financial Reporting

Our annual report is intended to provide a clear assessment of the performance and prospects of Guernsey Water. We have a comprehensive system for reporting financial results to the STSB. An annual budget is prepared and presented to the STSB for approval. During the year monthly management accounts are prepared with a comparison against budget and prior year. Monthly capital expenditure reports are compared against budget. These reports are complimented by monthly forecasts and are reviewed by the Guernsey Water leadership team and the STSB.

Risk management

The STSB is responsible for ensuring Guernsey Water is compliant with the States' risk management directive. The Guernsey Water leadership team is responsible for establishing and maintaining an effective system of internal control that meets the requirements of this directive. While all elements of risk cannot be eliminated the system aims to

identify, assess, prioritise and, where possible, mitigate business risks.

Although no system of internal control can provide absolute assurance against material misstatement or loss, systems are designed to provide the STSB with reasonable assurance that Guernsey Water assets are safeguarded, transactions are properly authorised and recorded and that material errors and irregularities are either prevented or detected within a timely period.

Audit

Details of our annual financial audit are set out in the independent auditors' report within our Annual Report and Financial Statements.

Guernsey Water is also subject to internal audit by the States Audit and Risk team. In 2015 this team audited Guernsey Water's data protection arrangements and follow up actions were completed last year. An audit of our governance and management of capital investment has also been agreed for the first quarter of 2017. Audits are requested by the Guernsey Water leadership team; this is part of our system of internal controls to meet the States' risk management directive.

¹³ Resolution of the 21st September [2016] Billet d'État No. XXIII

¹⁴ Resolution of the 27th November [2015] Billet d'État No. XXI

¹⁵ Resolution of the 21st September [2016] Billet d'État No. XXIII

¹⁶ Resolution of the 11th May [2016] Billet d'État No. XV

¹⁷ Resolution of the 18th May [2016] Billet d'État No. XVI

¹⁸ Resolution of the 21st September [2016] Billet d'État No. XXIII

¹⁹ Resolution of the 26th January [2016] Billet d'État No. I, Article 10

WHO'S WHO?

THE LEADERSHIP TEAM



Stephen Langlois
General Manager

Stephen took over as the Island's Director of Water Services in July 2014 bringing with him 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 waste water treatment technology from Cranfield University. Stephen has over 15 years of professional water and wastewater management and operational experience. His role is to ensure the safe and efficient operation of the island's drinking water supply and sewerage system.



Margaret McGuinness
Water Quality Risk Manager

Margaret joined Guernsey Water in August 2015 after almost 20 years' experience within the industry. She has an in-depth knowledge of water and waste water systems. As Public Health Manager at Scottish Water she was responsible for managing drinking water quality and waste water 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 20 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 St Andrew's reservoir site and introduction of the wastewater charge in 2011. He is responsible for ensuring all 25,000 of our customers receive a high quality service with billing or account queries. He also oversees the organisation's finances and administration.



Jon Holt
Operations Manager

Jon is a chartered engineer with over 15 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.

ACCOUNTS

Statement of Activities and Performance

for the year ended 31 December 2016

During the financial year ended 31 December 2016, responsibility for Guernsey Water fell initially within the mandate of the Public Services Department until 30 April 2016 and then, under new arrangements agreed by the States of Guernsey for the organisation of States' affairs, responsibility for Guernsey Water was transferred to the mandate of the new States' Trading Supervisory Board (the "Board") with effect from 1 May 2016. All references in this document to the States' Trading Supervisory Board should be read as relating to the Public Services Department if prior to 1 May 2016.

Principal Activities

Guernsey Water, a business unit of the States' Trading Supervisory Board, delivers to its customers:

- **A reliable supply of high quality drinking water in sufficient quantity that satisfies normal daily demand at the lowest cost consistent with meeting a high level of customer service and confidence.**
- **A reliable wastewater collection service which treats and returns flow to the environment sustainably and efficiently.**

Financial Highlights

	Actual 2016 £'000s	Budget 2016 £'000s	Actual 2015 £'000s
Revenue	15,707	15,737	15,724
Surplus for the financial year	706	444	949
Capital Expenditure	4,788	7,259	23,991

During 2016 there were significant changes that had a material impact on the financial position.

