

# Torfaen 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 [Torfaen](#).
- 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 13. 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 2008

	Note	Total £000	2006-07 Total £000
Expenditure	4.1,4.2,4.3, 4.4	<b>141,812</b>	135,696
Miscellaneous income	3.1	<b>2,102</b>	2,210
<b>Net operating costs</b>		<b><u>139,710</u></b>	<b><u>133,486</u></b>

## STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2008

	£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 2008**

	Note	£000	31 March 2007 £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	2,178	926
Cash at bank and in hand		629	1,491
<b>Total Current Assets</b>		<b>2,807</b>	<b>2,417</b>
Creditors: amounts falling due within one year	6.2	10,909	8,084
<b>Net current assets / (liabilities)</b>		<b>(8,102)</b>	<b>(5,667)</b>
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	455	154
<b>TOTAL NET ASSETS</b>		<b>(8,557)</b>	<b>(5,821)</b>
<b>FINANCED BY:</b>			
General fund	6.5	(8,557)	(5,821)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	0
<b>TOTAL</b>		<b>(8,557)</b>	<b>(5,821)</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 2008**

	£000	2006-07 £000
<b>Net operating costs</b>	<b>(139,710)</b>	(133,486)
Adjust for non-cash transactions	139	(92)
Adjust for movements in working capital other than cash	1,573	420
Utilisation of provisions	(93)	(3)
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(138,091)</b>	<b>(133,161)</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>(138,091)</b>	<b>(133,161)</b>
<b>FINANCING:</b>		
Net Assembly funding (including capital)	137,229	134,236
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>137,229</b>	<b>134,236</b>
	<hr/>	<hr/>
<b>Increase / (decrease) in cash</b>	<b>(862)</b>	<b>1,075</b>

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

	£000	2006-07 £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	394	154
Capital charge interest	(255)	(246)
	<u>139</u>	<u>(92)</u>

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

	£000	2006-07 £000
(Increase)/decrease in debtors	(1,252)	1,380
Increase/(decrease) in creditors	2,825	(960)
	<u>1,573</u>	<u>420</u>

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

	£000
Increase/(decrease) in cash in the period	(862)
Cash outflow from debt repaid and finance lease capital payments	<u>0</u>
Change in net debt resulting from cash flows	(862)
Non cash changes in debt	0
<b>Net debt at 1 April 2007</b>	<u>1,491</u>
<b>Net debt at 31 March 2008</b>	<u>629</u>

**Analysis of changes in net debt**

	As at 1 April 2007	Cash flows	Other changes	As at 31 March 2008
	£000	£000	£000	£000
Cash at bank and in hand	1,491	(862)	0	629
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>1,491</u>	<u>(862)</u>	<u>0</u>	<u>629</u>

**Amount held in Office of Paymaster General bank accounts as at 31 March 2008 was £652k.**

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

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

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

	Issues £'000	2007-08	Net Movement £'000
		Repayments £'000	
Total issues and repayments (per creditors note 6.3)	0	0	0
Accrued movement in loan capital	0	0	0
Non-cash adjustments	0	0	0
<b>Total financial investment and associated receipts</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Reconciliation of fixed assets and disposals**

	Additions £'000	2007-08	Net Movement £'000
		Disposals £'000	
Total assets and disposals (per fixed assets note 5.1 5.2)	0	0	0
Accrued movement in fixed asset additions	0	0	0
Non-cash adjustments	0	0	0
<b>Total cash movement on asset additions and disposals</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Notes to the Account

### 1. Accounting Policies

1.1 The financial statements have been prepared in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury to the extent that the National Assembly for Wales 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 National Assembly for Wales (the Assembly) 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 Assembly within an approved cash limit, which is credited to the general fund when the associated cash is received. Income disclosed in the Operating Cost Statement reflects only the amounts other than Assembly 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. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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

## 1.5 Tangible fixed assets

### a. Capitalisation

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

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

### b. Valuation

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

### Land and Buildings

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

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

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

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

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

### Equipment

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. The Scheme is an unfunded, defined benefit scheme that covers NHS employees, General Practices and other bodies, allowed under the direction of 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 a defined contribution scheme: the cost to the NHS body participating in the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full actuarial investigation every four years. The main purpose of which 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 the scheme members. The last such investigation, on the conclusions of which scheme contributions are currently based, had an effective date of valuation on this basis took place as at March 2004 and covered the period from 1 April 1999 to that date.

