

# Swansea Local Health Board

## FOREWORD

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

### Statutory background

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

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

### Performance Management and Financial Results

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

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

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

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

	Note	Total £000	2007-08 Total £000
Expenditure	4.1,4.2,4.3, 4.4	<b>334,652</b>	323,263
Miscellaneous income	3.1	<b>6,154</b>	4,569
<b>Net operating costs</b>		<b><u>328,498</u></b>	<b><u>318,694</u></b>

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

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

**BALANCE SHEET AS AT 31 MARCH 2009**

	Note	£000	31 March 2008 £000
<b>TOTAL FIXED ASSETS</b>			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	0	0
<b>CURRENT ASSETS</b>			
Debtors	6.1	1,411	1,694
Cash at bank and in hand		81	47
<b>Total Current Assets</b>		<b>1,492</b>	<b>1,741</b>
Creditors: amounts falling due within one year	6.2	17,765	18,102
<b>Net current assets / (liabilities)</b>		<b>(16,273)</b>	<b>(16,361)</b>
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	780	796
<b>TOTAL NET ASSETS</b>		<b>(17,053)</b>	<b>(17,157)</b>
<b>FINANCED BY:</b>			
General fund	6.5	(17,053)	(17,157)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	0
<b>TOTAL</b>		<b>(17,053)</b>	<b>(17,157)</b>

Signed for and on behalf of the Board

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

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

Adopted by the Board on.....

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

	<b>£000</b>	<b>2007-08 £000</b>
<b>Net operating costs</b>	<b>(328,498)</b>	(318,694)
Adjust for non-cash transactions	(316)	(108)
Adjust for movements in working capital other than cash	(54)	(726)
Utilisation of provisions	(301)	(269)
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(329,169)</b>	<b>(319,797)</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:</b>		
Payments to acquire fixed assets	0	0
Receipts from the sale of fixed assets	0	0
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) from investing activities</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) before financing</b>	<b>(329,169)</b>	<b>(319,797)</b>
<b>FINANCING:</b>		
Net Assembly funding (including capital)	329,203	319,828
Surrender of income from sale of fixed assets	0	0
Donations	0	0
Capital element of finance lease rental payments	0	0
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) from financing</b>	<b>329,203</b>	<b>319,828</b>
	<hr/>	<hr/>
<b>Increase / (decrease) in cash</b>	<b>34</b>	<b>31</b>

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

	£000	2007-08 £000
Depreciation and other write-offs	0	0
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	285	503
Capital charge interest	(601)	(611)
	<u>(316)</u>	<u>(108)</u>

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

	£000	2007-08 £000
(Increase)/decrease in debtors	283	524
Increase/(decrease) in creditors	(337)	(1,250)
	<u>(54)</u>	<u>(726)</u>

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

	£000
Increase/(decrease) in cash in the period	34
Cash outflow from debt repaid and finance lease capital payments	<u>0</u>
Change in net debt resulting from cash flows	34
Non cash changes in debt	0
<b>Net debt at 1 April 2008</b>	<u>47</u>
<b>Net debt at 31 March 2009</b>	<u>81</u>

**Analysis of changes in net debt**

	As at 1 April 2008	Cash flows	Other changes	As at 31 March 2009
	£000	£000	£000	£000
Cash at bank and in hand	47	34	0	81
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
	<u>47</u>	<u>34</u>	<u>0</u>	<u>81</u>
<b>Total</b>	<u>47</u>	<u>34</u>	<u>0</u>	<u>81</u>

**Amount held in Office of Paymaster General bank accounts as at 31 March 2009 was £81,459.13**

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

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

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

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

**Reconciliation of fixed assets and disposals**

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

## Notes to the Account

### 1. Accounting Policies

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

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

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

#### Acquisitions and Discontinued Operations

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

#### 1.2 Income and funding

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

Miscellaneous income is income which relates directly to the operating activities of the LHB. It comprises principally of fees and charges for services provided on a full cost basis to external customers, (or any other other material types of income if this disclosure would not be sufficient).

It includes both income appropriated-in-aid of the Vote and income to the consolidated fund which HM Treasury has agreed should be treated as operating income.

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

#### 1.3 Taxation

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

#### 1.4 Intangible fixed assets

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

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

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

## 1.5 Tangible fixed assets

### a. Capitalisation

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

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

### b. Valuation

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

### Land and Buildings

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

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

In respect of non - operational properties, including surplus land, the valuations have been carried out at Open Market Value. The value of land for existing use purposes is assessed to Existing Use Value. Land and buildings held under finance leases are capitalised at inception at the fair value of the asset but may be subsequently revalued by the District

Valuer. The valuations do not include notional directly attributable acquisition costs nor have selling costs been deducted, since they are regarded as not material.

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

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

### Equipment

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



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

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

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

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

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

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

Leaseholds are depreciated over the primary lease term.

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

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

### **1.6 Donated assets**

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

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

### **1.7 Research and development**

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

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

## 1.8 Pension Costs

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

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

### a) Full actuarial (funding) valuation

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

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

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

### b) FRS17 Accounting Valuation

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

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

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

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

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

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

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

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

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

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

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

### **1.9 Foreign currency**

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

### **1.10 Cost of Capital**

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

### **1.11 Provisions**

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

### **1.12 Liquid resources**

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

### **1.13 Leases**

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

### **1.14 Contingent liabilities**

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

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

### **1.15 Deferred Income**

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

### **1.16 Expenditure**

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

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

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

## **1.17 Financial Instruments**

### **Financial Assets**

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

Financial assets are initially recognised at fair value.

