



# Annual Report 2019





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# Chairman's Statement

States Works provides a range of essential services to maintain and develop the island's infrastructure, and help promote Guernsey's natural beauty for islanders and visitors.

2019 saw strong financial performance, with revenues of £17.1 million - an increase of nearly 10% on the previous year (£15.6m) and £0.5m ahead of budget. This led to a surplus of £1.2m (2018: £719k), which was £562k ahead of budget, and enabled a £1.75m cash contribution towards the Trading Group's contribution to the States of Guernsey's Medium Term Financial Plan.

These excellent results were achieved despite the budgetary pressures faced by States Trading Group and wider States of Guernsey customers, who provide the majority of our business.

The increase in revenue came through a combination of good business retention, growth in existing services from new client acquisition, and significant new contracts. This success is a credit to all States Works' employees, and a reflection of their continued hard work, dedication and commitment.

The management team must also be acknowledged for how they engaged with clients, to help them adapt to tighter budgetary constraints while seeking to mitigate - or at least minimise - any impact on frontline services. As a result, they successfully negotiated the renewal of all key public sector contracts.

In terms of new business, of particular note was the commencement of the maintenance and operating contract for Guernsey Waste's new facilities at Longue Hougue. The formal handover of the transfer station and Household Waste & Recycling Centre (HWRC) during the first half of 2019 marked a key milestone in the implementation of the island's waste strategy.

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## Our Mission:

Working together with partners to deliver a range of efficient, effective and resilient services aimed at maintaining the island's natural and built environment.

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This major transformation programme involved considerable staff effort, not least in managing the successful transition from entirely new facilities and operations, to being business as usual in just a few months. The way this was achieved is a credit to all concerned.

A benchmarking and efficiency study was carried out in 2019, to review States Works' current operating model. This recommended all current services are retained, and identified opportunities to be more efficient and effective. These are now being developed by management, and will be reflected in our new Business Plan.

Transformation and change always brings further challenges, but the States Works Board and management executive remain confident that the outcomes of the review will contribute to a stronger organisation.

As always, we are indebted to our staff, who often work in extremely challenging situations and at unsociable hours. The island can rightly be proud of their endeavours and grateful for their enduring contribution.

**John Hollis**  
Chairman, States  
Works Board





# General Manager's Report

As well as achieving better than budget trading results, States Works met all its prescribed service delivery obligations in 2019.

Expansion of our waste services made a significant contribution to the increased turnover. This included growth in our collection services, for both household and businesses, and of course the commencement of the operation and maintenance contracts for Guernsey Waste's new facilities at Longue Hougue.

The introduction of new household collection arrangements in 2018, and separate collection of food waste for homes and businesses, has presented new opportunities for established service providers. At the same time we managed to increase our share of this expanded market.

Commissioning of Guernsey Waste's new transfer station in early 2019 was a particular highlight of the year. This was the culmination of several years of planning and preparation, and States Works has been at the heart of this. The advent of waste exports and separate processing of food waste represent a step change in the island's waste management, and the transition was extremely complex.

Aside from waste, during the summer months States Works worked with the Parishes to help with their Britain in Bloom entries. This included normal service level agreement cleaning schedules which were adapted to ensure the displays looked their best and presented the island's natural beauty.

In August, States Works began provision of Public Service Vehicle Inspections, on behalf of Traffic and Highways Services.

States Works remains committed to phasing out the use of the herbicide glyphosate by end of 2020, and we are working with clients to put in place alternative weed suppressant arrangements.

The requirements of the States-wide Future Digital Services Project heavily influenced our technology enablement programme in 2019, but good progress is now being made on the replacement of our job costing and accounting system, and the development of a new operational management solution. These new systems are expected to be implemented in Q1 2021 and Q1 2022 respectively.



It is pleasing to report a significant reduction in staff sickness, which reflects the proactive measures introduced in recent years to promote safety and wellbeing.

Health & safety incidents were also significantly down, while reporting of near misses was up sharply. This too was a positive, reflecting increased awareness of personal safety in the workplace, and enabling preventative measures to be taken to avoid potential accidents.

### **Future Direction**

The findings of the independent benchmarking and efficiency review carried out in 2019 have informed the development of an optimum operation model for States Works. The review work was undertaken by Red Quadrant, who specialise in the transformation of public sector operations. It looked in detail at the business's various service areas and included extensive consultation with clients and stakeholders.