Between the full actuarial valuations, the Government Actuary provides an annual update of the scheme liabilities for FRS 17 purposes. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the Business Service Authority - Pensions Division website at [www.nhspa.gov.uk](http://www.nhspa.gov.uk). Copies can also be obtained from The Stationery Office.

The conclusion of the 2004 investigation was that the scheme had accumulated a notional deficit of £3.3 billion against notional assets as at 31 March 2004. This is after making some allowance for the one-off effect of pay modernisation, but before taking into account any of the scheme changes which come into effect on 1 April 2008. Taking into account the changes in the benefit and contribution structure effective from 1 April 2008, employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, employees paid contributions of 6% (manual staff 5%) of their pensionable pay. From 1 April 2008, employees will pay contributions according to a tiered scale from 5% up to 8.5% of their pensionable pay.

The scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last three 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 members 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 years pensionable pay for death in service, and up to five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final years pensionable pay less their retirement lump sum for those who die after retirement is payable.

Additional pension liabilities arising from early retirements are not funded by the scheme, except where the retirement is due to ill-health. For early retirements not funded by the scheme, the full amount of the liability for the additional cost is charged to the Income and Expenditure account 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.

## **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 2007/08 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 not 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 New Dental Contract**

On 1 April 2006 a new dental contract was introduced in England and Wales. LHB's are now responsible for commissioning dental services and organising payment through the Dental Practice Division of the Business Services Authority.

Contractors who underperformed against their contracted level of Units of Dental Activity, (UDA's) by a margin of 5% or less, are contractually allowed to retain their payments for the year and deliver the underperformance of UDA's within the new financial year 2008-09.

The valuation in the annual accounts is based on an estimate provided by the Dental Practice Division in May 2008. The final outturn will not be available until after the publication of the annual accounts, and any variance will be recognised in the accounts for 2008-09.

The LHB's superannuation liability is contingent upon :  
the actual UDA performance against the annual contracted target to arrive at a final gross earnings for the year;  
the declared split of the gross final earnings over the performers registered on each individual contract.

To calculate the LHB's liability in respect of year end under or over performance, the baseline financial value of any under or over achievement against contracted activity is multiplied by a factor of 0.439, (the standard superannuation assumption for the profit element of gross earnings within the dental sector) and 0.14. (the superannuation employee contribution rate.)

## 2.1 Achievement of Operational Financial Balance

	£000	2006-07 £000
Net operating costs for the financial year	139,710	133,486
Non-discretionary expenditure	400	1,009
Operating costs less non-discretionary expenditure	139,310	132,477
Revenue Resource Limit	139,329	132,485
<b>Under / (over) spend against Revenue Resource Limit</b>	<b>19</b>	<b>8</b>
Unplanned resource brokerage received	0	0
<b>Operational Financial Balance</b>	<b>19</b>	<b>8</b>

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

During 2007/08 the LHB has had both resource and cash brokerage as follows:

	£000		£000
<b>Resource Brokerage:</b>			
<b>In</b>		<b>Out</b>	
Monmouthshire LHB	600	Powys LHB	- 795
<b>Cash Brokerage</b>			
		<b>Out</b>	
		Welsh Assembly	- 2,050

The resource brokerage received from Monmouthshire LHB reflects an agreement made within the Gwent Community to ensure that all organisations achieve their financial statutory duties. The resource brokerage given to Powys LHB relates to additional funding issued by the Welsh Assembly relating to Continuing Healthcare, after the Gwent Community agreement had been reached and therefore not required in 2007/08. Both resource and cash brokerage will be required to be repaid to / by the LHB during 2008/09.

