

Newport 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 [141k](#)
- 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	205,060	192,214
Miscellaneous income	3.1	2,538	2,013
Net operating costs		<u>202,522</u>	<u>190,201</u>

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

	£000	£000
Unrealised surplus on revaluation / indexations of fixed assets	4	8
Net increases / reductions in General Fund due to transfers of assets	0	0
Fixed asset impairment losses	0	0
Recognised gain / (loss) for the year	<u>4</u>	<u>8</u>

BALANCE SHEET AS AT 31 MARCH 2009

	Note	£000	31 March 2008 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	107	107
CURRENT ASSETS			
Debtors	6.1	2,953	3,803
Cash at bank and in hand		72	86
Total Current Assets		3,025	3,889
Creditors: amounts falling due within one year	6.2	14,765	13,213
Net current assets / (liabilities)		(11,740)	(9,324)
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	463	534
TOTAL NET ASSETS		(12,096)	(9,751)
FINANCED BY:			
General fund	6.5	(12,135)	(9,786)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	39	35
TOTAL		(12,096)	(9,751)

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
Net operating costs	(202,522)	(190,201)
Adjust for non-cash transactions	(337)	192
Adjust for movements in working capital other than cash	2,402	(420)
Utilisation of provisions	(114)	(21)
	<hr/>	<hr/>
Net cash outflow from operating activities	(200,571)	(190,450)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:		
Payments to acquire fixed assets	0	0
Receipts from the sale of fixed assets	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from investing activities	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) before financing	(200,571)	(190,450)
FINANCING:		
Net Assembly funding (including capital)	200,557	189,918
Surrender of income from sale of fixed assets	0	0
Donations	0	0
Capital element of finance lease rental payments	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from financing	200,557	189,918
	<hr/>	<hr/>
Increase / (decrease) in cash	(14)	(532)

Notes to the cash flow statement**Adjust for non-cash transactions**

	£000	2007-08 £000
Depreciation and other write-offs	4	3
Impairment of fixed assets	0	30
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	43	534
Capital charge interest	(384)	(375)
	<u>(337)</u>	<u>192</u>

Adjust for movements in working capital other than cash

	£000	2007-08 £000
(Increase)/decrease in debtors	850	(576)
Increase/(decrease) in creditors	1,552	156
	<u>2,402</u>	<u>(420)</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	(14)
Cash outflow from debt repaid and finance lease capital payments	<u>0</u>
Change in net debt resulting from cash flows	(14)
Non cash changes in debt	0
Net debt at 1 April 2008	<u>86</u>
Net debt at 31 March 2009	<u>72</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	86	(14)	0	72
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>86</u>	<u>(14)</u>	<u>0</u>	<u>72</u>
Total	<u>86</u>	<u>(14)</u>	<u>0</u>	<u>72</u>

Amount held in Office of Paymaster General bank accounts as at 31 March 2009 was £75,602.85

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
Total financial investment and associated receipts	0	0	0

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
Total cash movement on asset additions and disposals	0	0	0

Notes to the Account

1. Accounting Policies

1.1 The financial statements have been prepared in accordance with the Financial Reporting Manual (FRoM) issued by HM Treasury to the extent that the Welsh Assembly Government has directed as being appropriate to LHBs. 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.

LHBs 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.

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 (BCIS). 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 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 shorter of the useful economic life of the asset and 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.pensions.nhsbsa.nhs.uk. 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 year's 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 <http://www.pensions.nhsbsa.nhs.uk>.

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.nhspa.gov.uk. Copies can also be obtained from the Stationery 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

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Early payments 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 the final year's pensionable pay for death in service, and up to 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 for those who die after retirement is, payable.

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

Additional pension liabilities arising from early retirements are not funded by the scheme, except where the retirement is due to ill-health. For early retirements 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.

