

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

### Performance Management and Financial Results

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

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

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

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

	<b>Note</b>	<b>Total £000</b>	<b>2007-08 Total £000</b>
Expenditure	4.1,4.2,4.3, 4.4	<b>116,561</b>	111,501
Miscellaneous income	3.1	<b>2,161</b>	1,598
<b>Net operating costs</b>		<b><u>114,400</u></b>	<b><u>109,903</u></b>

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

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

**BALANCE SHEET AS AT 31 MARCH 2009**

			<b>31 March 2008</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>TOTAL FIXED ASSETS</b>			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	0	0
<b>CURRENT ASSETS</b>			
Debtors	6.1	502	456
Cash at bank and in hand		124	28
<b>Total Current Assets</b>		<b>626</b>	<b>484</b>
Creditors: amounts falling due within one year	6.2	7,511	7,433
<b>Net current assets / (liabilities)</b>		<b>(6,885)</b>	<b>(6,949)</b>
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	0	0
<b>TOTAL NET ASSETS</b>		<b>(6,885)</b>	<b>(6,949)</b>
<b>FINANCED BY:</b>			
General fund	6.5	(6,885)	(6,949)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	0
<b>TOTAL</b>		<b>(6,885)</b>	<b>(6,949)</b>

Signed for and on behalf of the Board

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

Date: 10th June 2009

Date: 10th June 2009

Adopted by the Board on 10th June 2009

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

	£000	2007-08 £000
<b>Net operating costs</b>	<b>(114,400)</b>	<b>(109,903)</b>
Adjust for non-cash transactions	(242)	(220)
Adjust for movements in working capital other than cash	32	1,343
Utilisation of provisions	0	0
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(114,610)</b>	<b>(108,780)</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:</b>		
Payments to acquire fixed assets	0	0
Receipts from the sale of fixed assets	0	0
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) from investing activities</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) before financing</b>	<b>(114,610)</b>	<b>(108,780)</b>
<b>FINANCING:</b>		
Net Assembly funding (including capital)	114,706	108,771
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>114,706</b>	<b>108,771</b>
	<hr/>	<hr/>
<b>Increase / (decrease) in cash</b>	<b>96</b>	<b>(9)</b>

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

	£000	2007-08 £000
Depreciation and other write-offs	0	0
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	0	0
Capital charge interest	(242)	(220)
	<u>(242)</u>	<u>(220)</u>

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

	£000	2007-08 £000
(Increase)/decrease in debtors	(46)	286
Increase/(decrease) in creditors	78	1,057
	<u>32</u>	<u>1,343</u>

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

	£000
Increase/(decrease) in cash in the period	96
Cash outflow from debt repaid and finance lease capital payments	<u>0</u>
Change in net debt resulting from cash flows	96
Non cash changes in debt	0
<b>Net debt at 1 April 2008</b>	<u>28</u>
<b>Net debt at 31 March 2009</b>	<u>124</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	28	96	0	124
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>28</u>	<u>96</u>	<u>0</u>	<u>124</u>
<b>Total</b>	<u>28</u>	<u>96</u>	<u>0</u>	<u>124</u>

Amount held in Office of Paymaster General bank accounts as at 31 March 2009 was £0.124m

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

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

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

#### Acquisitions and Discontinued Operations

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

#### 1.2 Income and funding

The main source of funding for the LHB is resource allocations from the Welsh Assembly Government within an approved 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

### b. Valuation

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

### Land and Buildings

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

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

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

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

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

### Equipment

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



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

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

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

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

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

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

Leaseholds are depreciated over the primary lease term.

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

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

### **1.6 Donated assets**

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

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

### **1.7 Research and development**

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

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

## 1.8 Pension Costs

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

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

### a) Full actuarial (funding) valuation

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

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

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

### b) FRS17 Accounting Valuation

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

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

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

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

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

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

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

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

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

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

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

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.nhs.gov.uk](http://www.nhs.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 is defined by the National Assembly as "non-discretionary" and is deducted from net operating costs for the purposes of assessing outturn against revenue resource limit in note 2.1.

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

## **1.17 Financial Instruments**

### **Financial Assets**

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

Financial assets are initially recognised at fair value.