### 3.1 Miscellaneous income

	£000	2006-07 £000
Fees & Charges	0	0
Prescription charge income	609	1,009
Dental fee income	737	698
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Other	756	503
<b>Total</b>	<b>2,102</b>	<b>2,210</b>

Other

Other income includes

	£000	£000
Income for staff hosted by Torfaen LHB		
- Funded Nursing Care / Complex Care (from other Gwent LHBs)	445	236
- Regional Commissioning (from other SE Wales LHBs)	100	96
- GP Medicines and Therapeutic Committee	50	50
Other Welsh Assembly Government funding	42	49
Income from other sources	119	72
<b>Total Other Income</b>	<b>756</b>	<b>503</b>

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

	<b>Cash limited</b>	<b>Non cash limited</b>	<b>Total</b>	<b>2006-07 Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Medical services	11,653	0	11,653	11,816
Pharmaceutical services	3,362	(534)	2,828	3,487
General Dental services	4,024	0	4,024	3,869
General Ophthalmic services	0	934	934	782
Other Primary health care expenditure	425	0	425	441
Prescribed drugs and appliances	16,622	0	16,622	16,366
<b>Total</b>	<b>36,086</b>	<b>400</b>	<b>36,486</b>	<b>36,761</b>

**4.2 Secondary and Community health care**

	<b>Total</b>	<b>2006-07 Total</b>
	<b>£000</b>	<b>£000</b>
<b>NHS Trusts:</b>		
Provider 1 - .. <a href="#">Gwent Healthcare NHS Trust</a>	86,137	85,352
Provider 2 - .. <a href="#">Cardiff &amp; Vale NHS Trust</a>	2,092	1,825
Provider 3 - .. <a href="#">Velindre NHS Trust</a>	1,829	1,680
Provider 4 - .. <a href="#">Bro Morgannwg NHS Trust</a>	132	169
Provider 5 - .. <a href="#">Swansea NHS Trust</a>	75	76
Provider 6 - .. <a href="#">Pontypridd &amp; Rhondda NHS Trust</a>	69	60
Provider 7 - .. <a href="#">Royal National Hospital Rheumatic Diseases</a>	39	70
Provider 8 - .. <a href="#">Royal United Hospital Bath</a>	36	21
Provider 9 - .. <a href="#">North Glamorgan NHS Trust</a>	32	31
Provider 10 - <a href="#">Carmarthenshire NHS Trust</a>	24	22
Other Welsh NHS trusts	22	44
Other non Welsh NHS trusts	321	317
Local Authorities	2,747	2,405
Voluntary Organisations	687	759
NHS Funded Nursing Care	1,678	1,674
Continuing Care	4,925	154
Private providers	0	0
Specific projects funded by Welsh Assembly Government	0	0
Other	315	598
<b>Total</b>	<b>101,160</b>	<b>95,257</b>

Expenditure with Local Authorities is as follows:

	<b>2007-08</b>	<b>2006-07</b>
Torfaen County Borough Council:		
S28a Learning Difficulties	2,056	1,792
S28a Elderly	344	152
S28a Mental Health	155	85
S28a Children	101	82
Delayed Transfers of Care	0	185
Community Care	91	109
Total	2,747	2,405

**4.3 Other programme expenditure**

	£000	2006-07 £000
Salaries and wages	1,521	1,297
National Public Health Service	542	524
Losses, special payments and irrecoverable debts	7	38
Research and development	0	0
Other	314	300
	<hr/>	<hr/>
<b>Total</b>	<b>2,384</b>	<b>2,159</b>

**4.4 Administration expenditure**

	£000	2006-07 £000
Non-officer members' remuneration	84	80
Other salaries and wages	1,059	838
<b>Consultancy services</b>		
Establishment expenses	76	75
Transport and moveable plant	0	0
Premises and fixed plant	96	104
External contractors	51	37
Auditors' remuneration - audit fee	73	53
Auditors' remuneration - other fees	0	0
Business Services Centre recharge	582	574
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation	0	0
Amortisation	0	0
Capital charge interest	(255)	(246)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	16	4
	<hr/>	<hr/>
<b>Total</b>	<b>1,782</b>	<b>1,519</b>

In 2007/08 the audit fee includes the cost of Business Services Centre audit (cost £16,286) which in previous years was included in the Business Service Centre recharge.





