



# Social Security Department

*Centre for work, pensions and benefits*

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## Section 1 – Minister’s Report

### Minister’s Foreword

I am pleased to present the annual report for the Social Security Department. This report, for the first time, combines information on both contributory and tax-funded benefits. It gives a comprehensive summary of the Department’s activities over 2012 in terms of the number of people in our community served by Social Security and the costs of doing so; reflecting total expenditure of £396.4 million<sup>1</sup> and contribution income totalling £186.9 million. This report also highlights the strength of the Department’s funds, with total reserve balances of £1.1 billion.

At the beginning of 2012 I was faced with the daunting prospect of leading the Social Security Department at a time of record unemployment, while needing to address the long-term challenges building up as a result of an ageing population and maintaining the high standards of customer service expected by the general public. I am pleased to report that these challenges and others are being addressed and that substantial progress has been made in several important areas during the year.

The Chief Minister clearly identified getting people "Back to Work" as the key priority for 2012 and during the year existing teams from various departments were brought together and new teams were established to create a comprehensive and coordinated team, to address all aspects of helping Islanders get back into work. Despite the loss of the fulfilment industry during 2012, the number of unemployed Islanders has not grown by anything like the numbers we had feared, thanks to the success of the Back to Work initiatives and the growing number of employers showing a real commitment to employing locally-qualified residents.

The Back to Work team has worked with employers on individual recruitment campaigns, set up a long-term unemployment unit to provide extra help to those without work for more than a year, designed and implemented grant schemes to encourage employment as well as supporting 1,300 people back into employment.

2012 saw changes made to the Income Support benefit ensuring that all adults in receipt of Income Support are treated equally; now each adult within the Income Support household needs to have achieved five years residency if Income Support components are to be paid in respect of them, while still ensuring that the costs of the family are met.

As Minister for Social Security, I need to take a very long-term view of States policies and ensure that our benefits system is adapted to take account of the growing proportion of older residents. Following the approval of a new long-term care law in 2011, the Department has worked closely with the Jersey Taxes Office in 2012 to design and develop an appropriate contribution method for the new Long-Term Care Fund and this new benefit remains on track for implementation in 2014. A separate proposal to provide extra protection to pensioner incomes was also developed in the second half of 2012 and was subsequently approved by the States in the spring of 2013.

The Department took on the challenge of discrimination legislation and developed a new law, drawing on good practice from other countries but acknowledging the small size of many Jersey employers and the need to minimise any disruptive impact on the local economy.

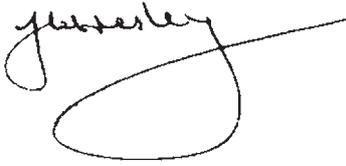
On a personal note, I have found myself in the unusual position of being able to bring forward changes to two benefits following propositions that I introduced as a backbencher. During the year, the Cold Weather Bonus joined other benefits specifically targeted at pensioners, such as the Over 65 Health Scheme and the TV Licence benefit. Towards the end of 2012, the States also approved changes to Survivor’s Benefits, reducing the long-term cost to the Social Security Fund, whilst continuing to protect survivors looking after children.

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<sup>1</sup> Total expenditure across the funds administered by the Social Security Department as well as tax funded monies. This breaks down as: £197.5m (Social Security Fund), £34.5m (Health Insurance Fund), £164.4m (tax funded)

The broad scope of our activities is only made possible by our dedicated, hardworking staff. Their expertise enables around 16,000 benefit payments to be made on time each week, vulnerable people to be looked after and for the Department to deal with the 1,000 customer visits and 400 telephone calls it receives on an average working day. In a time of economic difficulty, our staff are working harder than ever to help people find work and support them with benefits.

The global economic outlook remains uncertain, but I am confident that Jersey is in a stronger position to respond to these challenges than many other places, helped in no small part by the many decades of forward planning that created our current Social Security system.

A handwritten signature in black ink, appearing to read 'Le Gresley', with a long horizontal line extending to the right and a large loop underneath.

Senator Francis Le Gresley, MBE

## Social Security – Our Service

The Social Security Department has overarching aims to help people achieve and maintain financial independence and to provide benefits to those islanders who are unable to support themselves. Our purpose is to offer:

### Support, Opportunity and Service by

- ❖ Supporting people to achieve and maintain an acceptable standard of living
- ❖ Helping employers and employees to work well together for their mutual benefit and the economy of the Island
- ❖ Planning for an ageing population
- ❖ Delivering benefits and high quality services

The Social Security Department is responsible for:-

- A compulsory, contributory Social Security Insurance Scheme that receives contributions from employers, employees and general tax revenues. This fund is most closely associated with the payment of pensions, but the scheme provides contributors with benefits throughout life by offering support from Maternity Allowances through to Death Grants.
- A compulsory, contributory Health Insurance Scheme that receives contributions from employers and employees. This fund subsidises GP consultation fees and pays for the prescriptions issued by GPs and dentists.
- Non-contributory means tested benefits including Income Support. These are funded from general tax revenues and provide targeted support for lower income households. In addition the tax funded Christmas Bonus is paid to local pensioners and certain other benefit claimants.
- Back to Work services which help people into work and support adults with special needs to obtain and maintain employment.
- Employment legislation, which sets out minimum standards for good employment relations and protection in the workplace including rights relating to written terms of employment, holidays, rest days, notice pay, redundancy pay, unfair dismissal and a tribunal to resolve disputes. The Department also has responsibility for setting the minimum wage. The Department funds the Jersey Advisory and Conciliation Service (JACS) to provide advice, training and conciliation.
- Health and Safety legislation providing a legal framework which sets out the duties of employers and employees to observe health, safety and welfare at work, as well as the Health and Safety Inspectorate which provides proactive advice to employers and undertakes investigations when things go wrong.
- Developing discrimination legislation. This legislation will create 'protected characteristics' ensuring people are not treated unfairly due to their race, sex, age or disability, taking into account best practice adapted to the needs of Jersey.

## Executive Summary

### Service Delivery in 2012

Although almost everyone living in Jersey is at some point a customer of the Social Security Department, most people will seldom need to have any prolonged direct interaction with us. Our staff are rightly proud that so much of our work – collecting contributions and paying pensions and benefits – goes on smoothly and in the background to people's everyday lives.

We make sure that working people have an insurance scheme to support them through common life events like sickness, raising families and planning for old age. We're also responsible for helping unemployed people find work and supporting Islanders who are living on low incomes. In total, approximately 1 in 3 Jersey households receive some kind of regular payment from the Department.

At the end of the year, the total assets of the Department's funds stood at £1.1 billion. During 2012, a total of £186 million was collected in contributions, funding £146 million paid out in Old Age Pensions, to over 28,000 pensioners around the world as well as a range of other benefits. The biggest single taxpayer funded benefit spend was £71 million provided to low income households through Income Support weekly benefit.

Jersey has not escaped the impacts of a weakened global economy and in 2012 the Department delivered its services in a climate of increasing unemployment, frozen wages, insolvencies and low growth. In response to these conditions the Department prioritised efforts to support people back in to work. At the same time progress was made on the development of long-term care legislation and a new discrimination law, as well as updating existing benefits. An ambitious business plan identified activities across the full range of the States strategic aims while front line staff continued to deliver a high quality of service.

Benefits & Services Administered by the Department	2012 spend £ million	Supporting
Old Age Pensions	146.1	28,132 <i>pensioners</i>
Income Support ( <i>excluding Residential Care</i> )	72.1	6,636 <i>households</i>
Long Term Incapacity Allowance & Invalidity Benefit	23.5	4,529 <i>claimants</i>
Pharmaceutical Benefit ( <i>cost of drugs and dispensing</i> )	17.4	1.8 million <i>items prescribed</i>
Income Support: Residential Care	16.7	585 <i>claimants</i>
Short Term Incapacity Allowance	13.7	543,149 <i>days paid</i>
Medical Benefits ( <i>GP subsidy</i> )	9.1	363,601 <i>GP consultations</i>
Employment Services ( <i>includes Back to Work</i> )	4.8	1,840 <i>people Actively Seeking Work</i>
Survivors' Benefits	4.8	928 <i>claimants</i>
Maternity Benefits	2.9	1,011 <i>grants paid</i>
Invalid Care Allowance	2.7	192 <i>claimants</i>
Christmas Bonus	1.4	18,578 <i>claimants</i>
Employment Relations ( <i>includes grant to JACS</i> )	0.5	9,720 <i>enquiries</i>
Health and Safety at Work	0.5	778 <i>incidents reported</i>
Death Grant	0.5	514 <i>grants paid</i>
Food Cost Bonus	0.3	1,408 <i>households</i>
Cold Weather Bonus	0.3	1,063 <i>households</i>
65+ Health Scheme	0.3	2,266 <i>pensioners</i>
Other Benefits (<£250k)	0.7	<i>A wide variety of households</i>
<b>Total</b>	<b>318.3</b>	

**Table 1:** Summary of 2012 spend on benefits and services administered by the Department

## Getting People Back to Work

Unemployment continued to make headlines during 2012, and the growing number of unemployed people was affected by a contraction in the fulfilment industry and insolvencies, including the closure of several high street names.

The numbers of people registered as unemployed reached historic highs of 1,840 at the end of December 2012, but in total throughout 2012 there were 4,940 individuals who were, at some point, registered with the Department to seek work. While it was clear that new efforts were needed to tackle unemployment, the services offered to job seekers had historically been spread, and arguably diluted, through different arms of Government. A restructure of these teams during 2012 enabled this expertise to be concentrated in the Social Security Department, where we have consolidated and expanded this resource and introduced new initiatives. For example, an employer engagement team was set up in 2012 to work directly with employers on specific recruitment campaigns. Throughout 2012 our Back to Work teams helped unemployed people into 1,326 paid jobs. Unemployment remains an Island priority and the Back to Work teams will continue to develop initiatives which help local people find jobs and help local employers find the staff they need.

## Planning for an Ageing Population

The net asset value of all three funds at the end of 2012 was just over £1.1 billion, split between the Social Security Fund – £62 million, the Social Security (Reserve) Fund – £962 million and the Health Insurance Fund – £81 million. The performance of investments accounted for the majority of the annual increase in assets, much of which was driven by rising markets; the year saw excellent returns from equity and corporate bond markets. 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 £218 million per annum<sup>2</sup> and costs rising steadily in the future, these reserves represent less than five years' expenditure.

A high level summary of the 2012 results for the three funds is shown in Table 2 below:

	Social Security Fund £ million	Social Security (Reserve) Fund £ million	Health Insurance Fund £ million
Income	219.6	97.8	37.3
Expenditure	197.5	0.4	34.5
Surplus	22.1	97.4	2.8
Net Assets at 31 December 2012	62.0	962.1	80.5

**Table 2:** Fund results for 2012

Reviews of the performance of the Social Security Fund and the Health Insurance Fund will be undertaken in 2013 by the UK Government Actuary and will inform the decisions that need to be taken on the future of these funds and the future direction of pension, benefit and contribution strategies.

<sup>2</sup> Total benefit expenditure across the funds administered by the Social Security Department. This breaks down as: £191.5m (Social Security Fund), £26.7m (Health Insurance Fund).

There has been a steady increase in the number of pensioners over the last few years, with an increase of 3% from 2011 to 2012 as expected. Looking back over the last five years, the number of pensioners has increased by 12% and the total cost of pensions has increased by 22%, the difference being the increase in the value of the pension.

In several recent years prices have increased at a faster rate than wages. This means that, in real terms, people on limited incomes have seen their spending power shrink. In the short term, while this economic condition is challenging for many households, it is especially so for the Island's pensioners as the value of their pension is linked to average earnings. In 2012 the Department began work on a new formula for calculating an annual pension uprate which, in future years, will guarantee a pension increase which is at least in line with inflation without threatening the sustainability of pensions in the long term. Whilst the new method of uprating pensions ensures that pensions increase at least in line with inflation; in the longer term they also match increases in average earnings. In the meantime 2012 saw the delivery of a new benefit for local pensioner households to help with the cost of fuel in cold winter months. These Cold Weather Bonus payments are linked to the severity of winter and were first issued in May 2012 when 952 local pensioners each received over £170.

The Long Term Care Law was registered in the Royal Court in 2012 and the Department has continued to work in partnership with Health and Social Services and the Jersey Taxes Office to design a scheme which will support the care costs of our ageing population. This new benefit seeks to protect people from the catastrophic costs often associated with long-term residential or nursing care and will be financed by contributions paid into a ring-fenced fund. In May 2012, it was announced that the new long-term care benefit will be available from July 2014. Until then, the Income Support scheme provides financial help with the cost of care fees. In total 585 people were receiving support at the end of 2012 at an annual cost of £16.7 million. Assistance with long-term care fees was provided through 66 bonds, with a total accrued value of £2.3 million, taken against personal properties.

## Ensuring Benefits are Fit for Purpose

The Department regularly reviews the benefits it provides and changes are made to make sure that, as society changes, our support is targeted to reach the people who need it.

At the end of 2012, 928 individuals were claiming a survivor's benefit at a total annual cost of £4.8 million. These benefits are paid to working age people (regardless of income) following the death of their spouse or civil partner. Survivor's benefits comprise Survivor's Allowance, paid in the first year of bereavement, followed by Survivor's Pension, which is paid until pension age. These survivor's benefits are based on the traditional concept of a widow's pension. Such pensions were established at a time when it could be very difficult for a widow to find employment and support her family. Employment of women has changed substantially over the last few decades and a review of survivor's benefits suggested eligibility for Survivor's Pensions should be limited to those with a dependent child. The States agreed to this rationalisation and also approved an amendment to ensure that survivors born before 1 January 1957 (survivors in older age groups) would continue to be eligible to claim a Survivor's Pension, as well as protecting all existing claims. For all working age survivors, a Survivor's Allowance will continue to be paid for the first year following the death of a spouse or civil partner.

During 2012, against a background of rising local unemployment, changes were made to the Income Support benefit to ensure all adults in receipt of Income Support are treated equally with regards the requirement to be resident in Jersey for five years. Prior to the change, an adult claimant with a newly arrived partner could claim Income Support on behalf of both adults. This criteria has been tightened and now each adult within the Income Support household needs to have achieved five years' residency if any Income Support components are to be paid in respect of them. 180 claims were reduced as a result of this change at the end of 2012, leading to a future full year saving of approximately £700,000.

The Department also formalised arrangements for providing financial protection in cases of insolvency. The temporary scheme (established in 2009 following the closure of Woolworths) was replaced with a new statutory

scheme which introduced compensation for unpaid wages and a lump sum from December 2012. This benefit is included in the Social Security Fund.

## Supporting Workers

The Minister is responsible for the legal framework which governs and supports good employment practices, including the setting of the minimum wage. In addition to increasing the minimum wage and the trainee rate in 2012, the Minister introduced a new 'second year' trainee rate with the intention of encouraging employers to provide more training opportunities. Also in 2012, the Employment (Jersey) Law 2003 was amended so that employers must notify the Minister and consult representatives of employees where the employer is proposing to make 12 or more employees redundant.

Supporting workers during short and long-term illnesses is an important function of the Social Security system. Over 27,000 claims for Short Term Incapacity Allowance (often called "sickness benefit") were made during 2012. Half of all claims lasted less than 8 days but 10% lasted more than 35 days. Over recent years the number of short term absence claims has been decreasing, while the average length of these claims has been increasing.

The Social Security Department took responsibility for Discrimination Law in 2011. During 2012, the Minister consulted stakeholders and then presented a draft Law to the Council of Ministers in December. The first characteristic to be protected against discrimination will be race which will help Jersey to meet its international obligations in relation to race discrimination. We will continue to prioritise this work and aim to add protection on grounds of sex, age and disability in future years.

## Improving Communications

During 2012 we launched a redesigned Income Support application form and new Income Support award letter. This followed on from feedback from our customers who told us that the old-style Income Support form was complicated. They also said the letters, sent to claimants with information on the amount of benefit they will receive, did not include enough information on how the final award amount had been decided. The revised form and letter were created through workshops attended by staff, politicians and representatives from advocacy groups such as the Citizens' Advice Bureau and The Shelter Trust.

The new form uses plain English, as far as possible, which helps to reduce mistakes and queries and therefore cuts down on processing time. Improvements in the application process were matched by a new, detailed award letter that explains the exact makeup of Income Support payments and answers many frequently asked questions about the benefit.

## Shaping Primary Care in Partnership

The Department has worked closely with Health and Social Services throughout 2012 to help shape the strategy for future GP services so that they can continue to provide high quality care for an ageing population. In partnership we have established a primary care governance unit, funded by the Health Insurance Fund but operating as an integral part of the Health and Social Services Department. Jointly through the governance unit we are consulting with GPs and other primary care providers, establishing the standards patients can expect from our GPs and setting up an appropriate modern local governance structure which builds upon the unique features of primary care in Jersey. During 2012 progress has also been made in the IT infrastructure for GP patient records and in the development of new funding mechanisms for primary care.

Whilst this new strategy is being developed, the Social Security Department continues to administer the Health Insurance Fund, subsidising the cost of GP consultations and funding the medicines prescribed by GPs in primary

care. In 2012 over 363,000 GP visits received a subsidy from the Health Insurance Fund at a cost of £7.2 million. Some 1.8 million prescriptions were funded through the Health Insurance Fund at a cost of £17.4 million.

In addition, the States Assembly approved two transfers to be made, one in 2011 and one in 2012, from the Health Insurance Fund to the Consolidated Fund, to meet the cost of various primary care services which are provided directly by the Health and Social Service Department. The two £6.1million transfers helped fund Primary Health Care Services; including Family Nursing and Home Care, child immunisation and smoking cessation services.

## Joined up Government

As well as providing benefits and services to our own customers, we support other departments in their strategic aims.

During 2012, the Department participated in the development of the overall strategy for a new housing organisation, to replace the Housing Department, and undertook specific research in respect of financial support for private sector tenants.

The Population Office made significant progress during the year towards the introduction of the new Control of Housing and Work Law, which, in 2013, replaces the Housing and the Regulation of Undertakings laws. We have worked with the Population Office to agree the details of a new registration card, which replaces the familiar Social Security card, and contains information both on contribution status and residential status.

In April 2012 civil partnerships became legal in Jersey. We have been working with the Chief Minister's Department for several years on this project which affects a large number of laws across all areas of island life. The main benefit change related to Survivor's Benefits which are now available to a surviving civil partner, as well as a surviving spouse. Administratively, a large number of forms and leaflets were updated to reflect this change.

## Managing Public Finances

The Department receives some of its funding directly from the States of Jersey to deliver a range of "tax-funded" benefits and services. The ongoing poor economic situation, its likely effect on employment and consequences for Income Support, prompted the Department to increase its budget for 2012 to £171 million. The actual expenditure in 2012 was 4% lower than budget, at £164 million.

The Fiscal Strategy Review undertaken in 2010 identified a number of measures to assist in the balancing of public finances. During 2011, the Department made legislative and operational changes to introduce a new Social Security contribution rate in respect of higher earners. The new rate was collected from January 2012 and generated additional income into the Social Security Fund of just over £7 million. This additional income has been used to reduce the size of the tax-funded States grant paid into the Social Security Fund, without damaging the long-term viability of the fund.

During 2012, the Department made £1.5 million worth of savings to the tax-funded budgets under the Comprehensive Spending Review. These were achieved by freezing the uplift on some Income Support components, reducing administration costs and fighting fraud.

# Who does Social Security Support?

## Babies



## Children



## Working Age



**Income Support Child Component** supports low income families with the living costs of their children

**Income Support Childcare Component** supports working parents with childcare costs of 0 to 11 year olds

**Maternity and Adoption Grants** provide a lump sum to help with the general costs of having a baby

**Maternity Allowance** is a weekly payment to help mothers while they take time off work to have their baby

**Home Responsibility Protection Credits** protect pension records for people who stay at home to care for a child

**Medical and Pharmaceutical Benefits** subsidise the cost of visiting a GP and any medicines prescribed

**Income Support Child Component** supports low income families with the living costs of their children

**Income Support Childcare Component** supports working parents with childcare costs of 0 to 11 year olds

**Dental Fitness Scheme** helps toward the cost of dental treatment for 11-21 year olds

**Student Credits** protect pension records while students are in full time education

**Medical and Pharmaceutical Benefits** subsidise the cost of visiting a GP and any medicines prescribed

**Income Support** is an income related benefit that provides support for those looking for work and those in work towards the cost of living.

**Insolvency Benefit** provides financial assistance to employees whose employers become insolvent

**Back to Work** teams provide support, coaching and training to help unemployed people back into work

**Health and Safety Inspectorate** ensures employers provide safe working environments

**Jersey Advisory and Conciliation Service** provides advice to employers and employees

**Short-Term Incapacity Allowance** is a daily benefit which provides income when a worker is unable to work due to sickness

**Survivor's Benefits** support a spouse or civil partner if their partner dies

**Medical and Pharmaceutical Benefits** subsidise the cost of visiting a GP and any medicines prescribed

### Key:

**Tax funded Benefit/Service**

**Contributory Benefit/Credit**

**Health Insurance Benefits**

## Illness and Disability



**Income Support Medical Components** provide additional assistance to lower-income households that include someone who has a long term medical condition

**Income Support Residential Care** helps fund the care home fees for people with care needs and little income or assets to meet those costs

**Invalid Carer's Allowance** supports carers who give up work to look after someone with high personal care needs

**Housing Adaption Grants** help with the cost of adaptations to the home of those with permanent disabilities

**Jersey Employment Trust and Workwise** help people with disabilities prepare for, find and maintain employment

**Long-Term Incapacity Allowance and Invalidity Benefit** support those with a long term illness or disability; either physical or mental, both in work and those unable to work

**Medical and Pharmaceutical Benefits** subsidise the cost of visiting a GP and any medicines prescribed

**Gluten-Free Vouchers** help individuals who need a gluten-free diet

## Pensioners



**Income Support** supports lower income pensioner households

**Food Cost\* and Cold Weather Bonuses** provide help with the cost of food items and heating the home for pensioners who don't pay tax

**Christmas Bonus\*** is a one off payment to all pensioners resident in Jersey

**TV Licence Benefit** pays for the TV licence for over 75's who don't pay tax

**65+ Health Scheme** subsidises dental, optical and chiropody costs for pensioners who don't pay tax

**Old Age Pension** helps to cover basic needs in old age and is based on contributions paid throughout the working life

**Death Grants** help with funeral expenses

**Medical and Pharmaceutical Benefits** subsidise the cost of visiting a GP and any medicines prescribed

\* Also available to some working age families

## Social Security Overview

The remainder of this report describes the activities of the Social Security Department:

- Collection of individuals/employers contributions
- Administration of funds
- Provision of benefits and services

The report is divided into five sections:

- 1) **Fund Income Sources**, which details the income sources to the three funds administered by the Department
- 2) **Social Security Fund**, which details the benefits administered under the Social Security Law
- 3) **Health Insurance Fund**, which details the benefits administered under the Health Insurance Law
- 4) **Tax Funded Services/Benefits**, which details the services provided and benefits administered through tax funded money, including Income Support and the Back to Work programme
- 5) **Financial Statements**, for the three funds administered by the Department as well as tax funded revenue

The figure opposite shows the Social Security revenue sources and demonstrates how the money flows through the funds into the major benefits and services provided. For simplicity it does not show all the financial information, such as investment income, depreciation or administration. These figures are located within the Financial Statements section of the report.

