

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 31 December 2002, the next report will be for the period to 31 December 2007.

This report for 2002 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 31 December 2007, the Fund represented over three years 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 will be 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 statement 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 2007 and of their transactions and cash flow 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
18th November 2008

Health Insurance Fund

Income and Expenditure Account for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
INCOME	(1)		
Contributions		25,507	23,610
States contribution		1,276	1,218
Bank interest		2,986	1,997
Pharmaceutical discounts		149	121
		29,918	26,946
EXPENDITURE	(1)		
Benefits			
Medical		5,216	5,206
Pharmaceutical		9,681	9,171
		14,897	14,377
Health Insurance Exceptions			
Medical		1,135	1,125
Pharmaceutical		2,054	1,919
		3,189	3,044
Gluten free food vouchers		124	113
		18,210	17,534
Administration expenses			
Staff	(4)	452	440
Other administrative expenses		599	489
		1,051	929
		19,261	18,463
Surplus of income over expenditure for the year		10,657	8,483

Statement of Total Recognised Gains and Losses

There are no recognised gains and losses other than the profit for the year. A separate statement of total recognised gains and losses has therefore not been prepared.

Continuing Operations

All of the Fund's income and expenditure is derived from continuing activities.

Note of Historical Cost Profit and Losses

There are no material differences between the surplus of income over expenditure for the year and the retained surplus for the year stated above and the historical cost equivalents.

The notes on pages 57 to 69 form an integral part of these financial statements.

Health Insurance Fund

Balance Sheet as at 31 December 2007

	Notes	2007 £000	2006 £000 (as restated)
Current Assets			
Debtors	(6)	11,520	10,852
Cash at bank and in hand		53,000	43,000
		64,520	53,852
Creditors: amounts falling due within one year			
	(7)	1,085	1,074
Net Assets		63,435	52,778
Funds Employed			
Revenue reserves	(8)	63,435	52,778

The financial statements on pages 54 to 69 were approved by the Social Security Minister, Senator P.F. Routier on 14th November, 2008.



Senator P. F. Routier

The notes on pages 57 to 69 form an integral part of these financial statements.

Health Insurance Fund

Cash Flow Statement as at 31 December 2007

	Notes	2007 £000	2006 £000
Operating Activities			
Net cash inflow from operating activities	(10)	10,000	4,000
Management of Liquid Resources			
(Increase) in money held on deposit		(10,000)	(4,000)
(Decrease)/increase in cash in year	(11)	–	–
Reconciliation of Net Cash Flow to Movement in Net Funds			
		2007 £000	2006 £000
Cash used to increase liquid resources		10,000	4,000
Change in Net Funds		10,000	4,000
Net Funds at 1 January		43,000	39,000
Net Funds at 31 December	(11)	53,000	43,000

The notes on pages 57 to 69 form an integral part of these financial statements.

Health Insurance Fund

Notes to the Financial Statements for the year ended 31 December 2007

1. ACCOUNTING POLICIES

1.1 Basis of Preparation

The financial statements are prepared on the historical cost convention, in accordance with UK GAAP, so far as it is applicable to these financial statements. In the absence of any detailed guidance on the required format of financial statements 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 Health Insurance (Jersey) Law 1967 is the Minister for Social Security. The Minister considers that the format contained within these financial statements is the most appropriate to the circumstances of the Health Insurance Fund (the "Health Fund").

The preparation of financial statements in conformity with UK GAAP requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Health Fund's accounting policies.

FRS 17 sets out the standards for sponsors of occupational pension schemes to account for their liabilities in respect of those schemes. It requires sponsors to place on their balance sheet the surplus or deficit in the scheme as far as the sponsor is able to recover the surplus or make up the deficit. The annual change to the surplus or deficit is reported partly through the profit and loss account and partly through the Statement of Total Recognised Gains and Losses (STRGL).

The Health Fund provides pension benefits for the contributors of the scheme within the Island and hence could be seen to fall under FRS 17. However, there are a very wide range of opinions on the extent to which countries need to declare their pension scheme surplus or deficit and these have yet to be resolved. This view is supported by the UK Government Actuary Department (GAD) who have advised that they are unaware of any countries who report their pension scheme surplus or deficit on their balance sheet. Considering all of these factors and the nature of the Health Fund, the Minister has decided that it is not appropriate to include any pension scheme surplus or deficit on the Health Fund's balance sheet.