#### 4.6 Hire and operating lease rentals

	£000	2006-07 £000
Hire of plant and machinery	0	0
Other operating leases	59	59
<b>Total</b>	<b>59</b>	<b>59</b>

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

	Land and Buildings £000	Other Leases £000	2006-07 Land and Buildings £000	2006-07 Other Leases £000
<b>Operating leases which expire:</b>				
Within 1 year	0	0	0	0
Between 1 and 5 years	59	0	59	0
After 5 years	0	0	0	0

#### 4.7 Executive Directors and staff costs

	Total £000	2006-07 Total £000
Salaries and wages	2,115	1,669
Social security costs	146	128
Employer contributions to NHSPA	279	227
Other pension costs	0	0
Agency / seconded staff	40	111
<b>Total</b>	<b>2,580</b>	<b>2,135</b>

The salaries disclosed in Notes 4.3 and 4.4 are £1,521k and £1,059k respectively. These total £2,580k which agree to Note 4.7 above

**4.8 Board Directors' remuneration**

	£000	2006-07 £000
Non-officer members' remuneration	81	80
Executive Directors' remuneration:		
basic salaries	314	297
benefits	0	0
performance related bonuses	5	0
pension contributions	42	43
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
<b>Total</b>	<b>442</b>	<b>420</b>

	£000	Chief Executive £000
Basic Salary	28	79
Benefits	0	0
Compensation for loss of office	0	0
Performance related bonuses	0	10
Pension contributions	0	11
<b>Total</b>	<b>28</b>	<b>100</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:**

For 2006/07 the Chief Executive received a performance related bonus in respect of exceptional and significant additional responsibilities undertaken since 1 April 2006. This was awarded following a recommendation by the Chairman and approved by the LHB Remuneration Committee. For 2007/08 the LHB has accrued for a further non-consolidated bonus of £5,000.



#### 4.10 Retirements due to ill-health

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

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

The National Assembly for Wales 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	2006-07 £000
<b>Non- NHS</b>			
Total bills paid 2007-2008	2,284	10,470	6,937
Total bills paid within target	2,262	10,443	6,857
Percentage of bills paid within target	99.0%	99.7%	98.8%

In addition, the National Assembly for Wales require 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	2006-07 £000
<b>NHS</b>			
Total bills paid 2007-2008	615	99,030	95,296
Total bills paid within target	602	98,568	94,921
Percentage of bills paid within target	97.9%	99.5%	99.6%

	Number	£000	2006-07 £000
<b>Total</b>			
Total bills paid 2007-2008	2,899	109,500	102,233
Total bills paid within target	2,864	109,011	101,778
Percentage of bills paid within target	98.8%	99.6%	99.6%

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

	£	2006-07 £
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 2007</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 2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Accumulated amortisation at 1 April 2007</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 2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 1 April 2007</b>	0	0	0	0	0
<b>Net book value at 31 March 2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>







**6.1 Debtors**

	£000	2006-07 £000
<b>Amounts falling due within one year:</b>		
National Assembly for Wales	16	92
Health Commission Wales	0	3
Local Health Boards	309	275
Primary Care Trusts	0	0
NHS Trusts	1,548	235
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	122	81
Provision for irrecoverable debts	0	(84)
Pension Prepayments:	0	0
Other prepayments and accrued income	183	324
	<hr/>	<hr/>
<b>Sub total</b>	<b>2,178</b>	<b>926</b>
	<hr/>	<hr/>
<b>Amounts falling due after more than one year:</b>		
National Assembly for Wales	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>2,178</b>	<b>926</b>

