

# Bridgend Local Health Board

## FOREWORD

These accounts have been prepared by the Local Health Board under schedule 9 section 178 Para 3(1) of the National Health Service (Wales) Act 2006 (c.42) in the form in which the Welsh Ministers have, with the approval of the Treasury, directed.

## Statutory background

The Local Health Board was one of 22 which came into existence on 1st April 2003. As a statutory body governed by Acts of Parliament the LHB is responsible for :

- agreeing the action which is necessary to improve the health and health care of the population of 128,645
- supporting and financing General Practitioner-led purchasing of the services needed to meet agreed priorities, including charter standards and guarantees;
- supporting and funding the contractor professions;
- the commissioning of health promotion, emergency planning and other regulatory tasks;
- the stewardship of resources including the financial management and monitoring of performance in critical areas;
- eliciting and responding to the views of local people and organisations and changing and developing services at a pace and in ways that they will accept.

## Performance Management and Financial Results

Local Health Boards in Wales must comply fully with the Treasury's Financial Reporting Manual to the extent that it is applicable to them. As a result the Primary Statement of in-year income and expenditure is the Operating Cost Statement, which shows the net operating cost incurred by the LHB which is funded by the Assembly. This funding is allocated on receipt directly to the General Fund in the Balance Sheet.

The statutory duty for Local Health Boards is enacted in the 2002 NHS Reform and Health Care Professionals Act. Net Operating Costs incurred by Local Health Boards should not exceed their allocated Resource Limit.

The primary performance measure for Local Health Boards is note 2.1 Achievement of Operational Financial Balance on page 16. This note compares net operating costs expended against Resource Limits allocated by the Assembly and measures whether operational financial balance has been achieved in year.

## OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Note	Total £000	2007-08 Total £000
Expenditure	4.1,4.2,4.3, 4.4	<b>208,335</b>	196,851
Miscellaneous income	3.1	<b>4,006</b>	2,906
<b>Net operating costs</b>		<b><u>204,329</u></b>	<b><u>193,945</u></b>

## STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2009

	£000	£000
Unrealised surplus on revaluation / indexations of fixed assets	<b>0</b>	<b>0</b>
Net increases / reductions in General Fund due to transfers of assets	<b>0</b>	<b>0</b>
Fixed asset impairment losses	<b>0</b>	<b>0</b>
<b>Recognised gain / (loss) for the year</b>	<b><u>0</u></b>	<b><u>0</u></b>

**BALANCE SHEET AS AT 31 MARCH 2009**

	Note	£000	31 March 2008 £000
<b>TOTAL FIXED ASSETS</b>			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	0	0
<b>CURRENT ASSETS</b>			
Debtors	6.1	743	984
Cash at bank and in hand		41	498
<b>Total Current Assets</b>		<b>784</b>	<b>1,482</b>
Creditors: amounts falling due within one year	6.2	14,287	12,800
<b>Net current assets / (liabilities)</b>		<b>(13,503)</b>	<b>(11,318)</b>
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	1,428	744
<b>TOTAL NET ASSETS</b>		<b>(14,931)</b>	<b>(12,062)</b>
<b>FINANCED BY:</b>			
General fund	6.5	(14,931)	(12,062)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	0
<b>TOTAL</b>		<b>(14,931)</b>	<b>(12,062)</b>

Signed for and on behalf of the Board

Director of Finance ..... Chief Executive .....

Date ..... Date.....

Adopted by the Board on.....

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009**

	£000	2007-08 £000
<b>Net operating costs</b>	<b>(204,329)</b>	(193,945)
Adjust for non-cash transactions	272	(54)
Adjust for movements in working capital other than cash	1,728	(34)
Utilisation of provisions	(62)	(69)
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(202,391)</b>	<b>(194,102)</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:</b>		
Payments to acquire fixed assets	0	0
Receipts from the sale of fixed assets	0	0
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) from investing activities</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) before financing</b>	<b>(202,391)</b>	<b>(194,102)</b>
<b>FINANCING:</b>		
Net Assembly funding (including capital)	201,934	194,509
Surrender of income from sale of fixed assets	0	0
Donations	0	0
Capital element of finance lease rental payments	0	0
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<b>Net cash inflow / (outflow) from financing</b>	<b>201,934</b>	<b>194,509</b>
	<hr/>	<hr/>
<b>Increase / (decrease) in cash</b>	<b>(457)</b>	<b>407</b>

**Notes to the cash flow statement**

**Adjust for non-cash transactions**

	£000	2007-08 £000
Depreciation and other write-offs	0	0
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	746	370
Capital charge interest	(474)	(424)
	<u>272</u>	<u>(54)</u>

**Adjust for movements in working capital other than cash**

	£000	2007-08 £000
(Increase)/decrease in debtors	241	313
Increase/(decrease) in creditors	1,487	(347)
	<u>1,728</u>	<u>(34)</u>

**Reconciliation of net cash flow to movement in net debt**

	£000
Increase/(decrease) in cash in the period	(457)
Cash outflow from debt repaid and finance lease capital payments	<u>0</u>
Change in net debt resulting from cash flows	(457)
Non cash changes in debt	0
<b>Net debt at 1 April 2008</b>	<u>498</u>
<b>Net debt at 31 March 2009</b>	<u>41</u>

**Analysis of changes in net debt**

	As at 1 April 2008	Cash flows	Other changes	As at 31 March 2009
	£000	£000	£000	£000
Cash at bank and in hand	498	(457)	0	41
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
	<u>498</u>	<u>(457)</u>	<u>0</u>	<u>41</u>
<b>Total</b>	<u>498</u>	<u>(457)</u>	<u>0</u>	<u>41</u>

**Amount held in Office of Paymaster General bank accounts as at 31 March 2009 was £40,580.10**

**Analysis of capital expenditure, financial investments and associated receipts**

	Capital		Loans		Net Total
	Additions £'000	Disposals £'000	Issues £'000	Repayments £'000	£'000
Total cash payment and receipts	0	0	0	0	0

**Reconciliation of loan issues and repayments to cash movements**

	Issues £'000	2008-09 Repayments £'000	Net Movement £'000
Total issues and repayments (per creditors note 6.3)	0	0	0
Accrued movement in loan capital	0	0	0
Non-cash adjustments	0	0	0
<b>Total financial investment and associated receipts</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Reconciliation of fixed assets and disposals**

	Additions £'000	2008-09 Disposals £'000	Net Movement £'000
Total assets and disposals (per fixed assets note 5.1 5.2)	0	0	0
Accrued movement in fixed asset additions	0	0	0
Non-cash adjustments	0	0	0
<b>Total cash movement on asset additions and disposals</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Notes to the Account

### 1. Accounting Policies

1.1 The financial statements have been prepared in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury to the extent that the Welsh Assembly Government has directed as being appropriate to LHB's. The particular accounting policies adopted by the Local Health Board (LHB) are described below. They have been applied in dealing with items considered material in relation to the accounts.

These accounts have been prepared under the historical cost convention, modified by the application of current cost principles to tangible fixed assets, and in accordance with directions issued by the Welsh Assembly Government and approved by Treasury.

LHB's are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

### Acquisitions and Discontinued Operations

Activities are considered to be "acquired" and disclosed as such, only if they are acquired from outside the public sector. Activities are considered to be "discontinued" and disclosed as such, only if they cease entirely or are transferred outside the public sector.

### 1.2 Income and funding

The main source of funding for the LHB is resource allocations from the Welsh Assembly Government within an approved cash limit, which is credited to the general fund when the associated cash is received. Income disclosed in the Operating Cost Statement reflects only the amounts other than Welsh Assembly Government Funding.

Miscellaneous income is income which relates directly to the operating activities of the LHB. It comprises principally of fees and charges for services provided on a full cost basis to external customers, and also includes prescription income from FP10 recharges to Trusts and dental patient income as per the Dental Contract. It includes both income appropriated-in-aid of the Vote and income to the consolidated fund which HM Treasury has agreed should be treated as operating income.

Income is accounted for by applying the accruals convention. Income is recognised in the period in which services are provided.

### 1.3 Taxation

The LHB is not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading or capitalised if it relates to an asset.

### 1.4 Intangible fixed assets

Intangible assets which can be valued, are capable of being used in a LHB's activities for more than one year and have a cost equal to or greater than £5,000.

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis, except capitalised Research and Development which is carried at historic cost. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives.

## 1.5 Tangible fixed assets

### a. Capitalisation

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

- individually have a cost equal to or greater than £5,000; or
- collectively have a cost equal to or greater than £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates and are anticipated to have simultaneous disposal dates; and are under single managerial control; or
- form part of the initial setting - up cost of a new building, irrespective of their individual or collective cost.
- form part of an IT network which collectively has a cost more than £5,000 and individually have a cost of more than £250.

### b. Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at costs (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

### Land and Buildings

Land and buildings are restated at current cost using professional valuations every five years and appropriate indices in intervening years. The buildings indexation is based on the All in Tender Price Index published by the Building Cost Information Service (BICS). The land index is based on the residential building and land values reported in the Property Market Report published by the Valuation Office. Valuations are carried out by the District Valuers of the Inland Revenue Government Department at five - yearly intervals. A five - yearly revaluation was carried out as at 1 April 2007.

The valuations have been carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non - specialised operational property.

In respect of non - operational properties, including surplus land, the valuations have been carried out at Open Market Value. The value of land for existing use purposes is assessed to Existing Use Value. Land and buildings held under finance leases are capitalised at inception at the fair value of the asset but may be subsequently revalued by the District Valuer. The valuations do not include notional directly attributable acquisition costs nor have selling costs been deducted, since they are regarded as not material.