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 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 operating cost 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 operating cost 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 or 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 operating cost 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 operating cost 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 operating cost 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

	£000	2007-08 £000
Net operating costs for the financial year	202,522	190,201
Non-discretionary expenditure	1,879	1,593
Operating costs less non-discretionary expenditure	200,643	188,608
Revenue Resource Limit	200,662	188,690
Under / (over) spend against Revenue Resource Limit	19	82
Unplanned resource brokerage received	0	0
Operational Financial Balance	19	82

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

2007/8 Resource Brokerage b/f

In 2007/8, due to the financial impact of the Grogan and Coughlan rulings on Continuing Healthcare expenditure the LHB took action to recover a forecast deficit position, and agreed a brokerage arrangement with the Rhondda Cynon Taf LHB of £1.850m.

The brokerage of £1.850m was repayable, reducing the resource allocation to Newport LHB in 2008/9.

On 17th March 2008 the LHB was notified of a non recurring allocation increase of £1.07m in respect of continuing care costs. This funding was to be immediately brokered to Powys LHB and repaid to Newport LHB in 2008/9.

2008/9 Resource Brokerage c/f

Due to the financial impact of the Continuing Healthcare rulings, the repayment of the 2007/8 brokerage and the repayment of loans to the Assembly, in 2008/9 Newport LHB forecast a year end deficit of £8.4m. The Gwent community worked together to develop plans to breakeven across the six organisations. Following deferment of the loans by the Assembly, the community agreed nonrecurrent resource brokerage arrangements of £6.620m, enabling the whole health community, and its constituent statutory bodies, to report a balanced position. (See note 7.2 for further detail)

This enabled Newport LHB achieve an underspend of £19,000 against its resource limit.

In 2008/9 Newport LHB received cash brokerage of £5.9m, all of which will require repayment.

3.1 Miscellaneous income

	£000	2007-08 £000
Fees & Charges	0	0
Prescription charge income	862	781
Dental fee income	1,286	1,146
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	390	86
Total	2,538	2,013

Other

Other income as stated in Note 3.1 above consists of:

LHB Going for Gold project teams income	165
Recoveries from Contractors	121
Welsh Assembly Government recharge	94
Expert patient program funding	10
	390

Expenditure:**4.1 Primary health care**

	Cash limited	Non cash limited	Total	2007-08 Total
	£000	£000	£000	£000
General Medical services	17,619	0	17,619	17,463
Pharmaceutical services	5,991	578	6,569	5,022
General Dental services	7,682	0	7,682	7,436
General Ophthalmic services	5	1,301	1,306	1,292
Other Primary health care expenditure	755	0	755	695
Prescribed drugs and appliances	22,506	0	22,506	22,681
Total	54,558	1,879	56,437	54,589

4.2 Secondary and Community health care

	Total £000	2007-08 Total £000
NHS Trusts:		
Provider 1 - Gwent Healthcare Trust	115,241	110,451
Provider 2 - Cardiff & Vale Trust	4,150	3,780
Provider 3 - Velindre Trust	2,694	2,493
Provider 4 - ABM	197	271
Provider 5 - Cwm Taff	148	113
Provider 6 - RNHRD Bath Trust	140	106
Provider 7 - North Bristol	113	44
Provider 8 - Hywell Dda	82	32
Provider 9 - UBHT	55	63
Provider 10 - Gloucester Hospital Trust	51	39
Other Welsh NHS trusts	11	20
Other non Welsh NHS trusts	326	382
Local Authorities	2,190	2,082
Voluntary Organisations	746	700
NHS Funded Nursing Care	1,766	2,198
Continuing Care	16,347	10,632
Private providers	80	0
Specific projects funded by Welsh Assembly Government	0	90
Other	126	0
Total	144,463	133,496

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4.3 Other programme expenditure

	£000	2007-08 £000
Salaries and wages	846	742
National Public Health Service	818	799
Losses, special payments and irrecoverable debts	4	0
Research and development	0	0
Other	473	382
	<hr/>	<hr/>
Total	2,141	1,923

4.4 Administration expenditure

	£000	2007-08 £000
Non-officer members' remuneration	111	107
Other salaries and wages	1,012	1,153
Consultancy services	76	11
Establishment expenses	103	152
Transport and moveable plant	0	0
Premises and fixed plant	122	128
External contractors	14	34
Auditors' remuneration - audit fee	99	96
Auditors' remuneration - other fees	0	0
Business Services Centre recharge	862	867
Interest payable - unwinding of discount	0	0
Interest payable - other	0	0
Capital - Depreciation	4	3
Amortisation	0	0
Capital charge interest	(384)	(375)
Impairments and reversals (property, plant, equipment)	0	30
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	0	0
	<hr/>	<hr/>
Total	2,019	2,206

