

Hywel Dda 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 established on 1 October 2009 following the merger of Hywel Dda NHS Trust and the following Local Health Boards:

- Carmarthen Local Health Board
- Ceredigion Local Health Board
- Pembrokeshire Local Health Board

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 Statement of Comprehensive Net Expenditure, 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 Statement of Financial Position.

The statutory duty for Local Health Boards is enacted in the National Health Service (Wales) Act 2006. Net Operating Costs incurred by Local Health Boards should not exceed their allocated Resource Limit.

The primary performance measure for Local Health Boards is the Achievement of Operational Financial Balance on page 2. 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.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Note	2010-11 £'000	2009-10 £'000 Restated
Expenditure on Primary Healthcare Services	3.1	172,939	168,197
Expenditure on healthcare from other providers	3.2	164,266	98,812
Expenditure on Hospital and Community Health Services	3.3	410,237	399,810
		<u>747,442</u>	<u>666,819</u>
Less: Miscellaneous Income	4	56,398	56,190
LHB net operating costs before interest and other gains and losses		691,044	610,629
Investment Income	8	0	35
Other (Gains) / Losses	9	93	1
Finance costs	10	35	3,644
Net operating costs for the financial year		691,172	614,239

Achievement of Operational Financial Balance

The LHBs performance for the year ended 31 March 2011 is as follows:

	2010-11 £000
Net operating costs for the financial year	691,172
Less Non-discretionary expenditure	909
Less Revenue consequences of Bringing PFI schemes onto SoFP	0
Net operating costs less non-discretionary expenditure and revenue consequences of PFI	690,263
Revenue Resource Limit	690,436
Under / (over) spend against Revenue Resource Limit	173

The notes on pages 8 to 58 form part of these accounts

Other Comprehensive Net Expenditure

	2010-11	2009-10
	£'000	£'000
Net gain / (loss) on revaluation of property, plant and equipment	85	5,729
Net gain / (loss) on revaluation of intangibles	0	0
Net gain / (loss) on revaluation of available for sale financial assets	0	0
Receipt of donated or government granted assets	339	278
(Gain) / loss on other reserves	0	0
Impairment and reversals	0	0
Transfers from donated and government grant reserves	(506)	(538)
Transfers (to) / from other bodies within the Resource Accounting Boundary	0	0
Other comprehensive net expenditure for the year	(82)	5,469
Total comprehensive net expenditure for the year	691,090	619,708

Statement of Financial Position as at 31 March 2011

	31 March	31 March
	2011	2010
Notes	£'000	£'000
Non-current assets		
Property, plant and equipment	11 241,007	229,630
Intangible assets	12 160	208
Trade and other receivables	15 16,843	5,649
Other financial assets	19 0	0
Other assets	20 0	0
Total non-current assets	258,010	235,487
Current assets		
Inventories	14 6,170	6,010
Trade and other receivables	15 12,431	16,835
Other financial assets	19 0	0
Other current assets	20 0	0
Cash and cash equivalents	18 1,911	1,332
	20,512	24,177
Non-current assets classified as "Held for Sale"	11 125	235
Total current assets	20,637	24,412
Total assets	278,647	259,899
Current liabilities		
Trade and other payables	16 71,725	59,976
Other financial liabilities	22 0	0
Provisions	17 8,225	16,515
Other liabilities	21 0	0
Total current liabilities	79,950	76,491
Net current assets/ (liabilities)	(59,313)	(52,079)
Non-current liabilities		
Trade and other payables	16 0	0
Other financial liabilities	22 0	0
Provisions	17 19,619	3,215
Other liabilities	21 0	0
Total non-current liabilities	19,619	3,215
Total assets employed	179,078	180,193
Financed by :		
Taxpayers' equity		
General Fund	163,564	164,496
Revaluation reserve	10,811	10,827
Donated asset reserve	4,703	4,870
Government grant reserve	0	0
Total taxpayers' equity	179,078	180,193

The financial statements on pages 2 to 7 were approved by the Board on _____ and signed on its behalf by:

Chief Executive.....

Date

The notes on pages 8 to 58 form part of these accounts

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2011

	General Fund £000s	Revaluation Reserve £000s	Donated Asset Reserve £000s	Government Grant Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2010-11					
Balance at 1 April 2010	164,496	10,827	4,870	0	180,193
Net operating cost for the year	(691,172)				(691,172)
Net gain/(loss) on revaluation of property, plant and equipment	0	85	0	0	85
Net gain/(loss) on revaluation of intangible assets	0	0	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	0	0	0	0
Impairments and reversals	0	0	0	0	0
Receipt / (disposal) of donated or government granted assets	0	0	339	0	339
Movements in other reserves	0	0	0	0	0
Release of reserves to SoCNE	0	0	(506)	0	(506)
Non-cash charges - cost of capital					0
Transfers between reserves	101	(101)	0	0	0
Transfers to/(from) other bodies within the Resource Accounting boundary	0	0	0	0	0
Total recognised income and expense for 2010-11	(691,071)	(16)	(167)	0	(691,254)
Net Assembly funding	690,139				690,139
Balance at 31 March 2011	163,564	10,811	4,703	0	179,078

The notes on pages 8 to 58 form part of these accounts

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2010

	General Fund £000s	Revaluation Reserve £000s	Donated Asset Reserve £000s	Government Grant Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2009-10					
Balance at 31 March 2009	176,125	5,892	4,336	0	186,353
Net operating cost for the year	(614,239)				(614,239)
Net gain/(loss) on revaluation of property, plant and equipment	0	4,996	733	0	5,729
Net gain/(loss) on revaluation of intangible assets	0	0	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	0	0	0	0
Impairments and reversals	0	0	0	0	0
Receipt / (disposal) of donated or government granted assets	0	0	278	0	278
Movements in other reserves	0	0	0	0	0
Release of reserves to OCS	0	0	(538)	0	(538)
Non-cash charges - cost of capital	0				0
Transfers between reserves	0	(61)	61	0	0
Transfers to/(from) other bodies within the Resource Accounting boundary	1,477	0	0	0	1,477
Total recognised income and expense for 2009-10	(612,762)	4,935	534	0	(607,293)
Net Assembly funding	601,133				601,133
Balance at 31 March 2010	164,496	10,827	4,870	0	180,193

The notes on pages 8 to 58 form part of these accounts

Statement of Cash flows for year ended 31 March 2011

	2010-11	2009-10
	£'000	£'000
Cash Flows from operating activities		
Net operating cost before interest	(691,044)	(610,629)
Movements in Working Capital	34 827	626
Other cash flow adjustments	35 39,464	31,329
Provisions utilised	17 (4,654)	(3,667)
Interest paid	(35)	(8)
Net cash outflow from operating activities	(655,442)	(582,349)
Cash Flows from investing activities		
Purchase of property, plant and equipment	(34,606)	(27,732)
Proceeds from disposal of property, plant and equipment	246	0
Purchase of intangible assets	0	(22)
Proceeds from disposal of intangible assets	0	0
Payment for other financial assets	0	0
Proceeds from disposal of other financial assets	0	0
Payment for other assets	0	0
Proceeds from disposal of other assets	0	0
Interest received	0	42
Rental Income	0	0
Net cash inflow/(outflow) from investing activities	(34,360)	(27,712)
Net cash inflow/(outflow) before financing	(689,802)	(610,061)
Cash flows from financing activities		
Welsh Assembly Government funding (including capital)	690,139	601,133
Capital receipts surrendered	0	0
Capital grants received	339	0
Capital element of payments in respect of finance leases and on-SoFP	(97)	(326)
Cash transferred (to)/ from other NHS bodies	0	0
Net financing	690,381	600,807
Net increase/(decrease) in cash and cash equivalents	579	(9,254)
Cash and cash equivalents (and bank overdrafts) at 1 April 2010	1,332	10,586
Cash and cash equivalents (and bank overdrafts) at 31 March 2011	1,911	1,332

The notes on pages 8 to 58 form part of these accounts

Notes to the Accounts

1. Accounting policies

The accounts have been prepared in accordance with the 2010-11 Local Health Board Manual for Accounts and 2010-11 Financial Reporting Manual (FReM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the first-time adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Board are described below. They have been applied in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector.

Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Income and funding

The main source of funding for the Local Health Boards (LHBs) are allocations (Assembly Funding) from the Welsh Assembly Government within an approved cash limit, which is credited to the General Fund of the Local Health Board. Assembly funding is recognised in the financial period in which the cash is received.

Non discretionary funding outside the Revenue Resource Limit is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, or ophthalmic services identified by the Welsh Assembly Government. Non discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the Revenue Resource Limit.

Funding for the acquisition of fixed assets received from the Welsh Assembly Government is credited to the general fund.

- Miscellaneous income is income which relates directly to the operating activities of the LHB and is not funded directly by the Welsh Assembly Government. This includes payment for services uniquely provided by the LHB for the Welsh Assembly Government such as funding provided to agencies and non-activity costs incurred by the LHB in its provides role. Income received from LHBs transacting with other LHBs is always treated as miscellaneous income.

- Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income had been received from third parties for a specific activity to be delivered in the following financial year, that income will be deferred. Only non-NHS income may be deferred.

1.4 Employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. 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.

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 expenditure at the time the LHB commits itself to the retirement, regardless of the method of payment.

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme this is disclosed. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the LHBs accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Actuarial gains and losses during the year are recognised in the pensions reserve and reported as an item of other comprehensive income.

1.5 Other expenses

Other operating expenses for goods or services are recognised when, and to the extent that, they have been received. They are measured at the fair value of the consideration payable.