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

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

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

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

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

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

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

#### **Loans and receivables**

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

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

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset. At the balance sheet date, the LHB assesses whether any financial assets, other than those held at fair value through profit and loss are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence or impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

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

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

### **Financial Liabilities**

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

Financial liabilities are initially recognised at fair value.

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

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

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

#### **Other financial liabilities**

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

**2.1 Achievement of Operational Financial Balance**

	£000	2007-08 £000
Net operating costs for the financial year	114,400	109,903
Non-discretionary expenditure	(1,985)	(1,846)
Operating costs less non-discretionary expenditure	116,385	111,749
Revenue Resource Limit	116,412	111,825
<b>Under / (over) spend against Revenue Resource Limit</b>	<b>27</b>	<b>76</b>
Unplanned resource brokerage received	0	0
<b>Operational Financial Balance</b>	<b>27</b>	<b>76</b>

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

The LHB received £0.640m of resource allocation in the current financial year that had been brokered forward from the financial year 2007/08 by Welsh Assembly Government.

In the current financial year, the LHB repaid resource brokerage of £0.825m that it received in 2007/08.

In March 2009 the Local Health Boards in the Hywel Dda Health Community received an additional non recurring resource allocation of £12.0m from Welsh Assembly Government on behalf of the Hywel Dda NHS Trust, which they paid over to the Trust as part of its Long Term Agreement income. The amount received by each Local Health Board is set out below.

	£m
Carmarthenshire LHB	2.1
Ceredigion LHB	0.8
Pembrokeshire LHB	9.1
<b>Total</b>	<b>12.0</b>

The additional income does not form part of the normal recurring income that the Hywel Dda Trust can expect from the Local Health Boards in the Health Community.



**3.1 Miscellaneous income**

	£000	2007-08 £000
Fees & Charges	107	80
Prescription charge income	93	89
Dental fee income	760	777
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Rental income from finance leases	0	0
Rental income from operating leases	0	0
Other	<u>1,201</u>	<u>652</u>
<b>Total</b>	<b><u>2,161</u></b>	<b><u>1,598</u></b>

Other

Footnote to Note 3.1

Analysis of Other Income:	£000	£000	£000
GP Registrars Income		434	333
Secondment Salary & Related Expenses Recharges			5
Income Private use of Lease Cars		1	
Income unspecified Non-NHS less than £250 per item		50	32
LHB Other Income:			
Wet Aged Macular Degeneration	224		
WAG Continuing Healthcare Funding	315		
Welsh Language Recharges	31		
Substance Misuse	30		
British Heart Foundation Funding	40		
Healthy Together Ceredigion Project	11		
Other	<u>16</u>		
		667	218
Training Income		1	4
Continuing Care Patients Recharges		48	60
		<u>1,201</u>	<u>652</u>

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

	Cash limited	Non cash limited	Total	2007-08 Total
	£000	£000	£000	£000
General Medical services	14,636	0	14,636	14,140
Pharmaceutical services	3,378	(2,594)	784	329
General Dental services	4,537	0	4,537	3,883
General Ophthalmic services	0	609	609	602
Other Primary health care expenditure	1,252	0	1,252	1,135
Prescribed drugs and appliances	16,401	0	16,401	16,755
<b>Total</b>	<b>40,204</b>	<b>(1,985)</b>	<b>38,219</b>	<b>36,844</b>

**4.2 Secondary and Community health care**

	Total	2007-08 Total
	£000	£000
<b>NHS Trusts:</b>		
Provider 1 - Hywel Dda NHS Trust (See Note 2.1)	61,115	58,163
Provider 2 - Abertawe Bro Morgannwg NHS Trust	1,490	1,380
Provider 3 - Robert Jones & Agnes Hunt NHS Trust	1,190	857
Provider 4 - Cardiff & The Vale NHS Trust	862	753
Provider 5 - Powys Healthcare NHS Trust	195	200
Provider 6 - Velindre NHS Trust	86	82
Provider 7 - Shrewsbury & Telford NHS Trust	74	79
Provider 8 - Gwent Healthcare NHS Trust	56	49
Provider 9 - North West Wales	35	21
Provider 10 - Cwm Taf	21	24
Other Welsh NHS trusts	11	61
Other non Welsh NHS trusts	480	560
Local Authorities	882	992
Voluntary Organisations	241	260
NHS Funded Nursing Care	675	678
Continuing Care	8,371	6,945
Private providers	242	1,133
Specific projects funded by Welsh Assembly Government	0	0
Other	0	13
<b>Total</b>	<b>76,026</b>	<b>72,250</b>

