

Abertawe Bro Morgannwg University Health Board

FOREWORD

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

Statutory background

The Local Health Board was established on 1 October 2009 following the merger of Abertawe Bro Morgannwg University NHS Trust and Swansea, Bridgend and Neath Port Talbot Local Health Boards

Performance Management and Financial Results

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

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

The primary performance measure for Local Health Boards is the Achievement of Operational Financial Balance on page 2. This note compares net operating costs expended against Resource Limits allocated by the Assembly and measures whether operational financial balance has been achieved in year

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

	Note	2010-11 £'000	2009-10 £'000 Restated
Expenditure on Primary Healthcare Services	3.1	231,982	223,195
Expenditure on healthcare from other providers	3.2	206,100	102,502
Expenditure on Hospital and Community Health Services	3.3	849,725	869,360
		<u>1,287,807</u>	<u>1,195,057</u>
Less: Miscellaneous Income	4	383,097	381,259
LHB net operating costs before interest and other gains and losses		904,710	813,798
Investment Income	8	1	123
Other (Gains) / Losses	9	93	43
Finance costs	10	5,263	14,094
Net operating costs for the financial year		<u>910,065</u>	<u>827,812</u>

Achievement of Operational Financial Balance

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

	2010-11 £000
Net operating costs for the financial year	910,065
Less Non-discretionary expenditure	3,604
Less Revenue consequences of Bringing PFI schemes onto SoFP	1,681
Net operating costs less non-discretionary expenditure and revenue consequences of PFI	<u>904,780</u>
Revenue Resource Limit	<u>905,127</u>
Under / (over) spend against Revenue Resource Limit	<u>347</u>

The notes on pages 2 to 63 form part of these accounts

Other Comprehensive Net Expenditure

	2010-11 £'000	2009-10 £'000
Net gain / (loss) on revaluation of property, plant and equipment	0	(1,436)
Net gain / (loss) on revaluation of intangibles	0	0
Net gain / (loss) on revaluation of available for sale financial assets	0	0
Receipt of donated or government granted assets	(540)	(306)
(Gain) / loss on other reserves	0	0
Impairment and reversals	(275)	(4,890)
Transfers from donated and government grant reserves	566	822
Transfers (to) / from other bodies within the Resource Accounting Boundary	12,285	0
Other comprehensive net expenditure for the year	<u>12,036</u>	<u>(5,810)</u>
Total comprehensive net expenditure for the year	<u><u>922,101</u></u>	<u><u>822,002</u></u>

Statement of Financial Position as at 31 March 2011

	Notes	31 March 2011 £'000	31 March 2010 £'000
Non-current assets			
Property, plant and equipment	11	531,792	514,582
Intangible assets	12	2,073	1,948
Trade and other receivables	15	37,372	54,512
Other financial assets	19	0	0
Other assets	20	0	0
Total non-current assets		571,237	571,042
Current assets			
Inventories	14	11,963	11,867
Trade and other receivables	15	66,139	43,090
Other financial assets	19	0	0
Other current assets	20	4,311	3,291
Cash and cash equivalents	18	2,614	2,753
		85,027	61,001
Non-current assets classified as "Held for Sale"	11	522	865
Total current assets		85,549	61,866
Total assets		656,786	632,908
Current liabilities			
Trade and other payables	16	104,833	97,879
Other financial liabilities	22	0	0
Provisions	17	61,071	39,454
Other liabilities	21	0	0
Total current liabilities		165,904	137,333
Net current assets/ (liabilities)		(80,355)	(75,467)
Non-current liabilities			
Trade and other payables	16	61,573	63,442
Other financial liabilities	22	0	0
Provisions	17	44,452	58,882
Other liabilities	21	0	0
Total non-current liabilities		106,025	122,324
Total assets employed		384,857	373,251
Financed by :			
Taxpayers' equity			
General Fund		361,934	350,227
Revaluation reserve		17,483	17,558
Donated asset reserve		5,179	5,318
Government grant reserve		261	148
Total taxpayers' equity		384,857	373,251

The financial statements on pages 2 to 63 were approved by the Board on 6th June 2011 and signed on its behalf by:

Chief Executive... Alexandra Howells..... Date 6th June, 2011.....

The notes on pages 2 to 63 form part of these accounts

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

	General Fund £000s	Revaluation Reserve £000s	Donated Asset Reserve £000s	Government Grant Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2010-11					
Balance at 1 April 2010	350,227	17,558	5,318	148	373,251
Net operating cost for the year	(910,065)				(910,065)
Net gain/(loss) on revaluation of property, plant and equipment	0	0	0	0	0
Net gain/(loss) on revaluation of intangible assets	0	0	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	0	0	0	0
Impairments and reversals	0	275	0	0	275
Receipt / (disposal) of donated or government granted assets	0	0	413	127	540
Movements in other reserves	0	0	0	0	0
Release of reserves to SoCNE	0	0	(552)	(14)	(566)
Non-cash charges - cost of capital					0
Transfers between reserves	350	(350)	0	0	0
Transfers to/(from) other bodies within the Resource Accounting boundary	(12,285)	0	0	0	(12,285)
Total recognised income and expense for 2010-11	(922,000)	(75)	(139)	113	(922,101)
Net Assembly funding	933,707				933,707
Balance at 31 March 2011	361,934	17,483	5,179	261	384,857

The notes on pages 2 to 63 form part of these accounts

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

	General Fund £000s	Revaluation Reserve £000s	Donated Asset Reserve £000s	Government Grant Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2009-10					
Balance at 31 March 2009	399,294	12,284	5,172	0	416,750
Net operating cost for the year	(827,812)				(827,812)
Net gain/(loss) on revaluation of property, plant and equipment	0	626	810	0	1,436
Net gain/(loss) on revaluation of intangible assets	0	0	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	0	0	0	0
Impairments and reversals	0	4,890	0	0	4,890
Receipt / (disposal) of donated or government granted assets	0	0	156	150	306
Movements in other reserves	0	0	0	0	0
Release of reserves to OCS	0	0	(820)	(2)	(822)
Non-cash charges - cost of capital	0				0
Transfers between reserves	242	(242)	0	0	0
Transfers to/(from) other bodies within the Resource Accounting boundary	0	0	0	0	0
Total recognised income and expense for 2009-10	(827,570)	5,274	146	148	(822,002)
Net Assembly funding	778,503				778,503
Balance at 31 March 2010	350,227	17,558	5,318	148	373,251

The notes on pages 2 to 63 form part of these accounts

Statement of Cash flows for year ended 31 March 2011

	2010-11	2009-10
	£'000	£'000
Cash Flows from operating activities		
Net operating cost before interest	(904,710)	(813,798)
Movements in Working Capital	34 (172)	(148)
Other cash flow adjustments	35 70,834	101,847
Provisions utilised	17 (16,198)	(15,978)
Interest paid	(5,263)	(5,229)
Net cash outflow from operating activities	(855,509)	(733,306)
Cash Flows from investing activities		
Purchase of property, plant and equipment	(64,728)	(62,725)
Proceeds from disposal of property, plant and equipment	625	459
Purchase of intangible assets	(2,201)	(4,762)
Proceeds from disposal of intangible assets	0	0
Payment for other financial assets	0	0
Proceeds from disposal of other financial assets	0	0
Payment for other assets	0	0
Proceeds from disposal of other assets	0	0
Interest received	1	140
Rental Income	251	0
Net cash inflow/(outflow) from investing activities	(66,052)	(66,888)
Net cash inflow/(outflow) before financing	(921,561)	(800,194)
Cash flows from financing activities		
Welsh Assembly Government funding (including capital)	933,707	778,503
Capital receipts surrendered	0	0
Capital grants received	0	0
Capital element of payments in respect of finance leases and on-SoFP	0	0
Cash transferred (to)/ from other NHS bodies	(12,285)	0
Net financing	921,422	778,503
Net increase/(decrease) in cash and cash equivalents	(139)	(21,691)
Cash and cash equivalents (and bank overdrafts) at 1 April 2010	2,753	24,444
Cash and cash equivalents (and bank overdrafts) at 31 March 2011	2,614	2,753

The notes on pages 2 to 63 form part of these accounts

Notes to the Accounts

1. Accounting policies

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

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

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

1.3 Income and funding

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

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

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

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

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

1.4 Employee benefits

Short-term employee benefits

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

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

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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

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

1.5 Other expenses

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

1.6 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

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

Valuation

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

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

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

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

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

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

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

Subsequent expenditure

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

1.7 Intangible assets

Recognition

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

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

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

Measurement

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

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

1.8 Depreciation, amortisation and impairments

Freehold land and properties under construction are not depreciated.

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

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

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

1.9 Research and Development

Research and development expenditure is charged to operating costs in the year in which it is incurred, except insofar as it relates to a clearly defined project, which can be separated from patient care activity and benefits therefrom can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SoCNE on a systematic basis over the period expected to benefit from the project.

1.10 Donated assets

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

1.11 Government grants

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

1.12 Non-current assets held for sale

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

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

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

1.13 Leases

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

1.13.1 The Local Health Board as lessee

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

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

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

1.13.2 The Local Health Board as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the LHB

net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the LHB's net investment outstanding in respect of the leases.

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

1.14 Inventories

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

1.15 Cash and cash equivalents

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

1.16 Provisions

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

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

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

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

1.17 Clinical negligence costs

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

1.18 Financial assets

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

1.18.1 Financial assets are initially recognised at fair value.

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

1.18.2 Financial assets at fair value through SoCNE

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

1.18.3 Held to maturity investments

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

1.18.4 Available for sale financial assets

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

1.18.5 Loans and receivables

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

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

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the balance sheet date, the LHB assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

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

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

1.19 Financial liabilities

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

1.19.1 Financial liabilities are initially recognised at fair value.

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

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

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

1.19.3 Other financial liabilities

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

1.20 Cost of Capital

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

1.21 Value Added Tax

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

1.22 Foreign currencies

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

1.23 Third party assets

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

1.24 Losses and Special Payments

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

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

1.25 Pooled budget

The LHB has entered into pooled budget arrangements with the City and County of Swansea, Neath Port Talbot and Bridgend Local Authorities. Under the arrangements funds are pooled in accordance with section 33 of the NHS (Wales) Act 2006 for Integrated Community Equipment Services and an Assisted Recovery in the Community Service for individuals with mental illness.

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

1.26 Critical Accounting Judgements and key sources of estimation uncertainty

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

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

1.27 Key sources of estimation uncertainty

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

The Health Board provides for potential bad debts both as a result of specific disputes and based on historic collectability patterns. As a result of this the Health Board is carrying a bad debt provision of £0.928m for Non NHS organisations and a credit note provision of £0.187m in respect of NHS debts. Whilst this provision is considered prudent and accurate as at the Statement of Financial Position date, due to the trading relationships covered there could be gains or losses with regard to the amounts provided for.