- Following the approval of the Water Treatment Strategy, Juas Water Treatment Works is being recommissioned and once completed Longue Hougue Water Treatment Works will be decommissioned. As a result of this, those assets that cannot be utilised have had their useful life shortened and hence additional depreciation of £476,659 has been incurred.
- The States of Guernsey resolved on 2 November 2016 to direct Guernsey Water to transfer a maximum of £19,900,000 to the Capital Reserve to reimburse the total cost of Belle Greve Wastewater Outfalls Project. As a result of this the original grant received has been converted into a short term creditor and any release to the Statement of Comprehensive Income has been reversed.
- As a result of the performance of the States of Guernsey's investments, Guernsey Water has received £898,275 in investment return on balances held with States Treasury.

In relation to capital expenditure, Wastewater has now been integrated into Guernsey Water's remote control systems (SCADA), 5km of sewers have been rehabilitated, La Villette pumping station has been refurbished, the Kings Mills Water Treatment Sludge Thickening project and the Water Resource Management & Drought Plan have been completed.

Operational Performance

Number of supplies:

Paying by tax on real property	8,558	8,701	-1.6%
Paying by measure	17,205	16,954	+1.5%
Total	25,763	25,655	+0.4%

Volume supplied in million litres (ML):

Delivered to customers paying by measure	2,620	2,639	-0.7%
Delivered to other customers	1,269	1,271	-0.1%
Operational use, firefighting and losses	685	617	+11.0%
Total put into supply	4,574	4,527	+1.0%

Service:

Restrictions on supply	None	None	None
Burst mains	41	39	+5.1%
Discolouration - claims paid	3	1	+200.0%

Unit costs (partially weather related):

Water production (per ML)	£386	£477	-17.0%
Water distribution (per supply)	£20	£22	-9.1%

Full time equivalent employees	83	87	-4.6%
Average number of full time employees	80	80	None

Other matters:

In 2016 Guernsey Water made a one-off contribution to States of Guernsey General Revenue of £1,500,000. This contribution was made from the Property Development Fund. This reserve was originally created to fund Guernsey Water's centralisation development and is made up of net property sales, let property income and nominal interest.

ACCOUNTS

Statement of Activities and Performance - continued

Guernsey Water Department Board Members and Principal Officers up to 30 April 2016

Board Members were:
Deputy S. Ogier, Minister
Deputy D. Duquemin, Deputy Minister
Deputy M. Dorey
Deputy P. Harwood
Deputy R. Jones

Board Members were the elected political representatives of the Public Services Department as voted by the States of Deliberation.

Principal Officers were:
Mr A. Lewis, Chief Officer, Public Services Department
Mr R. Evans, Head of Corporate Services, Public Services Department
Mr S. Gardiner, Finance Business Partner
Mr S. Langlois, General Manager, Guernsey Water
Mr C. Hall, Customer Services Manager, Guernsey Water
Mr J. Holt, Operations Manager, Guernsey Water
Mrs M. McGuinness, Water Quality Risk Manager, Guernsey Water
Mr M. Walker, Capital Delivery Manager, Guernsey Water

States' Trading Supervisory Board Members and Principal Officers Effective from 1st May 2016

Board Members are:	
Deputy C. Parkinson, President	elected 21 September 2016
Deputy J. Smithies	elected 18 May 2016
Deputy D. Jones, President (deceased, 5 July 2016)	elected 11 May 2016
Mr S. Falla MBE	elected 21 September 2016
Mr J. Hollis	elected 21 September 2016

The constitution of the States' Trading Supervisory Board provides that the membership of the Board shall be a President and one member who shall be members of the States and two members who shall not be members of the States. If and when the Board is inquorate and an urgent decision is required, the States' Rules of Procedure allow for the insufficiency of members to be replaced by members of the States chosen, in the first instance, from members of the Policy & Resources Committee.

Principal Officers are:
Mr S. Elliott, Managing Director, States of Guernsey Trading Assets
Mr R. Evans, Deputy Managing Director, States of Guernsey Trading Assets
Mr S. Gardiner, Finance Business Partner
Mr S. Langlois, Director of Water Services
Mr C. Hall, Customer Services Manager, Guernsey Water
Mr J. Holt, Operations Manager, Guernsey Water
Mrs M. McGuinness, Water Quality Risk Manager, Guernsey Water
Mr A. Morton, Senior Finance Manager
Mr M. Walker, Capital Delivery Manager, Guernsey Water

Auditors

The current auditor, Deloitte LLP, has reached the end of its 5 year appointment. The States of Guernsey is currently undertaking a tender process for the new auditor appointment.