A summary of the more important policies are set out below together with an explanation of the changes which have been made to previous policies on adoption of new accounting standards.

UK GAAP Disclosures

The Department have considered the disclosure requirements under UK GAAP and as a consequence a number of comparative figures have been restated.

The Department has adopted FRS 26, 'Financial Instruments: Recognition and Measurement'. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. Fixed deposit accounts were previously classified as Investments, however under FRS 26 they are now reclassified within Cash at Bank and in Hand.

The Department has adopted FRS 29, 'Financial Instruments: Disclosures'. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. There is no prior year adjustment to reserves resulting from adopting this standard, as its provisions relate to disclosure.

1.2 Foreign Currency

(a) Functional and Presentation Currency

The performance of the Health Fund is measured and reported to the Department in sterling. The Minister considers sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in sterling, which is the Health Fund's functional and presentation currency.

Health Insurance Fund

Notes to the Financial Statements for the year ended 31 December 2007

1. ACCOUNTING POLICIES (continued)

(b) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

1.3 Income

Income is accounted for on an accruals basis and includes the following categories:

(a) Contributions

Contributions represent the income received from payments made by employers, employees and self-employed.

Social Security contributions are set at the rate of 2% of earnings (Employees, 0.8%; Employers, 1.2%). The financial statements include an estimation in respect of the contributions from insured persons, employers and the States of Jersey for the year ended 31 December 2007.

(b) States' Contribution (to Health Insurance Exceptions)

A proportion of Health Insurance Exception (HIE) costs, currently 60% is paid from contributions and the remaining 40% is paid from a States of Jersey vote. This scheme provides those on low income and not normally in employment with free medical treatment.

(c) Bank Interest Received

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate.

(d) Pharmaceutical Discounts

The Department has a contract with drug supplier, Nycomed Ltd, who provide a discount of 1.5% based on the level of drug expenditure.

1.4 Benefits

Benefits are paid to claimants who qualify for a benefit within the Social Security (Jersey) Law 1974 and meet the required conditions. Benefits are recognised during the period when they become due and consist of the following:

(a) Medical

These are payments claimed by General Practitioners for visits or medical services provided.

(b) Pharmaceutical

These are payments claimed by Pharmacists for the full cost of the prescription drugs supplied.

1.5 Health Insurance Exceptions

These are payments made from the Health Fund to those claimants who qualify for free medical treatment and medicines.

1.6 Gluten Free Food Vouchers

These are payments made to those eligible to receive a subsidy to buy gluten-free food because of a medical condition which needs a gluten free diet.

Health Insurance Fund

Notes to the Financial Statements for the year ended 31 December 2007

1. ACCOUNTING POLICIES (continued)

1.7 Administrative Expenses

Administrative expenses are accounted for on an accruals basis, with the exception of bad debts which are accounted for as set out in paragraph 1.10, and consist of the following:

(a) Staff Costs

Staff costs include salaries, wages paid to staff and pension contributions.

(b) Other Administrative Expenses

Other administrative expenses include service costs, operating costs and bad debts.

1.8 Cash at Bank and in Hand

Cash at bank and in hand includes cash, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

1.9 Trade Debtors

Trade debtors are measured at initial recognition at fair value and reflect contributions and services provided for which income is due as at 31 December 2007 and benefits due in 2008 which are paid in 2007. Contributions outstanding at the 31 December 2007 represent contributions for the last quarter (October to December 2007).

Outstanding contributions are estimated using historical data adjusted for any contributions received. The calculation also includes the balance of instalment arrangements outstanding and the value of the third quarter 2007 arrears due from successful civil court action along with an estimate for the last quarter 2007 civil court action.

1.10 Bad debts

Class I and Class II contributions are written off as follows:

Class I: A write off is made when the employer cannot contribute on behalf of their employee by virtue of being declared en desastre or bankrupt.

Class II: A write off is made when the individual has defaulted on an instalment arrangement and has died.

An instalment arrangement is when the contributor has entered into a financial arrangement with the department to reimburse outstanding contributions due from earlier periods.

A provision for bad debts is made when contributions due from earlier periods are not paid and an instalment arrangement is entered into.

Any bad debt write off is subject to Ministerial approval and apportioned between the Social Security Fund and the Health Insurance Fund.

1.11 Provision for Liabilities and Charges

Provision is made in the accounts in respect of obligations arising from past events where the predicted outcome of the event is considered probable and there is a reliable estimate of the amount of the liability.

