

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

Performance Management and Financial Results

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

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

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

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Note	Total £000	2006-07 Total £000
Expenditure	4.1,4.2,4.3, 4.4	238,857	229,513
Miscellaneous income	3.1	2,831	3,411
Net operating costs		<u>236,026</u>	<u>226,102</u>

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

	£000	£000
Unrealised surplus on revaluation / indexations of fixed assets	0	10
Net increases / reductions in General Fund due to transfers of assets	0	0
Fixed asset impairment losses	0	0
Recognised gain / (loss) for the year	<u>0</u>	<u>10</u>

BALANCE SHEET AS AT 31 MARCH 2008

	Note	£000	31 March 2007 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	203	205
CURRENT ASSETS			
Debtors	6.1	1,198	1,635
Cash at bank and in hand		1,638	4,604
Total Current Assets		2,836	6,239
Creditors: amounts falling due within one year	6.2	16,562	18,066
Net current assets / (liabilities)		(13,726)	(11,827)
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	1,193	219
TOTAL NET ASSETS		(14,716)	(11,841)
FINANCED BY:			
General fund	6.5	(14,726)	(11,851)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	10	10
TOTAL		(14,716)	(11,841)

Signed for and on behalf of the Board

Director of Finance Chief Executive

Date Date.....

Adopted by the Board on.....

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	£000	2006-07 £000
Net operating costs	(236,026)	(226,102)
Adjust for non-cash transactions	402	(505)
Adjust for movements in working capital other than cash	(1,067)	3,530
Utilisation of provisions	0	0
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Net cash outflow from operating activities	(236,691)	(223,077)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:		
Payments to acquire fixed assets	0	0
Receipts from the sale of fixed assets	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from investing activities	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) before financing	(236,691)	(223,077)
FINANCING:		
Net Assembly funding (including capital)	233,725	226,317
Surrender of income from sale of fixed assets	0	0
Donations	0	0
Capital element of finance lease rental payments	0	0
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Net cash inflow / (outflow) from financing	233,725	226,317
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Increase / (decrease) in cash	(2,966)	3,240

Notes to the cash flow statement

Adjust for non-cash transactions

	£000	2006-07 £000
Depreciation and other write-offs	2	2
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	974	(11)
Capital charge interest	(574)	(496)
	<u>402</u>	<u>(505)</u>

Adjust for movements in working capital other than cash

	£000	2006-07 £000
(Increase)/decrease in debtors	437	2,214
Increase/(decrease) in creditors	(1,504)	1,316
	<u>(1,067)</u>	<u>3,530</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	(2,966)
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	(2,966)
Non cash changes in debt	0
Net debt at 1 April 2007	<u>4,604</u>
Net debt at 31 March 2008	<u>1,638</u>

Analysis of changes in net debt

	As at 1 April 2007	Cash flows	Other changes	As at 31 March 2008
	£000	£000	£000	£000
Cash at bank and in hand	4,604	(2,966)	0	1,638
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Total	<u>4,604</u>	<u>(2,966)</u>	<u>0</u>	<u>1,638</u>

Amount held in Office of Paymaster General bank accounts as at 31 March 2008 was £1,640,856

Analysis of capital expenditure, financial investments and associated receipts

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

Reconciliation of loan issues and repayments to cash movements

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

Reconciliation of fixed assets and disposals

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

Notes to the Account

1. Accounting Policies

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

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

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

Acquisitions and Discontinued Operations

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

1.2 Income and funding

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

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

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

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

1.3 Taxation

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

1.4 Intangible fixed assets

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

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

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

1.5 Tangible fixed assets

a. Capitalisation

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

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

b. Valuation

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

Land and Buildings

Land and buildings are restated at current cost using professional valuations every five years and appropriate indices in intervening years. The buildings indexation is based on the All in Tender Price Index published by the Building Cost Information Service (BICS). The land index is based on the residential building and land values reported in the Property Market Report published by the Valuation Office. Valuations are carried out by the District Valuers of the Inland Revenue Government Department at five - yearly intervals. A five - yearly revaluation was carried out as at 1 April 2007 with an additional valuation carried out as at 31 March 2008.

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

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

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

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

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

Equipment

Equipment surplus to requirements is valued at net recoverable amount and assets held under finance leases are capitalised at the fair value of the assets. With those exceptions, equipment is valued at Depreciated Replacement Cost.

Assets in the course of construction

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

c. Depreciation, amortisation and impairments

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

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

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

Leaseholds are depreciated over the primary lease term.

