

2002

2003

2004

2005

## REPORT & ACCOUNTS 2006

# 2006

**Social Security Department**  
*Centre for work, pensions and benefits*

States   
of Jersey

# Social Security Department

## *Centre for work, pensions and benefits*

### **MINISTER**

P.F. ROUTIER, Senator

### **ASSISTANT MINISTER**

P.N. TROY, Deputy of St Brelade

### **CHIEF OFFICER**

R.W. BELL (From 1st June 2006)

A.C. ESTERSON (To 31st May 2006)

On the 16th July 2007, the Social Security Minister presented to the Assembly its Report and Accounts for the year ended 31st December 2006.

The States ordered that the said Report be printed and distributed.

### **Mr M. N. De La Haye**

Greffier of the States.



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# Minister's Report on the 2006 Accounts

## Introduction

2006 has been an extremely successful and positive year for the Department.

Income continued to grow faster than expenditure, generating £35 million of operational surpluses, while the net assets of the Social Security (Reserve) Fund increased in value by £84 million (net increase of £54 million after Social Security's transfer of £30 million during the year). This reflects long term policy decisions around contribution rates and ceilings, the management of benefit expenditure, and the active investment management of assets. If the current course is maintained, this is good news for the Island.

Of course, the financial management is but one aspect of success; it is vital that the fund operates in the best interests of our customers and the Island as a whole.

In 2006, progress was consolidated and extended in one major policy area: the preparation of an Income Support framework, which will continue to be important for 2007. 2006 also saw the introduction of free TV Licences for those aged 75+, the Employment (Jersey) Law 2003 came into force and the Incapacity Benefit reforms continued to underpin the Department's objectives.

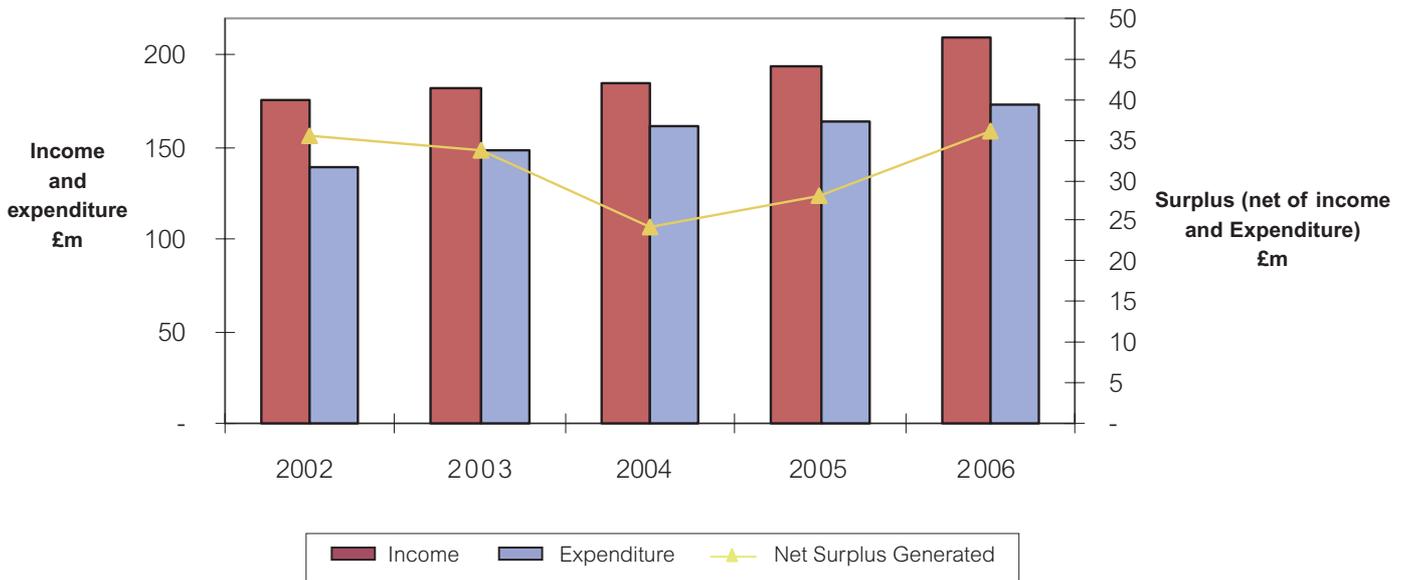
Administratively, and in terms of how we face our customers, the Department has been improving processes and service, and remains committed to this continuing. New automated procedures across the Department, which came into effect in 2005, continued to improve the efficiency and effectiveness of processing. This has greatly enhanced the administration and performance by the Department – which is a testament to the commitment of our staff, and our customers for working with us as we change.

Financially, there have been steady rises in contribution income and expenditure. Surpluses continue to be generated and invested for the future.

- **Income** from contributions, interest, and rent was £209 million, an increase of 7.2% (2005: £195 million).
- **Expenditure on benefits** was £166 million, a rise of 5.1% (2005: £158 million).
- An increase of £84 million in the **Net Assets** of the Social Security (Reserve) Fund, the investment vehicle for the funds, occurred in 2006 - raising net assets to £583 million (2005: £499 million).

# Minister's Report on the 2006 Accounts

## Financial Overview

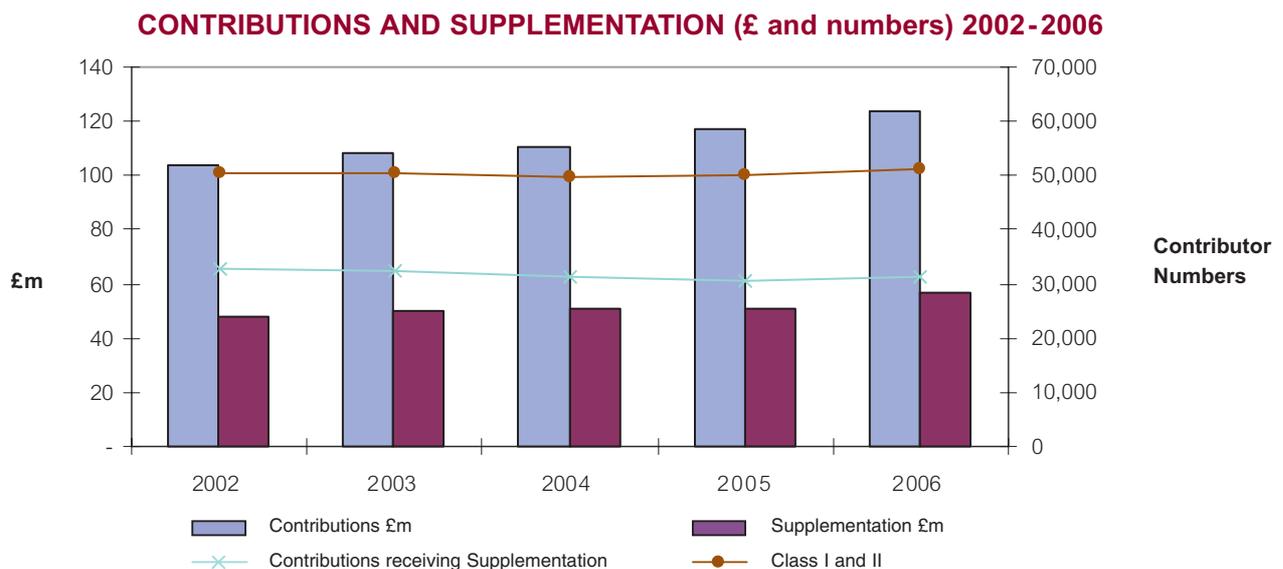


# Minister's Report on the 2006 Accounts

## Social Security Scheme

The Social Security scheme is the means by which people insure themselves, through the payment of contributions, for periods when they are unable to work through ill-health, maternity or retirement.

- **Contributions** collected from employees and employers rose to £124.0 million (2005: £117.1 million). This rise mainly reflects the annual earnings-linked up-rating in the contribution ceiling (5.3%) but it also reflects an increase in the number of people working. In 2006, there were approximately 51,300 people – 1,100 more than in 2005 – working in the Island and contributing.
- **Supplementation** is used to top-up the contributions of the lower to medium range of wage earners (those who earn below the contribution ceiling of £37,656 per annum) to ensure they get a full pension and are fully insured if unable to work. Currently approximately 31,400 workers earn below the contribution ceiling, which is an increase on 2005 of 1,000 contributors. Supplementation in 2005 was well below the previous rising trend of expenditure, remaining at the level of 2004. However costs in 2006 rose back over the previous trend with an increasing number of contributors to the Social Security Fund requiring their contributions to be supplemented to protect their benefit entitlement and requiring those contributions to be supplemented to a greater extent. The combined effect resulted in an increase in costs of £5.8million, an 11% rise over 2005.
- During 2007, a review of the system of supplementation will be undertaken to examine how to limit the States' exposure to the costs of supplementation whilst ensuring the benefit and pension entitlement of those earning in the low to middle wage brackets remains protected.



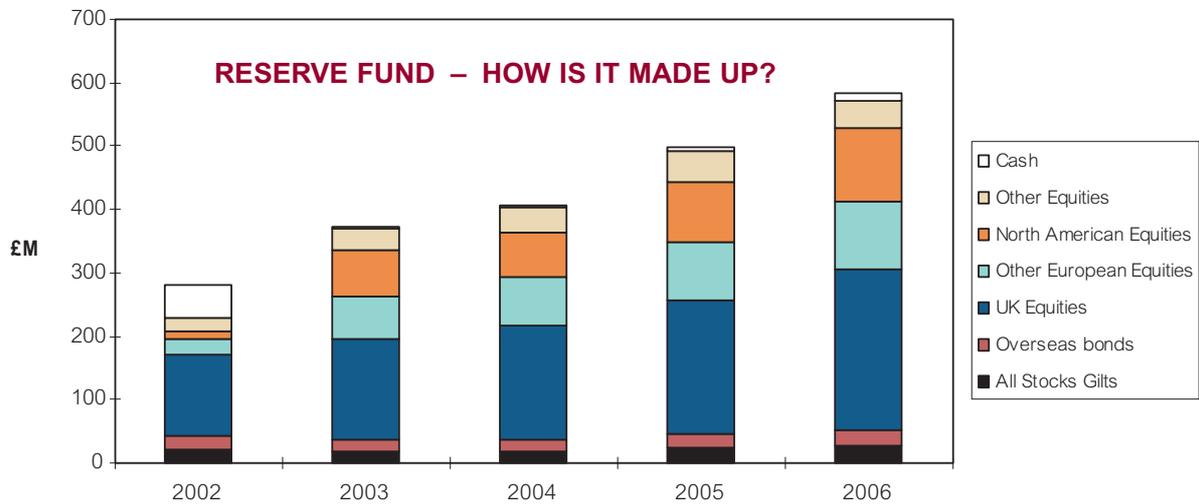
- **Pension** costs rose by 6.6% to £110.0 million (2005: £103.2 million). This is due to a 2.8% increase in pensioner numbers and the annual earnings-linked up-rating of pensions.
- **Incapacity Allowances**, payable when a person is incapable of work through injury, ill-health or disability, have increased by 2.9% to £35.7 million (2005: £34.7 million). This is a turnaround from the time prior to the reform of incapacity benefits, when growth in the region of 9% per year was normal. The total paid for 2006 is still marginally lower than the 2004 total, due to the reform of incapacity benefit, from a system which acts as a barrier to work, to one which supports people, and enables them to work.