1.6 Property, plant and equipment**Recognition**

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the LHB;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land and buildings used for the LHBs services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales bodies have applied these new valuation requirements from 1 April 2009.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

Land and buildings have been indexed with indices supplied by the District Valuation Office. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. This is a change in accounting policy from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter to expenditure. Gains and losses recognised in the Revaluation Reserve are reported in the Statement of Net Comprehensive Expenditure. However, to ensure that the outcome as reflected in the reserves figure on the Statement of Financial Position is consistent with the requirements of IAS 36 had this adaptation not been applied, the balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 should be transferred to the General Fund.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

1.7 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the LHBs business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the LHB; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.8 Depreciation, amortisation and impairments

Freehold land and properties under construction are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the LHB expects to obtain economic benefits or service potential from the asset. This is specific to the LHB and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives.

At each reporting period end, the LHB checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.9 Research and Development

Research and development expenditure is charged to operating costs in the year in which it is incurred, except insofar as it relates to a clearly defined project, which can be separated from patient care activity 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 SoCNE on a systematic basis over the period expected to benefit from the project.

1.10 Donated assets

Donated assets are capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. Donated assets are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the Statement of Comprehensive Net Expenditure. On sale of donated assets the net book value is transferred from the donated asset reserve to the general fund.

1.11 Government grants

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by the Welsh Assembly Government. Revenue grants are treated as deferred income initially and credited to the operating cost statement to match the expenditure to which it relates. Capital grants are credited to the government grant reserve. Assets purchased from government grants are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the government grant reserve and, each year, an amount equal to the depreciation charge on the asset is released from the government grant reserve to the Statement of Comprehensive Net Expenditure.

1.12 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Net Expenditure. On disposal, the balance for the asset on the revaluation reserve, donated asset reserve or government grant reserve is transferred to the General Fund. For donated and government granted assets, a transfer is made to or from the relevant reserve to the General Fund so that no profit is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then transferred to the General Fund.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead it is retained as an operational asset and its economic life adjusted. The asset is derecognised when it is scrapped or demolished.

1.13 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

1.13.1 The Local Health Board as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are charged directly to the Statement of Comprehensive Net Expenditure.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

1.13.2 The Local Health Board as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the LHB net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the LHB's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.14 Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.15 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.16 Provisions

Provisions are recognised when the LHB has a present legal or constructive obligation as a result of a past event, it is probable that the LHB will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the LHB has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the LHB has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.17 Clinical negligence costs

The Welsh Risk Pool operates a risk pooling scheme which is paid for by top sliced allocations based on direct invoicing to the Welsh Assembly Government. The Welsh Risk Pool is hosted by Betsi Cadwaladr University Local Health Board.

1.18 Financial assets

Financial assets are recognised on the Statement of Financial Position 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.

1.18.1 Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through SoCNE'; '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.

1.18.2 Financial assets at fair value through SoCNE

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 SoCNE. 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.

1.18.3 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.

1.18.4 Available for sale financial assets

Available for sale financial assets are non-derivative financial 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.

1.18.5 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 Statement of Comprehensive Net Expenditure 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 Statement of Comprehensive Net Expenditure 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.

1.19 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.

1.19.1 Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities 'at fair value through the Statement of Comprehensive Net Expenditure' or other financial liabilities.

1.19.2 Financial liabilities at fair value through the Statement of Comprehensive Net Expenditure

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 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.

1.19.3 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.

1.20 Cost of Capital

The cost of capital applies to all the assets and liabilities of the LHB, less cash balances held at the Government Banking Service and donated assets. In 2010-11 HM Treasury has abolished capital charges but they will be shown as a comparator in these accounts for the final Public Capital Dividend paid by the abolished trusts in 2009-10.

1.21 Value Added Tax

Most of the activities of the LHB are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.22 Foreign currencies

Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Statement of Comprehensive Net Expenditure. At the Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

1.23 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the LHB has no beneficial interest in them. Details of third party assets are given in Note 24 to the accounts.

1.24 Losses and Special Payments

Losses and special payments are items that the Welsh Assembly Government would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings in the operating cost statement on an accruals basis, including losses which would have been made good through insurance cover had LHBs not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses register which is prepared on a cash basis.

1.25 Pooled budget

The LHB has entered into pooled budgets with Local Authorities. Under the arrangement funds are pooled in accordance with section 33 of the NHS (Wales) Act 2006 for specific activities as detailed in note 31.

The pool is hosted by one organisation. Payments for services provided are accounted for as Miscellaneous Income. The LHB accounts for its share of the assets, liabilities, income and expenditure from the activities of the pooled budget, in accordance with the pooled budget arrangement.

1.26 Critical Accounting Judgements and key sources of estimation uncertainty

In the application of the LHB's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

1.27 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

A recent court judgement in the case of Grogan v Bexley NHS Care Trust ruled that the primary health need approach should be used when assessing care requirements. Where an individual's care is of a primary health need then all care costs should be met by the NHS. This may have an impact on the level of LHB Continuing Care costs in cases where the LHB has not assessed eligibility for care using the primary health need approach. An all Wales review is underway to try and assess the effect on the NHS in Wales. To date claims have been received by the LHB from local authorities/ individuals for retrospective care costs which they believe should have been funded by the LHB on the basis of primary health need. However the court ruling has not been tested by any case re-assessment and in the LHB's view is unlikely to result in any additional costs in respect of past years. As a result, no provision has been made for any potential costs which might arise.

1.28 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The LHB therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received;
- b) Payment for the PFI asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

PFI asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the LHBs approach for each relevant class of asset in accordance with the principles of IAS 16.

PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Net Expenditure.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Net Expenditure.

Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the LHBs criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Assets contributed by the LHB to the operator for use in the scheme

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the LHBs Statement of Financial Position.

Other assets contributed by the LHB to the operator

Assets contributed (e.g. cash payments, surplus property) by the LHB to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the LHB, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured at the present value of the minimum lease payments, discounted using the implicit interest rate. It is subsequently measured as a finance lease liability in accordance with IAS 17.

On initial recognition of the asset, the difference between the fair value of the asset and the initial liability is recognised as deferred income, representing the future service potential to be received by the LHB through the asset being made available to third party users.

1.29 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LHB, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.30 EU Emissions Trading Scheme

EU Emission Trading Scheme allowances are accounted for as government grant funded intangible assets if they are not expected to be realised within twelve months, and otherwise as other current assets. They are valued at open market value. As the NHS body makes emissions, a provision is recognised with an offsetting transfer from the government grant reserve. The provision is settled on surrender of the allowances. The asset, provision and government grant reserve are valued at fair value at the end of the reporting period.

1.31 Accounting standards that have been issued but not yet been adopted.

There have been no accounting standards issued by the IASB that have not been adopted.

1.32 Accounting standards issued that have been adopted early.

All early adoption of accounting standards will be led by HM Treasury. During 2010/11 there have been no accounting standards issued that have been adopted early.

2. Achievement of Operational Financial Balance

2.1 Revenue Resource Limit

The LHB has achieved Operational Financial Balance as shown on the face of the Operating Cost Statement. The LHB received no brokerage during 2010/11.

2.2 Capital Resource Limit

2010-11

£000

The LHB is required to keep within its Capital Resource Limit :

Gross capital expenditure	38,454
Add: Loss in respect of disposals of donated assets	0
Less NBV of property, plant and equipment and intangible assets	(319)
Less capital grants	0
Less donations	(339)
Charge against Capital Resource Limit	37,796
Capital Resource Limit	37,895
(Over) / Underspend against Capital Resource Limit	99

3. Analysis of gross operating costs

3.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2010-11 Total £'000	2009-10 £'000
General Medical Services	58,615		58,615	59,475
Pharmaceutical Services	18,373	(2,788)	15,585	14,804
General Dental Services	19,139		19,139	19,174
General Ophthalmic Services	0	3,697	3,697	3,515
Other Primary Health Care expenditure	6,901		6,901	3,721
Prescribed drugs and appliances	69,002		69,002	67,508
Total	172,030	909	172,939	168,197

3.2 Expenditure on healthcare from other providers

	2010-11 £'000	2009-10 £'000
		Restated
Goods and services from other NHS Wales Health Boards	27,323	30,356
Goods and services from other NHS Wales Trusts	3,179	3,483
Goods and services from other non Welsh NHS bodies	1,918	2,125
Goods and services from WHSSC / HCW	70,650	79
Local Authorities	4,123	3,606
Voluntary organisations	777	947
NHS Funded Nursing Care	3,988	3,870
Continuing Care	45,493	46,644
Private providers	2,677	1,968
Specific projects funded by the Welsh Assembly Government	0	0
National Public Health Service / Public Health Wales	1,370	2,371
Business Services Centre / Business Services Partnership	1,193	2,437
Other	1,575	926
Total	164,266	98,812

3.3 Expenditure on Hospital and Community Health Services

	2010-11 £'000	2009-10 £'000 Restated
Directors' costs	1,644	1,893
Staff costs	301,138	289,350
Supplies and services - clinical	49,052	47,421
Supplies and services - general	4,401	4,610
Consultancy Services	318	429
Establishment	9,115	9,418
Transport	1,020	780
Premises	13,744	12,486
External Contractors	229	0
Depreciation	12,871	13,027
Amortisation	62	55
Fixed asset impairments and reversals (Property, plant & equipment)	13,965	17,298
Fixed asset impairments and reversals (Intangible assets)	0	0
Impairments & reversals of financial assets	0	0
Impairments & reversals of non-current assets held for sale	0	0
Capital charge interest	0	0
Audit fees	462	1,075
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	942	2,278
Research and Development	0	0
Other operating expenses	1,274	(310)
Total	410,237	399,810