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

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

1.6 Donated assets

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

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

1.7 Research and development

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

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

1.8 Pension Costs

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

The Scheme is subject to a full actuarial investigation every four years. The main purpose of which is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such investigation, on the conclusions of which scheme contribution rates are currently based, had an effective date of valuation on this basis took place as at 31 March 2004 and covered the period from 1 April 1999 to that date. Between the full actuarial valuations, the Government Actuary provides an annual update of the scheme liabilities for FRS 17 purposes. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the Business Service Authority - Pensions Division website at www.nhs.gov.uk. Copies can also be obtained from The Stationery Office.

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

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

Additional pension liabilities arising from early retirement 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 Income and Expenditure account at the time the LHB commits itself to the retirement, regardless of the method of payment.

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

1.9 Foreign currency

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

1.10 Cost of Capital

The cost of capital applies to all the assets and liabilities of the LHB, less cash balances held at the OPG and donated assets. The interest rate applied to capital charges in the 2007/08 financial year was 3.5%.

1.11 Provisions

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

1.12 Liquid resources

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

1.13 Leases

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

1.14 Contingent liabilities

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

Contingent assets are disclosed where a possible asset exists as a result of past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the LHB's control. Contingent assets are disclosed only where the future outflow of economic benefit is considered to be probable.

1.15 Deferred Income

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

1.16 Expenditure

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

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

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

1.17 New Dental Contract

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

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

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

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

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

2.1 Achievement of Operational Financial Balance

	2006-07
	£000
Net operating costs for the financial year	236,026
Non-discretionary expenditure	1,764
Operating costs less non-discretionary expenditure	234,262
Revenue Resource Limit	234,267
Under / (over) spend against Revenue Resource Limit	5
Unplanned resource brokerage received	0
Operational Financial Balance	5

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

The planned savings profiles were submitted as part of the tLHBs Strategic Change and Efficiency Plan, which was approved by WAG on 23rd August 2007. The plan required repayment of the tLHB deficit in 2006-07 of £0.368m and the achievement of savings. It is against a planned profile that the tLHB has been monitored during 2007-08. The original level of savings outlined in the Strategic Change and Efficiency Plan was £1.971m. However, the tLHB reviewed the progress of the schemes and a further revision was made to £3.343m. The final performance of the savings for 2007-08 is reported at £3.593m. Therefore, Caerphilly tLHB has duly achieved all the requirements of the Strategic Change and Efficiency Plan.

In February 2008, Caerphilly tLHB agreed to resource brokerage from Rhondda Cynon Taff tLHB of £0.400m to fund the cost pressures of Continuing NHS Healthcare and ensure the achievement of operational financial balance in 2007-08. On the 20th March 2008, Caerphilly tLHB received additional allocation of £1.345m for cost pressures relating to Continuing NHS Healthcare. However, as Caerphilly tLHB reported a breakeven position it was agreed to provide resource brokerage to Swansea tLHB. Both elements of the resource brokerage are to be reversed in April 2008-09. It must be noted that all the brokerage arrangements have been agreed by Welsh Assembly Government and the tLHB.

3.1 Miscellaneous income

	£000	2006-07 £000
Fees & Charges	0	0
Prescription charge income	1,016	1,668
Dental fee income	1,415	1,172
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Other	400	571
Total	2,831	3,411

4.3 Other programme expenditure

	£000	2006-07 £000
Salaries and wages	226	221
National Public Health Service	1,017	983
Losses, special payments and irrecoverable debts	99	122
Research and development	0	0
Other	82	121
Total	1,424	1,447

4.4 Administration expenditure

	£000	2006-07 £000
Non-officer members' remuneration	85	74
Other salaries and wages	1,288	1,154
Consultancy services	0	0
Establishment expenses	215	226
Transport and moveable plant	0	0
Premises and fixed plant	404	120
External contractors	34	45
Auditors' remuneration - audit fee	95	79
Auditors' remuneration - other fees	2	0
Business Services Centre recharge	1,111	1,074
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation	2	2
Amortisation	0	0
Capital charge interest	(574)	(496)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	262	0
Total	2,924	2,278

Total audit fees of £97k gross of vat include £16,286 paid to Powys LHB in respect of the audit of the shared services provided by the Business Services Centre to the tLHB.