Welsh Health Legal Services. Given the nature of such claims, this figure could be subject to significant changes in future periods. However, the potential financial effect of such uncertainty is mitigated by the fact that the Health Board's ultimate liability in respect of individual cases is capped at £0.025m, with amounts above this excess level being reimbursed by the Welsh Risk Pool.

In line with International Accounting Standard (IAS) 19, the Health Board has reviewed the level of annual leave taken by its staff to 31st March 2011. Based on a sample the Health Board has accrued £3.483m for untaken annual leave. This is based on a sample of the leave records of 7.1% of all LHB staff and reflects the Health Board's policy in 2010/11 of only allowing staff to carry over annual leave into 2011/12 in exceptional circumstances. However, it must be noted that in some instances, the annual leave year for staff, particularly Consultant Medical Staff does not run co-terminus with the financial year and for these staff the untaken leave has been calculated on a pro-rata basis to arrive at the figure as at 31st March 2011.

The Health Board has estimated a liability of £9.672m in respect of retrospective claims for continuing healthcare funding. The provision is based upon an assessment of the likelihood of claims meeting the criteria for continuing healthcare and is based on the actual costs incurred by individuals in care homes. The provision is based on information available to the Health Board as at the Statement of Financial Position date and could be subject to significant change as outcomes are determined.

As in previous years due to the short timescale available to prepare the year end accounts, the primary care expenditure disclosed contains a number of significant estimates where the value of actual liabilities was not available prior to the date for accounts submission, the most material areas being :

General Medical Services Quality and Outcomes Framework

An amount of £4.276m was accrued on the basis of each GP practice achieving 1,000 points which is the maximum number of points available under this scheme. The cost per point for 2010/11 was derived by utilising the 2009/10 cost and uplifting by an inflation factor of 1.75%.

Prescribing Costs

The Health Board has accrued a total of £14.94m in respect of prescribing costs for the months of February and March 2011. The costs were derived utilising the average daily run rate for prescribing over the four month period October 2010 to January 2011 to arrive at the average cost per prescribing day. This average cost was then applied to the number of prescribing days in February and March to arrive at the accrual amount.

Dental

A total of £0.913m has been accrued in respect of payments made for performance payments under the dental contract. The accrual is necessary as Dentists have until 31st May to claim the performance payments for the year to 31st March, the accrual calculation being based on the March Dental Service Division activity report with assessments being made locally of outstanding activity by Dental Practice.

Pharmacy

A total of £4.407m was accrued for the February and March pharmacy contract payments and £0.719m for the February and March costs of GMS dispensing. These accrual amounts are based on the average run rate for April 2010 to January 2011 with the average daily cost applied to the number of days in February and March.

The basis of the primary care estimates disclosed above was agreed in advance with the Health Board's Auditors and reported to and approved by the Health Board's Audit Committee in March 2011.

1.28 Private Finance Initiative (PFI) transactions

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

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

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

Services received

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

PFI asset

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

PFI liability

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

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

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

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

Lifecycle replacement

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

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

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

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

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

Other assets contributed by the LHB to the operator

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

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

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

1.29 Contingencies

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

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

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

1.30 EU Emissions Trading Scheme

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

2. Achievement of Operational Financial Balance

2.1 Revenue Resource Limit

The results reporting whether the LHB has achieved Operational Financial Balance are shown on the face of the Statement of Comprehensive Net Expenditure on page 2 of these accounts.

The Health Board under spent against its resource allocation of £905.127m by £0.347m which represents 0.038% of its allocation. This under spend was in line with the Health Board's financial plan.

2.2 Capital Resource Limit

2010-11
£000

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

Gross capital expenditure	65,610
Add: Loss in respect of disposals of donated assets	0
Less NBV of property, plant and equipment and intangible assets	(673)
Less capital grants	(127)
Less donations	(413)
Charge against Capital Resource Limit	64,397
Capital Resource Limit	64,463
(Over) / Underspend against Capital Resource Limit	66

3. Analysis of gross operating costs

3.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2010-11 Total £'000	2009-10 £'000
General Medical Services	72,200		72,200	69,114
Pharmaceutical Services	26,460	(2,058)	24,402	23,302
General Dental Services	31,550		31,550	29,069
General Ophthalmic Services	1	5,662	5,663	5,320
Other Primary Health Care expenditure	7,480		7,480	5,756
Prescribed drugs and appliances	90,687		90,687	90,634
Total	228,378	3,604	231,982	223,195

3.2 Expenditure on healthcare from other providers

	2010-11 £'000	2009-10 £'000
		Restated
Goods and services from other NHS Wales Health Boards	20,302	21,373
Goods and services from other NHS Wales Trusts	8,310	9,697
Goods and services from other non Welsh NHS bodies	3,556	4,072
Goods and services from WHSSC / HCW	109,181	0
Local Authorities	1,774	3,705
Voluntary organisations	2,561	1,911
NHS Funded Nursing Care	7,597	6,777
Continuing Care	46,886	46,524
Private providers	232	1,963
Specific projects funded by the Welsh Assembly Government	0	0
National Public Health Service / Public Health Wales	2,989	3,153
Business Services Centre / Business Services Partnership	1,505	3,257
Other	1,207	70
Total	206,100	102,502

Expenditure with Local Authorities is in respect of Continuing Health Care Costs in respect of services provided to the Health Board's residents within Local Authority Residential and Nursing homes.

3.3 Expenditure on Hospital and Community Health Services

	2010-11 £'000	2009-10 £'000 Restated
Directors' costs	1,682	2,489
Staff costs	540,659	531,742
Supplies and services - clinical	91,306	90,098
Supplies and services - general	9,437	8,855
Consultancy Services	1,340	2,930
Establishment	19,501	19,557
Transport	2,538	2,364
Premises	22,208	23,637
External Contractors	388	489
Depreciation	25,574	24,542
Amortisation	529	426
Fixed asset impairments and reversals (Property, plant & equipment)	22,069	49,448
Fixed asset impairments and reversals (Intangible assets)	0	0
Impairments & reversals of financial assets	0	0
Impairments & reversals of non-current assets held for sale	0	0
Capital charge interest	0	0
Audit fees	550	1,083
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	3,283	2,588
Research and Development	0	0
Other operating expenses	108,661	109,112
Total	849,725	869,360

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

	2010-11 £000	2009-10 £000
Increase/(decrease) in provision for future payments:		
Clinical negligence	16,837	28,780
Personal injury	1,242	1,262
All other losses and special payments	165	124
Defence legal fees and other administrative costs	1,304	892
Gross increase/(decrease) in provision for future payments	19,548	31,058
Premium for other insurance arrangements	0	0
Irrecoverable debts	0	1
Less: income received/ due from Welsh Risk Pool	(16,265)	(28,471)
Total	3,283	2,588

Personal injury includes £185k (2009-10 £99k) in respect of permanent injury benefits

4. Miscellaneous Income

	2010-11 £'000	2009-10 £'000 Restated
Local Health Boards	75,058	74,544
WHSSC / Health Commission Wales	101,568	100,638
NHS trusts	6,710	6,473
Strategic health authorities and primary care trusts	3,756	3,615
Foundation Trusts	0	0
Local authorities	3,957	3,457
Welsh Assembly Government	108,498	109,318
Non NHS:		
Prescription charge income	0	8
Dental fee income	5,343	4,926
Private patient income	3,079	2,788
Overseas patients (non-reciprocal)	132	41
Injury Costs Recovery (ICR) Scheme	3,667	3,232
Other income from activities	11,996	11,734
Patient transport services	0	0
Education, training and research	28,223	28,114
Charitable and other contributions to expenditure	326	292
Transfer from the donated asset reserve	552	820
Transfer from the government grant reserve	14	2
Non-patient care income generation schemes	1,083	1,463
Business Services Centre / Business Services Partnership	0	0
Deferred income released to revenue	0	0
Contingent rental income from finance leases	0	0
Rental income from operating leases	251	270
Other income:		
Provision of laundry, pathology, payroll services	694	598
Accommodation and catering charges	3,251	3,362
Mortuary fees	274	284
Staff payments for use of cars	932	784
Business unit (Welsh Health Supplies)	20,840	20,275
Other (please state)	2,893	4,221
Total	383,097	381,259

Other Income Includes

Grant Income	245	1,077
Pharmacy and Other Sales Income	1,000	911
Clinical Trial Income	308	350
Search Fee Income	201	274
All Other Income	1,139	1,609
Total	2,893	4,221

Income in respect of Welsh Health Supplies is derived from the provision of a procurement and warehouse management service to all Health boards and Trusts within NHS Wales in addition to a small number of private customers. Welsh Health Supplies is an Agency hosted by the Health Board on behalf of the Welsh Assembly Government and the financial performance of the agency is disclosed in Note 38 of these accounts. The income disclosed above for Welsh Health Supplies excludes the income received from the ABMU Health Board.

5. Employee benefits and staff numbers

5.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2009-10
	£000	£000	£000	£000	£000
Salaries and wages	447,812	0	7,916	455,728	450,702
Social security costs	33,388	0	0	33,388	32,635
Employer contributions to NHS Pension Scheme	53,466	0	0	53,466	52,089
Other pension costs	0	0	0	0	0
Other employment benefits	0	0	0	0	0
Termination benefits	1,466	0	0	1,466	542
Total	536,132	0	7,916	544,048	535,968
Charged to capital				894	1,053
Charged to revenue				543,154	534,915
				544,048	535,968

5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2009-10
	Number	Number	Number	Number	Number
Medical and dental	1,220	0	29	1,249	1,244
Ambulance staff	0	0	0	0	0
Administrative and estates	2,448	0	23	2,471	2,551
Healthcare assistants and other support staff	3,794	0	5	3,799	3,829
Nursing, midwifery and health visiting staff	4,319	0	56	4,375	4,468
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	1,533	0	6	1,539	1,537
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
Total	13,314	0	119	13,433	13,629

5.3. Retirements due to ill-health

During 2010-11 there were 20 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 £1,531,932.

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

5.5 Pension costs

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

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004.

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

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

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

The valuation of the scheme liability as at 31 March 2011, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 with summary global member and accounting data.

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

c) Scheme provisions

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

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

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

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

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement.

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

The scheme provides the opportunity to members to increase their benefits through money purchase additional voluntary contributions (AVCs) provided by an approved panel of life companies or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

6. Operating leases

LHB as lessee

The LHB has a number of operating lease for buildings and equipment. The terms of the lease and the renewal or purchase options are specific to each lease.

