



Social Security Department
Minister's Report & Financial Statements – 2011

Social Security Department

Centre for work, pensions and benefits

MINISTER

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Presented to the States by the Minister for Social Security.

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Minister's Report

Foreword

This report explains the activities of the Department that fall under the Social Security Law, the Health Insurance Law and the three funds set up under these laws – the Social Security Fund, the Social Security (Reserve) Fund and the Health Insurance Fund. It accompanies the financial statements of these three funds. Separate reports have been published in 2011 covering the work of the Health and Safety Inspectorate¹ and a new annual report on Income Support activities². Next year, I hope to produce a single annual report covering all departmental activities.

This report focuses on activities and expenditure within the three funds and contains additional information this year to provide greater transparency in respect of the collection of contributions, the provision of benefits, and the investment of surpluses.

The continuing economic downturn provided a background of increasing pressure on the Department in 2011, with significant growth in the number of individuals registering as unemployed and actively seeking work. Total contribution income fell by approximately 1% to £177 million and there was a similar small decline in the average number of contributors during the year.

Including the value of the States Grant, contributions into the Social Security Fund continue to exceed expenditure but the surplus in 2011 was just over £24 million compared to £30.5 million in 2010. Overall, Social Security Fund benefit spend increased by 2.8% from £178 million in 2010 to £183 million in 2011, with pension payments making up just over three-quarters of the total. The main trend in benefit costs is the continuing increase in the pensioner population. The number of pensions in payment has increased by 12% between 2007 and 2011 including an increase of just under 3% during 2011.

The cost of Health Insurance Fund benefits increased by 16.7% from £24 million in 2010 to £28 million in 2011 after an adjustment was made for medical benefit incorrectly charged to Income Support in previous years amounting to £1.8 million. Another driver was the full year impact of the increase in medical benefit from May 2010, as part of the preparation for the local governance of GPs.

Despite the increased activity in response to the economic situation, during 2011 the Department also successfully planned and implemented a major programme of change in both Social Security and Health Insurance legislation.

The Fiscal Strategy Review undertaken by the Minister for Treasury and Resources in 2010 identified the need to introduce a new Social Security contribution rate above the earnings ceiling. The new rate of 2% for employers and Class 2 contributors was achieved against a very tight timetable, with legislation, IT and operational changes all completed to meet the deadline of 1 January 2012. Further changes are needed in this area and I will be bringing forward additional amendments to the Social Security Law during 2012 and 2013.

The major review by the Minister for Health and Social Services of the future delivery of healthcare and the requirement for a local governance framework to be established for GPs practising in Jersey created the need for changes to the Health Insurance Law. Towards the end of 2011, building on plans discussed by the States Assembly in 2010, the States approved changes to primary legislation to introduce a "performers list" for Jersey GPs

1. <http://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=815>

2. R.126/2012

and extended the Health Insurance Law to allow payments to be made under contracts. Separately, the States agreed to transfer just over £6 million to the Consolidated Fund to fund some areas of primary healthcare provided by Health and Social Services.

The increasing impact of an ageing population is one of the key themes driving departmental policy. During 2011 the States agreed a proposition increasing the State Pension Age from 65 to 67 years in two month steps over a 12 year period between 2020 and 2031. Forward planning of this nature is vital to maintain the viability of the Social Security Fund and to ensure that a Social Security pension will continue to be available to the working age contributors who are funding the pensions of the current generation of pensioners. The Department will monitor trends in life expectancy very carefully and it is likely that there will be further adjustments to pension age in the coming decades.

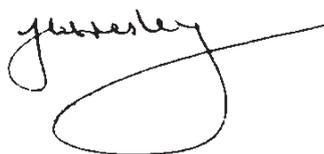
The total value of all three funds at the end of 2011 was just under £1 billion, split between the Social Security Fund – £50 million, the Social Security (Reserve) Fund – £854 million and the Health Insurance Fund – £78 million. This build up of reserves is a necessary and prudent approach to the provision of future pensions and benefits. Our current position is robust, and few other jurisdictions can look to such a solid base. However, there is no room for complacency with total benefit expenditure of £208 million per annum and costs rising steadily in the future, these reserves represent less than five years' expenditure.

During 2011 the UK Government Actuary reviewed the performance of the Social Security Fund and the Health Insurance Fund and confirmed the continuing healthy position of these funds. Contributions at the current total rate of 12.5% continue to build up reserves with the value of the Social Security (Reserve) Fund anticipated to peak sometime before 2020. The actuarial review confirmed that, without any changes to the contribution rate, the Social Security Reserve Fund will be completely exhausted by the early 2040s. Previous Social Security Ministers and Committee Presidents have taken a very long term view of the three funds and made decisions to protect their long term viability and I intend to maintain this approach.

Before any decisions need to be taken, there is time to gather accurate and up-to-date information. The Department will be working closely with the UK Government Actuary towards the end of this year to prepare for a joint review of the Social Security Fund and the Health Insurance Fund, incorporating the new population model, to commence early in 2013. The results of this review will be available by the end of 2013 and will inform the decisions that need to be taken on the future of these funds.

Although 2011 has been a challenging year, the Department has continued to provide a high quality service to its customers. At the same time, significant progress has been made in a number of important policy areas. The three ring fenced funds continue to provide a substantial buffer against the inevitable increase in the cost of pensions, benefits and healthcare as our population ages.

This success is only achieved through the hard work and dedication of the staff at the department. I would like to take this opportunity to express my sincere gratitude to them and in particular to thank the front-line staff who have dealt cheerfully and efficiently with an ever-increasing workload throughout the year.



Senator Francis Le Gresley, MBE

Introduction

The Financial Statements discussed in this document report on the Social Security Fund, the Social Security (Reserve) Fund and the Health Insurance Fund. In addition, the Social Security Department has responsibility for the distribution of a range of benefits funded by the States of Jersey. These costs are reported separately and included with those of other States funded bodies in the States of Jersey Financial Report and Accounts. The Statistical Appendix of this report sets out the detailed income and expenditure of all of the Social Security Department's activities.

Compulsory contributions are levied on working age residents and their employers through the Social Security Law. A proportion of the contributions received are paid into the Health Insurance Fund with the remainder, plus an additional sum provided by the States, being paid into the Social Security Fund. The Social Security Law also provides for a Social Security (Reserve) Fund and surpluses from the Social Security Fund are transferred to the Reserve Fund. Since 2010 both the Health Insurance Fund and the Social Security (Reserve) Fund have participated in the Common Investment Fund (CIF) administered through the Treasury and Resources Department. The Social Security Law and the Health Insurance Law provide for a range of benefits available to individuals who have made the necessary contributions.

A high level summary of the 2011 results for the three funds is shown in Table 1 below:

	Social Security Fund £000	Social Security (Reserve) Fund £000	Health Insurance Fund £000
Income	214,633	(13,443)	29,915
Expenditure	190,312	485	35,272
Surplus / (Deficit)	24,321	(13,928)	(5,357)
Net Assets at 31 December 2011	49,787	854,318	77,696

Table 1: Fund Results for 2011

These financial figures and the underlying activity are explored in more detail in the following sections.

Fund Income

Contributions

Contributions from working age adults are due on all earnings up to an earnings ceiling. Up to and including 2011, a single earnings ceiling has been set and has been increased each year in line with the rise in the earnings index from the previous year. The ceiling for 2011 was £3,686 per month, an increase of 1.1 % from the previous year.

The total contribution rate is 12.5%. For employees (Class 1 contributors), this is split between the liability of the employer (6.5%) and the employee (6%). For self-employed individuals and others not in paid employment, a single Class 2 rate of 12.5% is levied.

Income Received from Contributors

Table 2 provides an overview of the contributions received and the number of contributors:

	2007	2008	2009	2010	2011
Total of Class 1 Contributions (£000)	143,542	156,455	163,206	161,463	161,187
Total of Class 2 Contributions (£000)	15,878	15,728	17,493	17,659	16,169
Total Value Contributions (£000)	159,421	172,183	180,699	179,122	177,356
Average No of Class 1 Contributors during year	48,352	49,255	48,618	48,275	48,359
Average No of Class 2 Contributors during year	4,297	4,337	4,291	4,176	3,877
Average Class 1 Contribution per annum (£)	2,969	3,176	3,357	3,345	3,333
Average Class 2 Contribution per annum (£)	3,695	3,626	4,077	4,229	4,171

Table 2: Contribution Table.

Table 2 and Figures 1 and 2 show a rise in contribution income followed by a decline for both Class 1 and Class 2 contributions over the last five years.

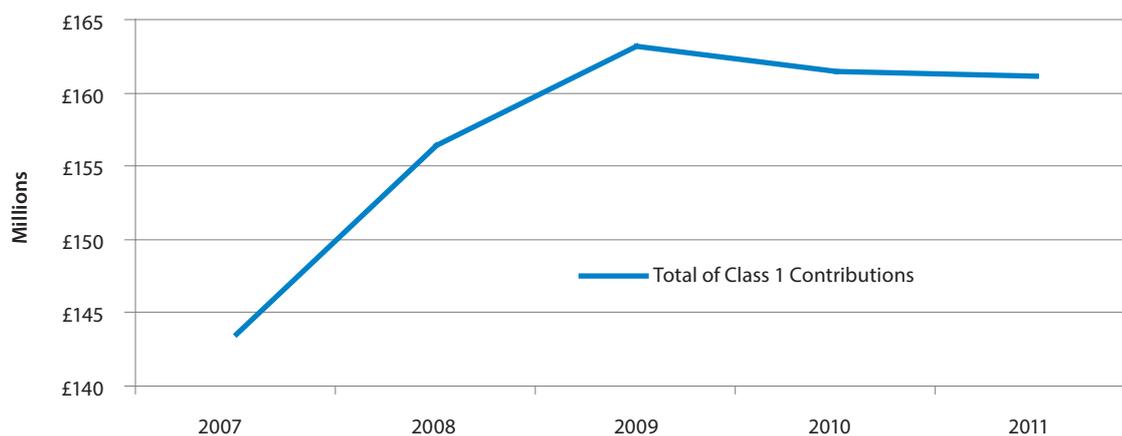


Figure 1: Total Class 1 Contributions

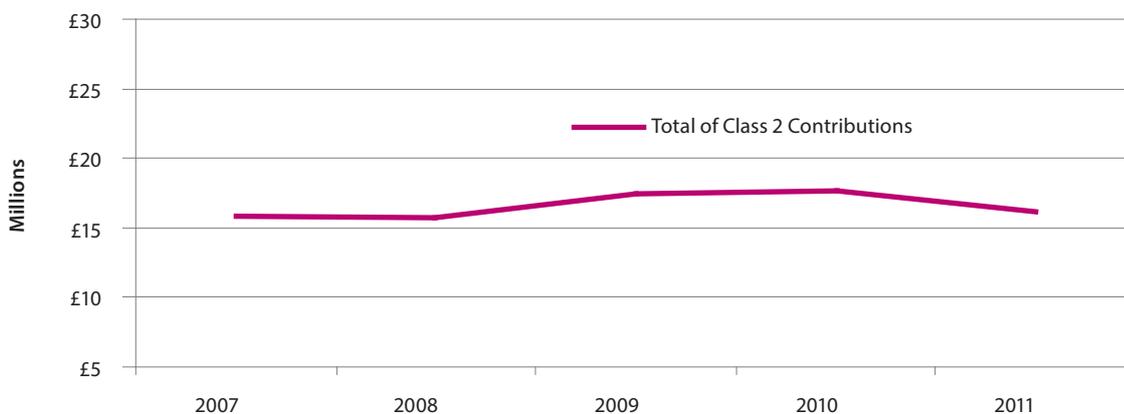


Figure 2: Total Class 2 Contributions.

Level of Contributions

In 2011, on average approximately 52% of Class 2 contributors paid at the earnings ceiling each month. By contrast, on average, about 21% of Class 1 contributors in 2011 paid the maximum monthly contribution. Figure 3 shows that proportionately more Class 1 contributors paid at the ceiling in March and December.

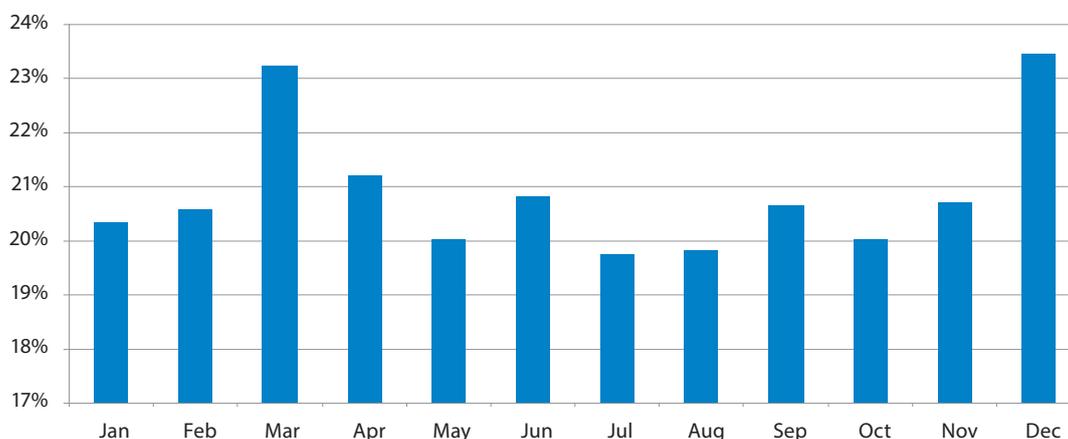


Figure 3: Class 1 Contributors at the Earnings Ceiling by month in 2011

Class 1 and Class 2 contributors with earnings below the earnings ceiling in a given month, but above a lower earnings threshold of £776 per month, normally receive a supplement to make up the shortfall in their contribution record. This is known as supplementation and ensures that lower and middle income earners are able to claim pensions and benefits in the future. The cost of this supplementation is met by the States.

From 2012 onwards, a second ceiling has been established, referred to as the Upper Earnings Limit, of £12,500 per month and a new rate of 2% is now levied on employer and Class 2 contributions on earnings above the earnings ceiling (now renamed the Standard Earnings Limit) and up to the Upper Earnings Limit.

Number of Contributors

Contributions are recorded monthly and the number of class one contributors shows a variation in line with the seasonal activities within the Jersey economy, as indicated in Figure 4:

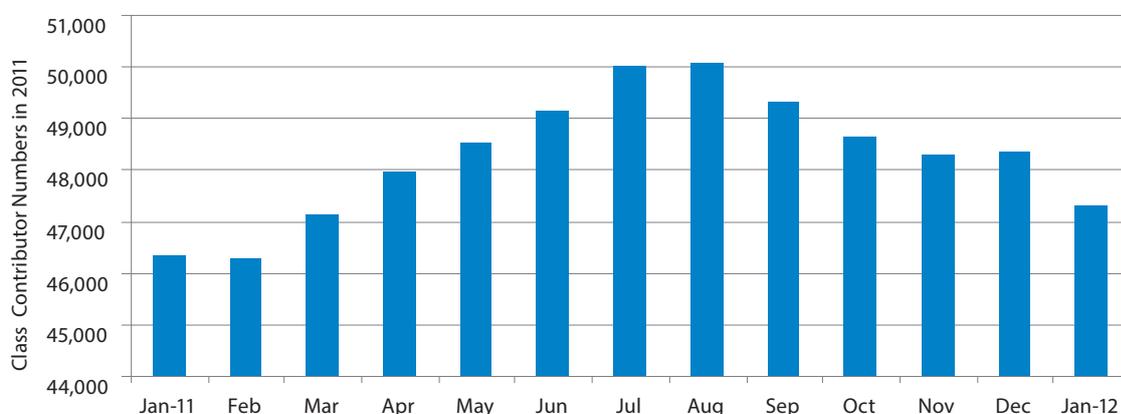


Figure 4: Class 1 Contributor Numbers by month in 2011.

The number of class one contributors in January 2012 (47,347) showed a slight increase over the January 2011 figure (46,312).

The workforce in Jersey is drawn from many countries. Nationality information is available for a large proportion of employees (Class 1 contributors). Figure 5 below shows that 73% of these employees in December 2011 were British nationals. This can be compared with the place of birth recorded during the 2011 Census for working age people in Figure 6.

