

# CONWY LOCAL HEALTH BOARD

## FOREWORD

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

### Statutory background

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

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

### Performance Management and Financial Results

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

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

The primary performance measure for Local Health Boards is note 2.1 Achievement of Operational Financial Balance on page 13. This note compares net operating costs expended against Resource Limits allocated by the Assembly and measures whether operational financial balance has been achieved in year

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

	Note	Total £000	2007-08 Total £000
Expenditure	4.1,4.2,4.3, 4.4	<b>176,836</b>	169,145
Miscellaneous income	3.1	<b>2,124</b>	2,918
<b>Net operating costs</b>		<b><u>174,712</u></b>	<b><u>166,227</u></b>

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

	£000	£000
Unrealised surplus on revaluation / indexations of fixed assets	<b>2</b>	<b>0</b>
Net increases / reductions in General Fund due to transfers of assets	<b>0</b>	<b>0</b>
Fixed asset impairment losses	<b>0</b>	<b>0</b>
<b>Recognised gain / (loss) for the year</b>	<b><u>2</u></b>	<b><u>0</u></b>

**BALANCE SHEET AS AT 31 MARCH 2009**

	Note	£000	31 March 2008 £000
<b>TOTAL FIXED ASSETS</b>			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	21	32
<b>CURRENT ASSETS</b>			
Debtors	6.1	428	764
Cash at bank and in hand		81	211
<b>Total Current Assets</b>		<b>509</b>	<b>975</b>
Creditors: amounts falling due within one year	6.2	12,200	10,280
<b>Net current assets / (liabilities)</b>		<b>(11,691)</b>	<b>(9,305)</b>
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	1,049	1,233
<b>TOTAL NET ASSETS</b>		<b>(12,719)</b>	<b>(10,506)</b>
<b>FINANCED BY:</b>			
General fund	6.5	(12,722)	(10,507)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	3	1
<b>TOTAL</b>		<b>(12,719)</b>	<b>(10,506)</b>

Signed for and on behalf of the Board

Director of Finance

Chief Executive

Date

11<sup>th</sup> June 2009

Date

11<sup>th</sup> June 2009

Adopted by the Board on

11<sup>th</sup> June 2009,

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

	£000	2007-08 £000
<b>Net operating costs</b>	<b>(174,712)</b>	(166,227)
Adjust for non-cash transactions	(550)	(98)
Adjust for movements in working capital other than cash	2,256	(32)
Utilisation of provisions	(33)	(135)
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(173,039)</b>	<b>(166,492)</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:</b>		
Payments to acquire fixed assets	0	0
Receipts from the sale of fixed assets	0	0
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) from investing activities</b>	<b>0</b>	<b>0</b>
<b>Net cash inflow / (outflow) before financing</b>	<b>(173,039)</b>	<b>(166,492)</b>
<b>FINANCING:</b>		
Net Assembly funding (including capital)	172,909	165,620
Surrender of income from sale of fixed assets	0	0
Donations	0	0
Capital element of finance lease rental payments	0	0
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) from financing</b>	<b>172,909</b>	<b>165,620</b>
<b>Increase / (decrease) in cash</b>	<b>(130)</b>	<b>(872)</b>

**Notes to the cash flow statement**

**Adjust for non-cash transactions**

	£000	2007-08 £000
Depreciation and other write-offs	13	12
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	(151)	264
Capital charge interest	(412)	(374)
	<u>(550)</u>	<u>(98)</u>

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

	£000	2007-08 £000
(Increase)/decrease in debtors	336	(272)
Increase/(decrease) in creditors	1,920	240
	<u>2,256</u>	<u>(32)</u>

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

	£000
Increase/(decrease) in cash in the period	(130)
Cash outflow from debt repaid and finance lease capital payments	<u>0</u>
Change in net debt resulting from cash flows	(130)
Non cash changes in debt	0
<b>Net debt at 1 April 2008</b>	<u>211</u>
<b>Net debt at 31 March 2009</b>	<u>81</u>

**Analysis of changes in net debt**

	As at 1 April 2008	Cash flows	Other changes	As at 31 March 2009
	£000	£000	£000	£000
Cash at bank and in hand	211	(130)	0	81
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
	<u>211</u>	<u>(130)</u>	<u>0</u>	<u>81</u>
<b>Total</b>	<u>211</u>	<u>(130)</u>	<u>0</u>	<u>81</u>

**Amount held in Office of Paymaster General bank accounts as at 31 March 2009 was : - £80,670.51**

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

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

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

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

**Reconciliation of fixed assets and disposals**

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

## Notes to the Account

### 1. Accounting Policies

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

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

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

#### Acquisitions and Discontinued Operations

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

#### 1.2 Income and funding

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

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

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

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

#### 1.3 Taxation

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

#### 1.4 Intangible fixed assets

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

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

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

## 1.5 Tangible fixed assets

### a. Capitalisation

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

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

### b. Valuation

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

### Land and Buildings

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

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

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

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

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

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

### Equipment

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



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

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

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

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

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

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

Leaseholds are depreciated over the primary lease term.

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

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

### **1.6 Donated assets**

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

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

### **1.7 Research and development**

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

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

## 1.8 Pension Costs

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

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

### a) Full actuarial (funding) valuation

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

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

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

### b) FRS17 Accounting Valuation

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

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

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

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

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

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

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

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

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

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

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

[Where the LHB has employees who are members of pension schemes other than the NHS pension scheme described above, additional disclosure will be required to give details of those schemes, e.g. stakeholder pensions.]

Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at [www.nhspa.gov.uk](http://www.nhspa.gov.uk). Copies can also be obtained from the Stationary Office.

The conclusion from the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions are set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

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

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

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

Additional pension liabilities arising from early retirements are not funded by the scheme, except where the retirement is due to ill-health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Operating Cost Statement at the time the LHB commits itself to the retirement, regardless of the method of payment.

### **1.9 Foreign currency**

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

### **1.10 Cost of Capital**

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

### **1.11 Provisions**

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

### **1.12 Liquid resources**

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

### **1.13 Leases**

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

### **1.14 Contingent liabilities**

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

Contingent liabilities are not disclosed where the probability of them becoming liabilities is considered to be remote.

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

### **1.15 Deferred Income**

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

### **1.16 Expenditure**

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

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

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

## **1.17 Financial Instruments**

### **Financial Assets**

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

Financial assets are initially recognised at fair value.

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

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

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

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

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

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

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

#### **Loans and receivables**

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

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques [Specify. See IAS 39 AG 74 and following paragraphs]

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 income statement and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

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

### **Financial Liabilities**

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

Financial liabilities are initially recognised at fair value.

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

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

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

**Other financial liabilities**

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

## 2.1 Achievement of Operational Financial Balance

	£000	2007-08 £000
Net operating costs for the financial year	174,712	166,227
Non-discretionary expenditure	494	297
Operating costs less non-discretionary expenditure	174,218	165,930
Revenue Resource Limit	174,231	165,953
<b>Under / (over) spend against Revenue Resource Limit</b>	<b>13</b>	<b>23</b>
Unplanned resource brokerage received	0	0
<b>Operational Financial Balance</b>	<b>13</b>	<b>23</b>

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

### Notes:

#### Resource brokerage

In 2007/08, Conwy Local Health Board brokered with the Welsh Assembly Government of £955,000 for Continuing Health Care cost pressures. This funding was returned by the WAG in 2008/09.

For 2008/09, Conwy Local Health Board has brokered £600,000 through the Assembly into the 2009-10 financial year, again for Continuing Health Care cost pressures.

#### Cash Brokerage

Conwy Local Health Board brokered £3.7 million cash into 2008-09 from 2007-08. At 31st March CLHB brokered £5.495 million surplus cash into the 2009-10 financial year. This cash surplus arose due to the difference in timing of payments to creditors.



### 3.1 Miscellaneous income

	£000	2007-08 £000
Fees & Charges	551	888
Prescription charge income	11	43
Dental fee income	804	882
Income for trust impairments	0	0
Deferred Income released to revenue	0	20
Rental income from finance leases	0	0
Rental income from operating leases	0	0
Other	758	1,085
<b>Total</b>	<b>2,124</b>	<b>2,918</b>

Other

**Note:**

Other miscellaneous income for both 2007/08 and 2008/09 includes values for unutilised creditors written back. The most significant written back unutilised creditors relate to accrued and disputed Continuing Health Care cases being resolved and costs written back.

**Expenditure:**

**4.1 Primary health care**

	Cash limited	Non cash limited	Total	2007-08 Total
	£000	£000	£000	£000
General Medical services	16,752	0	16,752	16,609
Pharmaceutical services	5,116	(388)	4,728	3,834
General Dental services	4,888	0	4,888	4,698
General Ophthalmic services	0	882	882	811
Other Primary health care expenditure	427	0	427	510
Prescribed drugs and appliances	19,720	0	19,720	20,222
<b>Total</b>	<b>46,903</b>	<b>494</b>	<b>47,397</b>	<b>46,684</b>

**4.2 Secondary and Community health care**

	Total	2007-08 Total
	£000	£000
<b>NHS Trusts:</b>		
Provider 1 - North Wales NHS Trust (Central)/Conwy & Denbighshire NHST	70,722	66,341
Provider 2 - North West Wales Trust	33,381	32,461
Provider 3 - North Wales NHS Trust (East)/North East Wales NHST	3,292	2,897
Provider 4 - Robert Jones and Agnes Hunt Orthopaedic	1,229	1,114
Provider 5 - Royal Liverpool and Broadgreen	686	460
Provider 6 - Welsh Ambulance Service	41	55
Provider 7 - South Manchester University	119	155
Provider 8 - Liverpool Women's Hospital	167	121
Provider 9 -	0	0
Provider 10 -	0	0
Other Welsh NHS trusts	77	80
Other non Welsh NHS trusts	773	656
Local Authorities	0	0
Voluntary Organisations	420	392
NHS Funded Nursing Care	2,100	3,230
Continuing Care	11,893	10,238
Private providers	748	668
Specific projects funded by Welsh Assembly Government	0	0
Other	148	202
<b>Total</b>	<b>125,796</b>	<b>119,070</b>

**Notes:**

The North Wales NHS Trust was established on 1st July 2008 with the merger of the former North East Wales NHS Trust and Conwy & Denbighshire NHS Trust. The North Wales NHS Trust has continued to operate throughout 2008/09 as 2 divisions (East and Central) that correspond to the former Trusts for North East Wales and Conwy & Denbighshire respectively. A comparison of the expenditure for the 2 divisions and former Trusts between 2008/09 and 2007/08 are shown below for information:

	Total	2007-08 Total
	£000	£000
Provider 1 - North Wales NHS Trust (Central)/Conwy & Denbighshire NHST	70,722	66,341
Provider 3 - North Wales NHS Trust (East)/North East Wales NHST	3,292	2,897
<b>Provider 1 &amp; 3 Combined = Total North Wales NHS Trust</b>	<b>74,014</b>	<b>69,238</b>