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

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

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

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

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

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

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

#### **Loans and receivables**

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

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

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset. At the balance sheet date, the LHB assesses whether any financial assets, other than those held at fair value through profit and loss are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence 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 operating cost statement and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

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

### **Financial Liabilities**

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

Financial liabilities are initially recognised at fair value.

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

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

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

#### **Other financial liabilities**

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

## 2.1 Achievement of Operational Financial Balance

	£000	2007-08 £000
Net operating costs for the financial year	328,498	318,694
Non-discretionary expenditure	<u>2,492</u>	<u>2,373</u>
Operating costs less non-discretionary expenditure	326,006	316,321
Revenue Resource Limit	326,015	316,330
<b>Under / (over) spend against Revenue Resource Limit</b>	<b>9</b>	<b>9</b>
Unplanned resource brokerage received	<u>0</u>	<u>0</u>
<b>Operational Financial Balance</b>	<b><u>9</u></b>	<b><u>9</u></b>

Swansea Local Health Board achieved its statutory duty in respect of the achievement of operational financial balance in 2008/09. This was made possible by the availability of non-repayable resource brokerage from the Welsh Assembly Government in March 2009 of £10.206m and of planned, centrally managed repayable resource brokerage of £0.230m from Neath Port Talbot Local Health Board.

The LHB received centrally planned and managed resource brokerage from the Welsh Assembly Government in March 2008 of £7.998m. This amount was repaid during 2008/09.

During 2008/09 Swansea Local Health Board worked on a Financial Recovery Plan which was submitted to the Welsh Assembly Government on the 18th August 2008. This has not yet been formally approved. In accordance with the requirements set, this recovery plan focused on the cost reductions which could be achieved through efficiency measures. The 2008/09 final financial performance achieved the target set out in this submission. Addressing the financial challenges of the LHB and the wider Swansea Health Community is part of an ongoing process with the Abertawe Bro Morgannwg University NHS Trust.

During 2008/09 Swansea Local Health Board repaid accumulated Welsh Assembly Government cash brokerage totalling £16.6m which related to the previous financial years. Further cash brokerage of £20.3m was received during 2008/09.



### 3.1 Miscellaneous income

	£000	2007-08 £000
Fees & Charges	0	0
Prescription charge income	695	564
Dental fee income	2,345	2,349
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Rental income from finance leases	0	0
Rental income from operating leases	0	0
Other	<u>3,114</u>	<u>1,656</u>
<b>Total</b>	<b><u>6,154</u></b>	<b><u>4,569</u></b>

The main component of the 'other' income line is the GP Registrar scheme with income of £1,733k received in the year (2007/08: £1,298k). The increase in year is due to changes in the training regime resulting in a knock-on effect on the number and length of placements.

Full analysis of the 'Other' line is provided in note 7.1.

**Expenditure:****4.1 Primary health care**

	<b>Cash limited</b>	<b>Non cash limited</b>	<b>Total</b>	<b>2007-08 Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Medical services	29,239	0	29,239	29,510
Pharmaceutical services	10,561	154	10,715	8,726
General Dental services	13,328	0	13,328	14,014
General Ophthalmic services	0	2,338	2,338	2,234
Other Primary health care expenditure	3,770	0	3,770	3,073
Prescribed drugs and appliances	36,858	0	36,858	37,213
<b>Total</b>	<b>93,756</b>	<b>2,492</b>	<b>96,248</b>	<b>94,770</b>

**4.2 Secondary and Community health care**

	<b>Total</b>	<b>2007-08 Total</b>
	<b>£000</b>	<b>£000</b>
<b>NHS Trusts:</b>		
Provider 1 - Abertawe Bro Morgannwg University	193,207	186,938
Provider 2 - Hywel Dda	3,369	3,523
Provider 3 - Cardiff and Vale	1,434	1,387
Provider 4 - Cwm Taf	1,081	1,052
Provider 5 - Powys Healthcare	108	121
Provider 6 - South London and Maudsley	92	339
Provider 7 - Royal National Hospital for Rheumatic diseases	74	62
Provider 8 - Gwent Healthcare	74	82
Provider 9 - Velindre	40	46
Provider 10 - University Hospitals Bristol	24	38
Other Welsh NHS trusts	26	29
Other non Welsh NHS trusts	469	623
Local Authorities	1,247	976
Voluntary Organisations	833	798
NHS Funded Nursing Care	2,853	3,095
Continuing Care	23,069	19,558
Private providers	2,316	2,156
Specific projects funded by Welsh Assembly Government	178	236
Other	0	0
<b>Total</b>	<b>230,494</b>	<b>221,059</b>

The prior year NHS Trust figures have been re-stated to reflect the change in order of the top ten providers and to reflect the new NHS organisations following Trust mergers.