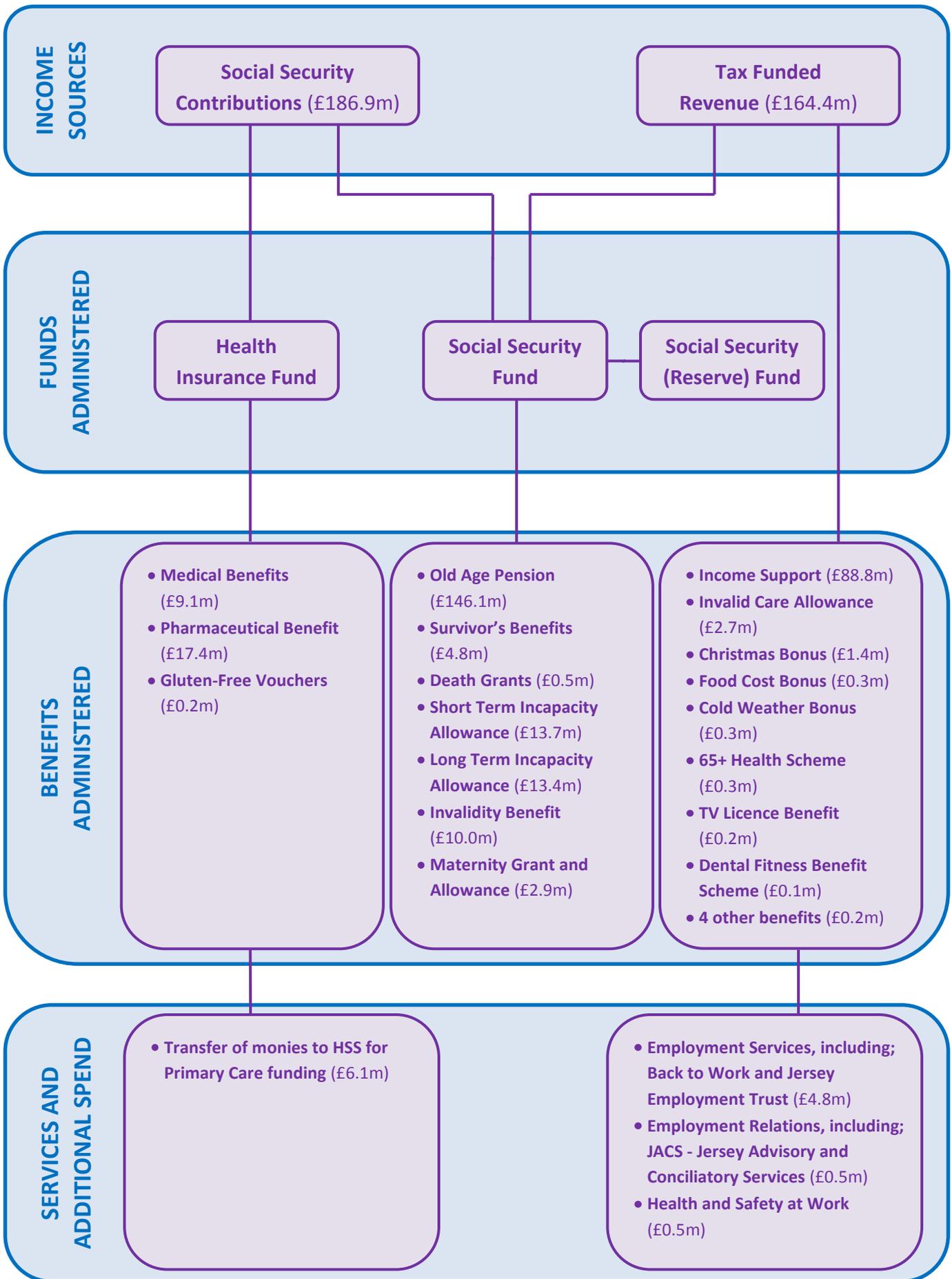


Figure 1: Flow chart demonstrating the Social Security Department income sources, funds and benefits & services 2012

## Section 2 – Fund Income

The Funds administered by the Social Security Department have three sources of income.

- 1) Contributions collected from working age individuals and their employers
- 2) A grant from the States to assist with the cost of supplementation
- 3) Investment income

### Contributions

Contributions from working age adults are due on earnings up to pre-defined earnings ceilings;

- **A contribution rate of 12.5% is payable on all earnings up to the Standard Earnings Limit (SEL) of £45,336 per year.**  
For Class 1 contributors (employed) the 12.5% liability is split between the employer (6.5%) and the employee (6.0%). Class 2 contributors (self-employed and others not in paid employment) are liable to pay the full 12.5%.
- **Since January 2012 a contribution rate of 2% is payable on earnings between the SEL and the Upper Earning Limit (UEL) of £150,000 per year.**  
The employer and Class 2 individuals are liable to pay the 2% contribution

In some situations employees are not required to pay their 6% liability, for example people who are in receipt of an Old Age Pension, people receiving Survivor's Allowance (in the first year of bereavement) and some women married before April 2001.

### Income Received from Contributors

Table 3 provides an overview of the contributions received and the number of contributors:

	2008	2009	2010	2011	2012
Total of Class 1 contributions below SEL (£000)	156,455	163,206	161,463	161,187	164,253
Total of Class 1 contributions above SEL (£000)	n/a	n/a	n/a	n/a	5,121
Total of Class 2 contributions below SEL (£000)	15,728	17,493	17,659	16,169	15,544
Total of Class 2 contributions above SEL (£000)	n/a	n/a	n/a	n/a	1,974
Total Value of contributions (£000)	172,183	180,699	179,122	177,356	186,892
Average No of Class 1 contributors during year	49,255	48,618	48,275	48,359	47,620
Average No of Class 2 contributors during year	4,337	4,291	4,176	3,877	3,783
Average Class 1 contribution per annum (£)	3,176	3,357	3,345	3,333	3,557
Average Class 2 contribution per annum (£)	3,626	4,077	4,229	4,171	4,631

**Table 3:** Contributions and contributors, 2008 to 2012

Table 3 and Figure 2 show that, even though the number of contributors reduced in 2012, the monetary value of contributions increased. The additional £9.5m in contributions over 2011 was primarily driven by the new 2% contribution rate (£7.1m) but there was also a small increase in contributions from the 12.5% rate (£2.4m).

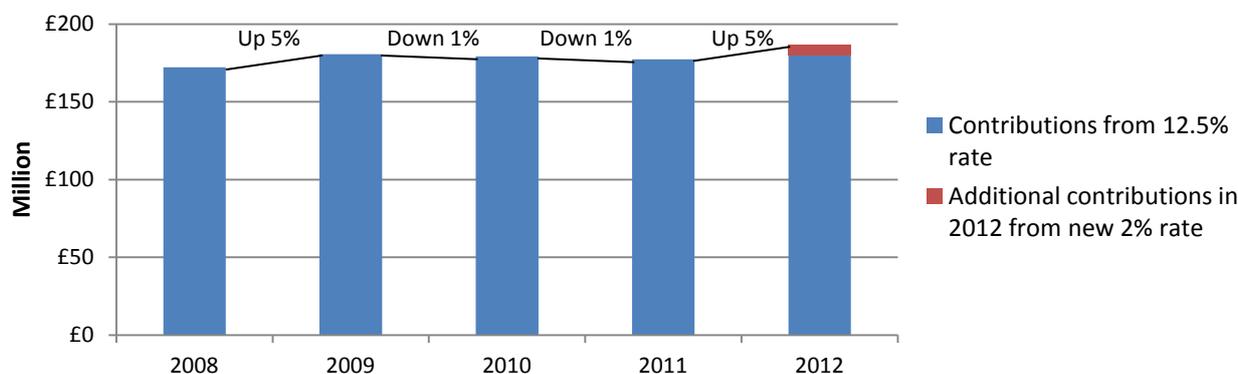


Figure 2: Total contributions and year on year change, 2008 to 2012

### Level of Contributions

In 2012, on average 41% of Class 2 contributors paid above the Standard Earnings Limit each month, with 19% paying at the maximum Upper Earning Limit. By contrast, on average, 21% of Class 1 contributors in 2012 paid above the Standard Earning Limit, with only 1% paying the maximum monthly contribution.

Figure 3 shows that proportionately more Class 1 contributors paid at the Standard Earning Limit in March and December, the months typically associated with bonuses.

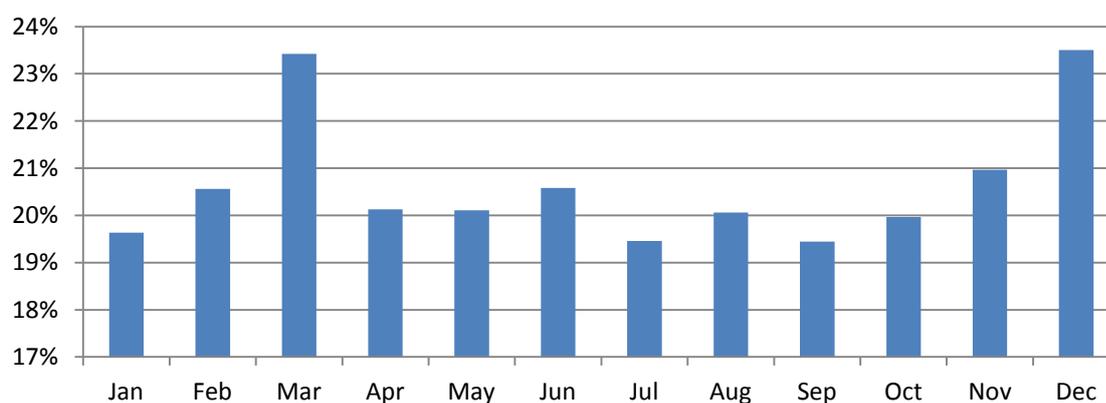


Figure 3: Class 1 contributors above the Standard Earnings Limit by month in 2012

### Number of Contributors

Contributions are recorded monthly and the number of Class 1 contributors shows a variation in line with the seasonal activities within the Jersey economy, with 3.5% more Class 1 contributors in July than February. Across the year there was a monthly average of 47,620, a decline of 739 Class 1 contributors (1.5%) from 2011, with the decline beginning in April 2012.

There has been a steady decline in the number of Class 2 contributors over the last five years. 2012 followed this trend with a 2.4% reduction on 2011, with an average of 3,783 Class 2 contributors over the year.

## 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 (below SEL)	Employer Class 1 (above SEL)	Employee Class 1 (below SEL)	Class 2 (below SEL)	Class 2 (above SEL)
Health Insurance Fund	1.2%	n/a	0.8%	2.0%	n/a
Social Security Fund	5.3%	2.0%	5.2%	10.5%	2.0%
<b>Total</b>	<b>6.5%</b>	<b>2.0%</b>	<b>6.0%</b>	<b>12.5%</b>	<b>2.0%</b>

**Table 4:** Percentage allocation of Class 1 and 2 contributions to the Health Insurance Fund and Social Security Fund

## Contribution Credits

In some circumstances contribution credits are available to protect people's contribution record and their entitlement to certain Social Security benefits. As well as protecting records during periods in which a contributory benefit is being claimed, credits are also available to:

- People caring for a child at home (*1,316 people as at 31 December 2012*)
- People over 18 in full-time education (*609 people as at 31 December 2012*)
- People who have been made redundant (*57 people as at 31 December 2012*)

The most common source of contribution credits is for those caring for a child at home. This is known as Home Responsibility Protection (HRP) and is available for an adult who is not working in order to look after a child under five years old, with a maximum of 10 years of credits available for any one person.

## States Grant

Class 1 and Class 2 contributors with earnings below the Standard Earning Limit in a given month, but above the Lower Earnings Limit (LEL) of £796 per month, normally receive a supplement to bring their contributions up to the Standard Earning Limit. This "top-up" of contributions protects pensions and benefit entitlement for lower and middle income earners, and is known as supplementation.

The States provides an annual grant to the Social Security Fund. Up to 2010, the value of the States Grant was based on the exact cost of supplementation for the year in question. In 2011 a new method of calculating the value of the States Grant was established. This introduced certainty to the level of States contribution by setting the States Grant for 2011 and basing 2012 and future years on a formula set out in the law.

As part of the Fiscal Strategy Review, the States agreed to introduce a 2% contribution rate for employers and Class 2 contributors between the Standard Earnings Limit and Upper Earnings Limit, with the additional contribution income collected used to reduce the level of the States Grant and covers some of the cost of supplementation. This had led to the value of the States Grant for 2012 being at a lower level than previous years due to the extra contributions raised through the introduction of the new 2% rate. This can be seen in Table 5, where the States Grant had previously represented 30-31% of the total income into the Social Security Fund (excluding investment income), whereas in 2012 it only represented 28%. The total value of the States Grant plus contributions above the SEL was £68.2m, compared to the actual cost of supplementation of £68.5m. Small differences in the funding of supplementation will even out over the lifetime of the Social Security Fund.

Year	2008 £000	2009 £000	2010 £000	2011 £000	2012 £000
Cost of supplementation	61,842	64,995	66,667	66,072	68,206
Contributions above SEL	-	-	-	-	7,095
States Grant value	61,842	64,995	66,667	65,348	61,150
Total contributions received (Social Security Fund)	144,634	151,787	150,462	148,837	157,997
Combined value of States Grant and contributions	206,476	216,782	217,129	214,185	219,147
States Grant as proportion of total of above	30%	30%	31%	31%	28%

**Table 5:** States Grant in respect of the cost of supplementation, 2008 to 2012

## Social Security (Reserve) Fund Investments

The Social Security (Reserve) Fund is both the mechanism by which contribution rates and Earnings Limits which fund pension and benefit costs of the Social Security Fund are smoothed over time and a buffer to contribute towards the rising burden of pension costs as the island faces up to the pressures of an ageing population.

The Investment Strategy of the Social Security (Reserve) and Health Insurance Funds is developed by the Minister for Treasury and Resources and written in consultation with the Minister of Social Security. The Fund is managed by the Treasury and Resources Department in line with this Strategy. One of the main aims for the fund is long term growth. It is expected that there will be no requirement to draw on the assets of the fund in the near future and that during this period there will continue to be net cash inflows to the fund.

To meet its aims the Social Security (Reserve) Fund seeks to earn long-term capital returns by allocating a higher proportion of its assets to a well diversified mix of equities. The published investment strategy of the Social Security (Reserve) Fund is to invest 80% of its portfolio in equity, 10% in bonds and the remaining 10% in alternative asset classes. The proportion of holdings in each asset class may vary within strategic ranges as prices move on a daily basis. As at the year end all holdings were within the funds strategic range.

### Method of Investment

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

As at the year end, the value of the Social Security (Reserve) Fund's investment holdings was £962.1m, with £423.3m invested with Legal and General through unit trusts and the remaining £538.8m invested in the CIF. The breakdown of investments is illustrated below in Figure 4.

The CIF is an administrative arrangement that allows States funds to pool investments to benefit from greater investment opportunities and economies of scale. Further information is published in the States of Jersey Financial Report and Accounts. The full financial statements can be found on the States of Jersey website (<http://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=944>).

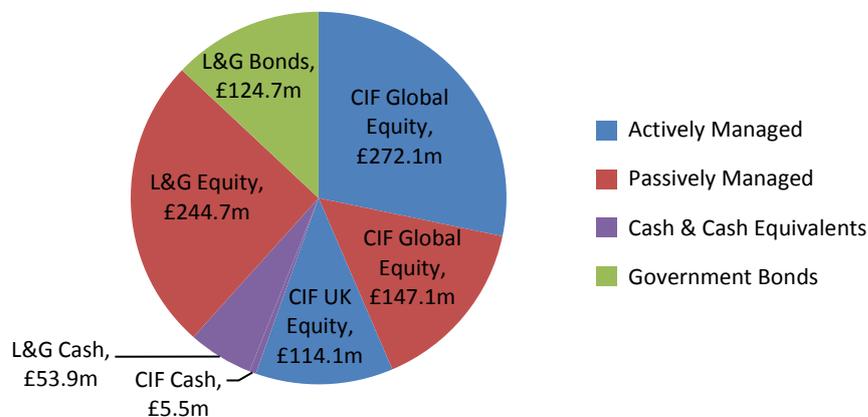
The CIF is arranged into various 'pools', each pool representing an asset class and managed by an independent investment manager. A Fund such as the Social Security (Reserve) Fund is able to invest in individual pools in line with its investment strategy.

### Investment Asset Split within the Social Security (Reserve) Fund

Figure 4 illustrates the split of core assets held by the Social Security (Reserve) Fund as at 31 December 2012. The equity holdings of the fund are split between those managed on an active and passive basis. Active managers

attempt to outperform the market with various investing strategies and through buying/selling decisions while passive managers seek to replicate an index performance.

The Social Security Reserve Fund invested in the CIF from the 1 October 2010. By the 31 December 2012 holdings in the CIF accounted for 56% 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 4:** Social Security (Reserve) Fund investment asset holdings as at 31 December 2012

## 2012 Performance

In line with its investment strategy the Social Security (Reserve) Fund holds the majority of its portfolio in equities, a return seeking class of asset. Equities are expected to generate, on average, a higher level of return and grow the value of the fund in real terms although, 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.

During 2012 the fund investments grew from £854.3m to £962.1m. This movement is attributable to returns of £97.8m and an additional contribution of £10m.

Much of the fund performance was driven by rising markets. 2012 saw excellent returns from equity. This is reflected in the global equity benchmarks which saw a rise over the year of 10.9%, and the UK equity benchmark which saw a rise of 12.3% over the same period. However the investment managers also performed well during the year. The three active equity managers, who together manage 40% of the overall portfolio, outperformed their respective benchmarks by 3.5% overall and generated a total return of £55.9m. The passive equity managers all successfully tracked their respective benchmark and generated a return of £39m.

Overall returns from equity investments came to £94.9m. Of the remaining investment assets, government bonds contributed £1.9m and cash £0.9m to bring the total fund return (after rounding) to £97.8m. The overall performance for the year was a net return of 11.4% compared to an overall benchmark return of 9.8%.

Although the Social Security (Reserve) Fund showed impressive performance over the year it is important to note that the fund is invested to meet long term aims and reflecting its high allocation to equity, is likely to show significant volatility when reviewed over such short term time horizons. Since inception of the CIF the overall fund has seen annual returns of 6.8% - around 1.3% in excess of the benchmark. The relative performance for the year of the investments inside and outside the CIF has been detailed in the diagram below:

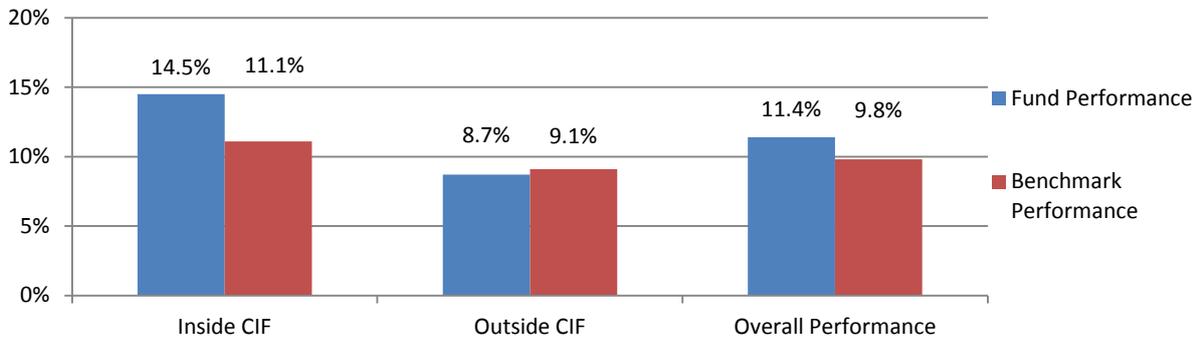


Figure 5: Performance of Social Security (Reserve) Fund investments over 2012 compared to benchmark

## Health Insurance Fund Investments

The Health Insurance Fund was established under the Health Insurance (Jersey) Law 1967. The fund receives allocations from Social Security contributions to pay claims for Medical Benefit (GP subsidy) and Pharmaceutical Benefit as defined in the above law.

In order to best meet the fund’s aims it follows a balanced investment strategy seeking to provide both capital growth and income generation but maintaining an appropriate degree of security over the funds capital value. The strategic aim of the fund is to invest 40% of its portfolio value in equities, 45% in bonds and 15% in cash and cash equivalents. The equity portion of the portfolio is considered to be a return seeking asset class. Those assets are mostly actively managed and held to generate long-term returns. The bonds/cash portion of the portfolio is held to provide a degree of capital preservation and income generation and is also actively managed. The proportion of holdings in each asset class may vary within strategic ranges as prices move on a daily basis. As at the year end all holdings were within the funds strategic range.

### Method of Investment

Although the Health Insurance Fund may pursue its investment strategy via direct investment or investment through the States of Jersey CIF, since mid 2010 its whole investment portfolio has been invested through the CIF.

As at the year end, the value of the Health Insurance Fund holdings within the CIF was £70.1m. The breakdown of investments is illustrated in the chart in the following section.

### Investment Asset Split in the Health Insurance Fund

Figure 6 illustrates the split of core assets held by the Health Insurance Fund as at 31 December 2012, the fund has held all investment assets within the CIF since 1 July 2010.

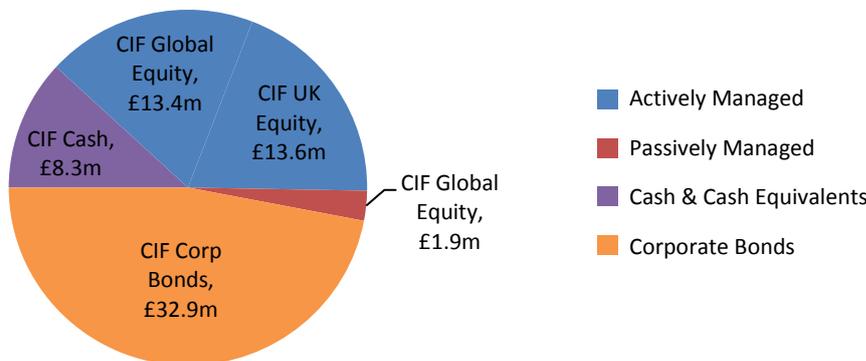


Figure 6: Health Insurance Fund investment asset holdings as at 31 December 2012

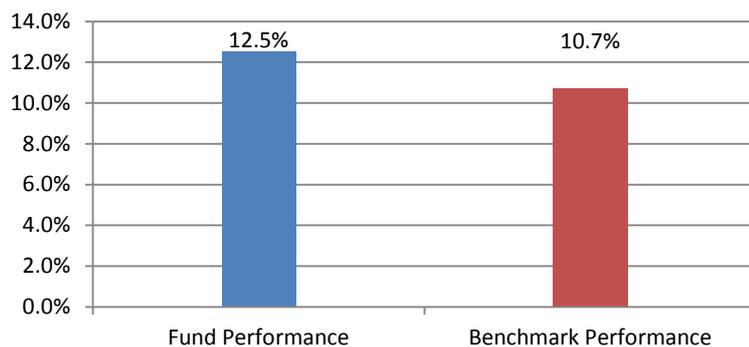
## 2012 Performance

The Health Insurance 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 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, reduce the portfolio's overall volatility and 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.

Over 2012 the fund grew from £67.8m to £70.1m, the movement is attributable to fund returns of £8.4m and withdrawals of £6.1m. Much of the performance was driven by rising markets. The year saw excellent returns from both the corporate bond and equity markets with benchmarks rising by 13% and 11% respectively. However, the investment managers also performed well during the year achieving an overall net return of approximately 12.5%, exceeding the combined pool benchmarked return by around 1.8%.

Outperformance was not evenly spread across the pool managers with equity managers exceeding their benchmark targets by around 4%, while the corporate bond managers underperformed by around 1.5%. The cash manager produced a low absolute return, reflecting the low interest rate environment, but outperformed their benchmark by around 0.9%. The corporate bond pools were restructured in 2013 to improve performance.

The performance of the Fund has been detailed below relative to the combined benchmark. The net performance of the fund is in excess of benchmark both in the current year and since investment in the CIF.