### 4.3 Other programme expenditure

	£000	2007-08 £000
Salaries and wages	899	687
National Public Health Service	774	756
Losses, special payments and irrecoverable debts	0	8
Research and development	0	0
Other	467	401
	<hr/>	<hr/>
<b>Total</b>	<b>2,140</b>	<b>1,852</b>

### 4.4 Administration expenditure

	£000	2007-08 £000
Non-officer members' remuneration	99	95
Other salaries and wages	799	819
Consultancy services	0	0
Establishment expenses	83	74
Transport and moveable plant	9	12
Premises and fixed plant	93	96
External contractors	13	19
Auditors' remuneration - audit fee	78	73
Auditors' remuneration - other fees	0	0
Business Services Centre recharge	642	673
Interest payable - unwinding of discount	0	0
Interest payable - other	0	0
Capital - Depreciation	13	12
Amortisation	0	0
Capital charge interest	(412)	(374)
Impairments and reversals (property, plant, equipment)	0	0
Impairments and reversals (intangible assets)	0	0
Impairments and reversals of financial assets (by class)	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	86	40
	<hr/>	<hr/>
<b>Total</b>	<b>1,503</b>	<b>1,539</b>

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

	<b>Total</b>	<b>2007-08 Total</b>
	<b>£000</b>	<b>£000</b>
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	0	8
Defence legal fees and other administrative costs	0	0
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	0	8
Contributions to Welsh Risk Pool/insurance premiums	0	0
Irrecoverable debts	0	0
Less: income received/due from Welsh Risk Pool	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>0</b>	<b>8</b>
	<hr/>	<hr/>

Personal injury includes £ nil in respect of permanent injury benefits

#### 4.6 Hire and operating lease rentals

	£000	2007-08 £000
Hire of plant and machinery	0	0
Other operating leases	90	89
<b>Total</b>	<b>90</b>	<b>89</b>

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

	Land and Buildings £000	Other Leases £000	2007-08 Land and Buildings £000	2007-08 Other Leases £000
<b>Operating leases which expire:</b>				
Within 1 year	0	0	0	0
Between 1 and 5 years	90	0	89	0
After 5 years	0	0	0	0

#### 4.7 Executive Directors and staff costs

	Total £000	2007-08 Total £000
Salaries and wages	1,397	1,452
Social security costs	125	122
Employer contributions to NHSPA	219	202
Other pension costs	0	0
Agency / seconded staff	48	19
<b>Total</b>	<b>1,789</b>	<b>1,795</b>

The costs detailed above in Note 4.7 comprises amounts in other notes as follows: -

	£
Note 4.1:	91,000
Note 4.3:	899,000
Note 4.4:	799,000
<b>Total</b>	<b>1,789,000</b>

#### 4.8 Board Directors' remuneration

	£000	2007-08 £000
Non-officer members' remuneration	99	95
Executive Directors' remuneration:		
basic salaries	254	237
benefits	8	11
performance related bonuses	0	0
pension contributions	36	33
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
<b>Total</b>	<b>397</b>	<b>376</b>

	£000	Chief Executive £000
Basic Salary	28	81
Benefits	0	4
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	0	11
<b>Total</b>	<b>28</b>	<b>96</b>

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

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

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

No performance related bonuses have been paid to any officers of Conwy LHB.



#### 4.10 Retirements due to ill-health

During 2008-09 there was one early retirement from the LHB agreed on the grounds of ill-health. The estimated additional pension costs of this ill-health retirement (calculated on an average basis and borne by the NHS Pension Scheme) will be £147,623.82.

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

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

	Number	£000	2007-08 £000
<b>Non- NHS</b>			
Total bills paid 2008-2009	5,226	15,863	16,396
Total bills paid within target	5,215	15,834	16,334
Percentage of bills paid within target	99.8%	99.8%	99.6%

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

	Number	£000	2007-08 £000
<b>NHS</b>			
Total bills paid 2008-2009	796	113,852	106,932
Total bills paid within target	789	113,832	106,905
Percentage of bills paid within target	99.1%	100.0%	100.0%

	Number	£000	2007-08 £000
<b>Total</b>			
Total bills paid 2008-2009	6,022	129,715	123,328
Total bills paid within target	6,004	129,666	123,239
Percentage of bills paid within target	99.7%	100.0%	99.9%

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

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



## 5.1 Intangible Fixed Assets

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

## Tangible fixed assets

### 5.2 Tangible assets at the balance sheet date:

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction and payments on account	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
				£000					
At 1 April 2008	0	3	0	0	0	0	0	58	61
Indexation	0	0	0	0	0	0	0	2	2
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
<b>At 31 March 2009</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>60</b>	<b>63</b>
<b>Depreciation</b>									
At 1 April 2008	0	3	0	0	0	0	0	26	29
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Provided during the year	0	0	0	0	0	0	0	13	13
<b>At 31 March 2009</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>39</b>	<b>42</b>
<b>Net book value</b>									
<b>at 1 April 2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>32</b>
<b>Net book value</b>									
<b>at 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>21</b>
<b>Net book value of assets held under finance leases and hire purchase contracts</b>									
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:</b>									
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Value of assets held at open market value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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## Tangible Fixed Assets (continued)