Included in the 2008-09 Hywel Dda expenditure is:

Risk Share for Access 2009 Non-recurring	178
Other	162
Cardiac Monitoring Unit Recurring	325
Continuing Health Care	588
Cross Border	164
Inflation	1535

Difference between 07/08 and 08/09

**2,952**

Expenditure with Local Authorities is as follows:

S28 Expenditure	882
-----------------	-----

In common with other LHBs in Wales, Ceredigion LHB has experienced significant cost pressures in all areas of Continuing Care which accounts for the large increase in expenditure in this area.

### 4.3 Other programme expenditure

	£000	2007-08 £000
Salaries and wages	309	266
National Public Health Service	488	477
Losses, special payments and irrecoverable debts	4	0
Research and development	0	0
Other	130	147
	<hr/>	<hr/>
<b>Total</b>	<b>931</b>	<b>890</b>

### 4.4 Administration expenditure

	£000	2007-08 £000
Non-officer members' remuneration	70	78
Other salaries and wages	658	802
Consultancy services	0	0
Establishment expenses	175	118
Transport and moveable plant	20	30
Premises and fixed plant	101	95
External contractors	0	0
Auditors' remuneration - audit fee	67	77
Auditors' remuneration - other fees	0	0
Business Services Centre recharge	528	532
Interest payable - unwinding of discount	0	0
Interest payable - other	0	0
Capital - Depreciation	0	0
Amortisation	0	0
Capital charge interest	(242)	(220)
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	8	5
	<hr/>	<hr/>
<b>Total</b>	<b>1,385</b>	<b>1,517</b>

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

	Total	2007-08 Total
	£000	£000
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	0	0
Defence legal fees and other administrative costs	0	0
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	0	0
Contributions to Welsh Risk Pool/insurance premiums	0	0
Irrecoverable debts	4	0
Less: income received/due from Welsh Risk Pool	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>4</b>	<b>0</b>
	<hr/>	<hr/>

Personal injury includes £ nil in respect of permanent injury benefits

#### 4.6 Hire and operating lease rentals

	2007-08 £000	2007-08 £000
Hire of plant and machinery	0	0
Other operating leases	21	23
<b>Total</b>	<b>21</b>	<b>23</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	5	0	6
Between 1 and 5 years	0	20	0	17
After 5 years	0	0	0	0

#### 4.7 Executive Directors and staff costs

	Total £000	2007-08 Total £000
Salaries and wages	1,285	1,272
Social security costs	91	92
Employer contributions to NHSPA	152	154
Other pension costs	0	0
Agency / seconded staff	34	54
<b>Total</b>	<b>1,562</b>	<b>1,572</b>

#### Reconciliation of Note 4.7

	£000	£000
Note 4.1 - Primary Health Care	595	504
Note 4.3 - Other Programme Expenditure	309	266
Note 4.4 - Administration	658	802
	<b>1,562</b>	<b>1,572</b>

**4.8 Board Directors' remuneration**

	£000	2007-08 £000
Non-officer members' remuneration	65	73
Executive Directors' remuneration:		
basic salaries	299	220
benefits	1	1
performance related bonuses	0	0
pension contributions	17	23
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
<b>Total</b>	<b>382</b>	<b>317</b>

	£000	Chief Executive £000
Basic Salary	21	50
Benefits	0	0
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	0	6
<b>Total</b>	<b>21</b>	<b>56</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:**

## 4.9 Average number of employees

The average number of employees during the year was:

	Permanent staff Number	Agency, temporary and contract staff Number	Staff on inward second- ment Number	Total Number	2007-08 Number
Executive Board Members	3	0	0	3	5
Other Local Health Board Staff	31	1	0	32	38
Recharged staff	(5)	0	7	2	0
<b>Total</b>	<b>29</b>	<b>1</b>	<b>7</b>	<b>37</b>	<b>43</b>