The work concluded that States Works is best placed to continue all existing services, and this will deliver the following benefits to the island:-

- Build on the existing deep expertise and strong staffing base;
- Ensure the current social, community and economic benefits are retained;
- Continue to support a resilient and reliable emergency response resource.

The review also highlighted a number of opportunities to improve services, increase efficiency, and deliver greater value for money. All aspects that will be enshrined within our new business plan to be published in 2020.

The plan will cover a period of significant transformation for the business. This will be predominantly led by greater use of technology, to enable changes in working practices, and provision of data, information and business intelligence to embrace smarter ways of working.

We recognise the successful delivery of the outcomes of this new plan will only be realised by listening to, and understanding, our people and our customers. Both will feature heavily in the plan.

### **Brexit preparation**

The ongoing 'Brexit' situation required significant preparations throughout 2019. This included ensuring adequate stocks of critical spares for plant and equipment and other essential stock that might be subject to delivery delays in the event of a 'no deal' Brexit. This planning will minimise the potential operational impacts.



**Paul Lickley**  
General Manager, States Works

# Operational highlights

States Works provides a diverse range of municipal and maintenance services, predominately to public sector clients. This contributes to ensuring the enhancement, safety and security of the island's natural and built environment, upon which our community's social and economic well-being relies.

Private work is also undertaken where it is considered in the best interest of islanders and to maintain full programmes of work.

Service provision uses the skills and expertise of our largely manual workforce, and our specialist vehicles, plant and equipment.

## Emergency Response

As well as delivering essential day-to-day services, our manpower resources and specialist equipment enable the provision of an emergency response capability in the event of any incidents - 24 hours a day, 365 days a year.

This is the most effective solution for Guernsey since, unlike larger jurisdictions, the island does

not have an alternative managed and coordinated resource to call on, such as the armed forces.

While major incidents may occur perhaps once a decade, we are frequently called upon for more routine events, ranging from oil spills to storm damage. In such instances, fast remedial action can often minimise the extent of damage while a more permanent repair or solution is determined.

In 2019, there was 215 emergency call outs, compared to 145 in 2018 and 200 in 2017.

Our intention in future years is to report on the public value - cashable and non-cashable benefits – that the emergency resource provides to the wider States of Guernsey.

Consideration is also to be given to benefits or otherwise of alternative delivery models and the differentiation between client response requirements and more complex incidents and emergencies.





## Waste Management Services

Household waste and recycling collections expanded in 2019, with a new contract for Castel parish commencing on 1<sup>st</sup> January. This followed the agreement in 2018 of revised contracts for St Peter Port and St Sampson, ahead of the start of new collection arrangements across the island.

The addition of 3,500 Castel homes means States Works now provides this service to more than 60% of Guernsey households.

We also increased our market share in provision of collections for local businesses. This combined growth in both domestic and commercial sectors saw revenues increase more than 50% compared to 2018, to £1.6m.

In addition, a new service level agreement was agreed, to follow-up incidents of non-compliance after the new pay as you throw charging arrangements came into effect in February 2019.

States Works has operational responsibility for all publicly owned and operated waste management facilities, on behalf of Guernsey Waste. This includes the new transfer station, which was formally handed over in early 2019. It is now the centrepiece of the island's waste management.

Given the scale of the transition, the fact that so few teething issues were encountered is to the

credit of our staff. They performed admirably in becoming quickly accustomed to the new processes and procedures, in what was a very steep learning curve.

May saw the completion of Guernsey Waste's new HWRC. Compared to the previous temporary arrangements, which had persisted for years, the new facility is an enormous improvement for both site staff and users.

These new facilities will serve the island's needs for decades to come. At the same time, the legacy of previous waste management sites is still being dealt with. Engineering at Mont Cuet landfill site continued over the summer, with a 30cm layer of soil placed over the outer slopes as the first stage of the final capping of the site.

In September, pollution remediation specialists Oil Spill Response used Torrey Canyon Quarry to train their staff in equipment deployment, oil removal and clean up techniques.

Using physical and mechanical techniques, they removed 600 litres of crude oil that had risen to the surface in the last year. This initiative has further helped address the legacy of this historic oil spill, and protect the environment.