Expenditure with local authorities is as follows:

	<b>2007-08</b>
	<b>£'000</b>
Community Equipment Store	75
Out of County looked after children	936
Substance misuse	181
Renal support project	17
Reach team / Intermediate care	21
Safeguarding Children Board	12
Other	5
	<b>1,247</b>

**4.3 Other programme expenditure**

	£000	2007-08 £000
Salaries and wages	2,489	2,473
National Public Health Service	1,350	1,320
Losses, special payments and irrecoverable debts	1	0
Research and development	0	0
Other	1,427	1,247
<b>Total</b>	<b>5,267</b>	<b>5,040</b>

**4.4 Administration expenditure**

	£000	2007-08 £000
Non-officer members' remuneration	80	75
Other salaries and wages	1,310	1,027
Consultancy services	8	1
Establishment expenses	86	126
Transport and moveable plant	0	0
Premises and fixed plant	137	157
External contractors	0	7
Auditors' remuneration - audit fee	142	133
Auditors' remuneration - other fees	1	1
Business Services Centre recharge	1,447	1,458
Interest payable - unwinding of discount	0	0
Interest payable - other	0	0
Capital - Depreciation	0	0
Amortisation	0	0
Capital charge interest	(601)	(611)
Impairments and reversals (property, plant, equipment)	0	0
Impairments and reversals (intangible assets)	0	0
Impairments and reversals of financial assets (by class)	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	33	20
<b>Total</b>	<b>2,643</b>	<b>2,394</b>

Included in 'Auditors' remuneration - audit fee' is an amount of £16k for the external audit of the Business Services Centre attributable to Swansea LHB, (2007/08: £16k).

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

	Total	2007-08 Total
	£000	£000
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	1	0
Defence legal fees and other administrative costs	0	0
	<u>1</u>	<u>0</u>
Gross increase / decrease in provision for future payments	1	0
Contributions to Welsh Risk Pool/insurance premiums	0	0
Irrecoverable debts	0	0
Less: income received/due from Welsh Risk Pool	0	0
<b>Total</b>	<b><u>1</u></b>	<b><u>0</u></b>

Personal injury includes £ nil in respect of permanent injury benefits

#### 4.6 Hire and operating lease rentals

	£000	2007-08 £000
Hire of plant and machinery	0	0
Other operating leases	68	68
<b>Total</b>	<b>68</b>	<b>68</b>

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

	Land and Buildings £000	Other Leases £000	2007-08 Land and Buildings £000	2007-08 Other Leases £000
<b>Operating leases which expire:</b>				
Within 1 year	0	0	0	0
Between 1 and 5 years	68	0	68	0
After 5 years	0	0	0	0

#### 4.7 Executive Directors and staff costs

	Total £000	2007-08 Total £000
Salaries and wages	2,953	2,648
Social security costs	221	212
Employer contributions to NHSPA	378	351
Other pension costs	0	0
Agency / seconded staff	241	283
<b>Total</b>	<b>3,793</b>	<b>3,494</b>

The total Executive Director and staff costs are engaged within the Administrative and Programme functions of the LHB, as disclosed in notes 4.3 and 4.4.

	£'000	2007-08 £'000
Note 4.3 - Salaries and wages	2,489	2,473
Note 4.4 - Other salaries and wages	1,310	1,027
Note 4.4 - Other salaries and wages (removal of non officer member on costs)	(6)	(6)
	<b>3,793</b>	<b>3,494</b>

#### 4.8 Board Directors' remuneration

	£000	2007-08 £000
Non-officer members' remuneration	80	75
Executive Directors' remuneration:		
basic salaries	357	416
benefits	0	0
performance related bonuses	0	0
pension contributions	50	48
Compensation for loss of office	75	0
Pensions to former directors (early retirees)	0	0
<b>Total</b>	<b>562</b>	<b>539</b>

	Chairman £000	Chief Executive £000
Basic Salary	34	84
Benefits	0	0
Compensation for loss of office	0	75
Performance related bonuses	0	0
Pension contributions	0	12
<b>Total</b>	<b>34</b>	<b>171</b>

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

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

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

Performance related bonuses are not paid

More than one person held the post of chief executive during the financial year. Sue Heatherington left office with effect from 31 December 2008. Of the chief executive remuneration figures included above, £15k relates to Andrew Goodall who was chief executive for the remainder of the financial year.

The 2007/08 comparator figures for executive directors' remuneration includes £72k relating to Terry Tonks (Interim Director of Resources) and £60k relating to Huw George (Director of Resources). The 2008/09 figures include £103k relating to Huw George (Director of Resources).

Andrew Goodall and Huw George are not paid directly by the LHB. Invoices are received from Neath Port Talbot LHB and Powys LHB respectively for their costs.

## 4.9 Average number of employees

The average number of employees during the year was:

	Permanent staff	Agency, temporary and contract staff	Staff on inward secondment	Total	2007-08
	Number	Number	Number	Number	Number
Executive Board Members	3	0	1	4	5
Other Local Health Board Staff	87	2	1	90	85
Recharged staff	3	0	0	3	4
<b>Total</b>	<b>93</b>	<b>2</b>	<b>2</b>	<b>97</b>	<b>94</b>

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

## Expenditure on staff benefits

	£	£
<b>Nature of expenditure:</b>		
a. ....	0	0
b. ....	0	0
c. ....	0	0
d. ....	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

#### 4.10 Retirements due to ill-health

During 2008-09 there were no early retirements from the LHB agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £0. (2007/08 was also £0).