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The audit fee of £99k in Note 4.4 above, consists of £83k for Newport Local Health Board direct external
audit costs and £16k external audit recharges from the South-East Wales Business Services Centre.
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4.6 Hire and operating lease rentals

	2007-08 £000	2007-08 £000
Hire of plant and machinery	3	2
Other operating leases	101	106
Total	104	108

Commitments under non-cancellable operating leases:

	Land and Buildings £000	Other Leases £000	2007-08 Land and Buildings £000	2007-08 Other Leases £000
Operating leases which expire:				
Within 1 year	0	8	0	0
Between 1 and 5 years	0	3	0	2
After 5 years	93	0	106	0

4.7 Executive Directors and staff costs

	Total £000	2007-08 Total £000
Salaries and wages	1,651	1,480
Social security costs	132	118
Employer contributions to NHSPA	230	205
Other pension costs	0	0
Agency / seconded staff	121	24
Total	2,134	1,827

The total Executive Directors and staff costs within Note 4.7 reconciles to salary costs shown within the following Notes:

..... Note 4.1 Other Primary Health Care	187
..... Note 4.2 Continuing Care	89
..... Note 4.3 Salaries and wages	846
..... Note 4.4 Other salaries and wages	1,012
..... Total	2,134

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.

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
Non- NHS			
Total bills paid 2008-2009	4,184	19,253	15,878
Total bills paid within target	4,175	19,243	15,849
Percentage of bills paid within target	99.8%	99.9%	99.8%

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
NHS			
Total bills paid 2008-2009	906	135,148	126,778
Total bills paid within target	888	135,080	126,768
Percentage of bills paid within target	98.0%	99.9%	100.0%

	Number	£000	2007-08 £000
Total			
Total bills paid 2008-2009	5,090	154,401	142,656
Total bills paid within target	5,063	154,323	142,617
Percentage of bills paid within target	99.5%	99.9%	100.0%

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
Gross cost at 1 April 2008	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross replacement cost at 31 March 2009	0	0	0	0	0
Accumulated amortisation at 1 April 2008	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
Accumulated amortisation at 31 March 2009	0	0	0	0	0
Net book value at 1 April 2008	0	0	0	0	0
Net book value at 31 March 2009	0	0	0	0	0

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	110	0	0	0	0	0	0	110
Indexation	0	4	0	0	0	0	0	0	4
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
At 31 March 2009	0	114	0	0	0	0	0	0	114
Depreciation									
At 1 April 2008	0	3	0	0	0	0	0	0	3
Indexation	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	4	0	0	0	0	0	0	4
At 31 March 2009	0	7	0	0	0	0	0	0	7
Net book value									
at 1 April 2008	0	107	0	0	0	0	0	0	107
Net book value									
at 31 March 2009	0	107	0	0	0	0	0	0	107
Net book value of assets held under finance leases and hire purchase contracts									
Total	0	0	0	0	0	0	0	0	0
The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:									
Total	0	0	0	0	0	0	0	0	0
Value of assets held at open market value	0	0	0	0	0	0	0	0	0

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6.1 Debtors

	£000	2007-08 £000
Amounts falling due within one year:		
Welsh Assembly Government	203	33
Health Commission Wales	0	252
Local Health Boards	34	1,145
Primary Care Trusts	14	76
NHS Trusts	2,020	1,954
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	229	86
Provision for irrecoverable debts	0	(43)
Pension Prepayments:	0	0
Other prepayments and accrued income	453	300
Sub total	2,953	3,803
Amounts falling due after more than one year:		
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
Sub total	0	0
Total	2,953	3,803
Provision for irrecoverable debts (impairment of receivables):		
Balances at 1 April	(43)	0
Provided in year	0	(43)
Written-off in year	43	0
Recovered during year	0	0
Balance at 31 March	0	-43
Debtors past due date but not impaired:		
Up to 3 months	350	399
3 to 6 months	13	2
More than 6 months	82	125
Total	445	526