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

	2010-11 £000	2009-10 £000
Increase/(decrease) in provision for future payments:		
Clinical negligence	10,004	761
Personal injury	781	713
All other losses and special payments	126	50
Defence legal fees and other administrative costs	948	744
Gross increase/(decrease) in provision for future payments	11,859	2,268
Premium for other insurance arrangements	0	0
Irrecoverable debts	(360)	163
Less: income received/ due from Welsh Risk Pool	(10,557)	(334)
Total	942	2,097

Personal injury includes £177k (2009-10 £383k) in respect of permanent injury benefits

4. Miscellaneous Income

	2010-11 £'000	2009-10 £'000 Restated
Local Health Boards	18,803	19,595
WHSSC / Health Commission Wales	816	766
NHS trusts	2,416	2,098
Strategic health authorities and primary care trusts	2,885	2,818
Foundation Trusts	0	0
Local authorities	3,999	4,140
Welsh Assembly Government	6,651	2,591
Non NHS:		
Prescription charge income	13	215
Dental fee income	2,541	2,621
Private patient income	160	166
Overseas patients (non-reciprocal)	0	0
Injury Costs Recovery (ICR) Scheme	1,546	1,292
Other income from activities	2,624	5,028
Patient transport services	0	0
Education, training and research	7,821	8,631
Charitable and other contributions to expenditure	1,465	1,092
Transfer from the donated asset reserve	506	538
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	375	364
Business Services Centre / Business Services Partnership	0	0
Deferred income released to revenue	0	0
Contingent rental income from finance leases	0	0
Rental income from operating leases	0	0
Other income:		
Provision of laundry, pathology, payroll services	199	116
Accommodation and catering charges	1,533	1,760
Mortuary fees	169	177
Staff payments for use of cars	280	237
Business unit (please state)	0	0
Other (please state)	1,596	1,945
Total	56,398	56,190

The Welsh Assembly Government figure for 2009/10 has been understated by £2,111, and with Non NHS - Other Income From Activities overstated by £2,111 due to a misclassification error.

5. Employee benefits and staff numbers

5.1 Employee costs	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2009-10
	£000	£000	£000	£000	£000
Salaries and wages	253,651	2,196	6,445	262,292	248,994
Social security costs	18,790	0	0	18,790	18,178
Employer contributions to NHS Pension Scheme	29,252	0	0	29,252	28,044
Other pension costs	0	0	0	0	0
Other employment benefits	0	0	0	0	0
Termination benefits	0	0	0	0	0
Total	301,693	2,196	6,445	310,334	295,216
Charged to capital				222	584
Charged to revenue				310,112	294,632
				310,334	295,216

5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2009-10
	Number	Number	Number	Number	Number
Medical and dental	638	13	42	693	1,118
Ambulance staff	0	0	0	0	0
Administrative and estates	1,470	19	1	1,490	1,944
Healthcare assistants and other support staff	824	1	0	825	1,471
Nursing, midwifery and health visiting staff	3,528	4	21	3,553	2,539
Nursing, midwifery and health visiting learners	0	0	0	0	13
Scientific, therapeutic and technical staff	1,076	2	3	1,081	705
Social care staff	0	0	0	0	0
Other	5	0	0	5	4
Total	7,541	39	67	7,647	7,794

The average number of employees in 2009/10 was collated using the Electronic Staff Record, and for 2010/11 was collated using the Oracle Finance System. The 2010/11 method being a more accurate approach for the provision of this information.

5.3. Retirements due to ill-health

During 2010-11 there were 13 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 £993,301.03.

5.4 Employee benefits	2010-11	2009-10
	£000	£000
The LHB does not have an employee benefit scheme.	0	0

5.5 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions 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, every five years) and an 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.

In order to defray the costs of benefits, employers pay contributions at the existing rate of 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%. Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, his Valuation report recommended that employer contributions could continue at the existing rate of 14% pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings. On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period 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 2011, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 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 also be obtained from The Stationery Office.

c) Scheme provisions

The NHS Pension Scheme provides defined benefits which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a "final" salary scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last 3 years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Annual increases are applied to pension payments at rates defined by the Pensions (Increases) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year.

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.

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 statement of comprehensive income at the time the Health Board 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 or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

6. Operating leases

LHB as lessee

The Provider arm of the Health Board has several operating leases arrangements in place, which include:

- leases for vehicles
- leases for smaller medical and surgical items which are valued at less than £5,000 each
- at the end of the primary lease period these items are returned to the lessor

Payments recognised as an expense	2010-11	2009-10
	£000	£000
Minimum lease payments	1,937	1,540
Contingent rents	0	0
Sub-lease payments	0	0
Total	1,937	1,540

Total future minimum lease payments

Payable	£000	£000
Not later than one year	907	916
Between one and five years	614	625
After 5 years	0	0
Total	1,521	1,541

Total future sublease payments expected to be received is £Nil

LHB as lessor

Rental revenue	£000	£000
Rent	0	0
Contingent rents	0	0
Total revenue rental	0	0

Total future minimum lease payments

Receivable	£000	£000
Not later than one year	0	0
Between one and five years	0	0
After 5 years	0	0
Total	0	0

7. Public Sector Payment Policy - Measure of Compliance

7.1 Prompt payment code - measure of compliance

The Assembly requires that Health Boards pay all their trade creditors in accordance with the CBI prompt payment code and Government Accounting rules. The Assembly has set as part of the Health Board financial targets a requirement to pay 95% of the number of non-NHS creditors within 30 days of delivery.

	2010-11	2010-11	2009-10	2009-10
NHS	Number	£000	Number	£000
Total bills paid	3,685	86,325	5,249	392,194
Total bills paid within target	3,370	85,094	4,693	389,507
Percentage of bills paid within target	91.5%	98.6%	89.4%	99.3%
Non-NHS				
Total bills paid	148,291	341,620	280,473	236,803
Total bills paid within target	140,971	335,706	273,577	230,748
Percentage of bills paid within target	95.1%	98.3%	97.5%	97.4%
Total				
Total bills paid	151,976	427,945	285,722	628,997
Total bills paid within target	144,341	420,800	278,270	620,255
Percentage of bills paid within target	95.0%	98.3%	97.4%	98.6%

7.2 The Late Payment of Commercial Debts (Interest) Act 1998

	2010-11	2009-10
	£	£
Amounts included within finance costs (note 10) from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0
Total	0	0

8. Investment Income

	2010-11 £000	2009-10 £000
Rental revenue :		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue :		
Bank accounts	0	35
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Total	<u>0</u>	<u>35</u>

9. Other gains and losses

	2010-11 £000	2009-10 £000
Gain/(loss) on disposal of property, plant and equipment	(93)	(1)
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through SoCNE	0	0
Change in fair value of financial liabilities at fair value through SoCNE	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
Total	<u>(93)</u>	<u>(1)</u>

10. Finance costs

	2010-11 £000	2009-10 £000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	7	8
Interest on obligations under PFI contracts	0	0
main finance cost	0	0
contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Provisions unwinding of discount	28	0
Other interest expense	0	0
Total interest expense	<u>35</u>	<u>8</u>
PDC dividends payable	0	3,636
Other finance costs	0	0
Total	<u>35</u>	<u>3,644</u>

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2010	23,869	152,025	8,088	31,515	55,946	718	13,685	1,957	287,803
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	8,024	0	23,902	3,861	0	1,551	777	38,115
Additions - donated	0	0	0	0	339	0	0	0	339
Additions - government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	18,866	0	(20,113)	858	0	206	169	(14)
Revaluations	0	0	0	0	(2,047)	0	0	0	(2,047)
Impairments	0	(14,161)	0	0	0	0	0	0	(14,161)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	(70)	(77)	0	0	0	0	0	0	(147)
Disposals	(17)	0	0	0	(423)	0	(95)	0	(535)
At 31 March 2011	23,782	164,677	8,088	35,304	58,534	718	15,347	2,903	309,353
Depreciation at 1 April 2010	0	6,394	313	0	40,150	679	9,433	1,204	58,173
Indexation	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	(2,133)	0	0	0	(2,133)
Impairments	0	(174)	0	0	0	0	0	0	(174)
Reversal of impairments	0	(23)	0	0	0	0	0	0	(23)
Reclassified as held for sale	0	(22)	0	0	0	0	0	0	(22)
Disposals	0	0	0	0	(274)	0	(72)	0	(346)
Provided during the year	0	6,178	332	0	4,722	12	1,445	182	12,871
At 31 March 2011	0	12,353	645	0	42,465	691	10,806	1,386	68,346
Net book value at 1 April 2010	23,869	145,631	7,775	31,515	15,796	39	4,252	753	229,630
Net book value at 31 March 2011	23,782	152,324	7,443	35,304	16,069	27	4,541	1,517	241,007
Net book value at 31 March 2011 comprises :									
Purchased	23,502	148,979	7,443	35,304	15,075	15	4,529	1,517	236,364
Donated	280	3,345	0	0	994	12	12	0	4,643
Government Granted	0	0	0	0	0	0	0	0	0
	23,782	152,324	7,443	35,304	16,069	27	4,541	1,517	241,007
Asset financing :									
Owned	23,782	152,324	7,443	35,304	16,013	27	4,541	1,517	240,951
Held on finance lease	0	0	0	0	56	0	0	0	56
On-SoFP PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
	23,782	152,324	7,443	35,304	16,069	27	4,541	1,517	241,007