Payments recognised as an expense	2010-11	2009-10
	£000	£000
Minimum lease payments	4,714	4,788
Contingent rents	0	0
Sub-lease payments	0	0
Total	4,714	4,788

Total future minimum lease payments

Payable	£000	£000
Not later than one year	1,720	874
Between one and five years	1,864	2,955
After 5 years	1,006	921
Total	4,590	4,750

LHB as lessor

The LHB leases a small number of building properties on which it earns rental income

Rental revenue	£000	£000
Rent	251	270
Contingent rents	0	0
Total revenue rental	251	270

Total future minimum lease payments

Receivable	£000	£000
Not later than one year	132	26
Between one and five years	119	205
After 5 years	0	39
Total	251	270

7. Public Sector Payment Policy - Measure of Compliance

7.1 Prompt payment code - measure of compliance

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

	2010-11	2010-11	2009-10	2009-10
NHS	Number	£000	Number	£000
Total bills paid	8,180	176,563	8,567	550,909
Total bills paid within target	6,660	165,543	7,759	542,660
Percentage of bills paid within target	81.4%	93.8%	90.6%	98.5%
Non-NHS				
Total bills paid	228,754	601,893	420,479	444,397
Total bills paid within target	220,942	583,473	412,003	430,117
Percentage of bills paid within target	96.6%	96.9%	98.0%	96.8%
Total				
Total bills paid	236,934	778,456	429,046	995,306
Total bills paid within target	227,602	749,016	419,762	972,777
Percentage of bills paid within target	96.1%	96.2%	97.8%	97.7%

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

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

The process for paying Ophthalmic Contractor payments changed on 1st April 2010 with payments being processed through the Oracle financial system. This has resulted in a single payment being made covering a number of claims submitted and there has therefore been a reduction in the number of Non NHS invoices paid compared to 2009/10

In 2009/10 payments to GP's and pharmacists were classed as NHS payments - these have been reclassified in 2010/11 and are included as Non NHS payments to reflect their contractor status.

8. Investment Income

	2010-11 £000	2009-10 £000
Rental revenue :		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue :		
Bank accounts	1	123
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Total	1	123

9. Other gains and losses

	2010-11 £000	2009-10 £000
Gain/(loss) on disposal of property, plant and equipment	(93)	(43)
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through SoCNE	0	0
Change in fair value of financial liabilities at fair value through SoCNE	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
Total	(93)	(43)

10. Finance costs

	2010-11 £000	2009-10 £000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	126	139
Interest on obligations under PFI contracts	0	0
main finance cost	3,680	3,822
contingent finance cost	1,300	1,113
Interest on late payment of commercial debt	0	0
Provisions unwinding of discount	157	155
Other interest expense	0	0
Total interest expense	5,263	5,229
PDC dividends payable	0	8,865
Other finance costs	0	0
Total	5,263	14,094

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2010	58,341	375,185	14,356	39,938	92,332	1,043	11,501	1,819	594,515
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	8,165	0	41,297	11,586	201	1,790	1,617	64,656
Additions - donated	0	139	0	0	241	0	24	0	404
Additions - government granted	0	0	0	60	0	0	57	9	126
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	44,412	0	(44,412)	0	0	(342)	0	(342)
Revaluations	0	0	0	0	0	0	0	0	0
Impairments	0	(42,232)	0	0	0	0	0	0	(42,232)
Reversal of impairments	0	18,438	0	0	0	0	0	0	18,438
Reclassified as held for sale	(3)	0	0	0	0	0	0	0	(3)
Disposals	0	0	0	0	(6,527)	(61)	(18)	0	(6,606)
At 31 March 2011	58,338	404,107	14,356	36,883	97,632	1,183	13,012	3,445	628,956
Depreciation at 1 April 2010	0	13,738	330	0	60,033	711	4,845	276	79,933
Indexation	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	(68)	0	(68)
Revaluations	0	0	0	0	(275)	0	0	0	(275)
Impairments	0	(137)	0	0	0	0	0	0	(137)
Reversal of impairments	0	(1,588)	0	0	0	0	0	0	(1,588)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(6,207)	(50)	(18)	0	(6,275)
Provided during the year	0	14,856	360	0	8,495	76	1,592	195	25,574
At 31 March 2011	0	26,869	690	0	62,046	737	6,351	471	97,164
Net book value at 1 April 2010	58,341	361,447	14,026	39,938	32,299	332	6,656	1,543	514,582
Net book value at 31 March 2011	58,338	377,238	13,666	36,883	35,586	446	6,661	2,974	531,792
Net book value at 31 March 2011 comprises :									
Purchased	58,338	372,871	13,666	36,883	34,702	437	6,549	2,954	526,400
Donated	0	4,223	0	0	884	9	24	0	5,140
Government Granted	0	144	0	0	0	0	88	20	252
	58,338	377,238	13,666	36,883	35,586	446	6,661	2,974	531,792
Asset financing :									
Owned	56,338	322,961	13,666	36,883	33,484	446	6,661	2,974	473,413
Held on finance lease	0	0	0	0	2,102	0	0	0	2,102
On-SoFP PFI contracts	2,000	54,277	0	0	0	0	0	0	56,277
PFI residual interests	0	0	0	0	0	0	0	0	0
	58,338	377,238	13,666	36,883	35,586	446	6,661	2,974	531,792

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

	£000
Freehold	474,472
Long Leasehold	57,320
Short Leasehold	0
	531,792

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2009	68,734	405,976	17,208	20,493	84,711	994	7,675	896	606,687
Indexation	0	0	0	0	1,644	19	0	17	1,680
Additions - purchased	115	4,376	0	45,011	8,380	36	3,819	904	62,641
Additions - donated	0	17	0	0	102	0	0	0	119
Additions - government granted	0	30	0	0	0	0	40	11	81
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	25,566	0	(25,566)	0	0	0	0	0
Revaluations	(9,742)	(44,456)	(2,706)	0	0	0	0	0	(56,904)
Impairments	(48)	(16,032)	(146)	0	0	0	0	0	(16,226)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	(718)	(292)	0	0	0	0	0	0	(1,010)
Disposals	0	0	0	0	(2,505)	(6)	(33)	(9)	(2,553)
At 31 March 2010	58,341	375,185	14,356	39,938	92,332	1,043	11,501	1,819	594,515
Depreciation at 1 April 2009	0	28,570	891	0	52,055	628	3,925	177	86,246
Indexation	0	0	0	0	1,011	12	0	3	1,026
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	(28,297)	(891)	0	0	0	0	0	(29,188)
Impairments	0	(170)	(7)	0	0	0	0	0	(177)
Reversal of impairments	0	(1)	0	0	0	0	0	0	(1)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(2,467)	(6)	(33)	(9)	(2,515)
Provided during the year	0	13,636	337	0	9,434	77	953	105	24,542
At 31 March 2010	0	13,738	330	0	60,033	711	4,845	276	79,933
Net book value at 1 April 2009	68,734	377,406	16,317	20,493	32,656	366	3,750	719	520,441
Net book value at 31 March 2010	58,341	361,447	14,026	39,938	32,299	332	6,656	1,543	514,582
Net book value at 31 March 2010 comprises :									
Purchased	58,341	357,081	14,026	39,938	31,310	319	6,618	1,531	509,164
Donated	0	4,278	0	0	989	13	0	12	5,292
Government Granted	0	88	0	0	0	0	38	0	126
	58,341	361,447	14,026	39,938	32,299	332	6,656	1,543	514,582
Asset financing :									
Owned	56,341	305,901	14,026	39,938	30,010	332	6,656	1,543	454,747
Held on finance lease	0	0	0	0	2,289	0	0	0	2,289
On-SoFP PFI contracts	2,000	55,546	0	0	0	0	0	0	57,546
PFI residual interests	0	0	0	0	0	0	0	0	0
	58,341	361,447	14,026	39,938	32,299	332	6,656	1,543	514,582

The net book value of land, buildings and dwellings at 31 March 2010 comprises :

Freehold	£000	455,959
Long Leasehold	58,623	
Short Leasehold	0	
	514,582	

11. Property, plant and equipment (continued.)

a. Disclose the donor of any assets donated in-year

All donated assets were purchased from general donated funds, except contribution of £30k from the League of Friends towards the joint equipment store at Neath Port Talbot Hospital.

b. For assets held at revalued amounts state:

- No indexation was applied to any assets during 2010/11.
- A number of assets were valued on initial completion by the District Valuer;

Scheme and Effective Date of Valuation

- 1) Refurbishment of Mortuary, Princess of Wales Hospital, August 2010
- 2) Refurbishment of Gower Ward, Morriston Hospital, March 2011
- 3) Reconfiguration of Ward E, Morriston Hospital, November 2010
- 4) New Continuing Care Unit, Glanrhyd Hospital, December 2010
- 5) New Multi Storey Car Park, Morriston Hospital, July 2010
- 6) RMHSS Phase 1, New Mental Health Unit, Cefn Coed Hospital, August 2010
- 7) Reconfiguration for Paediatrics, Morriston Hospital, September 2010

c. Give details of asset lives for each class of asset.

Building asset lives are as determined by the District Valuer and range from 1 to 85 years.

- Equipment lives; Short Life Medical Equipment 5 years, Medium Life Medical Equipment 10 Years, Long Life Medical Equipment 15 Years, Radiology Scanners 5 years except MRI Scanners 7 years

Vehicles 7 Years, Furniture 10 years, IMT Hardware & Software 5 years (or reflects contract life for some Software assets)

d. Give details of changes of asset lives/residual values and the effect of the adjustment in the current and/or future years.

Asset Lives have been adjusted for the following buildings due to future demolitions;

- 1) Estates Morriston. BJC approved for building new Estates Offices and demolition of existing in 2011/12
- 2) RMHSS Phase 5 Ty Einon. BJC approved and all buildings demolished in 2010/11.
- 3) Staff House North Singleton. Building demolished in 2010/11.
- 4) Coelbren. Existing health Centre being demolished in 2011/12 to make way for building of new Health Centre due to commence in 2011/12.
- 5) RMHSS P6 Garngoch. Approved BJC for new build and demolition of existing estate in 2012/13.
- 6 HVS 1B Scheme 1 Morriston. Approved OBC which will result in various phases of demolition over the period 2010/11 to 2014/15

e. State the amount of any compensation from third parties for assets impaired, lost or given up, that is included in the trust's surplus/deficit.

None

f. Provide information about any write-downs to recoverable amount and any reversals of such write-downs.

None

g. Where a property is held at existing use value and that value is materially different from its open market value, give the open market value and the reasons for the difference, do not engage valuers solely to determine market values for disclosure purposes.]

None

11. Property, plant and equipment (continued)

11.2 Non-current assets held for sale	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
Balance brought forward 1 April 2010	573	292	0	0	0	865
Plus assets classified as held for sale in the year	45	0	0	0	0	45
Less assets sold in the year	(331)	(57)	0	0	0	(388)
Less impairment of assets held for sale	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance carried forward 31 March 2011	287	235	0	0	0	522
Balance brought forward 1 April 2009	245	89	0	0	0	334
Plus assets classified as held for sale in the year	718	292	0	0	0	1,010
Less assets sold in the year	(464)	0	0	0	0	(464)
Less impairment of assets held for sale	(18)	(264)	0	0	0	(282)
Plus reversal of impairment of assets held for sale	92	175	0	0	0	267
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance carried forward 31 March 2010	573	292	0	0	0	865

No new assets were classified as held for sale in year.