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

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

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

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

## 6.1 Debtors

	£000	2007-08 £000
<b>Amounts falling due within one year:</b>		
Welsh Assembly Government	234	11
Health Commission Wales	0	0
Local Health Boards	104	340
Primary Care Trusts	0	0
NHS Trusts	51	79
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	52	77
Provision for irrecoverable debts	(36)	(37)
Pension Prepayments:	0	0
Other prepayments and accrued income	22	291
<b>Sub total</b>	<b>427</b>	<b>761</b>
<b>Amounts falling due after more than one year:</b>		
Welsh Assembly Government	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	1	3
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
<b>Sub total</b>	<b>1</b>	<b>3</b>
<b>Total</b>	<b>428</b>	<b>764</b>
<b>Provision for irrecoverable debts (impairment of receivables):</b>		
Balances at 1 April	37	0
Provided in year	0	37
Written-off in year	(1)	0
Recovered during year	0	0
Balance at 31 March	36	37
<b>Debtors past due date but not impaired:</b>		
Up to 3 months	425	755
3 to 6 months	0	3
More than 6 months	3	6
<b>Total</b>	<b>428</b>	<b>764</b>

## 6.2 Creditors

Amounts falling due within one year:	2007-08	
	£000	£000
Welsh Assembly Government	0	0
Health Commission Wales	7	14
Local Health Boards	98	41
NHS Trusts	654	812
Primary Care Trusts	0	0
Income tax and social security	42	46
VAT	0	0
Non-NHS creditors	3,065	5,417
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and HP contracts	0	0
GPFH savings	0	0
Pensions: staff	0	0
Accruals	8,334	3,950
Deferred Income	0	0
Other creditors	0	0
<b>Total</b>	<b>12,200</b>	<b>10,280</b>

## 6.3 Creditors

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

## 6.4 Provisions for liabilities and charges

	At 1 April 2008	Structured settlement cases trans- ferred to WRP	Transfer of prov- isions to creditors	Arising during the year	Reversed unused	Utilised during the year	Unwind- ing of discount	At 31 March 2009
	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0
Defence legal fees and other administration costs.	0	0	0	0	0	0		0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Pensions	0			0	0	0	0	0
Other	1,233			157	(308)	(33)		1,049
<b>Total</b>	<b>1,233</b>	<b>0</b>	<b>0</b>	<b>157</b>	<b>(308)</b>	<b>(33)</b>	<b>0</b>	<b>1,049</b>

## Expected timing of cash flows:

	Within 1 year £000	Between 2 and 5 years £000	After 5 years £000	Total £000
Clinical negligence	0	0	0	0
Personal injury	0	0	0	0
All other losses and special payments	0	0	0	0
Defence legal fees and other administration costs	0	0	0	0
Pensions	0	0	0	0
Other	1,049	0	0	1,049
<b>Total</b>	<b>1,049</b>	<b>0</b>	<b>0</b>	<b>1,049</b>

The LHB estimates that in 2009-10 it will receive £'000 , and in 2010-11 and beyond £'000 from the Welsh Risk Pool in respect of losses and special payments.

The provision for Continuing Health care included in the accounts relates only to those costs for Continuing Health Care occurring after 1st April 2003. All costs for which a provision has been established relating to period pre 1st April 2003 will be accounted for elsewhere in the Wales health economy (in accordance with the Welsh Assembly Government requirements) as, although they relate to residents in the Conwy area, they were incurred before Conwy Local Health board was established.

## 6.5 General fund

The movement on the General fund in the year comprised:

	£000
<b>At 1 April 2008</b>	<b>(10,507)</b>
Net operating cost for the financial year	(174,712)
Net Assembly funding (including capital)	172,909
Capital charge interest	(412)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
<b>Balance at 31 March 2009</b>	<b>(12,722)</b>

## 6.6 Donated asset reserve

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

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

## 6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
<b>Balance at 1 April 2008</b>	<b>1</b>
Revaluation	0
Indexation	2
Transfer to general fund - realised revaluation	0
	<hr/>
<b>Balance at 31 March 2009</b>	<b>3</b>

## 6.8 Contingent liabilities -

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

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

Uncertainties affecting outcome:

## 6.9 Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	250	0	201	0
Balances with local authorities	0	0	630	0
Balances with NHS trusts and Foundation trusts	51	0	654	0
Balances with Local Health Boards	104	0	98	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	22	1	10,617	0
<b>Total at 31 March 2009</b>	<b>427</b>	<b>1</b>	<b>12,200</b>	<b>0</b>
Balances with other central government bodies	26	0	119	0
Balances with local authorities	0	0	709	0
Balances with NHS trusts and Foundation trusts	79	0	812	0
Balances with Local Health Boards	340	0	41	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	316	3	8,599	0
<b>Total at 31 March 2008</b>	<b>761</b>	<b>3</b>	<b>10,280</b>	<b>0</b>



## 6.10 Post balance sheet events

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

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

## 6.11 Capital commitments

The Local Health Board has the following capital commitments:

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

### Note to 6.10 - Post Balance Sheet Events

#### Reconfiguration of the NHS in Wales

In 2008, the Health and Social Services Minister in the Welsh Assembly Government gave approval for the restructuring of Local Health Boards and NHS Trusts to create 7 new Local Health boards at 1st October 2009.

Conwy Local Health Board will continue in its present form until that date and therefore, these financial statements are the final full year financial statements for this organisation. Six month financial statements for 1st April 2009 to 30th September 2009 will be produced and on 1st October the Conwy LHB will restructure with the other 5 North Wales LHBs, North West Wales NHST and North Wales NHST to form the Betsi Cadwaladr University Local Health Board. All assets and liabilities of Conwy LHB will transfer to the new Local Health Board at that date and all operations are continuing.