1.12 Loans Receivable

The Health Insurance Fund does not operate a bank account, other than fixed deposit accounts. Consequently all receipts and payments in relation to the Health Fund are made through nominated Social Security Fund bank accounts and then reallocated to the loan account as appropriate. The loan account does not bear interest and is repayable on demand.

Health Insurance Fund

Notes to the Financial Statements for the year ended 31 December 2007

1. ACCOUNTING POLICIES (continued)

1.13 Trade Creditors

Trade creditors are initially measured at fair value and are subsequently measured at amortised cost.

1.14 Taxation

The Health Fund is exempt from Jersey Income Tax by virtue of Article 131 of the Income Tax (Jersey) Law 1961.

2. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are recognised on the Health Fund's balance sheet when the Health Fund becomes a party to the contractual provision of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Health Fund derecognises its financial assets when the contractual rights to the cash flows from the financial asset expire. The Health Fund derecognises its financial liabilities when the obligation specified in the contract is discharged, cancelled or expires.

The financial assets are classified as 'loans and receivables'. The financial liabilities are classified as 'Other financial liabilities'.

Trade Debtors

Trade debtors are measured at initial recognition at fair value and subsequently at amortised cost.

Cash at Bank

Cash at bank and in hand includes cash, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade Creditors

Trade creditors are measured at initial recognition at fair value and subsequently at amortised cost.

3. FINANCIAL RISK MANAGEMENT

The Health Fund's activities expose it to liquidity and credit risk. The Social Security Department undertakes periodic risk reviews which involve identifying key risks through scoring and their mitigation.

(a) Market Price Risk

No investments are held by the Health Fund. However, short-term bank deposits are held at fixed rates and therefore these are not subject to market price risk. These cash flows are primarily fixed in nature and are received from short-term highly liquid investments that are readily convertible and subject to an insignificant risk of changes in value.

(b) Credit Risk

The Health Fund's principal financial assets are trade debtors and bank balances.

The Health Fund's credit risk is primarily attributable from its trade debtors. The Health Fund's objectives for managing the risk are to ensure that the trade debtors are recovered on a timely basis and that the cash at bank is secure. Where monies are not received within their payment terms they are referred to the Social Security Compliance Section for recovery. In these instances instalment arrangements are made for repayment of monies owed or court action progressed.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies which are also used by the States of Jersey.

Health Insurance Fund

Notes to the Financial Statements for the year ended 31 December 2007

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity Risk

The Health Fund's exposure to liquidity risk is low due to the volume of cash available to meet its short-term obligations. The Health Fund's objectives for managing the risk are to ensure that there are enough liquid resources to meet short-term liabilities.

Daily cash flow forecasts are undertaken and any liquidity risk identified as part of this process is addressed by managing the amounts placed on short-term deposit. The Health Fund manages its exposure to liquidity risk by monitoring the rolling forecast of the Health Fund's liquidity reserves on the basis of the expected cash in and out flows.

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

4. STAFF COSTS

Remuneration directly associated with administering the Health Fund for the year ended 31 December, analysed by category is as follows:

	2007 £'000	2006 £'000
Directors	62	65
Other Employees	390	375
	452	440

At the year end the Department's number of equivalent full time number (FTE) of employees is 123.88 (2006: 114.15).

Details of the Department's employees for whom their total remuneration, including pension benefits and overtime payments exceeded £70,000 for the year ended 31 December are as follows:

Remuneration	2007	2006
£70,000 to £89,999	4	4
£90,000 to £109,999	-	-
£110,000 to £129,999	1	-

The above costs include remuneration for the Social Security Fund, Health Insurance Fund and States of Jersey administered benefits - all of which are administered by the Social Security Department.

Staff costs include pension contributions of £53,949 (2006: £48,046) in respect of staff employed to administer the Health Fund who are members of the States of Jersey Public Employees' Contributory Retirement Scheme (PECRS). PECRS membership is compulsory for all States of Jersey permanent employees 20 years of age and over.

Contributions made to the States of Jersey Public Employees' Contributory Retirement Scheme, are charged to revenue expenditure in the period they are incurred.

Health Insurance Fund

Notes to the Financial Statements for the year ended 31 December 2007

5. PENSION SCHEME

5.1 Public Employees' Contributory Retirement Scheme (PECRS)

PECRS is open to all public sector employees (excluding teachers) over 20 years of age. Membership is obligatory for all employees on a permanent contract and therefore those paid from the Health Insurance Fund.