The following assets previously held as non current assets held for sale were sold during the period:

- 1) Croeserw Clinic
- 2) Baglan Clinic
- 3) Port Talbot Health Centre
- 4) New Road, Porthcawl

12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2010	2,596	0	0	0	0	2,596
Revaluation	0	0	0	0	0	0
Reclassifications	342	0	0	0	0	342
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
Additions- purchased	372	0	0	0	0	372
Additions- internally generated	0	0	0	0	0	0
Additions- donated	8	0	0	0	0	8
Additions- government granted	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Gross cost at 31 March 2011	3,318	0	0	0	0	3,318
Amortisation at 1 April 2010	648	0	0	0	0	648
Revaluation	0	0	0	0	0	0
Reclassifications	68	0	0	0	0	68
Impairment Charge	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0
Provided during the year	529	0	0	0	0	529
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Amortisation at 31 March 2011	1,245	0	0	0	0	1,245
Net book value at 1 April 2010	1,948	0	0	0	0	1,948
Net book value at 31 March 2011	2,073	0	0	0	0	2,073
At 31 March 2010						
Purchased	2,027	0	0	0	0	2,027
Donated	38	0	0	0	0	38
Government Granted	8	0	0	0	0	8
Internally generated	0	0	0	0	0	0
Total at 31 March 2011	2,073	0	0	0	0	2,073

12. Intangible non-current assets (continued)

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2009	1,773	0	0	0	0	1,773
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
Additions- purchased	774	0	0	0	0	774
Additions- internally generated	0	0	0	0	0	0
Additions- donated	38	0	0	0	0	38
Additions- government granted	11	0	0	0	0	11
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Gross cost at 31 March 2010	2,596	0	0	0	0	2,596
Amortisation at 1 April 2009	222	0	0	0	0	222
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0
Provided during the year	426	0	0	0	0	426
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Amortisation at 31 March 2010	648	0	0	0	0	648
Net book value at 1 April 2009	1,551	0	0	0	0	1,551
Net book value at 31 March 2010	1,948	0	0	0	0	1,948
At 31 March 2010						
Purchased	1,899	0	0	0	0	1,899
Donated	38	0	0	0	0	38
Government Granted	11	0	0	0	0	11
Internally generated	0	0	0	0	0	0
Total at 31 March 2010	1,948	0	0	0	0	1,948

For each class of intangible asset disclose :

the effective date of revaluation - **None**

the methods and significant assumptions applied in estimating fair values - **Estimated at cost less depreciation to date**
the carrying amount had they been told at cost

For each class of intangible asset, distinguishing between internally generated intangible assets and others disclose :

whether the useful lives are indefinite or finite - **finite**

if finite, the useful lives or the amortisation rates used. **Standard life of 5 years or reflect s contract life**

For intangible assets, assessed as having indefinite useful lives, disclose : **None**

the carrying amount of each asset

the reasons supporting the assessment of an indefinite useful life.

For intangible assets, acquired by government grant disclose :

the fair value initially recognised by them is Nil

their carrying amount is Nil

13 . Impairments

	2010-11		2009-10	
	Property, plant & equipment £000	Intangible assets £000	Property, plant & equipment £000	Intangible assets £000
Impairments arising from :				
Loss or damage from normal operations	0	0	0	0
Abandonment in the course of construction	92	0	0	0
Over specification of assets (Gold Plating)	0	0	0	0
Loss as a result of a catastrophe	0	0	0	0
Unforeseen obsolescence	0	0	0	0
Changes in market price	0	0	0	0
Others (specify)	21,977	0	49,406	0
Total of all impairments	22,069	0	49,406	0
Analysis of impairments charged to reserves in year :				
Charged to the Statement of Comprehensive Net Expenditu	22,069	0	48,053	0
Charged to Revaluation Reserve	0	0	1,353	0
	22,069	0	49,406	0

The £21.977m shown as others relates to the write down to depreciated replacement cost following the initial professional revaluation on completion of specialised building assets.

14. Inventories

	31 March	31 March
	2011	2010
	£000	£000
Drugs	3,709	3,592
Consumables	8,023	8,000
Energy	231	267
Work in progress	0	0
Other	0	8
Total	11,963	11,867
Of which held at realisable value	0	0

14.2 Inventories recognised in expenses

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

15. Trade and other Receivables

Current	31 March 2011 £000	31 March 2010 £000 Restated
Welsh Assembly Government	981	2,053
HCW / WHSSC	2,082	152
Welsh Health Boards	5,573	5,591
Welsh NHS Trusts	578	1,126
Non - Welsh Trusts	321	508
Other NHS	5	160
Welsh Risk Pool	46,302	22,826
Local Authorities	1,559	1,460
Capital debtors	0	0
Other debtors	9,132	9,549
Provision for irrecoverable debts	(928)	(998)
Pension Prepayments	0	0
Other prepayments and accrued income	534	663
Sub total	66,139	43,090
Non-current		
Welsh Assembly Government	0	0
HCW / WHSSC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool	37,372	54,512
Local Authorities	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
Sub total	37,372	54,512
Total	103,511	97,602
Receivables past their due date but not impaired		
By up to three months	3,783	2,911
By three to six months	82	133
By more than six months	163	244
	4,028	3,288
Provision for impairment of receivables		
Balance at 1 April	(998)	(805)
Amount written off during the year	97	94
Amount recovered during the year	370	197
(Increase) / decrease in receivables impaired	(397)	(484)
Balance at 31 March	(928)	(998)

16. Trade and other payables

Current	31 March	31 March
	2011	2010
	£000	£000
Welsh Assembly Government	1,034	732
WHSSC / HCW	1,219	116
Welsh Health Boards	1,598	4,473
Welsh NHS Trusts	848	1,195
Other NHS	1,011	951
Income tax and social security	11,478	7,258
Non-NHS creditors	18,464	39,370
Local Authorities	867	4,422
Capital Creditors	9,885	7,007
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts and PFI contracts	1,880	2,644
Pensions: staff	7,382	7,151
Accruals	48,127	21,359
Deferred Income	384	472
Other creditors	656	729
Total	104,833	97,879
Non-current		
Welsh Assembly Government	0	0
WHSSC / HCW	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Other NHS	0	0
Income tax and social security	0	0
Non-NHS creditors	0	0
Local Authorities	0	0
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts and PFI contracts	61,573	63,442
Pensions: staff	0	0
Accruals	0	0
Deferred Income	0	0
Other creditors	0	0
Total	61,573	63,442

During the financial year, the Health Board undertook a review of the classification of trade and other payables to ensure consistent treatment across the Health Board. This has resulted in items previously classified by the predecessor organisations as Non NHS creditors being classified as accruals with effect from 1st April 2010,.

17. Provisions

	At 1 April 2010	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2011
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	22,550	0	0	19,996	26,577	(12,184)	(15,677)	0	41,262
Personal injury	1,717	0	0	444	1,293	(1,287)	(404)	126	1,889
All other losses and special payments	0	0	0	0	165	(165)	0	0	0
Defence legal fees and other administration	2,956	0	0	223	2,145	(639)	(939)		3,746
Pensions relating to former directors	8			6	0	(8)	0	2	8
Pensions relating to other staff	155			114	9	(154)	(4)	29	149
Restructuring	0			0	0	0	0	0	0
Other	12,068			0	6,898	(1,728)	(3,221)		14,017
Total	39,454	0	0	20,783	37,087	(16,165)	(20,245)	157	61,071
Non Current									
Clinical negligence	51,402	0	0	(19,996)	5,937	(22)	0	0	37,321
Personal injury	5,662	0	0	(444)	353	0	0	0	5,571
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	570	0	0	(223)	102	(11)	(4)		434
Pensions relating to former directors	68			(6)	2	0	0	0	64
Pensions relating to other staff	1,180			(114)	31	0	(35)	0	1,062
Restructuring	0			0	0	0	0	0	0
Other	0			0	0	0	0	0	0
Total	58,882	0	0	(20,783)	6,425	(33)	(39)	0	44,452
TOTAL									
Clinical negligence	73,952	0	0	0	32,514	(12,206)	(15,677)	0	78,583
Personal injury	7,379	0	0	0	1,646	(1,287)	(404)	126	7,460
All other losses and special payments	0	0	0	0	165	(165)	0	0	0
Defence legal fees and other administration	3,526	0	0	0	2,247	(650)	(943)		4,180
Pensions relating to former directors	76			0	2	(8)	0	2	72
Pensions relating to other staff	1,335			0	40	(154)	(39)	29	1,211
Restructuring	0			0	0	0	0	0	0
Other	12,068			0	6,898	(1,728)	(3,221)		14,017
Total	98,336	0	0	0	43,512	(16,198)	(20,284)	157	105,523

Expected timing of cash flows:

	In the remainder of spending review to 31 March 2015	Between 1 April 2015- 31 March 2020	Thereafter	Total
				£000
Clinical negligence	78,583	0	0	78,583
Personal injury	2,995	1,423	3,042	7,460
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	4,180	0	0	4,180
Pensions relating to former directors	31	21	20	72
Pensions relating to other staff	537	459	215	1,211
Restructuring	0	0	0	0
Other	14,017	0	0	14,017
Total	100,343	1,903	3,277	105,523

The expected timing of cash flows is based on the best available information but could change on the basis of individual case changes

Other Provisions include £9,672k in respect of Continuing NHS Healthcare claims which are subject to Ombudsman review. The figure also includes £1,818k for the impact of the SAS Junior Doctors Contract, £1,219k in respect of Agenda for Change.