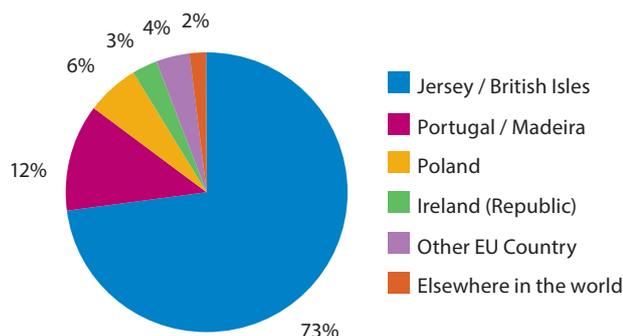


Figure 5: Social Security Class 1 Contributors by Nationality in December 2011³

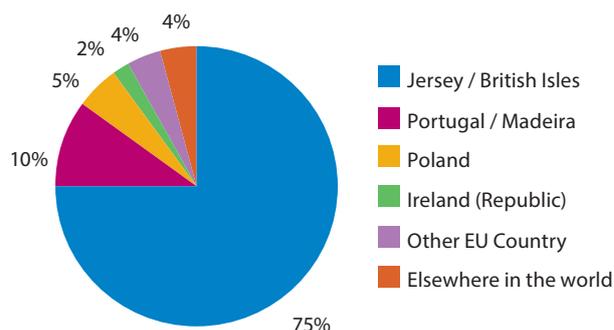


Figure 6: Working Age Population by Place of Birth⁴

Allocation of Contribution Income

Class 1 and Class 2 contributions are allocated to the Health Insurance Fund and the Social Security Fund according to fixed percentages.

Fund	Employer – Class 1	Employee – Class 1	Class 2
Health Insurance Fund	1.2%	0.8%	2.0%
Social Security Fund	5.3%	5.2%	10.5%
Total	6.5%	6.0%	12.5%

Table 3: Percentage Allocation of Class 1 and 2 Contributions to the Health Insurance Fund and Social Security Fund

States Grant

Up to 2011, the States provided an annual grant to the Social Security Fund based on the exact cost of the supplementation required to provide full contributions for all eligible contributors with monthly contributions below the earnings ceiling. This process created budget difficulties as the value of supplementation is not known accurately until well after the end of the financial year.

During 2011, the calculation to determine the grant was amended and, in future, the calculation will be based upon historic information to ensure that the cost of the States Grant is known in advance of setting cash limits. A further change is planned as part of the 2013–2015 Medium Term Financial Plan, which will provide for certainty over three year periods.

3. Nationality recorded by the Department is self-reported, so these figures represent only those contributors where nationality is known: 1,888 contributors had no nationality recorded.

4. R.104/2012

Over the last five years, the value of the States Grant has represented around 30% of the total income into the Social Security Fund (excluding investment income).

Year	2007 £000	2008 £000	2009 £000	2010 £000	2011 £000
States Grant Value	58,627	61,842	64,995	66,667	65,348
Contributions Received (Social Security Fund)	133,913	144,634	151,787	150,462	148,837
Total	192,540	206,476	216,782	217,129	214,185
States Grant as Proportion of Total	30%	30%	30%	31%	31%

Table 4: States Grant in respect of the cost of Supplementation over the past five years

Summary of Funding

Income Received in 2011*	Health Insurance Fund £000	Social Security Fund £000
Class 1 Employees	10,166	67,190
Class 1 Employers	15,766	68,065
Class 2	2,587	13,582
States Grant	N/A	65,348
Total	28,519	214,185

Table 5: Summary of Contribution Income & States Grant

* Note: Income Received excludes Investment Income

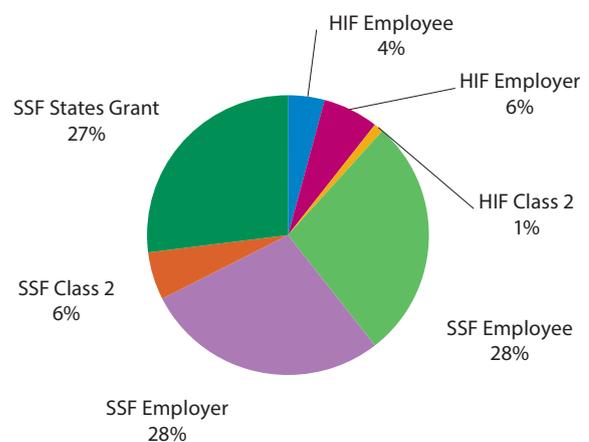


Figure 7: Summary of Contributions & States Grant

Social Security Fund Benefits

Range of Benefits

The Social Security Law provides benefits to contributors who have made appropriate contributions and satisfy other specific conditions. The amounts paid across the full range of benefits available through the Social Security Fund in 2011 are as follows:

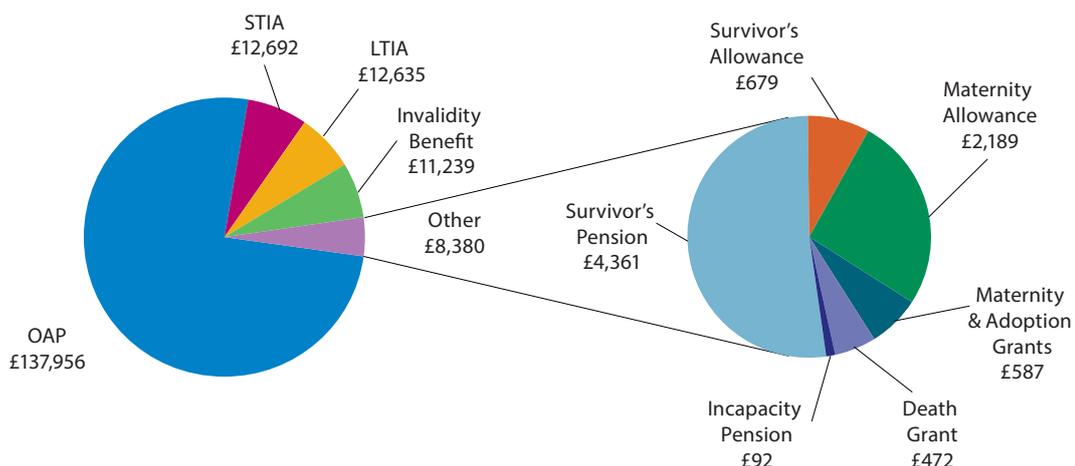


Figure 8: Social Security Benefit Spend (£000) in 2011

Old Age Pensions (OAP)

Just over three-quarters of Social Security benefit expenditure is in respect of old-age pensions, and this cost is growing year on year as the number of pensioners increases, due to the combined effects of the baby boom generation reaching pension age and increased life expectancy.

In 2011 the States agreed to increase the pension age in Jersey from 2020. At present some women continue to have a pension age of 60 (if they were registered for Social Security purposes before 1975). Otherwise the current pension age is 65, with an option to take a reduced rate pension up to two years early. From 2020, the pension age will rise by two months per year, increasing the age from 65 to 67 by 2031.

Old age pensions can be claimed by anyone over pension age who has worked in Jersey and has a contribution record of at least 4½ years. A pro-rata pension is also payable where there is an aggregate of 4½ years between Jersey and a reciprocal country. The maximum, full rate of pension is paid to those with a contribution record of at least 45 years. The value of the pension depends on the number of years of contributions recorded. In October 2011 the value of the full single pension rate rose from £179.79 per week to £184.45 per week. For couples married before April 2001, a married pension is available, based on the contribution record of the husband and paid at 166% of the single rate.

Pensions are paid throughout the world. The following Figure shows the range of countries where pensions are paid:

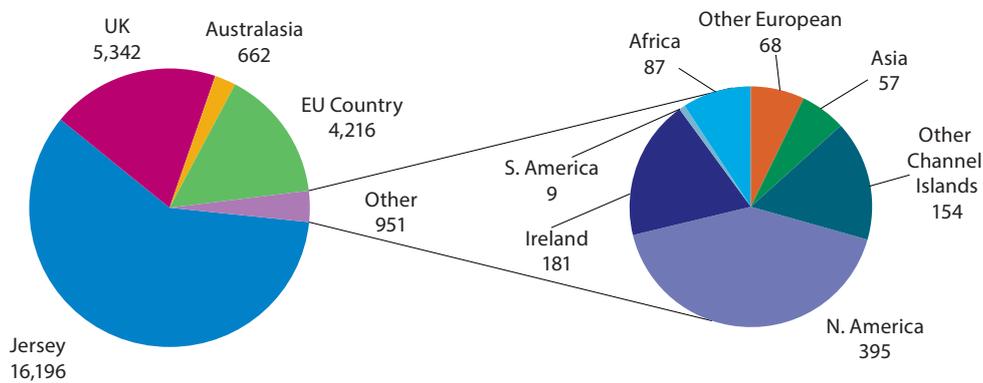


Figure 9: Number of Old Age Pensions in payment at 31/12/11 by Country of Residence

Nearly six out of ten of all pensions are paid in Jersey. Just over three out of ten pensions paid in Jersey are paid at the maximum rate and a further one-third are paid at between 75% and 99% of the full rate. Only one in 20 of pensions paid in Jersey have a rate of below 25%. In contrast, many pensions paid overseas are paid at a lower rate, in respect of workers who have lived and worked in Jersey for a number of years and then returned to their home country. This is demonstrated in Figures 10 and 11:

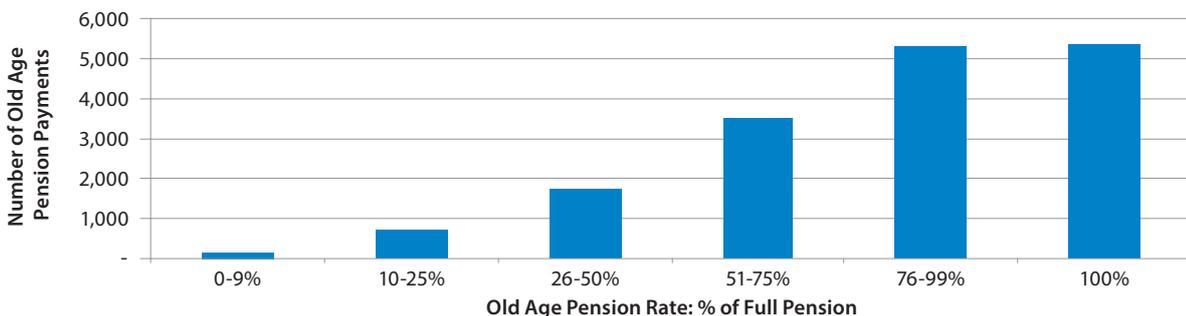


Figure 10: Number of Old Age Pensions in payment at 31/12/11 to Jersey Residents by percentage rate of full pension

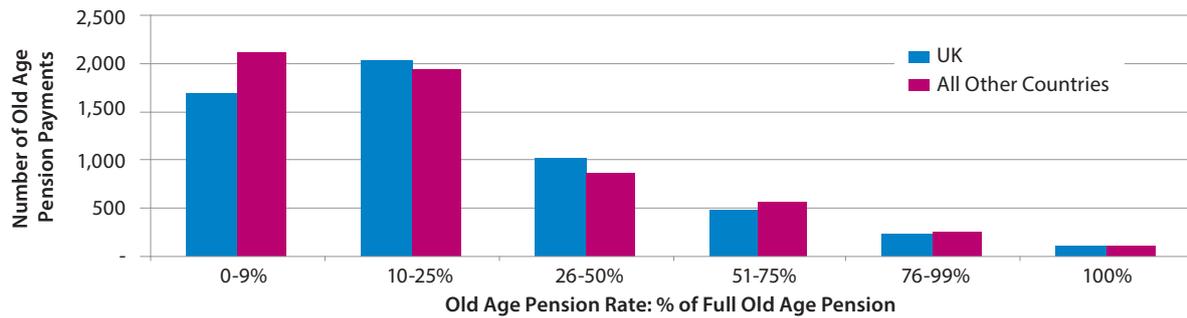


Figure 11: Number of Old Age Pensions in payment at 31/12/11 paid outside Jersey by percentage rate of full pension

Some pensions are paid in respect of couples. The 27,367 pensions in payment at the end of 2011 covered 28,647 people. Of these, 17,096 were resident in Jersey. This compares with the 2011 Census figure of 17,291 persons identified as 'over working age'⁵ in March 2011.

Growth in Old Age Pensions

Year	2007	2008	2009	2010	2011
No of Old Age Pensions in payment at year end	24,505	25,216	25,973	26,594	27,367
Value of Old Age Pensions Paid £000	111,788	119,779	126,390	132,760	137,956
Weekly Full (100%) Old Age Pension Rate at year end ⁶	£165.76	£172.83	£178.01	£179.97	£184.45

Table 6: Annual Old Age Pension Statistics, 2007–2011

There has been a 12% increase in the number of pensions paid between 2007 and 2011 and a similar increase in the rate of the pension leading to an overall increase of 22% in the total cost of pensions over this time. The number of pensions in payment rose by nearly 3% during 2011.

Survivor's Benefits and Death Grant

Under the current legislation, the surviving spouse of a working age contributor⁷ receives a survivor's allowance for 52 weeks, followed by a survivor's pension until the survivor reaches pension age themselves. The survivor's allowance is paid at a rate 20% above other Social Security benefits and the exact value of both the allowance and the pension depends on the contribution record of the deceased spouse. In April 2012, survivor's benefits were extended to the surviving partner in a civil partnership. Following States approval, the Department is currently undertaking a review of survivor's benefits.

5. R.104/2012 – note, a significant proportion of women in Jersey have a pension age of 65

6. Pensions are uplifted in October of each year

7. Also paid if survivor is working age and deceased is over pension age

Survivor benefits are paid worldwide as shown in Figure 12. The majority of survivor's benefits are paid to women (88%), as shown in Figure 13:

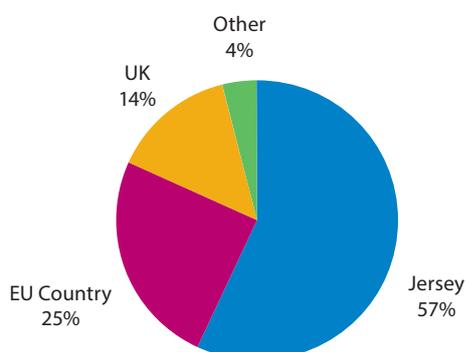


Figure 12: Survivor's Benefits by Location in payment on 31 December 2011

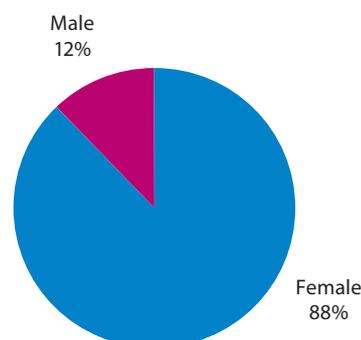


Figure 13: Survivor's Benefits by Gender in payment on 31 December 2011

A contributory death grant is available in respect of most deaths in Jersey. The value of the grant increased from £719.88 to £737.88 on 1 October 2011. Grants are also paid in respect of individuals living outside Jersey at the time of their death, if they were receiving a full-rate benefit, such as an old age pension, immediately prior to the date of death or their departure from Jersey was less than six months prior to the date of death.

In the small number of cases where a death grant is not payable under the contributory system, a non-contributory grant can be provided using a tax funded budget.

	2007	2008	2009	2010	2011
Total Death Grants paid during the year ⁸	590	664	705	739	678
No of Deaths recorded in Jersey during the year ⁹	707	743	758	797	716

Table 7: Total death grants paid and recorded deaths over past 5 years

Short Term Incapacity Allowance

Short term incapacity allowance (STIA) is paid to working age claimants who satisfy the necessary contribution conditions for periods of incapacity lasting between 2 and 364 days. Most STIA claims are paid at the standard rate of benefit. This was £179.79 per week at the beginning of 2011, rising to £184.45 a week from 1 October 2011.

Table 8 details the number of claims paid and the total number of days covered by STIA claims over the past five years. Figure 14 shows the total number of STIA claims and the average (mean) length of claim in days:

	2007	2008	2009	2010	2011
Spend (£000)	11,198	11,664	12,553	12,736	12,692
No. of Claims Paid	28,752	29,497	30,711	29,269	28,652
No. of Days Paid	505,212	505,143	527,782	527,563	520,157
Average Length of Claim (days)	17.6	17.1	17.2	18.0	18.2

Table 8: Annual STIA Claims Paid

8. Note death grants can be applied for up to 6 months after the date of death. The totals include non-contributory death grants

9. R.97/2012

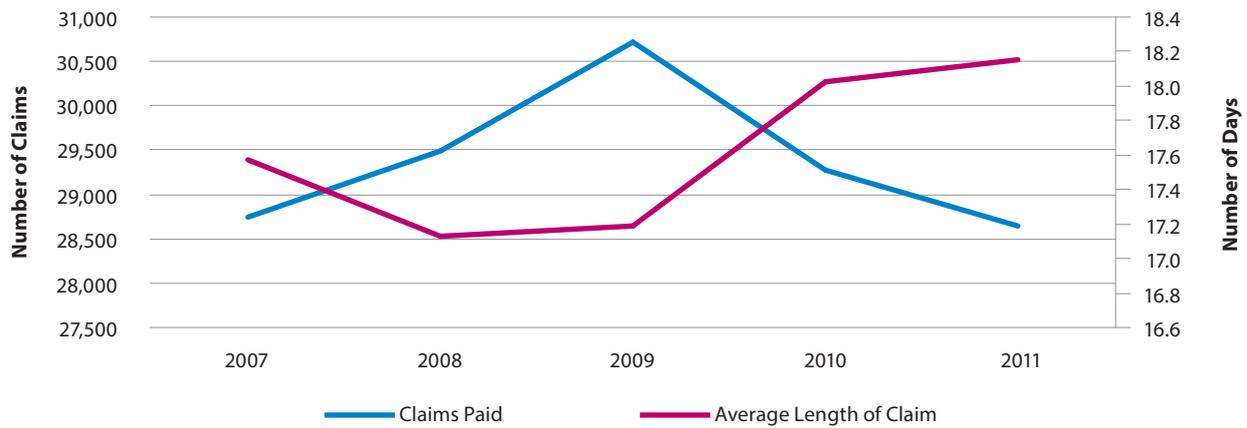


Figure 14: Total Number of STIA claims paid for year & Average (mean) Length of claim

The average (mean) length of claims across all STIA claims in 2011 was 18 days; however, the most common (mode) length of an STIA claim was 10 days. Benefit is paid for 7 days in a week, and not just for working days.