**6.2 Creditors**

	£000	2006-07 £000
<b>Amounts falling due within one year:</b>		
National Assembly for Wales	0	549
Health Commission Wales	0	0
Local Health Boards	295	54
NHS Trusts	3,299	1,379
Primary Care Trusts	20	25
Income tax and social security	0	0
Non-NHS creditors	488	402
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and HP contracts	0	0
GPFH savings	0	0
Pensions: staff	0	0
Accruals	6,807	5,675
Deferred Income	0	0
Other creditors	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>10,909</b>	<b>8,084</b>

**6.3 Creditors**

	Total	2006-07 Total
<b>Amounts falling due after more than one year:</b>	£000	£000
Obligations under finance leases and HP contracts	0	0
NHS creditors	0	0
Assembly loans	0	0
Pensions: staff	0	0
Other	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>0</b>	<b>0</b>

**6.4 Provisions for liabilities and charges**

	At 1 April 2007	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 2008
	£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	154			394	0	(93)		455
<b>Total</b>	<b>154</b>	<b>0</b>	<b>0</b>	<b>394</b>	<b>0</b>	<b>(93)</b>	<b>0</b>	<b>455</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	455	0	0	455
<b>Total</b>	<b>455</b>	<b>0</b>	<b>0</b>	<b>455</b>

The LHB estimates that in 2008-09 it will receive nil, and in 2009-10 and beyond nil from the Welsh Risk Pool in respect of losses and special payments.

## 6.5 General fund

The movement on the General fund in the year comprised:

	£000
<b>At 1 April 2007</b>	<b>(5,821)</b>
Net operating cost for the financial year	<b>(139,710)</b>
Net Assembly funding (including capital)	<b>137,229</b>
Capital charge interest	<b>(255)</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 2008</b>	<b><u>(8,557)</u></b>

## 6.6 Donated asset reserve

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

	£000
<b>Balance at 1 April 2007</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 2008</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 2007</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 2008</b>	<b><u>0</u></b>

**6.8 Contingent liabilities -****The following contingent losses/gains have not been included in the accounts**

Nature:	2006-07	
	£000	£000
Legal claims for third parties liabilities	0	0
Doubtful debts	0	0
Other	463	40
<b>Total</b>	<b>463</b>	<b>40</b>

**Uncertainties affecting outcome:**

In March 2005 the Welsh Assembly Government published adverts in national and local papers inviting cases to be submitted for review by the NHS Ombudsman to determine whether they fall to be treated as continuing care cases and consequently to be funded by the LHB. Although further cases have been submitted to the Welsh Assembly Government and there may be further cases yet to be submitted to the Ombudsman, the LHB has no knowledge of the validity, value or extent of the claims at this time and no provision has been made for these additional claims.

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

No provision has been made in these accounts in respect of cases arising specifically from the Grogan judgement.

The LHB has limited knowledge of the value or extent of potential cases. This means that, at this stage, it is not possible for a reliable estimate to be made of the financial impact of the judgement.

**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	16	0	0	0
Balances with local authorities	56	0	870	0
Balances with NHS trusts and Foundation trusts	1,548	0	3,319	0
Balances with Local Health Boards	309	0	295	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	249	0	6,425	0
<b>Total at 31 March 2008</b>	<b>2,178</b>	<b>0</b>	<b>10,909</b>	<b>0</b>
Balances with other central government bodies	106	0	549	0
Balances with local authorities	56	0	50	0
Balances with NHS trusts and Foundation trusts	235	0	1,404	0
Balances with Local Health Boards	275	0	54	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	254	0	6,027	0
<b>Total at 31 March 2007</b>	<b>926</b>	<b>0</b>	<b>8,084</b>	<b>0</b>

## 6.10 Post balance sheet events

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

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

## 6.11 Capital commitments

The Local Health Board has the following capital commitments:

	2006-07	
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 2007-2008 **0**

Torfaen 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 Torfaen Local Health Board has had a significant number of material transactions with the Assembly and with other entities for which the Assembly is regarded as the parent body namely,

Blaenau Gwent LHB - £167,015

Caerphilly LHB - £88,162

Monmouthshire LHB - £95,284

Newport LHB - £112,978

Powys LHB - £653,687

In addition, Torfaen 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 Torfaen Local Authority (total £3,225,322) in respect of joint enterprises.