Reimbursements are anticipated from the Welsh Risk Pool for Clinical Negligence, Personal Injury and Defence Fee payments amounting to £83,674k. This amount is recognised in Note 15 Trade & Other Receivables

17. Provisions (continued)

	At 1 April 2009	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2010
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	36,495	0	0	(5,410)	11,568	(9,668)	(10,435)	0	22,550
Personal injury	1,430	0	0	(163)	1,322	(676)	(196)	0	1,717
All other losses and special payments	0	0	0	0	124	(124)	0	0	0
Defence legal fees and other administration	3,023	0	0	139	1,666	(796)	(1,076)		2,956
Pensions relating to former directors	7			0	0	0	0	1	8
Pensions relating to other staff	141			0	0	0	0	14	155
Restructuring	0			0	0	0	0	0	0
Other	9,219			0	9,834	(3,380)	(3,605)		12,068
Total	50,315	0	0	(5,434)	24,514	(14,644)	(15,312)	15	39,454
Non Current									
Clinical negligence	19,135	0	0	5,410	34,118	(790)	(6,471)	0	51,402
Personal injury	5,544	0	0	163	210	(307)	(74)	126	5,662
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	478	0	0	(139)	302	(71)	0		570
Pensions relating to former directors	81			0	0	(8)	(6)	1	68
Pensions relating to other staff	1,486			0	0	(158)	(163)	15	1,180
Restructuring	0			0	0	0	0	0	0
Other	0			0	0	0	0		0
Total	26,724	0	0	5,434	34,630	(1,334)	(6,714)	142	58,882
TOTAL									
Clinical negligence	55,630	0	0	0	45,686	(10,458)	(16,906)	0	73,952
Personal injury	6,974	0	0	0	1,532	(983)	(270)	126	7,379
All other losses and special payments	0	0	0	0	124	(124)	0	0	0
Defence legal fees and other administration	3,501	0	0	0	1,968	(867)	(1,076)		3,526
Pensions relating to former directors	88			0	0	(8)	(6)	2	76
Pensions relating to other staff	1,627			0	0	(158)	(163)	29	1,335
Restructuring	0			0	0	0	0	0	0
Other	9,219			0	9,834	(3,380)	(3,605)		12,068
Total	77,039	0	0	0	59,144	(15,978)	(22,026)	157	98,336

18. Cash and cash equivalents

	2010-11 £000	2009-10 £000
Balance at 1 April	2,753	24,444
Net change in cash and cash equivalent balances	(139)	(21,691)
Balance at 31 March	<u>2,614</u>	<u>2,753</u>
Made up of:		
Cash held at GBS	11,936	2,553
Commercial banks and cash in hand	(9,322)	200
Current Investments	0	0
Cash and cash equivalents as in Statement of Financial Position	<u>2,614</u>	<u>2,753</u>
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in Statement of Cash Flows	<u>2,614</u>	<u>2,753</u>

19. Other Financial Assets

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

20. Other assets

	Current		Non-current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
EU Emissions Trading Scheme Allowance	0	0	0	0
Prepayments	4,311	3,291	0	0
Other assets	0	0	0	0
	<u>4,311</u>	<u>3,291</u>	<u>0</u>	<u>0</u>

21. Other liabilities

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

22. Other financial liabilities

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

Narrative disclosures - Financial Instruments

23. Related Party Transactions

£000

During the year bodies with which board members or members of the key management staff or parties related to them has undertaken material transactions with the Health Board are listed below

	Payments to related party £	Receipts from related party £	Amounts owed to related party £	Amounts due from related party £
Mr W Griffiths	34,939	0	0	0
Professor Michael Williams	9,837	0	0	0
Mr E Williams	22,995,902	773,619	111,426	271,129
Mr D Davies	118,307	29,300	0	2,000
Mrs S Miller	7,250,666	1,409,320	2,214	326,207
Councillor M.E.J Nott	5,669,247	1,951,426	257,750	501,599
Mrs G Richards	118,307	29,300	0	2,000

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

	Payments to related party £000	Receipts from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Welsh Assembly Government	446	1,069,792	1,034	981
Welsh Health Specialised Services Commissio	109,156	101,616	1,219	2,082
Cardiff & Vale LHB	15,831	41,938	617	1,216
Cwm Taf LHB	8,775	10,150	549	595
Aneurin Bevan LHB	2,402	1,624	96	161
Hywel Dda LHB	6,105	28,393	166	1,679
Betsi Cadwaladr LHB	4,197	9,169	98	835
Powys LHB	3,463	3,023	72	1,273
Velindre NHS Trust	6,981	2,217	482	381
Public Health Wales NHS Trust	3,454	3,810	91	164
Welsh Ambulance NHS Trust	5,167	568	275	33
Total	165,977	1,272,300	4,699	9,400

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

Name	Details	Interests
Mr W Griffiths	Chairman	Wales Council for Voluntary Action, chair WCVA Investment Ltd - Director, Trustee Royal National Institute for the Deaf
Professor M Williams	Non Officer Member	Wales Council for Voluntary Action -Chair of Audit Committee, Group Chief Executive of Gwalia, Vice Chairman of Housing Securities Ltd and Housing Securities 40 Ltd
Mr E Williams	Director of Finance	Swansea University - Member of Finance Committee, (March 2011) Wales Quality Centre Board Director.
Mr D Davies	Non Officer Member	Neath Port Talbot CVS - Trustee, Gwalia Housing Trust - Trustee
Mr B Goldberg	Non Officer Member	Corcost Ltd - Non Executive Director
Mr P Newman	Non Officer Member	Welsh Initiative for supported Employment - Trustee and Chairman
Mr C A Janczewski	Non Officer Member	Proprietor - business consultancy services to SME's across South Wales
Professor J Hopkin	Non Officer Member	St David's Medical Foundation, School of Medicine - Chair of Trustees
Mrs S Miller	Non Officer Member	Neath Port Talbot CBC - Cabinet Member, Councillor
Councillor M.E.J Nott	Non Officer Member	Bridgend CBC - Leader of Council
Mrs G Richards	Non Officer Member	Neath Port Talbot CVS - Non Executive Director

24. Third Party assets

The LHB held £260,671.58 cash at bank and in hand at 31 March 2011 (31 March 2010: £202,009.70) which relates to monies held by the LHB on behalf of patients. Cash held in Patient's Investment Accounts amounted to £938,534.13 at 31st March 2011 (31 March 2010 : £934,903.80), This has been excluded from cash and cash equivalents figure reported in the accounts.

25. Intra Government balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
2010-11 :				
Welsh Assembly Government	981	0	1,034	0
Welsh Local Health Boards	51,875	37,372	1,598	0
Welsh NHS Trusts	578	0	848	0
Welsh Health Special Services Committee	2,082	0	1,219	0
All English Health Bodies	321	0	1,011	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	5	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	(187)	0	0	0
Sub total	55,655	37,372	5,710	0
Other Central Government Bodies				
Other Government Departments	155	0	7,385	0
Revenue & Customs	1,036	0	10,777	0
Local Authorities	1,559	0	867	0
Balances with Public Corporations and trading funds	0	0	0	0
Balances with bodies external to Government	7,734	0	80,094	61,573
TOTAL	66,139	37,372	104,833	61,573
2009-10 :				
Welsh Assembly Government	2,205	0	848	0
Welsh Local Health Boards	5,830	0	4,473	0
Welsh NHS Trusts	23,952	54,512	1,195	0
Health Commission Wales	152	0	116	0
All English Health Bodies	508	0	864	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	8	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	(239)	0	0	0
Sub total	32,416	54,512	7,496	0
Other Central Government Bodies				
Other Government Departments	4	0	6,875	0
Revenue & Customs	1,787	0	7,779	0
Local Authorities	1,460	0	4,422	0
Balances with Public Corporations and trading funds	0	0	0	0
Balances with bodies external to Government	7,423	0	71,307	63,442
TOTAL	43,090	54,512	97,879	63,442

26. Losses and special payments

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

Gross loss to the Exchequer

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

	Amounts paid out during period to 31 March 2011		Approved to write-off to 31 March 2011	
	Number	£	Number	£
Clinical negligence	127	12,201,866	29	1,840,751
Personal injury	92	959,376	0	0
All other losses and special payments	199	165,114	199	165,114
Total	418	13,326,356	228	2,005,865

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

		Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £250,000				
Case reference	Case type	0	0	0
01RVCMN0042	Clinical Negligence	32,000	5,243,262	0
04RVCMN0045	Clinical Negligence	1,191,041	1,851,151	0
04RVCMN0047	Clinical Negligence	200,000	2,004,370	0
05RVCMN0057	Clinical Negligence	1,545,000	1,830,000	0
07RVCMN0007	Clinical Negligence	600,000	600,000	0
08RVCMN0030	Clinical Negligence	60,000	313,345	0
10RYMMN0080	Clinical Negligence	214,439	255,231	0
10RYMMN0119	Clinical Negligence	250,127	250,127	250,127
10RYMMN0123	Clinical Negligence	10,000	425,000	0
10RYMMN0183	Clinical Negligence	298,000	313,000	0
10RYMMN0200	Clinical Negligence	125,000	2,975,095	0
10RYMMN0201	Clinical Negligence	850,000	850,730	0
10RYMMN0207	Clinical Negligence	3,250	357,722	0
10RYMMN0211	Clinical Negligence	420,000	422,041	0
10RYMMN0213	Clinical Negligence	39,250	255,546	0
10RYMMN0378	Clinical Negligence	343,000	343,000	0
10RYMMN0400	Clinical Negligence	1,000,000	1,000,000	0
99RKRMN0001	Clinical Negligence	955,881	1,135,886	0
Sub-total		8,136,988	20,425,506	250,127
All other cases		5,189,368	8,264,238	1,755,738
Total cases		13,326,356	28,689,744	2,005,865

27. Contingencies

27.1 Contingent liabilities

	2010-11 £'000	2009-10 £'000
Legal claims for alleged medical or employer negligence	70,198	52,206
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	0	0
Continuing Health Care costs	17,946	14,944
Other	0	0
Total value of disputed claims	<u>88,144</u>	<u>67,150</u>
Amounts recovered in the event of claims being successful	62,071	48,427
	<u>26,073</u>	<u>18,723</u>

27.2 Contingent assets

The Health Board has no contingent assets	0	0
	0	0
	0	0
	<u>0</u>	<u>0</u>

28. Capital commitments

	2010-11	2009-10
Contracted capital commitments at 31 March		
Property, plant and equipment	19,760	28,786
Intangible assets	0	0
	<u>19,760</u>	<u>28,786</u>

29. Finance leases

29.1 Finance leases obligations (as lessee)

The LHB has two lease arrangements which were classified as finance leases under IFRS. these relate to the lease of specialised medical equipment and for the hire and use of hospital beds. the LHB does not hold any finance leases in respect of land and buildings.

All rentals paid incur a standard rental charge with no index linked payments. The LHB has no contingent rentals to disclose on these arrangements.

Future sub-lease payments expected to be received total £nil (2009-10 £nil).
Contingent rents recognised as an expense £nil (2009-10 £nil).

Amounts payable under finance leases:

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

29.1 Finance leases obligations (as lessee) continued

Amounts payable under finance leases:

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

Other	31 March 2011 £000	31 March 2010 £000
Minimum lease payments		
Within one year	295	284
Between one and five years	1,137	1,137
After five years	1,350	1,635
Less finance charges allocated to future periods	(574)	(700)
Minimum lease payments	<u>2,208</u>	<u>2,356</u>
Included in:		
Current borrowings	182	158
Non-current borrowings	<u>2,026</u>	<u>2,198</u>
	<u>2,208</u>	<u>2,356</u>
Present value of minimum lease payments		
Within one year	182	158
Between one and five years	809	759
After five years	1,217	1,439
Less finance charges allocated to future periods	0	0
Present value of minimum lease payments	<u>2,208</u>	<u>2,356</u>
Included in:		
Current borrowings	182	158
Non-current borrowings	<u>2,026</u>	<u>2,198</u>
	<u>2,208</u>	<u>2,356</u>

29.2 Finance lease receivables (as lessor)

The LHB does not manage any finance leases where it acts as lessor

Amounts receivable under finance leases:

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

30. Private Finance Initiative contracts

30.1 PFI schemes off-Statement of Financial Position

The Health Board has no PFI operational schemes deemed to be off balance sheet

30.2 PFI schemes on-Statement of Financial Position

On 12th May 2000, a 30 year Private Finance Initiative (PFI) contract was signed between the Health Board's predecessor organisation Bro Morgannwg NHS Trust and Baglan Moors Healthcare for the provision of a 270 bed local general hospital to serve the population of Neath and Port Talbot.