STIA covers a wide range of short term illnesses and injuries: 27% of all claims during the year related to infectious illnesses. These claims lasted on average seven to eight days. By contrast depression, stress and anxiety accounted for 8% of the claims but 20% of the number of days, with an average duration of over six weeks per claim. Table 9 details some of the most common reasons for STIA claims in 2011:

2011 STIA Common Ailments:	% of all 2011 Claims Paid	No. Claims Paid	No. Days Paid	Average Claim Length (Days)
Infections	27%	7,628	57,786	7.6
Hospital Treatment	16%	4,601	104,421	22.7
Back/Neck Pain/Injury	10%	2,972	49,316	16.6
Depression, Stress & Anxiety	8%	2,335	101,795	43.6

Table 9: STIA Common Ailments in 2011

A small minority of individuals have claims that extend for longer periods and are associated with a long term loss of faculty. These claimants can apply for long term incapacity allowance (LTIA). Whereas STIA can only be paid if an individual is not working (on the day the benefit is claimed), LTIA claimants can return to work or stay in work and continue to claim the benefit.

Long Term Incapacity Allowance

This benefit is paid to working age people who satisfy the necessary contribution conditions and who have a long term loss of faculty¹⁰. The amount of benefit is determined on a percentage basis. The maximum value of the benefit (100%) is set at the same level as a full rate old age pension. In October 2011 the rate rose from £179.79 per week to £184.45 per week.

10. The extent of incapacity is assessed by reference to the loss of faculty arising from a disease or injury

A minority of claimants will be assessed at 100% for a major loss of faculty. Most claimants are assessed at a lower percentage, in 5% bands. Figure 15 illustrates that awards of 10%, 20% and 30% are the most common. Awards of up to 15% are paid as lump sum payments.

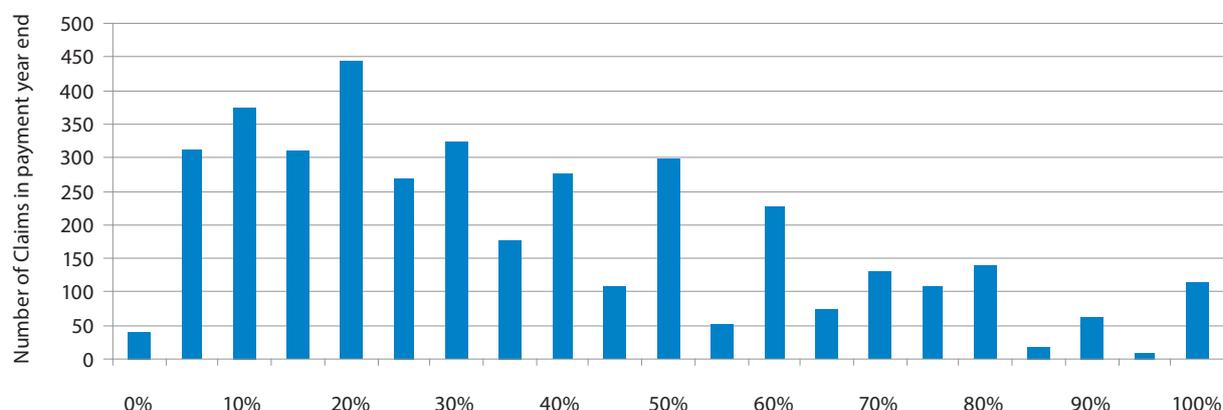


Figure 15: Number of LTIA Claims in payment at 31 December 2011 by Rate %

The average percentage rate of assessment for LTIA claims in payment at 31 December 2011 is 37% and this percentage has remained more or less constant over the last four years. The most common incapacity associated with LTIA is depression, which accounted for 15% of open claims at the end of 2011. From a total of 158 conditions listed on LTIA claims, the Table 10 identifies the most common conditions at the end of 2011.

LTIA Condition	No. of claims open at 31 December 2011	% of all open claims at 31 December 2011
Depression	567	15%
Pain - Back	311	8%
Injury - Back	189	5%
Accident/Injury (Unspecified)	165	4%
Injury - Leg	165	4%
Injury - Shoulder	130	3%
Anxiety	105	3%
Stress	95	2%

Table 10: Most Common LTIA Conditions at 31 December 2011

LTIA was introduced in 2004 to replace invalidity benefit and disablement benefit and the number of LTIA claims continues to increase from year to year as older claimants who choose to continue to receive invalidity benefit reach pension age and new claimants receive LTIA. Table 11 illustrates this trend over the last four years:

	2008	2009	2010	2011
No. of Invalidity claims in payment at year end	1,352	1,219	1,086	967
Cost for Year (£000)	14,861	13,818	12,457	11,239
No. of LTIA claims in payment at year end	3,015	3,195	3,422	3,533
Cost for year (£000)	10,462	11,107	11,901	12,635

Table 11: Number and Cost of Invalidity & LTIA claims 2008–2011

Maternity and Adoption Benefits

A Maternity Grant (or Adoptive Parent Grant) is available as a lump sum to either the father or mother who satisfies the contribution conditions. The value in 2011 was £539.91, rising to £553.41 from 1 October. Multiple grants are provided in the case of multiple births. The great majority of parents having a baby in 2011 received a maternity grant from the Department. 1,100 births were recorded in 2011 with 1,056 maternity grants being paid by the Department in 2011. The following Figure shows the nationality of those in receipt of maternity grants in 2011:

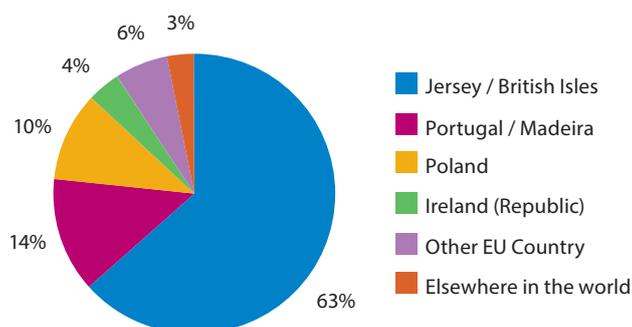


Figure 16: Maternity Grants by Nationality

Just under two-thirds of parents receiving maternity grants have British nationality, with the remainder reflecting the nationalities of the local workforce. The average age of a woman in receipt of maternity benefit in 2011 was 32. Grants were paid in respect of 24 multiple births in 2011.

A maternity allowance is also payable to the mother, based on her own contribution record. This can be paid for up to 18 weeks, at the same rate as STIA, but based on the mother's contribution record before she became pregnant.

Indicator	2007	2008	2009	2010	2011
No. of Maternity Allowance claims starting in the year	944	897	869	940	944
No. of Maternity Grant claims starting in the year	967	994	968	1,014	1,056
No of Births Recorded ¹¹	1,104	1,064	1,169	1,194	1,100

Table 12: Maternity Indicators

Social Security Fund Transfers

Contribution income into the Social Security Fund continues to exceed the cost of benefits paid out and a total of £30.5 million was transferred from the Social Security Fund to the Social Security (Reserve) Fund during the year. The current contribution rates have remained steady since 2002 and the most recent report from the UK Government Actuary suggests that the Social Security Fund will remain in annual surplus until 2019¹². The exact date will be subject to a number of factors that affect the balance between contribution income and benefit spend. The next actuarial review will take place in 2013 covering the years 2010 to 2012. A decision on the future contribution rate will be taken following the publication of that review.

The net asset value of the Social Security Fund at the end of 2011 was £49.8 million and the net current asset value of the Social Security (Reserve) Fund was £854.3 million.

11. R.97/2012

12. R.16/2012 – Report of Government Actuary 2007–2009

Health Insurance Fund Benefits

The Health Insurance Fund provides benefits to contributors who have made appropriate contributions and satisfy other specific conditions. The full range of benefits and the cost of these benefits over the last two years are as follows:

	2010 £000	2011 £000
Medical Benefit – GP Consultations	5,624	6,850
Medical Benefit – GP Letters of Referral	758	943
Medical Benefit – Pathology Benefit	720	765
Pharmaceutical Benefit	16,703	17,002
Gluten-Free Vouchers	180	185
Total Benefit Expenditure	23,985	25,745*

Table 13: Value of Health Insurance Fund Benefits

* This total excludes analysis of the £1.808 million recharge in respect of medical benefit for years prior to 2011.

Medical Benefit – GP Consultations & Letters of Referral

A standard benefit is available in respect of each GP consultation covered by the Health Insurance Fund. In May 2010 the value of the benefit was set at £19, which was then increased to £19.59 from 8 July 2011.

In addition, a separate benefit, paid at the same rate, is available in respect of the cost of a letter of referral written by a GP to a hospital consultant or other specialist.

Indicator	2007	2008	2009	2010	2011
No of Medical Benefit – GP Consultations – paid during year	359,141	359,222	379,377	355,094	363,089
No of Medical Benefit – GP Letters of Referral – paid during year	38,275	41,349	43,933	43,996	48,684
Value of Medical Benefit at 31 December 2011	£15	£15	£15	£19	£19.59

Table 14: Number of Medical Benefit claims paid during year

The increase in the value of the medical benefit in 2010 was agreed as part of a comprehensive project to improve the governance of local GPs in line with the requirements of the UK General Medical Council.

Medical Benefit – Pathology Laboratory Benefit

A new benefit was introduced in January 2010, to cover the cost of GPs taking blood samples for analysis. The benefit covers blood samples taken for haematology testing and for clinical chemistry testing and it is paid at a standard rate of £10. Improved processing of claims in 2011 led to an increase in the number of successful claims as seen in Table 15:

	2010	2011
No. of Pathology Laboratory benefit claims paid during year	73,872	80,075
Value of Pathology Laboratory benefit at year end	£10	£10

Table 15: Comparison of Pathology Laboratory Benefit, 2010–2011

Although these medical benefits are paid in respect of individuals who qualify under the Health Insurance Law, the benefits are always assigned to the provider of the service to simplify administration. The benefits are used to reduce or remove charges that patients would otherwise need to pay.

Pharmaceutical Benefit

Pharmaceutical benefit covers the full cost of prescription drugs prescribed by GPs and includes a dispensing fee paid to community pharmacists, in respect of each item dispensed. The Minister for Social Security is responsible for maintaining the list of drugs that are available on prescription from GPs.

	2007	2008	2009	2010	2011
Pharmaceutical Benefit Drug Costs (£000)	8,033	11,024	11,682	11,566	11,640
Pharmaceutical Benefit Dispensing Fees (£000)	3,702	4,355	4,803	5,137	5,362
Total Cost (£000)	11,735	15,379	16,485	16,703	17,002

Table 16: Pharmaceutical Benefit Costs, 2007–2011

Comparison of Medical and Pharmaceutical Benefit

A comparison of prescription numbers and GP consultations suggests little change in the number of GP consultations per person over the last five years, but an increase in the number of prescriptions per person.

Year	2007	2008	2009	2010	2011
Population ¹³	94,000	95,400	96,200	97,100	97,857
Total No. of Prescriptions during year	1,324,335	1,489,319	1,590,227	1,651,355	1,707,644
Total No. of GP Visits during year	359,141	359,222	379,377	355,094	363,089
No. of Prescriptions per head of population	14	16	17	17	17
No. of GP Visits per head of population	3.8	3.9	3.7	3.7	3.7

Table 17: Comparison of Prescriptions and GP Visits

Gluten-Free Beneficiaries

Individuals who require a gluten-free diet can receive vouchers towards the cost of purchasing gluten-free products. The current value of the vouchers is £14 per week. Table 18 details the number of gluten-free beneficiaries over the past five years:

Year	2007	2008	2009	2010	2011
Number of Gluten-Free Beneficiaries	216	235	266	281	311

Table 18: Gluten-Free Beneficiaries over past five years

13. Population Estimate: 2007–2011 and R.104/2012: 2011

Health Insurance Fund Transfers

Contribution income into the Health Insurance Fund exceeded the cost of benefits paid out in 2011. However, following a decision of the States Assembly at the end of 2010, it was agreed that a transfer of £6.13 million should be made from the Health Insurance Fund to the Consolidated Fund in 2011 with the possibility of a further transfer in 2012. Since then, a second transfer has been authorised for 2012, at the same value of £6.13 million.

The sums transferred are being used by the Health and Social Services Department to fund some areas of primary health care currently provided by that Department. After adjusting for the prior year recharge for medical benefit, the transfer in 2011 placed the Fund in a current year deficit of £5.4 million pounds. The total net asset value of the Health Insurance Fund at the end of the year was £77.7 million.

The most recent report¹⁴ by the UK Government Actuary, covering the period 2003 to 2007, confirmed that (excluding one-off transfers) the Fund is forecast to produce an annual surplus until 2017. By drawing on accumulated surpluses, the Fund is also forecast to be able to provide for existing benefits until the end of the actuarial review period in 2027. These forecasts are subject to a number of factors that affect the balance between contribution income and benefit spend. The next actuarial review will take place in 2013 covering the years 2008 to 2012. A decision on the future contribution rate will be taken following the publication of that review.

Investments

A high level summary of the results of the Funds' investments' performance is shown in Figure 18.

Social Security (Reserve) Fund

The Social Security (Reserve) Fund (the 'Reserve Fund') is the mechanism by which contribution rates and ceiling changes which fund pension and benefit costs of the Social Security Fund are smoothed over time and acts as a buffer to contribute towards the rising burden of pension costs as the Island faces up to the pressures brought on by an ageing population.

One of the main aims of the Reserve Fund is long term growth. It is expected that there will be no requirement to draw on the assets of the Reserve Fund in the near term and during this period there will continue to be net cash inflows to the Reserve Fund.

The Reserve Fund seeks to earn long term capital returns by allocating a higher proportion of its assets to a well diversified mix of global equities. The published investment strategy of the Reserve Fund is to invest 80% of its portfolio in equities, 10% in bonds with the remaining 10% in alternative asset classes. This Investment strategy was reviewed in 2012 with no material change.

Method of Investment

The Reserve Fund may pursue its investment strategy through direct investment or investment through the States of Jersey Common Investment Fund (CIF).

14. R.138/2011 – Report of Government Actuary 2003–2007

The net asset value of the Reserve Fund was £854 million at 31 December 2011 – £484 million invested with Legal and General through unit trusts and the remaining £370 million invested in the CIF. The analysis of investments is illustrated in Figure 17.

The CIF is an administrative arrangement by which States of Jersey Funds are provided with the opportunity to pool their resources to benefit from greater investment opportunities and economies of scale such as the negotiation of lower investment manager fees.

The CIF is arranged into various 'Pools', each pool representing an asset class and managed independently by an investment manager. A Fund such as the Reserve Fund is able to invest in individual Pools in line with its own investment strategy.

Investment Asset Split within the Social Security (Reserve) Fund

Figure 17 below illustrates the split of core assets held by the Reserve Fund as at 31 December 2011. Funds held within the CIF are actively managed i.e. the investment managers are actively seeking to outperform a benchmark. Funds held with Legal and General outside the CIF are passively managed. These funds follow a benchmark passively without seeking to outperform, but seek to do so at lower cost.

The Reserve Fund invested in the CIF from the 1 October 2010 and by the 31 December 2011 holdings in the CIF accounted for 43% of the Fund's total value. As at the year end monies allocated for investment in the alternative asset class were retained in cash and bonds until the alternative asset pools of the CIF become operational.

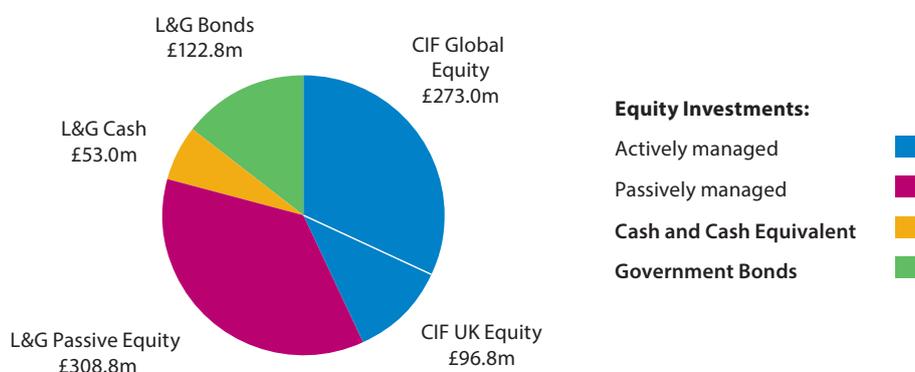


Figure 17: Social Security (Reserve) Fund Investment Asset Holdings 31 December 2011

2011 Performance

In line with its investment strategy, the Reserve Fund holds the majority of its portfolio in equity, a return seeking class of asset. Equity is expected to generate, on average, a higher level of return and grow the value of the Reserve Fund in real terms though, in the short term, it can exhibit a higher level of volatility due to market fluctuations.

