

STATES OF JERSEY



FAMILY NURSING AND HOME CARE DEBT

**Lodged au Greffe on 19th March 2008
by the Minister for Treasury and Resources**

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

to take responsibility for the pre-1987 PECRS past service debt currently attributable to Family Nursing and Home Care, such debt having a capitalised value of £3,052,444 as at 31st December 2007, to agree to make payments to PECRS of £7,463 monthly (subject to annual indexation) until 31st December 2083 or such earlier time as that debt is satisfied, to assume the same obligations in relation to the debt currently attributable to Family Nursing and Home Care as for its own share of the debt under P.190/2005, and to reduce the grant payment to Family Nursing and Home Care by £89,556 per annum (subject to annual indexation).

MINISTER FOR TREASURY AND RESOURCES

REPORT

Background

In agreeing P.190/2005 on 27th September 2005 the States confirmed responsibility for the Pre-1987 Debt past service liability which arose when restructuring the PECRS arrangements with effect from 1st January 1988. It involves repayment of the Debt by 31st December 2083 via monthly payments indexed on each 1st January in line with the average increase to States employees' pay. This liability also applies to admitted bodies including Family Nursing and Home Care (FNHC). FNHC repayments as an admitted body to PECRS for its share of the Debt are £7,463 per month in 2008 and are currently funded through a grant from the Health and Social Services Department.

Family Nursing and Home Care do not hold significant reserves. They have been advised by their auditors that they are required to include the debt within their balance sheet. This presents problems to them in respect of fund raising, for example the Lloyds TSB foundation will not provide financial grants to charities with negative reserves. If FNHC choose to ignore their auditors' advice their accounts would be qualified, again adversely affecting FNHC's ability to raise funds.

79% of FNHC's 2006 income was provided by the States' grant from Health and Social Services. FNHC have indicated that it is not the repayment of the debt that presents a problem as this is funded through their grant but rather the debt that has to be recorded in their balance sheet.

Family Nursing and Home Care have requested the support of the States to help resolve this issue in order to maintain their financial stability.

Proposal

Following meetings between the Treasurer, FNHC and Health and Social Services the following proposal has been prepared –

- The liability relating to FNHC's share of the Pre-87 PECRS debt be transferred from FNHC to the States of Jersey.
- The States of Jersey take responsibility for repayment of the debt (£7,463 per month in 2008 and subject to annual indexation thereafter).
- The Health and Social Services grant to FNHC be reduced by £89,556 (12 x £7,463) in 2008 and subject to annual indexation thereafter.
- An amount of £89,556 be transferred from Health and Social Services cash limit to Chief Minister's Dept Cash Limit in 2008 and subject to annual indexation thereafter

The most appropriate accounting treatment for this would be to establish the liability in the States of Jersey accounts in exactly the same way as the existing States of Jersey liability.

This analysis considers the impact on the books of both the States of Jersey and FNHC in regard to the implementation of the proposal, detailed above.

1. Accounting

Under this proposal the liability for the FNHC element of the PECRS Pre-87 debt will be reflected in the States' accounts rather than Family Nursing and Homecare's. Accounting for the payment to PECRS will be recorded directly in the States' accounts rather than being given as a grant to FNHC who under the current scenario then make the payment to PECRS.

2. Budget and Cash Limits

This option would require agreement that approximately £90k of grant currently given by Health and Social Services ceased and the corresponding budget be transferred from Health and Social Services to Chief Minister's Department to be added to the current budget for the payment in respect of States employees.

3. The States of Jersey Liabilities

The value of liabilities of the States of Jersey balance sheet would increase by the capitalised value of the future debt repayments previously attributable to FNHC. As at 31st December 2007 the current capitalised value was approximately £3 million. This would reflect an increase in States liability to PECRS.

4. The States of Jersey Income and Expenditure

The charge to the States Income and Expenditure Account would be a one off charge of the value of the debt. There would be no impact on cash flow as the initial charge would be created as a liability and the £90k per annum would be paid directly to PECRS rather than through a grant to FNHC and then to PECRS.

5. Family Nursing and Homecare

This option would address the concerns of FNHC regarding their solvency by removing the liability from their accounts. Their income and expenditure would be reduced resulting in no impact on their overall income and expenditure position.

Financial and manpower implications

There are no additional manpower implications arising from this proposal. The financial implications are as set out in this report. There will be a one-off cost shown in the States Income and Expenditure Account as the debt is taken on. The net financial effect on the States over the course of the debt's life is nil.