The services to be provided in the new hospital which was completed in Autumn 2002 resulted in the transfer of services from and subsequent closure of Neath and Port Talbot General Hospitals. The first payment on the contract was made in December 2002. the annual payments to the contractor amount to approximately £9.920 million

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

	31 March 2011	31 March 2010
	£000	£000
Not later than one year	5,251	6,165
Later than one year, not later than five	22,230	21,667
Later than five years	78,566	84,380
Sub total	106,047	112,212
Less: interest element	44,802	48,482
Total	61,245	63,730

30.3 Charges to expenditure

The total charged in the year to expenditure in respect of the service element of on-statement of financial position PFI contracts was £2.042m (prior year £1.992m).

The LHB is committed to the following annual charges

	31 March 2011	31 March 2010
	£000	£000
PFI scheme expiry date:		
Not later than one year	0	0
Later than one year, not later than five years	0	0
Later than five years	10,168	9,920
Total	10,168	9,920

30.4 The LHB has no Public Private Partnerships

31. Pooled budgets

The Health Board has entered into a pooled budget with Bridgend Borough Council. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the provision of an Assisted Recovery in the Community Service, which is a Day Opportunity Service for individuals with mental illness. A memorandum note to the accounts provides details of the joint income and expenditure.

The pool is hosted by Bridgend County Borough Council. The financial operation of the pool is governed by a pooled budget agreement between Bridgend County Borough Council and the Health Board. Payments for services provided by the Health Board are accounted for as income from Local Authorities and amount to £223,297 for the financial year 2010/11. Contributions to the pool from the Health Board amounted to £284,012 for the 2010/11 financial year. The Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

Pooled Budget Memorandum Trading Account

<u>Gross Funding</u>	<u>£</u>	
	<u>2010/11</u>	<u>2009/10</u>
Bridgend County Borough Council	273,144	274,544
ABMU Health Board (Central)	284,012	283,382
Total Funding	557,156	557,926
<u>Expenditure</u>		
Provision of Day Opportunities Service	557,156	557,926
Net Under/Over Spend	0	0

31. Pooled budgets (Cont'd)

The Health Board (Swansea Locality) has participated in a formal pooled budget arrangement in 2010/11 which commenced in 2008-09.

Section 33 Partnership : Morgannwg Integrated Community Equipment

1. Statutory Partners

City & County of Swansea

Abertawe Bro Morgannwg University Local Health Board (Swansea Locality)

2. Aims of the Partnership

To provide an 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 and other equipment from 1st April 2010.

3. Pooled Budget Memorandum Account

Gross Funding	2010/11	2009/10
	£	£
City & County of Swansea	43,633	40,000
ABMU Local Health Board	108,895	100,000
Total Funding	152,528	140,000
Expenditure		
Beds, Mattresses & Cot Sides	152,528	140,000
Total Expenditure	152,528	140,000

31. Pooled budgets (Cont'd)

The Health Board has entered into a pooled budget with Neath Port Talbot County Borough Council. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the provision of an Integrated Community Equipment Service for beds and mattresses activities. A memorandum note to the accounts provides details of the joint income and expenditure.

The pool is hosted by Neath Port Talbot County Borough Council. The financial operation of the pool is governed by a pooled budget agreement between Neath Port Talbot County Borough Council and the Health Board. Payments for services provided by the Health Board are accounted for as income from Local Authorities. The Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

COMMUNITY EQUIPMENT

NEATH PORT TALBOT POOLED BUDGET MEMORANDUM ACCOUNT

<u>Funding</u>	£ 2010/11	£ 2009/10
ABMU Health Board	139,952	136,719
Neath Port Talbot County Borough Council	33,660	40,767
Total Funding	173,612	177,846
 <u>Expenditure</u>		
ABMU Health Board	(13,310)	136,719
Neath Port Talbot County Borough Council	24,362	30,453
Total Expenditure	11,052	167,172
 Excess of Funding Over Expenditure	162,560	10,314

I certify that the above pooled fund memorandum account accurately discloses the income received and the expenditure incurred in accordance with the partnership agreement as amended by and subsequent variations, entered in to under section 33 of the National Health Service (Wales) Act 2006.

31. Pooled budgets (Cont'd)

The Health Board (Bridgend Locality) has participated in a formal pooled budget arrangement in 2010/11 which commenced in 2008-09.

Section 33 Partnership : Morgannwg Integrated Community Equipment

1. Statutory Partners

Bridgend County Borough Council

Abertawe Bro Morgannwg University Local Health Board (Bridgend Locality)

2. Aims of the Partnership

To provide an 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 maintain recycling, cleaning and maintenance of equipment to meet national standards.

To provide an assessment, demonstration display and learning facility for service users and practitioners from health, education and social services.

3. Financial Value of the Pooled Budget

Gross Funding	2010/11	2009/10
	£	£
Bridgend County Borough Council	548,380	501,810
ABMU Local Health Board	21,000	21,000
Total Funding	569,380	522,810
Expenditure		
Beds, Mattresses & Cot Sides	569,380	522,810
Total Expenditure	569,380	522,810

32. Financial Instruments

Financial assets	At "fair value" through SoCNE £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	9,540	0	0	9,540
Cash at bank and in hand	2,614	0	0	2,614
Other financial assets	92,399	0	0	92,399
Total at 31 March 2011	104,553	0	0	104,553

Financial liabilities	At "fair value" through SoCNE £000	Other £000	Total £000
Embedded derivatives	0	0	0
PFI and finance lease obligations	63,453	0	63,453
Other financial liabilities	189,108	0	189,108
Total at 31 March 2011	252,561	0	252,561

Financial assets	At "fair value" through SoCNE £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	9,590	0	0	9,590
Cash at bank and in hand	2,753	0	0	2,753
Other financial assets	85,596	0	0	85,596
Total at 31 March 2010	97,939	0	0	97,939

Financial liabilities	At "fair value" through SoCNE £000	Other £000	Total £000
Embedded derivatives	0	0	0
PFI and finance lease obligations	66,086	0	66,086
Other financial liabilities	178,119	0	178,119
Total at 31 March 2010	244,205	0	244,205

33. Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The LHB is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. The LHB has limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHB in undertaking its activities.

Currency risk

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

Maturity of financial liabilities

{This only needs to included if liquidity risk is material}

	31 March	31 March
	2011	2010
	£'000	£'000
In one year	0	0
In more than one year but not more than two years	0	0
In more than two years but not more than five years	0	0
In more than five years	0	0
Total	0	0

34. Movements in working capital

	2010-11	2009-10
	£000	£000
(Increase)/decrease in inventories	(96)	(1,327)
(Increase)/decrease in trade and other receivables	(5,908)	(13,396)
(Increase)/decrease in other current assets	(1,020)	842
Increase/(decrease) in trade and other payables	6,852	13,733
Increase/(decrease) in other current liabilities	0	0
Total	(172)	(148)

35. Other cash flow adjustments

	2010-11	2009-10
	£000	£000
Depreciation	25,574	24,542
Amortisation	529	426
Impairments and reversals	22,069	49,448
Cost of Capital Charge	0	(8,865)
Release of PFI deferred credits	0	0
Transfer from donated asset reserve	(552)	(820)
Transfer from government grant reserve	(14)	(2)
Non-cash movements in provisions	23,228	37,118
Total	70,834	101,847

36. Cash flow relating to exceptional items

There are no exceptional cash flow items.

37. Events after the Reporting Period

Included in the Health Board Accounts within Note 17 Provisions is an amount of £0.2m in respect of a Clinical Negligence Case (ref 97RVCMN0005). This provision is based on information provided the Health Board's legal advisers Welsh Health Legal Services as at 31st March 2011. This provision takes into account the fact the £1.060m has previously been paid out as an interim settlement.

On May 24th the Clinical Negligence Case was heard at Cardiff High Court and judgement was granted in favour of the claimant who was awarded lump sum damages of £3.2m and costs of £0.5m. As the Health Board has previously paid out £1.060m in interim damages on this case there is a requirement for the Health Board to pay out the remaining damages of £2.2m and the £0.5m costs by 21st June. Further structured payments of damages amounting to £5m were also awarded, payment of these damages being the responsibility of the Welsh Government via the Welsh Risk Pool.

The additional payment of £3.7m less the amount of £0.2m provided for in Note 17 to the accounts will be covered by the Welsh Risk Pool and therefore there is no net effect on the Health Board's achievement of operational financial balance. Furthermore, the impact of the settlement on the Health Board's Statement of Financial Position does not materially impact on the reported financial position within the Health Board accounts and therefore no amendments have been made to the reported financial position for the settlement of this claim after the end of the reporting period.

38. Operating segments

IFRS 8 requires bodies to report information about each of its operating segments.