During the year none of the board members or members of the key management staff or other related parties has undertaken any material transactions with Torfaen LHB.

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

<b>Name</b>	<b>Details</b>	<b>Interests</b>
Dr Doug Dare	Chairman of LHB Board	Partner in Abersychan Surgery GP Practice Expenditure with GP Practice in 07/08 = £1,226,749 & yearend creditor = £122,131
Dr Roy Lurvey	Non Officer Member	Chairman of St Davids Foundation Hospice Care Expenditure with St Davids in 07/08 = £146,017 & yearend creditor = £9,315
Mrs Sandra Shaw	Non Officer Member	Torfaen Crossroads Caring for Carers Expenditure with Crossroads in 07/08 = £34,251 & yearend creditor = £8,914
Mrs Janet Price	Non Officer Member	Director of Torfaen MIND Expenditure with MIND in 07/08 = £58,833 & yearend creditor = £7,541
Mr Allan Gilbert	Non Officer Member	Shareholder in AJ Gilbert (Chemist) Ltd Expenditure with Pharmacy in 07/08 = £181,367 & yearend creditor = £20,639

## 6.12 Related Party transactions

Dr Lucy Allen	Non Officer Member	Partner in Cwmbran Village Surgery GP Practice Expenditure with GP Practice in 07/08 = £975,043 & yearend creditor = £113,379
Dr Andrew Lohfink	Non Officer Member	Partner in Greenmeadow Surgery GP Practice Expenditure with GP Practice in 07/08 = £638,773 & yearend creditor = £66,058
Dr Sion James	Non Officer Member	Partner in The Mount Surgery GP Practice & employed by Gwent Out of Hours Service Expenditure with GP Practice in 07/08 = £1,276,979 & yearend creditor = £132,622
Mr Peter Walker	Non Officer Member	Sole principal of Ponthir Dental Practice Expenditure with Dental Practice in 07/08 = £553,585 & yearend creditor = £45,910
Mr Grant Robinson	Non Officer Member	Executive Director of Gwent Healthcare Trust & wife is GP at Cwmbran Village Surgery Expenditure with Trust in 07/08 = £89.154m, yearend creditor = £2.899m & yearend debtor = £1.482m For details of transactions with GP Practice see above



## 6.12 Related Party transactions

Cllr Rosemarie Seabour	Non Officer Member	Elected Member of Torfaen CBC until May 2008 Expenditure with Council in 07/08 = £3,225,322, yearend creditor = £870,136 & yearend debtor = £55,872
Cllr Mary Barnett	Non Officer Member	Elected Member of Torfaen CBC, Mayor of Torfaen May 2006 - May 2007 & Vice-chair of Torfaen Citizens Advice Bureau For details of transactions with Council - see above Expenditure with CAB 07/08 = £38,000
Mr David Congreve	Non Officer Member	Strategic Director of Torfaen CBC For details of transactions with Council - see above
Mr Stewart Greenwell	Non Officer Member	Chief Officer of Torfaen CBC For details of transactions with Council - see above
Mr Nigel Stephens	Finance Director	Wife employed as Interim Director of Nursing by Newport LHB during 2007/08 Expenditure with Newport LHB in 07/08 = £112,978, yearend creditor = £111,541 & yearend debtor = £40,391
Mr Paul Richards	Head of Primary Care	Wife employed as Director of Finance of Powys LHB Expenditure with Powys LHB in 07/08 = £653,687 & yearend creditor = £6,974

### 6.13 Losses and special payments

Losses and special payments are transactions that the National Assembly for Wales 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 National Assembly for Wales. 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	0	0
<b>Total losses and special payments</b>	<b>0</b>	<b>0</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
.....	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>All other cases</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total cases</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 6.14 Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, 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 LHB's 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 FRS 13 mainly applies. The LHB's have no power 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's in undertaking their activities.