The net book value of land, buildings and dwellings at 31 March 2011 comprises :

	£000
Freehold	182,332
Long Leasehold	1,217
Short Leasehold	0
	183,549

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2009	27,183	167,343	7,718	11,770	53,500	715	12,672	1,911	282,812
Indexation	0	0	0	0	537	2	1	22	562
Additions - purchased	0	1,306	0	23,399	1,556	1	1,097	24	27,383
Additions - donated	0	0	0	0	278	0	0	0	278
Additions - government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	260	1,217	0	0	0	0	0	0	1,477
Reclassifications	0	692	0	(1,132)	427	0	13	0	0
Revaluations	92	(8,087)	1,304	(27)	0	0	0	0	(6,718)
Impairments	(3,666)	(10,417)	(934)	(2,495)	0	0	0	0	(17,512)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	(29)	0	0	(352)	0	(98)	0	(479)
At 31 March 2010	23,869	152,025	8,088	31,515	55,946	718	13,685	1,957	287,803
Depreciation at 1 April 2009	0	11,540	426	0	35,774	658	8,251	1,075	57,724
Indexation	0	0	0	0	201	1	1	7	210
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	(11,665)	(427)	0	0	0	0	0	(12,092)
Impairments	0	(215)	0	0	0	0	0	0	(215)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	(29)	0	0	(351)	0	(98)	0	(478)
Provided during the year	0	6,763	314	0	4,526	20	1,279	122	13,024
At 31 March 2010	0	6,394	313	0	40,150	679	9,433	1,204	58,173
Net book value at 1 April 2009	27,183	155,803	7,292	11,770	17,726	57	4,421	836	225,088
Net book value at 31 March 2010	23,869	145,631	7,775	31,515	15,796	39	4,252	753	229,630
Net book value at 31 March 2010 comprises :									
Purchased	23,589	142,172	7,775	31,515	14,770	24	4,228	753	224,826
Donated	280	3,459	0	0	1,026	15	24	0	4,804
Government Granted	0	0	0	0	0	0	0	0	0
	23,869	145,631	7,775	31,515	15,796	39	4,252	753	229,630
Asset financing :									
Owned	23,869	145,631	7,775	31,515	15,307	39	4,252	753	229,141
Held on finance lease	0	0	0	0	438	0	0	0	438
On-SoFP PFI contracts	0	0	0	0	51	0	0	0	51
PFI residual interests	0	0	0	0	0	0	0	0	0
	23,869	145,631	7,775	31,515	15,796	39	4,252	753	229,630
The net book value of land, buildings and dwellings at 31 March 2010 comprises :									
Freehold									£000
Long Leasehold									176,058
Short Leasehold									1,217
									0
									<u>177,275</u>

11. Property, plant and equipment (continued.)

- i) Acquisitions shown as donated assets within Note 11 were bought using monies donated by the public into the Charitable Funds and through League of Friends contributions.

During 2010/11 fixed assets to the following value were bought from the following Charitable Funds totalled

Carmarthenshire NHS Trust General Charitable Fund (1049213)	£80,330
Pembrokeshire and Derwen NHS Trust Charitable Fund (1049198)	£141,916
Ceredigion & Mid Wales NHS Trust General Fund (1052231)	£5,341

During 2010/11 fixed assets purchased to the value of £111,587 were funded by League of Friends contributions.

- ii) A revaluation exercise was undertaken of completed schemes within the financial period:
- the effective date of revaluation were
 - 1st July 2010 - Witybush A&E, Theatres & OOH Call Centre & Breast Care Unit Prince Phillip
 - 17th December 2010 - Mortuary Glangwili
 - the revaluations were carried out by an independent valuer (Valuation Office Agency - District Valuer Services)
 - the valuation was prepared in accordance with the terms of the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards, insofar as these terms are consistent with the agreed requirements of the National Health Service in Wales, the Welsh Assembly Government and HM Treasury.
- iii) The revaluation exercise has not only altered the value of land and buildings but also reviewed the building and dwelling asset lives
- iv) The only asset the LHB held at 31st March 2011 at open market value was Capel Road, this is a property owned by the previous Pembrokeshire & Derwen NHS Trust, but which is now surplus to requirement and has recently been placed on the market. The value of the asset as at 31st March 2011 is based on the price which the Estate Agents dealing with the property would hope to sell the property for.

Desirable disclosures:

- i) The LHB is not carrying any temporarily idle assets.
- ii) Gross carrying amount of all fully depreciated assets still in use as at 31st March 2011 is £40,581,287

11. Property, plant and equipment (continued)**11.2 Non-current assets held for sale**

	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
Balance brought forward 1 April 2010	70	165	0	0	0	235
Plus assets classified as held for sale in the year	70	55	0	0	0	125
Less assets sold in the year	(70)	(165)	0	0	0	(235)
Less impairment of assets held for sale	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance carried forward 31 March 2011	70	55	0	0	0	125
Balance brought forward 1 April 2009	70	165	0	0	0	235
Plus assets classified as held for sale in the year	0	0	0	0	0	0
Less assets sold in the year	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance carried forward 31 March 2010	70	165	0	0	0	235

The property sold was Cartrefle which was sold in April 2010 for £249,798.48. The recognised gain on sale of Asset was £12,298.48

The property being held for sale is known as the Capel Road CTLD Offices which is located at Bay View Road in Llanelli. The property is no longer required by the LHB and has been offered for sale to a local Housing Association in line with WAG requirements. Completion is expected imminently.

12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2010	325	0	11	0	0	336
Revaluation	0	0	0	0	0	0
Reclassifications	14	0	0	0	0	14
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
Additions- purchased	0	0	0	0	0	0
Additions- internally generated	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Gross cost at 31 March 2011	339	0	11	0	0	350
Amortisation at 1 April 2010	121	0	7	0	0	128
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0
Provided during the year	60	0	2	0	0	62
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Amortisation at 31 March 2011	181	0	9	0	0	190
Net book value at 1 April 2010	204	0	4	0	0	208
Net book value at 31 March 2011	158	0	2	0	0	160
At 31 March 2011						
Purchased	149	0	2	0	0	151
Donated	9	0	0	0	0	9
Government Granted	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0
Total at 31 March 2011	158	0	2	0	0	160

12. Intangible non-current assets (continued)

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2009	303	0	11	0	0	314
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
Additions- purchased	22	0	0	0	0	22
Additions- internally generated	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Gross cost at 31 March 2010	325	0	11	0	0	336
Amortisation at 1 April 2009	66	0	4	0	0	70
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0
Provided during the year	55	0	3	0	0	58
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Amortisation at 31 March 2010	121	0	7	0	0	128
Net book value at 1 April 2009	237	0	7	0	0	244
Net book value at 31 March 2010	204	0	4	0	0	208
At 31 March 2010						
Purchased	191	0	4	0	0	195
Donated	13	0	0	0	0	13
Government Granted	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0
Total at 31 March 2010	204	0	4	0	0	208

12. Intangible non-current assets (continued)

Computer software is capitalised at its purchase price.
It is not indexed as IT assets are not subject to indexation.

The assets are amortised monthly over their expected life.

The LHB has no fully amortised intangible asset still in use.

13 . Impairments

	2010-11		2009-10	
	Property, plant & equipment £000	Intangible assets £000	Property, plant & equipment £000	Intangible assets £000
Impairments arising from :				
Loss or damage from normal operations	0	0	0	0
Abandonment in the course of construction	0	0	0	0
Over specification of assets (Gold Plating)	0	0	0	0
Loss as a result of a catastrophe	0	0	0	0
Unforeseen obsolescence	0	0	0	0
Changes in market price	0	0	0	0
Others (specify)	13,965	0	17,297	0
Total of all impairments	13,965	0	17,297	0
Analysis of impairments charged to reserves in year :				
Charged to the Statement of Comprehensive Net Expenditure	13,965	0	15,093	0
Charged to Revaluation Reserve	0	0	2,204	0
	13,965	0	17,297	0

£13,964,529 of the impairment loss recognised is due to the impact of good housekeeping valuations which have been undertaken on schemes completed and brought into use during 2010-11

14. Inventories

	31 March	31 March
	2011	2010
	£000	£000
Drugs	2,428	2,311
Consumables	3,544	3,536
Energy	198	163
Work in progress	0	0
Other	0	0
Total	6,170	6,010
Of which held at realisable value	0	0

14.2 Inventories recognised in expenses

	31 March	31 March
	2011	2010
	£000	£000
Inventories recognised as an expense in the period	144	28
Write-down of inventories (including losses)	60	8
Reversal of write-downs that reduced the expense	0	0
Total	204	36

15. Trade and other Receivables

Current	31 March 2011 £000	31 March 2010 £000 Restated
Welsh Assembly Government	860	1,220
HCW / WHSSC	179	111
Welsh Health Boards	1,685	3,815
Welsh NHS Trusts	144	277
Non - Welsh Trusts	368	721
Other NHS	11	18
Welsh Risk Pool	1,452	4,365
Local Authorities	1,571	806
Capital debtors	85	0
Other debtors	5,454	5,591
Provision for irrecoverable debts	(732)	(1,892)
Pension Prepayments	0	0
Other prepayments and accrued income	1,354	1,803
Sub total	12,431	16,835
Non-current		
Welsh Assembly Government	0	0
HCW / WHSSC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool	16,811	5,601
Local Authorities	0	0
Capital debtors	0	0
Other debtors	32	48
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
Sub total	16,843	5,649
Total	29,274	22,484