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

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

	Number	£000	2007-08 £000
<b>Non- NHS</b>			
Total bills paid 2008-2009	102,141	47,881	44,004
Total bills paid within target	101,908	46,673	42,670
Percentage of bills paid within target	99.8%	97.5%	97.0%

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

	Number	£000	2007-08 £000
<b>NHS</b>			
Total bills paid 2008-2009	1,431	204,941	203,822
Total bills paid within target	1,378	204,587	201,135
Percentage of bills paid within target	96.3%	99.8%	98.7%

	Number	£000	2007-08 £000
<b>Total</b>			
Total bills paid 2008-2009	103,572	252,822	247,826
Total bills paid within target	103,286	251,260	243,805
Percentage of bills paid within target	99.7%	99.4%	98.4%

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

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



## 5.1 Intangible Fixed Assets

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

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

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

**Tangible Fixed Assets (continued)**

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

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

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

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

**6.1 Debtors**

	£000	2007-08 £000
<b>Amounts falling due within one year:</b>		
Welsh Assembly Government	597	50
Health Commission Wales	0	57
Local Health Boards	91	74
Primary Care Trusts	0	0
NHS Trusts	244	654
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	387	105
Provision for irrecoverable debts	0	0
Pension Prepayments:	0	0
Other prepayments and accrued income	92	754
	<hr/>	<hr/>
<b>Sub total</b>	<b>1,411</b>	<b>1,694</b>
	<hr/>	<hr/>
<b>Amounts falling due after more than one year:</b>		
Welsh Assembly Government	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
	<hr/>	<hr/>
<b>Sub total</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Total</b>	<b>1,411</b>	<b>1,694</b>
	<hr/>	<hr/>
Provision for irrecoverable debts (impairment of receivables):		
Balances at 1 April	0	0
Provided in year	0	0
Written-off in year	0	0
Recovered during year	0	0
Balance at 31 March	<hr/> <b>0</b> <hr/>	<hr/> <b>0</b> <hr/>
Debtors past due date but not impaired:		
Up to 3 months	50	40
3 to 6 months	66	1
More than 6 months	5	0
<b>Total</b>	<hr/> <b>121</b> <hr/>	<hr/> <b>41</b> <hr/>

**6.2 Creditors**

<b>Amounts falling due within one year:</b>	<b>2007-08</b>	
	<b>£000</b>	<b>£000</b>
Welsh Assembly Government	233	0
Health Commission Wales	0	47
Local Health Boards	125	45
NHS Trusts	1,835	955
Primary Care Trusts	0	0
Income tax and social security	79	0
VAT	0	0
Non-NHS creditors	11,034	14,375
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and HP contracts	0	0
GPFH savings	0	0
Pensions: staff	48	45
Accruals	4,404	2,635
Deferred Income	0	0
Other creditors	7	0
<b>Total</b>	<b>17,765</b>	<b>18,102</b>

**6.3 Creditors**

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

## 6.4 Provisions for liabilities and charges

	At 1 April 2008	Structured settlement cases trans- ferred to WRP	Transfer of prov- isions to creditors	Arising during the year	Reversed unused	Utilised during the year	Unwind- ing of discount	At 31 March 2009
	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0
Defence legal fees and other administration costs.	0	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Pensions	0			0	0	0	0	0
Other	796			426	(141)	(301)		780
<b>Total</b>	<b>796</b>	<b>0</b>	<b>0</b>	<b>426</b>	<b>(141)</b>	<b>(301)</b>	<b>0</b>	<b>780</b>

## Expected timing of cash flows:

	Within 1 year £000	Between 2 and 5 years £000	After 5 years £000	Total £000
Clinical negligence	0	0	0	0
Personal injury	0	0	0	0
All other losses and special payments	0	0	0	0
Defence legal fees and other administration costs	0	0	0	0
Pensions	0	0	0	0
Other	780	0	0	780
<b>Total</b>	<b>780</b>	<b>0</b>	<b>0</b>	<b>780</b>

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

In February 2003, the report by the Ombudsman on NHS funding for long term care concluded that the departmental guidance on who should receive financial support for nursing care had been misinterpreted and misapplied by Health Authorities. As a consequence, claims for recompense have been received and where following a full examination of the facts it is accepted that someone had been wrongly denied care and incurred costs as a result recompense may be due.

The provision for claims for continuing care of £780k included in the accounts relates only to those costs for continuing care after 1 April 2003. All costs for which a provision has been established relating to periods pre 1 April 2003 will be accounted for elsewhere in the Welsh health economy (in accordance with National Assembly requirements) as although they relate to residents in the Swansea LHB area, they were incurred before Swansea LHB was established.

## 6.5 General fund

The movement on the General fund in the year comprised:

	£000
<b>At 1 April 2008</b>	<b>(17,157)</b>
Net operating cost for the financial year	<b>(328,498)</b>
Net Assembly funding (including capital)	<b>329,203</b>
Capital charge interest	<b>(601)</b>
Transfers to NHS bodies	<b>0</b>
Transfer to general fund of realised elements of the revaluation reserve	<b>0</b>
	<hr/>
<b>Balance at 31 March 2009</b>	<b><u>(17,053)</u></b>

## 6.6 Donated asset reserve

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

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

## 6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

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

**6.8 Contingent liabilities -**

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

Nature:	2007-08	
	£000	£000
Legal claims for third parties liabilities	0	0
Doubtful debts	0	0
Other	2,153	1,767
<b>Total</b>	<b>2,153</b>	<b>1,767</b>

**Uncertainties affecting outcome:**

Of the total amount, £404k relates to Continuing Care Ombudsman cases for which the claimant does not have power of attorney, (£1,728k in 2007/08). There is a degree of uncertainty as to whether power of attorney will be obtained by the claimants. There is also uncertainty as to whether the claim will be successfully progressed even if power of attorney is received. Without power of attorney, the LHB is unable to determine whether a claim is valid or the period to which it relates, hence the above figure is based on the maximum potential claim period. This will be from the inception of the LHB to the end of 2008/09 or, the date the patient passed away.