## Land Management Services

The provision of land management services remains a key area of our business. The five year service level agreement was due to end in 2018, but was extended until December 2020 to provide an opportunity to review the outcomes of the benchmarking and efficiency study carried out in 2019, and agree the future shape of the service in conjunction with our key stakeholders.

During 2019, the team met with local biodiversity groups and clients, and is now consciously propagating considerably more pollinator plants. The team also continue to work closely with our clients and other stakeholders to help identify areas that are suitable habitats to help enhance species populations and support the island's Biodiversity Strategy.

We will stop using the herbicide glyphosate by the end of 2020. Proactive engagement with our clients on alternative measures means we can set an international benchmark on protecting the environment well ahead of the 2022 publication of an EU review into glyphosate use.



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## Stores, Fleet and Garage



We operate one of the largest commercial garages on the island, where we maintain our own varied vehicles, as well as providing fleet management, maintenance and repair services to clients.

This is considered a growth area, with the aim to become the preferred provider of fleet management services across the States of Guernsey.

In August 2019, we took on the responsibility for Public Service Vehicle Inspections, on behalf of Traffic and Highway Services.

We have also expressed interest in playing a key role in the provision of technical inspections of motor vehicles when an MoT-style testing system is introduced on island.

In part, the key to success will be our ability to recruit and retain the necessary skills and establish a proactive training and development framework that supports the next generation. This will also help to address the island's growing skills shortage in this market sector.

## Sewage Collection Service

The sewage collection service operates under a service level agreement with Guernsey Water, emptying cesspits for some 5,500 customers not connected to the main wastewater network.



In 2019, 162,709 loads were removed - a very slight increase on 2018 (160,968).

The service was a key focus of the independent benchmarking and efficiency review. This identified a number of opportunities to improve services and realise greater efficiency. This includes planned data and technology-driven improvements across the sewage network and associated infrastructure, and in addition to Guernsey Water's own *Future of Wastewater* project.

As part of this evolution, the current business model will change, with plans to move

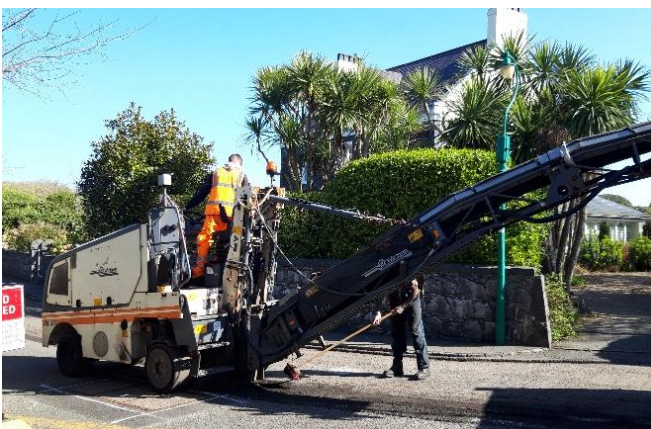
customer and billing contact to Guernsey Water in 2020, to bring together those complimentary services. The existing scheduling system is also being replaced over the next two years.

As part of our replacement programme, we took delivery of a bespoke narrow chassis vehicle fitted with an aluminium tank. The lightweight configuration enables it to carry a full load while remaining within the manufacturer's weight specification – something not previously possible with a traditional steel tank. This therefore has the potential to significantly improve vehicle accessibility and reduce the number of journeys.

Subject to its performance, this trial could change the future make-up of the tanker fleet, with benefits not just in terms of costs and efficiency, but also reduced environmental impact.



## Highways maintenance



We are committed to maintaining and developing this aspect of the business, to ensure competition and provide both public and private sector clients with greater transparency and confidence.

At the beginning of 2019, a small team was introduced to undertake minor repairs for Traffic & Highway Services. This five year contract is based on an agreed schedule of rates.

As a result, we saw revenues improve by 15% compared to 2018.

## Community Environmental Projects Scheme (CEPS)

CEPS provides temporary work and training opportunities for islanders who are not working due to unemployment or long-term illness. It is linked to the Work2Benefit (W2B) programme, and staff employed through these schemes carry out a variety of projects that benefit the community and/or the environment. The objective is to prepare participants for permanent employment.

In 2019, 44 islanders were engaged through CEPS. Of these, 19 subsequently secured employment, with 14 retaining a position through to the end of the year.