## 6.12 Related Party transactions

£000

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

CONWY LOCAL HEALTH BOARD is a body corporate established by order of the National Assembly.

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

- 1 - Hospital & Community Health Services Resource Allocations
- 2 - General Medical Services Resource Allocations
- 3 - Pharmacy Contract Resource Allocations
- 4 - Dental Contract Resource Allocations
- 5 - Salary recharges to the Assembly
- 6 - Repayment of Continuing Care settlements

NHS Trusts	£000
North Wales NHS Trust (Central)/Conwy & Denbighshire NHS	70,722
North West Wales	33,381
North Wales NHS Trust (East)/North East Wales NHST	3,292

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

There were also material transactions with NHS entities in England totalling approximately £3.0m.

Within this total the two agreements which were individually for over £0.2m were:

	£000
Robert Jones and Agnes Hunt Orthopaedic	1,229
Royal Liverpool and Broadgreen	686

During the year no members of the Board, the LHB's senior management staff or other related parties have undertaken any material transactions with the Board.

Some General Practitioners who are members of Conwy Local Health Board are also practising GPs in the LHB area. Also, some members of the Board are NHS Trust employees.

The Ophthalmic and Pharmaceutical Local Health Board Members receive reimbursement for the provision of services from the LHB whilst Dental Members receive reimbursement from the Dental Practice Board for services provided on behalf of Conwy Local Health Board.

In 2008/2009, the LHB made payments of £420,000 to a number of voluntary organisations to provide services that support the health needs of the population.

Declarations of interest made by members of the Board are provided overleaf.

## 6.12 Related Party transactions

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

<b>Name</b>	<b>Details</b>	<b>Interests</b>
David Scott	Chair	Employed part time Conwy Vol Servs Council Member of Care & Repair Cymru Member of North Wales Housing Assoc.
Wyn Thomas	Chief Executive	Wife employed by St. David's Hospice
Dr Martin Duerden	Medical Director	Retainee in General Practice - Gyffin Surgery
Sue Owen	Nurse Director	No disclosures
Neil Stevens	Director of Finance	Joint Director of Finance with Denbighshire LHB w.e.f 01/01/2009
Pat Mowll	Director of Commissioning and Performance Management	Joint Director of Development and Performance Management with Denbighshire LHB
Dr Rob Atenstaedt	Director of Public Health	No disclosures
Cheryl Carlisle	Non-Officer Member, Loc. Authority	Conwy County Borough Councillor
Sue Davies	Non-Officer Member, Vol Sector	Employed by Conwy Connect
Catherine Dubourg	Non-Officer Member, Dental	No disclosures
Dr Paul Emmett	Non-Officer Member, GP	Craig-y-Don Medical Practice. MorfaDoc Morfadoc Out of Hours Service
Dr Richard Evans	Associate Member, NWW Trust	Consultant NW Wales NHS Trust Agricultural Business, Land tenancy,
Jill Galvani	Associate Member, NW Trust	Director of N Wales NHS Trust
Joanna Griffiths	Non-Officer Member, Loc. Authority	Head of Adult Services, CCBC Magistration with Ynys Mon Bench
Ian Howard	Co-opted Member, NW Trust	Director of N Wales NHS Trust
Melvyn Hughes	Non-Officer Member, Optician	Self-employed Optometrist Chair, Conwy Abbeyfield Society Trustee, Mary Hughes Memorial
Gwenda Jones	Non-Officer Member, Community	Vice Chair, Friends of Plan-y-Llan
Peter Jones	Co-opted Member, CHC	Vice Chair, Conwy East CHC
Iain Mitchell	Non-Officer Member, Therapy	Director of Therapy Services, & Divisional General Manager Clinical Support Services, N Wales NHS Trust Wife is Head of OT, Conwy Social Services
Janet Murfin	Non-Officer Member, Nurse (Vice Chair)	Adult Health Inspector for Care & Social Services Inspectorate of Wales Salvation Army
David Owen	Associate Member, CHC	Chair Conwy West CHC
Elizabeth Roberts	Non-Officer Member, Loc. Authority	Conwy County Borough Councillor
Alice Robinson	Non-Officer Member, Carer	Conwy Alzheimers Society
Adrian Taylor	Non-Officer Member, Pharmacy	Locum Pharmacist
Merfyn Thomas	Non-Officer Member, Loc. Authority	Conwy County Borough Councillor Royal British Legion
Jan Tomlinson	Associate Member, Trade Union	No disclosures
Dr Mark Walker	Non-Officer Member, GP	Plas Menai Medical Centre Clinical Assistant sessions, NWW & NW Trust
Ann Westmoreland	Non-Officer Member, Vol. Sector	Employee, Conwy Voluntary Services Council; Member, Conwy Valley Rotary Club Trustee Board Member Conwy Toy Library
Dr David Whyler	Non-Officer Member, GP	Kinmel Bay Medical Centre Morfadoc Out of Hours Service Sexual Health Practitioner N Wales NHS Trust; Wales National Synod of the URCUK Mersey Province of the URCUK

The Assembly Government has not notified the Board of any related party interests, if any, in respect of Ministers for the year 2008/2009.