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

## Expenditure on staff benefits

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

#### 4.10 Retirements due to ill-health

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

#### 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	28,936	15,737	13,596
Total bills paid within target	28,780	15,369	13,575
Percentage of bills paid within target	99.5%	97.7%	99.8%

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	739	68,321	66,116
Total bills paid within target	714	68,221	65,965
Percentage of bills paid within target	96.6%	99.9%	99.8%

	Number	£000	2007-08 £000
<b>Total</b>			
Total bills paid 2008-2009	29,675	84,058	79,712
Total bills paid within target	29,494	83,590	79,540
Percentage of bills paid within target	99.4%	99.4%	99.8%

#### 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	0	0	0	0	0	0	0	0
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
<b>At 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Depreciation</b>									
At 1 April 2008	0	0	0	0	0	0	0	0	0
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Provided during the year	0	0	0	0	0	0	0	0	0
<b>At 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value</b>									
<b>at 1 April 2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value</b>									
<b>at 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value of assets held under finance leases and hire purchase contracts</b>									
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:</b>									
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Value of assets held at open market value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Tangible Fixed Assets (continued)**

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

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

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

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

**6.1 Debtors**

<b>Amounts falling due within one year:</b>	<b>2007-08</b>	
	<b>£000</b>	<b>£000</b>
Welsh Assembly Government	34	3
Health Commission Wales	0	0
Local Health Boards	64	57
Primary Care Trusts	0	0
NHS Trusts	47	46
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	1,532	1,764
Provision for irrecoverable debts	(1,428)	(1,428)
Pension Prepayments:	0	0
Other prepayments and accrued income	253	14
<b>Sub total</b>	<b>502</b>	<b>456</b>

<b>Amounts falling due after more than one year:</b>	<b>£000</b>	
	<b>£000</b>	<b>£000</b>
Welsh Assembly Government	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
<b>Sub total</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>502</b>	<b>456</b>

## Provision for irrecoverable debts (impairment of receivables):

Balances at 1 April	1428	0
Provided in year	0	1428
Written-off in year	0	0
Recovered during year	0	0
Balance at 31 March	1428	1428

## Debtors past due date but not impaired:

Up to 3 months	100	12
3 to 6 months	1	33
More than 6 months	1	31
<b>Total</b>	<b>102</b>	<b>76</b>

Included in Other Debtors is an amount of £1.235m in respect of dental contract underperformance relating to the year 2006/07 and 2007/08.

This is fully provided for in Provision for Irrecoverable Debts.

**6.2 Creditors**

<b>Amounts falling due within one year:</b>	<b>2007-08</b>	
	<b>£000</b>	<b>£000</b>
Welsh Assembly Government	0	6
Health Commission Wales	0	0
Local Health Boards	112	131
NHS Trusts	660	331
Primary Care Trusts	0	0
Income tax and social security	0	0
VAT	0	0
Non-NHS creditors	212	479
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and HP contracts	0	0
GPFH savings	0	0
Pensions: staff	0	0
Accruals	6,527	6,486
Deferred Income	0	0
Other creditors	0	0
<b>Total</b>	<b>7,511</b>	<b>7,433</b>

**6.3 Creditors**

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

**Analysis of Accruals in Note 6.2**

	<b>2,009</b>	<b>2,008</b>
	<b>£000</b>	<b>£000</b>
GMS	953	1,280
Continuing Care/Individual Patient Commissioning	987	895
Drugs	2679	2,864
Dental	323	78
Pharmacy	1003	700
Other Primary Healthcare	20	24
Other Healthcare	390	324
Administrative	172	281
Other Accruals		40
	<b>6,527</b>	<b>6,486</b>

**Footnote to Note 6.2**

The increase in NHS Trust creditors between 07/08 & 08/09 is primarily due to invoices received from the Hywel Dda NHS Trust for drugs, but also includes non-recurring accruals for Primary Care Mental Health Team and Cardiac Rehabilitation allocation in 08/09.