In addition we provided 13 W2B placements, from which two participants gained permanent employment during 2019.

The nominal value of the work carried out through the scheme in 2019 equated to £288,600 of community support.

Compared to 2018 there was a marked decline in the number of islanders participating in CEPS and W2B, which primarily reflects the healthy job market locally. However support for the schemes remains a fundamental objective for States Works and support, advice, guidance and job seeker activity remain key priorities.

A review of the current arrangements has begun to ensure any future scheme continues to deliver the desired outcomes in the most efficient and effective way. The findings will inform the future shape of CEPS, to help meet the island's needs and those of local industry.



# Property

States Works owns its two main sites at La Hure Mare, Vale, and Burnt Lane, St Martins.

**La Hure Mare** is our main operational depot, with various workshops and stores facilities, and home to our management, business and support service functions.

**Burnt Lane** is home to our Land Management Services team. It is primarily a horticultural site used for plant propagation and aftercare, as well as storing display plants available for event hire.

Both sites are strategically important to the business, but the type and nature of activities undertaken may evolve to meet changing client requirements. We are confident both sites have sufficient development potential to meet our needs for the foreseeable future.

To optimise current use, some small areas of vacant office and storage space are leased to other businesses, on commercial terms.

States Works also owns a small industrial building close to the La Hure Mare headquarters, which is let on commercial terms. The site is expected to

feature in any potential major redevelopment and/or expansion of our operations. In the meantime, it continues to generate a positive return on investment.

All property assets are being managed and maintained, with appropriate revenue and capital funding in place for required maintenance and improvements. They are actively assessed to identify opportunities to optimise and develop our activities.

Any future development will be budgeted through the States of Guernsey's capital prioritisation process, and subject to robust business cases.

The planned resurfacing of the parking and hard standing areas at La Hure Mare began in 2019, following the installation of the new heating system ducting and pipework. This work is expected to be completed in early 2020, but will depend on the availability of our Highways Services team, who are heavily committed to the island's road resurfacing and patching programmes.



# Management and General

## Information Technology

As part of the technology enablement programme, a Project Board was established in 2019 to progress two priority workstreams. These are the replacement of our job costing and accounting system, and the development of a new operational management system.

Progress to date has been influenced by the States-wide Future Digital Services Project, but good progress is now being made and these new systems are expected to be implemented in Q1 2021 and Q1 2022 respectively, and will enable greater integration across the States of Guernsey.

## Customer Service

We were again awarded ISO9001:2015 accreditation, underlining our commitment to meeting and wherever possible, exceeding our customers' expectations.

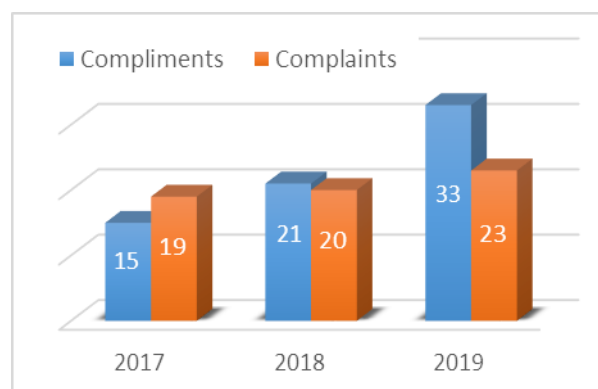
We also started working towards aligning our activities with the requirements of ISO:14001 Environmental Management Systems.

This is in part linked to our involvement in delivering waste management services on the island and accepting our social and environmental obligations as a trusted provider of essential services.

## Customer Compliments and Complaints

States Works has a wide customer base, and everything we do impacts in some way on islanders. We often receive their feedback directly, through the media or via their political representatives.

In 2019, the number of compliments outweighed the number of complaints.



## Monitoring and Reporting

All contracts and service level agreements have operational metrics and/or established key performance indicators and prescribed schedules of works. These provide the measures against which our performance can be evaluated and reported against.

In 2019, we generally met or exceeded all contracted obligations and made a positive contribution towards the wider States of Guernsey priorities, such as public sector reform and the island's waste strategy.