6.2 Creditors

Amounts falling due within one year:	2007-08	
	£000	£000
Welsh Assembly Government	204	106
Health Commission Wales	155	200
Local Health Boards	696	133
NHS Trusts	2,366	3,101
Primary Care Trusts	497	572
Income tax and social security	0	47
VAT	0	0
Non-NHS creditors	8,931	7,322
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	0	28
Accruals	1,916	1,704
Deferred Income	0	0
Other creditors	0	0
Total	14,765	13,213

6.3 Creditors

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

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
Sub-total	0	0	0	0	0	0	0	0
Pensions	0			0	0	0	0	0
Other	534			294	(251)	(114)		463
Total	534	0	0	294	(251)	(114)	0	463

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	463	0	0	463
Total	463	0	0	463

The provision included under 'other' relates to Continuing Care funding appeals. The provision is made on the basis that :

- the LHB has a present obligation as a result of past events;
- it is probable that a transfer of economic benefits will be required to meet the obligation; and
- a realistic estimate has been made of the amount of the obligation.

6.5 General fund

The movement on the General fund in the year comprised:

	£000
At 1 April 2008	(9,786)
Net operating cost for the financial year	(202,522)
Net Assembly funding (including capital)	200,557
Capital charge interest	(384)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2009	<u>(12,135)</u>

6.6 Donated asset reserve

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

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

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
Balance at 1 April 2008	35
Revaluation	0
Indexation	4
Transfer to general fund - realised revaluation	0
	<hr/>
Balance at 31 March 2009	<u>39</u>

6.8 Contingent liabilities -

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

Nature:	2007-08	
	£000	£000
Legal claims for third parties liabilities	0	0
Doubtful debts	0	0
Other	1,212	642
Total	1,212	642

Uncertainties affecting outcome:

See Note 7.1 for explanation

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	222	0	359	0
Balances with local authorities	426	0	562	0
Balances with NHS trusts and Foundation trusts	2,034	0	2,863	0
Balances with Local Health Boards	34	0	696	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	0	0	0	0
Total at 31 March 2009	2,716	0	4,480	0
Balances with other central government bodies	291	0	352	0
Balances with local authorities	26	0	256	0
Balances with NHS trusts and Foundation trusts	2,030	0	3,673	0
Balances with Local Health Boards	1,145	0	133	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	0	0	0	0
Total at 31 March 2008	3,492	0	4,414	0

6.10 Post balance sheet events

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

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

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
Total		<u>0</u>	<u>0</u>

6.12 Related Party transactions**£000**

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

0

Newport 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 Newport 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,

Blaenau Gwent LHB, Caerphilly LHB, Monmouthshire LHB and Torfaen LHB.

The Assembly Government has not notified us of any related parties relating to Ministers in 2008-09

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 Newport City Council (£2.185m), details of which are given below:

	£000s
Section 28a Agreements	2,074
Mental Health Act	29
Other	82
	<u><u>2,185</u></u>

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

Name	Details	Interests
Dr Liam Taylor	Grange Surgery	GP LHB Medical Director
Richard Frame	Seren Group	Employee
Dr Neil Statham	Beechwood Surgery	GP
Dr James Loney	Underwood Medical Centre	GP
Dr Alina McGarrigle	Bellevue Surgery	GP
David Thomas	LT Chemists	Director and 50% shareholder
Leighton Griffiths	Specsavers	Partner
Diane George	Chapelwood Surgery	Practice Nurse
Cllr Ray Truman	Newport City Council	Elected Member
Cllr P Cockeram	Newport City Council	Elected Member
Cllr Val Dudley	Newport City Council	Elected Member
Richard White	Newport City Council	Elected Member
Donald Graham	Newport City Council	Employee
Mervyn Thomas	Newport City Council	Employee
Dr Grant Robinson	Gwent Healthcare Trust	Employee
Dr Paul Buss	Gwent Healthcare Trust	Employee

6.12 Related Party transactions

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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	1	500
Total losses and special payments	1	500

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

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

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/>
Subtotal	0	0
	<hr/>	<hr/>
Less finance charges allocated to future periods	0	0
	<hr/>	<hr/>
Total	0	0
	<hr/>	<hr/>

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

Gwent Wide Integrated Community Equipment Service (GWICES)

A Section 33 Partnership Agreement exists between the five Local Authorities and the five Local Health Boards for the provision of an efficient and effective integrated GWICES to service users who are resident in the Partner Localities. This agreement came into effect from 1st October 2008.