# Minister's Report on the 2006 Accounts

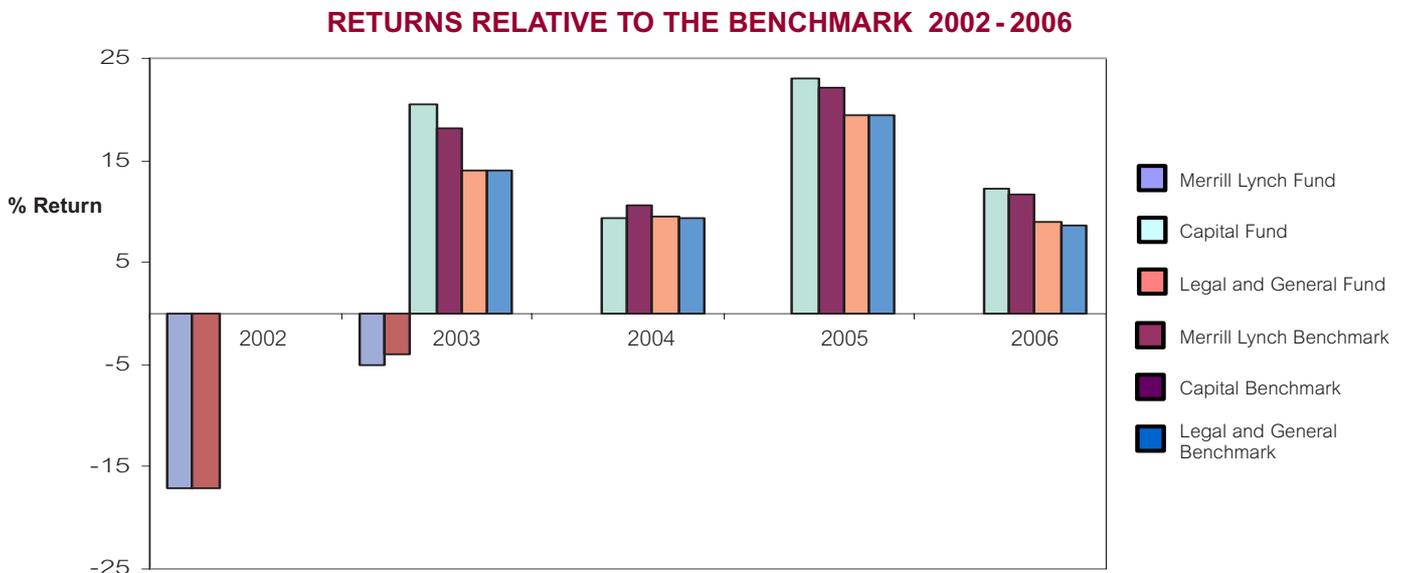
## Social Security (Reserve) Fund

The net asset value of the Social Security (Reserve) Fund has now reached the £583 million mark as at the end of 2006. This is a net increase of £54 million from 2005, and a significant achievement in securing the future pensions for workers in the Island. This success is acknowledged in the latest Actuarial report, which states that the 'financial outlook for the Fund remains healthy in the short to medium term.'

The Social Security (Reserve) Fund is the 'buffer fund' – the means by which contribution rate and ceiling changes are smoothed over time. If not for this fund, pensions and benefits would need to be paid entirely on a pay-as-you-go basis. At present, and for the foreseeable future, benefits will be funded out of annual revenues. The fund therefore increases certainty and enables longer term planning by employers, employees and the States of Jersey.



- Performance on the funds has continued to be respectable, with Capital International returning 12.3% (Benchmark: 11.7%) and Legal and General 9.0% (Benchmark: 8.7%). The Fund Managers were changed from Merrill Lynch to Capital International and Legal and General Investment Management in 2003.



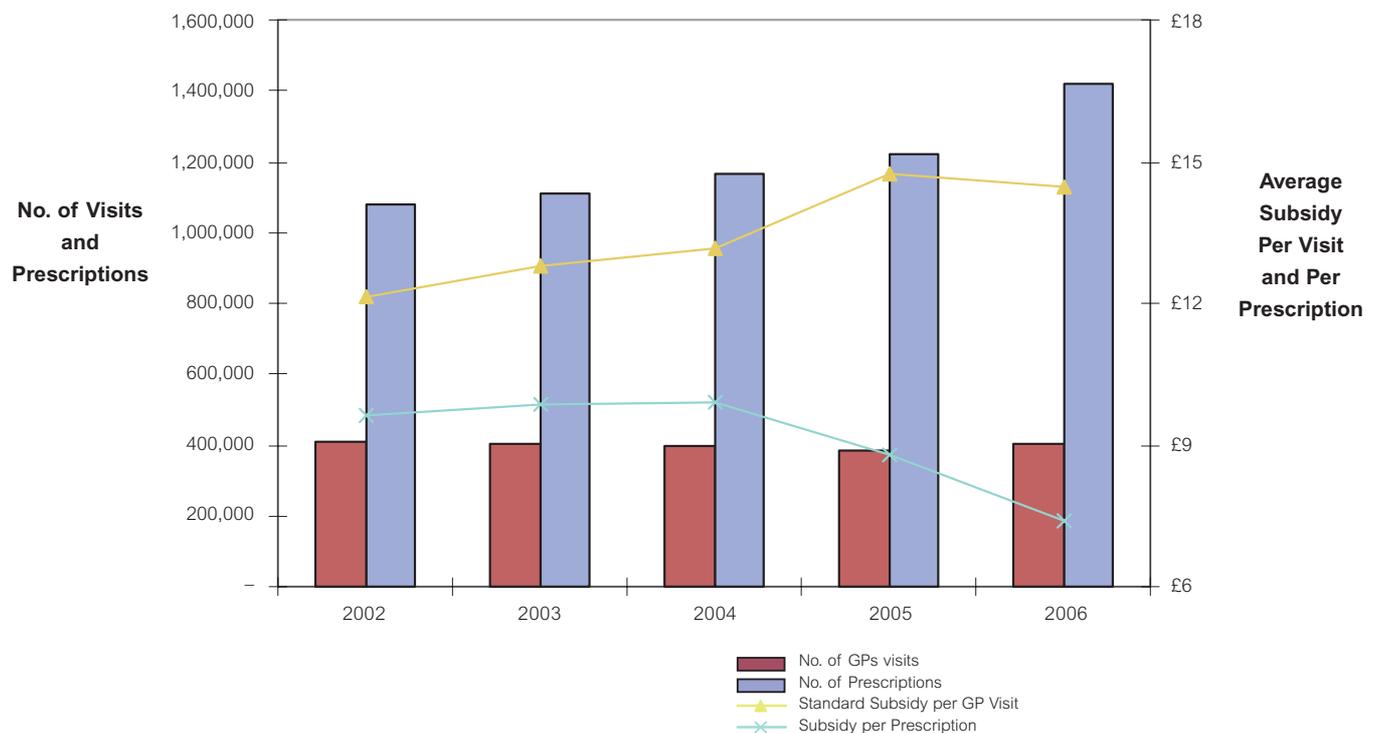
# Minister's Report on the 2006 Accounts

## Health Insurance Fund

The Health Insurance Fund levies contributions on earnings to subsidise GP visits and prescriptions for residents. Certain residents on low incomes receive a full 100% subsidy under the Health Insurance Exceptions scheme.

- **Contributions** collected from employees and employers rose by 5.8% to £23.6 million (2005: £22.3 million) as the number of people employed in the Island increased - by approximately 1,100 - to 51,300.
- The vast majority of the population are eligible for subsidised **visits to General Practitioners**. In 2006, the number of visits increased by 17,000 to 402,000. At the same time, costs have increased by 3.3% to £6.3 million (2005: £6.1 million).
- The cost of subsidising **prescriptions** has remained static at £11.1 million (2005: £11.1 million). The decrease in prescriptions' value by 6.0% from 2004 to 2005 has been maintained due to the Department and GPs working together on a joint approach to prescribing protocols, and the selection of cost effective products. At the same time, the Island has also continued to benefit from a change in drug pricing policy by the National Health Service during that period.

### PRESCRIPTIONS AND GP VISITS SUBSIDY



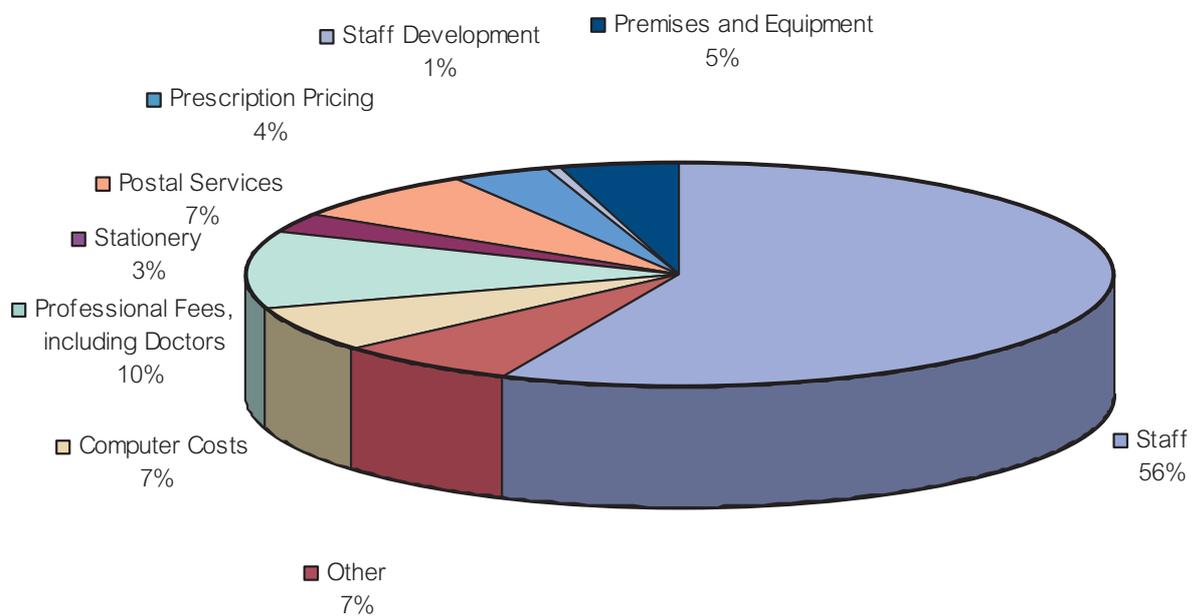
- 4,023 people on low incomes and not working are eligible for the **Health Insurance Exception Scheme**, and receive a 100% subsidy on their GP visits and prescription costs. This scheme cost £3.0 million in 2006 (2005: £2.9 million) with 40% of the funding being provided from the General Revenues of the States of Jersey.
- The Net **Assets** of the Health Insurance Fund are £52.8million (2005: £44.3 million). This continuing improvement in financial strength should not be a cause for complacency, but it will assist in meeting the challenge of future demographic changes and developments in medical technology.