Statement of Comprehensive Income

for the year ended 31 December 2016

	2016 £	2015 £
Revenue		
Water supplies	10,627,330	10,589,290
Waste water supplies	3,400,024	3,344,976
Other income	1,679,200	1,789,712
	15,706,554	15,723,978
Expenses		
Operating expenses	7,360,277	7,597,662
Management expenses	3,488,442	3,082,798
	10,848,719	10,680,460
Operating surplus before depreciation, amortisation and loss on disposal of fixed assets	4,857,835	5,043,518
Depreciation/amortisation	(4,998,494)	(4,155,702)
Loss on disposal of fixed assets	(36,568)	(150)
Operating (deficit)/surplus for the year	(177,227)	887,666
Investment return and net interest receivable	883,568	60,998
Surplus for the financial year	706,341	948,664

All material activities derive from continuing operations.

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

ACCOUNTS

Statement of Financial Position

as at 31 December 2016

	2016 £	2015 £
Non-current assets		
Intangible fixed assets	180,913	95,411
Tangible fixed assets	151,075,213	151,763,921
Investment property	650,000	650,000
Assets under construction	1,761,513	1,404,871
	153,667,639	153,914,203
Current assets		
Inventories	1,383,000	1,278,161
Debtors and prepayments	2,171,940	2,025,369
Cash at Bank	177,539	662,666
Balances with States Treasury	11,874,258	12,197,562
	15,606,737	16,163,758
Creditors: amounts falling due within one year	(20,032,720)	(1,234,350)
Net current (liabilities)/assets	(4,425,983)	14,929,408
Creditors: amounts falling due after more than one year	(11,428,130)	(30,236,426)
Total net assets	137,813,526	138,607,185
Reserves	137,813,526	138,607,185

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

Deputy C. Parkinson, President. 18 May 2017.

Signed on behalf of the States of Guernsey Trading Assets

Mr S. Elliott, Managing Director. 18 May 2017.

Statement of Changes in Equity

for the year ended 31 December 2016

	2016 £	2015 £
At 1 January	138,607,185	137,658,521
Surplus for the financial year	706,341	948,664
Contribution to States of Guernsey General Revenue	(1,500,000)	-
At 31 December	137,813,526	138,607,185

ACCOUNTS

Statement of Cash Flows

for the year ended 31 December 2016

	2016 £	2015 £
Net cash flows from operating activities	4,536,500	5,085,505
Cash flows from investing activities		
Purchase of fixed assets	(4,788,498)	(23,991,137)
Investment return and Interest received	943,567	60,998
Government grants received	-	18,367,370
Net cash flows used in investing activities	(3,844,931)	(5,562,769)
Cash flows from financing activities		
Contribution to States of Guernsey General Revenue	(1,500,000)	-
Net cash flows from financing activities	(1,500,000)	-
Net decrease in cash and cash equivalents	(808,431)	(477,264)
Cash and cash equivalents at the beginning of the year	12,860,228	13,337,492
Cash and cash equivalents at the end of the year	12,051,797	12,860,228
Reconciliation to cash at bank and in hand:		
Cash at bank and in hand	177,539	662,666
Balances with States Treasury	11,874,258	12,197,562
Cash and cash equivalents	12,051,797	12,860,228

Notes to the Financial Statements

4. Revenue and expenses

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:

	2016 £	2015 £
Water Supplies		
Unmeasured	3,586,807	3,655,197
Measured	7,040,523	6,934,093
	10,627,330	10,589,290
Waste Water Supplies		
Unmeasured	1,238,777	1,218,067
Measured	2,161,247	2,126,909
	3,400,024	3,344,976
Cesspit emptying income	1,083,122	1,059,404
Net surplus on other trading activities (see below)	393,342	439,139
Grant released	202,736	291,169
	15,706,554	15,723,978
Net surplus on other trading activities		
Standard charges for service laying	238,574	297,331
Charges for work at ascertained cost	34,755	90,446
Property rental income	127,140	116,890
Stores issues	432,268	562,120
	832,737	1,066,787
Expenditure	(439,395)	(627,648)
	393,342	439,139
Operating expenses		
Water production	1,765,153	2,157,999
Water distribution	514,814	559,284
Asset Management	434,358	317,453
Pumping	1,293,818	1,196,778
Sewers	3,352,134	3,366,148
	7,360,277	7,597,662
Management expenses		
Management and general	969,100	673,881
Water quality and risk management	650,915	631,773
Customer services	861,230	648,016
Finance and support services	1,007,197	1,129,128
	3,488,442	3,082,798
Total expenditure	10,848,719	10,680,460