The performance of each investment manager is monitored against a benchmark set in accordance with the market in which that manager is investing. Although performance varies between investment classes and between managers, the overall performance of the Fund can be assessed against an apportionment of these underlying benchmarks.

In 2011 the actual performance of the Reserve Fund was negative, but it exceeded the overall benchmark, indicating that the Reserve Fund performed well relative to the market during a difficult year in the investment markets. In 2011 equity markets saw considerable volatility with global equity markets, as illustrated by the MSCI World Index, falling by just over 4.8%. As 80% of the portfolio is held in equity, this had a significant impact on the portfolio value with the overall benchmark for the Reserve Fund falling by just over 3%.

The higher performance of the Reserve Fund benchmark compared with equity markets alone reflects the strategic diversification of the Fund into cash and bonds. These risk-reducing assets served to partially offset the volatility seen in the equity markets reducing their negative effect on the overall portfolio.

The performance over the year for the Reserve Fund was a negative return of 1.6%; this is in excess of the benchmark which fell by 3%. As the passive investments of the Reserve Fund successfully tracked their relative benchmarks, the 1.4% outperformance was generated almost entirely by the active CIF managers, who outperformed their market benchmarks by between 2% and 4%. Since inception of the Common Investment Fund the overall fund has seen annualised returns of 2.9%, which is around 1% in excess of benchmark. The relative performance for the year of the investments inside and outside the CIF has been detailed in the diagram below:

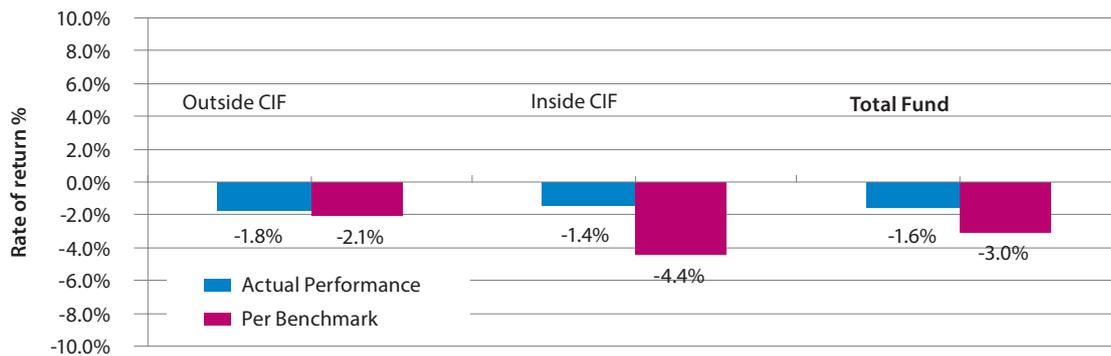


Figure 18: Performance of Investments (01 January 2011 – 31 December 2011).

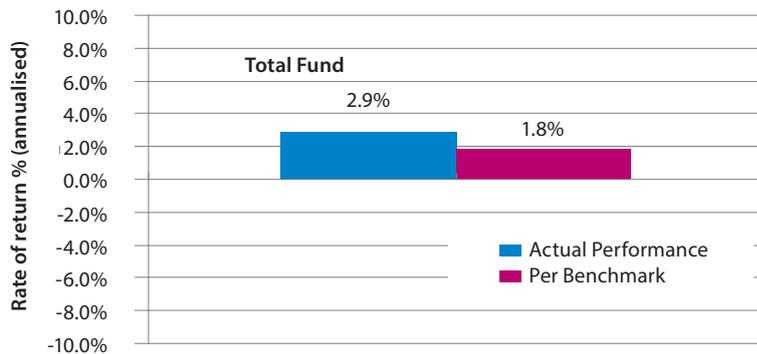


Figure 19: Overall Performance of the Social Security (Reserve) Fund since transfer to CIF (01/10/10 – 31/12/11).

Post year end performance

The year’s negative performance was mostly driven by falls in the equity markets at the end of the third quarter, which saw global markets fall by around 14%. Much of this lost ground was recovered in Q1 2012 when markets began to improve, increasing annualised returns since inception of the CIF to in excess of 7% per year.

Health Insurance Fund

The Health Insurance Fund (the 'Health Fund') is established under the Health Insurance (Jersey) Law 1967. The Health Fund receives allocations from Social Security Contributions for the purpose of paying claims for medical benefits and pharmaceutical benefit as defined in the above law.

To best meet the Health Fund's requirements, a balanced investment strategy is followed that seeks to provide a degree of capital growth and income generation while maintaining an appropriate degree of capital preservation. The strategic aim of the Health Fund is to invest 40% of the portfolio value in return, seeking assets (equities) to produce long term returns, with the remaining 60% in risk-reducing assets seeking to provide increased stability and income returns. The risk-reducing assets are split so 15% of the overall portfolio value is invested in cash and cash equivalent with the remaining 45% in bonds.

Method of Investment

Although the Health Insurance Fund may pursue its investment strategy via direct investment or investment through the States of Jersey CIF, throughout 2011 its whole investment portfolio has been invested through the CIF.

The total value of investments held in the Health Fund at 31 December 2011 was £67.8 million and all of this was invested in the CIF. The analysis of investments is illustrated in Figure 20.

The CIF is an administrative arrangement by which States of Jersey Funds are provided with the opportunity to pool their resources to benefit from greater and diverse investment opportunities and economies of scale (such as the negotiation of lower investment manager fees).

The CIF is arranged into various 'Pools', each pool representing an asset class and managed by an independent investment manager. A Fund such as the Health Fund is able to invest in individual Pools in line with its own investment strategy.

Further information with regard to the CIF is published in the States of Jersey Financial Accounts.

Investment Asset Split within the Health Insurance Fund

Figure 20 illustrates the split of core assets held by the Health Fund as at 31 December 2011. Funds held within the CIF are actively managed i.e. the investment managers are actively seeking to outperform a benchmark.

The Health Fund invested in the CIF from 1 July 2010 and has been invested within its strategic ranges throughout 2011.

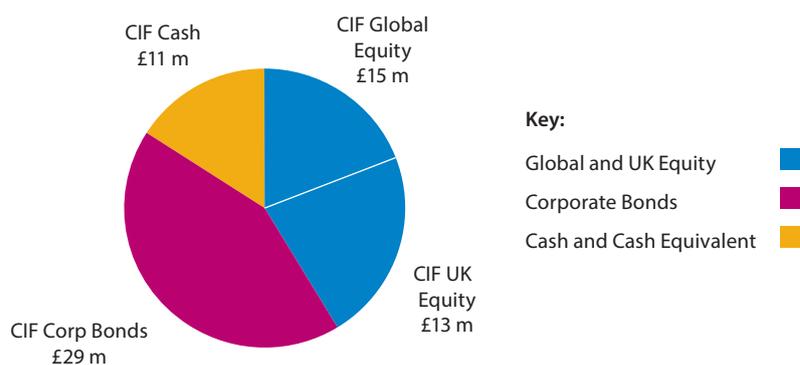


Figure 20: Health Insurance Fund Investment Asset Holdings 31 December 2011.

2011 Performance

In line with its investment Strategy, the Health Fund holds a balanced portfolio, with diversification across three key asset classes. Equity is expected to generate, on average, a higher level of return and grow the value of the Fund in real terms though in the short term it can exhibit a higher level of volatility due to market fluctuations. Cash is expected to generate a low return but acts to preserve the capital value of the Fund, to reduce the portfolio's overall volatility and to provide the Fund with any required liquidity. Corporate bonds are expected to generate a higher level of return than the cash holdings but at a lower level of volatility than the equity investments.

The performance of each investment manager is monitored against a benchmark set in accordance with the market in which that manager is investing. Although performance varies between investment classes and between managers the overall performance of the fund can be assessed against an apportionment of these underlying benchmarks.

In 2011 the overall Health Fund provided a return of 2.1%, exceeding the overall benchmarked return by 0.4%; this indicated that the Health Fund performed well relative to the market. The strategy operated as intended in a year where markets saw significant volatility.

Negative returns in the equity markets were offset by the steady returns generated by the corporate bond and cash investments. Although outperforming their respective markets the equity managers provided a negative return of just under 0.7%; this was in excess of their benchmarks illustrated by the MSCI World Index which fell during the year by just over 4.8%. The negative returns of the equity pools were offset by the corporate bond pools which returned a positive return of 5.4% and the cash pool which provided a return of 1.1%.

The corporate bond pool was the only pool to underperform its benchmark during the year due to the manager adopting a defensive positioning relative to the benchmark to ensure capital values were maintained during periods of pronounced volatility.

The performance of the Health Fund relative to the combined benchmark is detailed below. Although the pool outperformed during the year, the pool shows underperformance from inception to date. The underperformance of the Fund against benchmark is attributable to the Health Fund being underweight in equity following its entry into the CIF while these pools were established.

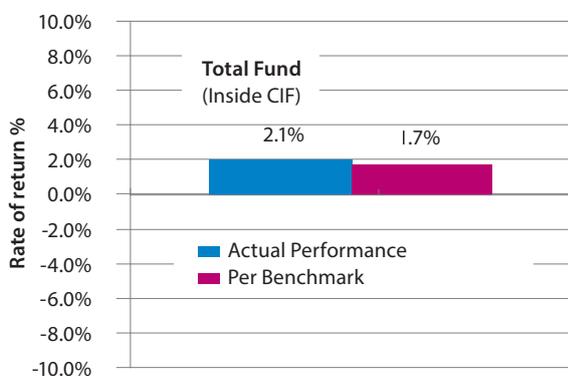


Figure 21: Performance of Investments
(01 January 2011 – 31 December 2011).

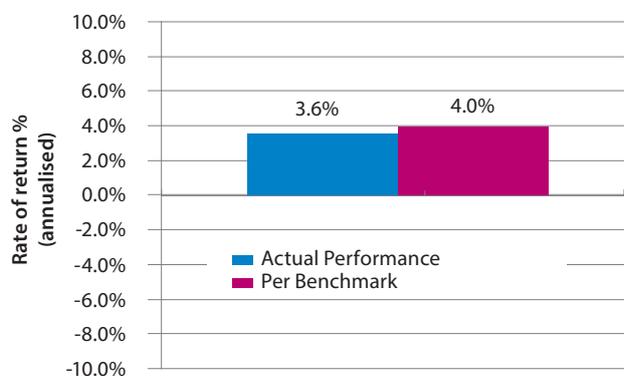


Figure 22: Performance of the Health Insurance Fund since transferred to CIF (01 July 2010 – 31 December 2011).

1.1 Post year end performance

The relatively low rate of return in 2011 was mostly driven by falls in the equity markets at the end of the third quarter which saw global markets fall by around 14%. Much of this lost ground was recovered in Q1 2012 when markets began to improve, increasing annualised returns since the inception of the CIF to in excess of 5% per year.

Administration

The following Figure shows the categories of expenditure within the total administration costs excluding depreciation of £7 million for 2011 for the three Funds:

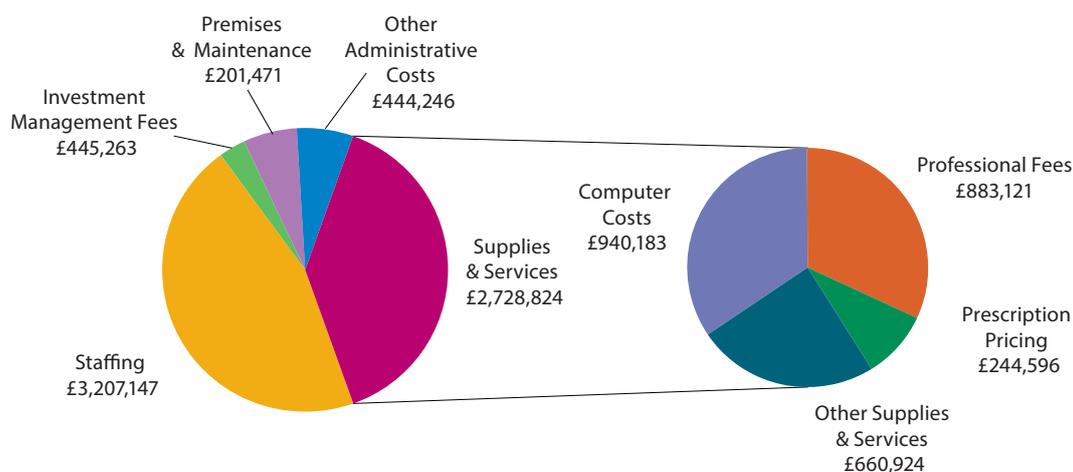


Figure 23: Administration costs £7 million – expenditure analysis

The cost of administration is equivalent to 1.8% of the total value of contributions collected and benefits administered, compared to 2.2% in 2010 and 1.9% in 2009. Administration costs in 2011 were £1.3 million lower than in 2010. This included a reduction in staff costs of £422,504.

Social Security Fund

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Statement of the Responsibilities of the Minister for Social Security 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 shall be prepared in such form, manner and at such times as the Minister for Social Security 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 financial statements 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.

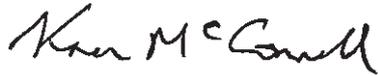
The Minister is responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ANNUAL REPORT

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.

Report of the Comptroller and Auditor General to the States Assembly

I certify that I have examined the financial statements of the Social Security Fund for the year ended 31 December 2011 in accordance with the Social Security (Jersey) Law 1974.



Karen McConnell
COMPTROLLER AND AUDITOR GENERAL

Jersey Audit Office
Lincoln Chambers (1st floor)
31 Broad Street
St Helier
Jersey
JE2 3RR

30 September 2013

Independent Auditors' Report to the Minister for Social Security of the States of Jersey

We have audited the financial statements of the Social Security Fund ("the Fund") for the year ended 31 December 2011 in accordance with the Social Security (Jersey) Law 1974. The financial statements comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is the Social Security (Jersey) Law 1974.

Respective responsibilities of the Minister and the Comptroller and Auditor General of the States

As explained more fully in the Statement of the Responsibilities of the Minister for Social Security of the States of Jersey in respect of the Financial Statements, the Minister is responsible for the preparation of the Financial Statements in accordance with the Social Security (Jersey) Law 1974.

The Comptroller and Auditor General's responsibilities are to examine and certify every such account of the Social Security Fund. We have been appointed by the Comptroller and Auditor General to audit and express an opinion on the Financial Statements of the Fund in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Minister for Social Security of the States of Jersey in accordance with the Social Security (Jersey) Law 1974 and for no other purpose. We 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 into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Fund; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the

Minister's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Financial Statements

In our opinion the Financial Statements:

- give a true and fair view, in accordance with the Social Security (Jersey) Law 1974, of the state of the Fund's affairs as at 31 December 2011 and of the income and expenditure and cash flows for the year then ended; and
- have been prepared in accordance with the requirements of the Social Security (Jersey) Law 1974.