# Minister's Report on the 2006 Accounts

## Administration of the Funds

The Social Security Department administer the Social Security Fund and the Health Insurance Fund. The Social Security (Reserve) Fund is administered by the Treasury and Resources Department. Expenditure on administering benefits totalled £5.0 million in 2006 (2005: £4.9 million). The pie chart below shows how administration costs were split over different categories of expenditure.

**ADMINISTRATION £5.0 MILLION – HOW IS IT MADE UP?**



# **Social Security Fund**

## **The funding principles of the Social Security Scheme**

The Social Security Scheme is financed on the “Pay-as-you-go” basis, with the expenditure on benefits and administration being met from current income.

The Social Security (Reserve) Fund is maintained for a dual purpose:-

1. as a reserve against adverse economic conditions or other contingencies.
2. as a mechanism by which contribution rates may be levelled out over the years.

Social Security requires long term planning. The rates of contribution required to meet the outgoings of the Scheme are determined not only by the level of benefits, but also by the relative numbers of beneficiaries and contributors. Independent actuarial reviews of the scheme are undertaken every three years to assist in this planning. The latest finalised actuarial report as at 31st December 2003 concluded that the financial outlook for the Fund remains healthy in the short to medium term. This is largely due to the 0.5 per cent increases in the contribution rates each year from 1998 to 2002 and the increases in the upper earnings limit over and above earnings growth. Copies of the latest actuarial report are available from the States Greffe.

# Social Security Fund

## Statement of the responsibilities of the Social Security Minister of the States of Jersey in respect of the financial statements

The Social Security (Jersey) Law, 1974, requires that financial statements of the Social Security Fund and Social Security (Reserve) Fund shall be prepared in such form, manner and at such times as the Social Security Minister may determine. The Minister is responsible for preparing the financial statements.

In preparing the financial statements, the Minister is required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the accounts on a going concern basis unless it is inappropriate.

The Minister is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Funds.

The Minister is responsible for safeguarding the assets of the Funds and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report is available as a publication and on a website maintained by the States of Jersey. The maintenance and integrity of the website is the responsibility of the States of Jersey. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the Annual Report since they were initially presented on the website. Visitors to the website need to be aware that legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in their own jurisdiction.

# Social Security Fund

## Independent Auditor's Report to the Minister for Social Security

I have audited the financial statements of the Social Security Fund and the Social Security (Reserve) Fund which comprise the income and expenditure account, the statement of total return, the balance sheets, the cash flow statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of the Minister and auditors

As described in the Statement of the Minister's Responsibilities the Minister is responsible for the preparation of the financial statements in accordance with applicable Jersey law and United Kingdom Accounting Standards.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Minister in accordance with the Social Security (Jersey) Law 1974 and for no other purpose. I do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by my prior consent in writing.

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Social Security (Jersey) Law 1974. I also report to you if, in my opinion, the Minister's report is not consistent with the financial statements, if the company has not kept proper accounting records, or if I have not received all the information and explanations I require for the audit.

I have read the other information contained in the Annual Report and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Minister's report and the statistical appendices.

### Basis of audit opinion

I have conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Minister in the preparation of the financial statements, and of whether the accounting policies are appropriate to the funds' circumstances, consistently applied and adequately disclosed.

I planned and performed the audit so as to obtain all the information and explanations which I consider necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In my opinion the financial statements give a true and fair view, in accordance with United Kingdom Accounting Standards, of the state of the funds' affairs as at 31 December 2006 and of their transactions and cash flows for the year then ended and have been properly prepared in accordance with the Social Security (Jersey) Law 1974.



C. Swinson, OBE,  
Comptroller & Auditor General  
Morier House, Halkett Place, St Helier, JE1 1DD  
08th June 2007

# Social Security Fund

## Income and Expenditure Account year ended 31st December 2006

	Notes	2006		2005 (Restated)	
		£000	£000	£000	£000
<b>INCOME</b>					
Contributions		123,954		117,136	
States Contribution		56,567		50,776	
Bank Interest		1,528		1,119	
Rent		138		182	
Sundry Income		6		-	
Net Income from Social Security (Reserve) Fund		7,593		4,212	
			<b>189,786</b>		173,425
<b>EXPENDITURE</b>					
<b>Benefits</b>					
<b>Pensions</b>					
Pensions and Survivors' Benefits			109,958		103,187
<b>Short Term Incapacity</b>					
Short Term Incapacity Allowance		11,101		11,437	
Injury Benefit		-	11,101	4	11,441
<b>Long Term Incapacity</b>					
Long Term Incapacity Allowance		7,465		5,124	
Invalidity Benefit		17,129	24,594	18,131	23,255
<b>Grants and Allowances</b>					
Maternity Allowance		1,737		1,540	
Maternity Grant		434		422	
Death Grant		401	2,572	364	2,326
			<b>148,225</b>		140,209
<b>Administration Expenses</b>					
Staff	(2)	2,364		2,411	
Depreciation	(4)	2,267		2,159	
Other administrative expenses		1,672		1,474	
			<b>6,303</b>		6,044
			<b>154,528</b>		146,253
<b>Surplus of Income against Expenditure for the year</b>	(3)		<b>35,258</b>		27,172
Transferred to Social Security (Reserve) Fund			<b>(9,293)</b>		(4,812)
<b>Retained surplus for the year in the Social Security Fund</b>			<b>25,965</b>		22,360

### Recognised gains and losses

The above income and expenditure, which is derived from continuing operations, include all recognised gains and losses for the year, as defined by the Financial Reporting Standard No 3.

There is no difference between the net operating income for the period and the retained surplus carried forward as stated above, and their historical cost equivalents.

The restatement is explained in note 11.

The notes on pages 18 to 23 form part of these accounts.

# Social Security Fund

## Balance Sheet as at 31st December 2006

	Notes	2006		2005 (Restated)	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible Fixed Assets	(4)		12,530		12,968
Investment Property	(10)		-		1,400
			<b>12,530</b>		14,368
<b>Current assets</b>					
Debtors	(5)	33,380		27,545	
Investments	(8)	22,750		28,700	
Cash at Bank and in Hand		1,825		2,195	
		<b>57,955</b>		58,440	
<b>Current liabilities</b>					
Creditors (amounts falling due within one year)	(6)	12,153		10,441	
<b>Net current assets</b>			<b>45,802</b>		47,999
			<b>58,332</b>		62,367
<b>Accumulated surplus</b>					
Balance at beginning of the year			62,367		45,007
Transferred to Social Security (Reserve) Fund			(30,000)		(5,000)
Retained surplus for the year			25,965		22,360
			<b>58,332</b>		62,367

The financial statements on pages 14 to 31 were approved by the Social Security Minister, Senator P.F. Routier on 08th June, 2007.



Senator P. F. Routier

The restatement is explained in note 11.  
The notes on pages 18 to 23 form part of these accounts.

# Social Security Fund

## Cash Flow Statement for year ended 31st December 2006

	2006		2005	
	£000	£000	£000	£000
<b>Net Cash inflow from Operating Activities (Note 1)</b>		<b>25,928</b>		20,173
<b>Returns on Investments and Servicing of Finance</b>				
Bank interest received	<b>1,589</b>		1,067	
Rent received	<b>138</b>		182	
		<b>1,727</b>		1,249
<b>Capital Expenditure and Financial Investment</b>				
Payments to acquire tangible fixed assets	<b>(724)</b>		(1,579)	
Transfers to Social Security (Reserve) Fund	<b>(31,700)</b>		(5,600)	
		<b>(32,424)</b>		(7,179)
<b>Management of Liquid Resources</b>				
Decrease/(increase) in money held on deposit		<b>5,950</b>		(14,400)
<b>Increase/(decrease) in Cash in Period</b>		<b>1,181</b>		(157)

### Reconciliation of Net Cash Flow to Movement in Net Funds

	2006		2005	
	£000	£000	£000	£000
Increase/(decrease) in cash in period (Decrease)/increase in liquid resources	<b>1,181</b> <b>(5,950)</b>		(157) 14,400	
Change in Net Funds (Note 2)		<b>(4,769)</b>		14,243
Net funds at beginning of the year		<b>27,510</b>		13,267
Net funds at end of the year		<b>22,741</b>		27,510

# Social Security Fund

## Notes to Cash Flow Statement for year ended 31st December 2006

### NOTE 1.

#### Reconciliation of net income to net cash flow from operating activities

	2006 £000	2005 (Restated) £000
Surplus of Income against Expenditure for the year	35,258	27,172
Net Income from Social Security (Reserve) Fund	(7,593)	(4,212)
Depreciation	2,267	2,159
(Increase) in Debtors	(5,896)	(1,733)
Increase (decrease) in Creditors	3,558	(1,912)
Bank Interest	(1,528)	(1,119)
Rent	(138)	(182)
<b>Net Cash inflow from Operating Activities</b>	<b>25,928</b>	<b>20,173</b>

### NOTE 2.

#### Analysis of changes in net funds

	31st Dec 2005 £000    £000		Cash Flows £000    £000		31st Dec 2006 £000    £000	
Cash in Hand and at Bank						
Cash in Hand	2,195		(370)		1,825	
Uncleared Funds	(3,385)		1,551		(1,834)	
		(1,190)		1,181		(9)
Liquid Resources		28,700		(5,950)		22,750
		27,510		(4,769)		22,741

Uncleared Funds represents issued cheques not yet cashed on the benefit payments account as at 31st December 2006.

# Social Security Fund

## Notes to the Financial Statements at 31st December 2006

### 1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as adjusted for the revaluation of certain fixed assets, and in accordance with generally accepted accounting principles in the United Kingdom, using the following accounting policies:

#### (a) Tangible Fixed Assets

Depreciation is calculated so as to write off the cost of tangible fixed assets (excluding freehold land) less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Asset	Period
Buildings	50 years
Building Improvements	5 to 20 years
Fixtures & Fittings	5 years
Computer Development	8 years
Computer Network	3 years

A full year's depreciation is charged in the year of acquisition. Assets under construction are not depreciated until fully operational. Office equipment is fully written off in the year of acquisition. Investment properties are valued in the financial statements at Open Market Value and are not subject to depreciation charges.

#### (b) Contributions

The contributions from insured persons, employers and the States of Jersey include their estimated liability in respect of the quarter ended 31st December 2006. Social Security contributions are at the rate of 10.5% of earnings (Employees, 5.2%; Employers, 5.3%).

#### (c) States Contribution

States Contribution is the sum paid by the States of Jersey to supplement the contributions of individuals with earnings between upper and lower earnings limit, to ensure that the related benefits are appropriately funded.

#### (d) Benefits and other Income and Expense

Benefits, including Pensions, and other income and expenditure, are accounted for on an accruals basis.

#### (e) Employee Pension Costs

Contributions to the employee pension scheme, the Public Employees' Contributory Retirement Scheme, are accounted for in the year in which they are payable.