4.8 Board Directors' remuneration

	£000	2006-07 £000
Non-officer members' remuneration	85	74
Executive Directors' remuneration:		
basic salaries	330	302
benefits	3	2
performance related bonuses	2	5
pension contributions	46	43
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
Total	466	426

	Chairman £000	Chief Executive £000
Basic Salary	34	80
Benefits	0	3
Compensation for loss of office	0	0
Performance related bonuses	0	2
Pension contributions	0	11
Total	34	96

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:

The Chief Executives Performance Related Pay is based on 6% of the basic salary for the period 1st April 2007 to 13th August 2007. This was agreed by the Remuneration & Terms of Service Committee on the 27th November 2007.

4.10 Retirements due to ill-health

During 2007-08 there were no early retirements from the LHB agreed on the grounds of ill-health.

4.11 Public Sector Payment Policy - Measure of Compliance

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

	Number	£000	2006-07 £000
Non- NHS			
Total bills paid 2007-2008	2,827	12,582	10,265
Total bills paid within target	2,791	12,521	10,118
Percentage of bills paid within target	98.7%	99.5%	98.6%

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

	Number	£000	2006-07 £000
NHS			
Total bills paid 2007-2008	908	160,651	149,364
Total bills paid within target	892	160,562	148,991
Percentage of bills paid within target	98.2%	99.9%	99.8%

	Number	£000	2006-07 £000
Total			
Total bills paid 2007-2008	3,735	173,233	159,629
Total bills paid within target	3,683	173,083	159,109
Percentage of bills paid within target	98.6%	99.9%	99.7%

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

	£	2006-07 £
Amounts included within Interest Payable arising from claims made by small businesses under this legislation (see note 4.4).	0	0
Compensation payable to cover debt recovery costs	0	0

5.1 Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2007	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross replacement cost at 31 March 2008	0	0	0	0	0
Accumulated amortisation at 1 April 2007	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
Accumulated amortisation at 31 March 2008	0	0	0	0	0
Net book value at 1 April 2007	0	0	0	0	0
Net book value at 31 March 2008	0	0	0	0	0

6.1 Debtors

	£000	2006-07 £000
Amounts falling due within one year:		
National Assembly for Wales	15	202
Health Commission Wales	0	0
Local Health Boards	349	108
Primary Care Trusts	0	0
NHS Trusts	304	321
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	349	464
Provision for irrecoverable debts	(211)	(254)
Pension Prepayments:	0	0
Other prepayments and accrued income	392	794
	<hr/>	<hr/>
Sub total	1,198	1,635
	<hr/>	<hr/>
Amounts falling due after more than one year:		
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
	<hr/>	<hr/>
Sub total	0	0
	<hr/>	<hr/>
Total	1,198	1,635

6.2 Creditors

Amounts falling due within one year:	2006-07	
	£000	£000
National Assembly for Wales	5	778
Health Commission Wales	0	0
Local Health Boards	666	116
NHS Trusts	4,088	6,749
Primary Care Trusts	0	0
Income tax and social security	5	0
Non-NHS creditors	10,443	9,603
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	1,355	820
Deferred Income	0	0
Other creditors	0	0
Total	16,562	18,066

6.3 Creditors

Amounts falling due after more than one year:	2006-07	
	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
Total	0	0

6.4 Provisions for liabilities and charges

	At 1 April 2007	Structured settlement cases trans- ferred to WRP	Transfer of prov- isions to creditors	Arising during the year	Reversed unused	Utilised during the year	Unwind- ing of discount	At 31 March 2008
	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0
All other losses and special payments	132	0	0	0	(132)	0	0	0
Defence legal fees and other administration costs.	0	0	0	0	0	0		0
Sub-total	132	0	0	0	(132)	0	0	0
Pensions	0			0	0	0	0	0
Other	87			1,106	0	0		1,193
Total	219	0	0	1,106	(132)	0	0	1,193

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	1,193	0	0	1,193
Total	1,193	0	0	1,193

The tLHB has received a number of claims relating to continuing healthcare. Whilst the accounts include a provision of £1,088k in respect of some of these claims, there is a further contingent liability of £1,273k for 32 cases awaiting assessment. Other claims may arise in the future. As these are uncertain and beyond quantification, no further amounts have been included.

Agenda for Change - From the 1st of October 2004 a new NHS pay system was due to be introduced. The implementation of the new pay system, known as Agenda for Change, is underway and the LHB has provided £105k in the accounts but all the potential costs are not yet known.