The Local Health Board jointly funds learning disability placements with City and County of Swansea. There has been discussion during the year regarding whether the whole costs of these placements should be met by the Local Health Board and whether the local authority can recharge a share of respite and daycare costs. Legal advice has been sought and communicated to the local authority who have advised that they may seek reimbursement of their costs incurred in this arrangement from 1st April 2008 subject to the receipt of legal clarification of the issues raised. There is a degree of uncertainty as to whether there would be a transfer of funding responsibility following legal clarification and whether it would be possible to backdate this arrangement. The LHB maintains that these costs are not the LHB's responsibility but an amount of £1,482k has been disclosed as a contingent liability which represents the maximum potential transfer of cost.

As part of the process of agreement of year end creditors the LHB has disputed £267k with Welsh Trusts. The LHB believes it has strong evidence to support its position and therefore has not included these as creditors in the accounts. While the process to resolve this is ongoing, the result is uncertain so the disputed amount is disclosed here as a contingent liability. A disputed creditor balance of £39k with Health Commission Wales was disclosed in 2007/08 as a contingent liability; this dispute was resolved during 2008/09.

**6.9 Intra Government balances**

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	611	0	312	0
Balances with local authorities	218	0	2,509	0
Balances with NHS trusts and Foundation trusts	244	0	1,835	0
Balances with Local Health Boards	91	0	125	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	247	0	12,984	0
<b>Total at 31 March 2009</b>	<b>1,411</b>	<b>0</b>	<b>17,765</b>	<b>0</b>
Balances with other central government bodies	110	0	47	0
Balances with local authorities	78	0	1,645	0
Balances with NHS trusts and Foundation trusts	654	0	955	0
Balances with Local Health Boards	74	0	45	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	778	0	15,410	0
<b>Total at 31 March 2008</b>	<b>1,694</b>	<b>0</b>	<b>18,102</b>	<b>0</b>



### 6.10 Post balance sheet events

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

1. Reconfiguration of the NHS in Wales - In 2008 the Health and Social Services Minister in the Welsh Assembly Government gave approval for the merger of NHS Trusts and LHBs to create 7 new LHBs at 1st October 2009. The LHB will continue in its present form until that date. These financial statements are the final full year statements. 6 month financial statements from 1st April 2009 to 30th September 2009 will be produced and on 1st October the LHB will merge with Neath Port Talbot LHB, Bridgend LHB and Abertawe Bro Morgannwg University NHS Trust to form Abertawe Bro Morgannwg University LHB. All of the assets and liabilities of the LHB will transfer to the new LHB at that date and all operations are continuing.

<b>Total</b>	<b>0</b>
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### 6.11 Capital commitments

The Local Health Board has the following capital commitments:

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

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

Total value of transactions with Board members and key senior staff in 2008-2009 **0**

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

The Assembly is regarded as a related party. During the year Swansea Local Health Board has had a significant number of material transactions with the Assembly and with other entities for which the Assembly is regarded as the parent body namely,

Neath Port Talbot Local Health Board  
 Carmarthenshire Local Health Board  
 Powys Local Health Board  
 Rhondda Cynon Taf Local Health Board  
 Vale of Glamorgan Local Health Board  
 Ceredigion Local Health Board  
 Bridgend Local Health Board  
 Pembrokeshire Local Health Board  
 Torfaen Local Health Board  
 Wrexham Local Health Board  
 National Public Health Service

In addition, the Local Health Board has a significant number of material transactions with other Government Departments and other central and local government bodies. Most of these transactions have been with City and County of Swansea.

During the year there was expenditure in the normal course of activities with the following organisations that currently employ some Swansea LHB members or their partners or who are linked with members:

	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
<u>Abertawe Bro Morgannwg University NHS Trust</u>		
C Campbell, J Calvert, M Price, C Thomas, EP Howells (seconded to WAG)	193,207	186,938
<u>City and County of Swansea</u>		
R Owen, W Fitzgerald, J Evans, C Maggs, DA Robinson, I Richard	1,247	976

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

<b>Member Name</b>	<b>Organisation</b>	<b>Interests</b>
JS Hilliard - GP Member	Gower Medical Practice	Partner
JS Hilliard - GP Member	Swansea Out of Hours Service	Member
A Norton - GP Member	The Grove Medical Practice	Partner
A Norton - GP Member	Swansea Out of Hours Service	Employee
L Browes - Optometrist Member	Loveleen Browes Optometrist	Proprietor
M Hughes - Vol Sector Member	Age Concern (Swansea)	Trustee / Chair
M Hughes - Vol Sector Member	Swansea College	Governor

### 6.13 Losses and special payments

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

	Number of cases	Value of cases £
Personal injury	0	0
Fraud cases	0	0
All other losses and special payments	17	560
<b>Total losses and special payments</b>	<b>17</b>	<b>560</b>

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

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
<b>Cases exceeding £250,000</b>			
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>All other cases</b>	<b>560</b>	<b>0</b>	<b>0</b>
<b>Total cases</b>	<b>560</b>	<b>0</b>	<b>0</b>