**Figure 7:** Performance of Health Insurance Fund investments over 2012 compared to benchmark

## Section 3 – Social Security Fund Benefits (SSF)

The Social Security Law provides benefits to contributors who have made the required contributions and satisfy other specific conditions. Benefits mainly support claimants at times when they are less likely to be able to support themselves through employment, including maternity, sickness and old age. The amounts paid across the full range of benefits available through the Social Security Fund in 2012 are as follows:

Social Security Fund Benefit	2012 £000	2011 £000
Old Age Pensions	146,139	137,956
Short Term Incapacity Allowance	13,650	12,692
Long Term Incapacity Allowance	13,416	12,635
Invalidity Benefit	10,043	11,239
Survivor's Benefits	4,780	5,132
Maternity Benefits	2,946	2,776
Death Grant	482	472
<b>Total benefit expenditure</b>	<b>191,456</b>	<b>182,902</b>

**Table 6:** Social Security Fund benefit expenditure 2011 and 2012

### SSF – Old Age Pensions (OAP)

Old age pensions can be claimed by anyone over pension age who has worked in Jersey and has paid Social Security contributions for at least 4½ years<sup>3</sup>. Pensions can be claimed by anyone who meets the contribution criteria, including people who have since left Jersey.

The value of the pension depends on the number of years of contributions with the maximum, full rate of pension being paid to those with a contribution record of 45 years or more. In October 2012 the value of the full single pension rate rose from £184.45 per week to £187.25 per week in line with the growth in average earnings of the contribution paying work force<sup>4</sup>. For couples married before April 2001 a married pension is available based on the contribution record of the husband and the full pension is paid at 166% of the single rate (£310.87 for 100% pension).

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

Just over three-quarters (£146.1 million) of Social Security benefit expenditure is in respect of old age pensions. This cost is growing year on year as the number of pensioners increases. At the end of 2012 there were 28,132 pensions in payment. There has been a 12% increase in the number of pensions paid between 2008 and 2012 and an 8% increase in the rate of the pension leading to an overall increase of 22% in the total cost of pensions over this time.

Year	2008	2009	2010	2011	2012
No of Old Age Pensions in payment at year end	25,216	25,973	26,594	27,367	28,132
Value of Old Age Pensions Paid £000's	119,779	126,390	132,760	137,956	146,139
Weekly full (100%) Old Age Pension rate at year end £	172.83	178.01	179.97	184.45	187.25

**Table 7:** Pension comparisons, 2008 to 2012

<sup>3</sup> A pro-rata pension is also payable where there is an aggregate of 4½ years in the case of nationals of countries with whom Jersey has a reciprocal agreement.

<sup>4</sup> From 2013 a new uprate mechanism considers both Index of Average Earnings and RPI (pensioner)

The number of pensions in payment rose by nearly 3% (765) during 2012, which is a similar rate to the previous years. This gradual increase is shown in Figure 8.

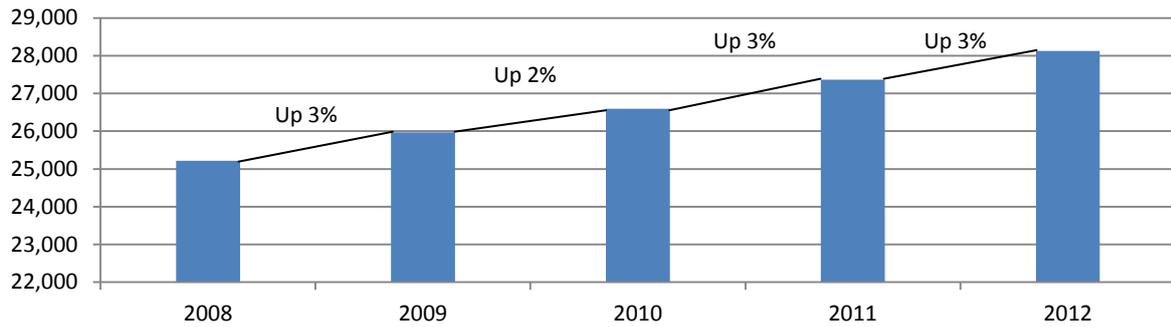


Figure 8: Number of Old Age Pensions in payment at year end, 2008 to 2012

## Demographics of Old Age Pensioners

The age range of pensioners reflects the combined effect of the post World War II baby boom generation reaching pensionable age and increased life expectancy. The female to male ratio slowly increases with age, reflecting the fact that women live longer than men. Of the 195 pensioners aged over 95, 169 (87%) are female.

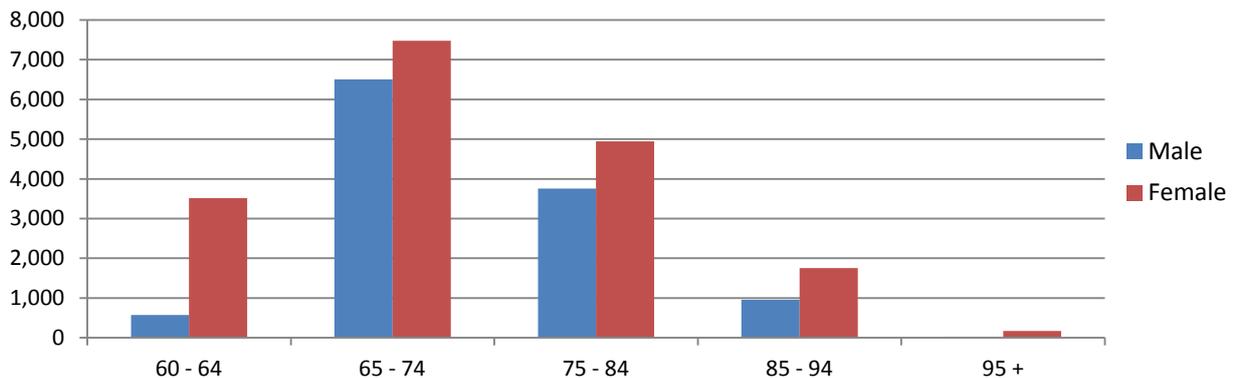


Figure 9: Number of pensioners by age bracket as at 31 December 2012

The figure below demonstrates the impact of World War II on the number of people reaching pensionable age over time. 65 years on (2004) from the start of World War II there was a dip in the number of people reaching pensionable age. 65 years on from the end of the war and the start of the post war baby boom there has been a marked increase in the number of people reaching pensionable age.

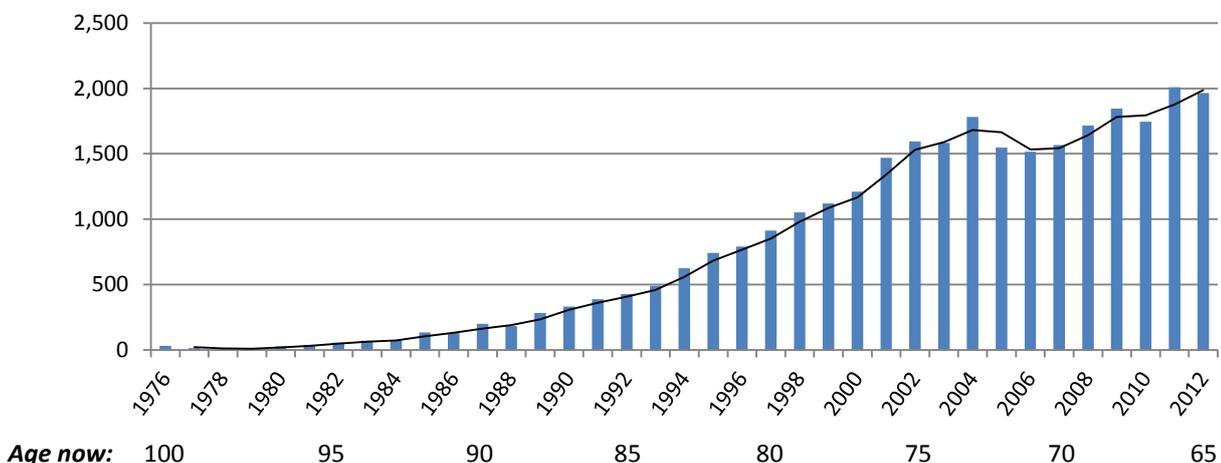


Figure 10: Number of pensions in payment as at 31 December 2012 and the year that pension was first taken

## Old Age Pension Payments

At the end of 2012 there were 16,673 people receiving their pensions in Jersey, and 11,459 receiving their pensions outside Jersey.

Of the 11,459 pensions paid outside Jersey, 5,703 are paid in the UK and other Channel Islands, 4,501 are paid in rest of Europe and 1,255 paid across the rest of the world.

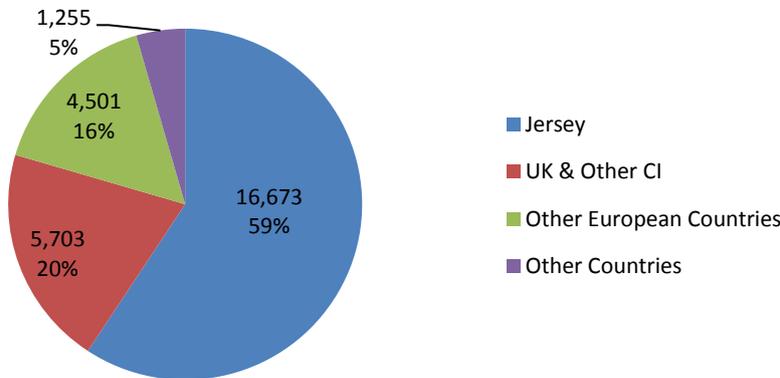


Figure 11: Distribution of where pensions are paid as at 31 December 2012

The pensioners who live in Jersey have generally paid more Social Security contributions and therefore receive a larger pension. The lower levels of pensions paid abroad are reflective of Jersey’s history of high levels of migrant labour where non Jersey born nationals have worked in Jersey for a relatively short period before leaving the island.

85% of Jersey residents receive a pension of over 50% of the full pension compared to only 15% of non Jersey residents.

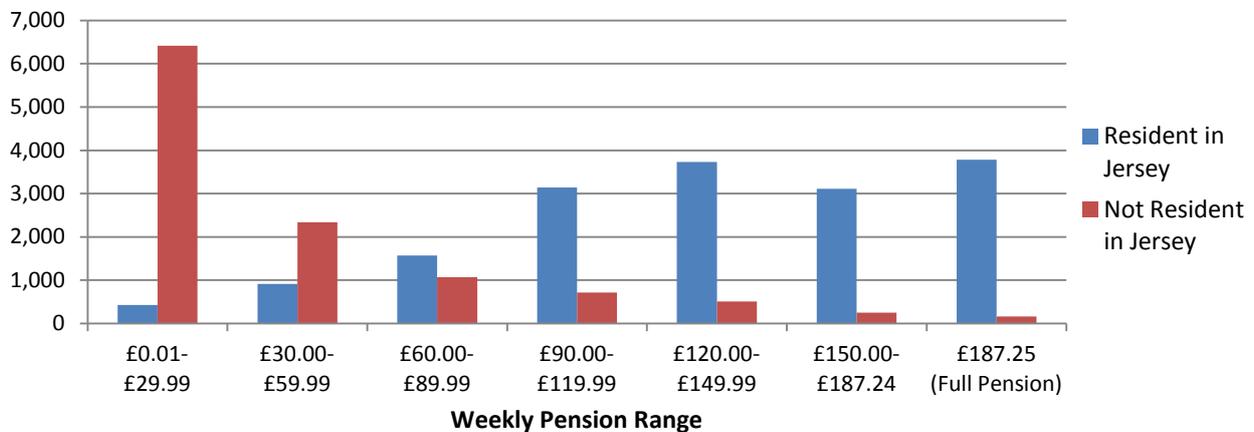


Figure 12: Distribution of weekly pension rate, Jersey resident and non-resident, as at 31 December 2012

The higher average rate of pensions paid to residents in Jersey means that, although 41% of all pensioners are not resident in Jersey, they only received 18% (£26 million) of the total value of pension payments.

Resident	Pension Value £000	Pension Value %	No. of Pensions as at 31 December 2012	% of Pensions
Jersey	119,826	82%	16,673	59%
UK and other CI	13,232	9%	5,703	20%
Rest of world	13,081	9%	5,756	21%
<b>Total</b>	<b>146,139</b>		<b>28,132</b>	

Table 8: Total value and number of pensions

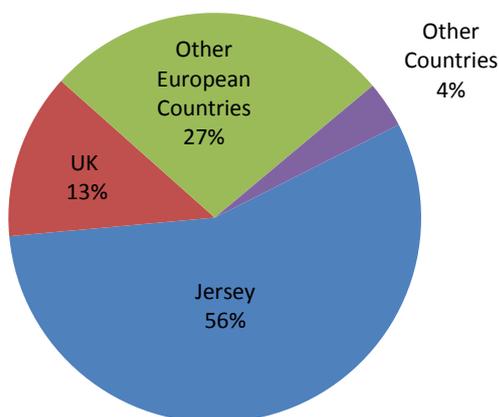
## SSF – Survivor’s Benefits and Death Grants

Two types of survivor’s benefits are paid; Survivor’s Allowance and Survivor’s Pension. These benefits are paid on a percentage basis to survivors based on the contribution record of their deceased spouse or civil partner and are mainly paid to survivors while they are working age. Survivor’s Allowance is paid to a survivor for the first 52 weeks following bereavement and is paid at 20% above the standard rate of benefit. After the first 52 weeks, Survivor’s Allowance is replaced by Survivor’s Pension which is paid at the standard rate of benefit. Survivor’s benefits are not paid if the survivor remarries, co-habits or enters another civil partnership and ceases when the survivor reaches pension age.<sup>5</sup>

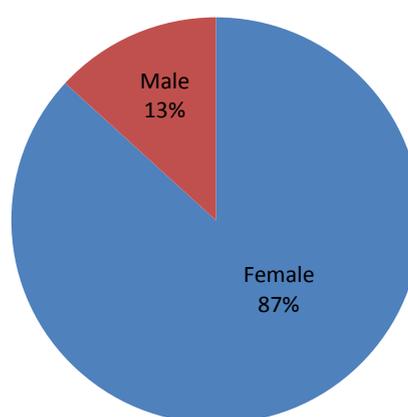
Type of Benefit	No. of Claimants	Average Weekly Claim Rate £
Survivor’s Allowance	74	145.01
Survivor’s Pension	854	96.33
<b>Total</b>	<b>928</b>	<b>100.21</b>

**Table 9:** Number of claimants of survivor’s benefits and average weekly claim rates as at 31 December 2012

Survivor’s benefits are paid worldwide as shown in Figure 13. The majority of survivor’s benefits are paid to women (87%), as shown in Figure 14:



**Figure 13:** Survivor’s benefits by location in payment as at 31 December 2012



**Figure 14:** Survivor’s benefits by gender in payment as at 31 December 2012

A contributory Death Grant is available in respect of most deaths in Jersey. The value of the grant increased from £737.88 to £749.00 in October 2012. 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 a 100% old age pension rate, 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.

	2008	2009	2010	2011	2012
Total Value of Death Grants £000	428	477	511	472	482
Individual Death Grant value as at 31 December £	691.32	712.04	719.88	737.88	749.00

**Table 10:** Total value of Death Grants paid and value of an individual Death Grant, 2008 to 2012

<sup>5</sup> From 2013 eligibility for Survivors Pension changes and the benefit is only payable to people with dependent children. People already in receipt of Survivors Pension or Allowance and people born before 1 January 1957 are not affected by this change.

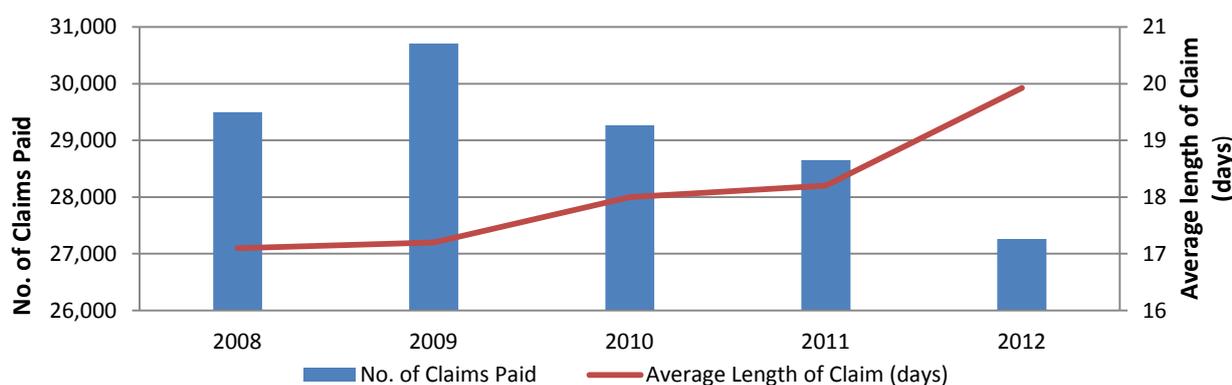
## SSF – Short Term Incapacity Allowance (STIA)

Short Term Incapacity Allowance (STIA) is authorised by GPs and paid to working age claimants who satisfy the necessary contribution conditions for periods of incapacity lasting between 2 and 364 days<sup>6</sup>. Most STIA claims are paid at the standard rate of benefit. This was £184.45 per week at the beginning of 2012, rising to £187.25 a week from 1 October 2012.

	2008	2009	2010	2011	2012	2012 vs. 2008
Cost of STIA claims £000	11,664	12,553	12,736	12,692	13,650	+17%
No. of STIA claims paid	29,497	30,711	29,269	28,652	27,260	-8%
No. of days paid	505,143	527,782	527,563	520,157	543,149	+8%
Average length of claim	17.1	17.2	18.0	18.2	19.9	+16%

**Table 11:** Annual STIA claims paid, 2008 to 2012

Table 11 details the number of claims paid and the total number of days covered by STIA claims over the past five years. Figure 15 shows the trends in the total number of STIA claims and the average (mean) length of claim. It highlights that while there has been a gradual decline in the number of STIA claims since 2009 of approximately 5% per year, there has been an increase in the length of claim.



**Figure 15:** Annual number and average length (in days) of STIA claims, 2008 to 2012

STIA covers a wide range of short-term illnesses and injuries. 24% of all claims during the year related to infectious illnesses, a decrease from 27% in 2011. These claims lasted an average of eight days. By contrast, depression, stress and anxiety accounted for 9% of the claims but 20% of the number of days, with an average duration of over six weeks per claim. Table 12 details some of the most common reasons for STIA claims in 2012:

2012 STIA Reason for Claim	% of all 2012 Claims Paid	No. Of Claims Paid	No. Of Days Paid	Average Claim Length (Days)
Infections	24%	6,521	51,949	8.0
Hospital treatment	16%	4,348	98,159	22.6
Back/neck pain/injury	11%	2,865	55,084	19.2
Depression, stress and anxiety	9%	2,461	107,999	43.9

**Table 12:** Most common reasons for claiming STIA in 2012

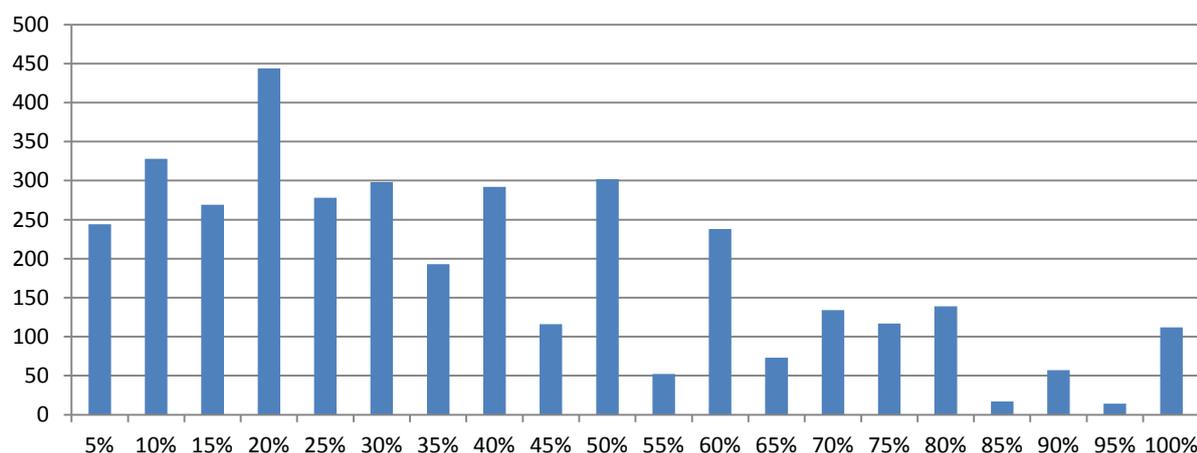
Some individuals have a long term health condition that lasts for more than a year. These claimants can apply for Long Term Incapacity Allowance (LTIA). Whereas STIA can only be paid if an individual is not working (on the day the benefit is claimed), LTIA claimants can return to work or stay in work and continue to claim the benefit.

<sup>6</sup> Benefit is paid for seven days in a week, and not just for working days.

## SSF – Long Term Incapacity Allowance (LTIA) and Invalidity Benefit (INV)

These benefits are paid to working age people who satisfy the necessary contribution conditions and who have a long term loss of faculty<sup>7</sup>. The amount of benefit for LTIA 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 2012 the rate rose from £184.45 per week to £187.25 per week.

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 16 illustrates that awards of 10% and 20% are the most common. Awards of up to 15% are paid as lump sum payments.



**Figure 16:** Number of LTIA claims in payment by rate % as at 31 December 2012

The average percentage rate of assessment for LTIA claims in payment in 2012 is 37% and this percentage has remained more or less constant over the last five years.

As with STIA, LTIA covers a wide range of illnesses and injuries. Depression is by far the most common condition, accounting for 17% of all claims. Back pain and back injuries combined accounted for 13% of all claims. Table 13 identifies the most common conditions in 2012.

LTIA Condition	No. of claims	% of all claims
Depression	546	17%
Pain - back	284	8%
Accident/injury (other)	153	5%
Injury - back	139	5%
Anxiety	111	3%
Stress	99	3%
Injury - leg	93	3%

**Table 13:** Most common LTIA conditions at 31 December 2012

LTIA was introduced in October 2004 to replace Invalidity Benefit and Disablement Benefit. Invalidity Benefit was payable as a result of a permanent illness and designed as ‘income replacement’, and did not allow claimants to undertake work whilst claiming. Disablement Benefit was payable as a compensation for a permanent disability as a result of an accident, and allowed claimants to undertake work whilst claiming.

<sup>7</sup> The extent of incapacity is assessed by reference to the loss of faculty arising from a disease or injury

The LTIA benefit compensates people for their loss of faculty, regardless of whether it is as a result of an illness or injury. It is assessed as a percentage of the standard rate of benefit based on their loss of faculty and is an in work benefit. LTIA allows people to gradually return to work, or work when able to do so, whilst still receiving a benefit which provides some financial support.

Figure 17 shows an ongoing decrease in the number of Invalidation Benefit claims as new claimants now receive LTIA. Combined, the number of people receiving LTIA and Invalidation Benefit has been relatively stable over recent years.