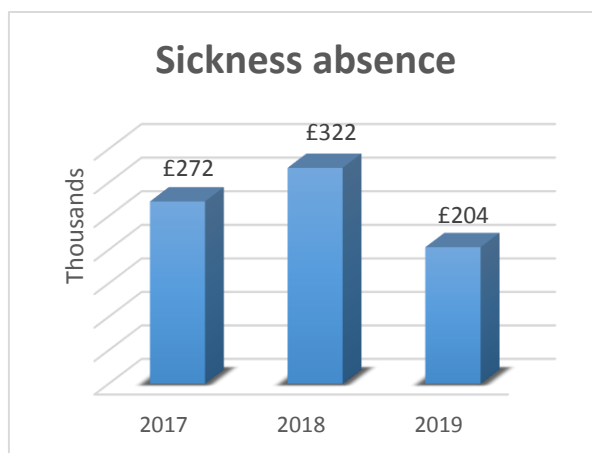
## Human Resources

Our staff working group continues to encourage and promote good employee relations. It has been pivotal in developing and implementing measures to address feedback from the last staff survey.

As of 31 December 2019, States Works had 224 staff (214 in 2018). This includes 187 Public Service Employees (PSEs) who work across a wide range of operational skills and disciplines.

During the year we had 57 joiners (as permanent employees) and 43 leavers.

Staff sickness continues to be managed in accordance with States of Guernsey policies and procedures. In 2019, this equated to a value of £204k, which was a significant improvement on both 2018 (£322k) and 2017 (£272k), giving a three year average of £266K.



Our high level organisational structure can be found in Appendix 1 (page 20).

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## Health and Safety

We take a proactive approach to health & safety. There were 32 reported incidents in 2019, which is significantly below the five year average of 78. There also continues to be a significant reduction in days lost due to accidents at work - down to 128 days against the five year average of 302.

The main causes of accidents continue to be related to slips, trips and falls and lifting and handling. The majority are non-reportable incidents.

Vehicle accidents also fell to 37, compared to 43 in 2018.

Reporting of 'near miss' incidents continued to rise, from 36 in 2018 to 60 in 2019. This is a welcome trend, enabling action to be taken before injury occurs. This should therefore result in a reduction in accidents in the long term.

### 2019 in numbers

<b>14:</b>	<b>Risk Assessments</b>	in relation to new works
<b>14:</b>	<b>Risk Assessments</b>	reviewed
<b>16:</b>	<b>Random Inspections</b>	undertaken
<b>11:</b>	<b>Scheduled Inspections</b>	of sites/areas
<b>2:</b>	<b>Emergency training</b>	rescue exercises
<b>2:</b>	<b>Task Audits</b>	against set procedures



## Business Plan

Government and public sector reform and continued financial restraint present many challenges for States Works. To address these, Red Quadrant was commissioned to undertake a benchmarking and efficiency review of our activities, and develop an optimum operating model for the business.

The findings and recommendations from these intrinsically linked workstreams will help inform the development of our new Business Plan, to be published in 2020.

This will represent a period of significant transformation for the business. This is being predominantly led by improvements in technology, enabling changes in working practices, and provision of data, information and business intelligence guiding smarter working.

Good progress was made against the five key outcomes highlighted in our current Business Plan. Our focus having now changed to managing the transition between old and new, ensuring any outstanding aims and objectives are revisited and where appropriate incorporated in the new plan.

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## Governance

States Works is one of the States Trading Group's unincorporated businesses under the mandate of the States Trading Supervisory Board. It receives no direct funding or subsidy from the States, operating as an independent trading account from which all operational and capital expenditure is funded.

Officers report to the Trading Group executive for the civil service functions and to the States Works Board for operational decision-making. The Board is in turn accountable to the States' Trading Supervisory Board, which provides overarching governance, policy and strategic direction.

We operate in the same way as any commercial business. All activity is funded through income from our various contracts, service level agreements and day-to-day operations. Our fully audited set of accounts take into consideration capital spend and depreciation as with any private company.

The audited accounts for 2019 are detailed in pages 16 to 19.