Matters on which we agreed to report by exception

We have nothing to report in respect of the following matters where under terms of our engagement, we have agreed to report to you if, in our opinion:

- proper accounting records have not been kept by the Social Security Department; or
- the Fund's balance sheet and income statement are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside, London, SE1 2RT

27 September 2013

Note:

The maintenance and integrity of the States of Jersey's website is the responsibility of the States of Jersey; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income and expenditure account for the year ended 31 December 2011

	Notes	2011		2010	
		£000	£000	£000	£000
Income	1				
Contributions			148,837		150,462
States contribution			65,348		66,667
Bank interest			283		188
Other income			165		168
			214,633		217,485
Expenditure	1				
Benefits					
– Pensions					
– Pensions and survivor's benefits			143,088		138,055
– Short term incapacity					
– Short term incapacity allowance			12,692		12,736
– Long term incapacity					
– Long term incapacity allowance		12,635		11,901	
– Invalidity benefit		11,239		12,457	
			23,874		24,358
			179,654		175,149
– Grants and allowances					
– Maternity allowance		2,189		2,197	
– Maternity grant		587		556	
– Death grant		472		511	
			3,248		3,264
			182,902		178,413
Administration expenses					
– Staff costs	1	2,670		3,007	
– Depreciation	5	1,971		1,906	
– Other administrative expenses	1	2,288		2,992	
– Net admin costs of the Social Security (Reserve) Fund		481		645	
			7,410		8,550
			190,312		186,963
Surplus of income over expenditure for the year	4		24,321		30,522

Continuing Operations

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

Statement of Total Recognised Gains and Losses for the year ended 31 December 2011

	2011 £000	2010 £000
Surplus for the financial year	24,321	30,522
Transferred to Social Security (Reserve) Fund	(30,517)	(45,598)
Total recognised losses	(6,196)	(15,076)

Balance Sheet as at 31 December 2011

	Notes	2011		2010	
		£000	£000	£000	£000
Fixed Assets					
Tangible fixed assets	5		5,627		6,803
Current Assets					
Debtors	6	51,627		52,155	
Cash at Bank and in hand		9,629		8,624	
		<u>61,256</u>		<u>60,779</u>	
Creditors (amounts falling due within one year)	7	17,096		12,080	
		<u>17,096</u>		<u>12,080</u>	
Net Current Assets			44,160		48,699
Net Assets			49,787		55,502
Funds Employed					
Revaluation Reserves			719		719
Revenue Reserves	8		49,068		54,783
			<u>49,787</u>		<u>55,502</u>

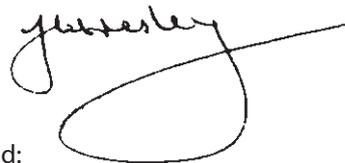
Signed:



Date: 20 September 2013

(Chief Officer - Social Security Department)

Signed:



Date: 20 September 2013

(Minister for Social Security)

Cash flow statement for the year ended 31 December 2011

	Notes	2011		2010	
		£000	£000	£000	£000
Operating Activities					
Net cash inflow from operating activities	10		29,413		31,614
Returns on Investments and Servicing of Finance					
Bank interest received		283		189	
Rent received	4	163		163	
Net Cash inflow from Returns on Investments and Servicing of Finance			446		352
Capital Expenditure and Financial Investments					
Payments to acquire tangible fixed assets	5	(795)		(232)	
Transfers to Social Security (Reserve) Fund	8	(30,517)		(45,598)	
Social Security (Reserve) Fund fees		20		–	
Net cash outflow from Capital expenditure and Financial Investments			(31,292)		(45,830)
Management of Liquid Resources					
(Increase)/decrease in money held on deposit	11		(2,388)		12,709
Decrease in cash in year			(3,821)		(1,155)
Reconciliation Of Net Cash Flow To Movement In Net Funds					
Decrease in cash in the year		(3,821)		(1,155)	
Net cash inflow/(outflow) from management of liquid resources		2,388		(12,709)	
Change in Net Funds			(1,433)		(13,864)
Net funds at 1 January			5,985		19,849
Net funds at 31 December	11		4,552		5,985

Notes to the Financial Statements for the year ended 31 December 2011

1. Accounting Policies

1.1 Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, in accordance with UK GAAP, so far as it is applicable to these financial statements. The Minister considers that the formats adopted within these financial statements are the most appropriate to the circumstances of the Social Security Fund (the "Fund") and in accordance with the Social Security (Jersey) Law 1974.

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

The principle accounting policies are set out below and have been applied consistently throughout the year unless otherwise stated.

The Department has considered the disclosure requirements under UK GAAP and has adopted FRS26, 'Financial Instruments: Recognition and Measurement' and FRS29, Financial Instruments Disclosure'. FRS26 requires the investments to be carried using bid price. FRS29 requires disclosure as to the nature and risks arising from financial instruments to which the Fund is exposed and how these are managed.

1.2 Foreign Currency

(a) Functional and Presentation Currency

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

(b) Transaction and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. 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 and expenditure accounts.

1.3 Income

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

(a) Contributions

Contributions represent payments made by employers, employees and the self employed.

Social Security contributions are set at the rate of 10.5% of earnings (Employees, 5.2%; Employers, 5.3%; Self employed, 10.5%). The financial statements include an estimation in respect of the contributions from insured persons and employers, which are not due to be returned or remitted until after the end of the year.

(b) States' Contribution

States' contribution is the sum paid by the States of Jersey to supplement the contributions of individuals with monthly earnings between the lower earnings threshold (2011: £776 per month) and the standard earnings limit (2011: £3,686 per month), to ensure that all individuals contributions amount to the standard contribution level.

P.110/2011 – Social Security (Amendment of Law No. 1) (Jersey) Regulations 2011 introduced a new method of calculating the value of the States Grant in respect of supplementation. This introduced certainty to the level of States contribution by setting the States Grant to £65,348,408 for 2011 and basing 2012 and future years on a formula set out in the law.

The States contribution made to the Social Security Fund in 2011 was £65,348,408 in accordance with the law; however actual supplementation made to individuals contribution records amounted to £66,072,114.

The calculation of the States contribution was amended by section '9a' of the Social Security (Jersey) Law 1974: Revised Edition as at 1 March 2012.

(c) Bank Interest Received

Interest income is recognised on an accrual basis, by reference to the principal outstanding and the interest rate.

(d) Other Income

Other income includes rental income which is received from sub-letting office space within buildings owned by the Fund.

1.4 Benefits and administrative expenses**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 with no recognition made for future liabilities and consist of the following:

(a) Pensions

Pensions and survivor's benefits are paid to those claimants and their surviving spouse who are entitled to receive a State pension based on the contributions made during the claimant's working life.

(b) Short Term Incapacity

Short term incapacity allowance (STIA) is a daily benefit which is payable to claimants in possession of a medical certificate who are unfit for work due to illness or injury and who meet certain contribution conditions and is payable for a minimum of two days and a maximum of 364 days. After this period claimants, subject to certain conditions, may claim Long Term Incapacity Allowance.

(c) Long Term Incapacity

Long term incapacity allowance (LTIA) is a weekly benefit, payable as a compensation for a loss of faculty. As with STIA certain contribution conditions must be met before payment is awarded.

(d) Grants and Allowances

These include payments for maternity grant and maternity allowance as well as grants paid on the death of a person who has contributed to the Social Security Scheme.

ADMINISTRATIVE EXPENSES

Administrative expenses are accounted for on an accruals basis and consist of the following:

(a) Staff Costs

Staff who work on the Fund are employed by the States Employment Board as they also provide services for the States of Jersey Social Security Department. The costs of employing the staff are therefore recorded gross in the Social Security Departmental pages of the States of Jersey Financial Report and Accounts and an allocation for the cost of staff who work on the Fund is recharged to the Fund and recorded as staff costs. The cost reflected in the financial statements is gross of salaries and wages paid to staff and pension contributions.

(b) Other Administrative Expenses

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

1.5 Tangible Fixed Assets

Tangible assets are capitalised if they are capable of being used for a period which exceeds one year and they:

- individually have a cost of at least £10,000, or
- form part of a project with an overall final cost of at least £10,000.

Tangible fixed assets are stated at historical cost less accumulated depreciation.

Depreciation has been provided on all tangible fixed assets, other than freehold land, so as to write off the cost of these assets less their estimated residual values, on a straight line basis over their expected useful economic lives. The principal useful lives used for this purpose are:

Buildings	<i>50 years</i>
Building improvements	<i>5 to 20 years</i>
Fixtures, fittings & equipment	<i>5 years</i>
Computer development	<i>8 years</i>
Computer network	<i>3 years</i>

The carrying values of tangible fixed assets are reviewed for impairment if changes in circumstances indicate the carrying value may not be recoverable.

1.6 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 change in value.

Funds uncleared at Bank are not netted against Cash in Hand and at Bank and are disclosed as separate liabilities within the financial statements.

1.7 Trade Debtors

Debtors are measured at initial recognition at fair value. Contributions outstanding at 31 December 2011 represent accrued contributions for the last quarter, together with billed contributions due from earlier periods. Benefits paid in 2011 but in respect of periods subsequent to 31 December 2011 are treated as prepayments.

1.8 Bad Debts

(a) Provisions

Instalment arrangements are made with Contributors to reimburse outstanding contributions due from earlier periods. A provision for bad debts is only made when an instalment is not received from a contributor.

(b) Write-offs

Class 1 contributions are written off when the employer cannot contribute on behalf of their employee by virtue of being declared en désastre or bankrupt. Class 2 contributions are written off when the individual has defaulted on an instalment arrangement and died.

1.9 Provision for Liabilities and Charges

Provision is made in the financial statements 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.

1.10 Funds Uncleared at Bank

The Fund does not have a facility for a bank overdraft. Funds uncleared at bank represent cheques issued not yet cashed on the benefit payment bank accounts.

1.11 Creditors

Creditors are measured at initial recognition at fair value.

1.12 Taxation

The 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

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. Financial assets and financial liabilities are recognised on the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument. The Fund derecognises its financial assets when the contractual rights to the cash flows from the financial asset expire. The Fund derecognises its financial liabilities when the obligation specified in the contract is discharged, cancelled or expires.

(a) Debtors

Debtors are measured at initial recognition at fair value.

(b) 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 change in value.

(c) Creditors

Creditors are measured at initial recognition at fair value.

3. Financial Risk Management

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

(a) Market Risk

No investments are held by the Fund. 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 change in value.

(b) Credit Risk

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

The Fund's credit risk is primarily attributable to its debtors. The Fund's objectives for managing the risk are to ensure that the debtors are recovered promptly and that the cash at bank is secure. Where monies are not received within their payment terms they are referred to the Department's Contribution and Enforcement team for recovery. In these instances instalment arrangements are made for repayment of monies owed or court action progressed. Contribution debtor credit risk is limited as monies are due from a large number of debtors, none of whom are significant in isolation.

The credit risk on liquid funds is limited because the counterparties are banks with credit ratings assigned by international credit-rating agencies with a minimum rating of 'A' only accepted for short term deposits and 'AA' for longer term deposits (+3 months).

(c) Liquidity Risk

The Social Security Fund's exposure to liquidity risk is low due to the volume of cash available to meet its short term obligations. The Fund's objectives for managing this 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 with Royal London Asset Management CI Limited (RLAM). The Fund manages its exposure to liquidity risk by monitoring the rolling forecast of the Fund's liquidity reserves on the basis of the expected cash flows in and out.

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

(d) Fair Value Interest Rate Risk

During the year, the Fund received income from its fixed bank deposits. These cash flows were primarily fixed in nature and therefore there was a potential risk of market rate movement during the fixed period. From March 2010, the Department has managed its banking arrangements and fund deposits through the States of Jersey Cash Managers Royal London Asset Management ('RLAM').

4. Surplus of Income over Expenditure for the year

Surplus of Income is stated after charging / (crediting):

	2011 £000	2010 £000
Auditors' fees	46	66
Depreciation	1,971	1,906
Rental income from third parties	(63)	(63)
Rental income from related parties	(100)	(100)

5. Tangible Fixed Assets

	Land, buildings and improvements £000	Fixtures and fittings £000	Computer development and network £000	Total £000
Cost				
At 1 January 2011	8,952	87	12,968	22,007
Additions	48	13	734	795
At 31 December 2011	9,000	100	13,702	22,802
Accumulated depreciation				
At 1 January 2011	4,179	72	10,953	15,204
Charge for the year	434	5	1,532	1,971
At 31 December 2011	4,613	77	12,485	17,175
Net book value				
At 31 December 2011	4,387	23	1,217	5,627
At 31 December 2010	4,773	15	2,015	6,803

Land and buildings consist of 30 to 32 La Motte Street, known as Philip Le Feuvre House and Huguenot House, St Helier, Jersey. Title to Philip Le Feuvre House and Huguenot House are registered in the names of the "Attorney General and Greffier of the States on behalf of the Public of the Island".

6. Debtors

	2011 £000	2010 £000
Debtors:		
Contributors – individuals and employers	20,379	19,203
Goods and Services Tax	54	46
Other debtors	308	228
	20,741	19,477
Prepayments and accrued income:		
Contributors – individuals and employers	21,320	23,394
Benefits paid in advance	9,566	9,103
Jersey Post – funds held for the payment of Pension Order books	–	181
	51,627	52,155

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

As at 31 December, debtors of carrying value, 2011: £20.7 million (2010: £19.5 million) were past their due date but not impaired. The ageing is shown below:

	2011 £000	2010 £000
Up to 3 months past due	20,641	19,351
3 to 6 months past due	10	29
6 to 12 months past due	38	44
Over 12 months past due	52	53
	20,741	19,477

BAD DEBT PROVISION

Debtors are shown net of a bad debt provision at 31 December 2011 of £72,338 (2010: £49,296), as analysed below.

	2011 £000	2010 £000
Up to 3 months past due	72	–
3 to 6 months past due	–	9
6 to 12 months past due	–	–
Over 12 months past due	–	40
	72	49

During the year ending 31 December 2011, bad debts of £118 (2010: £16,498) were written off.

7. Creditors: amount falling due within one year

	2011 £000	2010 £000
Funds uncleared at bank	5,077	2,690
Inter fund balances		
Health Insurance Fund	5,855	4,126
Accrued benefits payable	246	382
Capital Expenditure	80	–
Social Security (Reserve) Fund	20	–
Other creditors	5,818	4,882
	17,096	12,080

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

The loan payable to the Health Insurance Fund and the States of Jersey is unsecured, interest free and repayable on demand.

Maturity of financial liabilities:

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

	2011 £000	2010 £000
Up to 3 months past due	297	506

8. Revenue Reserves

	2011 £000	2010 £000
As at 1 January	54,783	69,214
Surplus funds transferred to Social Security (Reserve) Fund	(30,517)	(45,598)
Retained surplus for the year	24,321	30,522
Reimbursement of expenses due to Social Security (Reserve) Fund	481	645
As at 31 December	49,068	54,783

9. Related Party Transactions

Jersey Post International Limited

The Fund has the following commercial, arm's length relationships with Jersey Post International Limited, which is a strategic investment of the States:

- The States of Jersey hold all the ordinary shares in Jersey Post International Limited which became incorporated on 1 July 2006.
- The Fund pays Jersey Post International Limited for the pension recipients who hold a pension order book or cash open cheque benefit payments. For this service Jersey Post International Limited receives an administration fee as noted in the table below.

From January 2010, the States of Jersey, Treasury and Resources has invoiced for all Jersey Post International Limited charges.

STATES OF JERSEY TREASURY AND RESOURCES AND OTHER STATES DEPARTMENTS

The 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 during the year to the States of Jersey directly controlled (strategic investments) entities are denoted below:

	2011 £000	2010 £000
States of Jersey	5,541	4,376
Jersey Post International Limited	–	47
Jersey Telecom Group Limited	7	6
Jersey Electricity Company Limited	47	67
	5,595	4,496

The Fund receives income (States' contribution) from the States of Jersey to supplement the contributions of earners who fall below the earnings ceiling but above the lower earnings threshold 2011: £65,348,408 (2010: £66,667,178).

Staff employed by the States of Jersey who administer the Social Security Fund are also involved with the administration of States Funded Benefits and services related to employment. Where this administration is undertaken on premises owned by the Fund, a rental charge for the use of the premises is levied to the States of Jersey which in 2011 amounted to £90,300 (2010: £90,300).

Payments made during the year from the States of Jersey are denoted below:

	2011 £000	2010 £000
States Contribution - Supplementation	65,348	66,667
Supplies and Services	2,760	3,097
	68,108	69,764

Full details of all States Funded benefits and services administered by the Social Security Department can be found in the "States of Jersey Financial Report and Accounts 2011." Copies of the report are available from the States Greffe.

RELATED PARTY BALANCES AT YEAR END

	2011 £000	2010 £000
Amounts due to related parties:		
Treasurer of the States	5,541	4,376
Jersey Post International Limited	–	56
Jersey Telecom Group Limited	3	4
Jersey Electricity Company Limited	5	12
	5,549	4,448
Amounts due from related parties:		
Jersey Post International Limited	–	181
	–	181

The Health Insurance Fund does not operate a bank account. Consequently all receipts and payments in relation to the Health Insurance Fund are made through nominated Social Security Fund bank accounts (due to their relationship in respect of Social Security contributions) and then accounted for as loans.

During the year the Social Security Department made net payments from its bank accounts, of which the Social Security Fund is part, to the Health Insurance Fund, which in 2011 amounted to £1.6 million (2010: £4.1 million). As at 31 December 2011 the Health Insurance Fund was owed £5.7 million (2010: £4.1 million).

The Social Security (Reserve) Fund is the investment vehicle by which contribution rate and ceiling changes are smoothed over time. The accounting officer of the Social Security (Reserve) Fund is the Treasurer of the States. Payments made in the year to the Fund were £30.5 million (2010: £45.6 million); additionally the Social Security (Reserve) Fund appropriated from the Fund £0.5 million (2010: £0.6 million).

10. Reconciliation of Surplus to Net Cash Flow

	2011 £000	2010 £000
Surplus of income over expenditure for the year	24,321	30,522
Net expenditure appropriated from Social Security (Reserve) Fund	481	645
Depreciation	1,971	1,906
Decrease / (Increase) in debtors	536	(7,896)
Increase in creditors	2,550	6,788
Bank interest	(283)	(188)
Rent	(163)	(163)
	29,413	31,614

11. Analysis of Changes in Net Funds

	At 31 December 2010 £000	Cash Flows £000	At 31 December 2011 £000
Cash at bank	1,834	(1,384)	450
Funds uncleared at bank	(2,640)	(2,437)	(5,077)
	(806)	(3,821)	(4,627)
Liquid resources	6,791	2,388	9,179
Net funds	5,985	(1,433)	4,552

12. Ultimate Controlling Party

Under the Social Security (Jersey) Law, 1974 the Minister of Social Security is the ultimate controlling party of the 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 Fund and for preparing the financial statements.