	National Leadership & Innovation Agency for Healthcare		Welsh Health Supplies		Delivery & Support Unit		Centre for Equality & Human Rights		Healthcare Activities		Inter-segment Trading (see note below)		LHB Total (per Statement of Comprehensive Net Expenditure)	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Segment Income (Gross)	101,952	101,555			1,717	2,283	426	448						
WAG (Creditor)/Debtor*	372	7			0	(1)	(4)	(11)						
Segment Income (Net)	102,324	101,562	30,696	29,802	1,717	2,282	422	437	258,062	255,661	(10,124)	(8,694)	383,097	381,050
Costs Directly Attributable to Segment:-														
Pay	6,746	7,052	3,877	3,576	1,450	1,625	383	395						
Funded Prog. Payments for NHS bodies	0	0	0	0	0	332	0	0						
Supplies & Services - General	54	20	10	65	0	0	8	0						
Establishment	4,480	4,700	397	394	83	108	27	28						
Transport	8	5	507	479	3	1	0	0						
Premises	462	534	583	503	86	88	1	0						
Other Operating Expenses	90,574	89,438	25,164	24,619	95	128	3	14			0		769	763
Total Directly Attributable Costs	102,324	101,749	30,538	29,636	1,717	2,282	422	437	1,136,827	1,044,428	(10,124)	(8,694)	1,261,704	1,169,838
Surplus / (Deficit)	0	(187)	158	166	0	0	0	0	(878,765)	(788,767)	0	0	(878,607)	(788,788)
Depreciation	0	0	158	97	0	0	0	0	25,945	24,871			26,103	24,968
Surplus / Deficit before Interest	0	(187)	0	69	0	0	0	0	(904,710)	(813,638)	0	0	(904,710)	(813,756)
Cost of Capital	0	0	0	69	0	0			0	8,796			0	8,865
Disposal of Fixed Assets & Other Finance Costs									5,356	5,149			5,356	5,149
Surplus / (Deficit) after Interest	0	(187)	0	0	0	0	0	0	(910,066)	(827,583)	0	0	(910,066)	(827,770)
Less: Non Discretionary Expenditure									3,604	2,351			3,604	2,351
Less: Revenue Expenses PFI									1,681	1,273			1,681	1,273
Net Surplus / (Deficit) to be charged against resource	0	(187)	0	0	0	0	0	0	(904,781)	(823,959)	0	0	(904,781)	(824,146)
Resource Allocated	0	187	0	0	0	0	0	0	905,127	824,027			905,127	824,214
Surplus/(Deficit)	0	0	0	0	0	0	0	0	346	68	0	0	346	68
Segment Average Net Assets	(925)	(501)	7,022	6,578	(49)	(162)	0	(16)	360,512	369,949			366,560	375,848

In 2009/10 the National Leadership Agency For Innovation and Healthcare was provided with a resource allocation. All funding was via invoices to the Welsh Assembly Government in 2010/11

For the business segments, "other operating expenses" shown above for 2010/11 includes the following material items:-
 National Leadership & Innovation Agency for Healthcare External Consultancy Costs £853k, WEDCU Contracts £89,302k
 Welsh Health Supplies Cost of Stock Issues £24,708k
 Delivery & Support Unit External Consultancy Costs £44k

NOTE: The following inter-segment trading amounts have been "netted-off" in the consolidated position shown in the main Operating Cost Account:-
 WHS related - £9,802,058
 NLIAH related - £263,923
 DSU related - £56,374
 CEHR related - £2,000
Total Inter-segment Trading - £10,124,355

Informing Healthcare is no longer an operating segment of ABMU Health Board as this segment transferred to Velindre NHS Trust on 1st April 2010

Note 39 Other Financial Information

1. Welsh Health Specialist Services Committee (WHSCC)

WHSCC is the successor body to Health Commission Wales. It came into existence on 1st April 2010 as a service transfer from the Welsh Assembly Government (WAG) into health. Whilst WHSCC is hosted by Cwm Taf LHB it is an individual organisation in its own right although it has no legal standing.

With regard to income, expenditure, debtor and creditor transactions, Health Boards in Wales and NHS Trusts in England must still contract with and raise invoices to WHSCC.

However, with regard to day to day funding, WHSCC is governed through a Board made up of the Chief Executives and Finance Directors of each of the 7 Health Boards in Wales. WHSCC commissions specialist, novel and high cost healthcare services for the people of Wales but now reports to each Health Board regarding the services commissioned for their patient populations.

WHSCC does not receive a direct funding allocation from WAG but is funded via an income stream from each of the Health Boards comprising the WHSCC board. Each Health Board has a separate resource allocation for specialist services which is based on activity shares by organisation and forms the basis for the risk sharing agreement across Health Boards.

At the year end any under or over spend incurred by an individual organisation as a result of utilisation of specialist services is notified to them by WHSCC and will be included in their annual accounts, such adjustments being calculated in line with the agreed risk sharing methodology.

It has been determined nationally that in line with the requirements of merger accounting that the assets, liabilities, income and expenditure of WHSCC will be consolidated into the Cwm Taf Annual Accounts and Report. No adjustment has therefore been made to the Abertawe Bro Morgannwg Health Board accounts to include as a segment an appropriate share of WHSCC's income, expenditure or statement of financial position.

2. Transfer of Informing Healthcare Services to Velindre NHS Trust

On 1st April 2010, Informing Healthcare which the Health Board hosted on behalf of the Welsh Assembly Government was transferred to Velindre NHS Trust.

This transfer falls under the rules of merger accounting and consequently adjustments were made to the opening balance sheet values and prior year comparator figures to reflect this transfer. Fixed Assets to the value of £10.275m, Current Assets to the value of £521k and current liabilities to the value of £12.657m were transferred through this process. The reduction to income and expenditure of this transfer amounted to £32.808m for 2009/10.

**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...6th June 2011 Alexandra Howells 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: Win Griffiths Dated: 6th June 2011

Chief Executive: Alexandra Howells Dated: 6th June 2011

Director of Finance: Eifion Williams..... Dated: 6th June 2011

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

LOCAL HEALTH BOARDS

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2010 and subsequent financial years in respect of the Local Health Boards (LHB)¹, in the form specified in paragraphs [2] to [7] below.

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

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

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

FORM AND CONTENT

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

4. For the financial year ended 31 March 2010 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, changes in taxpayers' equity and cash flows during the year.

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

MISCELLANEOUS

6. The direction shall be reproduced as an appendix to the published accounts.
7. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.

Signed by the authority of Welsh Ministers

Signed : Chris Hurst

Dated : 17.06.2010

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

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

I am responsible for ensuring that the LHB meets all its statutory and legal requirements and adheres to guidance issued by the Welsh Government in respect of governance. This responsibility encompasses the elements of financial control, organisational control, clinical governance, health & safety and risk management.

I am supported in this role by the Board Secretary who provides competent advice and support in the development of effective systems and arrangements to help facilitate the management of risk, which include arranging to:

- Oversee the production and regular review of the Risk Management Strategy
- Draft the Corporate Plan and accompanying risk register
- Ensure key risks are co ordinated and reported to the Executive Board, Board Committees and Health Board.
- Draft the Statement of Internal Control.

In addition the Standing Orders and Standing Financial Instructions have been approved by the Board. Within the Standing Orders the Scheme of Delegation clearly sets out responsibilities of the Non Officer Members and Executive Directors.

During 2010/11 further work has been undertaken to clarify the Risk Management Framework. This was overseen by the Audit Committee which agreed revised arrangements for risk management which will be reflected in a revised Risk Management Strategy. Similar work was undertaken in relation to the Clinical Governance Strategy and Framework overseen by the Quality and Safety Committee.

The Board, in discharging its responsibilities, ensures that there are proper and independent assurances given on the soundness and effectiveness of the systems and processes in place for meeting the LHB's objectives which are derived from the Welsh Government's Annual Operating Framework, and delivering appropriate outcomes. This is achieved through management reports, internal and external audit and scrutiny.

WAG is kept fully informed on the risks to delivering the objectives and the measures in place for managing those risks through the AOF process, the national Performance Reporting Framework and progress made against the Standards for Healthcare Improvement Plan. Regular review meetings are also held with officials of the Welsh Government at which strategic, operational & financial elements are covered including the risks and actions being taken to mitigate such risks. In addition, financial risks are highlighted in the monthly monitoring returns submitted to the Welsh 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

3. Capacity to handle risk

Leadership

The areas of responsibility and accountability of each Executive Team member is set out in individual job descriptions and within the Scheme of Delegation within Standing Orders.

Each Executive Director is responsible for managing risk within their area of responsibility. This means they will:

- Ensure staff are appropriately trained in risk assessment and management
- Ensure there are mechanisms in place for identifying, managing and alerting the Board to significant risks within their areas of responsibility through regular, timely and accurate reports to the Executive Board, relevant Board Committees and the Board.
- Ensure there are mechanisms in place to learn lessons from any incidents or untoward occurrences and that corrective action is taken where required.
- Provide details of the key risks within their area of responsibility to the Board Secretary every 6 months to coincide with the Corporate Plan development and review process.
- Ensure compliance with Health Board policies, legislation and regulations and professional standards for their functions.

The Medical Director, Director of Nursing and Director of Therapies and Health Science are jointly responsible for setting the strategic direction for patient safety and clinical governance ensuring robust systems are in place. They are supported by the Quality and Safety Unit, led by the Assistant Director of Governance, whose role is to ensure systems are in place to support the safety of patients and staff and in contributing to continuous improvement in performance, culture, learning and standards of quality and service. The Assistant Director of Governance is line managed by the Director of Nursing and accountable to the Director of Nursing, Medical Director, and Director of Therapists and Health Scientists.

In addition there are Assistant Directors who have roles in clinical governance, safeguarding, Infection Control, 1000 lives campaign and education all supporting patient safety. Their specific responsibilities are set out in the Scheme of Delegation. The responsibility for implementing clinical governance and patient safety at an operational level is with the Director of Acute Services and Director of Primary Care and Mental Health Services.

The Director of Nursing has specific responsibility for progressing compliance with Doing Well, Doing Better Standards for Health Services in Wales within the Health Board as well as specific strategic responsibility for key areas of clinical risk management.

The Director of Finance is responsible for financial risk management and for providing regular, timely and accurate financial reporting to the Board in line with requirements and professional standards. This enables the Board to provide in the Annual Accounts an assurance of the safeguarding of assets and the maintenance of proper accounting records and the reliability of financial information.

The Directors of Acute Care and Primary, Community and Mental Health Services have responsibility for clinical and corporate governance and operational risk management within their Directorates and Localities. This is exercised through Clinical Directors/Locality Directors who have devolved responsibilities for risk to ensure that:

- Staff are aware of the Risk Management Strategy, are aware of their responsibilities, understand the extent to which they are empowered to take risk, and are appropriately trained in risk assessment and risk management
- Staff receive regular appraisals/IPRs
- The Directorate/Locality adopts an open and fair culture;

- Hazards, incidents and risk are identified using a consistent approach in the Directorate/Locality to ensure that a learning approach results in continuous improvement in patient safety;
- Risks are managed within the Directorate/Locality and significant unresolved risks reported to the appropriate Director in a timely manner;
- Appropriate Governance arrangements are established to manage risks, ensure action is taken and lessons learned;
- Staff are released to attend mandatory/statutory training;

Operational Risk Management Arrangements

Clinical/Locality Directors are responsible for the management of risk within their Directorate/Locality. They must ensure that they have effective arrangements in place to identify and manage risk. When risks are identified outside their control, they must communicate this effectively through to the Directors of Acute Care and Primary, Community and Mental Health Services.

Each Directorate/Locality has a clearly defined structure to ensure the appropriate management of risk which has been confirmed within their annual return of their Statements of Internal Control for their specific areas of responsibility. This includes Directorates/Localities maintaining up to date Risk Registers and maintain a log of risks they have mitigated to a risk tolerated level and risks that have been terminated.

Risk Management Training

Risk Management training was reviewed in May 2010 following which three levels of risk management training were agreed upon:

- Level 1 Induction applicable to all staff and provided once at induction;
- Level 2 Management of risk applicable to staff who take a lead on risk management within a Ward/Department/Service area provided on a 3 yearly basis or as identified through approval and;
- Level 3 which is applicable for Senior Managers, Executive Directors and Non Officer Members provided once on a 3 yearly basis.