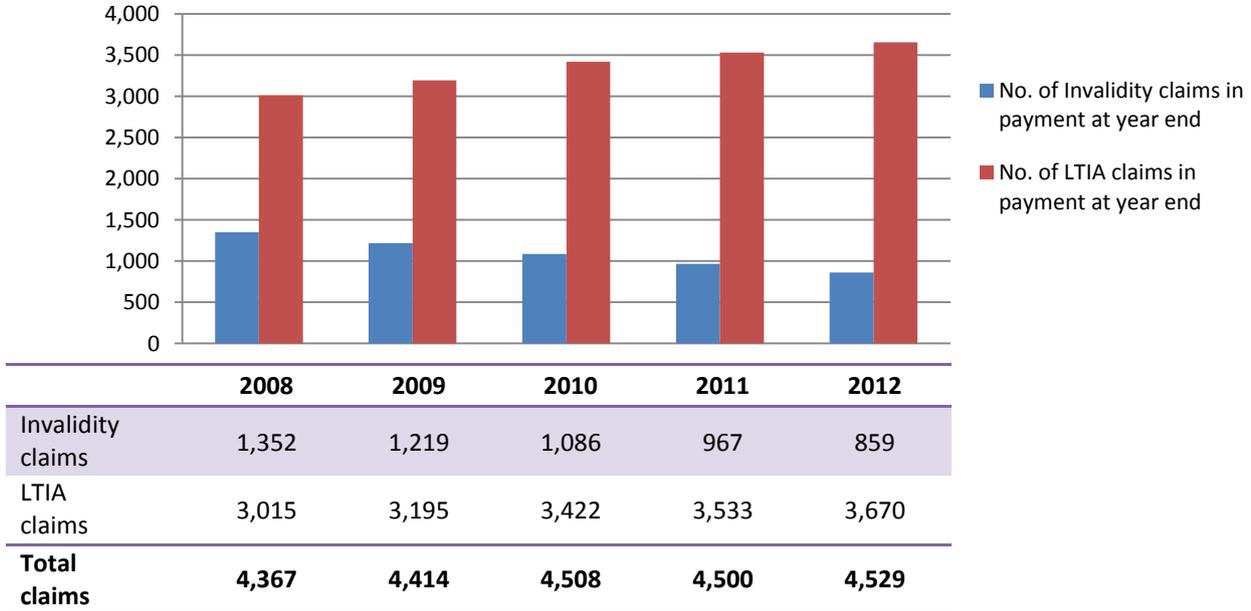


Figure 17: Number of Invalidation and LTIA claims at 31 December, 2008 to 2012

## SSF – Maternity and Adoption Benefits

A Maternity Grant (or Adoptive Parent Grant) is paid to help with the general costs of having a baby. The Grant is available as a lump sum to either the father or mother who satisfies the contribution conditions. The value in 2012 was £553.41, rising to £561.75 from 1 October 2012. Multiple grants are provided in the case of multiple births. The great majority of parents having a baby in 2012 received a Maternity Grant from the Department. 1,123 births were recorded in 2012 with 1,011 maternity grants being paid by the Department in 2012. The following Figure shows the nationality of those in receipt of Maternity Grants in 2012:

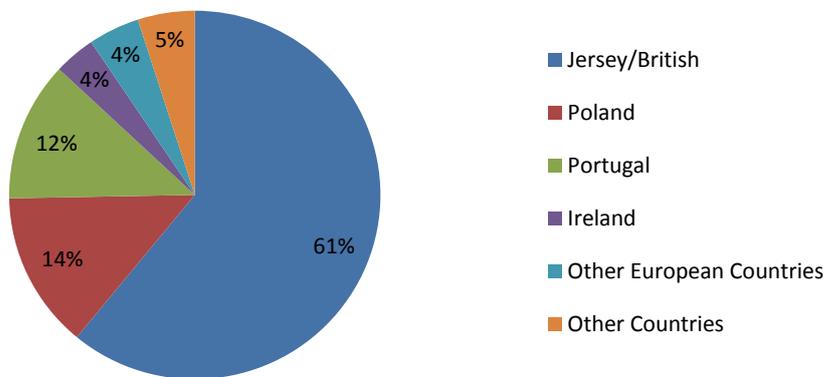


Figure 18: Maternity grants by nationality

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 2012 was 31. Grants were paid in respect of 47 multiple births in 2012.

A weekly Maternity Allowance can also be payable to the mother. 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	2008	2009	2010	2011	2012
No. of Maternity Allowance claims starting in the year	897	869	940	944	982
No. of Maternity Grant claims paid in the year	994	968	1,014	1,056	1,011
No of Births Recorded	1,064	1,169	1,194	1,100	1,123

**Table 14:** Maternity indicators, 2008 to 2012

## SSF – Insolvency Benefit

Insolvency Benefit was introduced on 1 December 2012 and provides financial assistance to employees who are made redundant due to the insolvency of their employer. This benefit replaced the temporary, tax funded, insolvency scheme originally introduced in 2009 (see page 57). The amount of benefit is calculated based on amounts owed to employees by the former employer in respect of the following four components:

1. Unpaid wages relating to the 12 months prior to employment ending
2. Holiday pay relating to the 12 months prior to employment ending
3. Statutory redundancy pay (one week's capped pay for each year of service, subject to a minimum of two years' service)
4. Pay in lieu of notice on termination of employment (up to 12 weeks' pay)

The maximum amount of Insolvency Benefit is capped at £10,000. In addition, the Social Security Department will meet the liability for Social Security contributions and income tax (ITIS) on any Insolvency Benefit that a person is entitled to.

With the benefit only being introduced on 1 December 2012, no benefit was paid during 2012.

## Section 4 – Health Insurance Fund Benefits (HIF)

The Health Insurance Fund provides benefits to local residents in respect of specific primary care costs.

The full range of benefits and the cost of these benefits for 2012 are as follows:

<b>Health Insurance Fund</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Medical Benefit – GP consultations	7,226	6,885
Medical Benefit – GP letters of referral	1,000	907
Medical Benefit – pathology benefit	866	766
Medical Benefit – prior year <sup>8</sup>	-	1,808
Pharmaceutical Benefit - drug costs	11,742	11,640
Pharmaceutical Benefit - dispensing fees	5,656	5,362
Gluten-free Vouchers	222	185
<b>Total benefit expenditure</b>	<b>26,712</b>	<b>27,553</b>

**Table 15:** Health Insurance Fund benefit expenditure for 2011 and 2012

	<b>£000</b>	<b>£000</b>
<b>Primary Care Funding</b>	<b>6,131</b>	<b>6,131</b>

In both 2011 and 2012 there was a £6,131,100 transfer from the Health Insurance Fund to Health and Social Services via the Consolidated Fund to fund primary care services.

### HIF – Medical Benefits (GP Consultations and Letters of Referral)

A standard benefit is paid in respect of each GP consultation covered by the Health Insurance Fund. In July 2011 the value of the benefit was set at £19.59, which was then increased to £20.28 from 27 June 2012.

Additionally 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.

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2012 vs. 2008</b>
No of GP consultations	359,222	379,377	355,094	363,089	363,601	1.2%
Cost of Medical Benefits for GP consultations £000	5,316	5,739	6,222	6,885	7,226	35.9%
No of Letters of Referral	41,349	43,933	43,996	48,684	51,206	23.8%
Cost of Medical Benefits for letters of referral £000	609	652	757	907	1,000	64.2%
Value of Medical Benefit as at 31 December £	15.00	15.00	19.00 <sup>9</sup>	19.59	20.28	35.2%

**Table 16:** Volumes and costs of GP visits and consultations, 2008 to 2012

Whilst the number of GP consultations has remained quite consistent over the past five years the cost of the associated Medical Benefit has risen in line with the agreed increases in the value of Medical Benefit. This has resulted in a 33% increase in cost between 2008 and 2012.

<sup>8</sup> In 2011 Medical Benefit previously incorrectly charged to Income Support was recharged to the Fund.

<sup>9</sup> 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.

## HIF – Pathology Laboratory Benefit

In January 2010 the Health and Social Services Department introduced a charge for analysing blood samples provided by GPs. A new benefit was set up within the Social Security Department, funded through the Health Insurance Fund, to ensure that this cost was not passed on to the patient. The benefit covers blood samples taken for haematology testing and for clinical chemistry testing and was introduced at a standard rate of £10 before being increased to £10.35 in June 2012.

	2010	2011	2012
No. of Pathology Laboratory benefit claims paid during year	73,872	80,075	84,562
Cost of Pathology Laboratory benefit claims paid during year £000	720	766	866
Value of Pathology Laboratory benefit on 31 December £	10.00	10.00	10.35

**Table 17:** Number and cost of Pathology Laboratory benefit claims

In 2012 6% more samples were sent to the Pathology Laboratory than in 2011, at a total cost of £865,869 (7% more than 2011).

## HIF – 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.

	2008	2009	2010	2011	2012	2012 vs. 2008
Total No. of items prescribed during year	1,489,319	1,590,227	1,651,355	1,707,644	1,784,798	+20%
Average cost of a prescribed item £	7.40	7.35	7.00	6.82	6.58	-11%
Cost of prescribed items £000	11,024	11,682	11,566	11,640	11,742	+7%
Pharmacy dispensing fees £000	4,355	4,803	5,137	5,362	5,656	+30%
<b>Total Cost £000</b>	<b>15,379</b>	<b>16,485</b>	<b>16,703</b>	<b>17,002</b>	<b>17,398</b>	<b>+13%</b>

**Table 18:** Costs of Pharmaceutical Benefit, 2008 to 2012

In 2012 there were nearly 1.8 million prescriptions dispensed with a total drug cost of £11.7 million.

Since 2008 there has been a 20% increase in the number of items prescribed. This has contributed to a 30% increase in the cost of dispensing the drugs paid to Community Pharmacists, however over this period the average cost of each item dispensed has fallen which has held down the increase in the total cost of these items. Figure 19 highlights the 20% increase in number of items prescribed:

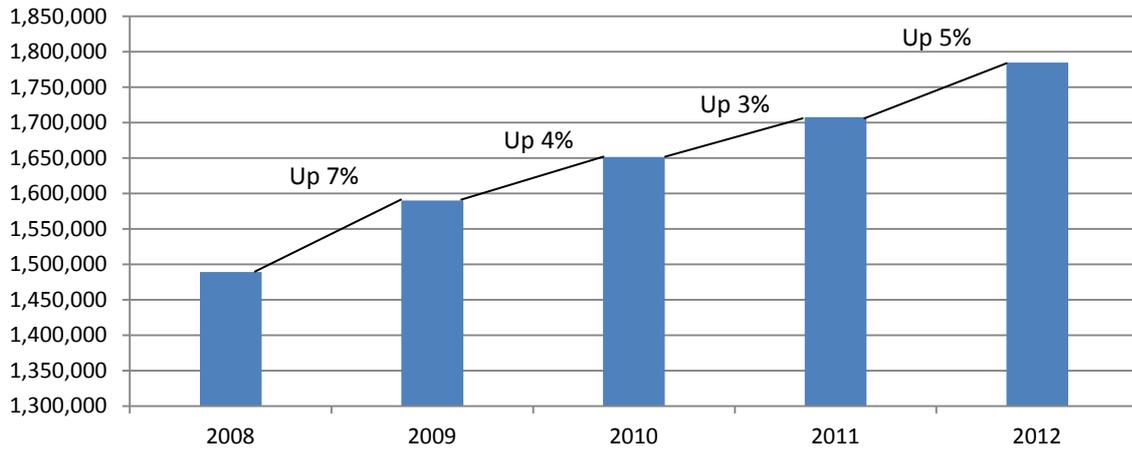


Figure 19: Annual pharmaceutical items prescribed, 2008 to 2012

## HIF – Gluten-free Scheme

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 beneficiary per week.

	2008	2009	2010	2011	2012
Number of gluten-free claimants	235	266	281	311	373
Cost of Gluten-free Vouchers £	142,111	154,322	179,723	185,212	221,831
Average cost per claimants £	605	580	640	596	595

Table 19: Gluten-free claimants and costs, 2008 to 2012, as at 31 December

There has been a steady increase in both the number of beneficiaries and the cost of the vouchers.

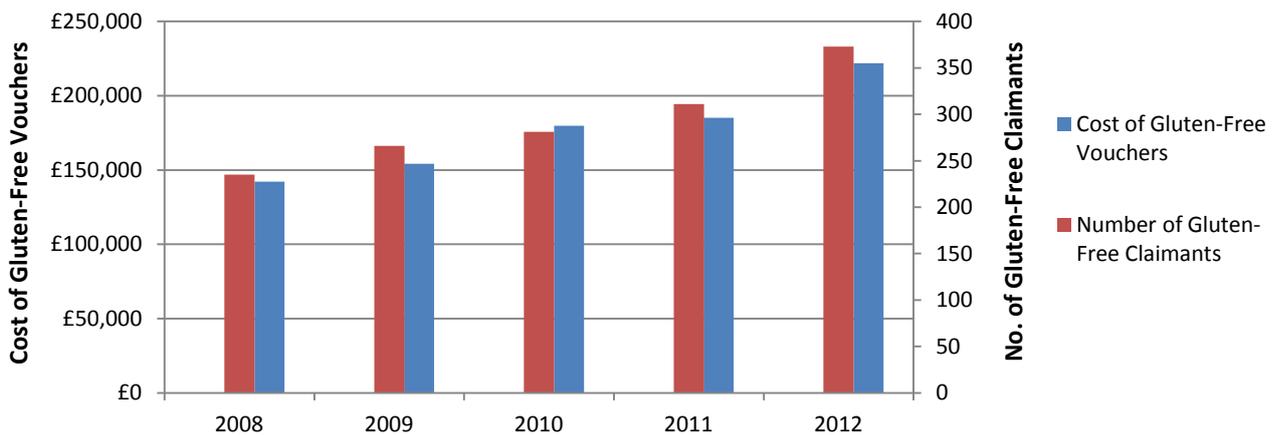


Figure 20: Numbers of gluten-free claimants and costs, 2008 to 2012

## Section 5 – Tax Funded Services and Benefits

The Department delivers a range of “tax-funded” benefits and services that are funded directly by the States of Jersey, shown in Table 20:

		<b>2012</b>	<i>2011</i>
		<b>£000</b>	<i>£000</i>
<b>Services</b>	Employment Services, including Back to Work	4,843	2,974
	Employment Relations	524	501
	Health and Safety at Work	495	464
<b>Benefits</b>	Income Support: Weekly Benefit	71,349	66,940
	Income Support: Residential & Nursing Care Fees	16,694	16,613
	Income Support: Transition (Protected) Payments	1,060	2,004
	Income Support: Special Payments	1,530	1,430
	Income Support: Cold Weather Payments	562	345
	Invalid Care Allowance	2,720	2,402
	Christmas Bonus	1,399	1,348
	Food Cost Bonus	302	256
	Cold Weather Bonus	290	–
	Jersey 65+ Health Scheme	251	185
	TV Licence Benefit	246	238
	Other Benefits (<£100k)	243	172
<b>States Grant</b>	Contribution to Supplementation – Social Security Fund	61,150	65,348
<b>Other</b>	Medical Benefit Re-charge (2008-2011) <sup>10</sup>	(2,354)	–
<b>Total Services, Benefits &amp; Grants</b>		<b>161,304</b>	<b>161,220</b>

**Table 20:** Tax-funded expenditure (excluding administration) for 2011 and 2012

### Tax Funded Services – Back to Work

#### Introduction

In late 2011 existing employment support teams were brought together to form the Back to Work programme. It was established to strengthen the government’s response to rising unemployment and complements our benefits system, which is designed to make work pay, and is a key part of government’s strategy of getting people back to work.

The aim of the Back to Work programme is to support people who have five years residency and are actively seeking work back into paid employment.

Over the course of 2012, the Back to Work programme has enhanced the existing provision in order to provide a swift and flexible response to the needs of both jobseekers and employers. Its role is to:

- Co-ordinate the work of all government employment schemes
- Develop targeted schemes to support locally qualified jobseekers
- Build a partnership with employers to provide sustainable job opportunities for locally qualified islanders

<sup>10</sup> £2,353,859 recharge to the Health Insurance Fund of Medical Benefit incorrectly charged to Income Support expenditure in prior years

## Teams and Initiatives

The aim of every team and initiative within the Back to Work programme is to bridge the gap between employers and jobseekers. Employers can benefit from an increase in support and financial incentives and jobseekers have access to training and support to improve their confidence, skills and motivation to move into the workplace.

During 2012 the existing employment schemes which were re-organised into Back to Work were:

- Advance to Work
- Advance Plus
- Workwise
- Work Zone

In addition to the development and expansion of these schemes during 2012, Back to Work launched:

- The Employment Grant
- A dedicated Employer Engagement team
- The Long Term Unemployment Pilot
- Industry and employer specific initiatives to make the most of job opportunities as they arose

### Work Zone

The Work Zone is the first port of call at Social Security for people actively seeking work. Consequently, the team handles the largest number of inquiries and clients. Anyone who is unemployed can come to the Work Zone at Social Security and register as actively seeking work. For those who are registered and in receipt of Income Support, Work Zone provides personal advisers who offer wide-ranging guidance on job-seeking and training to help its clients step into the workplace.

### Advance to Work

Advance to Work helps young people looking for work make the transition between education and employment. They provide an individualised programme of general and vocational training, personal mentor support and work experience with local employers. The scheme's target age group is 16 to 19.

### Advance Plus

Advance Plus runs 10-week industry specific schemes for motivated jobseekers aged 20 and over who are registered as actively seeking work. The scheme combines intensive training, a five-week unpaid work placement and mentor support to improve a delegate's opportunities for work.

### Workwise

The Workwise team offer support and advice on job-seeking and training to people with special employment needs or particular employment barriers. Through work placements and individualised support, the team aim to bring their clients closer to finding suitable employment.

### Employment Grant and Employer Engagement

The Employment Grant was launched in May 2012 to increase the employment opportunities for people who had become long term unemployed. It offers a maximum £7,200 financial incentive to employers who provide a long term or permanent job to a candidate who has been registered as unemployed for 12 months or more.

The grant is administered by the Employer Engagement team which was also set up in 2012 to help streamline the Department's contact with employers and increase access to job opportunities for locally qualified, registered jobseekers. This includes assisting employers with their recruitment process, from the pre-selection of candidates to providing interview feedback.

## Long Term Unemployment Pilot

The Long Term Unemployment Pilot was established in July 2012. The programme targets intensive support to people who have been registered as actively seeking work for 12 months or more. The pilot was initially set up to run alongside the Employment Grant to make sure that prospective candidates had the support they needed to meet an employer's expectations. As well as providing mentoring which is geared towards the needs of someone who has been out of work for some time, it offers access to work placements, job clubs and skills training.

### Industry specific initiatives

By combining the expertise of the Employer Engagement team and personal advisers for jobseekers, Back to Work has also collaborated with employers and industry on specific recruitment drives. In particular, Back to Work sought to work with hospitality employers as they prepared to recruit for the 2012 season.

Jobseekers have benefited from motivational and skills training, mock assessments and interviews and coaching to meet the requirements of the individual employer.

## Actively Seeking Work: Statistics

Data on individuals registered as actively seeking work (ASW) is maintained by the Department. This data is reported to the Statistics Unit on a monthly basis and is used to produce and publish an independent analysis.

Throughout 2012 the labour market remained extremely difficult and was exacerbated by a number of high profile redundancies and the confirmation of the loss of Low Value Consignment Relief (LVCR), signalling the closure of the majority of the Island's fulfilment industry and consequent job losses.

This is illustrated in Figure 21 which shows the number of individuals actively seeking work from 2009 to 2012, with 1,840 people ASW in December 2012 compared to 1,540 in December 2011

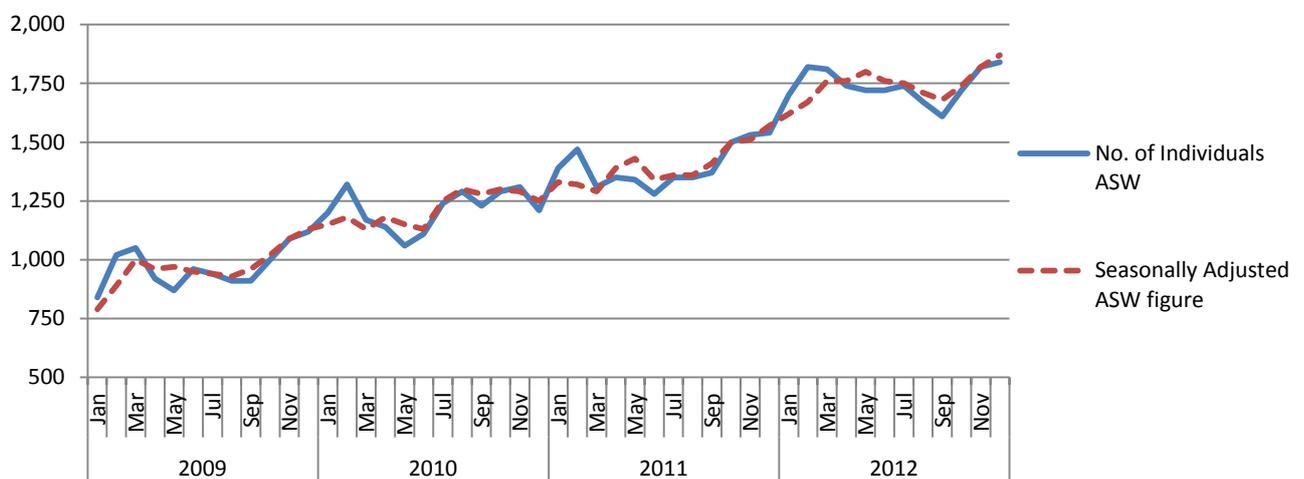


Figure 21: Number of individuals actively seeking work, and seasonally adjusted<sup>11</sup> figures from 2009 to 2012

The Back to Work teams and initiatives helped unemployed people into 1,326 paid jobs over 2012. There is no doubt that without the investment in Back to Work the numbers of those registered as seeking work would have been higher than those experienced.

<sup>11</sup> Seasonally adjusted ASW total is published by the Statistics Unit, based on expected increases or decreases in the number of people registered at certain times of the year

Scheme	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Total
WorkZone	133	206	267	233	839
WorkWise	35	25	24	29	113
Advance to Work	47	43	27	49	166
Advance Plus	18	38	37	37	130
Long Term Unemployment Pilot	-	-	23	29	52
Other BTW Initiatives	-	-	-	26	26
<b>Total BTW</b>	<b>233</b>	<b>312</b>	<b>378</b>	<b>403</b>	<b>1,326</b>

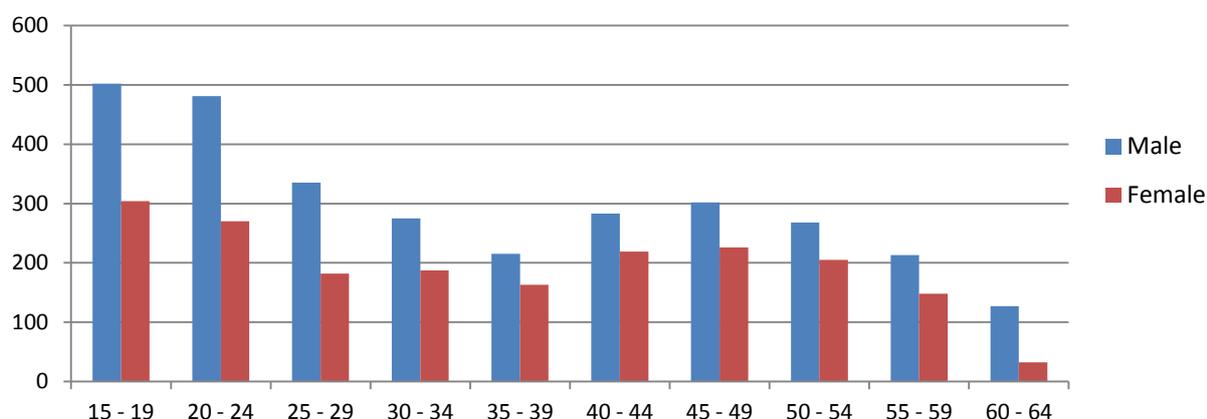
**Table 21:** Numbers of jobs started by customers of each scheme during 2012

The vast majority (97%) of individuals helped back into work fell into one or more of three target categories:

- those on an Income Support claim as a jobseeker
- those who are long term unemployed (more than 52 weeks)
- those aged between 16 – 24

## Actively Seeking Work: Demographics of Individuals

While the number of people registered as actively seeking work only increased by 300 when comparing the beginning and end of the year, there were in fact 4,940 individuals who were actively seeking work at some point during 2012. The majority (60%) of these were male, with the largest group being represented by males aged between 16 and 19 (500, 10% of all registered as ASW at some point during the year).



**Figure 22:** Gender and age bracket of individuals actively seeking work at some point in 2012

Approximately three quarters of individuals registered as actively seeking work were part of an Income Support household. This proportion remained relatively constant between the beginning and end of the year, as did the proportions of individuals who were long term unemployed, and individuals aged between 16 and 24.