### 6.13 Losses and special payments

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

	Number of cases	Value of cases £
Personal injury	0	0
Fraud cases	0	0
All other losses and special payments	181	2,558
<b>Total losses and special payments</b>	<b>181</b>	<b>2,558</b>

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

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
<b>Cases exceeding £250,000</b>			
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>All other cases</b>	<b>2,558</b>	<b>0</b>	<b>2,558</b>
<b>Total cases</b>	<b>2,558</b>	<b>0</b>	<b>2,558</b>

## **6.14 Financial Instruments**

### **Financial Risk Management**

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

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

### **Liquidity Risk**

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

### **Interest Rate Risk**

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

### **Foreign Currency Risk**

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

## 6.15 Finance lease obligations

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

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

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

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

## **6.16 Pooled Budgets**

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

Conwy Local Health Board has not contributed to any pooled budget arrangements in 2008/09.

**6.17 Financial Assets**

	At fair value through Profit & Loss £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	155	0	0	155
Cash at bank and in hand	81	0	0	81
Other financial assets	192	0	0	192
<b>At 31 March 2009</b>	<b>428</b>	<b>0</b>	<b>0</b>	<b>428</b>
Embedded derivatives	0	0	0	0
NHS receivables	419	0	0	419
Cash at bank and in hand	211	0	0	211
Other financial assets	345	0	0	345
<b>At 31 March 2008 (Prior year)</b>	<b>975</b>	<b>0</b>	<b>0</b>	<b>975</b>

**6.18 Financial liabilities**

	At fair value through Profit & Loss £000	Other £000	Total £000
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	13249	0	13249
<b>At 31 March 2009</b>	<b>13249</b>	<b>0</b>	<b>13249</b>
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	11513	0	11513
<b>At 31 March 2008 (Prior year)</b>	<b>11513</b>	<b>0</b>	<b>11513</b>

[If fair value of financial assets or financial liabilities differs from carrying amount:

- a) give the fair values by class of financial assets and financial liability (classes chosen according to type of information/characteristics of the financial instruments) in a way that allows comparison with carrying amount
- b) state how the fair values have been obtained
- c) state the assumptions used in applying any valuation technique]

	2008-09 £000	2007-08 £000
<u>NHS Receivables-from Note 6.1</u>		
Local Health Boards	104	340
Primary Care Trusts	0	0
NHS Trusts	51	79
<b>Total</b>	<b>155</b>	<b>419</b>

Other financial liabilities

Creditors: amounts falling within 1yr	12200	10280
Creditors: amounts falling due after 1 yr		
Provisions for liabilities and charges	1049	1233
<b>Total</b>	<b>13249</b>	<b>11513</b>



## **7 Additional Information**

### **Forecast Financial Position 2009-10**

Local Health Boards are required to achieve a breakeven financial position each and every year except where a recovery plan has been approved by the Welsh Assembly Government in accordance with WHC(2004)34 Statutory Financial Duties of NHS Trusts and Local Health Boards. Where an approved recovery plan is in place, achievement of the breakeven duty will be measured over the life of the plan.

In 2008, the Health and Social Services Minister in the Welsh Assembly Government gave approval for the restructuring of Local Health Boards and NHS Trusts to create one new Local Health Board in North Wales with effect from 1st October 2009. However, Conwy Local Health Board is still required to plan to achieve a break-even financial position for the whole of 2009/2010 and work with the other NHS organisations in North Wales to achieve agreement on a North Wales Annual Operating Framework submission.

At the time of producing these accounts, a North Wales Health Community 2009/2010 Annual Operating Framework has been agreed with the Welsh Assembly Government. Plans are being developed further to mitigate the Health Community's risks and to ensure the achievement of the 2009/2010 Annual Operating Framework /Local Delivery Plan targets within the health economy's total resources available.

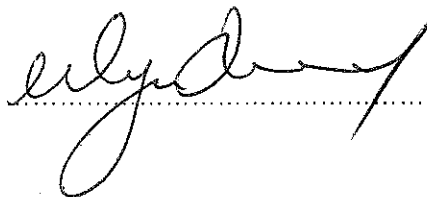
In addition to the above, the Local Health Board has submitted a balanced 2009/2010 Financial Plan to the Assembly as approved by the Board in March 2009. Within this plan the LHB is attempting to manage its own additional cost pressures particularly within Primary Care Prescribing, Pharmacy Contract and Continuing Health Care cost pressures.

**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: <sup>11<sup>th</sup></sup> June 2009



Chief Executive

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

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


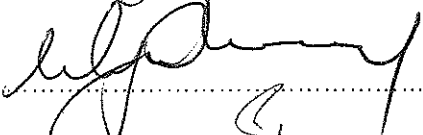
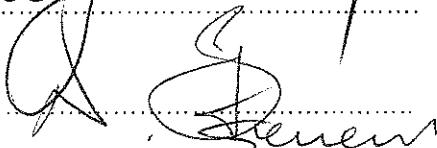
- apply on a consistent basis accounting principles laid down by the Welsh Ministers with the approval of the Treasury
- make judgements and estimates which are responsible and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and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

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

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

**By Order of the Board**

Signed:

Chairman: .....		Dated: <sup>11<sup>th</sup></sup> June 2009
Chief Executive: .....		Dated: <sup>11<sup>th</sup></sup> June 2009
Director of Finance: .....		Dated: <sup>11<sup>th</sup></sup> June 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.

The system of internal control is based upon an ongoing risk management process designed to identify the principal risks to the organisation's objectives; to evaluate the nature of those risks and to manage them efficiently, effectively and economically.