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses where there is a credit balance for that impaired asset in the revaluation reserve, otherwise ordinarily they will be charged to the Operating Cost Statement. Falls may occur in value when newly constructed assets are charged to the revaluation reserve even when there is no credit balance.

### Equipment

Operational equipment is carried at current value. Where assets are of low value, and/or have short useful economic lives, these are carried at depreciated historic cost as a proxy for current value. Equipment surplus to requirements is valued at net recoverable amount and assets held under finance leases are capitalised at the fair value of the assets. With those exceptions, equipment is valued at Depreciated Replacement Cost.



### **Assets in the course of construction**

Assets in the course of construction are valued at current cost as for land and buildings. These assets include any existing land or buildings under the control of a contractor.

### **c. Depreciation, amortisation and impairments**

Depreciation is charged on a straight - line basis on each main class of fixed asset as follows:

Freehold land and land and buildings surplus to requirements are not depreciated. Assets in the course of construction and residual interests in off - balance sheet Private Finance Initiative contract assets are not depreciated until the asset is brought into use or reverts to the LHB, respectively.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer.

Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life of the asset.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives.

### **1.6 Donated assets**

Donated tangible fixed assets are capitalised at their valuation on receipt and are valued and depreciated as described above for purchased assets.

The value of donated tangible fixed assets and the donated element of part - donated assets are reflected in a donated asset reserve. This reserve is credited with the value of the original donation and any subsequent revaluation and indexation; an amount equal to the depreciation charge is released from this reserve each year to the Operating Cost Statement.

### **1.7 Research and development**

Research and development expenditure is charged to the Operating Cost Statement in the year in which it is incurred, except insofar as it is separately identifiable development expenditure relating to a clearly defined project and benefits therefrom can reasonably be regarded as assured.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over the period expected to benefit from the project.

## 1.8 Pension Costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). The Scheme is an unfunded, defined benefit scheme that covers NHS employers. General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme; the cost to the NHS Body of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

### a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay.

On advice from the Scheme Actuary, scheme contributions may be varied from time to time to reflect changes in the schemes liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

### b) FRS17 Accounting Valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can be obtained from The Stationery Office.

### **Scheme provisions as at 31 March 2008**

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the operating cost statement at the time the LHB commits itself to the retirement, regardless of the method of payment.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

### **Scheme provisions from 1 April 2008**

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Further details of these changes can be found on the NHS Pensions website [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions).

Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at [www.nhs.gov.uk](http://www.nhs.gov.uk). Copies can also be obtained from the Stationary Office.

The conclusion from the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions are set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

### **1.9 Foreign currency**

Transactions in foreign currencies are translated into sterling at the rates of exchange current at the dates of the transactions. Resulting exchange gains and losses are taken to the Operating Cost Statement.

### **1.10 Cost of Capital**

The cost of capital applies to all the assets and liabilities of the LHB, less cash balances held at the OPG and donated assets. The interest rate applied to capital charges in the 2008-09 financial year was 3.5%.

### **1.11 Provisions**

The LHB provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms. Provisions are only recognised where the amount of economic benefit is probable, and the amount of the transfer can reasonably be estimated.

### **1.12 Liquid resources**

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. The LHB does not hold any investments with maturity dates exceeding one year from the date of purchase.

### **1.13 Leases**

Where substantially all the risks and rewards of ownership of a leased asset are borne by the LHB, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the OCS over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the OCS on a straight line basis.

### **1.14 Contingent Assets & liabilities**

- a possible obligation arising from past events whose existence will be confirmed by the occurrence of future events not wholly within the LHB's control;
  - a present obligation arising from past events for which it is not probable that a transfer of economic benefits will be required to settle the obligation; or
  - a present obligation where the amount of the obligation cannot be measured with sufficient accuracy.
- Contingent liabilities are not disclosed where the probability of them becoming liabilities is considered to be remote.

Contingent assets are disclosed where a possible asset exists as a result of past events whose existence will be confirmed only by the occurrence of one or more uncertain future events met wholly within the LHB's control. Contingent assets are disclosed only where the future outflow of economic benefit is considered to be probable.

### **1.15 Deferred Income**

Deferred income is recognised where income has been received with an obligation to use the monies for a specific purpose, but these monies have not yet been spent. Only third party income between non-government bodies may be recognised.

### **1.16 Expenditure**

Interest payable arises from the unwinding of discount on provisions, as the value is restated to reflect the present value of the provision at the closing balance sheet date. Interest payable also arises on bank overdrafts and finance leases and is recognised on the accruals basis. Interest payable is not shown separately on the face of the Operating Cost Statement, but is included within expenditure.

Certain expenditure relating to reimbursement of General Practitioners for the provision of Family Health Services is defined by the National Assembly as "non-discretionary" and is deducted from net operating costs for the purposes of assessing outturn against revenue resource limit in note 2.1.

Programme expenditure is defined as costs relating directly to the provision of healthcare, social care and other services relating to the LHB's functions provided directly to the public. All other expenditure is classified as administration expenditure.

## **1.17 Financial Instruments**

### **Financial Assets**

Financial assets are recognised on the balance sheet when the LHB becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets at fair value through profit and loss; held to maturity investments; available for sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### **Financial assets at fair value through profit and loss**

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss incorporates any interest earned on the financial asset.

#### **Held to maturity investments**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

#### **Available for sale financial assets**

Available for sale financial assets are non-derivative assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the income statement on de-recognition.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset. At the balance sheet date, the LHB assesses whether any financial assets, other than those held at fair value through profit and loss are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the income statement and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## **Financial Liabilities**

Financial liabilities are recognised on the balance sheet when the LHB becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities.

### **Financial liabilities at fair value through profit and loss**

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at value, with any resultant gain or loss recognised in the income statement. The net gain or loss incorporates any interest earned on the financial asset.

### **Other financial liabilities**

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

## 2.1 Achievement of Operational Financial Balance

	2007-08	
	£000	£000
Net operating costs for the financial year	204,329	193,945
Non-discretionary expenditure	(149)	(218)
Operating costs less non-discretionary expenditure	<u>204,478</u>	<u>194,163</u>
Revenue Resource Limit	204,487	194,175
<b>Under / (over) spend against Revenue Resource Limit</b>	<b>9</b>	<b>12</b>
Unplanned resource brokerage received	<u>0</u>	<u>0</u>
<b>Operational Financial Balance</b>	<b><u>9</u></b>	<b><u>12</u></b>

**Disclose details of any resource brokerage and / or cash brokerage brought and carried forward.**

### 2008-09 Carry Forward

The Welsh Assembly Government announced that it was making available £37.5m of resource funding to health communities for use on the development of new service models to meet need and tackle the problems with current Continuing Health Care arrangements. The Bridgend LHB share of this funding was £1.586m. Only part of this funding was committed in 2008-09 and £0.500m was returned to the Assembly which will need to be repaid in resource and cash to Bridgend LHB in 2009-10.

### 2008-09 Brought Forward

The Welsh Assembly announced on 20th March 2008 that it was making available £24m of resource funding to LHBs in recognition of the continuing care cost pressures experienced in 2007-08. The Bridgend LHB share of this funding was £1.110 million. The LHB was directed by the Assembly to pass this to Swansea LHB to support their financial position in 2007-08. In 2008-09 the Assembly repaid the funds in resource and cash to Bridgend LHB.



### 3.1 Miscellaneous income

	£000	2007-08 £000
Fees & Charges	1,744	853
Prescription charge income	457	384
Dental fee income	1,658	1,544
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Rental income from finance leases	0	0
Rental income from operating leases	0	0
Other	147	125
	<hr/>	<hr/>
<b>Total</b>	<b>4,006</b>	<b>2,906</b>
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**Expenditure:****4.1 Primary health care**

	Cash limited	Non cash limited	Total	2007-08 Total
	£000	£000	£000	£000
General Medical services	19,065	0	19,065	18,481
Pharmaceutical services	6,790	0	6,790	5,359
General Dental services	8,441	0	8,441	7,711
General Ophthalmic services	0	1,471	1,471	1,414
Other Primary health care expenditure	1,500	(1,620)	(120)	(603)
Prescribed drugs and appliances	27,963	0	27,963	27,763
<b>Total</b>	<b>63,759</b>	<b>(149)</b>	<b>63,610</b>	<b>60,125</b>

**4.2 Secondary and Community health care**

	Total	2007-08 Total
	£000	£000
<b>NHS Trusts:</b>		
Provider 1 - Abertawe Bro Morgannwg University	119,379	114,623
Provider 2 - Cardiff & Vale	4,638	3,909
Provider 3 - Cwm Taf	2,576	2,591
Provider 4 - Velindre	2,419	2,350
Provider 5 - United Bristol	138	64
Provider 6 - Hywel Dda	116	108
Provider 7 - Gwent	66	79
Provider 8 - Powys	10	16
Provider 9 - Welsh Ambulance Service	6	0
Provider 10 - n/a	0	0
Other Welsh NHS trusts	109	45
Other non Welsh NHS trusts	474	398
Local Authorities	1,095	964
Voluntary Organisations	650	580
NHS Funded Nursing Care	1,414	1,410
Continuing Care	6,424	5,054
Private providers	495	44
Specific projects funded by Welsh Assembly Government	591	740
Other	534	240
<b>Total</b>	<b>141,134</b>	<b>133,215</b>