Receivables past their due date but not impaired

By up to three months	255	932
By three to six months	533	341
By more than six months	0	4
	788	1,277

Provision for impairment of receivables

Balance at 1 April	(1,892)	(1,818)
Amount written off during the year	6	285
Amount recovered during the year	0	(117)
(Increase) / decrease in receivables impaired	1,154	(242)
Balance at 31 March	(732)	(1,892)

16. Trade and other payables

Current	31 March	31 March
	2011	2010
	£000	£000
Welsh Assembly Government	144	0
WHSSC / HCW	102	55
Welsh Health Boards	2,496	1,690
Welsh NHS Trusts	369	647
Other NHS	4,471	4,344
Income tax and social security	1,066	4,875
Non-NHS creditors	6,596	4,829
Local Authorities	1,162	19
Capital Creditors	2,738	1,875
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts and PFI contracts	121	218
Pensions: staff	0	0
Accruals	43,471	33,077
Deferred Income	7	151
Other creditors	8,982	8,196
Total	71,725	59,976
Non-current		
Welsh Assembly Government	0	0
WHSSC / HCW	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Other NHS	0	0
Income tax and social security	0	0
Non-NHS creditors	0	0
Local Authorities	0	0
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts and PFI contracts	0	0
Pensions: staff	0	0
Accruals	0	0
Deferred Income	0	0
Other creditors	0	0
Total	0	0

17. Provisions

	At 1 April 2010	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2011
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	8,745	0	0	(5,625)	958	(891)	(2,420)	0	767
Personal injury	552	0	0	241	856	(775)	(554)	0	320
All other losses and special payments	0	0	0	0	126	(126)	0	0	0
Defence legal fees and other administration	415	0	0	(133)	371	(113)	(377)		163
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	227			0	0	(84)	0	0	143
Restructuring	0			0	0	0	0	0	0
Other	6,576			0	2,670	(628)	(1,786)		6,832
Total	16,515	0	0	(5,517)	4,981	(2,617)	(5,137)	0	8,225
Non Current									
Clinical negligence	475	0	0	5,625	15,122	(1,706)	(3,656)	0	15,860
Personal injury	2,228	0	0	(241)	491	(167)	(12)	25	2,324
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	512	0	0	133	1,371	(164)	(417)		1,435
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	0			0	0	0	0	0	0
Total	3,215	0	0	5,517	16,984	(2,037)	(4,085)	25	19,619
TOTAL									
Clinical negligence	9,220	0	0	0	16,080	(2,597)	(6,076)	0	16,627
Personal injury	2,780	0	0	0	1,347	(942)	(566)	25	2,644
All other losses and special payments	0	0	0	0	126	(126)	0	0	0
Defence legal fees and other administration	927	0	0	0	1,742	(277)	(794)		1,598
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	227			0	0	(84)	0	0	143
Restructuring	0			0	0	0	0	0	0
Other	6,576			0	2,670	(628)	(1,786)		6,832
Total	19,730	0	0	0	21,965	(4,654)	(9,222)	25	27,844

Expected timing of cash flows:

	In the remainder of spending review to 31 March 2015	Between 1 April 2015-31 March 2020	Thereafter	Total
				£000
Clinical negligence	16,627	0	0	16,627
Personal injury	1,214	1,430	0	2,644
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	1,598	0	0	1,598
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	143	0	0	143
Restructuring	0	0	0	0
Other	6,832	0	0	6,832
Total	26,414	1,430	0	27,844

17. Provisions (continued)

	At 1 April 2009	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2010
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	9,647	0	0	0	2,942	(1,493)	(2,351)	0	8,745
Personal injury	1,008	0	0	0	510	(536)	(430)	0	552
All other losses and special payments	0	0	0	0	50	(50)	0	0	0
Defence legal fees and other administration	366	0	0	0	429	(225)	(155)		415
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	151			0	117	(41)	0	0	227
Restructuring	0			0	0	0	0	0	0
Other	3,411			0	4,593	(917)	(511)		6,576
Total	14,583	0	0	0	8,641	(3,262)	(3,447)	0	16,515
Non Current									
Clinical negligence	457	0	0	0	687	(152)	(517)	0	475
Personal injury	1,819	0	0	0	798	(224)	(165)	0	2,228
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	71	0	0	0	501	(29)	(31)		512
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	0			0	0	0	0		0
Total	2,347	0	0	0	1,986	(405)	(713)	0	3,215
TOTAL									
Clinical negligence	10,104	0	0	0	3,629	(1,645)	(2,868)	0	9,220
Personal injury	2,827	0	0	0	1,308	(760)	(595)	0	2,780
All other losses and special payments	0	0	0	0	50	(50)	0	0	0
Defence legal fees and other administration	437	0	0	0	930	(254)	(186)		927
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	151			0	117	(41)	0	0	227
Restructuring	0			0	0	0	0	0	0
Other	3,411			0	4,593	(917)	(511)		6,576
Total	16,930	0	0	0	10,627	(3,667)	(4,160)	0	19,730

18. Cash and cash equivalents

	2010-11 £000	2009-10 £000
Balance at 1 April	1,332	10,586
Net change in cash and cash equivalent balances	579	(9,254)
Balance at 31 March	<u>1,911</u>	<u>1,332</u>
Made up of:		
Cash held at GBS	8,499	10,625
Commercial banks and cash in hand	(6,588)	(9,293)
Current Investments	0	0
Cash and cash equivalents as in Statement of Financial Position	<u>1,911</u>	<u>1,332</u>
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in Statement of Cash Flows	<u>1,911</u>	<u>1,332</u>

19. Other Financial Assets

	Current		Non-current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Financial assets				
Finance lease receivables	0	0	0	0
Financial assets carried at fair value through SoCNE	0	0	0	0
Held to maturity investments carried at amortised cost	0	0	0	0
Available for sale financial assets carried at fair value	0	0	0	0
Loans carried at amortised cost	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

20. Other assets

	Current		Non-current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
EU Emissions Trading Scheme Allowance	0	0	0	0
Prepayments	0	0	0	0
Other assets	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

21. Other liabilities

	Current		Non-current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Lease incentives	0	0	0	0
PFI asset -deferred credit	0	0	0	0
Other [specify]	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

22. Other financial liabilities

Financial liabilities	31 March		31 March	
	2011 £000	2010 £000	2011 £000	2010 £000
Financial assets carried at fair value through SoCNE	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

23. Related Party Transactions

Total value of transactions with Board members and key senior staff in 2010-2011

The Assembly is regarded as a related party. During the year Hywel Dda 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,

	Payments to related party £000	Receipts from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Welsh Assembly Government	232	703,572	144	860
Welsh Health Specialised Services Committee (WHSSC)	70,650	900	102	357
Abertawe Bro Morgannwg Local Health Board	28,393	6,104	1,680	166
Aneurin Bevan Local Health Board	239	377	0	297
Betsi Cadwaladr Local Health Board	345	3,509	62	219
Cardiff and Vale Local Health Board	5,235	1,415	150	400
Cwm Taff Local Health Board	568	548	48	92
Powys Local Health Board	1,665	51,949	556	540
Welsh Risk Pool			0	18,265
Public Health Wales	1,476	1,988	32	97
Velindre NHS Trust	2,601	1,360	272	47
Welsh Ambulance Services NHS Trust	2,371	71	65	6
TOTAL	113,775	771,793	3,111	21,346

A number of the LHB's Board members have interests in related parties as detailed below. The information provided in the note is in accordance with "IAS 24 - Related Party Disclosures" whereby disclosure is only required where there are material transactions with a related party. Senior staff may have other interests which do not fall within this definition of "Related Parties", and do not need to be disclosed.

Hywel Dda Local Health Board

Name	Details	Interests
Mr Chris Martin	Chairman	Executive Adviser to Alliance Healthcare Uk Ltd
Mr Eifion Griffiths	Independent Board Member	Board Member of Grwp Gwalia
Mr David Wildman	Independent Board Member	Cabinet Member of Pembrokeshire County Council
Professor Melanie Jasper	Independent Board Member	Head of School of Human & Health Science , Swansea University
Mr Trevor Purt	Chief Executive	Wife is a Director of NHS Wirral
Dr Sue Fish	Medical Director	Husband is a County Councillor for Ceredigion County Council Half Share in Borth Surgery, Ceredigion Premises

The related party transactions with detailed below are the related party transactions for all the interests held by directors

	Payments to related party £000	Receipts from related party £000
Alliance Healthcare UK Ltd	3,345	0
Borth Surgery	1,045	1
Ceredigion County Council	5,344	576
Gwalia Housing	353	18
NHS Wirral	1	0
Pembrokeshire County Council	6,201	1,799
Swansea University	390	263

24. Third Party assets

The LHB held £678,398 cash at bank and in hand at 31 March 2011 (31 March 2010: £572,089) which relates to monies held by the LHB on behalf of patients. Cash held in Patient's Investment Accounts amounted to £547,542 at 31st March 2011 (31 March 2010 : £431,193), This has been excluded from cash and cash equivalents figure reported in the accounts.