## **6.14 Financial Instruments**

### **Financial Risk Management**

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

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

### **Liquidity Risk**

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

### **Interest Rate Risk**

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

### **Foreign Currency Risk**

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

## 6.15 Finance lease obligations

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

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

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

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

## 6.16 Pooled Budgets

Swansea Local Health Board participated in one formal pooled budget arrangement in 2008-09, which commenced in 2008-09 as detailed below:

### **Section 33 Partnership: Morgannwg Integrated Community Equipment (commenced 1st July 2008)**

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

- City and County of Swansea
- Swansea Local Health Board

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

- To provide integrated community equipment service that meets the defining criteria and good practice within the guidance provided by the Welsh Assembly Government
- To provide a flexible and responsive service for users and practitioners through a unified assessment and provisioning system which avoids duplication and barriers to provision.
- To meet national and local standards and performance indicators, in particular to provide a high percentage of equipment and minor adaptations within a seven day target.
- To support intermediate care, palliative care and hospital discharge initiatives and to build on and consolidate existing joint arrangements.
- To develop more accessible services, with consistent eligibility criteria, which will improve co-ordination between partner agencies and service users.
- To provide an assessment, demonstration display and learning facility for service users and practitioners from health, education and social services.
- To meet the above in respect of beds, mattresses and cot sides for 2008-09 expanding to cover other equipment from 1st April 2010.

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

This memorandum note to the accounts provides details of the joint income and expenditure incurred under the arrangement

<b>Gross Funding</b>	<b>2008/09</b>
	£
City & County of Swansea	54,209
Swansea Local Health Board	75,000
<b>Total funding</b>	<b>129,209</b>
<b>Expenditure</b>	
Beds, Mattresses & Cot sides	129,209
<b>Total expenditure</b>	<b>129,209</b>
<b>Net under/over spend</b>	<b>0</b>

**6.17 Financial Assets**

	<b>At fair value through Profit &amp; Loss £000</b>	<b>Loans and receivables £000</b>	<b>Available for sale £000</b>	<b>Total £000</b>
Embedded derivatives	0	0	0	0
NHS receivables	932	0	0	932
Cash at bank and in hand	81	0	0	81
Other financial assets	411	0	0	411
<b>At 31 March 2009</b>	<b>1,424</b>	<b>0</b>	<b>0</b>	<b>1,424</b>
Embedded derivatives	0	0	0	0
NHS receivables	835	0	0	835
Cash at bank and in hand	47	0	0	47
Other financial assets	751	0	0	751
<b>At 31 March 2008 (Prior year)</b>	<b>1,633</b>	<b>0</b>	<b>0</b>	<b>1,633</b>

**6.18 Financial liabilities**

	<b>At fair value through Profit &amp; Loss £000</b>	<b>Other £000</b>	<b>Total £000</b>
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	18,466	0	18,466
<b>At 31 March 2009</b>	<b>18,466</b>	<b>0</b>	<b>18,466</b>
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	18,898	0	18,898
<b>At 31 March 2008 (Prior year)</b>	<b>18,898</b>	<b>0</b>	<b>18,898</b>

## 7 Additional Information

### 7.1 Details of 'Other Income' line

	2008-09 £000	2007-08 £000
City and County of Swansea: HSCWB	100	82
Recovery of underspends from prior years	37	0
VAT reclaims	85	0
Orthodontics funding	50	30
Reshaping MH Services recharge	3	17
A&E Pilot:50% contribution (Swan Trust)	0	14
Lucentis funding - WAG	579	0
GP costs of staffing MIU	58	0
Agency travel and subsistence	7	13
GP Registrar Scheme	1,733	1,298
Chronic conditions mgt - independence & well being	28	0
Chemists Methadone Admin	116	65
Staff recharges	99	0
PSALT and shared care worker	91	0
All Wales Eye Care Initiative	112	95
Other	16	42
<b>Total</b>	<b>3,114</b>	<b>1,656</b>



## 7 Additional Information

### 7.2 Consultancy costs incurred against notes 4.1, 4.2 and 4.3

Under note 4.4 'Administration expenditure', on page 19, the Welsh Assembly Government require Local Health Boards to separately disclose their expenditure for the year on consultancy services. Consultancy services are defined by HM Treasury under PES (2207) 08 and include professional services for:

- General Management Consultancy;
- Legal:
- Human Resources:
- Financial:
- IT Consultancy;
- Property Services / Estates

Due to the nature and variety of services provided and commissioned by the Local Health Board, some consultancy services are charged to headings other than Administration.

In addition to the consultancy services of £8,000 reported against note 4.4 on page 19, the Local Health Board has also incurred consultancy services expenditure against the following other headings:

Nature of costs incurred	Accounts note	2008-09 £000	2007-08 £000
Legal fees re:General Medical Services	Note 4.1 - GMS cash limited	2	1
Legal fees re:Continuing Health Care	Note 4.2 - Continuing Care	8	1
Re-shaping Mental Health Consultancy	Note 4.3 - Salaries & Wages	0	12
Unscheduled Care Project review	Note 4.3 - Salaries & Wages	0	1
Health Community Review	Note 4.3 - Other	0	51
	<b>Total</b>	<b>10</b>	<b>66</b>

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

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

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

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

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

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

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

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

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

**By Order of the Board**

**Signed:**

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

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

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

## STATEMENT ON INTERNAL CONTROL

### 1. Scope of Responsibility

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

To discharge that responsibility the Board has approved, through the Standing Orders, three Board committees to take forward the corporate governance and controls assurance arrangements:

- Audit Committee
- Clinical Governance Committee
- Risk Management Committee

These committees report directly to the Board. To ensure that there is complete coverage and linkages between the Board committees there is cross membership between committees at both Non Officer Member and Executive Director level.