# Social Security Fund

## Notes to the Financial Statements at 31st December 2006

### 2. EMPLOYEE PENSION COSTS

Staff costs include pension contributions of £263,471 (2005: £254,007) in respect of staff employed to administer the Fund who are members of the Public Employees' Contributory Retirement Scheme (PECRS). PECRS membership is compulsory to all permanent employees of 20 years of age and over. The Scheme is managed by a Committee of Management which has established five sub-committees to investigate and report on complex technical issues. Since the Department is unable to readily identify its share of the underlying assets and liabilities of PECRS, under Financial Reporting Standard 17 (FRS17), contributions to the scheme will be accounted for as if they were contributions to a defined contribution scheme. As at 31st December 2006, PECRS had a market value of £1,114 million (2005: £983 million). The States of Jersey contribution to the Scheme in 2006 was £39.6 million (2005: £28.9 million).

The last published Actuarial Valuation of the Scheme as at 31st December 2004, dated 13th March 2006, indicated that the Scheme had an actuarial deficiency of £17.4 million. The Actuaries have concluded that this deficiency is temporary in nature, and that it could be carried forward to the next valuation.

The Scheme is not a conventional defined benefit scheme in that the employers are not responsible for meeting any deficiency in the Scheme.

Copies of the latest Report and Accounts of the States of Jersey and the Public Employees' Contributory Retirement Scheme will be available from the States Greffe.

### 3. NET OPERATING INCOME

Net Operating Income is stated after charging / (crediting):

	31st Dec 2006 £000	31st Dec 2005 £000
Auditors fees	79	31
Depreciation	2,267	2,159
Rental income from third parties	(43)	(64)
Rental income from related parties	(95)	(118)

# Social Security Fund

## Notes to the Financial Statements at 31st December 2006

### 4. TANGIBLE FIXED ASSETS

	Land, Buildings & Improvements £000	Fixtures & Fittings £000	Computer Development & Network £000	Total £000
<b>Assets at cost</b>				
At 1st January 2006	6,036	65	12,025	<b>18,126</b>
Additions during year	-	-	429	<b>429</b>
Investment Property transferred back to Fixed Assets (10)	1,400	-	-	<b>1,400</b>
(Disposals) during year	-	-	-	<b>-</b>
At 31st December 2006	7,436	65	12,454	<b>19,955</b>
<b>Depreciation</b>				
At 1st January 2006	1,843	65	3,250	<b>5,158</b>
Charged for the year (10)	457	-	1,810	<b>2,267</b>
(Disposals) during year	-	-	-	<b>-</b>
At 31st December 2006	2,300	65	5,060	<b>7,425</b>
<b>Net book value at: 31st December 2006</b>	<b>5,136</b>	<b>-</b>	<b>7,394</b>	<b>12,530</b>
31st December 2005	<b>4,193</b>	<b>-</b>	<b>8,775</b>	<b>12,968</b>

Depreciation as at 31st December 2006 includes £47,059 for Huguenot House which has been transferred to Fixed Assets at £1.4 million. This was the value of Huguenot House when it was an investment property, and is now attracting depreciation for the rest of its useful life, deemed at 50 years from its purchase in 1985.

Land situated at 28 to 32 La Motte Street, St. Helier, Jersey, has been purchased for the Social Security Fund. Title to this property is registered in the names of the "Attorney General and Greffier of the States on behalf of the Public of the Island".

### 5. DEBTORS

	31st Dec 2006 £000	31st Dec 2005 (Restated) £000
Contributors – Individuals and employers	<b>22,074</b>	20,806
Beneficiaries paid in advance	<b>4,535</b>	4,708
Amounts prepaid in respect of benefits paid and services provided as agent	<b>3,027</b>	1,540
Jersey Post (7)	<b>130</b>	212
Bank interest and other income accrued	<b>18</b>	79
Amounts due for States Expenditure	<b>3,367</b>	-
Other debtors	<b>229</b>	200
	<b>33,380</b>	27,545

Contributions are stated net of the provision for bad debts, 2006 £211,900, (2005: £198,300).

# Social Security Fund

## Notes to the Financial Statements at 31st December 2006

### 6. CREDITORS (amounts falling due within one year)

	31st Dec 2006	31st Dec 2005 (Restated)
	£000	£000
Health Insurance Fund	6,965	2,604
Amounts due to the Treasurer of the States in respect of benefits paid and services provided as an agent	2,403	1,525
Amounts payable in respect of benefits paid and services provided as an agent	55	2,224
Benefits payable	467	368
Capital expenditure	-	295
Funds uncleared at bank	1,834	3,385
Other creditors	429	40
	<b>12,153</b>	10,441

### 7. RELATED PARTIES TRANSACTIONS

The Fund pays Jersey Post in advance for the beneficiaries who hold a pension order book. From 2003, open cheque benefit payments could also be cashed. For this service, Jersey Post receive an administration fee (2006, £213,490; 2005, £221,103). Certain services are also contracted from Jersey Telecom and Jersey Electricity Company. These relationships are conducted on an arms length commercial basis.

The Fund also undertakes a number of transactions and joint undertakings with States of Jersey Treasury and Resources and other States Departments. Management and control of the Fund resides with the Minister and Officers of the States of Jersey. Ownership of the Fund resides with the contributors and beneficiaries on a mutual basis.

The Fund receives income from the States of Jersey to supplement the contributions of earners below the standard level of contribution (earnings ceiling) (2006, £56,566,578; 2005, £50,776,416).

Officers of the States of Jersey who administer the Fund are also involved with the administration of States Funded benefits, Services related to Employment, and the General Practitioners' computer network. Where this administration is undertaken on premises owned by the Fund, a rental charge is levied (2006, £85,300; 2005, £110,400). Amounts administered are as follows -

	<b>2006 £000</b>
States Funded Benefits	36,266
Services Related to Employment	3,114

# Social Security Fund

## Notes to the Financial Statements at 31st December 2006

### 7. RELATED PARTIES TRANSACTIONS (continued)

Full details of all States Funded benefits and services administered by the Social Security Department can be found in the "States Financial Report and Accounts 2006". Copies of the report will be available from the States Greffe.

	<b>2006</b>
	<b>£000</b>
Amounts due to related parties	
Treasurer of the States	2,458
Jersey Post	36
Amounts due from related parties	
Treasurer of the States	3,367
Jersey Post	130

### 8. INVESTMENTS

Investments comprise of short term deposits held for up to three months to ensure that the Fund has sufficient liquid resources to meet benefit and administration payments.

### 9. LONG-TERM FINANCIAL POSITION

The accounts summarise the transactions and net assets of the Social Security Fund. This is not a fully funded pension scheme and, therefore, does not take account of liabilities to pay pensions and other benefits in the future. The actuarial position of the Fund, which considers such liabilities, is summarised in the most recent actuarial report of the Scheme at 31st December 2003, which was presented to the States on 12 July 2005. Copies of the report will be available from the States Greffe. The next actuarial review will be for the period to 31st December 2006.

### 10. INVESTMENT PROPERTY

Properties owned by the Fund and leased to third parties are assessed as assets held for investment purposes rather than as assets held for use in Departmental operations. During 2006, the property held by the Department for investment purposes, was vacated, allowing the Department to utilise the property for its own operations. Therefore, the property is no longer an investment property under Statement of Standard Accounting Practice 19 and is recorded as an asset held for use for Departmental operations and depreciated accordingly.

# Social Security Fund

## Notes to the Financial Statements at 31st December 2006

### 11. PRIOR PERIOD ADJUSTMENT

The accounts have not previously included contributions due but not collected as at 31 December for the contributors who have outstanding arrears. These arrears consist of contributors who are repaying their outstanding liability by instalment agreement and all other contributors who have a liability as at the year end. The amount outstanding and accrued for in the 2005 restatement is £1,641,200.

The accounts include a prior year adjustment to ensure that a true and fair view of the Department's activities are recorded.

The adjustments to the accounts are set out below:

		Increase £000	Decrease £000
<b>Income and Expenditure Account Restated 2005 figures</b>			
<b>Income</b>			
Contributions	- Class 1 Instalments for Contributions	170	
	- Class 2 Instalments for Contributions	1,471	
<b>Expenditure</b>			
Other administrative expenses	- Provision for Bad Debts of Contributions	198	
<b>Surplus</b>			
Retained surplus for the year	- Instalments for Contributions	1,641	
	- Provision for Bad Debts of Contributions		198
<b>Balance Sheet Restated 2005 figures</b>			
Debtors	- Class 1 Instalments for Contributions	170	
	- Class 2 Instalments for Contributions	1,471	
	- Amounts Due to Health Fund	313	
	- Provision for Bad Debts of Contributions		198
Creditors	- Amounts Due to Health Fund	313	
Retained surplus for the year	- Instalments for Contributions	1,641	
	- Provision for Bad Debts of Contributions		198
<b>Notes to the Cash Flow Statement Restated 2005 figures (Note 1)</b>			
Retained surplus for the year	- Instalments for Contributions	1,641	
	- Provision for Bad Debts of Contributions		198
Debtors	- Class 1 Instalments for Contributions	170	
	- Class 2 Instalments for Contributions	1,471	
	- Amounts Due to Health Fund		313
	- Provision for Bad Debts of Contributions		198
Creditors	- Amounts Due to Health Fund		313
<b>Notes to the Financial Statements Restated 2005 Figures</b>			
<b>Note 5 Debtors</b>			
Contributors - Insured individuals and employers	- Class 1 Instalments for Contributions	170	
	- Class 2 Instalments for Contributions	1,471	
	- Amounts Due to Health Fund	313	
	- Provision for Bad Debts of Contributions		198
<b>Note 6 Creditors</b>			
Health Insurance Fund	- Amounts Due to Health Fund	313	

## Social Security (Reserve) Fund

### Statement of Total Return for the year ended 31st December 2006

	Notes	2006 Revenue £000	2006 Capital £000	2006 Total £000	2005 Total £000
Realised gains on the disposal of investments		-	42,574	<b>42,574</b>	22,866
Movement in unrealised gains		-	2,856	<b>2,856</b>	58,720
Dividends and interest on fixed interest investments		9,727	-	<b>9,727</b>	6,008
Bank interest		398	-	<b>398</b>	190
		10,125	45,430	<b>55,555</b>	87,784
Investment management and custodian fees	(3)	(1,425)	-	<b>(1,425)</b>	(1,214)
Irrecoverable Withholding Tax	(1, 9)	(1,056)	-	<b>(1,056)</b>	(706)
Other expenses		(51)	-	<b>(51)</b>	(66)
		7,593	45,430	<b>53,023</b>	85,798
Appropriated to the Social Security Fund	(4)	(7,593)	-	<b>(7,593)</b>	(4,212)
		-	45,430	<b>45,430</b>	81,586

### Statement of Movement in Social Security (Reserve) Fund

	Investment Reserve Total £000	Accumulated Surplus £000	Total Reserves £000
Balance at 31st December 2005	274,588	224,036	<b>498,624</b>
Net realised gains on disposal of investments	42,575	-	<b>42,575</b>
Transfer from Social Security Fund	-	39,293	<b>39,293</b>
Movement in unrealised gains	2,856	-	<b>2,856</b>
<b>Balance at 31st December 2006</b>	<b>320,019</b>	<b>263,329</b>	<b>583,348</b>

The notes on pages 27 to 31 form part of these accounts.