6.5 General fund

The movement on the General fund in the year comprised:

	£000
At 1 April 2007	(11,851)
Net operating cost for the financial year	(236,026)
Net Assembly funding (including capital)	233,725
Capital charge interest	(574)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2008	<u>(14,726)</u>

6.6 Donated asset reserve

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

	£000
Balance at 1 April 2007	0
Additions	0
Impairments	0
Revaluation and indexation	0
Disposals and write-offs	0
Depreciation	0
	<hr/>
Balance at 31 March 2008	<u>0</u>

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
Balance at 1 April 2007	10
Revaluation	0
Indexation	0
Transfer to general fund - realised revaluation	0
	<hr/>
Balance at 31 March 2008	<u>10</u>

6.8 Contingent liabilities -

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

Nature:	2006-07	
	£000	£000
Legal claims for third parties liabilities	0	0
Doubtful debts	0	0
Other	1,273	0
Total	1,273	0

Uncertainties affecting outcome:

The tLHB has received a number of claims relating to continuing healthcare. Whilst the accounts include a provision of £1,088k in respect of some of these claims, there is a further contingent liability of £1,273k for 32 cases awaiting assessment. Other claims may arise in the future. As these are uncertain and beyond quantification, no further amounts have been included.

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	25	0	5	0
Balances with local authorities	215	0	553	0
Balances with NHS trusts and Foundation trusts	326	0	4,111	0
Balances with Local Health Boards	349	0	666	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	283	0	11,227	0
Total at 31 March 2008	1,198	0	16,562	0
Balances with other central government bodies	217	0	778	0
Balances with local authorities	338	0	385	0
Balances with NHS trusts and Foundation trusts	321	0	6,749	0
Balances with Local Health Boards	108	0	116	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	651	0	10,038	0
Total at 31 March 2007	1,635	0	18,066	0

6.10 Post balance sheet events

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

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

6.11 Capital commitments

The Local Health Board has the following capital commitments:

		2006-07
Contracted	0	0
Authorised but not contracted	0	0
Total	<u>0</u>	<u>0</u>

6.12 Related Party transactions

£000

Total value of transactions with Board members and key senior staff in 2007-2008

0

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

Blaenau Gwent Local Health Board
Bro Morgannwg NHS Trust
Cardiff & Vale NHS Trust
Carmarthenshire NHS Trust
Gwent Healthcare Trust
Monmouth Local Health Board
Newport Local Health Board
Rhondda Cynon Taff LHB

North Glamorgan NHS Trust
Pembrokeshire Derwen NHS Trust
Pontypridd Rhondda NHS Trust
Powys LHB
Swansea NHS Trust
Torfaen Local Health Board
Velindre NHS Trust

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

The Assembly have reviewed the Ministerial disclosures and confirmed there are no disclosures are required with Caerphilly tLHB.

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

During 2007/08, the following individuals served as non-executive directors with Caerphilly Local Health Board (LHB). Several of these non-executive directors also held positions of influence with other organisations and businesses which had material transactions with Caerphilly LHB. Details are as follows

	Member	Related Organisation	Supplier No.	Role During 2007/08	Value of Expenditure with Related Organisation During 2007/08 £000	Value of Expenditure with Related Organisation During 2006/07 £000
1	Margaret Ballard	Ty-Bryn Surgery, Bedwas	T030	Partner		
		The Village Surgery, Llanbradach	V012	Partner		
2	John Bevan	Caerphilly CBC	C001	Councillor	3,029	2,969
		Abertyswg Community Centre	A023	Secretary		2
		Abertyswg Community First ommittee		Secretary		
		Abertyswg Village Partnership		Secretary		
		Rhymney Comprehensive Governing Body		Chairman		
		Abertyswg Primary School		Governor		
		Rhymney Community Council		Elected Member		
3	Wendy Bourton OBE	United Welsh Housing Association Care and Repair Cymru Public Appointments (WAG) National Partnership Forum for Older People (WAG)	C228	Board Member (Now Ceased) Chief Executive Independent Assessor Public Appointments		20
4	Colleen Bright	South Wales Police		Independent Custody Visiting Officer		
5	Alan Brown	Caerphilly CBC	C001	Environmental Health Manager	3,029	2,969
6	Allan Davies	Gwent Healthcare NHS Trust	G005	Manager	109,731	106,084
7	Chrissie Hayes	Lyngray Development Ltd		Managing Director & Company Secretary		
8	Colin Mann	Caerphilly CBC	C001	Councillor	3,029	2,969
		Gwent Police Authority	G076	Member		2
9	Judith Pritchard	Centre for Help & Advice to the Disabled Cefn Hengoed After-School Club The Youth Centre, Cefn Hengoed	C070	Honorary President Honorary Officer & Registered Person CSIW Committee Member	2	2
		Caerphilly CBC Cefn Hengoed & Hengoed Communites First Partnership Hengoed Community Centre	C001	Councillor Chairman Treasurer	3,029	2,969
10	Judith Smallwood	Caerphilly Area Comm. CHC WRVS, Ystrad Mynach Hospital		Chair		
11	Chris Walsh	Brecon Town Council		Elected Mamber		
12	Allen Williams	Caerphilly CBC	C001	Councillor	3,029	2,969
		GAVO	G048	Executive Member	188	158
		GAVO (Caerphilly Executive)	G048	Chairman	188	158
		Markham Community House	M003	Trustee		
		Gwent Association of Voluntary Organisations (Pan	G048	Vice Chair	188	158
13	Robin Woodyatt	Caerphilly CBC	C001	Councillor	3,029	2,969
14	Joe Howsam	Caerphilly CBC	C001	Director of Social Services	3,029	2,969
15	Peter Lewis	Gwent Healthcare NHS Trust	G005	Consultant	109,731	106,084