25. Intra Government balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
2010-11 :				
Welsh Assembly Government	860	0	144	0
Welsh Local Health Boards	3,167	16,811	2,496	0
Welsh NHS Trusts	151	0	369	0
Welsh Health Special Services Committee	334	0	102	0
All English Health Bodies	376	0	1,603	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	11	0	3	0
Miscellaneous	0	0	2,865	0
Credit note provision	(223)	0	0	0
Sub total	4,676	16,811	7,582	0
Other Central Government Bodies				
Other Government Departments	504	0	0	0
Revenue & Customs	693	0	1,066	0
Local Authorities	1,586	0	1,162	0
Balances with Public Corporations and trading funds	0	0	0	0
Balances with bodies external to Government	4,972	32	61,915	0
TOTAL	12,431	16,843	71,725	0
2009-10 :				
Welsh Assembly Government	1,220	0	0	0
Welsh Local Health Boards	8,291	5,601	1,690	0
Welsh NHS Trusts	277	0	647	0
Health Commission Wales	111	0	55	0
All English Health Bodies	739	0	418	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	28	0	0	0
Miscellaneous	18	0	3,504	0
Credit note provision	(1,892)	0	0	0
Sub total	8,792	5,601	6,314	0
Other Central Government Bodies				
Other Government Departments	135	0	0	0
Revenue & Customs	114	0	4,875	0
Local Authorities	806	0	19	0
Balances with Public Corporations and trading funds	2	0	0	0
Balances with bodies external to Government	6,986	48	48,768	0
TOTAL	16,835	5,649	59,976	0

26. Losses and special payments

Losses and special payments are charged to the Statement of Comprehensive Net Expenditure in accordance with IFRS but are recorded in the losses and special payments register when payment is made. Therefore this note is prepared on a cash basis.

Gross loss to the Exchequer

Number of cases and associated amounts paid out or written-off during the financial year

	Amounts paid out during period to 31 March 2011		Approved to write-off to 31 March 2011	
	Number	£	Number	£
Clinical negligence	48	2,596,563	12	511,290
Personal injury	44	942,318	9	136,283
All other losses and special payments	201	125,511	201	125,511
Total	293	3,664,392	222	773,084

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				
Case reference	Case type			
04RR6MN0024	Medical Negligence	0	340,000	340,000
05RKUMN0006	Medical Negligence	0	260,278	0
05RVAPI0004	Personal Injury	242,248	412,248	0
07RR6MN0021	Medical Negligence	490,000	490,000	0
		0	0	0
Sub-total		732,248	1,502,526	340,000
All other cases		2,932,144	5,435,799	433,084
Total cases		3,664,392	6,938,325	773,084

27. Contingencies

27.1 Contingent liabilities

	2010-11 £'000	2009-10 £'000
Legal claims for alleged medical or employer negligence	18,812	12,523
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	0	0
Continuing Health Care costs	9,920	4,824
Other	0	0
Total value of disputed claims	<u>28,732</u>	<u>17,347</u>
Less : Amounts recovered in the event of claims being successful	15,942	10,659
	<u>12,790</u>	<u>6,688</u>

27.2 Contingent assets

Nil	0	0
	0	0
	0	0
	<u>0</u>	<u>0</u>

28. Capital commitments

	2010-11	2009-10
Contracted capital commitments at 31 March		
Property, plant and equipment	7,237	7,055
Intangible assets	0	0
	<u>7,237</u>	<u>7,055</u>

29.1 Finance leases obligations (as lessee) continued**Amounts payable under finance leases:**

Buildings	31 March 2011 £000	31 March 2010 £000
Minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>
Present value of minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>
Other	31 March 2011 £000	31 March 2010 £000
Minimum lease payments		
Within one year	23	146
Between one and five years	0	23
After five years	0	0
Less finance charges allocated to future periods	0	(1)
Minimum lease payments	<u>23</u>	<u>168</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>
Present value of minimum lease payments		
Within one year	17	100
Between one and five years	0	17
After five years	0	0
Less finance charges allocated to future periods	0	(1)
Present value of minimum lease payments	<u>17</u>	<u>116</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>

29. Finance leases**29.1 Finance leases obligations (as lessee)**

The Health Board as at 31st March 2011 had 3 contracts under finance leases for medical and surgical equipment.

The original period on these leases would have been for periods of between 3 and 10 years.

Amounts payable under finance leases:

Land	31 March 2011 £000	31 March 2010 £000
Minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>
Present value of minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>

29.2 Finance lease receivables (as lessor)

The Health Board has no finance lease receivables as a lessor

Amounts receivable under finance leases:

	31 March 2011 £000	31 March 2010 £000
Gross investment in leases		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>
Present value of minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>

30. Private Finance Initiative contracts

30.1 PFI schemes off-Statement of Financial Position

The Health Board has no PFI operational schemes deemed to be off-Statement of Financial Position

30.2 PFI schemes on-Statement of Financial Position

The Health Board has one PFI operational schemes deemed to be on-Statement of Financial Position

The scheme is a Contract Energy Management scheme which provides heating, hot water, steam and locally generated electricity to Prince Philip Hospital.

*The contract does result in commitment from the private sector provider (Dalkia) and the Trust
The commitments are set out in significant details within a formal contract signed by both parties to the agreement*

Contract start date: 29/04/1996
Contract end date: 08/04/2011

Total obligations for on-Statement of Financial Position PFI contracts due:

	31 March 2011	31 March 2010
	£000	£000
Not later than one year	0	41
Later than one year, not later than five	0	0
Later than five years	0	0
Sub total	<u>0</u>	<u>41</u>
Less: interest element	<u>0</u>	<u>1</u>
Total	<u>0</u>	<u>40</u>

30.3 Charges to expenditure

The total charged in the year to expenditure in respect of the service element of on-statement of financial position PFI contracts was £142,356 (prior year £139,539).

The LHB is committed to the following annual charges

	31 March 2011	31 March 2010
	£000	£000
PFI scheme expiry date:		
Not later than one year	0	0
Later than one year, not later than five years	0	140
Later than five years	0	0
Total	0	140

30.4 The LHB has no Public Private Partnerships

31. Pooled budgets

The Health Board has entered into a pooled budget with Carmarthenshire County Council on the 1st October 2009. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the provision of an integrated community joint equipment store and a memorandum note to the final accounts will provide details of the joint income and expenditure.

The pool is hosted by Carmarthenshire County Council. The financial operation of the pool is governed by a pooled budget agreement between Carmarthenshire County Council and the Health Board.

Payments for services provided by Carmarthenshire County Council in the sum of £655,376 are accounted for as expenditure in the accounts of the Health Board. The Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

The Health Board has entered into a pooled budget with Ceredigion County Council on the 1st April 2009. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the provision of an integrated community joint equipment store and a memorandum note to the final accounts will provide details of the joint income and expenditure.

The pool is hosted by Ceredigion County Council. The financial operation of the pool is governed by a pooled budget agreement between Ceredigion County Council and the Health Board.

Payments for services provided by Ceredigion County Council in the sum of £276,763 are accounted for as expenditure in the accounts of the Health Board. The Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

The Health Board has entered into a pooled budget with Carmarthenshire County Council on the 31st March 2011. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the provision of Carmarthenshire Community Health and Social Care services.

The section 33 agreement itself will initially only provide the framework for taking forward future schedules and therefore references all community based health, social care (adults & children) and related housing and public protection services so that if any future developments are considered there will not have to prepare a separate agreement.

The Health Board has entered into a pooled budget with Pembrokeshire County Council on the 31st March 2011. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the provision of an integrated community joint equipment store.

The pool is to be hosted by Pembrokeshire County Council. The financial operation of the pool is governed by a pooled budget agreement between Pembrokeshire County Council and the Health Board.

32. Financial Instruments

Financial assets	At "fair value" through SoCNE £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	21,487	0	0	21,487
Cash at bank and in hand	1,911	0	0	1,911
Other financial assets	5,716	0	125	5,841
Total at 31 March 2011	29,114	0	125	29,239

Financial liabilities	At "fair value" through SoCNE £000	Other £000	Total £000
Embedded derivatives	0	0	0
PFI and finance lease obligations	121	0	121
Other financial liabilities	27,060	0	27,060
Total at 31 March 2011	27,181	0	27,181

Financial assets	At "fair value" through SoCNE £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	22,930	0	0	22,930
Cash at bank and in hand	1,332	0	0	1,332
Other financial assets	4,308	0	235	4,543
Total at 31 March 2010	28,570	0	235	28,805

Financial liabilities	At "fair value" through SoCNE £000	Other £000	Total £000
Embedded derivatives	0	0	0
PFI and finance lease obligations	218	0	218
Other financial liabilities	23,910	0	23,910
Total at 31 March 2010	24,128	0	24,128

33. Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The LHB is 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 listed companies, to which these standards mainly apply. The LHB has limited powers to invest 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.

Currency risk

The LHB is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The LHB has no overseas operations. The LHB therefore has low exposure to currency rate fluctuations.

Interest rate risk

LHBs are not permitted to borrow. The LHB therefore has low exposure to interest rate fluctuations

Credit risk

Because the majority of the LHB's funding derives from funds voted by the Assembly the LHB has low exposure to credit risk.

Liquidity risk

The LHB is required to operate within cash limits set by the Welsh Assembly Government for the financial year and draws down funds from the Assembly as the requirement arises. The LHB is not, therefore, exposed to significant liquidity risks.

34. Movements in working capital

	2010-11	2009-10
	£000	£000
(Increase)/decrease in inventories	(160)	(403)
(Increase)/decrease in trade and other receivables	(6,707)	3,278
(Increase)/decrease in other current assets	0	0
Increase/(decrease) in trade and other payables	7,694	(2,249)
Increase/(decrease) in other current liabilities	0	0
Total	827	626

35. Other cash flow adjustments

	2010-11	2009-10
	£000	£000
Depreciation	12,871	13,027
Amortisation	62	55
Impairments and reversals	13,965	17,298
Cost of Capital Charge	0	(4,978)
Release of PFI deferred credits	0	0
Transfer from donated asset reserve	(506)	(539)
Transfer from government grant reserve	0	0
Non-cash movements in provisions	13,072	6,466
Total	39,464	31,329

36. Cash flow relating to exceptional items

There have been no exceptional cash flow items during 2010-11.