### Liquidity Risk

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

### Foreign Currency Risk

The LHB's have negligible foreign currency income or expenditure. Therefore, they are 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	2006-07 £000
Within 1 year	0	0
Between 1 and 5 years	0	0
After 5 years	0	0
	<hr/>	<hr/>
<b>Subtotal</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
Less finance charges allocated to future periods	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>0</b>	<b>0</b>

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

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

## **6.16 Pooled Budgets**

Where Local Health Boards are part of a project financed by a pooled budget, they should include details in this note. The Local Health Board should disclose its contribution to the pooled budget, a description of the project and the total annual expenditure. A memorandum account of the fund should also be disclosed.

Torfaen Local Health Board does not contribute to any pooled budgeted arrangements.

## **7 Additional Information**

### **7.1 2008/09 Financial Position**

On the 18th April 2008, Torfaen LHB submitted its Annual Operating Framework presenting a planned balanced financial position for 2008/09. The delivery of this position has a number of risks which are being progressed through the development of a Gwent Community Financial Recovery Plan.

**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: ..... 2008 ..... 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 policies 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: ..... 2008

Chief Executive: ..... Dated: ..... 2008

Director of Finance: ..... Dated: ..... 2008

## 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. This is in accordance with the responsibilities assigned by the Accounting Officer of NHS Wales.

Mechanisms have been developed to enable the identification, assessment, management and reporting of risk in line with guidance issued by the Welsh Assembly Government.

### **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 2008 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

### **3. Capacity to handle risk**

The Local Health Board (LHB) is corporately responsible for pursuing the aims and objectives of risk management. The responsibility for managing risk is part of the role of all staff. However, specific responsibility is assigned as follows:

- Clinical Governance: Medical Director
- Financial Governance: Director of Finance & Performance

The LHB has also established a Clinical Governance Committee which reports to the Board, to identify clinical risks and manage the risk assessment process.

Directors are expected to be continually aware of risk management issues and training sessions for LHB staff specific to Risk Management have been completed and forms part of an ongoing development programme.

Staff are aware of the Risk Management Strategy and are familiar with LHB policies and procedures.

### **4. The risk and control framework**

The LHB has formally adopted and reviews the Risk Management Strategy annually. It has also developed a 'Corporate Risk Register' as a basis for controlling and monitoring the risk management activities of the organisation. This is formally updated and presented to the Management Team on an annual basis.



The Risk Management Strategy is embedded into the LHB through the management structure and risks are identified by individuals and also directorates, formally reported through the Risk Management Working Group. The risks are assessed, management controls established to minimise the risk exposure, monitored and reported.

The management of risk is assessed for 2007/08 through the 2007-08 self assessment of performance against the Healthcare Standards for Wales. The assessment is across four domains these being Patient Experience, Clinical Outcome, Healthcare Governance and Public Health. The self assessment is made against criteria in the form of a maturity matrix that determines the stage at which the organisation has progressed against each standard. The progressions are 1 – Aware, 2 – Responding, 3 – Developing, 4 – Practicing, 5 – Leading.

The self assessment has been completed and the outcome is that progress has been made on all standards with some significantly on a number that has shown improvement against the maturity matrix. The process involved the Risk Working Group Members representing their Directorates in the completion of the standards. The process commenced in February 2008 and included joint and individual meetings amongst LHB staff with progress reported to the Staff Forum, Management Team, Executive Directors and Board Members. The Clinical Governance Committee was tasked with providing the scrutiny role on behalf of the Board.

The core standards have been reviewed by Internal Audit to provide an objective opinion. These Standards relate to Healthcare Governance and the findings are summarised below:

- Healthcare standard 14 Developing
- Healthcare standard 16 Developing
- Healthcare standard 27 Practicing
- Healthcare standard 28 Practicing (Internal Audit Assessment = Developing)

The LHB is committed to delivering continual improvement against the standards and an improvement plan has been developed which is embedded in the organisation and progressed monitored on a quarterly basis through reporting to Board.