The Scheme is managed by a Committee of Management established by the States of Jersey which has five sub-committees to investigate and report on complex technical issues.

The last published actuarial valuation of the Scheme by Hewitt Bacon & Woodrow as at 31st December 2004, dated 13th March 2006, indicated that the Scheme had an actuarial deficiency of £17.4 million at the effective date of the valuation. As at 31st December 2007, PECRS had a market value of £1,107 million (2006: £1,114 million). The States of Jersey contribution to the Scheme in 2007 was £30.2 million (2006: £39.6 million).

The Actuaries concluded that this deficiency was temporary in nature and that it could be carried forward to the next Actuarial Valuation.

Since the Social Security Department is unable to readily identify its share of the underlying assets and liabilities of PECRS, under FRS 17, contributions to the scheme will be accounted for as if they were contributions to a defined contribution scheme.

PECRS is a final salary scheme but not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. As a result of that limitation on the States' responsibility as employer, the scheme deficit is disclosed but not recognised in the accounts of the States of Jersey.

The States of Jersey in agreeing P190/2005 on September 2005 have confirmed responsibility for the past service liability which arose from the restructuring of the PECRS arrangements with effect from 1 January 1988. This liability amounted to £122.9 million at 31 December 2007.

The provisions to address the past service liability include an increase in employers' contributions equivalent to 0.44% of members' salaries as from 1 January 2002, raising the employers' contribution rate to 15.6% of members' salaries. Of the employers' contribution rate of 15.6% of members' salaries, a sum initially equivalent to 2% of the employers' total pensionable payroll is paid into the Scheme to meet the pre-1987 past service liability. The remaining 13.6% of members' salaries continues to fund the current service liability.

Over 82 years (from 2002) the past service liability would thereby be repaid, at which point the employers' contribution rate would revert to 15.16% of members' salaries.

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

5.2 Additional information required by FRS 17

PECRS is a final salary scheme but not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. As a result of that limitation on the States' responsibility as employer, the scheme deficit is disclosed but not recognised in the accounts.

The Actuarial Valuation of PECRS was carried out at 31 December 2004. This valuation has been updated by Actuaries to 31 December 2007 in accordance with FRS 17, based on current obligations.

The assumptions and methodology required under FRS 17 differ considerably from the approach that has been used by the Actuaries of PECRS in providing Actuarial Valuations, used for funding purposes. These differences in methodology combined with the time that has elapsed since the latest Actuarial Valuation mean that the FRS 17 results are different to the position revealed in the latest formal published Actuarial Valuation.

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Notes to the Financial Statements for the year ended 31 December 2007

5. PENSION SCHEME (continued)

The results of up to date Actuarial Valuations, rather than the results of the FRS 17 disclosures below, will be used to determine the quantum of any adjustments that may be needed to the benefits and contributions of the Health Fund.

Information on the scheme is presented in the accounts, reflecting the cost of the scheme to the employer. As the scheme limits the liability to the Health Fund, scheme surpluses or deficits are only recorded to the extent that they belong to the Social Security Fund.

The major assumptions used for the FRS 17 actuarial assessments at 31 December are:

	2007	2006
	% pa	% pa
Discount Rate	5.8	5.1
Salary Inflation	4.7	4.4
Pension Increases	3.4	3.1
UK Price Inflation *	3.4	3.1

* Estimated Future UK price inflation is used as the best available proxy for estimated future Jersey price inflation. There is a risk that the UK rate may not accurately reflect Jersey's circumstances; as a consequence there is a risk that the resulting figures provided may be either over or understated.

The following table reflects the financial position of PECRS, including all admitted bodies other than Jersey Telecom Group Limited and Jersey Post International Limited.