The organisation's responsibilities for internal control are also considered and assessed in the quarterly accountability reviews with the Regional Office. No adverse issues relating to internal control, risk management or clinical governance have been identified in 2008/2009.

### 2. The purpose of the system of internal control

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

### 3. Capacity to handle risk

Conwy LHB's Risk Management Strategy has been reviewed by the Board during 2008/200, with no significant changes necessary. This Strategy identifies the responsibility and role of the Board, Audit Committee, Chief Executive, Directors and other staff in relation to risk management. The LHB's Risk Management Group embraces strategic issues, monitors all risks, controls assurance standards and formally reports to the Audit Committee on a quarterly basis.

The Chief Executive has delegated the operational responsibility for risk management to two executive directors. The Medical Director has responsibility for the management of clinical risk and the clinical governance agenda and the Director of Finance is the lead for the implementation of the LHB's risk management arrangements and controls assurance standards.

The LHB has adopted a top down approach whereby the key risks that could potentially threaten the achievement of the LHB's principal objectives have been identified. High level potential risks have been mapped to the LHB's objectives. Throughout the year Conwy LHB has routinely monitored and reviewed the risks identified and included in the LHB's risk register. Risk management awareness training has been provided during the year for all LHB staff and a risk awareness culture has been promulgated on a LHB wide basis.

Guidance has been received from the Health Inspectorate Wales on the standards applicable to LHBs in 2008/2009. Advice has also been received from Mersey Internal Audit Agency on risk and internal control matters and the Local Counter Fraud Service on counter fraud and post payment verification measures.

**STATEMENT ON INTERNAL CONTROL (CONT)**

**4. The risk and control framework**

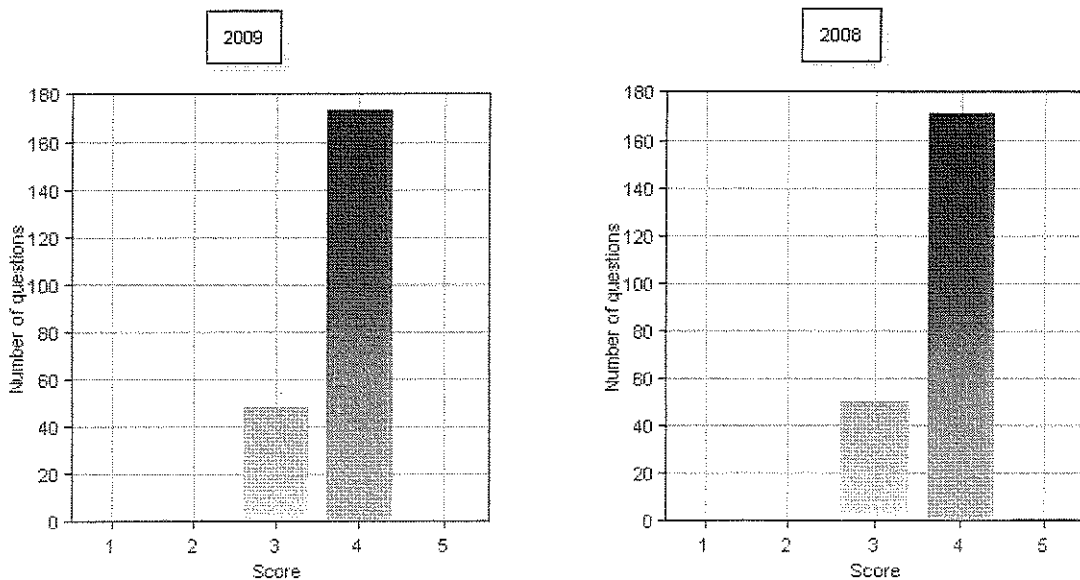
The LHB's risk management framework is set out in the LHB's Risk Management Strategy that has been revised and approved by the Board during the year. The key elements of this strategy include:

- A summary policy/mission statement setting out the LHB's commitment to risk management;
- Support to staff and partners in providing services that are safe for patients;
- The LHB's policy on risk, strategic objectives and scope of the strategy;
- Risk processes including risk identification, prioritisation, and management arrangements;
- Clarity on risk structures and designated responsibilities, monitoring and audit arrangements, risk assessment guidance, risk profiling, Risk Management Group processes, Welsh Healthcare Standards, corporate governance arrangements and incident reporting procedures.

The Welsh Risk Management Framework has been debated at Board level during the year. All staff recognise that risk management is everyone's business and are actively encouraged to identify risks, adverse incidents, near misses or hazards in an open and honest LHB environment.

The system of internal control is underpinned by compliance with the Healthcare Standards. The LHB undertook a self assessment against the Healthcare Standards for Wales 2008/09, which was submitted to HIW in April 2009. Executive leads and Board members were assigned to each standard and the Board were involved in the completion and review of the self assessment prior to submission. Each Board member had access to the self assessment tool and reviewed the standards for which they have lead responsibility for.