	31 December 2011	31 December 2012
Total No. of individuals ASW	1,540	1,840
No. of individuals also on Income Support	1,120	1,370
% of individuals also on Income Support	73%	74%
No. of individuals Long-term Unemployed	290	320
% of individuals Long-term Unemployed	19%	17%
No. of individuals aged 16 - 24	480	540
% of individuals aged 16 - 24	31%	29%

**Table 22:** Numbers and proportions of the three target categories at the beginning and end of 2012

## Tax Funded Services – Jersey Employment Trust

The Jersey Employment Trust (JET) is a charitable trust and its primary role is to assist people with a disability and/or people with a long term health condition to find and sustain employment. JET provides a range of employment support services, from pre-vocational education courses, work tasters in their own vocational training areas (Acorn Enterprises and Oakfield Industries) and work experience placements in other commercial settings. The trust helps people to find suitable employment opportunities and also provide on-the-job training and support.

The grant awarded to JET in 2012, as with 2011, included amounts to provide employment opportunities for specific projects run by Jersey Mencap, Autism Jersey and MIND Jersey. In all JET and the three charities received £1,768,038 in 2012.

More information can be found on the JET website (<http://www.jet.co.je>).

## Tax Funded Services – Jersey Advisory and Conciliation Service

The Jersey Advisory and Conciliation Service (JACS) is an employment relations service that helps employers, employees and trade unions work together for the prosperity of Jersey business and the benefit of employees. JACS also helps explain the changes in employment and discrimination law that have been enacted and which are expected in the next few years.

The services provided by JACS seek to:

- Prevent and resolve industrial disputes
- Resolve individual disputes over employment rights
- Provide impartial information and advice on employment matters
- Improve the understanding of industrial relations

The Social Security Department provides an annual grant to JACS in order to deliver their services, which in 2012 was £322,755. Additionally, the Social Security Minister approves board members appointments, of which there were 3 that started in 2012.

More information, including the JACS 2012 annual review, can be found on the JACS website (<http://www.jacs.org.je>).

## Tax Funded Services – Health and Safety Inspectorate

The Health and Safety Inspectorate carries out a wide range of actions aimed at ensuring that people at work and others who could be affected by working activities are not exposed to risks to their health or safety.

These actions, which are prioritised to address serious health and safety issues, include:

- Investigating work-related accidents and ill health which have resulted in death, serious injury or ill health
- Inspecting high risk workplaces to gain compliance with Occupational Health and Safety (OHS) legislation
- Providing advice and guidance to enable those seeking help to meet their duties under OHS legislation
- Taking action on complaints about working conditions and activities within our stated complaints policy
- Enforcing OHS legislation within the Inspectorate's stated enforcement policy
- Collating and publishing statistical information on work related accidents and ill health
- Carrying out targeted action in specific areas to seek improvements in the understanding and management of OHS
- Supporting industry-led initiatives to improve OHS
- Developing the legal framework for OHS to support the improvement of the control of risks in the workplace

In 2012, the number of work related accidents and incidents reported through claims made for social security benefit reduced by 98 to 778, but the number of working days lost increased by 1,087 to 19,932. A total of £526,453 was paid out in Short Term Incapacity Allowance as a result of these claims.

The Inspectorate carried out 102 investigations into serious accidents and incidents and 153 proactive inspections of high risk workplaces during the year. In 2012, 9 companies were prosecuted in the Royal Court for health and safety offences arising from serious accidents and asbestos disturbances.

## Tax Funded Benefits – Income Support

### Introduction

With expenditure in 2012 of just under £89 million, the Income Support benefit is by far the largest tax-funded benefit provided by the Social Security Department. Within that total, support is provided to households and individuals in a variety of different circumstances. An analysis of the £88.8 million spent in 2012 is as follows:

Category	2012 £000	2011 £000
Income Support: Weekly Benefit	71,349	66,940
Income Support: Residential & Nursing Care Fees	16,694	16,613
Income Support: Transition (Protected) Payments	1,060	2,004
Income Support: Special Payments	1,530	1,430
Income Support: Cold Weather Payments	562	345
Medical Benefit Recharge (2008 - 2011) <sup>12</sup>	(2,354)	–
<b>Total</b>	<b>88,841</b>	<b>87,332</b>

**Table 23:** Categorized 2012 Income Support benefit expenditure

Most of the spending on Income Support is used to provide a weekly benefit to eligible local families. Funding is also available to help with one-off costs and some households continue to receive payments based on their entitlement under the previous benefit system. Income Support also provides financial assistance to people living in care homes.

### Income Support: Weekly benefit

Income Support is a household benefit. The amount paid to an individual household depends on the number of people in the household, where they live, their specific needs, and the income and capital assets of the household.

Income Support is available to households in which at least one adult meets a residence test (of at least five years residence in Jersey). Income Support claimants aged 65 and above are not subject to a work test but every adult aged under 65 must meet a work test by either being in full time work or being included in an exempt category.

### Who receives Income Support?

Income Support legislation includes specific rules as to who is included within an Income Support household. In general terms, an Income Support household comprises an adult claimant and, if applicable, their spouse, civil partner or other long term partner and dependent children.

For Income Support purposes, children are defined as those aged below compulsory school leaving age.<sup>13</sup>

Young adults above compulsory school leaving age continue to be included within the household of their parents if they are under 19 and actively seeking work (jobseeker) or under 25 and in full-time education.

There are additional rules in respect of young people with disabilities.

<sup>12</sup> £2,353,859 recharge to the Health Insurance Fund of Medical Benefit incorrectly charged to Income Support expenditure in prior years

<sup>13</sup> Compulsory school leaving age. A child reaches compulsory school leaving age on 30 June in the academic year in which the child has their 16th birthday. The academic year runs from 1 September to 31 August. Most children will be 16 when they reach compulsory school leaving age, but those with birthdays in July or August will still be 15.

An extended family living together is considered as separate Income Support households. For example, a couple with two young children sharing accommodation with the wife's parents and the husband's brother and sister-in-law is treated as three separate households:

- The couple and their two dependent children
- The wife's parents
- The husband's brother and his wife

Each household must satisfy the tests for Income Support separately.

At the end of December 2012, a total of 6,636 households were receiving Income Support. These households were made up of; 8,577 adults and 3,331 children.

For this report, these household claims have been split into four groups:

1. 65 years and above (**65+**): all households that include one or more adults aged 65 or above
2. Working age adults with no dependent children (**adult/s without children**): one or more adults all aged below 65, with no dependent children
3. 2 or more adults with dependent children (**adults with child/ren**): 2 or more adults aged below 65 with one or more dependent children
4. Single adult with dependent children (**single adult with child/ren**): a single adult aged below 65 with one or more dependent children

The distribution of adults and children amongst these household groups is as follows:

Household Type	No. of Claims	Total No. of Adults	Average (mean) No. of Adults per Claim	Total No. of Children	Average (mean) No. of Children per Claim
65+	1,723	2,092	1.2	17	0.0
Adult/s without children	2,899	3,370	1.2	-	-
Adults with child/ren	1,009	2,110	2.1	1,810	1.8
Single adult with child/ren	1,005	1,005	1.0	1,504	1.5
<b>Total</b>	<b>6,636</b>	<b>8,577</b>	<b>1.3</b>	<b>3,331</b>	<b>0.5</b>

**Table 24:** Number and average number of adults and children on Income Support claims as at 31 December 2012

Well over half of all Income Support households consist of a single adult without children: 2,487 adults aged up to 65 (37% of all claims), and 1,357 adults aged 65 and above (20% of all claims). Table 25 provides more detail:

Household Type	No. of claims that include:				Total
	1 Adult	2 Adults	3 Adults	4 or more Adults	
65+	1,357	363	3	-	1,723
Adult/s without children	2,487	359	49	4	2,899
Adults with child/ren	-	920	86	3	1,009
Single adult with child/ren	1,005	-	-	-	1,005
<b>Total</b>	<b>4,849</b>	<b>1,642</b>	<b>138</b>	<b>7</b>	<b>6,636</b>

**Table 25:** Number of claims by size and type of household as at 31 December 2012

Table 26 details the number of children on Income Support claims, by household type:

Household Type	No. of claims that include:				Total
	1 Child	2 Children	3 Children	4 or more Children	
65+	9	4	-	-	13
Adults with child/ren	447	378	141	43	1,009
Single adult with child/ren	626	282	79	18	1,005
<b>Total</b>	<b>1,082</b>	<b>664</b>	<b>220</b>	<b>61</b>	<b>2,027</b>

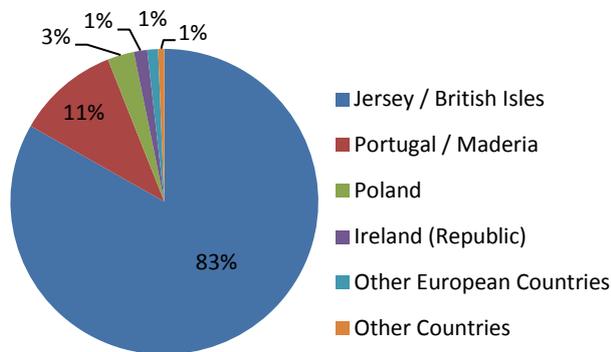
**Table 26:** Number of claims that include children by size and household as at 31 December 2012

53% of claims with children include just a single child.

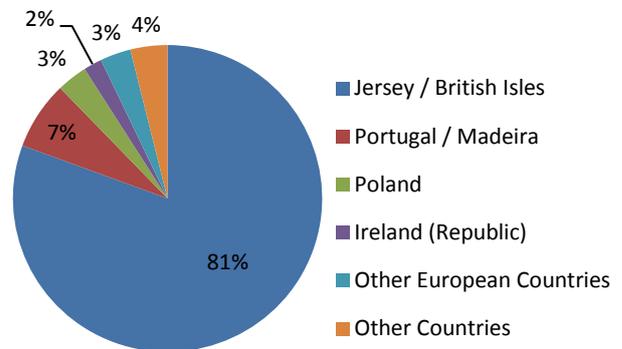
There are 61 claims which include four or more children. This represents 3% of all claims including children, and less than 1% of all Income Support claims.

The 2011 Census collected information on nationality and Figure 23 and Figure 24 compare the nationality of those claiming Income Support, where information on nationality is available, with the information contained in the 2011 Census.

Broadly speaking the proportion of people claiming Income Support by nationality matches the make-up of the Island's population, however it must be noted that there are a number of other variables to be considered; the actual numbers in some of these groupings is small and age profile (among other factors) for each group vary.



**Figure 23:** Nationality of individuals on Income Support as at 31 December 2012

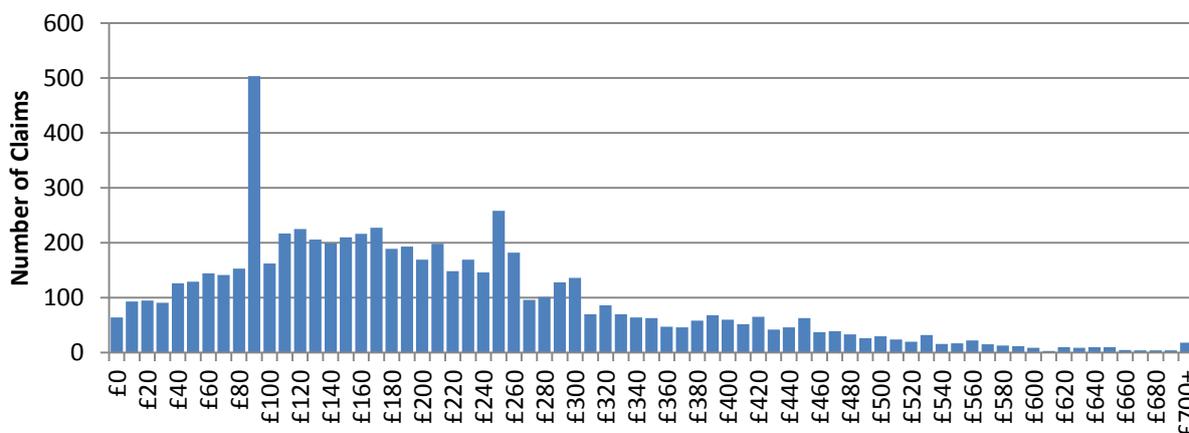


**Figure 24:** Population by place of birth, Census 27 March 2011

The full 2012 Census results can be found on the States of Jersey website (<http://www.gov.je/Government/Census/Census2011/Pages/2011CensusResults.aspx>).

## Overall Claim Rate

For the 6,636 Income Support claims in payment on 31 December 2012, the average (mean) weekly claim rate was £213, with a median value of £186 per week. The spread of Income Support weekly claim rates is shown below:



**Figure 25:** Weekly Income Support claim rate as at 31 December 2012 (rounded to the nearest £10)

- The large spike at £90–£100 per week represents the rate paid to a single adult living in a relative's home and is principally made up of unemployed claimants aged between 19 and 24 who typically still live with their parents and are only able to claim the basic adult component of £92.12 per week.
- The smaller spikes at £250–£270 per week represents the most common rate paid to an unemployed single adult living in a one bedroom rented property.

At the end of 2012 there were 18 claims with a total weekly benefit above £700. These claims represent large households, many including a child or adult with a significant disability.

## Total Household Income

Income Support tops up other household income. Many Income Support households receive income through earnings, pensions, other social security benefits, maintenance agreements and other income. 81% of Income Support households have some other form of income, with the remaining 1,232 (19%) of Income Support households being totally reliant on Income Support for their weekly income.

As household income from other sources increases, the Income Support benefit decreases until the family is fully self-sufficient. Depending on the source of income, a variety of incentives and allowances are provided to encourage Income Support families to support themselves as far as possible.

Table 27 indicates the average weekly income received from Income Support and from other sources for each of the household types at the end of 2012.

Household Type	Income Support Benefit £	Other Income £	Total Income £
65+	163	212	375
Adult/s without children	173	130	303
Adults with child/ren	287	397	684
Single adult with child/ren	342	181	523
<b>Total</b>	<b>213</b>	<b>200</b>	<b>413</b>

**Table 27:** Total average (mean) weekly income based on claims as at 31 December 2012

## Earnings

In 2012, Income Support households had total earnings of approximately £36 million. There is an earnings disregard of 20% (plus an additional 6% in respect of the cost of Social Security contributions) which is allowed against the Income Support calculation, providing a real incentive for low income families to take up and remain in work.

As at 31 December 2012, the distribution of adults with earnings amongst all claims consisting entirely of working age adults was as follows:

Working Age Household Type	No. of Claims with no Adult with Earnings	No. of Claims with at least one Adult with Earnings	Total No. of Claims	% of Households with no Adult with Earned Income
Adult/s without children	2,137	762	2,899	74%
Adults with child/ren	186	823	1,009	18%
Single adult with child/ren	517	488	1,005	51%
<b>Total</b>	<b>2,840</b>	<b>2,073</b>	<b>4,913</b>	<b>58%</b>

**Table 28:** Working age adults with and without earnings as at 31 December 2012

## Pensions

The second largest source of income for Income Support households is pensions, worth a total of about £19 million in 2012. For pensioners aged 65 and above, a weekly pension allowance of £45.08 (first pensioner) and £29.05 (second pensioner) was provided as at 31 December 2012. These amounts are exempt from the Income Support calculation. For those aged below 65 and already receiving a pension, an allowance of 6% was provided. At the end of December 2012, 96% of the 65+ households receiving Income Support had pension income at or above the level of the allowance.

Household Type	Annualised Average of Total Annual Pension Income £000	No. of Claims that include Pension Income	% of all Households with Pension Income
65+	17,839	1,708	99%
Adult/s without children	1,326	210	7%
Adults with child/ren	51	15	1%
Single adult with child/ren	164	25	2%
<b>Total</b>	<b>19,380</b>	<b>1,958</b>	<b>30%</b>

**Table 29:** Annualised average total pension income in 2012 by household type as at 31 December 2012

## Interest and Investment Income

Actual income received from capital assets is not included in the Income Support calculation. This includes bank interest, share dividends and rental income. However, the value of capital assets themselves is taken into account to produce a 'deemed' income in some cases (see Capital Assets on page 47).

## Maintenance Payments

Following the breakdown of a relationship, maintenance may be paid for a child or ex-partner. In particular, if parents do not live together, the “absent” parent is expected to contribute towards the maintenance of their children. An allowance of 10% is provided against maintenance income. Just under half of claims that include a single adult and dependent children receive maintenance as part of the household income.

Household Type	No. of Claims that include Maintenance Income	Annualised average of Maintenance Income per claim £	% of all Households receiving Maintenance Income
65+	17	3,104	1%
Adult/s without children	54	3,110	2%
Adults with child/ren	136	3,388	13%
Single adult with child/ren	466	3,081	46%
<b>Total</b>	<b>673</b>	<b>3,146</b>	<b>10%</b>

**Table 30:** Annualised average maintenance income by household type as at 31 December 2012

## Long Term Incapacity

Long term incapacity allowance (LTIA) and invalidity benefit (INV) are contributory benefits for working age adults who have a loss of faculty. In many cases, this makes it difficult for the individual to support themselves through employment. Under the rules of invalidity benefit (which is no longer available to new claimants), individuals are not allowed to work. An allowance of 6% is provided against the value of these benefits in the Income Support calculation.

An estimate of the total annual income received by Income Support households from these two contributory benefits is £9 million.

Household Type	No. of Claims that include INV / LTIA Income	Annualised average of INV / LTIA Income per claim £	% of all IS Households receiving INV / LTIA Income
65+	60	4,948	3%
Adult/s without children	1,044	6,555	36%
Adults with child/ren	202	5,438	20%
Single adult with child/ren	141	4,933	14%
<b>Total</b>	<b>1,447</b>	<b>6,175</b>	<b>22%</b>

**Table 31:** Annualised average INV / LTIA income by household type as at 31 December 2012

## Other Income

Income Support households receive income from a variety of other sources, including Short Term Incapacity Allowance and income from lodgers. No allowance is provided against these types of income in the Income Support calculation.

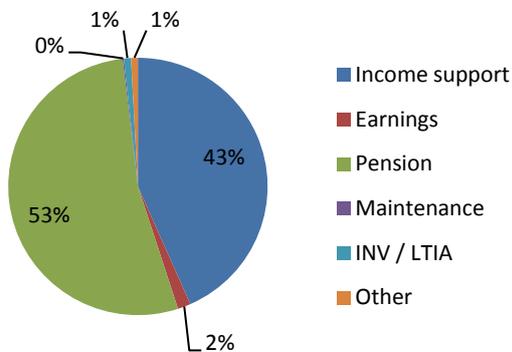
An estimate of the total annual income received by Income Support households from other income is £2.9 million.

## Charitable Income and Expense Payments

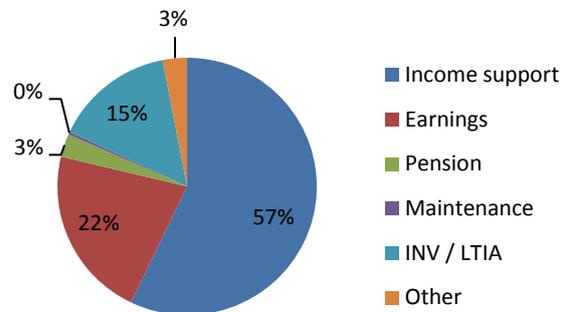
Income received from a charity and expenses paid in connection with voluntary work are not included in the Income Support calculation and do not affect the value of Income Support received.

## Income by Household Type

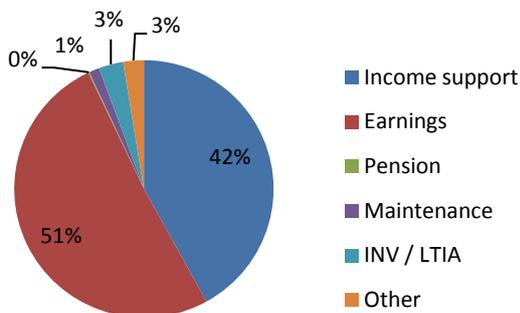
Figure 26 – Figure 29 illustrate the relative weighting of different types of income on average, including Income Support, for each household type receiving Income Support as at 31 December 2012. Each figure identifies the value of income received by the household type, e.g. 53% of the total income received by 65+ households is in the form of pension income:



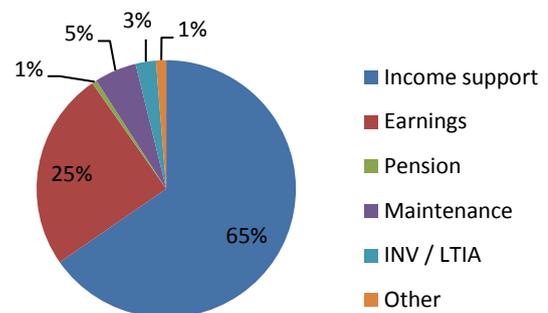
**Figure 26:** Type of income for 65+ Income Support households as at 31 December 2012



**Figure 27:** Type of income for 'adult/s without children' Income Support households as at 31 December 2012



**Figure 28:** Type of income for 'adults with child/ren' Income Support households as at 31 December 2012



**Figure 29:** Type of income for 'single adult with child/ren' Income Support households as at 31 December 2012

## Households with no income other than Income Support

A minority of Income Support households do not have any other income. Typically, this could be due to unemployment, a single parent with a young child and no maintenance agreement in place, or an individual with a congenital condition who does not qualify for any contributory benefit.

Household Type	No. of Claims Showing no Income on 31 December 2012	% of all Claims of this type
65+	11	1%
Adult/s without children	993	34%
Adults with child/ren	59	6%
Single adult with child/ren	169	17%
<b>Total</b>	<b>1,232</b>	<b>19%</b>

**Table 32:** Income Support households with no other income as at 31 December 2012

## Capital Assets

If an Income Support claimant owns their own home, the value of the property is completely exempt from the Income Support calculation<sup>14</sup>. Other capital assets such as deposit accounts, stocks and shares up to a certain level are exempt from Income Support calculations. These levels are shown in Table 33. Claimants with capital assets above these levels can still receive Income Support but at a lower rate. Benefit is withdrawn at the rate of £1 per week for every £250 of capital assets above the exemption limit. This is achieved by adding a 'deemed' income of this amount to the claim.

Type of Household	Capital Exemption Amount £
Single person - aged 65 or over	13,706
Single person - with personal care component	13,706
Single person - other	9,137
Couple - aged 65 or over	22,718
Couple - at least one with personal care component	22,718
Couple - other	15,145

**Table 33:** Capital exemption limits as at 31 December 2012

Table 34 details the number of households that have capital assets either above or below the relevant exemption limit:

Household Type	No. of Claims with Assets below Capital Threshold	No. of Claims with Assets above Capital Threshold	Average Value of Capital above Threshold £	% of all Claims of this type with Capital Assets above Threshold
65+	1,340	383	10,596	22%
Adult/s without children	2,747	152	9,882	5%
Adults with child/ren	954	55	10,795	5%
Single adult with child/ren	962	43	12,163	4%
<b>Total</b>	<b>6,003</b>	<b>633</b>	<b>10,548</b>	<b>10%</b>

**Table 34:** Capital assets by household type as at 31 December 2012

Whilst 22% of 65+ households have some capital savings above the exemption limit, only 5% of other households have savings above these levels.

<sup>14</sup> The value of the property is taken into account when assessing an Income Support Residential Care claim - see page 55.

## Components

Income Support is designed to offer financial support for different day-to-day basic living costs. The amount of Income Support that a household receives will depend on the composition of the household and their current circumstances, such as household income and savings, ages, living arrangements, and any medical condition or care needs of a member of the household. To provide support tailored to specific family circumstances, Income Support is made up of a number of separate components to cover basic living costs, accommodation, childcare, carer, medical and care costs.

### Basic Components

#### Adult components

The value of the adult component at 31 December 2012 was £92.12 per week.

The adult component is available to each adult included on the claim who satisfies the five year residency condition. For Income Support purposes, an adult is someone aged above compulsory school leaving age. From 1 August 2012 new claimants who did not satisfy the residency condition no longer received the adult component. For existing claimants who did not satisfy the residency condition the adult component was no longer available after the end of 2012.