The Local Health Board works closely with the Welsh Assembly Government (WAG), both directly and via its Regional Office, in managing the risk process. Workload is set via performance agreements and there is a system of regular written and verbal exception reporting in place to both the Regional Office and WAG, providing evidence of progress by the LHB. The LHB's main reporting tool is the Balanced Scorecard, which is submitted regularly to the LHB Board and the Regional Office. The Healthcare Standards provide a key framework upon which the LHB has based its risk management process. A Healthcare Standards sub committee was set up in 2007/08 to oversee the processes and this committee continued to operate throughout 2008/09.

In the delivery of overall internal control the Business Services Centre, (BSC), has a key role given that, in particular, Finance and Contractor Services departments have fundamental responsibilities in running key payments, authorisation and reporting processes on behalf of Local Health Boards. Assurance on the discharge of these responsibilities is obtained through the Service Level Agreements and internal audit reports.

### 2. The Purpose Of The System Of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the organisation for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

### 3. Capacity To Handle Risk

At officer level, the leadership for clinical governance is given by the Director of Clinical Development, supported by the Medical Director for medical matters, and for risk management by the Deputy Chief Executive and for financial control is given by the Director of Resources. Staff are being trained to manage risks, both clinical and other, initially through the development of systems and processes to

identify and manage risks. This includes both the work with the National Patient Safety Agency on clinical risks and incidents, and the bottom up approach to identify, prioritise and develop action plans to address individual, directorate and corporate risks.

A key element has been to review national guidance, good practice and strategies developed for similar organisations and incorporate them into the Risk Management Strategy and Risk Register. The Risk Management Strategy and Risk Register also attribute actions, timescales and responsibilities to lead Executive Directors and Senior Managers.

This approach is consistent with how corporate objectives, Annual Operating Framework targets and Healthcare Standards are allocated to the responsible Executive Directors and Senior Managers.

In addition to internal processes, assurance is also given via the services provided by internal and external audit and by the Local Counter Fraud Service.

#### **4. The Risk And Control Framework**

The Risk Management Strategy sets out the various roles and responsibilities of the Executive Directors, Senior Managers and Board Committees towards risk management. It also sets out how the various types of risks, such as organisational, staffing and clinical risks will be managed. The key element of the strategy is the Risk Register and action plan. The development of the Risk Register involved both a top down and bottom up identification and scoring of risks. The register also includes the actions to mitigate those risks, and clear identification of responsibilities to manage those risks. This Risk Register and action plan is reviewed and updated via the Senior Managers and Executive Directors and a revised Risk Register is submitted to the Risk Management Committee on a regular basis.

The Healthcare Standards for Wales now form a key component of risk management and control processes for healthcare organisations within Wales. Each year the LHB is required to assess itself against the 32 Standards, a process which has replaced the previous self assessments against the Welsh Risk Pool Standards. In completing the self assessments the LHB has involved staff at all levels of the organisation, senior managers and Executive directors. In addition Board members have been involved in all parts of the process. For the 2007/08 self assessment process the LHB established a Healthcare Standards Committee of the Board. The function of this committee was to scrutinise the self assessment process, scoring of the 32 standards and advice on the presentation and development of the healthcare standards improvement plan. The committee is comprised of the chairs of the Risk, Audit and Clinical Governance committees plus Executive Directors from the LHB. In 2008/09 the LHB Board endorsed the same approach and delegated the scrutiny and sign off of the 2008/09 submission process to the Healthcare standards committee.

In addition the Board received in public session during the year the LHB's 2007/08 Healthcare Standards self assessment, the HIW report for 2007/08 and regular quarterly updates of the LHBs Healthcare Standards Improvement Plan (HCSIP), produced as a result of the reviews.

The LHB has made considerable progress in its self assessment scores since last year. There has been a significant switch to higher scores for many of the questions. The majority of the questions are now at level four whilst the majority were at level three last year.

The self assessed scores for all the individual Healthcare Standard questions and the aggregate scores for all the Healthcare Standards that were required to be completed are summarized as follows:

**Individual Standard question scores**

	2007/08	2008/09
Aware (1)	5	0
Responding (2)	39	0
Developing (3)	142	124
Practicing (4)	34	89
Leading (5)	0	9

**Standard aggregate scores**

	2007/08	2008/09
Aware (1)	0	0
Responding (2)	1	0
Developing (3)	25	15
Practicing (4)	5	16
Leading (5)	0	0

There are four standards that are regarded as key indicators of an organisation's clinical and corporate governance by Health Inspectorate Wales and the Welsh Assembly Government.

Internal Audit undertook an assessment of the Healthcare Standards and at the conclusion of their review were able to report a significant level of assurance regarding the process adopted for population and scrutiny of the healthcare standards submission.

Internal Audit reported that they were satisfied that the Board had been adequately engaged with the Health Care Standards and that sound processes were in place for the monitoring of progress against the 2008-09 action plan.