On the FRS 17 basis, the assets and liabilities of the scheme are:

	2007		2006	
	£000	Expected Return	£000	Expected Return
Equities	1,083,731	7.6%	889,073	7.6%
Property	13,944	6.6%	-	6.6%
Cash/Other	9,411	5.9%	225,074	5.2%
Total Assets	1,107,086		1,114,147	
Total Liabilities	1,252,981		1,297,825	
Deficit	(145,895)		(183,678)	

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Notes to the Financial Statements for the year ended 31 December 2007

5. PENSION SCHEME (continued)

The Net Profit and Loss Charge of the Health Fund is shown below:

	2007 £000	2006 £000
Service Cost	(39,997)	(43,860)
Past Service Cost	-	(270)
Total Operating Charge	(39,997)	(44,130)
Expected Return on Assets	73,098	68,576
Interest on Liabilities	(62,799)	(59,897)
Net Return	10,299	8,679
Net Profit and Loss charge	(29,698)	(35,451)

PECRS, whilst not a final salary scheme, is not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. Employer contributions are charged to revenue expenditure in the year they are incurred. As this scheme limits the liability of the States as the employer, scheme surpluses or deficits are only recorded within the States' accounts to the extent that they belong to the States.

The movement in deficit during the year as so disclosed is:

	2007 £000	2006 £000
Deficit in Scheme at beginning of year	(181,441)	(281,594)
Service Cost	(39,997)	(43,860)
Past Service Cost *	-	(279)
Contributions Paid	30,247	44,915
Other Finance Income	10,299	8,679
Actuarial Gain	34,997	88,461
Deficit in Scheme at the end of year	(145,895)	(183,678)

* The Past Service Cost is in respect of widowers' pensions being introduced in respect of post 1988 service.

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Notes to the Financial Statements for the year ended 31 December 2007

5. PENSION SCHEME (continued)

The analysis of Total Recognised Gains and Losses (STRGL) during each year is:

	2007 £000	2006 £000
Actual Return less Expected Return on Assets	(13,948)	42,052
Experience (Loss)/Gain on Liabilities	(2,833)	15,097
Changes in Liability Assumptions	51,778	31,312
Actuarial Gain/(Loss)	34,997	88,461

The history of experience gains and losses is:

	2007		2006	
	£000	%	£000	%
Actual Return less Expected Return on Assets	(13,948)		42,052	
Percentage of Assets		1.3%		3.8%
Experience (Loss)/Gain on Liabilities	(2,833)		15,097	
Percentage of Liabilities		0.2%		1.2%
Actuarial Gain	34,997		88,461	
Percentage of Liabilities		2.8%		6.8%

6. DEBTORS

	2007 £000	2006 £000
Loan receivable: Social Security Fund	6,219	6,965
Trade debtors:		
Contributors - individuals and employers	4,992	3,689
Other debtors	102	85
Bank interest and other income	207	113
Total	11,520	10,852

Trade debtors include an amount of £15,000 (2006: £23,000) due after more than one year.

The Minister considers that the carrying amount of the trade debtors approximates to their fair value.

Contributions are due from smaller organisations (less than 80 employees) and employers for the fourth quarter. Contributions are stated net of the provision for bad debts, 2007: £17,400, (2006: £40,400).

The loan receivable from the Social Security Fund is unsecured, interest free and repayable on demand.

Health Insurance Fund

Notes to the Financial Statements for the year ended 31 December 2007

6. DEBTORS (continued)

As at 31 December the Health Fund provided for a bad debt provision of £23,504 (2006: £40,368). This was made for those contributors entering into an instalment agreement with the Department.

	2007 £000	2006 £000
Up to 3 months	5	10
3 to 6 months past due	1	2
6 to 12 months past due	3	6
Over 12 months past due	15	23
	24	41

The Minister considers that none of the above are impaired.

As at 31 December, trade debtors of carrying value £11.5 million (2006: £10.8 million) which are past their due date but not impaired. The ageing is shown below:

	2007 £000	2006 £000
Up to 3 months	11,476	10,852
3 to 6 months past due	44	-
Over 6 months past due	-	-
	11,520	10,852

7. CREDITORS:

Amounts falling due within one year

	2007 £000	2006 £000
Trade creditors:		
Amounts due to Doctors for Medical Benefit	84	89
Amounts due to Pharmacists for prescriptions	893	890
Amounts due to NHS Business Services Authority for the cost of prescription processing	76	29
Other creditors	32	66
	1,085	1,074

The Minister considers that the carrying amount of the trade creditors approximates to their fair value.