This training does not include arrangements in place for contractors as this training is provided directly to the contractors. Following the introduction of the training and early feedback level 2 training was changed and extended to enable a practical session to be included. A certificate of training is not provided to staff trained until they have completed a work based risk assessment and it has been reviewed and feedback provided.

A risk management intranet site has been established which provides guidance on how to complete a risk assessment, forms to be used and contacts who can support them to complete complex risk assessments involving more than one Directorate/Locality or third parties.

A Risk Management Review Group has been established with members from each Corporate Directorate as well as Locality and Clinical Directorates. The Group oversees Risk Management within the organisation and will provide an opportunity to learn from risk management. During the first meeting a review of Directorate and Locality Risk Registers was completed using the Group as an action learning set for the review. This was achieved by comparing risk descriptions and scorings across Localities and Directorates to agree a consistent approach.

4. The risk and assurance framework

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

As part of this process, the organisation has completed the Governance & Accountability assessment module. This was completed with a high level of engagement and involvement of the Chairman and Board members utilising the information included in the Structured Assessment carried out by the Wales Audit Office, with a commentary by Internal Audit. The result of the self assessment process was that the organisation was judged as achieving the following level of performance

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

This process has been subject to independent internal assurance by the organisations Head of Internal Audit. The Annual Internal Audit report confirms that the Head of Internal Audit concurs with the overall judgement made and would support its approval at the Board.

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

The Standards for Healthcare Services are a key mechanism used by localities and Directorates in undertaking their business and linked to corporate objectives. This means that at a corporate level each Standard has an appointed Executive and Corporate Lead. Supporting the corporate submissions each Directorate/Locality has Lead(s) for the Standards. As a result

- Each Directorate/Locality has completed a self assessment against the 26 Standards; feedback reports have been provided to each Directorate/Locality on their submissions focusing on Governance & Accountability (Standard 1), Quality Improvement (Standard 6), Safe and Clinically Effective Care (Standard 7), Risk Management & H&S (Standard 22) and Managing Concerns and Incidents (Standard 23);
- Corporate Self Assessment completed against each standard and signed off;
- Each standard is linked to a Corporate Group/Committee to ensure the improvement priorities are aligned to Group/Committee Work Programme for 2011/12;
- WAG facilitated workshops held to further embed the Standards within the Directorates and Localities

- Standards are linked to key organisation objectives set out in the Corporate Plan.

The Board has agreed its 5 year strategic plan “Changing for the Better” and each year this is developed into a more detailed annual service, workforce and financial operational plan based on submissions from Localities and Directorates.

The totality of the work of the Health Board is set out in the Corporate Plan which is produced annually and sets out organisational objectives for the forthcoming year under the following key objectives:

- Making Quality and Patient Safety our Number one priority
- Developing and delivering an ambitious forward looking strategy
- Delivering as a high performing organisation
- Development of capability, capacity and partnerships for delivery and change

The Plan, includes a risk register identifying the key risks associated with the achievement of its objectives and which links to *the Standards for Health Services in Wales*. This was confirmed by the Board as the basis of an Assurance Framework

Workshops have been held for teams and services within Directorates/Localities facilitated by members of the CGSDU at the Welsh Government and the Head of Quality Assurance. The aim of the sessions has been to support the Teams and Service Managers to take the Standards forward in their area of work focussing on risk and identifying priorities for improvement.

In order to embed the Standards at a corporate level an Executive and Corporate Lead has been identified for each Standard. Supporting the corporate submissions each Directorate/Locality has Lead(s) for the Standards.

The Risk Management Strategy has been in use within the Health Board since June 2010 and was developed following a review of predecessor organisations strategies, strategies from England, Wales and Scotland and the WAG good practice guides on risk management.

The key elements of the Strategy include:

- Strategy Objectives;
- Significant Risks for the organisation;
- Risk Management roles and responsibilities;
- Risk Management Reporting Structure;
- Risk Management process;
- Risk Registers;
- Risk Management Training;
- Standards for Health Services in Wales.

Risk Management appetites are determined by the risk management process set out within the Strategy. In analysing and evaluating a risk consideration is given to the cost benefit analysis of treating the risk as opposed to terminating the risk or risk reduction. This ensures that risks are identified and considered and an informed decision is made as to what action to take and the recognition that in certain circumstances risk is necessary to ensure advancement.

Risk Management is embedded into the activity of the organisation by induction Level 1 training which all staff receive, Level 2 training provided to Ward/Department Managers and Heads of Services and Level 3 training which will be provided for Senior Managers and Board members.

Furthermore Corporate/Clinical Directors and Locality Directors have devolved responsibilities for risk as outlined in Section 3.

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

Board

The Board is clear on its aims and objectives which are based on its values and these are aligned with the values issued from the Welsh Government.

The Board has agreed its 5 year strategic plan "Changing for the Better" and each year this is developed into a more detailed annual service, workforce and financial operational plan based on submissions from Localities and Directorates. Details of these arrangements are set out in Section 4.

The Corporate Plan sets out the basis for Locality and Directorate objectives for the forthcoming year and acts as the basis for individual objectives for the Chief Executive and Executive Directors, which is then cascaded throughout the organisation.

A risk analysis has been completed against the Corporate Plan and this is monitored by the Executive Team and progress reported to the Board.

In addition a process of Annual and mid year reviews is undertaken between the Executive Team and each Locality and Directorate at which key risks are identified and corporate support provided where necessary.

Audit Committee/Quality & Safety Committee

The key Board Committees that provide assurance to the Board regarding risk management arrangements are the Audit and Quality and Safety Committees. Their purpose as set out in their Terms of Reference are:

Audit Committee

Advise and *assure* the Board and the Accountable Officer on whether effective arrangements are in place - through the design and operation of the LHB's assurance framework - to support them in their decision taking and in discharging their accountabilities for securing the achievement of the LHB's objectives, in accordance with the standards of good governance determined for the NHS in Wales.

Where appropriate, the Committee will advise the Board and the Accountable Officer on where, and how, its assurance framework may be strengthened and developed further.

The Chair of the Committee provides reports to the Board on the activities of the Committee on a routine basis

Quality & Safety Committee

Evidence based and timely advice to the Board to assist it in discharging its functions and meeting its responsibilities with regard to the quality and safety of healthcare; and assurance to the Board in relation to the LHB's arrangements for safeguarding and improving the quality and safety of patient centred healthcare in accordance with its stated objectives and the requirements and standards determined for the NHS in Wales. The Chair of the Committee provides reports to the Board on the activities of the Committee on a routine basis

In addition the Chairs Advisory Group co-ordinates Board Committee arrangements and assist with assurance functions.

Each Committee will produce an Annual Report setting out areas of assurance and risk. A summary of these reports will be considered by the Audit Committee/Chairs Advisory Group as part of the annual review of the Board and its Committees.

Following a review of risk management arrangements a Risk Management Review Group was established and an Investigations & Redress Group both report ultimately to the Quality & Safety Committee.

Internal Audit

Internal Audit through a programme of work based on risk provide the Health Board with independent assurance of the adequacy of the systems of internal control across a range of financial and business areas in accordance with the standards and good practice contained within the NHS Internal Audit Manual.

THE HEAD OF INTERNAL AUDIT OPINION

“My overall opinion - there is an adequate level of assurance that a sound system of internal control is in place and broadly there is operational compliance with those controls. However, there are a number of audited areas where limited assurance has been derived that if not addressed increase the likelihood of the risks materialising.”

The basis for forming my opinion is as follows:

1. The Board self-assessment against the Governance and Accountability module and the judgements made; consideration of the March 2011 process for self-assessment of Standards for Health Services in Wales achievement; Board engagement in the process and monitoring of progress against the 20010/11 HCSIP.
2. We have also taken into account audit assignments reported to Audit Committee during the year and those reports issued in draft that are yet to be presented to the Audit Committee. This assessment has taken account of the relative materiality of these areas and management’s progress in respect of addressing control weaknesses.
3. A review of Board, Audit Committee, Quality & Safety Committee and Risk Management Group papers during the period to confirm adequate governance was ensured, and areas of risk identified, monitored, reported and managed.
4. The outcome of the Wales Audit Office structured assessment.
5. The reported achievement of financial balance as reported to Audit Committee in April 2011.

Internal Sources of Assurance	External Sources of Assurance
KPI's, Performance Dashboard & reports	External audit reports/reviews
The key sources of evidence currently available and routinely used to provide assurance to the Board and its Committees are: Healthcare Standards and the UHB's self assessment of performance	Healthcare Inspectorate Wales
Clinical Audit reports	Welsh Risk Pool
Internal Audit reports	Licensing & Regulatory body reports
Adverse and serious incident reports	WAG reports and reviews
Counter fraud reports	NLIAH reports and reviews
Quality and Outcomes Framework Assessments	Royal College visits
Staff appraisals	Deanery visits
Complaint reports	Feedback from service users
Infection Control reports	Investors in People
Caldicott Guardian reports	Feedback from clinical networks
Cleanliness reports	External benchmarking
Staff satisfaction surveys	
Training records	
Internal investigations	
Workforce/HR Reports	
Patient satisfaction surveys	

Annual assurance statements, setting out the management arrangements in place in Localities/ Directorates to ensure effective organisational arrangements, are requested on an annual basis to support the completion of the Statement of Internal Control and include a response to the following as a minimum:

- How the Localities/Directorates main key meetings are structured e.g., Locality/Directorate Board, Risk Management Group, Clinical Risk Group etc. and whether there are terms of reference and appropriate minutes/action planning.
- Performance management/Monitoring arrangements and where performance is reported
- Risk Management arrangements
- Whether roles and responsibilities are clearly defined.
- Levels of financial delegation, as required by ORACLE

These responses are underpinned by the Directorate/Localities self assessments against Standard 1: Governance & Accountability as well as their overall performance against the 26 *Standards* for Health Services in Wales.

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

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

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

6. Significant internal control problems

During the year the Audit Committee considered several internal audit reports which had a limited assurance rating. Priority was given to ensuring the action plans associated with such reports were expedited.

Such action included a system review of incident, complaint and claims processes and the implementation of the web based DATIX system to allow easier use and capture of information at Locality/Directorate level. At the same time clear executive lead roles were allocated for these areas by the Accountable Officer. Performance in these areas has been the subject of close scrutiny by both the Audit and Quality and Safety Committees.

Alexandra Howells
Acting Chief Executive

31st May 2011

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

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

Respective Responsibilities of Directors, the Chief Executive and the Auditor

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities (set out on pages 64 and 65), the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view

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

Scope of the audit of the financial statements

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

I am also required to obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

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

Opinion on Regularity

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

Opinion on other matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers;
- I have been unable to read the information contained in the Annual Report and consider whether it is consistent with the audited financial statements as it was not available at the time of my audit.

Matters on which I report by exception

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

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

Report

- I have no observations to make on these financial statements