# Social Security (Reserve) Fund

## Balance Sheet as at 31st December 2006

	Notes	2006 £000	2005 £000
<b>Quoted investments at market value</b>	(5)	<b>572,451</b>	491,490
<b>Current assets</b>			
Debtors	(7)	<b>525</b>	443
Cash at bank	(6)	<b>10,951</b>	7,122
		<b>11,476</b>	7,565
<b>Current liabilities</b>			
Creditors (amounts falling due within one year)	(8)	<b>579</b>	431
<b>Net current assets</b>		<b>10,897</b>	7,134
		<b>583,348</b>	498,624
<b>Funds employed</b>			
Accumulated surplus		<b>263,329</b>	224,036
Investment reserve		<b>320,019</b>	274,588
		<b>583,348</b>	498,624

The notes on pages 27 to 31 form part of these accounts.

# Social Security (Reserve) Fund

## Cash Flow Statement for year ended 31st December 2006

	2006	2005
	£000	£000
<b>Net cash inflow from operating activities</b> (Note 1 below)	7,659	4,041
<b>Investing activities</b>		
Purchase of investments	(228,661)	(111,471)
Sales of investments	193,131	104,584
<b>Net cash (outflow) from investing activities</b>	(35,530)	(6,887)
<b>Net cash flow before financing</b>	(27,871)	(2,846)
<b>Financing</b>		
Transfers from Social Security Fund (4)	31,700	5,600
<b>Increase in cash</b> (Note 2 below)	3,829	2,754

### NOTE 1. Reconciliation of surplus of income over expenditure to operating cash flow

	2006	2005
	£000	£000
Surplus of income over expenditure	7,593	4,212
(Increase)/decrease in operating debtors	(82)	2,934
Increase/(decrease) in operating creditors	148	(3,105)
	66	(171)
<b>Net cash inflow from operating activities</b>	7,659	4,041

### NOTE 2. Analysis of net funds

	£000	£000
Cash at start of period	7,122	4,368
Cashflow	3,829	2,754
Cash at end of period	10,951	7,122

# Social Security (Reserve) Fund

## Notes to the Financial Statements at 31st December 2006

### 1. ACCOUNTING POLICIES

The accounts are prepared on the historical cost convention, in accordance with UK GAAP so far as it is applicable to these accounts. In the absence of any detailed guidance on the required format of accounts we have referred to the UK Government's Financial Reporting Manual for Government entities. The Manual considers the question of accounting for specialised funds and requires that their presentation is agreed on a case by case basis with the relevant authority, which under the Social Security (Jersey) Act 1974 is the Minister for Social Security. The Minister considers that the format contained within these accounts is the most appropriate to the circumstances of the Fund.

#### (a) Foreign Currency Translation

Foreign currency transactions are translated into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities are translated into sterling at the rate of exchange ruling at the Balance Sheet date.

#### (b) Investment Income

Bank interest and income from fixed interest securities are accounted for on an accruals basis. Dividends from other quoted securities are accrued when the securities are quoted ex-dividend. Investment income is stated gross of irrecoverable tax deducted at source.

#### (c) Valuation of Investments

Investments are designated as 'fair value through profit or loss' and are stated at the closing bid price. Unrealised gains or losses on the valuation of investments are recorded in the statement of total return and transferred to the investment reserve.

#### (d) Profits and Losses on the Disposal of Investments

Profits and losses arising on the disposal of investments are calculated on a weighted average cost basis.

The difference between cost and disposal proceeds is recorded as a realised gain or loss in the Statement of Total Return and transferred to the Investment Reserve.

#### (e) Taxation

The Fund does not suffer taxation on its net surplus for the year or on realised gains on the disposal of investments.

Investment income is shown gross before withholding tax. Irrecoverable withholding tax suffered is recorded in the Statement of Total Return.

### 2. FINANCIAL INSTRUMENT AND RISK PROFILE

The Fund's investment objectives and policies are stated above. To achieve these objectives, the Fund's assets and liabilities comprise financial instruments held in accordance with its investment objectives and policies. These may include:

- (a) Investments including equity and non-equity shares, fixed income securities and floating rate securities.
- (b) Cash, liquid resources and short term debtors and creditors that arise directly from the investment activities.
- (c) Hedging instruments such as forward exchange contracts and traded options which the Fund may enter into, for the purpose of managing the risks arising from the Fund's investment activities.

# Social Security (Reserve) Fund

## Notes to the Financial Statements at 31st December 2006

### Market price risk

Investments are principally equities, fixed interest securities and bank deposits. The value of these is not fixed (other than bank deposits) and may go down as well as up. This may be the result of a specific factor affecting the value of an individual stock or be caused by general market factor (such as interest rates, government policy or the health of the underlying economy) which could affect the entire portfolio of a Fund.

The year end portfolio of the Fund is detailed in note 5 below.

### Liquidity risk

The Fund's financial assets are considered to be readily realisable in accordance with the market practices of the exchange on which they are traded. The Manager manages the Fund's cash to meet its liabilities.

All the liabilities are payable on demand or in less than one year.

### Interest rate risk

The Fund receives income from its various investments in bonds, loan stock and fixed bank deposit accounts.

These cash flows are primarily fixed in nature. They are derived from the securities held in the portfolio of the Fund which may be varied from time to time in accordance with its investment objective and policy.

### Fair value of financial assets and financial liabilities

There is no material difference between the value of financial assets and financial liabilities, as shown on the balance sheet, and their fair values.

### Foreign currency risk

The Fund purchases securities denominated in a currency other than sterling, and hence takes a position in other currencies. A substantial portion of the financial assets of the Fund is denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements.

## 3. INVESTMENT MANAGEMENT AND CUSTODIAN FEES

The Investment managers, Capital International and Legal and General are entitled to fees as follows:

### Capital International

Global / Regional Equity Fee (incremental Annual Fee rate as a percentage of Market Value)

On the first GBP 17.5 million	0.700 of 1%
GBP 17.5 million to GBP 35 million	0.550 of 1%
GBP 35 million to GBP 175 million	0.425 of 1%
Over GBP 175 million	0.375 of 1%

Actual fees payable in the year £1,153,757

# Social Security (Reserve) Fund

## Notes to the Financial Statements at 31st December 2006

### Legal and General – Unit Trusts

UK Equity Index Fund	0.0525%	per annum
North America Equity Index Fund	0.08%	per annum
Japan Equity Index Fund	0.15%	per annum
Europe (Ex-UK) Equity Index Fund	0.125%	per annum
Asia Pacific (ex-Japan) Developed Equity Index Fund	0.20%	per annum
All Stocks Gilts Index Fund	0.04%	per annum
Overseas Bond Index Fund	0.08%	per annum
Cash Fund	0.075%	per annum

Actual fees payable in the year £195,969

and the Global Custodian, Northern Trust Ltd is entitled to:

### The Northern Trust Company

Base Charge per Investment Manager	£1,000 per account p.a.
Asset Based Fees are charged at between 1 to 110 basis points	

A separate charge of £20 will be levied for clean payments in respect of third party fixed deposits and foreign exchange.

Fixed fee chargeable at £3,000 per annum

Actual fees payable in the year £75,369

## 4. TRANSFERS TO / FROM THE SOCIAL SECURITY FUND

In accordance with the Social Security Law, 1974, the net revenue return for the year is transferred to the Social Security Fund at the end of the financial year. Excess funds held by the Social Security Fund are transferred to the Social Security (Reserve) Fund and credited to the Accumulated surplus.

	2006	2005
Total Funds transferred from Social Security during the year	<b>£31,700,000</b>	£5,600,000

# Social Security (Reserve) Fund

## Notes to the Financial Statements at 31st December 2006

### 5. QUOTED INVESTMENTS

	31st Dec 2006			31st Dec 2005		
	Cost £000	Market Value £000	Weighting %	Cost £000	Market Value £000	Weighting %
<b>Equities</b>						
United Kingdom	108,677	137,107	23.5	97,095	120,057	24.1
Europe	61,525	72,805	12.5	40,761	52,330	10.5
North America	61,011	59,864	10.3	44,112	47,694	9.6
Japan	18,134	20,162	3.5	16,208	23,974	4.8
Pacific Basin, excluding Japan	4,534	5,909	1.0	5,763	7,737	1.6
	<b>253,881</b>	<b>295,847</b>	<b>50.8</b>	203,939	251,792	50.6
<b>Unit Trusts</b>						
<b>Unit Trust Bonds</b>						
Global	27,502	26,664	4.6	21,538	22,587	4.5
United Kingdom	23,503	26,830	4.6	19,528	22,637	4.5
	<b>51,005</b>	<b>53,494</b>	<b>9.2</b>	41,066	45,224	9.0
<b>Unit Trust Equities</b>						
United Kingdom	56,495	109,372	18.7	57,199	94,803	19.1
Other Europe	18,699	39,652	6.8	20,710	36,618	7.3
North America	56,651	57,397	9.8	40,880	47,952	9.6
Japan	10,598	10,686	1.8	5,431	10,068	2.0
Pacific Basin, excluding Japan	2,549	6,003	1.0	2,549	5,033	1.0
	<b>144,992</b>	<b>223,110</b>	<b>38.1</b>	126,769	194,474	39.0
	<b>449,878</b>	<b>572,451</b>		371,774	491,490	
<b>Other Current Assets</b>						
Debtors	525	525	0.1	443	443	0.1
Creditors	(579)	(579)	(0.1)	(431)	(431)	(0.1)
Cash at bank	10,951	10,951	1.9	7,122	7,122	1.4
	<b>10,897</b>	<b>10,897</b>	<b>1.9</b>	7,134	7,134	1.4
<b>TOTAL</b>	<b>460,775</b>	<b>583,348</b>	<b>100.0</b>	378,908	498,624	100.0

# Social Security (Reserve) Fund

## Notes to the Financial Statements at 31st December 2006

### 6. CASH AT BANK

	31st Dec 2006 £000	31st Dec 2005 £000
Cash held with sub-custodian appointed by the investment manager	10,566	7,001
Cash at bank	385	121
	<b>10,951</b>	<b>7,122</b>

### 7. DEBTORS

	31st Dec 2006 £000	31st Dec 2005 £000
Income Due but not received		
Accrued Interest	467	353
Amounts awaiting settlement		
Sales pending	58	90
	<b>525</b>	<b>443</b>

### 8. CREDITORS

	31st Dec 2006 £000	31st Dec 2005 £000
Administration Charges	41	49
Management Fees	378	329
Amounts awaiting settlement		
Purchases pending	160	53
	<b>579</b>	<b>431</b>

### 9. TAXATION

	2006 £000	2005 £000
Overseas withholding tax	1,056	706



# Health Insurance Fund

## The funding principles of the Health Insurance Fund

The Health Insurance Fund is financed on the “Pay-as-you-go” basis, with the expenditure on benefits and administration being met from current income.

Under the Health Insurance Exception Scheme, persons of limited means who are not potentially employable may be eligible to receive medical services from general medical practitioners and medicines without charge. These arrangements apply only to people who were born locally or have resided in the Island for at least five consecutive years.

Independent actuarial reviews of the scheme are undertaken every five years, the latest report being as at 31st December 2002, the next report will be for the period to 31st December 2007.

This report concluded –

- The financial position of the Fund remains sound.
- The current financial objective set for the Fund is that it should represent at least one year's expenditure.
- As the population ages, benefit expenditure will increase relative to contribution income.