Social Security (Reserve) Fund

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Statement of the Responsibilities of the Minister for Social Security 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 (Reserve) Fund shall be prepared in such form, manner and at such times as the Minister for Social Security 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 financial statements 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.

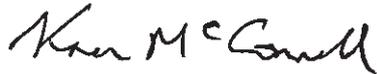
The Minister is responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ANNUAL REPORT

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.

Report of the Comptroller and Auditor General to the States Assembly

I certify that I have examined the financial statements of the Social Security (Reserve) Fund for the year ended 31 December 2011 in accordance with the Social Security (Jersey) Law 1974.



Karen McConnell
COMPTROLLER AND AUDITOR GENERAL

Jersey Audit Office
Lincoln Chambers (1st floor)
31 Broad Street
St Helier
Jersey
JE2 3RR

30 September 2013

Independent Auditors' Report to the Minister for Social Security of the States of Jersey

We have audited the financial statements of the Social Security (Reserve) Fund ("the Fund") for the year ended 31 December 2011 in accordance with the Social Security (Jersey) Law 1974. The financial statements comprise the Statement of Total Return, the Portfolio Statement, the Balance Sheet, the Summary of material portfolio changes for the year and the related notes. The financial reporting framework that has been applied in their preparation is the Social Security (Jersey) Law 1974.

Respective responsibilities of the Minister and the Comptroller and Auditor General of the States

As explained more fully in the Statement of the Responsibilities of the Minister for Social Security of the States of Jersey in respect of the Financial Statements, the Minister is responsible for the preparation of the Financial Statements in accordance with the Social Security (Jersey) Law 1974.

The Comptroller and Auditor General's responsibilities are to examine and certify every such account of the Social Security Fund. We have been appointed by the Comptroller and Auditor General to audit and express an opinion on the Financial Statements of the Fund in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Minister for Social Security of the States of Jersey in accordance with the Social Security (Jersey) Law 1974 and for no other purpose. We 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 into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Fund; and the overall presentation of the Financial Statements. In addition, we

read all the financial and non-financial information in the Minister's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Financial Statements

In our opinion the Financial Statements:

- give a true and fair view, in accordance with the Social Security (Jersey) Law 1974, of the state of the Fund's affairs as at 31 December 2011 and of the income and expenditure and cash flows for the year then ended; and
- have been prepared in accordance with the requirements of the Social Security (Jersey) Law 1974.

Matters on which we agreed to report by exception

We have nothing to report in respect of the following matters where under terms of our engagement, we have agreed to report to you if, in our opinion:

- proper accounting records have not been kept by the Social Security Department; or
- the Fund's balance sheet and income statement are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside, London, SE1 2RT

27 September 2013

Note

The maintenance and integrity of the States of Jersey's website is the responsibility of the States of Jersey; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Statement of Total Return for the year ended 31 December 2011

	Note	2011		2010	
		£000	£000	£000	£000
Income					
Net (losses) / gains on investments during the year	6		(13,447)		80,887
Investment income	7	-		39	
Bank interest	7	4		2	
			4		41
			(13,443)		80,928
Expenditure					
Supplies and Services	8		485		686
Total return			(13,928)		80,242
Appropriated from Social Security Fund			481		645
Total return after appropriation from Social Security Fund			(13,447)		80,887

Statement Of Changes in Net Assets for the year ended 31 December 2011

	Notes	2011 £000	2010 £000
Net assets at the start of the year		837,729	711,889
Change in net assets before appropriation from Social Security Fund		(13,928)	80,242
Funds received from the Social Security Fund	12	30,517	45,598
Net assets at the end of the year		854,318	837,729

Portfolio Statement as at 31 December 2011

	Note	Holding Units	Market Value 31 December 2011 £000	Percentage of Total Portfolio %
Legal & General				
Unit Trust Bonds				
All stock gilts index		9,000,878	41,190	4.82
0 to 5 years gilt index		44,662,796	81,590	9.55
			122,780	14.37
Unit Trust Equities				
UK equity index		21,833,458	157,573	18.44
North America equity		10,455,864	82,409	9.65
Europe equity index		6,797,326	47,126	5.52
Japan equity index		16,514,393	14,475	1.69
Asia Pacific (ex-Japan) development equity index		793,912	7,240	0.85
			308,823	36.15
Cash				
Money Market		20,162,555	27,931	3.27
Liquidity Fund		23,454,663	25,032	2.93
			361,786	42.35
Common Investment Fund				
UK equities - Majedie		89,253,618	96,753	11.33
Global equities - Longview		128,417,487	137,231	16.06
Global equities - Walter Scott		129,161,385	135,773	15.89
			369,757	43.28
Portfolio of investments	9		854,323	100.00

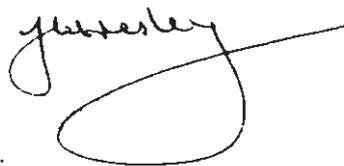
Comparatives are not disclosed in accordance with the Statement of Recommended Practice – Financial Statements of Authorised Funds.

Balance Sheet as at 31 December 2011

	Notes	2011		2010	
		£000	£000	£000	£000
Fixed Assets					
Financial assets at fair value	9		854,323		818,728
Current Assets					
Debtors	10	–		2	
Cash at bank		183		19,163	
		183		19,165	
Current Liabilities					
Creditors: amounts falling due within one year	11	188		167	
Cash Advanced from the States of Jersey Consolidated Fund		–		(3)	
		188		164	
Net Current (Liabilities) / Assets			(5)		19,001
Net Assets			854,318		837,729
Represented by:					
Revenue Reserves			854,318		837,729



Signed:
 Date: 20 September 2013
 (Treasurer of the States)



Signed:
 Date: 20 September 2013
 (Minister for Social Security)

Summary of material portfolio changes for the year ended 31 December 2011

MAJOR PURCHASES

Name	Holding Units	Cost £000
Legal & General		
Legal & General EPAA – Europe	6,797,326	60,112
Legal & General BS – 0 to 5 Year Gilts Index	24,871,323	44,550
Legal & General BS – 0 to 5 Year Gilts Index	19,791,473	35,450
Legal & General N America Equity	1,247,500	9,845
Legal & General N America Equity	1,253,686	9,835
Legal & General N America Equity	952,646	7,450
Legal & General N America Equity	847,354	6,756
Legal & General N America Equity	738,623	5,776
Legal & General TA Liquidity Fund	3,952,806	4,206
Legal & General N America Equity	382,416	3,000
Legal & General N America Equity	370,021	2,920
Legal & General TA Liquidity Fund	2,602,676	2,766
Legal & General N America Equity	313,569	2,500
Legal & General TA Liquidity Fund	2,172,434	2,305
Legal & General N America Equity	282,916	2,250
Legal & General N America Equity	279,591	2,229
Legal & General N UK EQ IDX	270,132	2,012
Legal & General N America Equity	253,423	2,000
Legal & General N UK EQ IDX	241,668	1,800
Legal & General N America Equity	220,417	1,724
		209,486
All other purchases		10,463
		219,949
Common Investment Fund		
UK Equity Pool – Majedie	9,248,841	10,000
Global Equity – Walter Scott	35,850,155	38,518
Global Equity – Longview	35,033,736	38,517
		87,035
Total purchases for the year		306,984

Summary of material portfolio changes for the year ended 31 December 2011 (continued)

MAJOR SALES

Name	Holding Units	Proceeds £000
Europe (ex UK) Equity Index (T)	6,797,326	60,112
Legal & General TA Liquidity Fund	41,894,649	44,550
Legal & General TA Liquidity Fund	33,337,866	35,450
Legal & General TA Liquidity Fund	17,919,795	19,000
Legal & General TA Liquidity Fund	17,883,531	19,000
Legal & General TA Liquidity Fund	9,297,568	9,845
Legal & General TA Liquidity Fund	9,286,888	9,835
Legal & General TA Liquidity Fund	7,033,809	7,450
Legal & General TA Liquidity Fund	6,380,850	6,756
Legal & General Europe (ex-UK) Equity Index	693,214	5,776
Legal & General WR – Moneymarket Maturity II	3,026,733	4,206
Legal & General Japan Equity (Net WHT)	3,046,966	3,000
Legal & General Europe (ex-UK) Equity Index	314,629	2,920
Legal & General WR – Moneymarket Maturity II	1,988,621	2,766
Legal & General Europe (ex-UK) Equity Index	236,034	2,500
Legal & General WR – Moneymarket Maturity II	1,663,583	2,305
Legal & General TA Liquidity Fund	2,125,148	2,250
Legal & General Japan Equity (Net WHT)	2,203,628	2,229
Legal & General Japan Equity (Net WHT)	2,048,569	2,012
Legal & General Japan Equity (Net WHT)	2,002,806	2,000
		243,962
All other sales		13,980
Total sales for the year		257,942

Notes to the Financial Statements for the year ended 31 December 2011

1. General Introduction

1.1 Fund purpose

The number of recipients of a State pension as a percentage of the working population is expected to increase over time. The purpose of the Social Security (Reserve) Fund (the "Reserve Fund") is to set aside funds for the future provision of pension benefits for those in employment so as to reduce the impact of pensions in future generations, as well as to smooth contributions for Social Security benefits over time. To achieve these objectives, the Reserve Fund's assets comprise financial instruments held in accordance with its investment objectives and policies. These include cash, units in investment pools and creditors that arise directly from the investment activities.

1.2 Strategy

Excess funds held in the Social Security Fund are transferred to the Reserve Fund for investment as determined by the Minister.

Long term growth is one of the main aims for the Reserve Fund and therefore any income generated is reinvested back into the Reserve Fund. It is expected that there will be no requirement to draw on the assets of the Reserve Fund in the short term and during this period there will continue to be net cash inflows to the Reserve Fund.

In order to ensure that the Reserve Fund can work towards its objective of long term growth its strategy is to place a high proportion of its assets in return seeking investments.

The long term strategic aim for the Reserve Fund is to invest within the parameters indicated below:

Asset Class	Strategic Aim %	Range %
Stock Market Assets		
Equities	80	72–88
Bonds	10	9–11
Cash	–	0–3
Non Stock Market Assets		
Alternative Investment Class	10	n/a

A new investment strategy was presented to the States on 1 October 2012 with no material changes affecting the Fund.

As the Reserve Fund is subject to three yearly actuarial reviews the outcomes may result in a need to redefine the Reserve Fund's investment strategy. All strategy revisions are brought to the attention of the States. The last review on the financial condition of the Social Security Fund as at 31 December 2009 was published November 2011.

The Reserve Fund began investing in the States of Jersey Common Investment Fund (the "CIF") on 1 October 2010. Of the total value of investments held at 31 December 2011 of £854.3 million, CIF investments accounted for £369.8 million (43%). Of the remaining balance, £431.5 million was held in pooled funds with Legal & General Investment Management Limited (L&G) and £53 million in cash with Legal and General.

The CIF was established by the Public Finances (Transitional Provisions) (No.2) (Amendment) (Jersey) Regulations 2010 which came in force on the 10 May 2010 and allows the pooling of States' Funds for investment purposes. The CIF is an administrative arrangement and not a separate fund, providing a cost effective way of pooling funds for investment purposes. The aim of the CIF is to provide greater investment opportunities, economies of scale and minimise fees and costs. The Reserve Fund still maintains its own investment strategy and is able to invest in its chosen range of investment categories in line with its strategic aim and ranges.

All participants account for their investment in the CIF as an asset on the basis of units held with any increases in the value of units held in the CIF recognised in the Statement of Total Return.

1.3 Investment structure

The Reserve Fund is an investment fund invested in a diverse range of assets held both within the States of Jersey Common Investment Fund ("CIF") and outside the CIF with Legal and General. The assets in the CIF are split between active and passive managers whilst the holdings outside the CIF are managed on a passive basis.

The assets held within the CIF are pooled with other States Funds to allow the Reserve Fund to benefit from economies of scale and minimise administrative and management cost, while improving its ability to diversify effectively and to manage risk. The assets outside the CIF are held in large pooled products with other investors allowing the fund to achieve low management cost and increased liquidity.

Investments are not made in Jersey except where a Jersey company is part of an established index. This is to ensure that as far as possible, the assets are diversified away from the effects of Jersey's economy.

1.4 Performance management

The Accounting Officer of the Reserve Fund is the Treasurer of the States. The Minister for Treasury and Resources oversees the performance of the Reserve Fund, supported by an advisory Panel which they chair and which is also attended by the Minister for Social Security. The Panel meets quarterly and L&G Investment Managers make a presentation annually. Investment Strategy is reviewed annually. Aon Hewitt Limited, the 'investment adviser,' attend the performance meetings and provide advice where appropriate. The Minister for Treasury and Resources consults with the Minister for Social Security for decisions affecting matters such as changes to investment strategies.

The segregated assets of the Reserve Fund are held with a global custodian, Northern Trust. This results in a complete separation of the custody of the invested assets and the investment management arrangements.

2. Accounting policies

2.1 Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention, in accordance with UK GAAP and in accordance with the Statement of Recommended Practice – Financial Statements of Authorised Funds issued by the Investment Management Association dated December 2005 and revised in 2010 (the "SORP"), so far as they are 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 Social Security

(Jersey) Law 1974 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 Reserve Fund.

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

The Principal Accounting policies are set out below and have been consistently applied throughout the year.

Certain assets were transferred in specie from Legal & General Investment Management Limited to units in the CIF. Such transfers are shown in the financial statements as a sale of securities and a purchase of units, without the payment of stamp duty or any transaction costs.

2.2 Foreign currency translation

(a) Functional and presentation currency

The primary activity of the Reserve Fund is to invest for the long term to accumulate funds for the future provision of pension benefits for those currently in employment. The Minister considers pounds sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in pounds sterling, which is the Reserve Fund's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. 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 Statement of Total Return. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the Statement of Total Return within the net gain / (loss) on investments during the year.

2.3 Income

(a) Investment income

Since both the L&G units and the CIF units are of the accumulation type which do not distribute income, investment income shown consists mainly of income from bank interest. Income from fixed interest securities and bank interest generated by assets within the L&G units are accrued to the year end and incorporated within unit prices of the L&G and the CIF investments. Dividends from other quoted securities are accrued within the unit prices of those investments when the securities are quoted ex-dividend.

Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income.

(b) Bank Interest Received

Interest income is recognised on an accruals basis.

2.4 Investments

The investments of the Reserve Fund are held under a pooled fund policy of L&G and in units in the CIF. The terms of the L&G policy and the CIF allow the units within the portfolio (as set out under note 9) to be realised on any dealing day through transfer of cash to the Reserve Fund or liquidated in whole and the surrender value returned in specie. The Minister has considered the substance of these investments and given the nature of the policy, considers it appropriate that these are recognised as an investment within the financial statements. Sales, purchases and switches in the units of the pooled fund have been disclosed within these financial statements.

Sales and Purchases of investments held by L&G are recognised on the date on which the Reserve Fund commits to purchase or sell the investment. Purchases are recognised at the market value of the consideration paid. Sales are recognised on the settlement date and proceeds are calculated using the market value of the investment on that date. The profit or loss of units sold is calculated based on the market value of the consideration on the sale date compared with the average cost of the units, which is calculated by aggregating the historic transactions within the L&G pooled funds or the CIF. Any profit or loss resulting from this transaction is recognised within the Statement of Total Return.

The CIF operates only accumulation units, due to limitations on the frequency of trading of units by the Custodian. All Pools operating accumulation units reinvest all income receipts back into the Pool, similarly, all expense payments are paid directly out of the investment Pool. This results in an overall net increase or decrease in the valuation of the Pool and the individual units its comprised of on a monthly basis.

Any cash and cash equivalent balances held in the Pools, as well as debtors and creditors (whether actual or accrued) are taken into account when calculating the monthly unit valuation for each of the CIF's Pools.

For all Pools within the CIF the Custodian strikes a valuation at the close of business on the last business day of each calendar month. The Reserve Fund may trade units on a monthly basis with the actual trade taking place on the first business day of each calendar month.

2.5 Cash at Bank

Cash at bank 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.

2.6 Accrued expenses

Accrued expenses are recognised initially at fair value.

2.7 Expenses

(a) Investment management and custodian fees

L&G investment management and custodian fees include brokers commission, registration fees, stamp duties, security exchange fees and levies from regulatory agencies and commissions to advisers. Costs due but not paid by the end of the financial year are accrued.

(b) Irrecoverable withholding tax

Irrecoverable withholding taxes from overseas dividends are treated as an expense within the calculation of unit prices.