6.12 Related Party transactions

Enter text here

6.13 Losses and special payments

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

	Number of cases	Value of cases £
Personal injury	0	0
Fraud cases	0	0
All other losses and special payments	2	15,000
Total losses and special payments	2	15,000

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

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £250,000			
.....	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
Sub-total	0	0	0
All other cases	15,000	15,000	15,000
Total cases	15,000	15,000	15,000

6.14 Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the way that LHB's in Wales are financed, they are not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The LHB's have no power to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHB's in undertaking their activities.

Liquidity Risk

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

Interest-rate Risk

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

Foreign Currency Risk

The LHB's have negligible foreign currency income or expenditure. Therefore, they are not exposed to significant foreign currency risk.

6.15 Finance lease obligations

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

	£000	2006-07 £000
Within 1 year	0	0
Between 1 and 5 years	0	0
After 5 years	0	0
	<hr/>	<hr/>
Subtotal	0	0
	<hr/>	<hr/>
Less finance charges allocated to future periods	0	0
	<hr/>	<hr/>
Total	0	0

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.

Remuneration Report

Name and title		2007-08			2006-07		
		Salary £5k bands £000	Other Remuneration £5k bands £000	Benefits in Kind Rounded to nearest £00 £00	Salary £5k bands £000	Other Remuneration £5k bands £000	Benefits in Kind Rounded to nearest £00 £00
Executive directors							
Judith Paget	Chief Executive until 10/8/07	30-35	0	22	80-85	0 - 5	17
Chrissie Hayes	Chief Executive since 11/8/07	50-55	0	0	0	0	0
Chrissie Hayes	Nurse Director until 10/8/07	20-25	0	0	55-60	0	0
Mark Ash	Dir Finance & Commissioning Support	65-70	0	0	55-60	0	0
Chris Walsh	Nurse Director from 1/10/07	30-35	0	0	0	0	0
Karen Gully	Medical Director until 1/2/08	50-55	0	0	50-55	0	0
Adam Southan	Medical Director since 18/2/08	5-10	0	0	0	0	0
Gill Richardson	Dir of Public Health	0	0	0	0	0	0
Colleen Bright	Dir of Planning & Service Modernisation	50 - 55	0	0	50 - 55	0	0
Non officer members							
Colin Palfrey		30-35	0	0	15-20	0	0
David Greville		5 - 10	0	0	5 - 10	0	0
David Bailey	left 31/7/07	0-5	0	0	5 - 10	0	0
Sheena Thomas	left 31/10/07	0-5	0	0	0-5	0	0
Allen Williams		5 - 10	0	0	5 - 10	0	0
Judith Pritchard		5 - 10	0	0	0-5	0	0
Richard Griffiths		5 - 10	0	0	0-5	0	0
Gwyn Jones		5 - 10	0	0	0-5	0	0
Margaret Ballard	since 1/5/07	5 - 10	0	0	0	0	0
David Baird	since 1/5/07	5 - 10	0	0	0	0	0
Alan Brown		0	0	0	0	0	0
Joe Howsam		0	0	0	0	0	0
Colin Mann	left 30/6/07	0	0	0	0	0	0
Wendy Bourton		0	0	0	0	0	0
Dermot Hughes	left 30/6/07	0	0	0	0	0	0
John Bevan		0	0	0	0	0	0
Allan Davies		0	0	0	0	0	0
Robin Woodyatt	since 1/7/07	0	0	0	0	0	0
Pam Baldwin	left 30/6/07	0	0	0	0	0	0
Judith Smallwood	since 1/5/07	0	0	0	0	0	0
Peter Lewis	since 1/8/07	0	0	0	0	0	0

The benefit in kind received by Judith Paget relates to the net cost to the LHB of a lease car.