The Fund has shown a continued improvement in its financial position, reflecting the fact that contribution income has grown more strongly than benefit expenditure. Based on the assumptions in the report, the balance in the Fund is projected to continue to grow, reaching a peak in 2012 equivalent to nearly 2½ years' expenditure (excluding that financed by the States vote). As at 31st December 2006, the Fund represented over two years and one month's benefit expenditure based on current expenditure levels. However, each year the scheme spends up to approximately three quarters of the money it collects, and any significant changes in the parameters of the scheme would result in a substantially different financial picture, along with a rapid impact on contribution levels.

Copies of the latest actuarial report are available from the States Greffe.

# Health Insurance Fund

## Statement of the responsibilities of the Social Security Minister of the States of Jersey in respect of the financial statements

The Health Insurance (Jersey) Law 1967 requires that the financial statements of the Health Insurance Fund shall be prepared in such form, manner and at such times as the Social Security Minister may determine. The Minister is responsible for preparing the financial statements.

In preparing the financial statements, the Minister is required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the accounts on a going concern basis unless it is inappropriate.

The Minister is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund.

The Minister is responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report is available as a publication and on a website maintained by the States of Jersey. The maintenance and integrity of the website is the responsibility of the States of Jersey. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the Annual Report since they were initially presented on the website. Visitors to the website need to be aware that legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in their own jurisdiction.

# Health Insurance Fund

## Independent Auditor's Report to the Minister for Social Security

I have audited the financial statements of the Health Insurance Fund which comprise the income and expenditure account, the balance sheets, the cash flow statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of the Minister and auditors

As described in the Statement of the Minister's Responsibilities the Minister is responsible for the preparation of the financial statements in accordance with applicable Jersey law and United Kingdom Accounting Standards.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Minister in accordance with the Health Insurance (Jersey) Law 1967 and for no other purpose. I do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by my prior consent in writing.

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Health Insurance (Jersey) Law 1967. I also report to you if, in my opinion, the Minister's report is not consistent with the financial statements, if the company has not kept proper accounting records, or if I have not received all the information and explanations I require for the audit.

I have read the other information contained in the Annual Report and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Minister's report and the statistical appendices.

### Basis of audit opinion

I have conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Minister in the preparation of the financial statements, and of whether the accounting policies are appropriate to the funds' circumstances, consistently applied and adequately disclosed.

I planned and performed the audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In my opinion the financial statements give a true and fair view, in accordance with United Kingdom Accounting Standards, of the state of the funds' affairs as at 31 December 2006 and of their transactions and cash flows for the year then ended and have been properly prepared in accordance with the Health Insurance (Jersey) Law 1967.



C. Swinson, OBE,  
Comptroller & Auditor General  
Morier House, Halkett Place, St Helier, JE1 1DD  
08th June 2007

# Health Insurance Fund

## Income and Expenditure Account year ended 31st December 2006

	Notes	2006		2005 (Restated)	
		£000	£000	£000	£000
<b>INCOME</b>					
Contributions		<b>23,610</b>		22,312	
States Contribution	(1)	<b>1,218</b>		1,171	
Bank Interest		<b>1,997</b>		1,751	
Pharmaceutical discounts		<b>121</b>		59	
			<b>26,946</b>		25,293
<b>EXPENDITURE</b>					
<b>Benefits</b>					
<b>General</b>					
Medical		<b>5,206</b>		5,058	
Pharmaceutical		<b>9,171</b>		9,229	
			<b>14,377</b>		14,287
<b>Health Insurance Exceptions</b>					
Medical	(1)	<b>1,125</b>		1,082	
Pharmaceutical		<b>1,919</b>		1,845	
			<b>3,044</b>		2,927
<b>Gluten free food vouchers</b>					
			<b>113</b>		103
			<b>17,534</b>		17,317
<b>ADMINISTRATION EXPENSES</b>					
Staff	(2)	<b>440</b>		473	
Other administrative expenses		<b>489</b>		612	
			<b>929</b>		1,085
			<b>18,463</b>		18,402
<b>Surplus of income over expenditure for the year</b>			<b>8,483</b>		6,891

### Recognised gains and losses

The above income and expenditure, which is derived from continuing operations, includes all recognised gains and losses for the year, as defined by the Financial Reporting Standard No 3.

There is no difference between the net operating income for the period and the retained surplus carried forward as stated above, and their historical cost equivalents.

The restatement is explained in note 8.

The notes on pages 40 to 42 form part of these accounts.

# Health Insurance Fund

## Balance Sheet as at 31st December 2006

	Notes	2006 £000	2005 (Restated) £000
<b>Current assets</b>			
Debtors	(3)	10,852	6,428
Investments	(6)	43,000	39,000
		<b>53,852</b>	45,428
<b>Current liabilities</b>			
Creditors (amounts falling due within one year)	(4)	(1,074)	(1,133)
		<b>52,778</b>	44,295
<b>Accumulated surplus</b>			
Balance at beginning of the year		44,295	37,404
Surplus of income over expenditure for the year		8,483	6,891
		<b>52,778</b>	44,295

The financial statements on pages 36 to 42 were approved by the Social Security Minister, Senator P.F. Routier on 08th June, 2007.



Senator P. F. Routier

The restatement is explained in note 8.  
The notes on pages 40 to 42 form part of these accounts.

# Health Insurance Fund

## Cash Flow Statement for year ended 31st December 2006

	2006 £000	2005 £000
<b>Net Cash inflow from Operating Activities</b> (Note 1)	<b>4,000</b>	9,000
<b>Management of Liquid Resources</b> Increase in money held on deposit	<b>(4,000)</b>	(9,000)
<b>(Decrease)/increase in Cash in Period</b>	<b>–</b>	–

### Reconciliation of Net Cash Flow to Movement in Net Funds

	2006 £000	2005 £000
Increase in liquid resources	<b>4,000</b>	9,000
Change in Net Funds (Note 2)	<b>4,000</b>	9,000
Net funds at beginning of the year	<b>39,000</b>	30,000
Net funds at end of the year	<b>43,000</b>	39,000

# Health Insurance Fund

## Notes to Cash Flow Statement for year ended 31st December 2006

### NOTE 1.

#### Reconciliation of net income to net cash flow from operating activities

	2006 £000	2005 (Restated) £000
Surplus of income against expenditure for the year	8,483	6,891
(Increase)/decrease in Debtors	(4,424)	2,292
Decrease in Creditors	(59)	(183)
<b>Net Cash inflow from Operating Activities</b>	<b>4,000</b>	9,000

### NOTE 2.

#### Analysis of changes in net funds

	31st Dec 2005 £000	Cash Flows £000	31st Dec 2006 £000
Liquid Resources	39,000	4,000	43,000

# Health Insurance Fund

## Notes to the Financial Statements at 31st December 2006

### 1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as adjusted for the revaluation of certain fixed assets, and in accordance with generally accepted accounting principles in the United Kingdom, using the following accounting policies:

#### (a) Contributions

The contributions from insured persons and employers include their estimated liability in respect of the quarter ended 31st December 2006. Health contributions are at the rate of 2% of earnings (Employees, 0.8%; Employers, 1.2%).

#### (b) States Contribution, Health Insurance Exceptions

A proportion of Health Insurance Exceptions costs, currently 60%, are paid from contributions and the remaining 40% of Health Insurance Exceptions costs are paid from a States of Jersey vote.

#### (c) Benefits, and other Income and Expense

Benefits, and other income and expenditure, are accounted for on an accruals basis.

#### (d) Employee Pension Costs

Contributions to the employee pension scheme, the Public Employees' Contributory Retirement Scheme, are accounted for in the year in which they are payable.

### 2. EMPLOYEE PENSION COSTS

Staff costs include pension contributions of £48,046 (2005: £49,185) in respect of staff employed to administer the Fund who are members of the Public Employees' Contributory Retirement Scheme (PECRS). PECRS membership is compulsory to all permanent employees of 20 years of age and over. The Scheme is managed by a Committee of Management which has established five sub-committees to investigate and report on complex technical issues. Since the Department is unable to readily identify its share of the underlying assets and liabilities of PECRS, under Financial Reporting Standard 17 (FRS17), contributions to the scheme will be accounted for as if they were contributions to a defined contribution scheme. As at 31st December 2006, PECRS had a market value of £1,114 million (2005: £983 million). The States of Jersey contribution to the Scheme in 2006 was £39.6 million (2005: £28.9 million).

The last published Actuarial Valuation of the Scheme as at 31st December 2004, dated 13th March 2006, indicated that the Scheme had an actuarial deficiency of £17.4 million.

The Actuaries have concluded that this deficiency is temporary in nature, and that it could be carried forward to the next valuation.

The Scheme is not a conventional defined benefit scheme in that the employers are not responsible for meeting any deficiency in the Scheme.

Copies of the latest Report and Accounts of the States of Jersey and the Public Employees' Contributory Retirement Scheme will be available from the States Greffe.

# Health Insurance Fund

## Notes to the Financial Statements at 31st December 2006

### 3. DEBTORS

	31st Dec 2006	31st Dec 2005 (Restated)
	£000	£000
Social Security Fund	6,965	2,604
Contributors – Insured individuals and employers	3,689	3,584
Miscellaneous debtors	85	40
Bank interest and other income accrued	113	200
	<b>10,852</b>	6,428

### 4. CREDITORS (amounts falling due within one year)

	31st Dec 2006	31st Dec 2005
	£000	£000
Doctors	89	100
Pharmacists	890	972
Prescription Pricing Authority	29	44
Other creditors	66	17
	<b>1,074</b>	1,133

### 5. RELATED PARTIES TRANSACTIONS

The Fund receives income from the States of Jersey in order to fund 40% of the cost of the HIE scheme (2006, £1,217,747; 2005, £1,170,909).

### 6. INVESTMENTS

Investments comprise of short term deposits held for up to three months to ensure that the Fund has sufficient liquid resources to meet benefit and administration payments.

### 7. LONG-TERM FINANCIAL POSITION

These accounts record the transactions of the Health Insurance Fund during the year ended 31st December 2006 and they give details of the net assets at the end of the year. This is a short-term scheme funded on a “Pay as you go” basis. An actuarial review is carried out every five years, the latest report being as at 31st December 2002. Copies of the report will be available from the States Greffe.

# Health Insurance Fund

## Notes to the Financial Statements at 31st December 2006

### 8. PRIOR PERIOD ADJUSTMENT

The accounts have not previously included contributions due but not collected as at 31st December for the contributors who have outstanding arrears. These arrears consist of contributors who are repaying their outstanding liability by instalment agreement and all other contributors who have a liability as at the year end. The amount outstanding and accrued for in the 2005 restatement is £312,600.

The accounts include a prior year adjustment to ensure that a true and fair view of the Department's activities are recorded.