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Notes to the Financial Statements for the year ended 31 December 2007

7. CREDITORS (continued)

Maturity of financial liabilities:

The maturity profile of the carrying amount of the Health Fund's liabilities, as at 31 December was as follows:

	Other financial liabilities £000	2007 £000	2006 £000
Up to 3 months	1,054	1,054	1,070
3 to 6 months past due	31	31	3
6 to 12 months past due	-	-	1
	1,085	1,085	1,074

8. REVENUE RESERVES

	2007 £000	2006 £000
As at 1 January	52,778	44,295
Retained surplus for the year	10,657	8,483
As at 31 December	63,435	52,778

9. RELATED PARTY TRANSACTIONS

The Health Fund which considers the States of Jersey to be its ultimate controlling party, has the following commercial, arm's length relationships with the following States bodies:

(a) Jersey Post International Limited

The States of Jersey hold all the ordinary shares in Jersey Post International Limited which became incorporated on 1 July 2006.

(b) Jersey Telecom Group Limited

The States of Jersey hold all the ordinary shares and 9% cumulative preference shares in the Jersey Telecom Group Limited.

The Health Fund pays Jersey Telecom Limited for services relating to telecommunications.

(c) Jersey Electricity Company Limited

The States of Jersey hold all the ordinary shares in the Jersey Electricity Company Limited which represents 54% of the Company's total share capital as at 31 December 2007.

The Health Fund pays Jersey Electricity Company Limited for the supply of heat, light and power.

Health Insurance Fund

Notes to the Financial Statements for the year ended 31 December 2007

9. RELATED PARTY TRANSACTIONS (continued)

(d) States of Jersey Treasury and Resources and other States Departments

The Health Fund also undertakes a number of transactions and joint undertakings with States of Jersey Treasury and Resources and other States Departments as noted in the table below.

Payments made in the year to 31 December to these related parties are shown below:

	2007 £000	2006 £000
Jersey Post International Limited	13	16
Jersey Telecom Group Limited	13	15
Jersey Electricity Company Limited	7	5
States of Jersey Treasury and Resources and other States Departments	30	28
	63	64

The Health Fund receives income from the States of Jersey in order to fund 40% of the cost of the Health Insurance Exception (HIE) scheme (2007: £1,275,589; 2006: £1,217,747).

The Health Insurance Fund does not operate a bank account, other than fixed deposit accounts. Consequently all receipts and payments in relation to the Health Insurance Fund are made through the Social Security Department bank accounts due to their relationship in respect of the Social Security Fund and then reallocated to the loan account as appropriate.

During the year the Social Security Department made net payments on behalf of the Health Insurance fund of £0.746m (2006: (£4.361m)). At the year end the Health insurance fund was owed £6.219m (2006: £6.965m).

Related Party costs for the year ended 31 December are analysed below:

	2007 £000	2006 £000
Services Related to administration	1,051	929

Related party balances at the year end:

	2007 £000	2006 £000
Amounts due to related parties:		
Treasurer of the States	6	29
Jersey Telecom Group Limited	1	1
Jersey Electricity Company Limited	1	1
Jersey Post International Limited	2	4
	10	35

Health Insurance Fund

Notes to the Financial Statements for the year ended 31 December 2007

9. RELATED PARTY TRANSACTIONS (continued)

	2007 £000	2006 £000
Amounts due from related parties:		
Social Security Fund	6,219	6,965
Treasurer of the States	15	49
	6,234	7,014

10. RECONCILIATION OF SURPLUS FOR THE YEAR TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2007 £000	2006 £000
Surplus of income over expenditure for the year	10,657	8,483
Increase in debtors	(668)	(4,424)
Increase / (decrease) in creditors	11	(59)
	10,000	4,000

11. ANALYSIS OF NET FUNDS

	At 1 January 2007 £000	Cash flows £000	At 31 December 2007 £000
Liquid resources	43,000	10,000	53,000
Net funds	43,000	10,000	53,000

12. RESTATEMENT OF COMPARATIVES

A number of comparative figures have been restated to ensure that the comparative information is comparable to the current year's results. These are detailed below which have had no impact on the Health Fund's reserves.

Cash at bank and in hand

In prior periods cash held on 30 and 60 days deposit was treated as current asset investments. UK GAAP requires the deposits to be classified as 'Cash at bank and in hand' and has therefore been included as such in the single line on the Balance Sheet. At the year end the value of deposits at the bank was £53m (2006: £43m).

13. ULTIMATE CONTROLLING PARTY

Under the Health Insurance (Jersey) Law, 1967 the Minister of Social Security is the ultimate controlling party of the Health Fund. The Minister of Social Security is a member of the council of Ministers of the States of Jersey and is responsible for safeguarding the assets of the Health Fund and for preparing the financial statements.