At the conclusion of the Internal Audit review, maturity levels assessed for the four core standards were:

- Standard 14, Health & Safety – practicing (4)
- Standard 16, Incident Reporting – practicing (4)
- Standard 27, Corporate Governance – practicing (4)
- Standard 28, Clinical Governance – practicing (4)

in 2007/08 the maturity levels assessed for the four core standards were:

- Standard 14, Health & Safety – developing (3)
- Standard 16, Incident Reporting – developing (3)
- Standard 27, Corporate Governance – developing (3)
- Standard 28, Clinical Governance – developing (3)

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

The Board has also been engaged appropriately during 2008/09 on matters relating to the Standards and the monitoring of the HCS Improvement Plan.

Welsh Risk Pool has recently confirmed that there will be no assessment of Standard "H" for claims in April 2009 in view of the proposed restructuring of the NHS.

## 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 and Risk Management Committee, and plans to address weaknesses and ensure continuous improvement of the system are in place.

The Board receives regular reports and position statements from the Audit Committee, Risk Management Committee, the Clinical Governance Committee, the Remuneration Committee as well as individual reports produced directly by Executive Directors and Senior Managers. These reports are designed, not only to inform the Board of the LHB's level of corporate and financial risks but also to encourage full participation by the Board in both debating and problem solving these issues where appropriate. The Board receives at each Public Meeting (as a minimum) reports on the financial and commissioning performance as well as at appropriate intervals updates on the Risk Matrix/Register, and reports on achievement against Corporate Objectives.

The Audit Committee, consisting of Non Officer Members, provides a direct line of communication to the Board from the Internal Auditors, External Auditors and the Local Counter Fraud Specialist Team. The Board has therefore been able to reassure itself that it has received advice on control and risk issues independently of Executive Officers on a regular basis. The Audit Committee receives reports from these three independent groups on control systems within the LHB. In addition the LHB's Audit Committee also receives assurance from a review of the Business Services Centre's (BSC) Internal Auditors' relevant reports to the Powys LHB's Audit Committee.

The process applied in maintaining and reviewing the effectiveness of the system of internal control, includes the full involvement of the Board, Board Committees, Executive Directors and Senior Managers.

The LHB recognises that it must continue to seek improvements and enhance its systems over time. The LHB also recognises that the development of its staff, managers and Board Members to acquire the appropriate skills and experience necessary for effective control is a key priority. Information contained within the reports on both the LHB systems and the BSC systems by the independent auditors, coupled with the scores achieved in the Welsh Risk Standards targets, provides evidence to conclude that the LHB now has its core controls in place and that the LHB has a firm foundation upon which it can develop further improvements. The LHB Internal Auditors reported;

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

The LHB is very dependent upon systems operated by the Business Services Centre and so it needs to include within this Statement of Control extracts from the Draft Annual Audit Report on the BSC produced by its internal auditors. Its auditors concluded that;

"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Business Services Centre's risk management,

control and governance processes.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2009 the Business Services Centre has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives."

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 into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

#### **6. Significant Internal Control Problems**

There were no significant internal control problems encountered during the year.

Operating financial balance was achieved in 2008/09 through the receipt of £10.206m non-repayable brokerage arranged by the Welsh Assembly Government in March 2009 and £0.230m resource brokerage received from Neath Port Talbot Local Health Board, also in March 2009. During 2008/09 £7.998m resource brokerage relating to 2007/08 was repaid to the Welsh Assembly Government. The duty to maintain expenditure within its resource limit remains an ongoing challenge for Swansea LHB.

During 2008/09 Swansea Local Health Board repaid accumulated Welsh Assembly Government cash brokerage totalling £16.6m which related to the previous financial years. Further cash brokerage of £20.3m was received during 2008/09.

Signed:.....

Date:.....

**Dr Andrew Goodall**  
Chief Executive  
(on behalf of board)



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

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

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

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

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

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

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

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

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

### **Basis of audit opinions**

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

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

### **Opinion**

In my opinion:

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

### **Opinion on Regularity**

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

### **Report**

I have no observations to make on these financial statements.

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

Jeremy Colman  
Auditor General for Wales  
19 June 2009

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

## **ACCOUNT OF SWANSEA LOCAL HEALTH BOARD - 2008-2009**

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

#### **LOCAL HEALTH BOARDS**

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

#### **BASIS OF PREPARATION**

2. The account of the LHB shall comply with:

- (a) generally accepted accounting practice in the United Kingdom (UK GAAP);
- (b) the accounting and disclosure requirements of the Companies Act;
- (c) all relevant accounting standards issued or adopted by the Accounting Standards Board, in so far as they are appropriate to the NHS and are in force for the financial year for which the accounts are to be prepared;
- (d) accounting guidance approved by the FRAB and contained in the Financial Reporting Manual (FReM), as detailed in the LHB Manual for Accounts, but specifically excluding schedules 1 and 5;
- (e) the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

#### **FORM AND CONTENT**

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

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

5. The balance sheet shall be signed by the chief executive and the director of finance of the LHB and dated.



**MISCELLANEOUS**

6. The direction shall be reproduced as an appendix to the published accounts.

7. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.

8. Notes providing further explanations of figures in the accounts shall be made where it is considered appropriate for a proper understanding of the accounts.

Signed by the authority of the National Assembly of Wales

Signed :

Dated :

**ACCOUNT OF SWANSEA LOCAL HEALTH BOARD- 2008-2009**

**SCHEDULE 1**

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

**Companies Act**

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

**Accounting Standards**

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

**SCHEDULE 2**

**ADDITIONAL REQUIREMENTS**

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