Mark Ash is seconded in from Monmouthshire LHB and the disclosure above represents the cost to Caerphilly LHB.

Julian Baker is seconded out to North Glamorgan Healthcare NHS Trust and is therefore not included above.

Chris Walsh is seconded in from Ceredigion & Mid Wales NHS Trust and the disclosure above represents the cost to Caerphilly LHB.

Judith Paget has been seconded out to Powys tLHB since 11th August 2007 and therefore disclosure has not been made after this date.

Remuneration Note

Pension Benefits

	Real increase in pension at age 60	Lump sum at age 60 related to real increase in pension	Total accrued pension at age 60 at 31/3/08	Lump sum at age 60 related to accrued pension at 31/3/2008	Cash equivalent transfer value at 31/3/08	Cash equivalent transfer value at 31/3/07	Real increase in cash equivalent transfer value at 31/3/08	Employer's contribution to stakeholder pension
	£2.5k bands £000	£2.5k bands £000	£5k bands £000	£5k bands £000	£000	£000	£000	£000
Judith Paget - Chief Executive	5 - 7.5	15 - 17.5	25 - 30	100 - 105	471	375	61	0
Karen Gully - Medical Director	0 - 2.5	0 - 2.5	15 - 20	45 - 50	215	208	1	0
Adam Southan - Medical Director	0 - 2.5	0 - 2.5	10 - 15	45 - 50	164	128	3	0
Chrissie Hayes - Nurse Director/Chief Executive	5 - 7.5	15 - 17.5	10 - 15	55 - 60	333	235	65	0
Colleen Bright - Director of Planning & Service Development	0 - 2.5	0 - 2.5	15 - 20	55 - 60	303	280	11	0
Mark Ash - Director of Finance & Commissioning Support	0 - 2.5	0 - 2.5	15 - 20	45 - 50	182	166	9	0
Chris Walsh - Nurse Director	0 - 2.5	2.5 - 5.0	15 - 20	50 - 55	212	169	13	0
Gill Richardson - Dir of Public Health					An employee of Velindre NHS Trust			

Mark Ash is seconded in from Monmouthshire LHB

Chris Walsh is seconded in from Ceredigion & Mid Wales NHS Trust

Judith Paget is seconded out to Powys tLHB

As Non officer members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non officer members.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time). The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV – This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Date: 2008

..... Chief Executive

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

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

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

Date: 2008 Chief Executive

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

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

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

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

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

By Order of the Board

Signed:

Chairman: Dated: 2008

Chief Executive: Dated: 2008

Director of Finance: Dated: 2008

STATEMENT OF 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 tLHB's internal control framework is underpinned by Standing Orders and Standing Financial Instructions, which were formally adopted by the Board in April 2003, and have been reviewed during 2006/07. The Standing Orders include a scheme of delegation and the tLHB has also adopted a detailed authorisation matrix. Membership and Terms of Reference of the Audit & Risk Management Committee, Clinical Governance Committee and Remuneration & Terms of Service Committee are agreed. The tLHB has undertaken self-assessments against the Health Care Standards for Wales (HCSW) and agreed Health Care Standards Improvement Plan (HCSIP). In addition, the tLHB have undertaken self-assessment against Welsh Risk Management Standard H: Claims.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the organisation for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to handle risk

The Board has agreed to discharge its responsibilities for corporate risk management through the Audit & Risk Management Committee and for clinical governance through the Clinical Governance Committee. There is a clear link established between these two committees in relation to risk management. The overall accountability for the management of risk rests with the Chief Executive. The Director of Finance has been delegated with responsibility for risk management and the Medical Director is charged with responsibility for clinical governance.

The Audit Committee is responsible for advising the Chief Executive and Board on risk management and internal control. It is also responsible for collating the sources of assurance which inform how effectively risk is managed and the reliability of the internal control system. This is predominantly taken from the work of our internal and external auditors who attend the Audit Committee. The Audit Committee also receives regular reports from the LHB's local counter fraud officer on investigations and recovery.

During 2007-08 the tLHB has developed an Integrated Governance Working Group. The role of the group is to complete the Healthcare Standards; monitor the Healthcare Standards Improvement Plan; review and monitor the Risk Register; and to consider HIW Reports. The Integrated Governance Working Group report to the Clinical Governance Committee; Audit & Risk Management Committee; and Management Team.