37. Events after the Reporting Period

There are no events after the reporting period.

38. Operating segments

The Hywel Dda Local Health Board has identified the organisations full Board as the Chief Operating decision Maker (CODM) under IFRS 8. Only the full Board can allocate resources to the various services. The organisation is constituted as an integrated Health Board with seamless service delivery. The management and reporting for the operations of the Health Board to the CODM is through three Counties. Whilst these may be seen as segments they each provide the same spectrum of integrated services and therefore the Health Board has aggregated them into one healthcare segment as provided for under IFRS 8. The Health Board has no non healthcare activities.

39. Other Information

The Statement of Comprehensive Net Expenditure for 2009-10 has been re-stated to reflect changes in accounting policies for capital charge interest and fixed asset impairments. Some items of expenditure have also been reclassified from 'Expenditure on Hospital and Community Health Services' to 'Expenditure on healthcare from other providers', in accordance with the Manual for Accounts. The impact of these restatements is as follows:

- Reduction in 'Expenditure on Hospital and Community Health Services' of £2,256k due to the removal of capital charge interest.
- Reduction in 'Expenditure on Hospital and Community Health Services' of £4,609k with a corresponding increase in 'Expenditure on healthcare from other providers' due to the reclassification of expenditure.

The net impact is an overall reduction in net operating costs for 2009-10 of £2,256k

**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:2011

Chief Executive: Dated:2011

Director of Finance: Dated:2011

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 Hywel Dda local Health Board for the year ended 31 March 2011 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Tax Payers Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs). I have also audited the information in the Remuneration Report that is described as having been audited.

Respective responsibilities of Directors, the Chief Executive and the Auditor

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities set out on pages 59 and 60, the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Hywel Dda Local Health Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors and Chief Executive; and the overall presentation of the financial statements.

I am also required to obtain sufficient evidence to give reasonable assurance that 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 read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of affairs of Hywel Dda LHB as at 31 March 2011 and of its net operating costs, its recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under 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.

Opinion on other matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers;
- 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.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- the Statement on Internal Control does not reflect compliance with HM Treasury's and Welsh Ministers' guidance;
- proper accounting records have not been kept;
- information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed; or
- I have not received all the information and explanations I require for my audit.

Report

- I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
14 June 2011

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

**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 2010 and subsequent financial years in respect of the Local Health Boards (LHB)¹, in the form specified in paragraphs [2] to [7] below.

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

(a) the accounting guidance of the Government Financial Reporting Manual (FReM), which is in force for the financial year in which the accounts are being prepared, and has been applied by the Welsh Assembly Government and detailed in the NHS Wales LHB Manual for Accounts;

(b) any other specific guidance or disclosures required by the Welsh Assembly Government..

FORM AND CONTENT

3. The account of the LHB for the year ended 31 March 2010 and subsequent years shall comprise an operating cost statement, a statement of financial position, a statement of cash flows and a statement of changes in taxpayers' equity as long as these statements are required by the FReM and applied by the Welsh Assembly Government, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2010 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, changes in taxpayers' equity and cash flows during the year.

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

Signed by the authority of Welsh Ministers

Signed : Chris Hurst

Dated : 17.06.2010

1. Please see regulation 3 of the 2009 No.1559 (W.154); NATIONAL HEALTH SERVICE, WALES; The Local Health Boards (Transfer of Staff, Property, Rights and Liabilities) (Wales) Order 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.

I discharge the duties associated with accountability, internal control, controls assurance and risk management in accordance with the organisation's Standing Orders and Standing Financial Instructions. Whilst I retain personal responsibility for internal control and risk management on behalf of the organisation, I am supported in this by assigning specific roles to my Executive Directors in accordance with the Scheme of Delegation.

I ensure the Board is able to discharge its responsibilities through a range of systems and processes and a comprehensive governance structure which has delegated responsibility and accountability for providing the necessary assurances that objectives and statutory duties are being met. These are described in more detail in subsequent paragraphs.

The Welsh Assembly Government is kept fully informed on the risks to delivering the objectives and the measures in place for managing those risks, through the Annual Operating Framework process, the National Performance Reporting Framework and progress made against the Health Care Standards Improvement Plan. Regular Joint Executive Team Meetings are held with the Welsh Assembly Government at which strategic, operational and financial performance are covered. In addition, financial performance and risks are highlighted in monthly monitoring returns submitted to the Welsh Assembly Government.

As described above and in accordance with Standing Orders, the Board has determined that certain of its powers have been delegated to its Committees. This ensures there is a robust reporting structure capable of providing detailed scrutiny and assurance.

Integral to this process are the Audit, Integrated Governance and Quality and Safety Committees, each of which embeds corporate standards, priorities and requirements into its work. This maximises cohesion and integration across all aspects of governance and assurance. The responsibilities and accountabilities of these committees, together with those of the other sub committees of the Board are specified within the individual Terms of Reference which are reviewed annually.

The Health Board's Risk Management Strategy and Policy also outlines the roles and responsibilities assigned throughout the organisation, from Board to All Staff, in ensuring the effectiveness of the key controls in place to manage risk.

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 12 month period 1 April 2010 ending 31st March 2011 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 approved the final model Standing Orders and Standing Financial Instructions issued by WAG along with an updated Scheme of Reservation and Delegation of Powers. These documents provide the regulatory framework for the conduct of business in the organisation and include a Committee Structure which delegates certain responsibilities and accountabilities with regard to risk to specific committees.

During 2010-11, the responsibility for providing assurance to the Board around the Health Board's assurance and risk management frameworks was delegated to the Integrated Governance Committee.

The Committee provides the leadership for risk management within the organisation and monitors the Corporate Risk Register and Assurance Framework on behalf of the Board.

The Committee has a structured work programme based on the organisation's objectives and risks. It is responsible for providing the necessary assurance to the Board (and Audit Committee) that all aspects of risk management activity throughout the organisation are being considered and managed where appropriate.

To support the Integrated Governance Committee in delivering its own objectives, there is a comprehensive structure of sub-committees that have responsibility for identifying, managing and mitigating risk and providing the appropriate level of assurance.

These sub-committees are:

- Workforce and OD
- Strategy & Planning
- Finance
- Sustainability & Performance
- Information Governance

Operational delivery is the responsibility of the three county teams and performance is monitored through a quarterly stocktake process with the management and mitigation of risk being an integral element. The day-to-day monitoring of risk and performance is managed within each county structure through individual Senior Management Team arrangements. This ensures that risk remains high on the agenda at an operational level.

The Health Board undertook the Wales Audit Office Structured Assessment Review in 2010/2011. It was recognised through this process that the foundations for risk management are in place, but embedding these and changing culture and practice throughout the organisation would be challenging to achieve. This has been addressed during the year by the introduction of risk awareness and risk management training which is available throughout the Health Board. This practice will continue during 2011-12.

Integral to the culture and ethos of proactive risk management is the dissemination of learning from good practice and systems are in place to distribute information from external sources such as the National Patient Safety Agency and Welsh Risk Pool to appropriate staff. Any system failures identified through claims and complaints are monitored through the Quality and Safety Committee structures at corporate and locality level. This structure ensures that lessons learnt are disseminated across the organisation.

The SFI's regulate financial proceedings and business and are designed to achieve probity, accuracy, economy, efficiency and effectiveness, and are underpinned by a series of detailed Financial Procedures, all of which are available to staff via the intranet. In addition, the Health Board's Counter Fraud Policy and Response Plan details the way in which it risk management of potential fraud is managed and mitigated.

In accordance with the Welsh Health Specialised Services Committee (Wales) Directions 2009(2009 No.35), the Local Health Boards are required to establish a Joint Committee for the purpose of jointly exercising its Delegated Functions and providing the Relevant Services from 1st April 2010. The Welsh Health Specialised Services Committee (WHSSC) (Wales) Regulations 2009 (SI 2009 No. 3097) make provision for the constitution of the "Joint Committee" including its procedures and administrative arrangements. The Joint Committee has been established in accordance with the Directions and Regulations to enable the seven Local Health Boards in NHS Wales to make collective decisions on the review, planning, procurement and performance monitoring of agreed specialised and tertiary services (Relevant Services) and in accordance with their defined Delegated Functions. The Joint Committee therefore comprises, and is established by, all the Local Health Boards.

4. The risk and assurance framework

The Health Board recognises that embedding risk management into its core business processes is a key objective. The Health Board's Policy Statement on Risk Management is driven by the recognition that effective risk management is a key component of corporate and clinical governance & is integral to the delivery of organisational objectives.

The interim Risk Management Strategy & Policy in place for 2009-10 was revised and approved by the Board during 2010-11. It was produced in line with WAG guidance whilst also capturing best practice from other areas and reflects the principles of the Treasury's Risk Management Framework and the Welsh Risk Pool's Risk Management Toolkit. It sets out a high level statement of intent of how risk and assurance is to be embedded into the organisation. It also outlines roles and responsibilities in such a way that leadership is given to the risk management process throughout the organisational structure ensuring that all staff are made aware of such processes. It also recognises that services and projects are increasingly being delivered through or in conjunction with partner organisations and other stakeholders and that good risk management is integral to delivering successful partnerships.