## **5. Probity of Dental Expenditure**

A new Dental Contract was implemented from 1 April 2006, with payments being made on LHBs' behalf by the Business Services Authority - Dental Practice Division (DPD) in England. In addition to the checks required to obtain assurance on the adequacy of the payment systems - undertaken by both the DPD's and LHB's internal auditors - there should also be checks to ensure the probity of dental expenditure. In 2007/08 the following work was undertaken on the probity of dental expenditure:

a) During 2007/08 the DPD has monitored 2 Torfaen dental contracts (including 8 dentists) and issued 1,841 questionnaires to Torfaen patients for the period April 2007 to March 08. The DPD has also confirmed 3,991 benefit eligibility checks during the financial year.

b) The LHB has carried out analytical review of both dental expenditure and activity during 2007/08. A mid year review process was undertaken, based on Month 06 information, and letters were sent to all dental practitioners advising what action they needed to undertake. Visits were made to practices that were significantly underperforming, and action plans were required detailing what remedial action they would undertake to achieve their contracted level of activity.

c) The LHB commissioned an internal audit review to assess the adequacy and effectiveness of the LHB's risk management activities in relation to the Dental Contract. The review confirmed that the controls in place are both adequate and effective.

## 6. Out of Hours Contract

The findings of the Internal Audit review of the Out of Hours contract concluded that while the risk management activities and controls were suitably designed they were not operating with sufficient effectiveness. Subsequent to these findings, the LHB is addressing, as a matter of priority, those areas classified by Internal Audit as of 'high' importance.

## 7. Continuing Healthcare

The WAO's audit examinations found weaknesses in the administration and control of Continuing Healthcare relating largely to the quality of information inherited from the Gwent Healthcare NHS Trust. Subsequent ongoing reviews by the LHB's Multi Disciplinary Teams have established that the packages currently being provided do meet patients' needs, providing assurance that appropriate care packages are being commissioned. The MDT's review are continuing into 2008/09.

## 8. 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 that 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 a plan to address weaknesses and ensure continuous improvement of the system is in place. This work is implemented by the Risk Management Working Group.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

A robust internal control framework has been in place during the year, which includes scrutiny for the Board by the Audit Committee, Remuneration Committee and Clinical Governance Committee.

There is a budgetary control system in place, which safeguards the acquisition, use, disposal and security of goods and services. There are controls in place concerning the security of financial systems and data. These systems produce reliable financial information that informs budget holders and the financial reporting to the Board.

The LHBs financial systems have been subject to review by Internal Audit. The Audit Committee reviews all internal audit reports and monitors the implementation of agreed control improvements.

Internal Audit has confirmed that, based on the work undertaken during the year, the Risk Management, Control and Governance Processes within the areas covered by their reviews are adequate and effective and sufficient to enable the Board and the Accountable Officer to rely on the internal control system.

Internal Controls have been assessed and reviewed during the financial year and I can confirm that there are no significant internal control problems existing within Torfaen Local Health Board.

Signed:.....

Date:.....

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 Torfaen Local Health Board for the year ended 31 March 2008 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 described in that report as being 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 there under 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 there under. 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, Torfaen 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 Torfaen 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 Torfaen 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 is not available at the time of the 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 Torfaen 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 Torfaen Local Health Board as at 31 March 2008 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 there under by Welsh Ministers.

### **Opinion on Regularity**

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

### **Report**

I have no observations to make on these financial statements.

My conclusion on Torfaen Local Health Board's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008 will be reported separately in the published Annual Audit Letter.

Jeremy Colman  
Auditor General for Wales  
8 July 2008

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

## **ACCOUNT OF - 2007-2008**

### **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 2008 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 2008 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 2008 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.

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

**MISCELLANEOUS**

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

Signed by the authority of Welsh Ministers

Signed :

Dated :

## **ACCOUNT OF - 2007-2008**

### **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.