**6.4 Provisions for liabilities and charges**

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

**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	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

## 6.5 General fund

The movement on the General fund in the year comprised:

	£000
<b>At 1 April 2008</b>	<b>(6,949)</b>
Net operating cost for the financial year	(114,400)
Net Assembly funding (including capital)	114,706
Capital charge interest	(242)
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>(6,885)</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>0</b>
Revaluation	0
Indexation	0
Transfer to general fund - realised revaluation	0
	<hr/>
<b>Balance at 31 March 2009</b>	<b>0</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	100
<b>Total</b>	<b>0</b>	<b>100</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	45	0	0	0
Balances with local authorities	2	0	116	0
Balances with NHS trusts and Foundation trusts	47	0	660	0
Balances with Local Health Boards	64	0	112	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	344	0	6,623	0
<b>Total at 31 March 2009</b>	<b>502</b>	<b>0</b>	<b>7,511</b>	<b>0</b>
Balances with other central government bodies	3	0	39	0
Balances with local authorities	124	0	395	0
Balances with NHS trusts and Foundation trusts	46	0	331	0
Balances with Local Health Boards	57	0	131	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	226	0	6,537	0
<b>Total at 31 March 2008</b>	<b>456</b>	<b>0</b>	<b>7,433</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>

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

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

Ceredigion 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 Ceredigion 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,

- Welsh NHS Trusts with whom the Local Health Board contracts for the purchase of healthcare, and in particular those scheduled in Note 4.2.
- Carmarthenshire, Pembrokeshire and Powys Local Health Boards, and in particular Powys LHB with whom the Local Health Board contracts for the provision of services provided by the Business Services Centre.
- Velindre NHS Trust with whom the Local Health Board contracts for the provision of Public Health and Health Promotion Services provided by the National Public Health Service.

In addition, the Local Health Board has a significant number of material transactions with other Government Departments and other Central and Local Government bodies. Most of these transactions have been with Ceredigion County Council in respect of joint enterprises. In addition to this the Local Health Board has material transactions with a number of English NHS Trusts the most significant of which are identified in Note 4.2 of the accounts.

The Local Health Board has also had transactions with other Local Health Boards and NHS Trusts in the normal course of its business where the transactions would not be considered to be material.

Under the management arrangements with Ceredigion LHB the following directors hold joint posts in both LHB's.

Mrs K. Miles Director of Finance and Commissioning  
 Mrs H. Williams Director of Nursing  
 Mrs S. Hurds Director of Corporate Strategy  
 Ms S. Williams Director of Director of Primary and Community Care.

Mrs K. Miles Director of Finance and Commissioning is Governor of Pembrokeshire College.

Mrs B. Rees held the post of Chief Executive in Carmarthenshire, Ceredigion and Pembrokeshire LHBs in the periods set out in the table below.

<b>LHB</b>	<b>Dates</b>
Carmarthenshire	1st September 2008 to 31st March 2009
Ceredigion	1st April 2008 to 31st March 2009
Pembrokeshire	1st April 2008 to 31st March 2009

The spouse of Mrs B. Rees, the Chief Executive, is an employee of the Hywel Dda NHS Trust.

Mrs B Rees is also an Associate Director of the Hywel Dda Trust.

On 1st August 2008 Mrs J. Hawes, Chair of Ceredigion LHB was also appointed Chair of Pembrokeshire LHB. Mrs Hawes' son works for an NHS body as a Data Quality Project Manager.