(c) Other expenses

Other expenses include service and operating costs and consist of audit fees, custodian fees, recharges from the States of Jersey, Treasury and Resources Department and costs of exchange rate transfers. Some of these are shown explicitly whilst costs directly relating to the operation of the CIF are treated as an expense within the calculation of unit prices.

2.8 Taxation

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

2.9 Cash flow statement

The Reserve Fund satisfies the criteria of an open ended investment fund and is therefore exempt from producing a cash flow statement as required by FRS 1, 'Cash flow statements (revised 1996)'.

3. Financial Assets and Financial Liabilities

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. Financial assets and financial liabilities are recognised on the Reserve Fund's balance sheet when the Reserve Fund becomes a party to the contractual provision of the instrument. The Reserve Fund derecognises its financial assets when the contractual rights to the cash flows from the financial asset expire. The Reserve Fund derecognises its financial liabilities when the obligation specified in the contract is discharged, cancelled or expires.

INVESTMENTS

(a) Classification

The Reserve Fund classifies its investments in equity securities as financial assets at fair value. On adoption of FRS 26, the Minister designated the financial assets at fair value ('Financial Assets') at inception, as the portfolio is managed in accordance with the Reserve Fund's documented investment strategy and its performance is evaluated on a fair value basis. The Reserve Fund's policy is for the Investment Manager and the Minister to evaluate the information and performance about these financial assets on a fair value basis together with other related financial information.

(b) Recognition

Purchases and sales of investments are recognised on the date on which the Reserve Fund commits to purchase or sell the investment.

(c) Measurement

All financial assets and financial liabilities are initially recognised at fair value. Transaction costs are expensed within the unit prices. Dividend income is accrued on securities when they are quoted ex-dividend and are recognised within the unit prices. Gains and losses arising from changes in the fair value of financial assets or financial liabilities are recorded in the Statement of Total Return, with annual movements summarised and reported under Note 6.

(d) Fair value estimation

The valuation of investments held at the year end is based on bid-price.

The valuation of the investments in the L&G pooled funds is based on the closing bid market prices of the units as confirmed by valuations received from the Investment Manager. These valuations are based on the bid prices of the underlying investments held by the Investment Manager in the pooled funds. The valuation of investments in the CIF is based on bid values of the underlying investments and is determined by the Custodian.

Transaction costs, being incremental costs that are directly attributable to the acquisition or disposal of an investment, are added to purchase costs and netted against sale proceeds as appropriate.

Accrued interest

Accrued interest is measured at initial recognition at fair value and included in the unit price of the investments.

4. Financial Risk Management

FINANCIAL RISK FACTORS

The Reserve Fund's activities expose it to a variety of financial risks: market risk (including currency risk; fair value interest rate risk; cash flow interest risk and price risk), credit risk and liquidity risk. The Reserve Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Reserve Fund's financial performance.

Risk management is carried out by the Minister for Treasury and Resources, supported by the Treasury Advisory Panel, which is independently chaired and attended by the Minister for Social Security. The Panel meets quarterly and Investment Managers meet annually to oversee the performance of the Reserve Fund. The investment adviser attends the performance meetings and provides advice where appropriate.

The assets of the Reserve Fund consist of policies of assurance directly held by the States of Jersey and units in the CIF. The CIF assets are held with a global custodian, Northern Trust.

(a) Market Risk

The underlying investments of the L&G pooled funds and the CIF units 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 may be caused by general market factors (such as interest rates, government policy or the health of the underlying economy) which could affect the entire portfolio of a fund. The Reserve Fund and CIF investment managers monitor the portfolios to minimise fluctuation in the fair value of the financial assets held and ensure the necessary policies and procedures are in place to manage the risk.

(i) Foreign exchange risk

The Reserve Fund purchases units, some of which contain securities denominated in a currency other than sterling and hence takes a position in other currencies. A substantial portion of the underlying financial assets of the pooled funds is denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements. The Reserve Fund and CIF investment manager's monitor the exchange rate risk to limit the level of foreign exchange exposure and ensure the necessary policies and procedures are in place to manage it.

(ii) Fair value interest rate risk

The pooled fund units accumulate income within their unit price and do not distribute the income. Therefore there is negligible risk to the Reserve Fund in terms of fair value interest rate risk.

(iii) Price risk

The Reserve Fund is exposed to equity securities price risk as a result of pooled fund units held and classified on its balance sheet at fair value through profit or loss. To manage its price risk arising from investments in equity securities, it diversifies its portfolio between various different unit funds.

The setting of the investment strategy has regard to the relative pricing of asset classes and the available investment opportunities. The relative prices of asset classes can vary substantially within each year and therefore the strategy has been designed to be flexible to adapt to changing market conditions. The investment in equities contains a high proportion of global equities so as to not be too highly dependent on the UK economy.

There is no direct exposure to commodity price risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with suitable credit ratings are accepted. Separate risk assessment has been undertaken in respect of the assets which are under the control of L&G.

L&G is the largest manager of UK pension fund assets with a total of £371 billion invested in indexed assets and £203 billion in indexed corporate pension assets. In total they manage 3,056 pension fund clients. The ultimate holding company of L&G is Legal & General Group plc. The Minister therefore considers the exposure to credit risk is minimal.

(c) Liquidity risk

The Reserve Fund is a long term investor that does not require its assets to be readily available. Liquidity is not a key component of the investment strategy except that the holding of liquid assets enables changes in strategy to be made easily. The Reserve Fund's cash is managed by the States of Jersey to meet its liabilities.

Prudent liquidity risk management includes maintaining sufficient cash to ensure future liabilities are met as and when required. Sufficient funds are transferred from the Social Security Fund on a quarterly basis to meet the investment advisory and custodian fees and any other expenses.

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

5. Capital Risk Management

The Reserve Fund's objectives when managing capital are to safeguard the Reserve Fund's ability to continue as a going concern in order to provide future benefits. The Minister for Treasury and Resources considers that there is no capital risk as the Reserve Fund does not have any debt.

6. Net (Losses) / Gains on Investments during the year

	2011 £000	2010 £000
The net (losses) / gains on investments during the year comprise:		
Proceeds from sales of investments during the year	257,942	376,583
Average cost of investments sold during the year	(231,571)	(319,556)
Gains realised on investments sold during the year	26,371	57,027
Net depreciation already recognised in earlier periods	(104,561)	(80,701)
Net realised depreciation for the year	(78,190)	(23,674)
Net unrealised appreciation for the year	64,743	104,561
Net (loss) / gain on investments	(13,447)	80,887

7. Income

	2011 £000	2010 £000
Overseas dividends	–	39
Bank interest	4	2
Total income	4	41

8. Supplies and Services

	2011 £000	2010 £000
Administrative Recharges	20	27
Investment Advisory Fees	68	90
Audit Fees	19	19
Custodian Fees:		
The Northern Trust Corporation	35	13
Investment Management Fees:		
Legal and General Investment Management Limited	343	537
Total Supplies and Services	485	686

Investment Management Fees in 2010 included £130,918 in relation to the cost of the transfer of investments into the CIF.

9. Financial assets at fair value

Movements in the investments during the year are detailed below:

	Value at 1 January 2011 £000	Purchases at Cost £000	Proceeds of Sales £000	Changes in market value £000	Value at 31 December 2011 £000
Unit Trusts					
Unit Trust Bonds					
United Kingdom	35,641	80,000	–	7,139	122,780
	35,641	80,000	–	7,139	122,780
Unit Trust Equities					
United Kingdom	157,599	5,400	–	(5,426)	157,573
North America	19,479	62,700	–	230	82,409
Other Europe	68,857	60,112	(74,112)	(7,731)	47,126
Japan	26,693	–	(10,000)	(2,218)	14,475
Asia Pacific, excluding Japan	13,389	–	(5,100)	(1,049)	7,240
	286,017	128,212	(89,212)	(16,194)	308,823
CIF Investments					
United Kingdom Equities	85,636	10,000	–	1,117	96,753
Global Equities	202,585	77,035	–	(6,616)	273,004
	288,221	87,035	–	(5,499)	369,757
Cash					
Money Market and Liquidity Funds	208,849	11,737	(168,730)	1,107	52,963
Total Investments	818,728	306,984	(257,942)	(13,447)	854,323

Indirect costs including the bid offer spread costs on pooled funds have been added to the purchase cost or deducted from sale proceeds as appropriate. There were no transaction costs incurred on the purchase and sale of non pooled fund investments as none are held.

10. Debtors

	2011 £000	2010 £000
Accrued interest	–	2

The Minister considers that the carrying amount of the debtors approximates to its fair value and that no debtors are impaired or past their due date.

The ageing of the debtors is within 3 months.

11. Creditors: amounts falling due within one year

	2011 £000	2010 £000
Audit fee	38	19
Investment advisory fee	24	47
Custody fee	42	6
Investment management fee	84	95
	188	167

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

12. Transfers from the Social Security Fund

	2011 £000	2010 £000
Transferred from Social Security Fund during the year	30,517	45,598

13. Related Party Transactions

The Treasurer of the States of Jersey is the Accounting Officer of the Social Security (Reserve) Fund and the Treasury & Resources Department provide accounting services.

During the year ended 31 December 2011 an amount of £20,000 (2010: £27,104) was paid from the Reserve Fund to the Treasury Department in respect of the services provided.

No other related party transactions existed.

14. Ultimate Controlling Party

The Accounting Officer of the Reserve Fund is the Treasurer of the States. The Minister for Treasury and Resources manages the performance of the Reserve Fund, supported by a Committee. Committee meetings are attended by the Minister for Social Security. Under the Social Security (Jersey) Law 1974, the Minister of Social Security is responsible for reporting the financial statements of the Reserve Fund.

Health Insurance Fund

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Statement of the Responsibilities of the Minister for Social Security of the States of Jersey in Respect of the Financial Statements

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

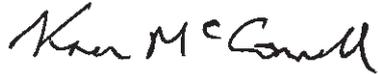
The Minister is responsible for safeguarding the assets of the Funds and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ANNUAL REPORT

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.

Report of the Comptroller and Auditor General to the States Assembly

I certify that I have examined the financial statements of the Health Insurance Fund for the year ended 31 December 2011 in accordance with the Health Insurance (Jersey) Law 1967.



Karen McConnell
COMPTROLLER AND AUDITOR GENERAL

Jersey Audit Office
Lincoln Chambers (1st floor)
31 Broad Street
St Helier
Jersey
JE2 3RR

30 September 2013

Independent Auditors' Report To The Minister For Social Security of the States of Jersey

We have audited the financial statements of the Health Insurance Fund ("the Fund") for the year ended 31 December 2011 in accordance with the Health Insurance (Jersey) Law 1967. The financial statements comprise the Income and Expenditure Account, the Portfolio Statement, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law.

Respective responsibilities of the Minister and the Comptroller and Auditor General of the States

As explained more fully in the Statement of the Responsibilities of the Minister for Social Security of the States of Jersey in respect of the Financial Statements, the Minister is responsible for the preparation of the Financial Statements in accordance with the Health Insurance (Jersey) Law 1967.

The Comptroller and Auditor General's responsibilities are to examine and certify every such account of the Health Insurance Fund. We have been appointed by the Comptroller and Auditor General to audit and express an opinion on the Financial Statements of the Fund in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Minister for Social Security of the States of Jersey in accordance with the Health Insurance (Jersey) Law 1967 and for no other purpose. We 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 into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Fund; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the

Minister's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Financial Statements

In our opinion the Financial Statements:

- give a true and fair view, in accordance with the Health Insurance (Jersey) Law 1967, of the state of the Fund's affairs as at 31 December 2011 and of the income and expenditure and cash flows for the year then ended; and
- have been prepared in accordance with the requirements of the Health Insurance (Jersey) Law 1967.

Matters on which we agreed to report by exception

We have nothing to report in respect of the following matters where under terms of our engagement, we have agreed to report to you if, in our opinion:

- proper accounting records have not been kept by the Social Security Department; or
- the Fund's balance sheet and income statement are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside, London, SE1 2RT

27 September 2013

Note:

The maintenance and integrity of the States of Jersey's website is the responsibility of the States of Jersey; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income and Expenditure Account or the year ended 31 December 2011

	Notes	2011		2010	
		£000	£000	£000	£000
Income	1				
Contributions			28,519		28,660
Bank interest			–		1
Net Gains on investments during the year			1,388		2,255
Investment income			8		318
			29,915		31,234
Expenditure	1				
Benefits					
Medical – current year		8,558		7,102	
– prior year recharge	7	1,808		–	
		10,366		7,102	
Pharmaceutical		17,002		16,703	
Gluten free food vouchers		185		180	
			27,553		23,985
Primary care funding	6		6,131		–
			33,684		23,985
Administration Expenses					
Staff costs	5	538		623	
Other administrative expenses		1,050		1,049	
			1,588		1,672
			35,272		25,657
(Deficit) / surplus of income over expenditure for the year			(5,357)		5,577

Continuing Operations

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

Portfolio Statement as at 31 December 2011

	Notes	Holding Units	Market Value 31-Dec-11 £000	Percentage of Total Portfolio %
Common Investment Fund				
UK equities – Majedie		11,988,328	12,995	19.16
Global equities – Longview		7,101,405	7,589	11.19
Global equities – Walker Scott		7,095,562	7,459	11.00
Corporate Bond Long Term View		21,304,888	22,923	33.81
Corporate Bond Short Term View		5,883,508	6,078	8.96
			57,044	84.12
Royal London Asset Management				
Long term Cash Pool		10,482,566	10,766	15.88
Portfolio of investments	11		67,810	100.00

Comparatives are not disclosed in accordance with the Statement of Recommended Practice - Financial Statements of Authorised Funds.

Statement of Total Recognised Gains and Losses as at 31 December 2011

The net gains on investments during the year comprise:

	2011 £000	2010 £000
Proceeds from sales of investments during the year	8,490	55,591
Original cost of investments sold during the year	(8,298)	(55,522)
Gains realised on investments sold during the year	192	69
Net realised appreciation for the year	192	69
Net unrealised appreciation for the year	1,196	2,186
Net gains on investments	1,388	2,255

Balance Sheet as at 31 December 2011

	Notes	2011		2010	
		£000	£000	£000	£000
Fixed Assets					
Tangible fixed assets	8	88		–	
Financial assets at fair value	11	67,810		71,543	
			67,898		71,543
Current assets					
Debtors	9	11,544		12,323	
Cash at bank and in hand		–		1,004	
		11,544		13,327	
Creditors: amounts falling due within one year	10	1,746		1,817	
Net Current Assets			9,798		11,510
Net Assets			77,696		83,053
Funds Employed					
Revenue Reserves	12		77,696		83,053

Signed

Date: 20 September 2013

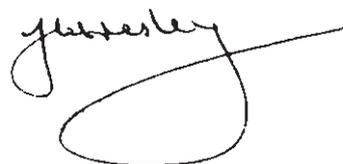
(Chief Officer - Social Security Department)



Signed:

Date: 20 September 2013

(Minister for Social Security)



Cash Flow Statement as at 31st December 2011

	Notes	2011		2010	
		£000	£000	£000	£000
Operating Activities					
Net cash outflow from operating activities	14		(916)		(69,043)
Capital Expenditure and Financial Investments					
Payments to acquire tangible fixed assets	8		(88)		–
Net cash outflow from Capital expenditure and Financial Investments					
			(1,004)		(69,043)
Management of Liquid Resources					
Increase in money held on deposit		1,004		69,043	
Purchase of Investments		(3,369)		(124,879)	
Sales of Investments		8,490		55,591	
Realised gain on cash deposited		192		69	
Net cash outflow / (inflow) from management of liquid resources					
			6,317		(176)
Increase / (decrease) in cash in year					
			5,313		(69,219)
Reconciliation of Net Cash flow to movement in Net Funds					
Increase / (Decrease) in cash in the year			5,313		(69,219)
Net cash (outflow) / inflow from management of liquid resources			(6,317)		176
Change in Net Funds					
Net Funds at 1 January			1,004		70,047
Net Funds at 31 December	15		–		1,004

Notes to the Financial Statements for the year ended 31 December 2011

1. Accounting policies

1.1 Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention, in accordance with UK GAAP, so far as it is applicable to these financial statements. The Minister considers that the formats adopted within these financial statements are the most appropriate to the circumstances of the Health Insurance Fund (the "Health Fund") and in accordance with the Health Insurance (Jersey) Law 1967.

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

The Principal Accounting policies are set out below and have been consistently applied throughout the year.

The Department has considered the disclosure requirements under UK GAAP and has adopted FRS26, 'Financial Instruments: Recognition and Measurement' and FRS 29, 'Financial Instruments Disclosure'. FRS26 requires that any investments (including those within Cash at Bank and in Hand) are carried using the bid price. FRS29 requires disclosure as to the nature and risks arising from financial instruments to which the Health Fund is exposed and how these are managed.

1.2 Foreign Currency

(a) Functional and Presentation Currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. 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 and expenditure account.

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.