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### States Works Board membership

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#### STSB Members

John Hollis (chairman)

Deputy Jan Kuttelwascher\*

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#### Trading Group executive

Richard Evans – Deputy Managing Director

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#### Trading Group 'incorporated' support

Mark Darby - CEO Aurigny

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#### Business Advisor

Matthew Polli - Director, RW Randall

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#### States Works management

Paul Lickley - General Manager

Matthew Hardwick - Senior Manager technical

Ian Merrien - Senior Finance Manager

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*\*Deputy Jan Kuttelwascher passed away in January 2020*

# Financial Data

## Statement of Comprehensive Income for the year ended 31 December 2019

	2019 £'000	2018 £'000
<b>Revenue</b>	<b>17,092</b>	15,606
<b>Expenses</b>		
Operating expenses	12,300	11,242
Administration and general expenses	2,628	2,489
	<b>14,928</b>	13,731
<b>Operating surplus before depreciation and gain on disposal of fixed assets</b>	<b>2,164</b>	1,875
Depreciation	(1,362)	(1,227)
Gain on disposal of fixed assets	31	116
Fair value movement on investment property	-	30
<b>Operating surplus for the year</b>	<b>833</b>	794
Investment return/(loss) and net interest receivable	345	(75)
<b>Surplus for the financial year</b>	<b>1,178</b>	719

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 2019

	2019 £'000	2018 £'000
<b>Non-current assets</b>		
Tangible fixed assets	6,499	6,660
Investment property	530	530
	<u>7,029</u>	<u>7,190</u>
<b>Current assets</b>		
Inventories and work in progress	438	538
Debtors and prepayments	2,042	1,870
Balances with States Treasury	2,834	2,784
	<u>5,314</u>	<u>5,192</u>
<b>Creditors: amounts falling due within one year</b>	<u>(1,419)</u>	<u>(886)</u>
<b>Net current assets</b>	<u>3,895</u>	<u>4,306</u>
<b>Total net assets</b>	<u>10,924</u>	<u>11,496</u>
<b>Reserves</b>	<u>10,924</u>	<u>11,496</u>

## Statement of Changes in Equity for the year ended 31 December 2019

	2019 £'000	2018 £'000
<b>Balance at 1 January</b>	11,496	11,777
Surplus for the financial year	1,178	719
Transfer to States of Guernsey General Revenue	(1,750)	(1,000)
<b>Balance at 31 December</b>	<u>10,924</u>	<u>11,496</u>



## Statement of Cash Flows for the year ended 31 December 2019

	2019 £'000	2018 £'000
<b>Net cash flows from operating activities</b>	<b>2,884</b>	<b>1,602</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets	35	117
Purchase of fixed assets	(1,205)	(1,596)
<b>Net cash flows used in investing activities</b>	<b>(1,170)</b>	<b>(1,479)</b>
<b>Cash flows from financing activities</b>		
Contribution to States of Guernsey General Revenue	(1,750)	(1,000)
Investment return received	86	107
<b>Net cash flows from financing activities</b>	<b>(1,664)</b>	<b>(893)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>50</b>	<b>(770)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,784</b>	<b>3,554</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>2,834</b>	<b>2,784</b>
<b>Reconciliation to cash at bank and in hand:</b>		
Cash at bank and in hand	-	-
Balances with States Treasury	2,834	2,784
<b>Cash and cash equivalents</b>	<b>2,834</b>	<b>2,784</b>