The income and expenditure for the pooled budget arrangements for the financial year ending 31st March 2009 are as follows;

	2008- 09
	£'000
<u>Funding</u>	
Blaenau Gwent County Borough Council	141
Caerphilly County Borough Council	278
Monmouthshire County Borough Council	144
Newport City Council	235
Torfaen County Borough Council	129
Blaenau Gwent LHB	38
Caerphilly LHB	58
Monmouthshire LHB	60
Newport LHB	35
Torfaen LHB	41
Contribution to Lead Commissioner - LAs	30
Contribution to Lead Commissioner - LHBs	23
Contribution to Revenue - LAs	87
Contribution to Revenue - LHBs	40
TOTAL FUNDING	<u>1,339</u>
<u>Expenditure</u>	
Staff	116
Non Staff	986
Repayments to LHBs	232
TOTAL EXPENDITURE	<u>1,334</u>
Net Under/(Over) spend	<u>5</u>

6.17 Financial Assets

	At fair value through Profit & Loss £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	0	0	0	0
Cash at bank and in hand	72	0	0	72
Other financial assets	0	0	0	0
At 31 March 2009	72	0	0	72
Embedded derivatives	0	0	0	0
NHS receivables	0	0	0	0
Cash at bank and in hand	86	0	0	86
Other financial assets	0	0	0	0
At 31 March 2008 (Prior year)	86	0	0	86

6.18 Financial liabilities

	At fair value through Profit & Loss £000	Other £000	Total £000
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	0	0	0
At 31 March 2009	0	0	0
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	0	0	0
At 31 March 2008 (Prior year)	0	0	0

7 Additional Information

7.1 Contingent Liabilities (Note 6.8)

Details of the Contingent Liability of £1,212k disclosed in Note 6.8 are provided below: -

Continuing Healthcare

In July 1999 the Court of Appeal gave a judgement (R v. North and East Devon Health Authority ex parte Coughlan) relating to funding for Continuing Care. As a consequence of this ruling the Health service Ombudsman for England and Wales issued a report on NHS funding for long-term care. Two recommendations came out of this report:

local NHS bodies should review the criteria they used to determine entitlement to care funding and the way in which those criteria were applied, and;

should try to identify all those patients in their area who may have been disadvantaged by unfair or wrongly applied criteria and remedy any injustice caused.

Where retrospective reviews are undertaken, the Welsh Assembly Government is responsible for meeting the costs of cases awarded relating to the period to 31/03/03 and LHBs are responsible for costs after this date.

In a further judgement in January 2006 the High Court concluded that if, following a health care assessment, a person's health care needs formed the primary reason for their residence in a nursing home the NHS should fund the totality of their care (Grogan v Bexley NHS PCT). The judgement will also apply to retrospective reviews where requested.

The LHB has received a number of requests for review of Continuing Care assessments and where appropriate, provision has been made in annual accounts for the potential costs arising from the reviews. However, where there is uncertainty as to the outcome of the cases or where there is insufficient information available to form a judgement on the likely outcome of a case, the LHB has not provided for the potential costs in its provision but recognises the contingent liability.

The contingent liability of £1.212m disclosed in the accounts includes £0.853m relating to retrospective review requests received by the LHB where there is currently insufficient detail available on which to assess the probable outcome of the claims.

Prescribing Incentive Scheme (PIS)

Prescribing Incentive Scheme liabilities of £0.359m with respect to entitlements earned by GP practices no longer need to be recognised in the Balance Sheet. These are disclosed as contingent liabilities and are included in the figure of £1.212m in Note 6.8.