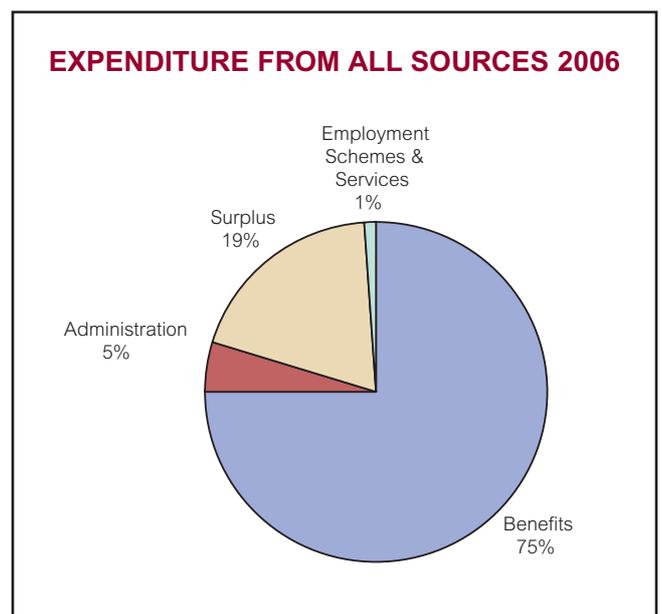
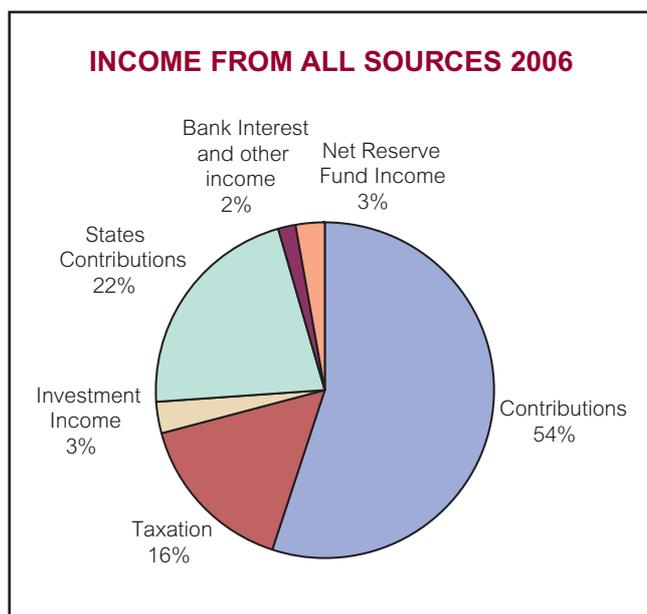
The adjustments to the accounts are set out below:

		Increase £000	Decrease £000
<b>Income and Expenditure Account Restated 2005 figures</b>			
<b>Income</b>			
Contributions	- Class 1 Instalments for Contributions	33	
	- Class 2 Instalments for Contributions	280	
<b>Expenditure</b>			
Other administrative expenses	- Provision for Bad Debts of Contributions	38	
<b>Surplus</b>			
Retained surplus for the year	- Instalments for Contributions	313	
	- Provision for Bad Debts of Contributions		38
<b>Balance Sheet Restated 2005 figures</b>			
Debtors	- Class 1 Instalments for Contributions	33	
	- Class 2 Instalments for Contributions	280	
	- Provision for Bad Debts of Contributions		38
Retained surplus for the year	- Instalments for Contributions	313	
	- Provision for Bad Debts of Contributions		38
<b>Notes to the Cash Flow Statement Restated 2005 figures (Note 1)</b>			
Retained surplus for the year	- Instalments for Contributions	313	
	- Provision for Bad Debts of Contributions		38
Debtors	- Class 1 Instalments for Contributions		33
	- Class 2 Instalments for Contributions		280
	- Provision for Bad Debts of Contributions	38	
<b>Notes to the Financial Statements Restated 2005 Figures</b>			
<b>Note 3 Debtors</b>			
Social Security Fund	- Class 1 Instalments for Contributions	33	
	- Class 2 Instalments for Contributions	280	
Contributors - Insured individuals and employers	- Provision for Bad Debts of Contributions		38

# Statistical Appendix 1

## Subjective analysis of all services

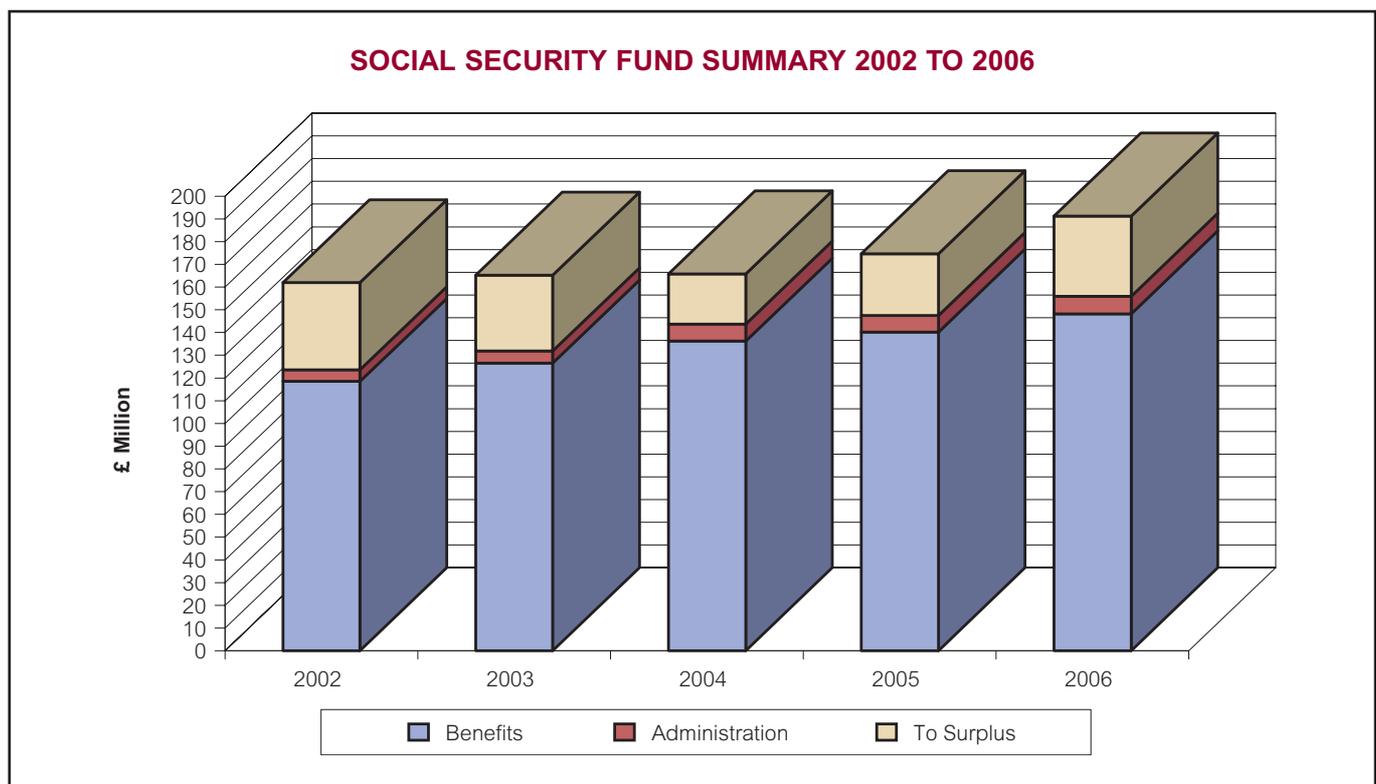
	Social Security Fund £000	Social Security Reserve £000	Health Fund £000	Tax Funded Services £000	Total 2006 £000	Total 2005 £000
<b>INCOME</b>						
Contributions employers & employees	123,954	-	23,610	-	<b>147,564</b>	139,448
Taxation	-	-	-	41,975	<b>41,975</b>	30,515
States Contributions	56,567	-	1,218	-	<b>57,785</b>	51,947
Net Investment income	-	8,671	-	-	<b>8,671</b>	5,302
Bank interest and other income	1,672	398	2,118	7	<b>4,195</b>	3,306
Net Reserve Fund income	7,593	-	-	-	<b>7,593</b>	4,212
<b>Total Income</b>	<b>189,786</b>	<b>9,069</b>	<b>26,946</b>	<b>41,982</b>	<b>267,783</b>	234,730
<b>EXPENDITURE</b>						
Benefits	148,225	-	17,534	35,048	<b>200,807</b>	183,316
Employment schemes & services	-	-	-	3,114	<b>3,114</b>	2,706
Administration	6,303	1,476	929	3,820	<b>12,528</b>	10,432
<b>Total Expenditure</b>	<b>154,528</b>	<b>1,476</b>	<b>18,463</b>	<b>41,982</b>	<b>216,449</b>	196,454
Surplus of Income over Expenditure	35,258	7,593	8,483	-	<b>51,334</b>	38,276



## Statistical Appendix 2

### Five year summary of both Social Security Funds

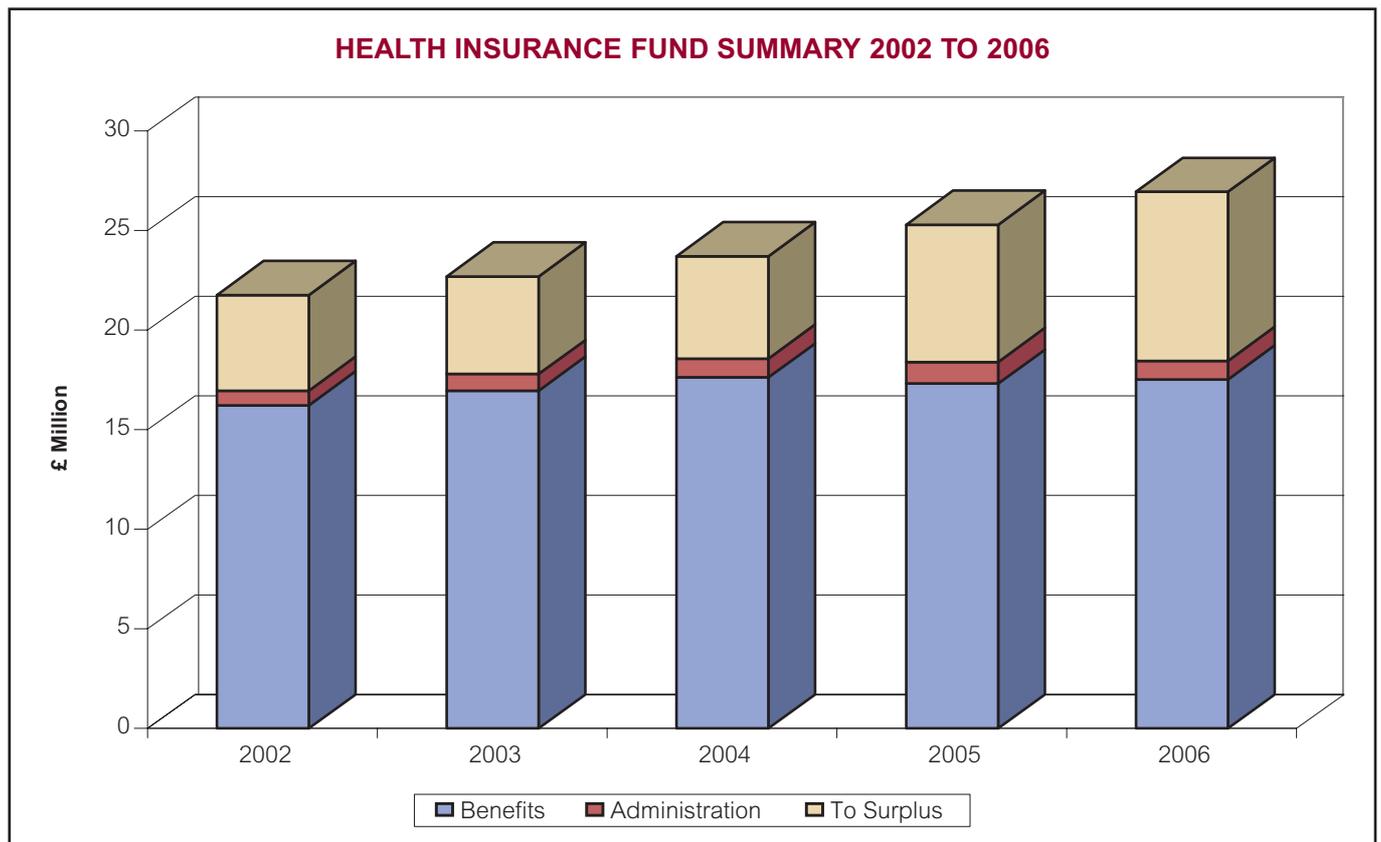
	2002 £000	2003 £000	2004 £000	2005 £000	2006 £000
<b>INCOME</b>					
Contributions	103,988	108,427	110,319	117,136	123,954
Supplementation	48,136	49,892	50,800	50,776	56,567
Net Investment income	8,068	4,992	3,876	5,302	8,671
Bank interest & other income	1,728	1,917	799	1,490	2,070
<b>Total Income</b>	<b>161,920</b>	<b>165,228</b>	<b>165,794</b>	<b>174,704</b>	<b>191,262</b>
<b>EXPENDITURE</b>					
Benefits	118,466	126,562	136,188	140,209	148,225
Administration	5,131	5,392	7,497	7,323	7,779
<b>Total Expenditure</b>	<b>123,597</b>	<b>131,954</b>	<b>143,685</b>	<b>147,532</b>	<b>156,004</b>
<b>NET SURPLUS</b>	<b>38,323</b>	<b>33,274</b>	<b>22,109</b>	<b>27,172</b>	<b>35,258</b>
<b>NET ASSETS</b>	<b>316,697</b>	<b>399,071</b>	<b>452,233</b>	<b>560,148</b>	<b>641,680</b>