In respect of the management of risk, Risk Matters is a standard agenda item for the Audit & Risk Management Committee. Each directorate lead is responsible to monitor action against the risk management action plan, maintaining risk registers, reviewing Health Care Standards and conducting self assessments against the standards.

All staff receive the Risk Management Strategy as part of their induction. Staff receive a precis of the Risk Management Strategy following revision on an annual basis and are able to access the Strategy on the shared drive. Risk Management is a standard item on the annual Refresher Days for all staff.

4. The risk and control framework

The tLHB has reviewed its Risk Management Strategy which addresses clinical, organisational and financial risk through encouraging a culture of risk ownership, its assessment and associated remedial or limitation action, by the Board and all staff within the Local Health Board. The Board and Audit Committee review the effectiveness of the risk management processes and internal controls throughout the financial year and approve the risk profile, action plans and internal audit programme.

In 2007-08 the tLHB reviewed the risk registers and revised the approach. Risk registers are maintained by all Directorates. Risks with a risk rating of 12 or more are reported to the LHBs Management Team on a 4 weekly basis. Risks with a rating of 20 or more are reported to the tLHB Board as part of a quarterly report on progress against risk management Key Performance Indicators.

A robust internal control framework was in place during the year, which includes:

- The adoption by the Board of the Standing Orders and Standing Financial Instructions;
- An Audit Committee, a Remuneration Committee and various subgroups;
- The appointment of internal auditors; and
- An approved financial plan and regular reporting of financial and performance information.

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

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

Internal Audit have confirmed that, based on the work undertaken during the year, the risk management activities and controls examined were suitably designed to achieve the objectives required by management; and, those activities and controls were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the related risk management objectives were achieved during the period under review.

The following 2 areas have been reviewed by internal audit and recommendations made for further improvement in the controls operating;

Out of Hours – Internal audit noted the controls were adequately designed but were not all operating with sufficient effectiveness. The LHB is currently implementing the recommendations of the report.

Continuing Care - The audit opinion has provided management with assurances that controls are suitably designed and operating with appropriate assurance subject to the implementation of a number of recommendations. These are accepted and an action plan is being developed to ensure delivery.

During the 2007-08 financial year the tLHB has been required to undertake self-assessments against the HCSW and WRMS Standard H: Claims.

a) Self Assessment Against All HCSW Standards

The tLHB has completed a self assessment process based on 32 individual HCSW. Each HCSW is sub-divided into various categories and questions in relation to 3 areas: Corporate, Operational/ Clinical Outcomes and User Experience. Within the tLHB each HCSW has been delegated to a standard lead who is responsible for collecting evidence and ensuring the completion of the standard via the online tool. Each area of the 32 HCSW was assessed based on the following scores:

- 5 Leading
- 4 Practising
- 3 Developing
- 2 Responding
- 1 Aware

The completed HCSW were submitted to HIW on 9th May 2008.

A summary of the 2006/07 HIW scores and the 2007/08 tLHB self assessed scores is provided below:

Score	2006/07	2007/08
	HIW Assessed	Self Assessed
	Score	Score
5	0%	3%
4	19%	50%
3	72%	44%
2	3%	0%
1	3%	0%
N/A	3%	3%
Total	100%	100%

b) Self Assessment of Performance Against the HCSW and in particular those that underpin the management of risk across all standards:

HCSW	2006/07	2007/08
	HIW Assessed	Self Assessed
	Score	Score
14 Health & Safety	3	3
16 Patient Safety Incidents	3	4
27 Governance	3	3
28 Clinical Governance	3	4

The self-assessments against all of the HCSW have been reviewed by the tLHB's Internal Auditors and agreement has been reached on scores, with an overall score of **3.5**.

c) Health Care Standards Improvement Plan (HCSIP)

The HCSIP for 2007/08 was formally agreed by the Board and was monitored on a regular basis throughout the year. Implementation and review of performance against the Action Plans will be undertaken by the Integrated Governance Working Group and reported to the Management Team; Board; Audit & Risk Management Committee; and Clinical Governance Committee.

Internal Audit have confirmed that the tLHB has
- self assessed standards 14,16, 27 and 28 on a reasonable basis and scores have been agreed
- sufficient internal processes and reporting arrangements in place
- demonstrated progress in relation to the improvement plans
- an active Board involved in the process

d) Welsh Risk Management Standards (WRMS)

WRMS H: Claims 100%

Internal Audit have confirmed the appropriate level of compliance.