Young adults above compulsory school leaving age continue to be included within the household of their parents if they are:

- Under 19 and actively seeking work (jobseeker)
- Under 25 and in full-time education

There are additional rules for young people with disabilities.

#### Lone parent component

The value of the lone parent component at 31 December 2012 was £132.51 per week.

The lone parent component is available if there is a single adult on the claim and at least one child. In some circumstances the lone parent component is also paid if there is a second adult aged under 19 included on the claim. At the end of 2012 there were 243 claims in this category<sup>15</sup>.

#### Child component

The value of the child component at 31 December 2012 was £63.98 per week.

The child component is available for each child on the claim aged up to compulsory school leaving age.

As of 31 December 2012 there were 237 claims that included a child born in 2012 (21% of all births in the Island).

#### Household component

The value of the household component at 31 December 2012 was £51.31 per week.

The household component reflects the fixed costs of a household, regardless of the number of people living together. These include some specific items such as parish rates and the cost of a TV licence, together with more general costs such as energy, household maintenance etc. It is not paid to individuals who live with another household (for example, a young unemployed adult aged 19 or above who remains living with his or her parents).

<sup>15</sup> These claims are not included in the "single adult plus dependent children" (single adult with child/ren) category used throughout this report. If the household includes additional younger children, the claim will be identified in the 'two or more adults with dependent children (adults with child/ren)' category. Otherwise, the claims will be identified in the 'Working age adults with no dependent children (adults without children)' category.

## Accommodation Components

Accommodation components are available to both tenants and owner occupiers. For rented properties, maximum component levels are set for each size of unit and the component is only available up to this maximum level, regardless of the actual rent paid. If the rent paid is less than the maximum available, the component is set at the actual value of the rent. Owner occupiers have a smaller component available to assist with the cost of parish foncier (owner's) rates and building insurance. An accommodation component is not usually allocated to a claimant aged below 25. However, support is available in certain circumstances.

9% of Income Support claims were in respect of individuals living with other family members. These claimants do not receive accommodation or household components.

Table 35 shows the maximum weekly component available for each type of dwelling as at 31 December 2012.

	Owner Occupier rate £	Tenant Maximum rate £
Hostel	N/A	78.96
Bedsit/Lodgings	5.88	113.26
One-bed flat	5.88	161.77
One-bed house	5.88	183.82
Two-bed flat	5.88	203.49
Two-bed house	8.33	239.40
Three-bed flat	8.33	231.21
Three-bed house	11.83	267.05
Four-bed flat	11.83	245.14
Four-bed house	11.83	288.96
Five or more-bed flat	11.83	254.38
Five-bed house	11.83	314.37
Six or more-bed house	11.83	329.42

**Table 35:** Weekly accommodation rates as at 31 December 2012

Table 36 sets out the number of Income Support households by tenure and property type as at 31 December 2012.

	Owner Occupier	States Rental	Housing Trust Rental	Private Rental	Other	Total
Hostel	0	0	0	1	54	55
Bedsit/Lodgings	0	218	11	313	160	702
One-bed flat	47	1,312	259	762	20	2,400
One-bed house	85	90	11	114	33	333
Two-bed flat	10	643	126	296	3	1,078
Two-bed house	34	242	33	172	2	483
Three-bed flat	2	53	17	34	1	107
Three-bed house	27	433	107	158	1	726
Four-bed flat	1	0	1	1	0	3
Four-bed house	8	67	11	34	1	121
5 or more-bed house	2	5	1	6	1	15
Other / None	3	0	4	7	599	613
<b>Total</b>	<b>219</b>	<b>3,063</b>	<b>581</b>	<b>1,898</b>	<b>875</b>	<b>6,636</b>

**Table 36:** Income Support claims by tenure and property types as at 31 December 2012

At the end of 2012, just over half of all Income Support households occupied a States or Housing Trust rental property. 3% of Income Support households were owner occupiers.

## Medical Components

Income Support medical components are available to assist with costs as follows: personal care components (three levels) provide additional support for individuals who have difficulty undertaking basic daily activities; mobility components (two levels) provide support for those who have significant mobility problems outside the home; and clinical cost components (two levels) provide additional support for those who need a higher than average number of GP visits to monitor an ongoing medical condition. Individuals can be eligible for one or more components depending on their particular condition.

35% of claims (2,306 claims in total) had at least one medical component included as at 31 December 2012.

Table 37 shows the weekly value of these components at 31 December 2012:

Medical Components	Clinical Cost (CC1)	Clinical Cost (CC2)	Mobility Non-Earner (MOB1)	Mobility Earner (MOB2)	Personal Care (PC1)	Personal Care (PC2)	Personal Care (PC3)
Weekly value £	3.15	6.30	22.96	45.92	22.96	101.15	145.25

**Table 37:** Medical component weekly rate value as at 31 December 2012

Table 38 shows the number of medical components included on claims as at 31 December 2012. Note that one claim may appear in more than one column.

Household Type	Clinical Cost (CC1)	Clinical Cost (CC2)	Mobility Non-Earner (MOB1)	Mobility Earner (MOB2)	Personal Care (PC1)	Personal Care (PC2)	Personal Care (PC3)
65+	456	569	603	2	300	173	185
Adult/s without children	326	371	390	5	233	146	171
Adults with child/ren	94	61	60	2	46	21	36
Single adult with child/ren	133	78	43	0	36	15	19
<b>Total</b>	<b>1,009</b>	<b>1,079</b>	<b>1,096</b>	<b>9</b>	<b>615</b>	<b>355</b>	<b>411</b>

**Table 38:** Medical components by household type as at 31 December 2012

## Carer's Component

The carer's component is available to the main carer of an individual who has a significant disability (i.e. meets the requirements for the highest level of personal care component: PC3). The carer's component can be claimed by a carer of any age, and at 31 December 2012 had a value of £46.97 per week. The cared for person does not need to be living in the same household as the carer. There were 133 Income Support claims which included a carer's component as at 31 December 2012.

## Child Care Component

The child care component is available to assist with the cost of registered childcare to allow a parent to return to employment. Three separate hourly rates are available depending on the age of the child.

As at 31 December 2012 the rates were: up to £6.27 per hour for children under 3; up to £4.90 per hour for children aged 3 and 4 and up to £4.85 per hour for children between 5 and 11.

At the end of 2012, there were 118 Income Support claims which included a total of 141 child care components.

## Overall Cost of Components

As the value of Income Support paid to a particular household depends not only on the mix of components that they are entitled to, but also on the other income received by the household, it is not straightforward to report on the value of each component in the total expenditure for Income Support.

However, to enable an analysis of the total cost to be undertaken, a method of allocating costs within the various components has been developed. This method divides the actual Income Support benefit received by a household in proportion to the gross value of each of the components that the household is eligible for, to allocate a specific net value to each of the components.

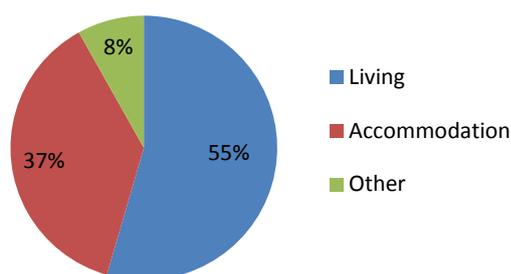
Whereas most of the analysis provided in this report is based on a detailed analysis of the Income Support claims in payment on the last day of 2012, in order to compare the total spend in 2012 across the range of components, it is necessary to examine expenditure throughout the year. The mix of claims changes over time and the values of some components were increased during the year. The following analysis includes data taken from each month of the year to ensure that trends in the take-up of Income Support and rate changes during the year are represented, and provides approximate net values for the cost of each component group.

Household Type	Living £000	Accommodation £000	Other £000	Total £000
65+	6,828	5,578	2,067	14,473
Adult/s without children	13,226	9,275	2,376	24,877
Adults with child/ren	8,476	4,838	747	14,061
Single adult with child/ren	10,345	6,997	595	17,937
<b>Total</b>	<b>38,875</b>	<b>26,688</b>	<b>5,785</b>	<b>71,348</b>

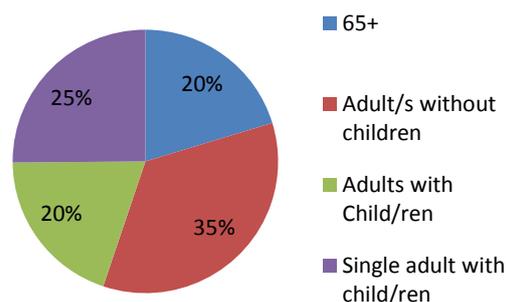
**Table 39:** Analysis of net expenditure in 2012 by component and household type

Throughout this section, components have been grouped as follows:

- Living: adult, child, lone parent and household components
- Accommodation: all accommodation components (tenants and owner occupiers)
- Other: all medical components, carer, and childcare



**Figure 30:** Distribution of 2012 net annual expenditure by component type



**Figure 31:** Distribution of 2012 net annual expenditure by household type

## Income Support: Transition (Protected) Payments

In addition to weekly Income Support entitlement, some claimants continue to receive protected payments in respect of benefits that were replaced by Income Support in 2008. These payments are being phased out over a number of years.

The phasing depends on the type of claim as follows:

	Protection January to June 2012	Protection July to December 2012
Household includes adults previously receiving attendance allowance or adult disablement allowance or a child previously receiving child disability allowance	80%	60%
Household has high legacy entitlement <sup>16</sup>	60%	40%
Household includes adults over 65 or individual previously receiving disability transport allowance	50%	25%
Other households	33%	0%

**Table 40:** Transition (protected) payment phasing

Households that include a child previously receiving Attendance Allowance are not subject to any reduction in transition (protected) payments and these payments will continue until the child reaches compulsory school leaving age. At that point, the young adult is able to make a claim for Income Support in their own right.

On 31 December 2012, 446 households were receiving transition (protected) payments, without any underlying Income Support benefit. This is shown by household type in Table 41. A further 82 households were receiving both Income Support and transition payments.

Household Type	Number of Claims
65+	255
Adult/s without children	147
Adults with child/ren	38
Single adult with child/ren	6
<b>Total</b>	<b>446</b>

**Table 41:** Transition (protected) payments at 31 December 2012

The total cost in 2012 of transition (protected) payments was just over £1 million, down from £2 million in 2011.

<sup>16</sup> This group is made up of households in which the difference between the value of the previous benefits received and the Income Support payable on 28 January 2008 was more than 25% of the total of the calculated income of the household and their Income Support benefit on that day.

## Income Support: Residential Care

The Income Support system also supports individuals living in care homes who are unable to meet the full cost of their own care. During 2012, these costs were supported up to the value of:

Care Level	2012 Maximum Weekly Fee Available £
Standard residential care	629.30
High dependency residential care	805.00
Nursing care	467.81 <sup>17</sup>

**Table 42:** Maximum weekly fee for care homes

In addition to assistance with the care home fees, claimants also received a personal allowance of £32.13 per week.

People with housing assets but limited liquid assets can take bonds against their properties to pay for care. In 2012 there were 66 bonds taken with a total value of £2.3 million.

At the end of 2012, 585 individuals were receiving financial assistance with the cost of care.

Age	Standard Residential Care	High Dependency Residential Care	Nursing Care	Total
65 and above	153	207	96	456
Under 65	24	85	20	129
<b>Total</b>	<b>177</b>	<b>292</b>	<b>116</b>	<b>585</b>

**Table 43:** Individuals in receipt of financial support for care home fees as at 31 December 2012

The total cost of support for care home residents during 2012 was £16.7 million.

## Income Support: Special Payments

The weekly Income Support payments are designed to meet daily living costs. Income Support legislation also allows for larger one off costs to be met through special payment grants or loans. These cover a number of areas as shown in Table 44:

Description	No. of Payments	Value £000
Essential household equipment	535	197
Rental deposit	227	165
Removal expenses	40	7
Employment related expenses	18	4
Medical expenses	1,733	1,097
Health and safety	1	1
Funerals	25	56
Repatriation expenses	2	3
<b>Total</b>	<b>2,581</b>	<b>1,530</b>

**Table 44:** Special payments in 2012

<sup>17</sup> Individuals receiving nursing care in beds provided by Health and Social Services are required to pay a standard fee of £467.81 per week in line with the Hospital Charges (Long-Stay Patients) (Jersey) Law towards the cost of their care. Income Support assists with this fee on a means-tested basis and the remaining cost of the nursing care is met directly by the Health and Social Services Department.

## Income Support: Cold Weather Payments

Cold weather payments are made to selected Income Support households during the winter months. Cold weather payments are calculated for the months of October to April if the temperature drops below a certain level. Payments are made in arrears, i.e. October's payment is made in the first week of November.

The cold weather payment for a month is made to any household receiving Income Support that, for the whole of the month, includes one of the following:

- someone over 65 years old;
- a child under the age of 3; or
- someone receiving personal care level 3 component

In 2012, the following cold weather payments were made:

	Jan	Feb	Mar	Apr	...	Oct	Nov	Dec	Total 2012 Value
<b>Value £</b>	59.12	60.86	24.70	25.93		0.00	29.67	43.20	243.48

**Table 45:** Monthly cold weather payment values in 2012

In 2012, the total value of cold weather payments was £562,000 with an average (mean) of 2,303 households receiving a payment each month.

## Income Support: Ministerial Exceptional Payments

The Income Support law provides a set of rules against which benefit decisions are made. Inevitably, from time to time an unusual situation will arise that is not covered by the legal framework and, in the event of an exceptional circumstance, the Minister has the power to make payments outside the Income Support rules. Payments authorised under these powers in 2012 totalled £77,000; however, some payments may run across more than one calendar year. The cost of these payments is reported within the weekly Income Support costs.

## Tax Funded Benefits – Invalid Care Allowance

Invalid Care Allowance offers financial support to working age people<sup>18</sup> who spend 35 hours (or more) per week caring for someone who requires a very high level of personal care. It is designed for carers who cannot undertake full time work or have to substantially reduce their working week because of this caring commitment. The allowance is paid to people who have residency requirements (26 weeks in the 12 months before a claim is made) and have a household annual income below a bar of £62,382<sup>19</sup>.

In 2012 there were 192 claimants, of which the majority were female, at a total cost of just over £2.7 million.

Gender	Claimants	Average age
Female	156	48
Male	36	51
<b>Total</b>	<b>192</b>	<b>49</b>

**Table 46:** Number of Invalid Care Allowance claimants as at 31 December 2012 by gender

## Tax Funded Benefits – Christmas Bonus

The Christmas Bonus is a lump sum benefit of £80.00 (in 2012) that is paid to those who already receive certain benefits. It is paid by the 15 December to all local residents in receipt of:

- Old Age Pension
- Widow's Benefit\*
- Widowed Father's Allowance\*
- Survivor's Benefit
- Invalidity Benefit\*
- 100% disablement benefit\*
- 100% Long Term Incapacity Allowance
- Incapacity Pension
- Income Support - personal care level 2 or 3
- Invalid Care Allowance

\* No new claims can be made for these benefits but are still available to existing claimants.

The total Christmas Bonus cost for 2012 was £1,399,268.

## Tax Funded Benefits – Food Cost Bonus

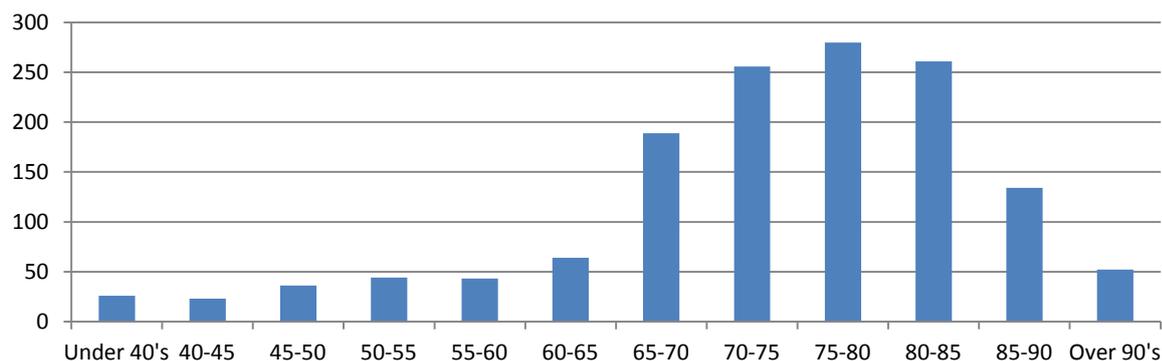
The Food Cost Bonus is payable to any household that has a high enough income not to qualify for Income Support but not enough to pay Income Tax. Only one Food Cost Bonus may be claimed per household and at least one member of the household must have been resident in Jersey for at least five years.

The Food Cost Bonus is an annual payment - £218.36 in 2012 - to help households with the cost of food and the Goods and Services Tax (GST) that is charged on food. In 2012, a total of 1,408 households received the Food Cost Bonus, of which 104 were for 2011, with a total payment for 2012 of £301,688.

<sup>18</sup> In some circumstances it can also be claimed by those above pension age.

<sup>19</sup> From 2013 eligibility changes have removed the income bar and introduced a requirement for a Social Security contribution. There is also a new requirement that the cared for person has a minimum of 12 months residency. The name has changed from Invalid Care Allowance (ICA) to Home Carer's Allowance (HCA) and all ICA claimants automatically transition to HCA.

The vast majority of these claimants were over 65 years old (83%) as illustrated in Figure 32.



**Figure 32:** Number of Food Cost Bonuses paid in 2012 by age bracket

## Tax Funded Benefits – Cold Weather Bonus

The Cold Weather Bonus eligibility criteria are the same as the Food Cost Bonus, except that it is only payable to households with at least one adult aged 65 years or over who is receiving a Jersey old-age pension. This bonus is designed to help pensioner households with the cost of heating during the winter months and is paid in two instalments; once in May, for the months January to April, and then again in January, for the months of October to December.

The value of the bonus is based on the monthly Cold Weather Payments made to Income Support claimants - £243.48 in total for 2012.

In 2012, 952 households received a bonus for the months January to April and 1,063 received a bonus for the months October to December. The total amount paid in 2012 was £290,302.

## Tax Funded Benefits – 65+ Health Scheme

The Jersey 65+ Health Scheme subsidises dental, optical and chiropody costs and is available to those pensioners who do not pay income tax and have relatively low savings; up to a maximum of £20,000 for singles, £30,000 for couples (excluding the value of the family home).

In 2012, there were 2,266 pensioners eligible for subsidies under the scheme. In 2012 there were 4,555 claims approved at a total cost of £251,438.

## Tax Funded Benefits – 75+ TV Licence Benefit

Those who are over 75 years old and have an annual income that is below £14,638 for single pensioners and £23,748 for pensioner couples, and fulfil certain other criteria, qualify for a payment equivalent to the cost of a full TV licence.

In 2012, nearly all the 1,690 people claiming the TV Licence Benefit received the full amount of £145.50 at a total cost of £245,648.

## Tax Funded Benefits – other benefits

In 2012 there were five other benefits funded from taxation:

1. **The Jersey Dental Fitness Scheme** is available to help towards the cost of dental treatment for young people between the ages of 11 and 21 dependent on the existing health of their teeth and family income.
2. **Redundancy Protection** was a temporary insolvency scheme introduced on the basis of a decision of the States in 2009 following the closure of Woolworths in 2008. The scheme compensated employees who were made redundant due to insolvency for pay in lieu of their statutory period of notice. In December 2012 the scheme was replaced with a statutory benefit under the Social Security Law that compensates employees who are made redundant due to insolvency for unpaid wages, holiday pay, statutory notice pay and statutory redundancy pay, and was transferred from tax funded budgets to the Social Security Fund.
3. **Housing Adaptation Grants** are made to assist those living in privately owned or rented accommodation to make adaptations to their property that will enable them to continue living independently at home where they have a particular clinical need, as assessed by the occupational therapy team.
4. **Non-Contributory Death Grants** are made where the deceased has not made sufficient contributions but was Jersey born and has been ordinarily resident in the Island for the 12 months prior to the date of his/her death; or if not Jersey born, have been ordinarily resident in the Island for a total period of at least 12 years at any time before death. Death Grants for those with sufficient contributions are funded from the Social Security Fund.
5. **Childcare Support** provides limited support with childcare costs for working parents whose children were born in Jersey but who do not qualify for Income Support.

The table below shows the total value paid for each benefit in 2012 and 2011.

<b>Benefit</b>	<b>2012</b> £	<b>2011</b> £
Dental Fitness Benefit Scheme	85,536	86,292
Redundancy Protection	70,104	42,371
Housing Adaptation Grants	39,981	26,236
Non-Contributory Death Grants	32,183	17,133
Childcare Support	15,672	0 <sup>20</sup>
<b>Total</b>	<b>243,476</b>	<b>172,032</b>

**Table 47:** Total value of other benefits administered using tax funding for 2011 and 2012

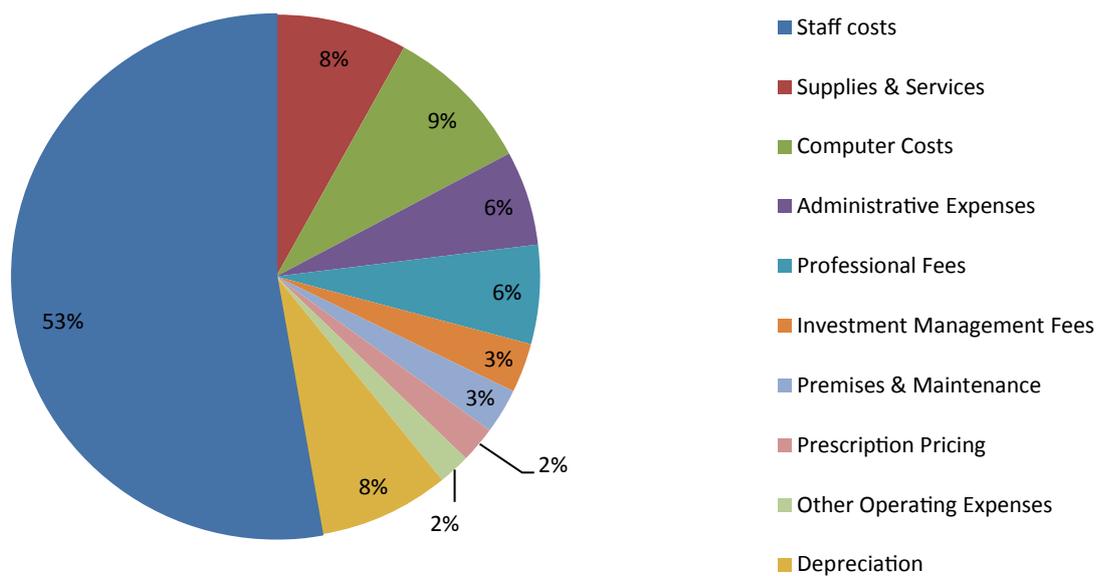
<sup>20</sup> Childcare Support was included within Income Support Weekly Benefit in 2011 figures

## Other Costs

The following table shows all of the costs not displayed on the previous pages which contribute to the total expenditure of £396.4 million for 2012.

	<b>2012</b>	<i>2011</i>
	<b>£000</b>	<i>£000</i>
Staff costs – administration of contributions and benefits <sup>21</sup>	5,741	5,522
Supplies & Services	898	709
Computer Costs	1,002	1,141
Administrative Expenses	611	465
Professional Fees	629	1,104
Investment Management Fees	344	446
Premises & Maintenance	262	274
Prescription Pricing	248	245
Other Operating Expenses	168	334
Depreciation	846	1,971
<b>Total Other Costs</b>	<b>10,749</b>	<b>12,211</b>

**Table 48:** Analysis of Social Security Department other costs, 2011 and 2012



**Figure 33:** Analysis of Social Security Department other costs 2012

<sup>21</sup> Staff costs of providing the Back to Work services and Health and Safety Inspectorate are included in the delivery of those services – see page 34

## Section 6 – Financial Statements

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## Social Security Fund Financial Statements

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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.