The LHB has demonstrated a marginal improvement upon the previous year's self assessment:



**STATEMENT ON INTERNAL CONTROL (CONT)**

The self assessment scores reviewed by MIA (Mersey Internal Audit Agency) are as follows:

<b>Standard</b>	<b>Area</b>	<b>Score</b>
14	Healthcare organisations continuously and systematically review and improve all aspects of their activities that directly affect the safety and health of patients, service users, staff and the public. They will not only comply with legislation, but apply best practice in assessing and managing risk	4
16	Healthcare organisations have systems in place: <ul style="list-style-type: none"> <li>to identify and learn from all patient safety incidents and other reportable incidents;</li> <li>to report incidents to the National Patient Safety Agency's (NPSA) National Reporting and Learning System and other bodies in line with existing guidance;</li> <li>to demonstrate improvements in practice based on shared local and national experience and information derived from the analysis of incidents; and</li> <li>to ensure that patient safety notices, alerts and other communications concerning safety are acted upon within required time-scales</li> </ul>	4
27	Governance arrangements representing best practice are in place which: <ul style="list-style-type: none"> <li>apply the principles of sound clinical and corporate governance;</li> <li>ensure sound financial management and accountability in the use of</li> <li>actively support all employees to promote openness, honesty, probity, accountability, and the economic, efficient and effective use of resources;</li> <li>include systematic risk assessment and risk management; and</li> <li>are integrated across all health communities and clinical networks.</li> </ul>	4
28	Healthcare organisations: <ul style="list-style-type: none"> <li>ensure that the principles of clinical governance underpin the work of every team and every clinical service;</li> <li>have a cycle of continuous quality improvement, including clinical audit; and</li> <li>ensure effective clinical and managerial leadership and accountability.</li> </ul>	4

An Improvement Plan has been developed based upon the self assessment against the healthcare standards, prioritising the areas in which the LHB requires further development. The improvement plan has been completed by LHB officers and executive leads and has been approved by the Board. This Plan is seen as an iterative document which will be reviewed and updated during the course of the year and specifically when further feedback has been received from HIW.

Progress against the plan will be monitored throughout the year via the Risk Management Sub-Group, Clinical Governance Committee and the Board. In addition, regular monitoring is confirmed with the Regional Office as part of the Clinical Governance quarterly monitoring report.

Responsibility for the delivery of healthcare standards is embedded within the LHB as part of individual roles and responsibilities. In addition, all Board papers submitted are cross referenced to the Healthcare Standards to provide the Board with assurances on how the LHB is delivering against the standards.

**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 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 annual audit letter and other reports. I have been advised on the implications of the result of my review of effectiveness of the system of internal control by the Board, the Audit Committee, Risk Management Steering Group and Clinical Governance Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

**STATEMENT ON INTERNAL CONTROL (CONT)**

The contribution to the review of effectiveness for each of the sources is as follows:


- The head of internal audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Internal audit provide regular reports to the Audit Committee and to the Director of Finance. The Audit Committee also receives details of actions that remain outstanding following any follow up of previous audit work. The Director of Finance also meets with the Audit Manager.
- The self assessment and subsequent validation against Healthcare Standards and the resultant improvement plan provides me with additional assurances.
- A Modernisation Assessment was carried out in the year with NLIAH and an action plan was produced and approved by the LHB Executive Management Team.
- Executive Directors within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance through review of performance against objectives.
- The Assurance Framework / Risk Register themselves provide me with further evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed and that an action plan has been drawn up as a result of this review.
- The Board's role is to provide active leadership of the LHB within a framework of prudent and effective controls that enable risk to be assessed and managed
- The Audit Committee, as part of an integrated committee structure provides a pivotal role in advising the Board on the effectiveness of the system of internal control.
- The Risk Management Group and Clinical Governance Committee are key components by which I am able to assess the effectiveness and assure the Board of risk management generally and clinical risk.
- There is a nominated Local Counter Fraud Specialist with a remit to build a strong anti-fraud culture throughout the organisation.
- As an employer with staff entitled to membership of the NHS Pension Scheme control measures are in place to ensure the LHB complies with all employer obligations contained within the Scheme regulations.

The Health Economy achieved its overall SCEP targets for the year and its target financial surplus as determined by the Welsh Assembly Government. This is representative of the significant amount of work and management which was input into managing the financial position. The main areas of risk for the LHB continue to relate to prescribing and continuing healthcare i.e. due to their volatile nature.

**6. Significant internal control problems**

Any significant internal control issues would be reported to the Board via the Audit Committee.

There have been no significant internal controls issues identified during 2008/2009.

Signed:  Chief Executive

Date: 11<sup>th</sup> June 2009 (On behalf of the board)

## **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 Conwy Local Health Board for the year ended 31 March 2008 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as being audited.

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

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

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

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

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

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

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

### **Basis of audit opinions**

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

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



Without qualifying my opinion, I draw attention to Note 7 to the accounts, which sets out the financial position of the Conwy Local Health Board and the actions being taken to achieve financial balance.

### **Opinion**

In my opinion:

- the financial statements give a true and fair view in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by Welsh Ministers of the state of affairs of Conwy Local Health Board as at 31 March 2008 and of its net operating costs, recognised gains and losses and cash flows for the year then ended; and
- the financial statements and that part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

### **Opinion on Regularity**

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

### **Report**

I have no observations to make on these financial statements.

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

Jeremy Colman  
Auditor General for Wales  
1 July 2008

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

**ACCOUNT OF CONWY LOCAL HEALTH BOARD 2008/2009**

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

**LOCAL HEALTH BOARDS**

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

**BASIS OF PREPARATION**

2. The account of the LHB shall comply with:

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

**FORM AND CONTENT**

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

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

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

**MISCELLANEOUS**

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

Signed by the authority of Welsh Ministers

Signed :

Dated :

**ACCOUNT OF CONWY LOCAL HEALTH BOARD 2008/2009**

**SCHEDULE 1**

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

**Companies Act**

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

**Accounting Standards**

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

**SCHEDULE 2**

**ADDITIONAL REQUIREMENTS**

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