## Revenue

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

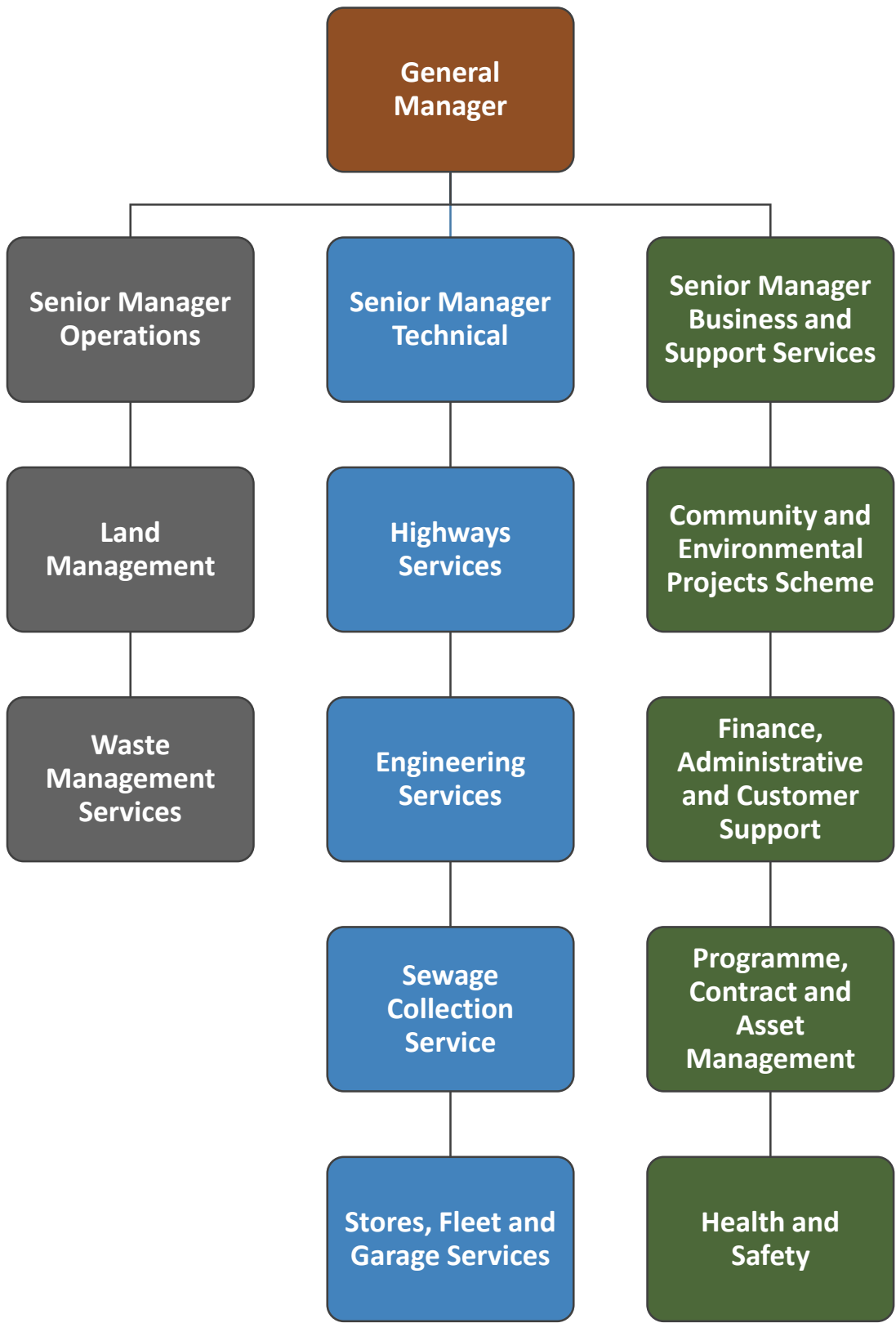
	2019 £'000	2018 £'000
Administration and stores	550	514
Cleansing	1,366	1,344
Drainage	320	319
Electrical and mechanical	1,115	1,068
Emergency services	90	187
Fleet hire	96	99
Fleet maintenance	485	571
Highway repair	1,566	1,361
HWRC and Waste Transfer Station	2,247	-
Land management	2,101	2,086
Landfill and recycling	2,154	3,729
Management services	199	204
Sewage collection	2,741	2,585
Signs and lines	469	485
Waste collection	1,593	1,054
	<b>17,092</b>	<b>15,606</b>

## Expenses

	2019 £'000	2018 £'000
<b>Operating expenses</b>		
Direct labour	6,808	6,603
Direct materials	4,713	3,950
Vehicles – fuel costs	278	276
Plant and tools – maintenance and replacements	268	193
Building maintenance and charges	233	220
	<b>12,300</b>	<b>11,242</b>
<b>Administration and general expenses</b>		
Salaries, wages and employer's pension costs	1,860	1,741
Travel and training	75	72
Post, stationery and telephone	43	44
Information technology	77	85
Insurance	161	120
Audit fee	18	18
Professional fees and office expenses	394	409
	<b>2,628</b>	<b>2,489</b>
<b>Total expenses</b>	<b>14,928</b>	<b>13,731</b>

# Appendix

## Appendix 1: States Works Organisational Structure





States Works  
La Hure Mare  
Vale  
Guernsey  
GY3 5UD

01481 246263  
[swd@gov.gg](mailto:swd@gov.gg)  
[www.statesworks.gg](http://www.statesworks.gg)