Local Authority Expenditure £1.095m - all relates to Section 28a/Section 33 agreements between Bridgend County Borough Council and Bridgend Local Health Board

For the restatement of the 2007-08 figures the reader should note that the following organisations have merged from 1st April 2008:

- Bro Morgannwg NHS Trust & Swansea NHS Trust merged to form Abertawe Bro Morgannwg University NHS Trust
- Pontypridd & Rhondda NHS Trust and North Glamorgan NHS Trust merged to form Cwm Taf NHS Trust
- Pembroke & Derwen NHS Trust, Carmarthen NHS Trust and Ceredigion NHS Trust merged to form Hywel Dda NHS Trust

**4.3 Other programme expenditure**

	£000	2007-08 £000
Salaries and wages	774	707
National Public Health Service	819	801
Losses, special payments and irrecoverable debts	0	0
Research and development	0	0
Other	64	33
	<hr/>	<hr/>
<b>Total</b>	<b>1,657</b>	<b>1,541</b>

**4.4 Administration expenditure**

	£000	2007-08 £000
Non-officer members' remuneration	86	104
Other salaries and wages	1,035	946
Consultancy services	0	0
Establishment expenses	109	126
Transport and moveable plant	0	0
Premises and fixed plant	180	177
External contractors	5	0
Auditors' remuneration - audit fee	94	83
Auditors' remuneration - other fees	0	0
Business Services Centre recharge	905	911
Interest payable - unwinding of discount	0	0
Interest payable - other	0	0
Capital - Depreciation	0	0
Amortisation	0	0
Capital charge interest	(474)	(424)
Impairments and reversals (property, plant, equipment)	0	0
Impairments and reversals (intangible assets)	0	0
Impairments and reversals of financial assets (by class)	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	(6)	47
	<hr/>	<hr/>
<b>Total</b>	<b>1,934</b>	<b>1,970</b>

**Explanatory Note - Audit Fees:**

Included within the BSC recharge value of £905,000 is additional audit fees for the work undertaken by the WAO on behalf of the LHB Auditors. In 2008-09 this fee was £16,267.

**4.5 Losses, special payments and irrecoverable debts:  
charges to operating expenses**

	<b>Total</b>	<b>2007-08 Total</b>
	<b>£000</b>	<b>£000</b>
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	0	0
Defence legal fees and other administrative costs	0	0
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	0	0
Contributions to Welsh Risk Pool/insurance premiums	0	0
Irrecoverable debts	0	0
Less: income received/due from Welsh Risk Pool	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>

Personal injury includes £ nil in respect of permanent injury benefits

**4.6 Hire and operating lease rentals**

	£000	2007-08 £000
Hire of plant and machinery	3	2
Other operating leases	81	74
<b>Total</b>	<b>84</b>	<b>76</b>

**Commitments under non-cancellable operating leases:**

	Land and Buildings	Other Leases	2007-08 Land and Buildings	2007-08 Other Leases
	£000	£000	£000	£000
<b>Operating leases which expire:</b>				
Within 1 year	82	0	10	1
Between 1 and 5 years	0	7	0	0
After 5 years	0	0	0	0

**4.7 Executive Directors and staff costs**

	Total	2007-08 Total
	£000	£000
Salaries and wages	1,447	1,325
Social security costs	126	111
Employer contributions to NHSPA	216	198
Other pension costs	0	0
Agency / seconded staff	20	19
<b>Total</b>	<b>1,809</b>	<b>1,653</b>

**Reconciliation of Note 4.3 and 4.4 to Note 4.7**

£ '000

Salaries & Wages Note 4.3	774
Other Salaries & Wages Note 4.4	1,035
Total Note 4.3 (Salaries & Wages) and Note 4.4 (Other Salaries & Wages)	1,809
<b>Total Note 4.7</b>	<b>1,809</b>

**Explanation Note 4.6**

The current agreement contains a breakout clause at 31st December 2009. If the LHB opts to end the agreement at this point they will incur a £0.017m penalty, which has been incorporated into the £0.082m figure above.

#### 4.8 Board Directors' remuneration

	£000	2007-08 £000
Non-officer members' remuneration	83	100
Executive Directors' remuneration:		
basic salaries	289	312
benefits	4	3
performance related bonuses	0	0
pension contributions	40	42
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
<b>Total</b>	<b>416</b>	<b>457</b>

	Chairman £000	Chief Executive £000
Basic Salary	20	54
Benefits	0	3
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	0	8
<b>Total</b>	<b>20</b>	<b>65</b>

#### Remuneration waived by directors and allowances paid in lieu:

	Number	£000
Directors' remuneration waived	0	0
Allowances paid in lieu of remuneration	0	0

#### The basis on which performance related bonuses are calculated is as follows:

Bridgend Local Health Board did not operate a performance related pay scheme in 2008-09

#### Chief Executive Additional Information

For 2007-08 the Chief Executive covered Neath Port Talbot (NPT) LHB and Bridgend LHB from 1st April 2007 to 31st March 2008 and the salary was split 50:50. In 2008-09 the Chief Executive covered NPT LHB and Bridgend LHB from 1st April 2008 to 31st March 2009 but from 1st January 2009 was also the Chief Executive of Swansea LHB. From 1st January 2009 the salary was split 33:33:33 until the end of the financial year and from this point the salary was increased by £27,000 p.a. The Chief Executive was paid £14,200 extra for his role as Transition Director w.e.f. 1st December 2008. This extra charge was split equally between Swansea, Bridgend and NPT LHBs.

#### Chairman Additional Information

The Chairman covered NPT LHB and Bridgend LHB from 1st April 2008 to 31st March 2009 and the salary was split 50:50. This is a change from 2007-08.

## 4.9 Average number of employees

The average number of employees during the year was:

	Permanent staff Number	Agency, temporary and contract staff Number	Staff on inward secondment Number	Total Number	2007-08 Number
Executive Board Members	4	0	0	4	4
Other Local Health Board Staff	38	1	1	40	39
Recharged staff	1	0	0	1	3
<b>Total</b>	<b>43</b>	<b>1</b>	<b>1</b>	<b>45</b>	<b>46</b>

The average number of employees is calculated as the total number of employees under contract of service in each week in the financial year divided by the number of weeks in the financial year.

## Expenditure on staff benefits

	£	£
<b>Nature of expenditure:</b>		
a. Benefit In Kind of Chief Executive Lease Car as per Note 4.8	3	2
b. ....	0	0
c. ....	0	0
d. ....	0	0
<b>Total</b>	<b>3</b>	<b>2</b>

#### 4.10 Retirements due to ill-health

During 2008-09 there were no early retirements from the LHB agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £ nil.

#### 4.11 Public Sector Payment Policy - Measure of Compliance

The Welsh Assembly Government requires LHB's to pay non-NHS trade creditors in accordance with the CBI prompt payment code and Government Accounting rules. The target is to pay all trade creditors within 30 days of receipt of goods or a valid invoice (whichever is the later) unless other payment terms have been agreed with the supplier.

	Number	£000	2007-08 £000
<b>Non- NHS</b>			
Total bills paid 2008-2009	62,450	20,602	18,754
Total bills paid within target	62,388	20,466	18,605
Percentage of bills paid within target	99.9%	99.3%	99.2%

In addition, the Welsh Assembly Government requires LHB's to pay other NHS bodies in accordance with Government Accounting rules. The target is to pay all other NHS bodies within 30 days of receipt of goods or a valid invoice by the authority (whichever is the later) unless other payment terms have been agreed with the NHS body.

	Number	£000	2007-08 £000
<b>NHS</b>			
Total bills paid 2008-2009	689	131,074	128,438
Total bills paid within target	680	131,066	128,426
Percentage of bills paid within target	98.7%	100.0%	100.0%

	Number	£000	2007-08 £000
<b>Total</b>			
Total bills paid 2008-2009	63,139	151,676	147,192
Total bills paid within target	63,068	151,533	147,031
Percentage of bills paid within target	99.9%	99.9%	99.9%

#### 4.12 The Late Payment of Commercial Debts (Interest ) Act 1998

	£	2007-08 £
Amounts included within Interest Payable arising from claims made by small businesses under this legislation (see note 4.4).	0	0
Compensation payable to cover debt recovery costs	0	0



## 5.1 Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
<b>Gross cost at 1 April 2008</b>	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Gross replacement cost at 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Accumulated amortisation at 1 April 2008</b>	0	0	0	0	0
Provided during the year	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Accumulated amortisation at 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 1 April 2008</b>	0	0	0	0	0
<b>Net book value at 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Tangible fixed assets****5.2 Tangible assets at the balance sheet date:**

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
At 1 April 2008	0	0	0	0	0	0	0	0	0
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
<b>At 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Depreciation</b>									
At 1 April 2008	0	0	0	0	0	0	0	0	0
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Provided during the year	0	0	0	0	0	0	0	0	0
<b>At 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value</b>									
<b>at 1 April 2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value</b>									
<b>at 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value of assets held under finance leases and hire purchase contracts</b>									
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:</b>									
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Value of assets held at open market value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Tangible Fixed Assets (continued)

The net book value of land and buildings at 31 March 2009 comprises:

	£000	2007-08 £000
Freehold	0	0
Long leasehold	0	0
Short leasehold	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>