7 Additional Information

7.2 Operational Financial Balance (note 2.1 continued)

Full details of the allocation adjustments from the Gwent community are set out below:

Transfer from:

Blaenau Gwent LHB	£1.310m
Caerphilly LHB	£1.905m
Monmouth LHB	£1.410m
Torfaen LHB	£0.295m

Newport LHB also received the benefit of having £1.839m of loan repayments in 2008/9 deferred into 2009/10. This was approved by the Minister.

Newport LHB also received a non recurrent reduction to the Gwent Trust LTA of £1.7m

7.3 2009/10 Financial Position

The Annual Operating Framework for 2009/10 is being progressed on a Gwent wide basis and the financial position has been consolidated ahead of the mid year reconfiguration. The current financial projection is a net financial shortfall of circa £16m, with significant financial pressure arising from the National Finance Agreement, delivery of the Access 2009 targets and Continuing NHS Healthcare.

A programme structure has been implemented to address the service and financial challenge.

7.4 Reorganisation

In 2008 the Health and Social Services Minister in the Welsh Assembly Government gave approval for the merger of NHS Trusts and LHBs to create 7 new LHBs at 1st October 2009. Newport 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 the LHB will merge with Torfaen LHB, Caerphilly LHB, Monmouthshire LHB, Blaenau Gwent LHB and the Gwent NHS Trust, to form the new Aneurin Bevan LHB. All of the assets and liabilities of the LHB will transfer to the new LHB at that date and all operations are continuing. Transition arrangements have been established with workstreams considering the issues that need to be progressed. The LHB is completing a legacy statement.

**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 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.

The LHB's internal control framework is underpinned by Standing Orders and Standing Financial Instructions, which were formally adopted by the Board in March 2003 and are reviewed and updated periodically. The Standing Orders include a scheme of delegation and the LHB has also adopted a detailed authorisation matrix.

Membership and Terms of Reference of the Audit and Clinical Governance Committee are agreed. The LHB has undertaken self-assessments against the Health Care Standards for Wales (HCSW) and agreed Health Care Standards Improvement Plan (HCSIP).

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 Welsh Assembly Government guidance.

3. Capacity to handle risk

The Board has agreed to discharge its responsibilities for corporate risk management through the Audit Committee and for Clinical Governance through the Clinical Governance Committee. There is a clear link established between these two committees in relation to risk management.

The overall accountability for the management of risk rests with the Chief Executive. The Director of Finance has been delegated with responsibility for risk management and the Director of Clinical Leadership & Quality is charged with responsibility for clinical governance.

The Audit Committee is responsible for advising the Chief Executive and Board on risk management and internal control. It is also responsible for collating the sources of assurance which inform how effectively risk is managed and the reliability of the internal control system. This is predominantly taken from the work of our internal and external auditors who attend the Audit Committee. The Audit Committee also receives regular reports from the LHB's local counter fraud officer on investigations and recovery.

Lead managers are responsible for ensuring that risk management issues are reviewed and for keeping the Senior Management Team, Audit Committee and Clinical Governance Committee informed of key issues. Risk Management presentations have been given to both the Board and LHB staff as part of Continuing Professional Development.

In 2008/9 the LHB has sought to learn from best practice by reviewing the Healthcare Standards, Improvement Plan and Risk Register in full at Senior Management meetings. This has enabled the risk management process to not only be embedded throughout the organisation but to also help each team member to learn from each other.

4. The risk and control framework

The LHB has reviewed its Risk Management Strategy which addresses clinical, organisational and financial risk through encouraging a culture of risk ownership, its assessment and associated remedial or limitation action, by the Board and all staff within the Local Health Board. The Audit Committee reviews the effectiveness of the risk management processes and internal controls throughout the financial year and approves the risk profile, action plans and internal audit programme.

A robust internal control framework was in place during the year, which includes:

- The adoption by the Board of the Standing Orders and Standing Financial Instructions;
- An Audit Committee, a Remuneration Committee and various subgroups;
- The appointment of internal auditors; and
- An approved financial plan and regular reporting of financial and performance information.

There is a budgetary control system in place, which safeguards the acquisition, use, disposal and security of goods and services. There are controls in place concerning the security of financial systems and data. These systems produce reliable financial information that informs budget holders and the financial reporting to the Board. The LHB's financial systems have been subject to review by Internal Audit. The Audit Committee reviews all internal audit reports and monitors the implementation of agreed control improvements.