Health Insurance contributions are set at the rate of 2% of earnings (Employees, 0.8%; Employers, 1.2%; Self Employed, 2%). The financial statements include an estimation in respect of the contributions from insured persons and employers which are not due to be returned or remitted until after the end of the year.

(b) Bank Interest Received

Interest income is recognised on an accrual basis, by reference to the principal outstanding and the interest rate.

(c) Gains on Investments

Sales and Purchases of investments held within the States of Jersey – Common Investment Fund (the “CIF”) are recognised on the date on which a commitment to purchase or sell the investment is made. The profit or loss which arises on the sale of units is calculated based on the market value of the consideration on the sale date compared with the average cost of the units.

(d) Investment income

Investment income including accrued interest consists of interest received for the certificates of deposit upon maturity.

1.4 Benefits

Benefits are paid to claimants who qualify for a benefit within the Health Insurance (Jersey) Law 1967 and meet the required conditions. Benefits are recognised over the period when they are due and consist of the following:

(a) Medical

These are payments claimed by individuals in respect of fees paid to an approved medical practitioner for medical services.

(b) Pharmaceutical

These are payments claimed by Pharmacists for the agreed cost of prescription drugs supplied plus a flat rate dispensing fee per item of £3.13.

(c) Gluten Free Food Vouchers

These are vouchers which can be used for the purchase of gluten-free food for qualifying individuals who suffer from a medical condition which requires a gluten free diet.

1.5 Administrative Expenses

Administrative expenses are accounted for on an accruals basis and consist of the following:

(a) Staff Costs

Staff who work on the Health Fund are employed by the States Employment Board as they also provide services for the States of Jersey Social Security Department. The costs of employing the staff are recorded gross in the Social Security Departmental pages of the States of Jersey Financial Report and Accounts. An allocation of the cost of staff who work on the Health Fund is recharged to the Health Fund and recorded as staff costs. The costs reflected in the financial statements of the Health Fund is gross of salaries and wages paid to staff and pension contributions.

(b) Other Administrative Expenses

Other administrative expenses include service costs, operating costs and finance costs.

1.6 Debtors

Debtors are measured at initial recognition at fair value. Contributions outstanding at 31 December 2011 represent accrued contributions for the last quarter, together with billed contributions due from earlier periods. Benefits paid in 2011 but in respect of periods subsequent to 31 December 2011 are treated as prepayments.

1.7 Bad debts

(a) Provisions

Instalment arrangements are made with Contributors to reimburse outstanding contributions due from earlier periods. A provision for bad debts is only made when an instalment is not received from a contributor.

(b) Write-offs

Class 1 contributions are written off when the employer cannot contribute on behalf of their employee by virtue of being declared en désastre or bankrupt. Class 2 contributions are written off when the individual has defaulted on an instalment arrangement and died.

1.8 Provision for Liabilities and Charges

Provision is made in the financial statements 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.

1.9 Loans Receivable

The Health Fund does not operate a bank account. Certificates of deposit are held with Royal London Asset Management (RLAM). Consequently all receipts and payments in relation to the Health Fund are made through Social Security Fund bank accounts and accounted for as an intercompany balance.

1.10 Tangible fixed assets

Tangible assets are capitalised if they are capable of being used for a period which exceeds one year and they:

- individually have a cost of at least £10,000, or
- form part of a project with an overall final cost of at least £10,000.

Tangible fixed assets are stated at historical cost less accumulated depreciation.

Depreciation has been provided on all tangible fixed assets, other than freehold land, so as to write off the cost of these assets less their estimated residual values, on a straight line basis over their expected useful economic lives. The principal useful lives used for this purpose are:

Buildings	50 years
Building improvements	5 to 20 years
Fixtures, fittings & equipment	5 years
Computer development	8 years
Computer network	3 years

The carrying values of tangible fixed assets are reviewed for impairment changes in circumstances indicate the carrying value may not be recoverable.

1.11 Creditors

Creditors are measured at initial recognition at fair value.

1.12 Taxation

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

2. Investments

2.1 Strategy

The Minister for Treasury and Resources is responsible for the investment of the Health Fund's assets. The Minister for Treasury and Resources may, after consultation with the Minister for Social Security appoint one or more investment managers for the Health Fund.

In order to meet the Health Fund's purpose the strategy set is a mix between capital growth and income distribution. The Minister has set a strategic aim of investing 40% in return seeking assets (equities) to produce long term returns, with the remainder, 60% in risk reducing assets to provide some stability and in the case of corporate bonds, income returns.

The long term strategic aim for the Health fund is to invest within the parameters indicated below:

Asset Class	Strategic Aim %	Range %
Equities	40	37-43
Bonds	45	40-50
Cash	15	13-17

The ranges indicate tolerable variations according to investment conditions at any time.

A new investment strategy was presented to the States on 1 October 2012 with no material changes affecting the fund.

2.2 Structure

The CIF was established by the Public Finances (Transitional Provisions) (No.2) (Amendment) (Jersey) Regulations 2010 which came into force on the 10 May 2010 and allows the pooling of States' Funds for investment purposes. The CIF is an administrative arrangement and not a separate fund, providing a cost effective way of pooling funds for investment purposes. The aim of the CIF is to provide greater investment opportunities, economies of scale and minimise fees and costs. The Health Fund maintains its own investment strategy and is able to invest in its chosen range of investment categories in line with its strategic aim and ranges.

The Health Fund began investing in the CIF in July 2010 and progressed with its investment strategy to acquire units in each of the following investment pools:

- UK Equities
- Overseas Equities
- Short Term Corporate Bonds (<5 years)
- Long Term Corporate Bonds (>5 years)
- Short Term Cash and Cash Equivalents (<3 months)
- Long Term Cash and Cash Equivalents (>3 months)

All participants account for their investment in the CIF as an asset on the basis of units held with any increases in the value of units held in the CIF recognised through the Statement of Recognised Gains and Losses (STRGL).

For the assets invested in the CIF the current investment objectives are to outperform the targets for each CIF sector.

3. 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.

INVESTMENTS

(a) Classification

The Health Fund classifies its investments in equity securities as financial assets at fair value. On the adoption of FRS 26, the Minister designated the financial assets at fair value ('Financial Assets') at inception, as the portfolio is managed in accordance with the Health Fund's documented investment strategy and its performance is evaluated on a fair value basis. The Health Fund's policy is for the Investment Manager and the Minister to evaluate the information and performance about these financial assets on a fair value basis together with other financial information.

(b) Recognition

Purchases and sales of investments are recognised on the date on which the Health Fund commits to purchase or sell the investments.

(c) Measurement

All financial assets and financial liabilities are initially recognised at fair value. Transaction costs are expensed within the unit prices. Subsequent to initial recognition all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in fair value of the 'financial assets or financial liabilities at fair value through profit and loss' category are presented in the income statement in the period in which they arise.

(d) Fair value estimation

The valuation of investments in the CIF is based on bid values of the underlying investments and is determined by the States of Jersey, Treasury and Resources Department.

Debtors

Debtors are measured at initial recognition at fair value.

Creditors

Creditors are measured at initial recognition at fair value.

4. Financial Risk Management

The Health Fund's activities expose it to a variety of financial risks: market risk (including currency risk; fair value interest rate risk; cash flow interest risk and price risk) liquidity and credit risk. The Health Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Health Fund's financial performance.

The assets of the Health Fund consist of units in the CIF. The CIF assets are held with a global custodian, Northern Trust.

(a) Market Price Risk

The underlying investments of the CIF units are principally equities, fixed interest securities and bank deposits. The value of these is not fixed 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 may be caused by general market factors (such as interest rates, government policy or the health of the underlying economy) which could affect the entire portfolio of a fund. The CIF investment manager monitors the portfolio to minimise fluctuation in the fair value of the financial assets held and ensures the necessary policies and procedures are in place to manage the risk.

(i) Foreign exchange risk

The Health Fund and CIF investment managers monitor the exchange risk to limit the level of foreign exchange and ensure the necessary policies and procedures are in place to manage it.

(ii) Credit Risk

The Health Fund's principal financial assets are trade debtors and units in the CIF.

The Health Fund's credit risk is primarily attributable to its debtors. The Health Fund's objectives for managing the risk are to ensure that the 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 monitored and followed up by the Department's Contribution and Enforcement team for recovery. In these instances instalment arrangements are made for repayment of monies owed or court action progressed. Contribution debtor credit risk is limited as monies are due from a large number of debtors, none of whom are significant in isolation.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies with a minimum rating of 'A' only accepted for short term deposits and 'AA' for longer term deposits (+3 months).

Separate risk assessment is undertaken for the CIF assets, but since the CIF is held by the global custodian on behalf of the States of Jersey, overall the Minister considers the exposure to credit risk is minimal.

(b) 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.

(c) Fair value interest rate Risk

During the year, the Health Fund received income from its fixed bank deposits. These cash flows were primarily fixed in nature and therefore there was a potential risk of market rate movement during the fixed period. The Department manages its fund deposits through the States of Jersey Cash Managers 'RLAM'.

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

5. Staff costs

Staff costs represents a Departmental charge to the Health Fund. During the year ending 31 December 2011, the Health Fund had no direct employees.

6. Primary care funding

During 2011, P125/2010 from the Minister for Social Security brought into effect the funding arrangements set out in the States Business Plan for the transfer of £6,131,100 to Health & Social Services to fund primary care services.

7. Medical benefit – prior year recharge

Prior to the introduction of Income Support in 2008, Medical Benefit in respect of the HIE Scheme was funded by the States Vote to the Social Security Department and therefore paid for indirectly by the States of Jersey. The Income Support Consequential Amendments Regulations closed the HIE Scheme in 2008 as the benefit was absorbed by the recently implemented Income Support. However the funding continued to be taken from the States Vote incorrectly in subsequent years. This has now been corrected and a retrospective adjustment of £1,808,246 has been made for years prior to 2011.

8. Tangible Fixed Assets

	Computer development and network £000	Total £000
Cost		
At 1 January 2011	–	–
Additions under construction	88	88
At 31 December 2011	88	88
Accumulated depreciation		
At 1 January 2011	–	–
Charge for the year	–	–
At 31 December 2011	–	–
Net book value		
At 31 December 2011	88	88
At 31 December 2010	–	–

Assets under construction have been charged to the Health Insurance Fund in respect of the General Practitioners integrated computer network.

9. Debtors

	2011 £000	2010 £000
Related party balance: Social Security Fund	3,501	4,126
Debtors:		
Contributors – individuals and employers	3,882	3,645
Other debtors	63	97
Prepayments and accrued income:		
Contributors – individuals and employers	4,060	4,455
Other prepayments	38	–
	11,544	12,323

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

As at 31 December, debtors of carrying value £3.9 million (2010: £3.7 million) were past their due date but not impaired. The ageing is shown below:

	2011 £000	2010 £000
Up to 3 months	3,945	3,727
3 to 6 months past due	–	8
6 to 12 months past due	–	7
	3,945	3,742

BAD DEBT PROVISION

Debtors are shown net of a bad debt provision £13,779 (2010: £9,389), as analysed below:

	2011 £000	2010 £000
Up to 3 months	14	–
3 to 6 months past due	–	1
6 to 12 months past due	–	–
Over 12 months past due	–	8
	14	9

During the year, bad debts of £22 (2010: £3,142) were written off.

10. Creditors: amounts falling due within one year

	2011 £000	2010 £000
Creditors:		
Amounts due to Doctors for Medical Benefit	49	89
Amounts due to Pharmacists for prescriptions	1,490	1,613
Amounts due to NHS Business Services Authority for the cost of prescription processing	60	60
Other creditors	147	55
	1,746	1,817

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

MATURITY OF FINANCIAL LIABILITIES

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

	2011 £000	2010 £000
Up to 3 months	1,746	1,817
	1,746	1,817

11. Investments

Movements in investments during the year are detailed below:

	Value at 1 January 2011 £'000	Purchases at Cost £'000	Proceeds of Sales £'000	Changes in Market Value £'000	Value at 31 Decemeber 2011 £'000
CIF Investments					
United Kingdom Equities	13,430	–	(600)	165	12,995
Global Equities	16,638	–	(1,200)	(390)	15,048
Long Term Corporate Bonds	21,583	–	–	1,340	22,923
Short Term Corporate Bonds	5,947	–	–	131	6,078
	57,598	–	(1,800)	1,246	57,044
Long Term Cash	10,589	3,369	(3,321)	129	10,766
Short Term Cash	3,356	–	(3,369)	13	–
	13,945	3,369	(6,690)	142	10,766
Total	71,543	3,369	(8,490)	1,388	67,810

12. Revenue Reserves

	2011 £000	2010 £000
As at 1 January	83,053	77,476
Retained (deficit)/surplus for the year	(5,357)	5,577
As at 31 December	77,696	83,053

13. 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 States of Jersey Treasury and Resources and other States Departments as noted in the table below.

Payments made during the year to the States of Jersey directly controlled (strategic investments) entities are denoted below:

	2011 £000	2010 £000
Jersey Telecom Group Limited	14	11
Jersey Electricity Company Limited	8	11
	22	22

The Health Fund does not operate a bank account, other than certificates of deposit. 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 accounted for as loan.

During the year the Social Security Department made net payments on behalf of the Health Insurance Fund which in 2011 amounted to: £1.6 million (2010: £2.2 million). At the year end the Health insurance Fund was owed, 2011: £5.7 million (2010: £4.1 million).

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

	2011 £000	2010 £000
States of Jersey Employment Board – Supplies and Services (Staff costs)	538	623

RELATED PARTY BALANCES AT YEAR END

	2011 £000	2010 £000
Amounts due to related parties:		
Treasurer of the States	–	1
Jersey Telecom Group Limited	3	–
Jersey Electricity Company Limited	1	–
	4	1
Amounts due from related parties:		
Social Security Fund	5,713	4,126

14. Reconciliation of Deficit for the Year to Net Cash Flow from Operating Activities

	2011 £000	2010 £000
(Deficit) / Surplus of income over expenditure for the year	(5,357)	5,577
Net Gains on Investments	(1,196)	(2,186)
Purchase of Investments	(3,369)	(124,879)
Sale of investments	8,490	55,591
Realised Gain on Cash Deposited	(192)	(69)
Increase / (Decrease) in debtors	779	(3,170)
(Decrease) / Increase in creditors	(71)	93
	(916)	(69,043)

15. Analysis of Changes in Net Funds

	At 1 January 2011 £000	Cash flows £000	At 31 December 2011 £000
Liquid resources	1,004	(1,004)	–
Net funds	1,004	(1,004)	–

16. 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.

STATISTICAL APPENDIX

Social Security Department – Service Analysis Summary of Income and Expenditure by Provider

	Social Security Department £000	Social Security Fund £000	Social Security (Reserve) Fund £000	Health Insurance Fund £000	Inter-Departmental Transfers ** £000	Total 2011 £000	Total 2010 £000
INCOME							
Contributions	–	(148,837)	–	(28,519)	–	(177,356)	(179,122)
States Contributions	–	(65,348)	–	–	65,348	–	–
Hire and Rentals	–	(165)	–	–	100	(65)	(63)
Sales of Services*	(3,244)	–	–	–	–	(3,244)	(3,653)
Net Losses / (Gains) on Investments	–	–	13,447	(1,388)	–	12,059	(83,209)
Investment Income	–	(283)	–	(8)	–	(291)	(575)
Other Revenue	–	–	(4)	–	–	(4)	(6)
Total Income	(3,244)	(214,633)	13,443	(29,915)	65,448	(168,901)	(266,628)
EXPENDITURE							
Social Benefit Payments	157,281	182,902	–	33,684	(65,348)	308,519	292,122
Staff Costs	6,879	–	–	–	–	6,879	6,857
Supplies and Services*	701	4,473	485	1,428	–	7,087	8,272
Admin Expenses	99	258	–	105	–	462	427
Premises and Maintenance	124	175	–	26	(100)	225	404
Other Operating Expenditure	342	24	–	5	–	371	548
Grants and Subsidies Payments	2,235	–	–	24	–	2,259	1,823
Depreciation/ Capital Charges	–	1,971	–	–	–	1,971	1,906
Finance Costs	16	28	–	–	–	44	115
Reserve Fund Appropriation	–	481	(481)	–	–	–	–
Total Expenditure	167,677	190,312	4	35,272	(65,448)	327,817	312,474
(SURPLUS)/DEFICIT FOR YEAR***	164,433	(24,321)	13,447	5,357	–	158,916	45,846

* Staff Costs recharged to the Social Security Fund and Health Insurance Fund ('the Funds') are included in Supplies and Services of the Fund and as income described as Sales and Services in the Social Security Department. These costs amounted to £2,669,553 for the Social Security Fund and £537,594 for the Health Insurance Fund are included within Supplies and Services costs of the respective Funds.

** Inter-departmental transfers are in respect of internal fund movements between the Social Security Department, Social Security Fund and Health Insurance Fund. These relate to Supplementation and the rent of premises.

*** In respect of the Social Security Department, the amount relates to the net spend of the Social Security Department which gives an under spend of £5,310,261 against the Final Approved Budget.

The above statistical appendix is unaudited.

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