The strategy is underpinned by the introduction of a Risk Management Procedure which details the systems and processes for the implementation of an integrated risk management system. The strategy outlines responsibilities for managing risk from the Board through the organisational structure, ranging from Executive Directors, County Directors, Clinical Leads, General /Senior Managers, Heads of Service/Divisions down to all staff. Executive Directors, County Directors and Senior Managers are also responsible for ensuring that staff understand and apply both the Health Board's strategy and procedure in relation to risk management. This is further reiterated in the job descriptions of staff which makes reference to the individual's responsibility in having a proactive role in the management of risk.

The risk management strategy identifies the principal objectives in the delivery of service provision, including both the Standards for Health Services in Wales and the 5 year Service, Workforce & Financial Strategic Framework plans. It is made clear that any risks threatening the delivery of those objectives need to be identified, evaluated and mitigated.

In determining the risk appetite of the organisation the Board has given consideration to its principle objectives, both strategic and operational, and identified the principal risks that may threaten the achievement of those objectives. In doing so, the Board is aware that the process involves managing potential principal risks and not merely being reactive in the event of any risk exposure. It acknowledges that the modernisation of delivery of health care services cannot be achieved without risks being taken, the subsequent consequences of taking those risks and mitigating actions to manage any such risks. The risk management arrangements in place enable the principal risks to be identified whilst also ensuring that these risks are not considered in isolation as they are derived from the prioritisation of all risks flowing through the organisation.

The Risk Management Procedure is a documented framework providing detailed guidance on the risk assessment process to be undertaken across the whole organisation in order to populate the Health Board's risk register. This includes the processes of risk analysis and evaluation and makes it clear that the level of detail in a risk assessment should be proportionate to the risk. All services, wards and departments are expected to develop risk registers with risk profiles outlining their risks, control measures in place and action plans to mitigate the risks.

The Board during the year also approved an Assurance Framework which will provide a method for effective and focused management of the principal risks to meeting objectives. It aims to align strategic objectives with operational, divisional and personal objectives and highlight key risks, controls, assurances and any gaps along with proposed action against each principle objective. Whilst this has remained as a work in progress during the year, it nevertheless provides a foundation to build upon for 2011-12.

The Health Board's Quality Improvement and Patient Safety Strategy to Reduce Waste, Harm and Variation is used as a framework to drive Quality Improvement & Safety across the organisation. The strategy takes into account delivery of services across the range of its activities including partnership working with other public sector bodies and the third sector and covers the activities of both primary and secondary care.

It is derived from national drivers for improvement in quality and safety transposed into challenging and focused targets for improvement, contributing towards the 5 year Service, Workforce and Financial Framework and conformity with Standards for Health Services in Wales.

The organisation uses the Doing Well, Doing Better: Standards for Health Services in Wales as its framework for gaining assurance on its ability to fulfil its aims and objectives for the delivery of safe, high quality health services. This involves self assessment of performance against the standards across all activities and at all levels throughout the organisation.

As part of this process, the organisation has completed the Governance & Accountability assessment module and achieved an overall maturity level of 3, in that we are developing plans and processes and can demonstrate progress with some of our key areas for improvement for 2010-11.

This process has been subject to independent internal assurance by the organisation's Head of Internal Audit.

The organisation has plans in place to achieve the improvement actions identified and within clearly defined timescales proportionate to the risk.

The Board approved an Implementation Plan to ensure a consistent and systematic application of the standards throughout the organisation and has undertaken a comprehensive self assessment of all 26 standards. Each standard was assigned an Executive Lead, a Corporate Standard Lead and where appropriate a County Lead for completion of the standard and a Committee/ Group for scrutiny.

The self assessment entailed cross referencing to professional standards, outlining current performance against a particular standard with supporting evidence, identifying any issues and the subsequent identification of any risk and prioritization of action required. Assurance was provided to the Board on compliance with the standards through delegated authority to the Quality & Safety Committee as was monitoring the actions against the Improvement Plan. Work is continuing to ensure that in 2011-12 the standards, through a mapping process, will be used to underpin the Annual Quality Framework and 5 year Service Workforce and Financial Strategic Framework.

The Health Board's Internal Auditors have also been involved in the scrutiny process, working to an All Wales programme of work as agreed by HIW. An Internal Audit Review has been undertaken on a sample of standards in order to ensure that the evidence adequately supports the responses and that the self assessed conclusion is appropriate in consideration of the maturity matrix requirements. The Internal Audit review also considered whether the Board was appropriately engaged and the level of scrutiny involved in the process, both of which were deemed to be effective.

I am assured that the combination of all the above factors ensure that an integrated approach to risk management is embedded into the activities of the organisation and all the requirements of acceptable internal control have been met.

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, Integrated Governance Committee and Quality & Safety Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board is accountable for maintaining a sound system of internal control that supports the achievement of the organisation's objectives. It has been supported in this role by the work of the following committees:

Audit Committee

Responsible for providing the Board with the necessary assurances through the scrutiny of internal control and risk management systems. This includes independent verification to the Board on the condition of the HB's internal financial controls based upon reports from internal and external auditors (including counter fraud) and ensuring that appropriate action has been taken, reviewing annual financial statements, reviewing internal and external audit programmes and the annual review of the HB's Statement on Internal Control

During the year, a significant number of audit reports have been received from Internal Audit, Capital and PFI Audit and the Wales Audit Office as the Health Board's external auditors. Where necessary, Executive Directors and/or other officers of the organisation have been held to account by the Committee in accordance with the scheme of delegation.

The Committee receives assurance wherever possible through external or independent scrutiny and a risk-based approach is taken in agreeing audit plans.

Integrated Governance Committee

Responsible for providing the relevant control measures in terms of managing risk and delivery against the Health Board's objectives and supported by a sub-committee structure described earlier in this statement.

The Committee also provides assurance to the Audit Committee around the assurance and risk management frameworks. The Committee works to an integrated governance agenda in order to ensure delivery of continuous improvement in quality, responsiveness and patient experience. It monitors the Corporate Risk Register to ensure that risks are being managed and receives regular update reports from its sub-committees. It also monitors and challenges delivery of the savings targets and achievement of financial objectives.

Quality & Safety Committee

Provides assurance to the Board in relation to the arrangements for safeguarding and improving the quality and safety of patient centred healthcare in accordance with WAG requirements. It also monitors and reports on performance against the Standards for Health Services in Wales and is supported by a comprehensive sub-committee structure.

Information Governance Sub Committee

Introduced in recognition that this was an under developed area(as identified in the Structured Assessment) and has progressed the Information Governance & Security agenda across the Health Board.

There are a number of independent/external bodies that support the governance structure and provide the scrutiny and assurance to support the SIC:

Internal Audit

The Head of Internal Audit provides the Board with an opinion of the effectiveness of the system of internal control, derived from the work completed as part of the programme of work agreed by the Audit Committee.

The audit function also agrees a risk-based work-plan at the start of each year to scrutinise key areas of the Health Board's structures and processes and draw conclusions on their effectiveness.

Capital and PFI Audit

This audit function scrutinises and reports on all major capital programmes and projects providing assurance that the governance systems and processes in place are fit for purpose.

Again, a risk-based work-plan is agreed at the start of each year to ensure that the capital programme is being managed appropriately

Wales Audit Office

The Health Board's appointed external auditors are responsible for scrutinising the Health Board's financial systems and processes as well as key risk areas and the Internal Audit function.

The Wales Audit Office undertake financial and performance audit work specific to the Health Board and also provide information on the Auditor General's programme of national value for money examinations which impact on the Health Board, with best practice being shared.

During the year, WAO undertook the first Structured Assessment of the Health Board where it was recognised that there were robust governance arrangements in place but a number of areas (eg finance, risk and information governance) where further work was needed. The findings of this report are being used to develop comprehensive work plans to address the issues identified.

Welsh Risk Pool

At my request, the WRP undertook an assessment of clinical evidence criteria in high risk areas and Claims Management. The high risk areas considered were Emergency Departments, Operating Department Services and Maternity Services.

As the Health Board has only very recently received the Draft Report for comment, the organisation is not in any position to respond at this stage to the detail contained in the report, but an interim overall compliance score of 82% has been awarded, against a target of 75%. This is an improvement on the previous year's compliance of 79%. It is reassuring to note that the report also makes reference to examples of good practice evident throughout the Health Board, a number of which have been highlighted to be shared across Wales. The report makes a number of recommendations which the Health Board will be responding to in due course.

As Accountable Officer, I have considered all the systems of internal control and do not consider that any disclosure is required. Any gaps or weaknesses identified through the self assessment process have been clearly articulated in the supporting documentation, together with actions being taken to address any such issues.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

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, employer's contributions and payments in to 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.

The organisation has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements as based on UKCIP 2009 weather projections to ensure that the organisation's obligation under the climate change Act and the Adaptation Reporting requirements are complied with.

6. Significant internal control problems (if applicable)

No significant internal control problems have been identified. The Health Board is committed to regularly reviewing the key components of its internal control and risk management arrangements.

Governance and Accountability Module	We do not yet have a clear, agreed understanding of where we are (or how we are doing) and what / where we need to improve.	We are aware of the improvements that need to be made and have prioritised them, but are not yet able to demonstrate meaningful action.	We are developing plans and processes and can demonstrate progress with some of our key areas for improvement.	We have well developed plans and processes and can demonstrate sustainable improvement throughout the organisation / business	We can demonstrate sustained good practice and innovation that is shared throughout the organisation / business, and which others can learn from
Setting the direction			√		
Enabling delivery			√		
Delivering results achieving excellence			√		
Overall Maturity level			√		

Signed:

Date:

Chief executive

(on behalf of the Board)