Internal Audit have confirmed that, based on the work undertaken during the year, the risk management activities and controls examined were suitably designed to achieve the objectives required by management; and, those activities and controls were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the related risk management objectives were achieved during the period under review.

Internal Audit reviewed Continuing Healthcare management system based in Torfaen LHB, which concluded that although there was substantial assurance over the design of the framework, limited assurance was given to the application and compliance. An action plan was developed, and a retest carried out. Internal Audit concluded that the retest demonstrated sufficient progress made against the action plan.

During 2008/9 financial year the LHB were informed by the Welsh Risk Pool that given the proposed re-organisations the Welsh Risk Pool will not be assessing the Claims Management Standard in 2009.

a) Self Assessment Against All HCSW Standards

The LHB has completed a self assessment process based on 32 individual HCSW. Each HCSW is subdivided into various categories and questions in relation to 3 areas: Corporate, Operational/ Clinical Outcomes and User Experience. Within the LHB each HCSW has been delegated to a standard lead who is responsible for collecting evidence and ensuring the completion of the standard via the online tool. Each area of the 32 HCSW was assessed based on the following scores:

- 5 Leading
- 4 Practising
- 3 Developing
- 2 Responding
- 1 Aware

The completed HCSW were submitted to HIW on 17th April 2009.

b) Self Assessment of Performance Against the HCSW and in particular those that underpin the management of risk across all standards:

Table 1 below sets out the 2006/7 assessments verified by HIW, 2007/8 self assessments and comments regarding any movement.

<u>Standard</u>	<u>2006/07 Verified score</u>	<u>2007/08 Verified Score</u>	<u>2008/9 Verified Score</u>
14 Health & Safety	3	3	3
16 Patient Safety Incidents	2	3	3
27 Governance	2	3	4
28 Clinical Governance	3	3	4

The 2008/9 self assessments against the 4 SIC HCSW standards have been reviewed by the LHB's Internal Auditors, and agreement has been reached on the scores allocated. This means that for 2 of the standards the Internal Auditors verify that the LHB has improved from a classification of 'developing' to 'practising'.

An audit of the Healthcare Standards processes was undertaken as part of the approved internal audit periodic plan for 2008/9. Internal Audit concluded that the Board can take substantial assurance that the controls upon which the organisation relies to manage this area are effective.

c) Health Care Standards Improvement Plan (HCSIP)

The HCSIP for 2008/09 was formally agreed by the Board and was monitored on a regular basis throughout the year. Implementation and review of performance against the Action Plans will be undertaken by the Clinical Leadership and Quality team, and monitored by the Clinical Governance Committee.

Internal Audit have confirmed that the LHB has

- self assessed standards 14,16, 27 and 28 on a reasonable basis and scores have been agreed
- sufficient internal processes and reporting arrangements in place
- demonstrated progress in relation to the improvement plans
- an active Board involved in the process

d) Welsh Risk Management Standards (WRMS)

WRMS H: Claims 100%

Internal Audit have confirmed the appropriate level of compliance.

5.Probity of Dental Expenditure

A new Dental Contract was implemented from 1st April 2006, with payments being made on LHBs' behalf by the Business Services Authority Dental Services Division (DSD) in England. In addition to the checks required to obtain assurance on the adequacy of the payment systems - undertaken by both the DSD's and the LHB internal auditors - there should also be checks to ensure the probity of dental expenditure. In 2008/09 the following work was undertaken on the probity of dental expenditure, which will be outlined in detail within the year end report at the end of June 2009:

a) Clinical Assurance Monitoring

There have been 7 inspection visits in 2008/09 on a cyclical basis and the LHB has also requested 1 additional visit as a consequence of analytical review work and contract monitoring. Therefore, in total there have been 8 visits out of a total of 30 contracts in the current year.

b) Benefit Eligibility Checks - NA

c) Patient questionnaires

The LHB received notification of 1 patient questionnaire being completed at 1 of our Orthodontic practices. The patient in question was satisfied with treatment.

d) Analytical review undertaken by the LHB covers FOUR main areas:

1. Monthly information reports are reviewed where outliers are identified. The monthly information identified that there were no persistent outliers.
2. Exception reports have been provided (4 for 2008/09, compared to 4 in 2007/08). The LHB reviews these reports on a quarterly basis. Once all information is reviewed the LHB agrees action plans with the practices.
3. All contracts were subject to mid-year review that concentrated on contract activity levels. Any amendments to contract levels is carried out on a monthly basis after the mid-year review has taken place. In 2008/09, 1 contract did not achieve the 30% activity level. The contract in question is relatively small in comparison with other Newport Dental Contracts, therefore, no mid-year review clawback was actioned.
- 4.. All contracts are subject to an Annual Review which will commence in July. There is a financial adjustment based on national contract agreement, where all contracts that have delivered below 95% of their contracted activity are adjusted to actual performance levels. In addition, the review will look at various contract matters i.e. Patient Charge Revenue achievement, contract implementation, NICE, treatment plans, etc. The LHB will utilise the year reports provided by the DSD. The LHB deals with all exception investigations as part of the annual review process.

e)The LHB's Internal Audit team have undertaken a review of the Dental Payments system that is managed by the Business Service Centre. There are no matters to report with the payments system.

f). The LHB's Local Counter Fraud Specialist team has been involved as appropriate in the review work.

This work does not indicate that any material irregular dental expenditure occurred during 2008/09. Discussions will be undertaken with Business Service Centre to identify further Post Payment Verification work which would be appropriate to supplement the above and specifically to compliment the Clinical Assurance monitoring.

6.Pensions Contributions Assurance Statement

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. This includes ensuring that deductions from salary, employers contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

7. 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 and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board is advised of the effectiveness of internal controls through reports received from the Audit Committee, Clinical Governance Committee and through the Senior Management Team. Each of these Committees plays an important role in reviewing the effectiveness of the system of internal control.

The system of internal control operating within the LHB has been assessed and reviewed during the financial year and I can confirm that there are no fundamental internal control problems existing within Newport Local Health Board.

The Audit Committee have monitored the effectivness of the system of internal control throught the receipt and review of internal and external reports and consideration of the associated management action taken. These reports are based on a systematic review of the LHB processes. During 2008/9 these reports have not highlighted any significant internal control problems and, where appropriate, the LHB management has responded positively to recommendations made. Action Plans have been agreed with the LHB's Internal Auditors to address areas where improvements can be made.

Signed:.....
Chief Executive
(on behalf of board)

Date:.....

**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

ACCOUNT OF - 2008-2009

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 LHB Manual for Accounts, but specifically excluding schedules 1 and 5;
- (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 balance sheet shall be signed by the chief executive and the director of finance of the LHB and dated.

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 :

ACCOUNT OF - 2008-2009

SCHEDULE 1

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES ACT AND ACCOUNTING STANDARDS

Companies Act

1. The disclosure exemptions permitted by the Companies Act shall not apply to the NHS unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate, the information relating to NHS bodies shall be contained in the foreword.
3. The operating cost statement, balance sheet and cashflow statement shall have regard to the format prescribed in the Financial Reporting Manual.
5. NHS bodies are not required to provide the historical cost information described in paragraph (33) of Schedule 4 to the Companies Act.

Accounting Standards

6. NHS bodies are not required to include a note showing historical cost profits and losses as described in FRS 3.

SCHEDULE 2

ADDITIONAL REQUIREMENTS

1. The foreword shall include a statement that the account has been prepared to comply with a Direction given by the National Assembly for Wales in accordance with schedule 9 of the NHS (Wales) Act 2006.
2. The foreword shall also contain a description of the statutory background and main functions of the LHB together with a fair review of their operational and financial activities and a summary of their performance against targets.

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 Newport 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.

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 am unable, however to give an opinion on the proper preparation of that part of the remuneration report to be audited as it has not been finalised. 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, Newport 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 Newport 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 Newport Local Health Board's 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 Newport Local Health Board's 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 Newport 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 have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by Welsh Ministers, however I am unable to give an opinion on the proper preparation of that part of the remuneration report to be audited as it has not been finalised.

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 Newport Local Health Board's 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
25 June 2009

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