## Net profit/(loss) on disposal of fixed assets

	£000	2007-08 £000
During the year the LHB disposed of fixed assets with the net book value of,	0	0
The gross proceeds from the sale(s) were	0	0
giving a net profit/(loss) on disposal of	<hr/> 0	<hr/> 0
The LHB paid over to the Welsh Assembly Government the net proceeds from disposal of and retained the costs of disposal, met of,	0	0
	0	0

## 6.1 Debtors

	£000	2007-08 £000
<b>Amounts falling due within one year:</b>		
Welsh Assembly Government	85	5
Health Commission Wales	0	0
Local Health Boards	28	25
Primary Care Trusts	0	0
NHS Trusts	183	134
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	425	804
Provision for irrecoverable debts	(1)	(2)
Pension Prepayments:	0	0
Other prepayments and accrued income	23	18
	<hr/>	<hr/>
<b>Sub total</b>	<b>743</b>	<b>984</b>
	<hr/>	<hr/>
<b>Amounts falling due after more than one year:</b>		
Welsh Assembly Government	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
	<hr/>	<hr/>
<b>Sub total</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Total</b>	<b>743</b>	<b>984</b>
	<hr/>	<hr/>
Provision for irrecoverable debts (impairment of receivables):		
Balances at 1 April	2	66
Provided in year	0	2
Written-off in year	0	-5
Recovered during year	-1	-61
Balance at 31 March	<hr/> 1	<hr/> 2
	<hr/>	<hr/>
Debtors past due date but not impaired:		
Up to 3 months	743	984
3 to 6 months	0	0
More than 6 months	1	2
<b>Total</b>	<hr/> 744	<hr/> 986

**6.2 Creditors**

<b>Amounts falling due within one year:</b>	<b>2007-08</b>	
	<b>£000</b>	<b>£000</b>
Welsh Assembly Government	19	0
Health Commission Wales	0	17
Local Health Boards	197	151
NHS Trusts	1,977	1,203
Primary Care Trusts	0	0
Income tax and social security	43	45
VAT	0	0
Non-NHS creditors	11,469	11,082
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and HP contracts	0	0
GPFH savings	0	0
Pensions: staff	27	26
Accruals	555	276
Deferred Income	0	0
Other creditors	0	0
<b>Total</b>	<b>14,287</b>	<b>12,800</b>

**6.3 Creditors**

<b>Amounts falling due after more than one year:</b>	<b>2007-08</b>	
	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
Obligations under finance leases and HP contracts	0	0
NHS creditors	0	0
Assembly loans	0	0
Pensions: staff	0	0
Other	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**6.4 Provisions for liabilities and charges**

	At 1 April 2008	Structured settlement cases trans- ferred to WRP	Transfer of prov- isions to creditors	Arising during the year	Reversed unused	Utilised during the year	Unwind- ing of discount	At 31 March 2009
	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0
Defence legal fees and other administration costs.	0	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Pensions	0			0	0	0	0	0
Other	744			942	(196)	(62)		1,428
<b>Total</b>	<b>744</b>	<b>0</b>	<b>0</b>	<b>942</b>	<b>(196)</b>	<b>(62)</b>	<b>0</b>	<b>1,428</b>

**Expected timing of cash flows:**

	Within 1 year £000	Between 2 and 5 years £000	After 5 years £000	Total £000
Clinical negligence	0	0	0	0
Personal injury	0	0	0	0
All other losses and special payments	0	0	0	0
Defence legal fees and other administration costs	0	0	0	0
Pensions	0	0	0	0
Other	1,428	0	0	1,428
<b>Total</b>	<b>1,428</b>	<b>0</b>	<b>0</b>	<b>1,428</b>

The LHB estimates that in 2009-10 it will receive £nil , and in 2010-11 and beyond £nil from the Welsh Risk Pool in respect of losses and special payments.

The provisions are in respect of two areas:

**1. Continuing NHS Healthcare**

These are claims made retrospectively in respect of Continuing NHS Healthcare status and will be subject to an independent review panel assessment process.

The timing of any resulting transfers of economic benefit will be dependent on the establishment of independent review panels.

**2. Agenda for Change**

Under the new terms of conditions for NHS Staff, effective from October 2004, all job descriptions have been reviewed and allocated an appropriate banding, which will prescribe the pay scale for staff. As these changes are effective from October 2004 the LHB is liable for any resulting pay arrears.

In 2008/09 the LHB utilised £0.022m of the provision as staff were assimilated and notified of their banding outcomes. However there still remains a small number of staff within the LHB for whom their banding has yet to be finalised or any pay arrears made. However it is anticipated that a significant number of these outstanding issues will be resolved within the 2009/10 Financial Year.

**3. Second Offer Costs**

The Welsh Assembly Government targets at 31st March 2009 were 10 weeks for out patient and 14 weeks for daycases and in patient as per WHC (2007) 086. At March 2009 the LHB identified a number of patients who were may breach these targets and would then be subject to treatment under the Second Offer Scheme. Based on the number of patients identified by daycase/in patient, out patient and speciality a provision was included within the Annual Accounts. However the timing of any funding transfer would be dependent on the take up of the scheme by patients and the actual cost per patient.

## 6.5 General fund

The movement on the General fund in the year comprised:

	£000
<b>At 1 April 2008</b>	<b>(12,062)</b>
Net operating cost for the financial year	<b>(204,329)</b>
Net Assembly funding (including capital)	<b>201,934</b>
Capital charge interest	<b>(474)</b>
Transfers to NHS bodies	<b>0</b>
Transfer to general fund of realised elements of the revaluation reserve	<b>0</b>
	<hr/>
<b>Balance at 31 March 2009</b>	<b><u>(14,931)</u></b>

## 6.6 Donated asset reserve

The movement on the donated asset reserve in the year comprised:

	£000
<b>Balance at 1 April 2008</b>	<b>0</b>
Additions	<b>0</b>
Impairments	<b>0</b>
Revaluation and indexation	<b>0</b>
Disposals and write-offs	<b>0</b>
Depreciation	<b>0</b>
	<hr/>
<b>Balance at 31 March 2009</b>	<b><u>0</u></b>

## 6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
<b>Balance at 1 April 2008</b>	<b>0</b>
Revaluation	<b>0</b>
Indexation	<b>0</b>
Transfer to general fund - realised revaluation	<b>0</b>
	<hr/>
<b>Balance at 31 March 2009</b>	<b><u>0</u></b>

**6.8 Contingent liabilities -**

The following contingent losses/gains have not been included in the accounts

Nature:	£000	2007-08 £000
	Legal claims for third parties liabilities	0
Doubtful debts	0	0
Other	0	133
<b>Total</b>	<b>0</b>	<b>133</b>

**Uncertainties affecting outcome:**

The value of £133,000 included within the 2007-08 accounts relate to claims made retrospectively in respect of Continuing NHS Healthcare status and would have been subject to an independent review panel assess. For 2008-09 all retrospective claims have been included within note 6.4.

**6.9 Intra Government balances**

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	93	0	88	0
Balances with local authorities	0	0	444	0
Balances with NHS trusts and Foundation trusts	183	0	1,977	0
Balances with Local Health Boards	28	0	197	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	439	0	11,581	0
<b>Total at 31 March 2009</b>	<b>743</b>	<b>0</b>	<b>14,287</b>	<b>0</b>
Balances with other central government bodies	9	0	88	0
Balances with local authorities	0	0	664	0
Balances with NHS trusts and Foundation trusts	134	0	1,203	0
Balances with Local Health Boards	25	0	151	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	816	0	10,694	0
<b>Total at 31 March 2008</b>	<b>984</b>	<b>0</b>	<b>12,800</b>	<b>0</b>



### 6.10 Post balance sheet events

Post balance sheet events having a material effect on the accounts are:

1.	.....		
	.....		0
2.	.....		
	.....		0
<b>Total</b>			0

### 6.11 Capital commitments

The Local Health Board has the following capital commitments:

		2007-08	
Contracted	0	0	0
Authorised but not contracted	0	0	0
<b>Total</b>		0	0

**6.12 Related Party transactions****£000**

Total value of transactions with Board members and key senior staff in 2008-2009

**0**

Bridgend Local Health Board is a body corporate established by order of the National Assembly.

The Assembly is regarded as a related party. During the year Bridgend Local Health Board has had a significant number of material transactions with the Assembly and with other entities for which the Assembly is regarded as the parent body namely, Neath Port Talbot, Swansea, Powys Local Health Boards and NHS Trusts as detailed in Note 4.2.

In addition, the Local Health Board has a significant number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with Bridgend County Borough Council in respect of Section 28A agreements, NHS Funded Nursing Care and other joint enterprises totalling £3.265m.

A number of Board Members were also associated with organisations that completed transactions with Bridgend Local Health Board in 2008-09. The organisations and payments made to those organisations by the LHB in the course of normal business are listed below. Also listed are the LHB Board Members who have an association with these organisations.