## Statistical Appendix 3

### Five year summary of Health Insurance Fund

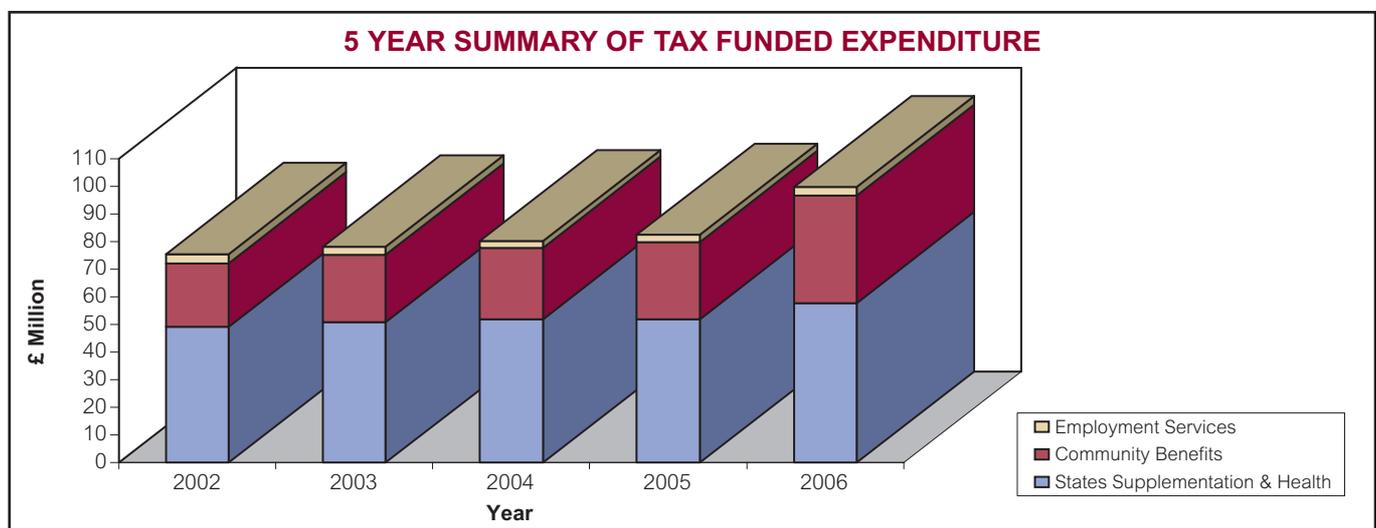
	2002 £000	2003 £000	2004 £000	2005 £000	2006 £000
<b>INCOME</b>					
Contributions-					
Contributors	19,856	20,653	21,013	22,312	23,610
Taxation	1,040	1,073	1,181	1,171	1,218
Bank interest	873	909	1,454	1,751	1,997
Discounts received	-	63	64	59	121
<b>Total Income</b>	<b>21,769</b>	<b>22,698</b>	<b>23,712</b>	<b>25,293</b>	<b>26,946</b>
<b>EXPENDITURE</b>					
Benefits	16,221	16,959	17,628	17,318	17,534
Administration	748	836	941	1,084	929
<b>Total Expenditure</b>	<b>16,969</b>	<b>17,795</b>	<b>18,569</b>	<b>18,402</b>	<b>18,463</b>
<b>NET SURPLUS</b>	<b>4,800</b>	<b>4,903</b>	<b>5,143</b>	<b>6,891</b>	<b>8,483</b>
<b>NET ASSETS</b>	<b>27,358</b>	<b>32,261</b>	<b>37,404</b>	<b>44,295</b>	<b>52,778</b>



# Statistical Appendix 4

## Five year summary of Tax Funded Expenditure

	2002 £000	2003 £000	2004 £000	2005 £000	2006 £000
<b>NET EXPENDITURE</b>					
Contribution from the States					
States Supplementation	48,136	49,892	50,800	50,776	56,567
Health Insurance Exceptions	1,040	1,072	1,181	1,171	1,218
<b>Total Contribution from the States</b>	<b>49,176</b>	<b>50,964</b>	<b>51,981</b>	<b>51,947</b>	<b>57,785</b>
Community Benefits					
Family Allowances	4,925	4,944	5,115	5,155	5,360
Dental Benefit	101	106	101	97	95
Non-Contributory Death Grants	21	18	10	23	10
Milk at Reduced Rate	408	380	334	361	350
Attendance Allowance	3,094	3,290	3,440	3,616	3,958
Invalid Care Allowance	1,378	1,367	1,560	1,781	2,091
Disablement Allowance	887	929	974	1,030	1,053
Welfare and Residential Care	2,910	3,240	3,699	4,940	13,201
Christmas Bonus	1,184	1,256	1,357	1,412	1,459
Disability Transport Allowance	5,823	5,988	6,101	6,395	6,470
Childcare Allowances	716	689	622	469	514
Social Fund (States)	236	198	268	246	136
65 + Health Plan	165	371	376	265	176
TV Licence 75+	-	-	-	-	176
Community Benefits Admin Direct and Indirect	1,152	1,600	1,833	2,142	3,824
<b>Total Community Benefits</b>	<b>23,000</b>	<b>24,376</b>	<b>25,790</b>	<b>27,932</b>	<b>38,873</b>
Employment Services					
Training & Employment	2,592	2,099	1,641	1,692	2,219
Health and Safety	390	457	461	406	385
Employment Relations	429	344	343	495	505
<b>Total Employment Services</b>	<b>3,411</b>	<b>2,900</b>	<b>2,445</b>	<b>2,593</b>	<b>3,109</b>
<b>TOTAL NET EXPENDITURE</b>	<b>75,587</b>	<b>78,240</b>	<b>80,216</b>	<b>82,472</b>	<b>99,767</b>



# Statistical Appendix 5

## Statistical summary as at 31st December 2006

	2002	2003	2004	2005	2006
<b>SOCIAL SECURITY</b>					
<b>Number of Contributors</b>					
Employed - Class 1	41,389	40,578	40,788	41,764	<b>42,990</b>
Self Employed - Class 2	3,726	3,572	3,757	3,916	<b>3,900</b>
Red Card's	4,962	4,786	4,593	4,500	<b>4,416</b>
Receiving credits only	3,901	4,467	4,684	4,793	<b>4,708</b>
Receiving supplementation	31,067	30,814	30,079	30,439	<b>31,444</b>
<b>Number of Beneficiaries</b>					
Pensions	21,129	21,707	22,380	22,852	<b>23,484</b>
Survivor's Benefit	950	969	957	940	<b>945</b>
Short Term Incapacity Allowance	605	616	831	1,219	<b>1,097</b>
Invalidity Benefit	1,857	1,954	2,094	1,962	<b>1,754</b>
Injury Benefit	106	76	59	-	<b>-</b>
Long Term Incapacity Allowance	835	828	982	1,370	<b>1,785</b>
Maternity Allowance	221	230	244	197	<b>197</b>
<b>HEALTH INSURANCE - ORDINARY</b>					
Number of persons in the scheme	83,509	83,304	83,212	83,172	<b>84,177</b>
Number of doctors' visits during year	367,329	359,477	349,479	338,556	<b>354,395</b>
Number of prescriptions during year	928,715	958,231	993,307	1,044,211	<b>1,235,670</b>
Gluten Free Food beneficiaries	157	158	171	189	<b>205</b>
<b>HEALTH INSURANCE - EXCEPTIONS</b>					
Number of persons in the scheme	3,677	3,882	3,974	4,014	<b>4,023</b>
Number of doctors' visits during year	43,939	44,006	45,078	46,542	<b>47,125</b>
Number of prescriptions during year	148,774	153,031	170,730	175,152	<b>184,120</b>
<b>STATES FUNDED SCHEMES</b>					
Family Allowance beneficiaries	1,393	1,334	1,293	1,244	<b>1,215</b>
Dental Scheme members	1,415	1,346	1,305	1,320	<b>1,309</b>
Milk at Reduced Rate beneficiaries	8,948	8,353	7,837	7,578	<b>7,463</b>
Attendance Allowance beneficiaries	693	722	728	733	<b>762</b>
Invalid Care Allowance beneficiaries	128	132	147	167	<b>177</b>
Disablement Allowance beneficiaries	284	290	284	293	<b>289</b>
Christmas Bonus beneficiaries	17,435	17,763	18,158	18,122	<b>18,262</b>
Disability Transport Allowance beneficiaries	2,886	2,949	3,032	3,131	<b>3,237</b>
Child Care Allowance beneficiaries (0-5)	82	71	56	50	<b>47</b>
65+ Health Scheme members	1,099	2,177	2,467	2,623	<b>2,740</b>
Television Licence beneficiaries	-	-	-	-	<b>1,406</b>
Registered unemployed during year	2,934	4,498	6,774	5,008	<b>5,123</b>
Registered unemployed at 31st December	256	674	477	414	<b>427</b>

The above statistical information is for the benefit of the user and is not part of the audited financial statements.

# Notes

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