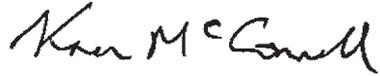
The Minister is responsible for safeguarding the assets of the fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### 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 2012 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

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## Independent Auditor's 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 2012 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 2012 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 2012

	Notes	2012		2011	
		£000	£000	£000	£000
<b>Income</b>	<b>1</b>				
Contributions			157,977		148,837
States contribution			61,150		65,348
Bank interest			300		283
Other income			163		165
			<b>219,590</b>		<b>214,633</b>
<b>Expenditure</b>	<b>1</b>				
<b>Benefits</b>					
- Pensions and survivors' benefits			150,919		143,088
- Short term incapacity allowance			13,650		12,692
- Long term incapacity allowance			13,416		12,635
- Invalidity benefit			10,043		11,239
			<b>188,028</b>		<b>179,654</b>
<b>- Grants and allowances</b>					
- Maternity allowance		2,365		2,189	
- Maternity grant		581		587	
- Death grant		482		472	
			<b>3,428</b>		<b>3,248</b>
			<b>191,456</b>		<b>182,902</b>
<b>Administration expenses</b>					
- Staff costs		2,828		2,670	
- Depreciation	5	846		1,971	
- Other administrative expenses		1,955		2,288	
- Net admin costs of the Social Security (Reserve) Fund	1	380		481	
			<b>6,009</b>		<b>7,410</b>
			<b>197,465</b>		<b>190,312</b>
<b>Surplus of income over expenditure for the year</b>	<b>4</b>		<b>22,125</b>		<b>24,321</b>

### Continuing Operations

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

*The notes on pages 69 to 79 form an integral part of these financial statements*

**Statement of Total Recognised Gains and Losses for the year ended 31 December 2012**

	<b>2012 £000</b>	<i>2011 £000</i>
Surplus for the financial year	<b>22,125</b>	24,321
<b>Transferred to Social Security (Reserve) Fund</b>	<b>(10,297)</b>	(30,517)
<b>Total recognised gains/(loses)</b>	<b>11,828</b>	(6,196)

*The notes on pages 69 to 79 form an integral part of these financial statements*

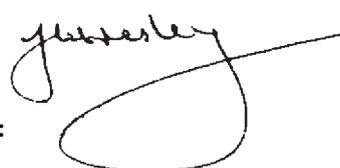
**Balance Sheet as at 31 December 2012**

	Notes	2012		2011	
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Tangible fixed assets	5		5,159		5,627
<b>Current Assets</b>					
Debtors	6	56,400		51,627	
Cash at Bank and in hand		8,323		9,629	
		<u>64,723</u>		<u>61,256</u>	
Creditors (amounts falling due within one year)	7	7,887		17,096	
		<u>7,887</u>		<u>17,096</u>	
Net Current Assets			<u>56,836</u>		<u>44,160</u>
<b>Net Assets</b>			<u>61,995</u>		<u>49,787</u>
<b>Funds Employed</b>					
Revaluation Reserves			719		719
Revenue Reserves	8		61,276		49,068
			<u>61,995</u>		<u>49,787</u>

Signed: 

Date: 20 September 2013

(Chief Officer – Social Security Department)

Signed: 

Date: 20 September 2013

(Minister for Social Security)

The notes on pages 69 to 79 form an integral part of these financial statements

**Cash flow statement for the year ended 31 December 2012**

	Notes	2012		2011	
		£000	£000	£000	£000
<b>Operating Activities</b>					
Net cash inflow from operating activities	10		11,653		29,413
<b>Returns on Investments and Servicing of Finance</b>					
Bank interest received		300		283	
Rent received	4	163		163	
<b>Net Cash inflow from Returns on Investments &amp; Servicing of Finance</b>			<b>463</b>		<b>446</b>
<b>Capital Expenditure and Financial Investments</b>					
Payments to acquire tangible fixed assets	5	(458)		(795)	
Transfers to Social Security (Reserve) Fund	9	(10,297)		(30,517)	
Social Security (Reserve) Fund fees creditor		-		20	
<b>Net cash outflow from Capital expenditure and Financial Investments</b>			<b>(10,755)</b>		<b>(31,292)</b>
<b>Management of Liquid Resources</b>					
Decrease/(Increase) in money held on deposit	11		1,384		(2,388)
<b>Increase/(Decrease) in cash in year</b>			<b>2,745</b>		<b>(3,821)</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>					
Increase/(Decrease) in cash in year		2,745		(3,821)	
Net cash (outflow)/inflow from management of liquid resources		(1,384)		2,388	
Change in Net Funds			1,361		(1,433)
Net funds at 1 January			4,552		5,985
<b>Net funds at 31 December</b>	<b>11</b>		<b>5,913</b>		<b>4,552</b>

The notes on pages 69 to 79 form an integral part of these financial statements

## Notes to the Financial Statements for the year ended 31 December 2012

### 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 his 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.

#### 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) 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 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% (10.5% : 2011) of earnings to the Standard Earnings Limit (Employees, 5.2%; Employers, 5.3%; Self Employed, 10.5%), and 2% (0% : 2011) of earnings above the Standard Earnings Limit (Employers, 2%, Self Employed, 2%). The financial statements include an estimation in respect of the contributions from insured persons, 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 (2012: £796 per month) and the standard earnings limit (2012: £3,778 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 in 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 2012 was £61,150,000 in accordance with the law; however actual supplementation made to individual contribution records amounted to £68,476,861.

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 the buildings owned by the Social Security 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 and consist of the following:

**(a) Pensions**

Pensions and survivors' 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 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 is a weekly benefit, payable as a compensation for a loss of faculty. As with Short Term Incapacity Allowance 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 accounts 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 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 changes in value.

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

## 1.7 Debtors

Debtors are measured at cost which is deemed to be approximately fair value. Contributions outstanding at 31 December 2012 represent accrued contributions for the last quarter, together with billed contributions due from earlier periods. Benefits paid in 2012 but in respect of periods subsequent to 31 December 2012 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 cost which is deemed to be 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.

### Cash at Bank

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

### 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 changes 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 contribution 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 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).

#### (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 in and out flows.

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. The Department manages its banking arrangements and fund deposits through the States of Jersey Cash Managers Royal London Asset Management ('RLAM').

#### 4. Surplus of Income over Expenditure

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

	2012 £000	2011 £000
Auditors' fees	59	46
Depreciation	846	1,971
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
<b>Cost</b>				
At 1 January 2012	9,000	100	13,702	22,802
Additions	-	-	378	378
At 31 December 2012	9,000	100	14,080	23,180
<b>Accumulated depreciation</b>				
At 1 January 2012	4,613	77	12,485	17,175
Charge for the year	392	7	447	846
At 31 December 2012	5,005	84	12,932	18,021
<b>Net book value</b>				
<b>At 31 December 2012</b>	<b>3,995</b>	<b>16</b>	<b>1,148</b>	<b>5,159</b>
At 31 December 2011	4,387	23	1,217	5,627

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

	2012 £000	2011 £000
<b>Debtors:</b>		
Contributors - individuals and employers	20,032	20,379
Goods and Services Tax	80	54
Other debtors	274	308
	<b>20,386</b>	20,741
<b>Prepayments and accrued income:</b>		
Contributors - individuals and employers	26,723	21,320
Benefits paid in advance	9,291	9,566
	<b>56,400</b>	51,627

As at 31 December, debtors of carrying value, 2012: £20.0 million (2011: £20.7 million) were past their due date but not impaired. The ageing is shown below:

	2012 £000	2011 £000
Up to 3 months past due	20,337	20,641
3 to 6 months past due	24	10
6 to 12 months past due	17	38
Over 12 months past due	8	52
	<b>20,386</b>	20,741

### BAD DEBT PROVISION

Debtors are shown net of a bad debt provision at 31 December 2012 of £72,338 (2011: £72,338), as analysed below.

	2012 £000	2011 £000
Up to 3 months past due	72	72
3 to 6 months past due	-	-
6 to 12 months past due	-	-
Over 12 months past due	-	-
	<b>72</b>	72

During the year ending 31 December 2012, bad debts of £0 (2011: £118) were written off.

**7. Creditors (amounts falling due within one year)**

	<b>2012</b> <b>£000</b>	<i>2011</i> <i>£000</i>
Funds uncleared at bank	2,410	5,077
Inter fund balances		
Health Insurance Fund	2,940	5,855
Social Security (Reserve) Fund	-	20
Accrued benefits payable	306	246
Capital Expenditure	-	80
Other creditors	2,231	5,818
	<b>7,887</b>	17,096

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:

	<b>2012</b> <b>£000</b>	<i>2011</i> <i>£000</i>
Up to 3 months past due	1,090	297
	<b>1,090</b>	297

**8. Revenue Reserves**

	<b>2012</b> <b>£000</b>	<i>2011</i> <i>£000</i>
<b>As at 1 January</b>	<b>49,068</b>	54,783
Surplus funds transferred to Social Security (Reserve) Fund	<b>(10,297)</b>	(30,517)
Retained surplus for the year	<b>22,125</b>	24,321
Reimbursement of expenses due to Social Security (Reserve) Fund	<b>380</b>	481
<b>As at 31 December</b>	<b>61,276</b>	49,068

## 9. Related Party Transactions

### STATES OF JERSEY TREASURY AND RESOURCES AND OTHER STATES DEPARTMENTS

The Fund 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:

	<b>2012</b> <b>£000</b>	<i>2011</i> <i>£000</i>
States of Jersey	<b>1,134</b>	5,541
Jersey Telecom Group Limited	<b>11</b>	7
Jersey Electricity Company Limited	<b>55</b>	47
	<b>1,200</b>	5,595

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 2012: £61,150,000 (2011: £65,348,408).

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 2012 amounted to £90,300 (2011: £90,300).

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

	<b>2012</b> <b>£000</b>	<i>2011</i> <i>£000</i>
States Contribution - Supplementation	<b>61,150</b>	65,348
Supplies and Services	<b>2,918</b>	2,760
	<b>64,068</b>	68,108

### RELATED PARTY BALANCES AT YEAR END

	<b>2012</b> <b>£000</b>	<i>2011</i> <i>£000</i>
<b>Amounts due to related parties:</b>		
States of Jersey	<b>1,199</b>	5,541
Jersey Telecom Group Limited	<b>4</b>	3
Jersey Electricity Company Limited	<b>-</b>	5
	<b>1,203</b>	5,549

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 as follows:

	2012 £000	2011 £000
Net payments to Health Insurance Fund	2,840	1,600
Amounts owed to Health Insurance Fund	2,940	5,855

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 were as follows:

	2012 £000	2011 £000
Payments to Social Security (Reserve) Fund	10,297	30,517
Appropriation from the Fund	380	481

## 10. Reconciliation of Surplus to Net Cash Flow

	2012 £000	2011 £000
Surplus of income over expenditure for the year	22,125	24,321
Net expenditure appropriated from Social Security (Reserve) Fund	380	481
Depreciation	846	1,971
(Increase)/Decrease in debtors	(4,773)	536
(Decrease)/Increase in creditors	(6,462)	2,550
Bank interest	(300)	(283)
Rent	(163)	(163)
	<b>11,653</b>	<b>29,413</b>

## 11. Analysis of Changes in Net Funds

	At 31 December 2011 £000	Cash Flows £000	At 31 December 2012 £000
Cash at bank	450	78	528
Funds uncleared at bank	(5,077)	2,667	(2,410)
	(4,627)	2,745	(1,882)
Liquid resources	9,179	(1,384)	7,795
Net funds	<b>4,552</b>	<b>1,361</b>	<b>5,913</b>

## 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 Financial Statements

<b>Statement of the Responsibilities of the Minister</b>	<i>Page 81</i>
<b>Report of the Comptroller and Auditor General</b>	<i>Page 82</i>
<b>Independent Auditors' Report</b>	<i>Page 83</i>
<b>Statement of Total Return</b>	<i>Page 85</i>
<b>Statement of Changes in Net Assets</b>	<i>Page 85</i>
<b>Portfolio Statement</b>	<i>Page 86</i>
<b>Balance Sheet</b>	<i>Page 87</i>
<b>Summary of material portfolio changes</b>	<i>Page 88</i>
<b>Notes to the Financial Statements</b>	<i>Page 89 to Page 99</i>

## 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 for Treasury and Resources is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the funds.

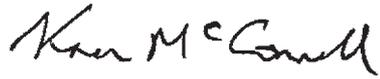
The Minister for Treasury and Resources is responsible for safeguarding the assets of the fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### 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 2012 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

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## Independent Auditor's 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 2012 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 2012 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 2012

	Notes	2012		2011	
		£000	£000	£000	£000
<b>Income</b>					
Net gains/(losses) on investments during the year	6		97,838		(13,447)
Bank interest	7		-	4	
			-		4
			<b>97,838</b>		<b>(13,443)</b>
<b>Expenditure</b>					
Supplies and Services	8		380		485
<b>Total return</b>			<b>97,458</b>		<b>(13,928)</b>
<b>Appropriated from Social Security Fund</b>			<b>380</b>		<b>481</b>
<b>Total return after appropriation from Social Security Fund</b>			<b>97,838</b>		<b>(13,447)</b>

## Statement of Changes in Net Assets for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
<b>Net assets at the start of the year</b>		<b>854,318</b>	837,729
Change in net assets before appropriation from Social Security Fund		97,458	(13,928)
Funds received from the Social Security Fund	11	10,297	30,517
<b>Net assets at the end of the year</b>		<b>962,073</b>	854,318

The notes on pages 89 to 99 form an integral part of these financial statements

## Portfolio Statement as at 31 December 2012

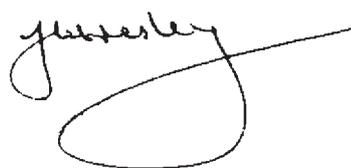
	Note	Market Value 31 December 2012 £000	Percentage of Total Portfolio %	Market Value 31 December 2011 £000	Percentage of Total Portfolio %
<b>Legal &amp; General</b>					
<b>Unit Trust Bonds</b>					
United Kingdom		124,693	12.96	122,780	14.37
		<b>124,693</b>	<b>12.96</b>	<b>122,780</b>	<b>14.37</b>
<b>Unit Trust Equities</b>					
United Kingdom		163,808	17.03	157,573	18.44
North America		40,249	4.18	82,409	9.65
Other Europe		38,893	4.04	47,126	5.52
Japan equity index		1,739	0.18	14,475	1.69
Asia Pacific , excl. Japan		-	-	7,240	0.85
		<b>244,689</b>	<b>25.43</b>	<b>308,823</b>	<b>36.15</b>
<b>Cash - Money Market and Liquidity Fund</b>					
		59,433	6.18	52,963	6.20
		<b>304,122</b>	<b>31.61</b>	<b>361,786</b>	<b>42.35</b>
<b>Common Investment Fund</b>					
UK equities - Majedie		114,087	11.86	96,753	11.33
Global equities*		419,241	43.57	273,004	31.95
		<b>533,328</b>	<b>55.43</b>	<b>369,757</b>	<b>43.28</b>
<b>Portfolio of investments</b>	<b>9</b>	<b>962,143</b>	<b>100.00</b>	<b>854,323</b>	<b>100.00</b>

\* Walter Scott, Longview and Legal & General

**Balance Sheet as at 31 December 2012**

	Notes	2012		2011	
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Financial assets at fair value	9		962,143		854,323
<b>Current Assets</b>					
Cash at bank and in hand		43		183	
		43		183	
<b>Current Liabilities</b>					
Creditors: amounts falling due within one year	10	113		188	
		113		188	
<b>Net Current Liabilities</b>			(70)		(5)
<b>Net Assets</b>			962,073		854,318
<b>Represented by:</b>					
Revenue Reserves			962,073		854,318

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

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

*The notes on pages 89 to 99 form an integral part of these financial statements*

## Summary of material portfolio changes for the year ended 31 December 2012

## MAJOR PURCHASES

Name	Holding Units	Cost £000
<b>Common Investment Fund</b>		
Passive Global Equity Pool - Legal & General	143,590,214	143,916
Global Equity Pool - Walter Scott	1,504,267	1,750
UK Equity Pool - Majedie	1,225,670	1,500
Global Equity Pool - Longview	602,002	750
		<b>147,916</b>
<b>Cash - Money Market and Liquidity Fund</b>	23,236,966	<b>24,609</b>
<b>Total purchases for the year</b>		<b>172,525</b>

## MAJOR SALES

Name	Holding Units	Proceeds £000
Legal & General N America Equity (Net US)	5,829,450	50,257
Legal & General EPAA-Europe (Ex UK) Equity (Net)	2,006,645	15,277
Legal & General Japan Equity (Net WHT)	14,589,381	13,841
UK Equity Index (N)	1,644,955	12,636
Legal & General Asia Pacific Ex Japan	789,900	7,930
Legal & General Asia Pacific Ex Japan	3,849	39
Legal & General N America Equity	631	5
Legal & General Japan Equity (Net WHT)	3,921	4
Legal & General Europe (ex-UK) Equity Index	413	3
Legal & General Asia Pacific Ex Japan	162	2
UK Equity Index (N)	141	1
		<b>99,995</b>
<b>Common Investment Fund</b>		
Global Equity Pool - Longview	20,071,785	23,906
Global Equity Pool - Walter Scott	16,967,638	19,530
		<b>43,436</b>
<b>Cash - Money Market and Liquidity Fund</b>	14,492,428	<b>19,113</b>
<b>Total sales for the year</b>		<b>162,544</b>

## Notes to the Financial Statements for the year ended 31 December 2012

### 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 Social Security (Reserve) Fund and therefore any income generated is reinvested back into the Fund. It is expected that there will be no requirement to draw on the assets of the Fund in the near term and during this period there will continue to be net cash inflows to the Fund.

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

The longer term strategic aim for the fund which is in accordance with the March 2012 investment strategy is to invest within the parameters indicated below:

Asset Class	Strategic Aim %	Range %
Equities	80	72-88
Bonds	10	9-11
Cash	-	0-3
<b>Non Stock market assets</b>		
Alternative Investments Class	10	n/a

The Fund does not hold any "alternative assets" and has not adhered to its strategy of 80% equity, 10% Bonds & 10% Alternatives. The assets earmarked for alternatives are currently held in the cash and bond asset class so are overweight; however once Alternative assets are added to the CIF this overweight will be removed and align with the strategy.

Until the Alternative Investments class pools are operational, which is expected in late 2013, monies will be invested in short - term government bonds and the money market liquidity fund. At this stage no decision has been made as to what these will constitute.

As the Reserve Fund is subject to three yearly actuarial reviews the outcomes may result in a need to redefine the 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 in November 2011.

### 1.3 Investment Structure

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 2012 of £962.1 million, CIF investments accounted for £533.3 million (55%). Of the remaining balance, £416.7 million was held in pooled funds with Legal & General Investment Management Limited (L&G) and £12.1 million in cash with L&G.

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.

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 States Funds for investment purposes. The aim of the CIF is to provide greater investment opportunities, economies of scale and minimise fees and costs. The assets outside the CIF are held in large pooled products with other investors allowing low management cost and increased liquidity. 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.

The Reserve Fund is an investment fund invested in a diverse range of assets held both within the 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.

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.

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.

### 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 is also attended by the Minister for Social Security. The Panel meets quarterly and 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.

## 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.

## 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/ losses 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 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 it is 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 Creditors falling due within one year

Creditors 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 or 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 recognised initially 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 States of Jersey is exposed to equities price risk in equity instruments traded on a range of global stock exchanges. The price of units in the Investment Pools will therefore vary subject to market fluctuations. Over long periods of time the Investment Pools are expected to produce positive total returns; in the short - term the value of the Investment Pools will fluctuate according to market conditions, generating gains or losses on Pool values. Investment Strategies for Investment Pools are developed for generally long - term growth; however it is possible that investment objectives may not be fully met. 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) Currency/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

Interest rate risk exists as unexpected changes in interest rates lead to variations in the level of income received from investments that pay variable interest. Placement decisions are made based on expectation of future returns and the requirements to hold cash are actively managed by the States of Jersey Cash Investment Manager.

The pooled fund units accumulate income within their unit price and do not distribute the income. Though there is negligible risk to the Reserve Fund in terms of fair value interest rate risk this forms part of the activities of the investment manager's in terms of managing risks.

**(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 £406 billion invested in indexed assets and £211 billion in indexed corporate pension assets. In total they manage 3,556 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 Gains/(Losses) on Investments during the year**

	2012 £000	2011 £000
<b>The net gains/(losses) on investments during the year comprise:</b>		
Proceeds from sales of investments during the year	162,544	257,942
Original cost of investments sold during the year	(66,040)	(231,571)
Gains realised on investments sold during the year	96,504	26,371
Net depreciation already recognised in earlier periods	(64,743)	(104,561)
Net realised appreciation/(depreciation) for the year	31,761	(78,190)
Net unrealised appreciation for the year	66,077	64,743
<b>Net gain/(loss) on investments</b>	<b>97,838</b>	<b>(13,447)</b>

**7. Income**

	2012 £000	2011 £000
Bank interest	-	4
<b>Total income</b>	<b>-</b>	<b>4</b>

**8. Supplies and Services**

	2012 £000	2011 £000
Administrative Recharges	17	20
Investment Advisory Fees	39	68
Audit Fees	19	19
<b>Custodian Fees:</b>		
The Northern Trust Corporation	36	35
<b>Investment Management Fees:</b>		
Legal and General Investment Management Limited	269	343
<b>Total Supplies and Services</b>	<b>380</b>	<b>485</b>

## 9. Investments

Movements in the investments during the year are detailed below:

	Value at 1 January 2012 £000	Purchases at Cost £000	Proceeds of Sales £000	Changes in market value £000	Value at 31 December 2012 £000
<b>Unit Trusts – Legal &amp; General</b>					
<b>Unit Trust Bonds</b>					
United Kingdom	122,780	-	-	1,913	<b>124,693</b>
	<u>122,780</u>	<u>-</u>	<u>-</u>	<u>1,913</u>	<u><b>124,693</b></u>
<b>Unit Trust Equities</b>					
United Kingdom	157,573	-	(12,637)	18,872	<b>163,808</b>
North America	82,409	-	(50,262)	8,102	<b>40,249</b>
Other Europe	47,126	-	(15,281)	7,048	<b>38,893</b>
Japan	14,475	-	(13,845)	1,109	<b>1,739</b>
Asia Pacific, excluding Japan	7,240	-	(7,970)	730	-
	<u>308,823</u>	<u>-</u>	<u>(99,995)</u>	<u>35,861</u>	<u><b>244,689</b></u>
<b>Cash – Legal &amp; General</b>					
Money Market and Liquidity Fund	52,963	24,609	(19,113)	973	<b>59,433</b>
	<u>52,963</u>	<u>24,609</u>	<u>(19,113)</u>	<u>973</u>	<u><b>59,433</b></u>
<b>CIF Investments</b>					
United Kingdom Equities	96,753	1,500	-	15,834	<b>114,087</b>
Global Equities - Longview	137,231	750	(23,906)	22,612	<b>136,687</b>
Global Equities - Wscott	135,773	1,750	(19,530)	17,441	<b>135,434</b>
Passive Global Equity Pool – L&G	-	143,916	-	3,204	<b>147,120</b>
	<u>369,757</u>	<u>147,916</u>	<u>(43,436)</u>	<u>59,091</u>	<u><b>533,328</b></u>
<b>Total Investments</b>	<b>854,323</b>	<b>172,525</b>	<b>(162,544)</b>	<b>97,838</b>	<b>962,143</b>

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. Creditors: amounts falling due within one year

	2012 £000	2011 £000
Audit fee	39	38
Investment advisory fee	3	24
Custody fee	12	42
Investment management fee	59	84
	<b>113</b>	188

## 11. Transfers from the Social Security Fund

	2012 £000	2011 £000
Transferred from Social Security Fund during the year	<b>10,297</b>	30,517

## 12. 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 2012 an amount of £17,000 (2011: £20,000) was paid in respect of services provided to the Reserve Fund by the States of Jersey, Treasury & Resources Department.