A number of the LHB's Board members have interests as employees of related parties as follows:

<b>Name</b>	<b>Name of Related Party</b>	<b>Role of LHB Member / (Interest £*)</b>
E Roberts	Neath Port Talbot LHB	Chair (£214,413)
S Cooper	Bridgend County Borough Council	Head of Adult Social Care (£3,265,407)
C Court	Bridgend Care & Repair	Board Member (£52,785)
C Court	Bridgend County Borough Council	Consultant (£3,265,407)
Cllr R Hughes	Bridgend County Borough Council	Elected Member (£3,265,407)
C Johnson	Abertawe Bro Morgannwg NHS Trust	Board Member (£119,379,000)
M Reeves	BAVO	Chair (£54,276)
Cllr D Brett	Bridgend County Borough Council	Elected Member (£3,265,407)
M Ing	Bridgend Care & Repair	Chair until Aug 08 (£52,785)
W Griffiths	Abertawe Bro Morgannwg NHS Trust	Chair (£119,379,000)
L Harper	Bridgend County Borough Council	Head of Safeguarding and Family Support (£3,265,407)
A Harris	Bridgend County Borough Council	Ass. Director of Social Services (£3,265,407)
Cllr R Jenkins	Bridgend County Borough Council	Elected Member (£3,265,407)
Cllr R Jenkins	Bridgend Care & Repair	Board Member (£52,785)
Cllr M Butcher	Bridgend County Borough Council	Elected Member (£3,265,407)
A Goodall	Swansea LHB	Chief Executive (£59,488)
A Goodall	Neath Port Talbot LHB	Chief Executive (£214,413)
E Coyle	National Public Health Service	Employee (£819,000)

\* The figures displayed under interest (£) represent the value of all transactions between the stated organisation and Bridgend Local Health Board.

## 6.12 Related Party transactions

In addition the following Board Members received remuneration from Business entities as partners/owners that had direct transactions with Bridgend Local Health Board:-

Dr J Anthony - General Practitioner - Paid under standard terms and conditions of the General Medical Services Contract  
Dr G Tinkler - General Practitioner - Paid under standard terms and conditions of the General Medical Services Contract  
Mr D Woolf - Optometrist - Paid under standard terms and conditions of the General Ophthalmic Services Contract  
Dr R Paul - Dentist - Paid under standard terms and conditions of the General Dental Services Contract  
Dr B Kirsop - Paid sessional rates by a GP practice receiving standard remuneration under the General Medical Services Contract  
MI Goodfellow - Paid sessional rates by Pharmacists receiving standard remuneration under the Pharmaceutical Services Contract

The Welsh Assembly Government has not notified the LHB of any related parties relating to Ministers in 2008-09.

### 6.13 Losses and special payments

Losses and special payments are transactions that the Welsh Assembly Government would not have contemplated when it allocated and distributed funding for the National Health Service. By their nature they items that should not arise. They are therefore subject to special control procedures compared with the generality of payments and special notation in the accounts to draw them to the attention of the Welsh Assembly Government. They are divided into different categories, which govern the way each individual case is handled. These payments are charged to the Operating Cost Statement in accordance with UK GAAP but are recorded in the losses and special payments register when payment is made. Therefore, this note is compiled on a cash basis.

	Number of cases	Value of cases £
Personal injury	0	0
Fraud cases	0	0
All other losses and special payments	15	442
<b>Total losses and special payments</b>	<b>15</b>	<b>442</b>

Analysis of cases which exceed £250,000 and all other cases

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
<b>Cases exceeding £250,000</b>			
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>All other cases</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total cases</b>	<b>0</b>	<b>0</b>	<b>0</b>

## **6.14 Financial Instruments**

### **Financial Risk Management**

FRS 29 "Financial Instruments: Disclosures" requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the way that LHBs in Wales are financed, they are not exposed to the degree of financial risk faced by business entities.

Also, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which this standard mainly applies. LHBs have no powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing the LHB in undertaking its activities.

### **Liquidity Risk**

The LHBs income allocations and capital expenditure are financed from resources voted annually by Parliament. Therefore they are not exposed to significant liquidity risks.

### **Interest Rate Risk**

All of the LHB's financial assets and financial liabilities carry nil or fixed rates of interest. Therefore, they are not exposed to significant interest rate risk.

### **Foreign Currency Risk**

The LHB has negligible foreign currency income or expenditure. Therefore, it is not exposed to significant foreign currency risk.

## 6.15 Finance lease obligations

The future minimum lease payments under finance leases to which the Local Health Board was committed at the balance sheet date were as follows:

	£000	2007-08 £000
In one year or on demand	0	0
In more than 1 year but no longer than 2	0	0
in more than 2 year but no longer than 5	0	0
After 5 years	0	0
	<hr/>	<hr/>
<b>Subtotal</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
Less finance charges allocated to future periods	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>0</b>	<b>0</b>

The total net obligation under finance leases can be analysed as follows:

Creditors: amounts due within one year	0	0
Creditors: amounts due after more than one year	0	0

## 6.16 Pooled Budgets

Bridgend Local Health Board participates in one formal pooled budget arrangement in 200809 as detail below:

**Section 33 Partnership: Morgannwg Integrated Community Equipment**

### **1. Statutory Partners:**

- Bridgend County Borough Council
- Bridgend Local Health Board

### **2. Aims of the Partnership:**

- To provide intergrated community equipment service that meets the defining criteria and good practice within the guidance provided by the Wlesh Assembly Government
- To provide a flexible and responsive service for users and practitioners through a unified assessment and provisioning system which avoids duplication and barriers to provision.
- To meet national and local standards and performance indicators, in particular to provide a high percentage of equipment and minor adaptions within a seven day target.
- To support intermediate care, palliative care and hospital discharge initaitives and to build on and consolidate existing joint arrangements
- To develop more accessible services, with consistent eligibility criteria, which will improve co-ordination between partner agencies and service users.
- To maintain recycling, cleaning and maintenance of equipment, and to meet national standards.
- To provide an assessment, demonstration display and learning facility for service users and practitioners from health education and social services.

### **3. Financial Value of the Pooled Budget:**

	£
Financial Contribution by Bridgend County Borough Council	438,230
Financial Contribution by Bridgend Local Health Board	21,000
Total Pooled Budget	459,230

### **4. Pooled Budget Memorandum Account for 2008-09:**

At the date of submission of the 2008-09 Annual Accounts the information to complete the Pooled Budget Memorandum Account was still outstanding. It is the aim of the LHB that should the information be received the Memorandum will be included within the Summary Financial Statements in the Annual Report.

**6.17 Financial Assets**

	<b>At fair value through Profit &amp; Loss £000</b>	<b>Loans and receivables £000</b>	<b>Available for sale £000</b>	<b>Total £000</b>
Embedded derivatives	-	0	0	-
NHS receivables	296	0	0	296
Cash at bank and in hand	41	0	0	41
Other financial assets	447	0	0	447
<b>At 31 March 2009</b>	<b>784</b>	<b>0</b>	<b>0</b>	<b>784</b>
Embedded derivatives	-	0	0	-
NHS receivables	164	0	0	164
Cash at bank and in hand	498	0	0	498
Other financial assets	820	0	0	820
<b>At 31 March 2008 (Prior year)</b>	<b>1,482</b>	<b>0</b>	<b>0</b>	<b>1,482</b>

**6.18 Financial liabilities**

	<b>At fair value through Profit &amp; Loss £000</b>	<b>Other £000</b>	<b>Total £000</b>
Embedded derivatives	-	0	-
Borrowings	-	0	-
PFI and finance lease obligations	-	0	-
Other financial liabilities	15,715	0	15,715
<b>At 31 March 2009</b>	<b>15,715</b>	<b>0</b>	<b>15,715</b>
Embedded derivatives	-	0	-
Borrowings	-	0	-
PFI and finance lease obligations	-	0	-
Other financial liabilities	13,544	0	13,544
<b>At 31 March 2008 (Prior year)</b>	<b>13,544</b>	<b>0</b>	<b>13,544</b>

The fair value of financial assets or financial liabilities does not differ from carrying amount.

Note 6.17 - this total is debtors included within Note 6.1 plus cash in bank

Note 6.18 - this total is creditors included within Note 6.2 plus provisions in note 6.4



## **7 Additional Information**

### **Reconfiguration of the NHS in Wales**

In 2008 the Health and Social Services Minister in the Welsh Assembly Government gave approval for the merger of the NHS Trusts and LHBs to create 7 new LHBs at 1st October 2009.

Bridgend LHB will continue in its present form until that date. These financial statements are the final full year financial statements. Six month financial statements from 1st April 2009 to 30th September 2009 will be produced and on 1st October 2009 Bridgend LHB will merge with Neath Port Talbot LHB, Swansea LHB and Abertawe Bro Morgannwg University Trust to form the Abertawe Bro Morgannwg Health Board. All of the assets and liabilities of Bridgend LHB will transfer to the new LHB at that date and all operations are continuing.

### **Annual Operating Framework (AoF)**

The AoF for 2009-10 is being progressed on a Abertawe Bro Morgannwg community basis and the financial position has been consolidated ahead of the mid year reconfiguration. The financial projection as reported in the AoF submission to the Welsh Assembly Government at the end of April 2009 reflects a balanced position for the community. However there are significant risks to the achievement of this both across the community and by Bridgend LHB.

**STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES  
AS ACCOUNTABLE OFFICER OF THE LOCAL HEALTH BOARD**

The Welsh Ministers have directed that the Chief Executive should be the Accountable Officer to the LHB. The relevant responsibilities of Accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accountable Officer's Memorandum issued by the Assembly.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an Accountable Officer.

Date.....2009 ..... Chief Executive

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT  
OF THE ACCOUNTS**

The directors are required under the National Health Service Act (Wales) 2006 to prepare accounts for each financial year. The Welsh Ministers, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the LHB and of the income and expenditure of the LHB for that period. In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting principles laid down by the Welsh Ministers with the approval of the Treasury
- make judgements and estimates which are responsible and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the account.

The directors confirm that they have complied with the above requirements in preparing the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the authority and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction by the Welsh Ministers.