5. Probity of Dental Expenditure

A new Dental Contract was implemented from 1st April 2006, with payments being made on LHBs' behalf by the Business Services Authority Dental Services Division (DSD) in England. In addition to the checks required to obtain assurance on the adequacy of the payment systems - undertaken by both the DPD's and the tLHB internal auditors - there should also be checks to ensure the probity of dental expenditure. In 2007-08 the following work was undertaken on the probity of dental expenditure, which will be outlined in detail with the year end report at the end of June 2008:

a) *Clinical Assurance Monitoring*

b) *Benefit Eligibility Checks*

c) *Patient questionnaires*

d) *Analytical review undertaken by the LHB covers FOUR main areas:*

1. Monthly information reports are reviewed where outliers are identified. The monthly information confirms that the tLHB does not have any persistent outliers. In addition, the DSD has confirmed to the tLHB that it is not an outlier when compared to Welsh LHBs.

2. Exception reports have been provided (11 for 2007-08, compared to 5 in 2006-07) and the tLHB has reviewed to ascertain the risks associated with the contract. Further information has been requested regarding the exceptional items. Once all information is reviewed the tLHB agrees action plans are with the practices.

3. All contracts were subject to mid-year review that concentrated on contract activity levels. A detailed action plan is agreed that either reduces the contract level or revised profiles to deliver the contracted levels. In 2007-08, only 1 contract did not achieve the 30% activity level, which resulted in a mid-year review.

4. All contracts are subject to an Annual Review which will commence in July. There is a financial adjustment based on national contract agreement, where all contracts that have delivered below 95% of their contracted activity are adjusted to actual performance levels. In addition, the review will look at various contract matters i.e. Patient Charge Revenue achievement, contract implementation, NICE, treatment plans, etc. The tLHB will utilise the year reports provided by the DPD. The tLHB deals with all exception investigations as part of the annual review process.

e) The tLHBs Internal Audit team have undertaken a review of the Dental Payments system that is managed by the Business Service Centre. There are no matters to report with the payments system.

f) The tLHBs LCFS is not involved in any review of the exceptions at this stage.

Although this work does not indicate that any material irregular dental expenditure occurred during 2007-08, it is not sufficient to provide the tLHB with assurance that the risk of irregular payments to dentists are minimised. The tLHB has increased the work undertaken to identify and minimise any risk of irregular payments to dentists but further work is planned for 2008-09.

6. Pensions Contributions Assurance Statement

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

7. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board is advised of the effectiveness of internal controls through reports received from the Audit & Risk Management Committee and Clinical Governance Committee. Each of these committees plays an important role in reviewing the effectiveness of the system of internal control.

The Audit and Risk Management Committee have monitored the effectiveness of the system of internal control through the receipt and review of internal and external audit reports and consideration of the associated management action taken. These reports are based on a systematic review of tLHB processes. During 2007-08 these reports have not highlighted any significant internal control problems and, where appropriate, tLHB management has responded positively to recommendations made. Detailed Action Plans have been agreed with the tLHB's Internal Auditors to address areas where improvements can be made.

Signed.....
Chief Executive
(on behalf of the Board)

Date:..... 2008

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

I certify that I have audited the financial statements of Caerphilly Teaching 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 required to be audited.

Respective responsibilities of Directors, the Chief Executive and the Auditor

The Directors and the Chief Executive are responsible for preparing the annual report, the remuneration report and the financial statements in accordance with paragraph 3 of schedule 9 to the National Health Service (Wales) Act 2006 and Welsh Ministers' directions made 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, Caerphilly Teaching 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 Caerphilly Teaching Local Health Board's compliance with HM Treasury's and Welsh Ministers' guidance and report if it does not. I am not required to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of Caerphilly Teaching 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 because 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 Caerphilly Teaching Local Health Board's circumstances, and are consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- the financial statements give a true and fair view in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by Welsh Ministers of the state of affairs of Caerphilly Teaching 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 Caerphilly Teaching Local Health Board's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008 will be reported separately in the published Annual Audit Letter.

Jeremy Colman
Auditor General for Wales
25 June 2008

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

ACCOUNT OF - 2007-2008

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

LOCAL HEALTH BOARDS

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2008 and subsequent financial years in respect of the Local Health Boards (LHB). The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

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

FORM AND CONTENT

3. The account of the LHB for the year ended 31 March 2008 and subsequent years shall comprise an operating cost statement, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2008 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.

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

MISCELLANEOUS

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

Signed by the authority of Welsh Ministers

Signed :

Dated :

ACCOUNT OF - 2007-2008

SCHEDULE 1

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

Companies Act

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

Accounting Standards

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

SCHEDULE 2

ADDITIONAL REQUIREMENTS

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