No other related party transactions existed.

## 13. Post Balance Sheet Events

In accordance with the SORP, the Minister is required to disclose non-adjusting events that are indicative of conditions that have arisen after the balance sheet date. The market value of the Fund investments at 31 December 2012 stood at £962,143,027 (refer note 9). Since that date, there has been an 11.5% increase in the market value and these now stand at £1,072,176,681 at the balance sheet date of 30 June 2013.

## 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 Financial Statements

<b>Statement of the Responsibilities of the Minister</b>	<i>Page 101</i>
<b>Report of the Comptroller and Auditor General</b>	<i>Page 102</i>
<b>Independent Auditors' Report</b>	<i>Page 103</i>
<b>Income and Expenditure Account</b>	<i>Page 105</i>
<b>Statement of Total Recognised Gains &amp; Losses</b>	<i>Page 106</i>
<b>Balance Sheet</b>	<i>Page 107</i>
<b>Cash Flow Statement</b>	<i>Page 108</i>
<b>Notes to the Financial Statements</b>	<i>Page 109 to Page 120</i>

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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.

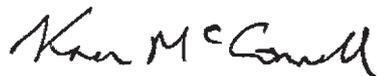
The Minister is responsible for safeguarding the assets of the Funds and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### 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 2012 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

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## Independent Auditor's 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 2012 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 2012 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 for the year ended 31 December 2012

	Notes	2012		2011	
		£000	£000	£000	£000
<b>Income</b>	<b>1</b>				
Contributions			28,915		28,519
Net Gains on investments during the year			8,406		1,388
Investment income			-		8
			<b>37,321</b>		<b>29,915</b>
<b>Expenditure</b>	<b>1</b>				
<b>Benefits</b>					
Medical - current year			9,092		8,558
- prior year	16		-		1,808
Pharmaceutical			17,398		17,002
Gluten free food vouchers			222		185
			<b>26,712</b>		<b>27,553</b>
<b>Primary care funding</b>	<b>6</b>		<b>6,131</b>		<b>6,131</b>
			<b>32,843</b>		<b>33,684</b>
<b>Administration Expenses</b>					
Staff costs	5		602		538
Other administrative expenses			1,036		1,050
			<b>1,638</b>		<b>1,588</b>
			<b>34,481</b>		<b>35,272</b>
<b>Surplus/(Deficit) of income over expenditure for the year</b>			<b>2,840</b>		<b>(5,357)</b>

## Continuing Operations

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

*The notes on pages 109 to 120 form an integral part of these financial statements*

**Statement of Total Recognised Gains and Losses as at 31 December 2012**

The net gains on investments during the year comprise:

	<b>2012</b>	<i>2011</i>
	<b>£000</b>	<i>£000</i>
Proceeds from sales of investments during the year	<b>12,026</b>	8,490
Original cost of investments sold during the year	<b>(10,967)</b>	(8,298)
Gains realised on investments sold during the year	<b>1,059</b>	192
Net realised appreciation for the year	<b>1,059</b>	192
Net unrealised appreciation for the year	<b>7,347</b>	1,196
Net gains on investments	<b>8,406</b>	1,388

*The notes on pages 109 to 120 form an integral part of these financial statements*

**Balance Sheet as at 31 December 2012**

	Notes	2012		2011	
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Tangible fixed assets	7	285		88	
Financial assets at fair value	10	70,085		67,810	
			<b>70,370</b>		67,898
<b>Current assets</b>					
Debtors	8	11,814		11,544	
Creditors: amounts falling due within one year	9	1,648		1,746	
<b>Net Current Assets</b>			<b>10,166</b>		9,798
<b>Net Assets</b>			<b>80,536</b>		77,696
<b>Funds Employed</b>					
Revenue Reserves	12		<b>80,536</b>		77,696

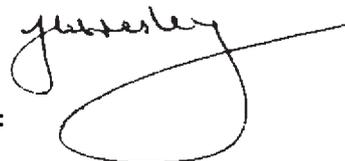
Signed:



Date: 20 September 2013

(Chief Officer – Social Security Department)

Signed:



Date: 20 September 2013

(Minister for Social Security)

The notes on pages 109 to 120 form an integral part of these financial statements

**Cash Flow Statement as at 31 December 2012**

	Notes	2012		2011	
		£000	£000	£000	£000
<b>Operating Activities</b>					
Net cash inflow/(outflow) from operating activities	14		197		(916)
<b>Capital Expenditure and Financial Investments</b>					
Payments to acquire tangible fixed assets	7		(197)		(88)
<b>Net cash outflow from Capital expenditure and Financial Investments</b>			-		(1,004)
<b>Management of Liquid Resources</b>					
Decrease in money held on deposit			-	1,004	
Purchase of Investments		(5,895)		(3,369)	
Sales of Investments		12,026		8,490	
Realised gain on cash deposited		1,059		192	
<b>Net cash outflow from management of liquid resources</b>			<b>7,190</b>		<b>6,317</b>
<b>Increase in cash in the year</b>			<b>7,190</b>		<b>5,313</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>					
Increase in cash in the year			<b>7,190</b>		5,313
Net cash outflow from management of liquid resources			<b>(7,190)</b>		(6,317)
Change in Net Funds			-		(1,004)
Net Funds at 1 January			-		1,004
<b>Net Funds at 31 December</b>			<b>-</b>		<b>-</b>

*The notes on pages 109 to 120 form an integral part of these financial statements*

## Notes to the Financial Statements for the year ended 31 December 2012

### 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.

#### 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% (2% : 2011) 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.

**(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 cost which is deemed to be approximately fair value. Contributions outstanding at 31 December 2012 represent accrued contributions for the last quarter, together with billed contributions due from earlier periods. Benefits paid in 2012 but in respect of periods extending to 2012 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 accounts in respect of obligations arising from past events where the predicted outcome of the event is considered probable and there is a reliable estimate of the amount of the liability.

## 1.9 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	<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 changes in circumstances indicate the carrying value may not be recoverable.

### 1.11 Creditors

Creditors are measured at cost which is deemed to be approximately 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 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 Fund.

In order to meet the 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 longer term strategic aim for the 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.

The Fund is presently within the strategic ranges and will be re-balanced when the assets go outside these ranges.

### 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 Reserve Fund's documented investment strategy and its performance is evaluated on a fair value basis. The 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.

### 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's monitor 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 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.

**(b) 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 trade 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.

**(c) Liquidity Risk**

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

Daily cash flow forecasts are undertaken and any liquidity risk identified as part of this process is addressed by managing the amounts placed on short-term deposit.

**(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. 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 2012, the Fund had no direct employees.

## 6. Primary care funding

During 2012, 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. Tangible Fixed Assets

	Computer development and network £000	Total £000
<b>Cost</b>		
At 1 January 2012	88	<b>88</b>
Additions	197	<b>197</b>
At 31 December 2012	285	<b>285</b>
<b>Accumulated depreciation</b>		
At 1 January 2012	-	-
Charge for the year	-	-
At 31 December 2012	-	-
<b>Net book value</b>		
<b>At 31 December 2012</b>	<b>285</b>	<b>285</b>
At 31 December 2011	88	88

All of the above assets under construction have been charged to the Health Insurance Fund in respect of the General Practitioners integrated computer network and have not been depreciated.

## 8. Debtors

	2012 £000	2011 £000
Related party balance: Social Security Fund	2,940	3,501
<b>Debtors:</b>		
Contributors - individuals and employers	3,794	3,882
Other debtors	26	63
<b>Prepayments and accrued income:</b>		
Contributors - individuals and employers	4,896	4,060
Other prepayments	158	38
	<b>11,814</b>	<b>11,544</b>

As at 31 December, debtors of carrying value £3.8 million (2011: £3.9 million) were past their due date but not impaired. The ageing is shown below:

	2012 £000	2011 £000
Up to 3 months	3,820	3,945
3 to 6 months past due	-	-
6 to 12 months past due	-	-
	<b>3,820</b>	<b>3,945</b>

### BAD DEBT PROVISION

Debtors are shown net of a bad debt provision £13,779 (2011: £13,779), as analysed below:

	2012 £000	2011 £000
Up to 3 months	14	14
3 to 6 months past due	-	-
6 to 12 months past due	-	-
Over 12 months past due	-	-
	<b>14</b>	<b>14</b>

During the year, bad debts of £0 (2011: £22) were written off.

## 9. Creditors: amounts falling due within one year

	2012 £000	2011 £000
<b>Creditors:</b>		
Amounts due to Doctors for Medical Benefit	31	49
Amounts due to Pharmacists for prescriptions	1,496	1,490
Amounts due to NHS Business Services Authority for the cost of prescription processing	44	60
Other creditors	77	147
	<b>1,648</b>	<b>1,746</b>

### MATURITY OF FINANCIAL LIABILITIES:

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

	2012 £000	2011 £000
Up to 3 months	1,648	1,746
	<b>1,648</b>	<b>1,746</b>

## 10. 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 December 2012 £'000
<b>CIF Investments</b>					
United Kingdom Equities	12,995	-	(1,500)	2,075	<b>13,570</b>
Global Equities	15,048	-	(3,895)	2,193	<b>13,346</b>
Global Passive Equity - L&G	-	2,395	(500)	47	<b>1,942</b>
Long Term Corporate Bonds	22,923	-	-	3,438	<b>26,361</b>
Short Term Corporate Bonds	6,078	-	-	466	<b>6,544</b>
	57,044	2,395	(5,895)	8,219	<b>61,763</b>
Long Term Cash	10,766	3,500	(6,131)	187	<b>8,322</b>
	10,766	3,500	(6,131)	187	<b>8,322</b>
<b>Total</b>	<b>67,810</b>	<b>5,895</b>	<b>(12,026)</b>	<b>8,406</b>	<b>70,085</b>

**11. Portfolio Statement as at 31 December 2012**

	<b>Market Value 31 Dec 2012 £000</b>	<b>Percentage of Total Portfolio %</b>	<i>Market Value 31 Dec 2011 £000</i>	<i>Percentage of Total Portfolio %</i>
<b>Common Investment Fund</b>				
UK equities - Majedie	13,570	19.36	12,995	19.16
Global equities - Longview	6,762	9.65	7,589	11.19
Global Equities – Walker Scott	6,584	9.39	7,459	11.00
Global Equities - L&G	1,942	2.77	-	-
Corporate Bond Long Term View	26,361	37.62	22,923	33.81
Corporate Bond Short Term View	6,544	9.34	6,078	8.96
	<b>61,763</b>	<b>88.13</b>	<b>57,044</b>	<b>84.12</b>
<b>Long term Cash Pool</b>	<b>8,322</b>	<b>11.87</b>	<b>10,766</b>	<b>15.88</b>
<b>Portfolio of investments</b>	<b>70,085</b>	<b>100.00</b>	<b>67,810</b>	<b>100.00</b>

**12. Revenue Reserves**

	<b>2012 £000</b>	<i>2011 £000</i>
As at 1 January	<b>77,696</b>	83,053
Retained surplus/(deficit) for the year	<b>2,840</b>	(5,357)
<b>As at 31 December</b>	<b>80,536</b>	77,696

**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:

	2012 £000	2011 £000
States of Jersey	40	83
Jersey Telecom Group Limited	1	14
Jersey Electricity Company Limited	9	8
	<b>50</b>	105

The Health Insurance 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 2012 amounted to: £2.840 million (2011: £1.626 million). At the year end the Health insurance Fund was owed, 2012: £2.940 million (2011: £5.713 million).

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

	2012 £000	2011 £000
States of Jersey Employment Board - Supplies and Services (Staff costs)	602	538

#### RELATED PARTY BALANCES AT THE YEAR END:

	2012 £000	2011 £000
<b>Amounts due to related parties:</b>		
States of Jersey	10	-
Jersey Telecom Group Limited	-	3
Jersey Electricity Company Limited	-	1
	<b>10</b>	4
<b>Amounts due from related parties:</b>		
Social Security Fund	<b>2,940</b>	5,713

## 14. Reconciliation of Surplus/(Deficit) for the Year to Net Cash Flow from Operating Activities

	2012 £000	2011 £000
Surplus/(Deficit) of income over expenditure for the year	2,840	(5,357)
Net Gains on Investments	(7,347)	(1,196)
Purchase of Investments	(5,895)	(3,369)
Sale of Investments	12,026	8,490
Realised Gain on Cash Deposited	(1,059)	(192)
(Increase)/Decrease in debtors	(270)	779
Decrease in creditors	(98)	(71)
	<b>197</b>	<b>(916)</b>

## 15. 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.

## 16. Medical Benefit - Prior Year

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.

## Tax Funded Services and Benefits Financial Statements

The Social Security Department's Tax Funded account are administered by The Treasury and published as part of the States of Jersey Financial Report and Accounts. The three tables below are extracts from this report.

The full financial statements can be found on the States of Jersey website (<http://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=944>)

<b>Net Expenditure – Service Analysis</b>	<i>Page 122</i>
<b>Statement of Comprehensive Net Expenditure</b>	<i>Page 123</i>
<b>Statement of Financial Position</b>	<i>Page 124</i>

***Pages 121 to 127 are not audited as part of the Fund Financial Statements***

## Net Expenditure – Service Analysis for the year ended 31 December 2012

2012 Business Plan		2012 Final Approved Budget			2011 Actual		2012 Actual	
Near Cash £'000	Non- Cash £'000	Total £'000	Near Cash £'000	Non- Cash £'000	Total £'000	Near Cash £'000	Non- Cash £'000	Total £'000
61,150	-	61,150	61,150	-	61,150	61,150	-	61,150
States Contribution to Social Security Fund								
71,955	-	71,955	72,133	-	72,133	66,940	-	71,349
-	-	-	-	-	-	-	-	(2,354)
1,350	-	1,350	1,350	-	1,350	1,430	-	1,530
17,704	-	17,704	17,704	-	17,704	16,613	-	16,694
650	-	650	650	-	650	345	-	562
1,166	-	1,166	1,166	-	1,166	2,004	-	1,060
92,825	-	92,825	93,003	-	93,003	87,332	-	88,841
540	-	540	542	-	542	464	-	495
3,095	-	3,095	6,461	-	6,461	3,475	-	5,367
5,055	-	5,055	5,107	-	5,107	4,601	-	5,451
6,697	-	6,697	7,587	-	7,587	6,420	-	6,531
1,129	-	1,129	1,129	-	1,129	-	-	-
(3,656)	-	(3,656)	(3,656)	-	(3,656)	(3,207)	-	(3,429)
<b>166,835</b>	<b>-</b>	<b>166,835</b>	<b>171,323</b>	<b>-</b>	<b>171,323</b>	<b>164,433</b>	<b>-</b>	<b>164,406</b>
<b>Income Support</b>								
Weekly Benefit								
Medical Benefit Recharge								
Special Payments								
Residential Care								
Winter Fuel								
Transitional Relief								
Income Support								
Health and Safety at Work								
Employment Services								
Other Benefits								
Benefits Administration Costs								
Contingency								
Social Security and Health Funds								
<b>Net Revenue Expenditure</b>								

Statement of Comprehensive Net Expenditure for the year ended 31 December 2012

2012 Business Plan £'000	2012 Final Approved Budget £'000		2011 Actual £'000	2012 Actual £'000
		<b>Revenue</b>		
3,656	3,684	Sales of Goods and Services	3,244	3,476
3,656	3,684	<b>Total Revenue</b>	3,244	3,476
		<b>Expenditure: Near Cash</b>		
159,030	159,307	Social Benefit Payments	157,281	157,762
-	-	Medical Benefit Recharge	-	(2,354)
6,695	9,271	Staff Expenditure	6,879	8,587
777	2,462	Supplies and Services	701	1,057
183	186	Administrative Expenditure	99	197
137	112	Premises and Maintenance	124	140
200	123	Other Operating Expenditure	310	131
2,330	2,330	Grants and Subsidies Payments	2,235	2,285
-	77	Impairments of Financial Assets	32	67
10	10	Finance Costs	16	10
1,129	1,129	Contingency	-	-
170,491	175,007	<b>Total Expenditure: Near Cash</b>	167,677	167,882
166,835	171,323	<b>Net Revenue Expenditure: Near Cash</b>	164,433	164,406
<b>166,835</b>	<b>171,323</b>	<b>Net Revenue Expenditure</b>	<b>164,433</b>	<b>164,406</b>
166,835	171,323	<b>Total Comprehensive Expenditure</b>	164,433	164,406

## Statement of Financial Position for the year ended 31 December 2012

	2010 Actual £'000	2011 Actual £'000	2012 Actual £'000
<b>Current Assets</b>			
Trade and Other receivables	6,290	7,094	8,018
Total Current Assets	6,290	7,094	8,018
<b>Total Assets</b>	<b>6,290</b>	<b>7,094</b>	<b>8,018</b>
<b>Current Liabilities</b>			
Trade and Other Payables	2,285	1,228	989
Total Current Liabilities	2,285	1,228	989
<b>Total Assets Less Current Liabilities</b>	<b>4,005</b>	<b>5,866</b>	<b>7,029</b>
<b>Assets Less Liabilities</b>	<b>4,005</b>	<b>5,866</b>	<b>7,029</b>
<b>Taxpayer's Equity</b>			
Accumulated Revenue Reserves	4,005	5,866	7,029
<b>Total Taxpayer's Equity</b>	<b>4,005</b>	<b>5,866</b>	<b>7,029</b>

## Appendix: Summary of legislation completed or amended in 2012

<b>CIVIL PARTNERSHIP (JERSEY) LAW 2012 (APPOINTED DAY) ACT 2012</b>	Brings the Civil Partnership Law (2012) into force on 2nd April 2012	Made: 20/3/12 In force: 2/04/2012
<b>R&amp;O-048-2012</b>		
<b>COLD WEATHER BONUS (JERSEY) REGULATIONS 2012</b>	Introduces a new bonus paid to local pensioners in time of cold winter weather	Made: 18/1/12 In force: 19/1/12
<b>R&amp;O-009-2012</b>		
<b>EMPLOYMENT (JERSEY) LAW 2003 (AMENDMENT NOS. 5, 6 AND 7) (APPOINTED DAY) ACT 2012</b>	Introduces a right to redundancy pay, obligation to consult with staff representatives and the calculation of accrual of service regard redundancy payments	Made: 20/03/12 In force: Articles vary Immediately or 1st June 2012
<b>R&amp;O-049-2012</b>		
<b>EMPLOYMENT (MINIMUM WAGE) (AMENDMENT NO. 5) (JERSEY) ORDER 2012</b>	Sets the minimum wage for employees and trainees	Made: 23/1/12 In force: 1/4/12
<b>R&amp;O-013-2012</b>		
<b>EMPLOYMENT (MINIMUM WAGE) (AMENDMENT NO. 8) (JERSEY) REGULATIONS 2012</b>	Limits the amount that can be taken into consideration as remuneration when employers provide food/living accommodation	Made: 17/1/12 In force: 1/4/12
<b>R&amp;O-008-2012</b>		
<b>EMPLOYMENT TRIBUNAL (AMENDMENT NO. 3) (JERSEY) REGULATIONS 2012</b>	Increases the number of Deputy Chairs that may be appointed to the Employment Tribunal (up to 5) and removes provision for an Acting Chairman. Aligns annual reporting processes with other bodies.	Made: 10/7/2012 In force: 17/7/2012
<b>R&amp;O-083-2012</b>		
<b>FOOD COSTS BONUS (JERSEY) ORDER 2012</b>	Sets the rate of the Food Cost bonus	Made: 13/7/12 In force: 14/7/12
<b>R&amp;O-085-2012</b>		
<b>HEALTH INSURANCE (MEDICAL BENEFIT) (AMENDMENT NO. 5) (JERSEY) REGULATIONS 2012</b>	Increases Medical Benefits in line with RPI	Made: 26/7/12 In force: 27/7/12
<b>R&amp;O-080-2012</b>		
<b>INCOME SUPPORT (AMENDMENT NO. 8) (JERSEY) REGULATIONS 2012</b>	Sets the rates due on each component and amends eligibility so that each adult on a claim may only have components paid in respect of them if they have achieved the residency test.	Made: 17/6/2012 In force: Regulation 1,3 & 4 in force 1/8/2012; Regulation 2 in force 1/10/2012
<b>R&amp;O-088-2012</b>		

<b>INCOME SUPPORT (GENERAL PROVISIONS) (AMENDMENT NO. 8) (JERSEY) ORDER 2012</b>	Extends the residency test for eligibility for Income Support to include, in certain circumstances, aggregate periods of 10 years as well as a continuous 10 year period.	Made: 16/8/12 In force: 1/9/12
R&O-096-2012		
<b>INCOME SUPPORT (GENERAL PROVISIONS) (AMENDMENT NO. 9) (JERSEY) ORDER 2012</b>	Increases the value of the pension disregard, amends the definition of a household and roles and processes regarding determination and redetermination	Made: 28/9/12 In force: 1/10/12
R&O-113-2012		
<b>INCOME SUPPORT (TRANSITIONAL PROVISIONS) (AMENDMENT NO. 5) (JERSEY) ORDER 2012</b>	Amends Income Support transitional arrangements in respect to a household eligible for attendance allowance in respect of a child, removing the scaled reduction of the top up sum and extending payments from July 2012 until the child reaches school leaving age.	Made: 15/6/12 In force: 1/7/12
R&O-075-2012		
<b>SOCIAL SECURITY (AMENDMENT NO. 20) (JERSEY) LAW 2012 (APPOINTED DAY) ACT 2012</b>	Brings into force amendments to the Social Security Law to introduce insolvency benefit	Made: 10/10/2012 In force: 1/12/12
R&O-116-2012		
<b>SOCIAL SECURITY (AMENDMENT OF LAW NO. 2) (JERSEY) REGULATIONS 2012</b>	Introduces a new social security contribution rate, 2% above the earnings ceiling.	Made: 21/02/2012 In force 28/02/12
R&O-026-2012		
<b>SOCIAL SECURITY (AMENDMENT OF LAW NO. 4) (JERSEY) REGULATIONS 2012</b>	Replaces Invalid Care Allowance with Home Carer's Allowance; makes minor changes to the order in which components are discounted for Insolvency Benefit; changes eligibility for Survivor's Benefit (introducing the requirement to have a dependent child); clarifies eligibility for adoptive parent Grant (claimant may not be a step-parent to the child)	Made : 6/12/12 In force: Parts 1,3 and 4 in force 13/12/2012  Parts 2 and 5 in force 1/1/2013
R&O-141-2012		
<b>SOCIAL SECURITY (CONTRIBUTIONS) (AMENDMENT NO. 11) (JERSEY) ORDER 2012</b>	As part of the new social security contribution rate (2% above the earnings ceiling) this amendment formalises transitional arrangements regarding benefits in kind. For the first half of 2012, benefits in kind will continue to be taken into account in the same way as they were taken into account in 2011	Made: 25/1/12 In force: 26/1/12
R&O-014-2012		
<b>SOCIAL SECURITY (CONTRIBUTIONS) (AMENDMENT NO. 12) (JERSEY) ORDER 2012</b>	Extends the transitional arrangements regarding benefit in kind to the end of 2012	Made: 22/06/12 In force: 23/6/12
R&O-078-2012		

<b>SOCIAL SECURITY (GENERAL BENEFIT) (AMENDMENT NO. 4) (JERSEY) ORDER 2012</b>  <b>R&amp;O-028-2012</b>	As part of legislation changes which introduce the new 2% contribution rate, relocates the rule which governs the calculation of life average contribution factor to the Social Security (Jersey) Law, 1974, via the Draft Social Security (Amendment of Law No.2) (Jersey) Regulations, thus the existing rule is removed from the Social Security (General Benefit) Order, 1975.	Made: 22/02/12 In force: 28/2/12
<b>SOCIAL SECURITY (INSOLVENCY BENEFIT) (JERSEY) ORDER 2012</b>  <b>R&amp;O-123-2012</b>	Brings into force a new Insolvency Benefit (replacing the temporary scheme of 2009)	Made: 5/11/12 In force: 1/12/12

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