**By Order of the Board**

**Signed:**

Chairman: ..... Dated: .....2009

Chief Executive: ..... Dated: .....2009

Director of Finance: ..... Dated: .....2009

## **Statement on Internal Control**

### **1 Scope of Responsibility**

The Board is accountable for internal control. As Accountable Officer and Chief Executive for this Board, I have the responsibility for maintaining a sound system of internal control that supports achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and this organisation's assets for which I am personally responsible, in accordance with the responsibilities assigned by the Accounting Officer of NHS Wales.

There is a comprehensive reporting and accountability system throughout the management structure via Executive Directors, led by the Chief Executive and reporting to the Board. External and Internal Auditors as well as formal Committees, such as Audit (supported by the Risk Management Group), Clinical Governance (supported by the Clinical Risk Management Group), and Remuneration, provide checks and balances. A Board approved Risk Management Strategy and directorate Risk Registers were in place for the whole financial year; in addition regular reports on risks are presented to the Board throughout the year.

The Local Health Board works closely with the Welsh Assembly Government (WAG), both directly and via its Regional Office in managing the risk process. Workload is set via performance agreements and there is a system of regular written and verbal exception reporting in place to both the Regional Office and WAG, providing evidence of progress by the LHB. The LHB's main reporting tool is the Balanced Scorecard, which is considered by the LHB Executive Team and submitted regularly to the LHB Board and Regional Office. The Welsh Risk Pool (WRP) Standards have in previous years provided a key framework upon which the LHB based its risk management process. Since 2007 -08 the WRP Standards were replaced by the more wide ranging Healthcare Standards (HCS). A HCS Improvement Plan is produced post HCS assessment which is monitored by the LHB Audit Committee and Clinical Governance Committee with overall review by the Board. The plan is also reviewed externally by WAG.

The LHB is also supported in its control processes by numerous partnership organisations, via Non Officer participation at the Board e.g. Local Authority representation, NHS Trust representation, Voluntary Sector etc. There are also many joint meetings at all levels with partner/stakeholder organisations creating an open environment for discussion and control. Examples of partner review groups include the Joint Executive Team (JET), Bridgend Partnership Board and Local Service Board (LSB) which contain representatives from the LHB, Trust, Bridgend County Borough Council and the Voluntary Sector and in the case of the LSB there is WAG, South Wales Police, Environment Agency and Private Sector representation.

### **2 The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the organisation for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with WAG guidance.

### **3 Capacity to Handle Risk**

Responsibility for the risk management process rests with the Chief Executive but is delegated to the Director of Finance & Commissioning who provides the overall direction ensuring risk management is embedded in the LHB culture, operations and processes.

The LHBs Board plays a lead role within the LHBs risk management system. The Board reviews and monitors the whole process and decides upon the degree of risk acceptable in any key area of the LHBs work. The LHB Board recognises that it is not possible to eliminate all risks but has sought to create a culture that both identifies risks and quantifies the potential impact upon the organisation. Executives, Non Officer Members, staff from all levels within the LHB, primary care contractors and representatives from partner organisations are all actively encouraged to identify risks and report near miss incidents in a “no blame ” environment as clearly outlined within the Risk Management Strategy. The LHB encourages a culture of learning from its mistakes, the aim of which is to ensure that they are avoided in future. The Risk Management Strategy is available to the public, staff and other stakeholders via the LHB website and intranet. This Strategy is subject to regular review by the Audit Committee with amendments recommended to the Board for approval.

Annual risk management training and awareness is provided to staff and new employees as part of their induction. The LHB staff, primary care staff and contractors have received a number of training sessions during the year on various aspects of risk management. During 2008-09 LHB staff were encouraged to identify all risks directly linked to their own work environment, both physical and system risks as well as risks around the services the LHB commissions or the providers of those services. Every year all staff are reminded of the existence of the Risk Management Strategy and where to access a copy. The Strategy includes a procedure and toolkit to explain how to record, assess and score risks. Where appropriate, training has been provided by experts in particular fields, such as the Local Counter Fraud Specialist, Clinical Governance Facilitator and Fire Safety Officer. The use, on an annual basis, of national web based training support for high-risk issues such as Fire training and Manual Handling training is mandatory for all employees and extends into other aspects of risk management and control. The Annual risk management report presented to the public Board identifies the risk management training and awareness sessions received by staff, Board members and primary care contractors.

Regular dialogue with partner organisations and other stakeholders such as the public (via direct contact and the public involvement group), Community Health Council etc, at all levels helps to further assist the identification and scale of risk that exists in the services the LHB commissions and common areas of work. Directors participate in both regional-based and national based professional networks where risks are shared and common solutions sought.

The LHB regularly reports on identified risks and progress against mitigating or removing those risks to the Audit, Risk Management and Clinical Risk Management Committees and also to the Board.

### **4 The Risk and Control Framework**

The Risk Management Strategy includes the following: -

- The purpose, aims and objectives for Risk Management within the organisation.
- Details of the interactive roles of individual officers, Board approved committees, staff and the Board itself.
- Description of methods for capturing and evaluating risks as well as their management where appropriate.
- Definition of risk management, risk and the purpose of the Risk Register etc.

Risks are captured on an ongoing basis from a variety of sources. For example, LHB staff, primary care contractors, Hospital Trust Staff, other LHBs, Local Authorities, Voluntary Sector, Independent Sector etc. The risks may be captured through individual entry onto the Risk Register, from staff questionnaires, Directorate meeting discussions, meetings with partner organisations, on exchange of information between organisations.

The Risk Register is a fundamental management tool of the LHB and it is reviewed regularly by the Board, Audit Committee, Risk Management and Clinical Risk Management Groups for progress against actions and implementation of control procedures aimed at mitigating or removing risk. It identifies the following:-

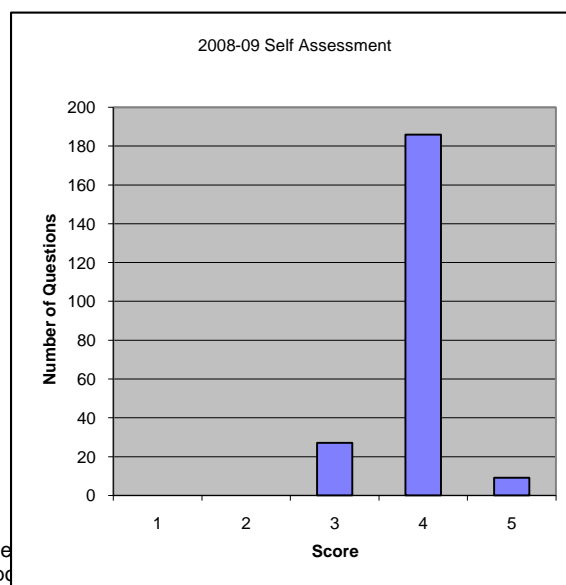
- Type of risk.
- Description of the risk.
- Adequacy of existing key controls and assurances.
- The likelihood of the risk taking place.
- The potential impact of the risk upon the organisation.
- Overall risk score.
- Action plans to reduce to an acceptable level or eliminate the risks, identifying officers responsible for implementation of plans and timescales.
- Revised risk score after implementation of action.
- Resources required to implement actions.

Whilst the Risk Register records the key risks and provides staff, managers and the Board with an "aide memoir" of all the identified risks and associated control systems, this is not the only source of information describing risk. The Board receive throughout the year regular reports on all major risk areas, for example finance, performance against national and local targets, including those within the Annual Operating Framework, Protection of Vulnerable Adult cases, primary care performance reviews and probity panels etc. It is through debating specific high risk issues at the Public Board meetings that the Board will reach a conclusion on whether the actions being taken to remove or mitigate the risk are acceptable and what level of risk it will accept on any individual issue.

Where there are planned changes of commissioned services the LHB consults widely with partners, the general public and other stakeholder groups on the impact on risk and any movement of risk associated with the changes.

The Healthcare Standards for Wales now form a key component of risk management and control processes for healthcare organisations within Wales. Each year the LHB is required to assess itself against the 32 Standards, a process which has replaced the previous self assessments against the Welsh Risk Pool Standards from 2007-08 onwards. In completing the self assessments the LHB has involved staff at all levels of the organisation, senior managers and Executive Directors. In addition Board members have been involved in all parts of the process e.g. the Board approved the timetable, received regular updates, received provisional scores, delegated authority to certain Board members to validate the scores etc. In addition the Board received during the year the LHB's Healthcare Standards self assessment, the HIW report for 2007/08 and regular updates of the HIW action plan.

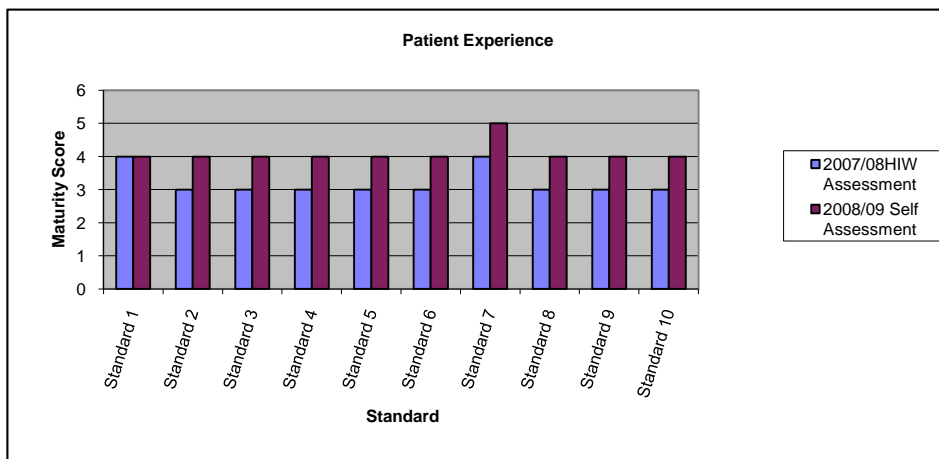
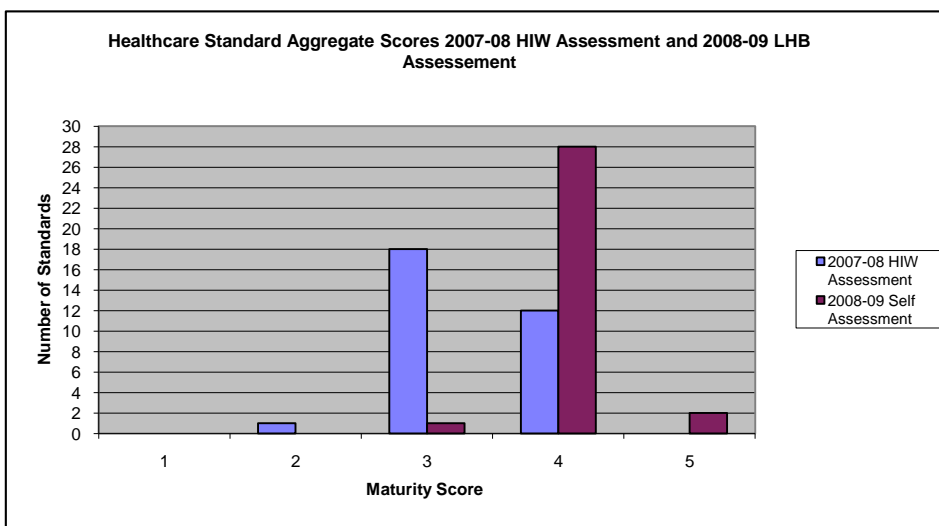
The self assessed maturity scores for all the individual Healthcare Standard questions are summarized in the graph below:



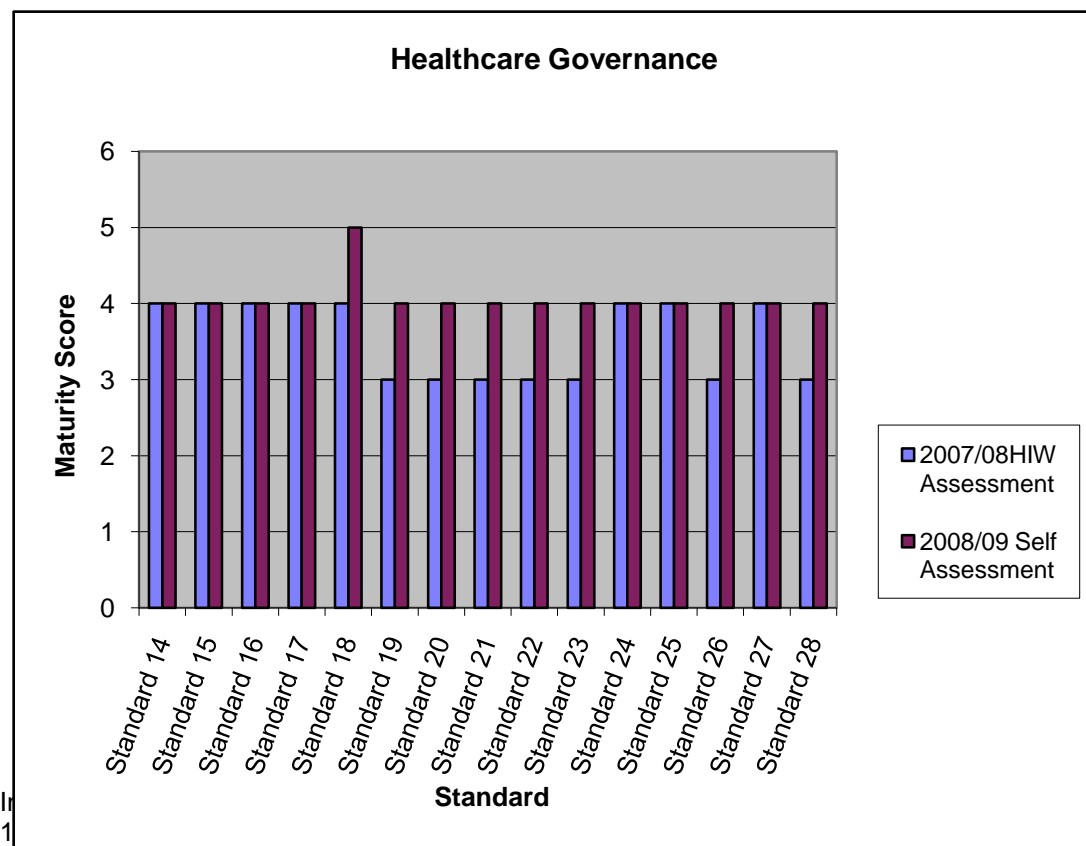
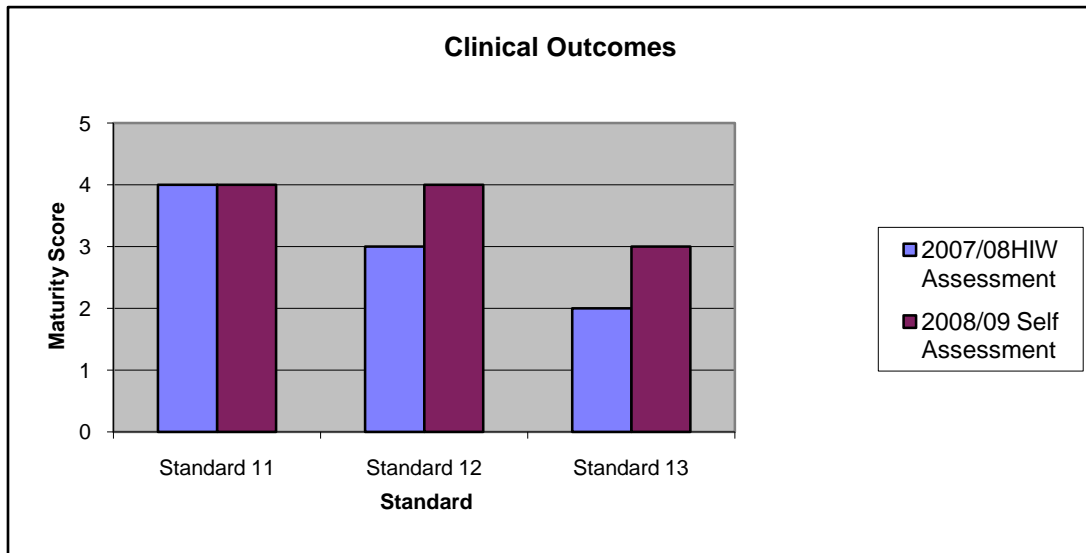
In the above graph the  
1 = Aware , 2 = Respo

The above scores relate to individual questions whilst at a standard level (there are 32 standards) it can be seen from graphs below that the majority of scores are 4. There are 20 standards where progress has been made to allow an increase in the maturity matrix scoring and no standards where there has been a decrease in score. There is one standard (13) that has been scored as a 3 and previously had been scored "2" for the consecutive years. This standard relates to Research Governance and the increase in standard 13 is a result of the agreement of an interim research governance framework for Bridgend. Going forward an all Wales process has been agreed which has been agreed by the Clinical Governance Committee.

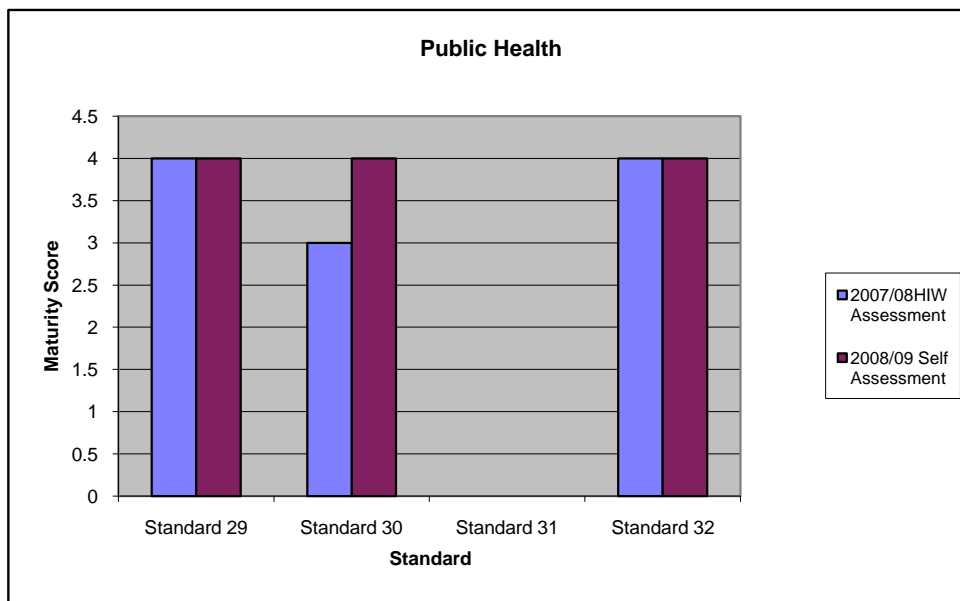
Two standard have been self assessed as moving from 'practicing' to 'leading'. Standard 7 (Long Term Conditions) has increased as the work undertaken has not only involved partner agencies but also non health agencies and many of the approaches adopted have presented best practice in Wales. Work on standard 18 (Incident & Emergency Planning) has been developed jointly across three LHBS and encompassed the independent sector. The LHB also developed a mass vaccination framework, now available across South Wales, which has contributed in the score increasing to 'leading'.



In the above graph the individual question maturity scores are defined as follows:-  
 1 = Aware , 2 = Responding , 3 = Developing, 4 = Practicing, 5 = Leading







In the above graph the individual question maturity scores are defined as follows: -  
 1 = Aware , 2 = Responding , 3 = Developing, 4 = Practising, 5 = Leading

The LHB's self assessed maturity scores for the four core standards are: -

- Healthcare standard 14 - Practising (4) [Safety and health of patients, service users and staff]
- Healthcare standard 16 - Practising (4) [Patient safety, incident and hazard reporting and safety notices and alerts]
- Healthcare standard 27 - Practising (4) [Clinical and corporate governance, sound financial management, systematic risk assessment and risk management]
- Healthcare standard 28 - Practising (4) [Clinical Governance]

There were no individual questions with a maturity score of less than 3 – Developing, within these four key standards.

The LHB will after this self assessment stage, as in previous years, produce an action plan so as to ensure that it has a process of ongoing self improvement.

The LHB self assessments for the four core standards were reviewed by Internal Audit. The key comments contained within the Internal Audit report were as follows: -

"Internal Audit were satisfied that the Board has been appropriately informed and engaged via its sub committees."

"Audit are satisfied that sound processes are in place for monitoring of progress against the action plan"

"We are of the view that the LHB's maturity assessment for its core standards is broadly appropriate (Practising for 14, 16, 27 and 28) and conclude they are satisfied that the maturity levels declared are supported with appropriate response and evidence."

"In conclusion Internal Audit report a significant level of assurance regarding the population of the healthcare standards and its self assessment against the core standards."

## 5 Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Executive officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the External Auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee, Risk Management Working Group, Clinical Governance Committee and Clinical Risk Management Group and a plan to address weaknesses and so ensure a continuous process of systems improvement is in place.

The whole of the LHB i.e. Board Members, Associate Board Members, Executive Directors, Senior Managers and staff at all levels are actively encouraged to participate in the continuous improvement of the Risk and Control Framework System. Everyone is encouraged to participate in the process through the development of a “no blame” culture as described within the Risk Management Strategy, which increases the potential for risk elimination as it is designed to create a culture that encourages the identification and elimination of risks and errors rather than attaching blame for past mistakes.

The Board receives regular reports and position statements from the Audit and Clinical Governance Committees as well as reports produced directly by Executive Directors and Senior Managers which identify key operational risks. These reports are designed, not only to inform the Board of the LHB's level of strategic/corporate, financial and operational risks, but also to encourage full participation by the Board in debating the problem and solving of these issues where appropriate. The Board receives at each Public Meeting, as a minimum, reports on the financial and commissioning performance as well as at appropriate intervals, updates on the Risk Register, reports on achievement against Corporate Objectives etc. All papers to the Board contain an impact assessment that identifies the impact of the issues on Health Social Care & Wellbeing; Resources; Risk and Equality & Human Rights. The process has been further refined by the introduction and refinement of the Balanced Scorecard which contains not only AoF targets, but also LHB internal targets.

The Audit and Clinical Governance Committees, consisting of Non Officer Members, form a direct line of communication to the Board from the Internal and External Auditors and the Local Counter Fraud Specialist Team. The Board has therefore been able to reassure itself, that it can receive advice on control and risk issues independently of Executive Officers on a regular basis. The Audit Committee receives reports from these three independent groups on control systems within the LHB. This Committee reviews management responses to the reports and oversees the implementation of corrective action plans as part of a continuous improvement process. In addition, the LHB's Audit Committee receives assurance from the Business Service Centre (BSC) Internal Auditors via relevant reports to the Powys LHB Audit Committee.

It is recognised by the Board that any organisation will inevitably not achieve a perfect control system as both the external and internal environments will always change and so it must continue to seek improvements and enhance its systems over time. The LHB also recognises that its staff, managers and Board Members also require time to develop the appropriate skills and experience necessary for effective control. However, information contained within the various reports on both the LHB systems and the BSC systems by the various independent auditors, coupled with the maturity scores achieved in the Healthcare Standards, provides sufficient evidence to conclude that the LHB at least has its core controls in place and that the LHB has a firm foundation upon which it can develop further improvements.

The Head of Internal Audit's 'Opinion On The Effectiveness of the System of Internal Control at Bridgend Local Health Board for the Year Ended 31 March 2009' :-

'Significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. A limited number of weaknesses in the design and/or inconsistent application of controls were identified in respect of particular objectives. Where this was the case recommendations have been made to address issues raised.'

The LHB is very dependent upon systems operated by the Business Support Centre and so it needs to include within this Statement on Control extracts from the Annual Audit Report on the BSC produced by its Internal Auditors. Their Auditors concluded that:

'Based on the work undertaken for the 12 months ended 31 March 2009 the Business Services Centre has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.'

The LHB will seek to take the following actions to secure ongoing improvement: -

- Provide ongoing training for staff , Board Members and where appropriate primary care contractors
- Improve risk sharing links with other external bodies both within the NHS, Local Government and the Voluntary Sector.
- Develop further internal management performance measures for key areas of work.
- Complete the actions identified in the HCSIP.
- Implement any outstanding actions arising from Internal Audit and External Audit .
- Implement outstanding recommendations from the Health Inspectorate Wales 2008/09 review.

**6 Significant Internal Control Problems**

It is the view of the Accountable Officer that there were no significant internal control problems identified within 2008-09, although the LHB will seek to further strengthen its internal controls by implementing those actions listed above.

**7.Pension Contributions**

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with.

Signed:..... Date: .....2009  
Chief Executive  
(on behalf of the Board)

## **The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales**

I certify that I have audited the financial statements of Bridgend Local Health Board for the year ended 31 March 2009 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is required to be audited.

### **Respective responsibilities of Directors, the Chief Executive and the Auditor**

The Directors and the Chief Executive are responsible for preparing the annual report, the remuneration report and the financial statements in accordance with paragraph 3 of schedule 9 to the National Health Service (Wales) Act 2006 and Welsh Ministers' directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statements of Directors' and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report my opinion to you as to whether the financial statements give a true and fair view and whether the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with paragraph 3 of schedule 9 of the National Health Service (Wales) Act 2006 and Welsh Ministers' directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I report to you if in my opinion, Bridgend Local Health Board has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects Bridgend Local Health Board compliance with HM Treasury's and Welsh Ministers' guidance and report if it does not. I am not required to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of Bridgend Local Health Board corporate governance procedures or its risk and control procedures.

I have been unable to read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements as it was not available at the time of my audit.

### **Basis of audit opinions**

I conducted my audit in accordance with the Public Audit Wales Act 2004 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and that part of remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Bridgend Local Health Board circumstances, and are consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error and that in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and that part of remuneration report to be audited.

### **Opinion**

In my opinion:

- the financial statements give a true and fair view in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by Welsh Ministers of the state of affairs of Bridgend Local Health Board as at 31 March 2009 and of its net operating costs, recognised gains and losses and cash flows for the year then ended; and
- the financial statements and that part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by Welsh Ministers.

### **Opinion on Regularity**

In my opinion in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

### **Report**

I have no observations to make on these financial statements.

My conclusion on Bridgend Local Health Board arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009 will be reported separately in the published Annual Audit Letter.

Jeremy Colman  
Auditor General for Wales  
19 June 2009

Wales Audit Office  
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**THE NATIONAL HEALTH SERVICE IN WALES ACCOUNTS DIRECTION GIVEN BY WELSH MINISTERS IN ACCORDANCE WITH SCHEDULE 9 SECTION 178 PARA 3(1) OF THE NATIONAL HEALTH SERVICE (WALES) ACT 2006 (C.42) AND WITH THE APPROVAL OF TREASURY**

**LOCAL HEALTH BOARDS**

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2009 and subsequent financial years in respect of the Local Health Boards (LHB). The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

**BASIS OF PREPARATION**

2. The account of the LHB shall comply with:

- (a) generally accepted accounting practice in the United Kingdom (UK GAAP);
- (b) the accounting and disclosure requirements of the Companies Act;
- (c) all relevant accounting standards issued or adopted by the Accounting Standards Board, in so far as they are appropriate to the NHS and are in force for the financial year for which the accounts are to be prepared;
- (d) accounting guidance approved by the FRAB and contained in the Financial Reporting Manual (FReM), as detailed in the NHS Wales Trust Manual for Accounts;
- (e) the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

**FORM AND CONTENT**

3. The account of the LHB for the year ended 31 March 2009 and subsequent years shall comprise an operating cost statement, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2009 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.

5. The account shall be signed and dated by the Chief Executive and Chairman of the LHB.

**MISCELLANEOUS**

6. The direction shall be reproduced as an appendix to the published accounts.
7. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.
8. Notes providing further explanations of figures in the accounts shall be made where it is considered appropriate for a proper understanding of the accounts.

Signed by the authority of Welsh Ministers

Signed :

Dated :