## 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>
Cllr A. Lloyd-Jones	Non-Executive Director	Member of Ceredigion County Council Member of the Assoc of the British Pharmaceutical Industry Pensions received from two Pharmaceutical Companies Member Llanfarian Community Council Member of Dyfed-Powys Police Authority Chair of Ymlaen Ceredigion Cwmni Iaith CYF CAB
Cllr P Hinge	Non-Executive Director	Management Board Member of Tai Cartref Ceredigion County Councillor Executive Member of Royal Welsh Fusiliers Comrades Association
Cllr H. Harries	Non-Executive Director	Member of Ceredigion County Council, Lampeter Town Council & Wales Sports Council
Mr. P Davies	Non-Executive Director	Officer of Ceredigion County Council
Dr. D. Williams	Non-Executive Director (1.4.08 - 31.12.08)	In General Medical Practice within Ceredigion and receives remuneration from the LHB in accordance with the Statement of Fees and Allowances under the terms of the GMS Contract
Dr. C. Langley	Non-Executive Director	In General Medical Practice within Ceredigion and receives remuneration from the LHB in accordance with the Statement of Fees and Allowances under the terms of the GMS Contract
Mrs. K Giles	Non-Executive Director	Therapist Representative, employed by Hywel Dda NHS Trust
Mrs. A. Walker	Non-Executive Director	Trustee of a Voluntary Sector Body
Dr. I. Griffiths	Non-Executive Director (1.4.08 - 31.8.08)	Dental Practice representative Part Owner of Dental Premises in Aberystwyth.
Mr. A. Kenwright	Non-Executive Director	Vice-Chair Police Authorities Wales Chair of Dyfed Powys Police Authority
Mrs. J. Regan	Non-Executive Director (1.4.08 - 30.4.08)	Chair of Directors of a Voluntary Sector Body that receive a grant from the LHB
Ms F Aldred	Carer Representative	CEO of a Voluntary Sector Body that receives a grant from the LHB

Name	Details	Interests
Mr. R. Hughes-Jones	Non-Executive Director	Locum Pharmacist in Ceredigion Receives a pension from a company which has a Pharmaceutical contract in Ceredigion.
Mrs M. Morris	Non-Executive Director	Member of Cardigan Town Council Member of Cardigan Hospital League of Friends Age Concern Ceredigion Advisory Committee Member Member Cardigan 50+ Forum
Mr Robin Baker	Non-Executive Director (1.11.08 - present)	Treasurer South West Wales Region Optometric Committee Treasurer Optometry Wales Committee Non executive director of Pembrokeshire LHB
Mr Ian Jones	Non-Executive Director (1.11.08 - present)	Organiser of Dental Services for Crisis Christmas in London Secretary of Dyfed-Powys Local Dental Committee Non executive director of Pembrokeshire LHB
Mrs J Hughes	Non-Executive Director (1.1.09 - present)	Non executive director of Pembrokeshire LHB
Mr. L. Lloyd	Associate Member	Vice-Chair of Ceredigion Community Health Council Vice President of Age Concern Ceredigion Member of Ceredigion County Council Member of Beulah Community Council
Dr. D.A.T. Roberts	Co-opted Member	In General Medical Practice within Ceredigion and receives remuneration from the LHB in accordance with the Statement of Fees and Allowances under the terms of the GMS Contract
Mr. D. Pick	Co-opted Member (1.4.08 - 30.11.08)	Employee of Hywel Dda NHS Trust
Mrs G Davies	Co-opted Member (24.2.09 - present)	Employee of Hywel Dda NHS Trust
Mr E Thomas	Co-opted Member	Aberaeron Town Council Cars for Carers Social Services Voluntary driver
Dr A Axford	Trust Representative	Employee of Hywel Dda NHS Trust

### 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	8	4,111
<b>Total losses and special payments</b>	<b>8</b>	<b>4,111</b>

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

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

## **6.14 Financial Instruments**

### **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**

The LHB had no pooled budget arrangements in 2008/09.



**6.17 Financial Assets**

	<b>At fair value through Profit &amp; Loss £000</b>	<b>Loans and receivables £000</b>	<b>Available for sale £000</b>	<b>Total £000</b>
Embedded derivatives	0	0	0	0
NHS receivables	145	0	0	145
Cash at bank and in hand	124	0	0	124
Other financial assets	357	0	0	357
<b>At 31 March 2009</b>	<b>626</b>	<b>0</b>	<b>0</b>	<b>626</b>
Embedded derivatives	0	0	0	0
NHS receivables	106	0	0	106
Cash at bank and in hand	28	0	0	28
Other financial assets	350	0	0	350
<b>At 31 March 2008 (Prior year)</b>	<b>484</b>	<b>0</b>	<b>0</b>	<b>484</b>

**16.18 Financial liabilities**

	<b>At fair value through Profit &amp; Loss £000</b>	<b>Other £000</b>	<b>Total £000</b>
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	7511	0	7511
<b>At 31 March 2009</b>	<b>7511</b>	<b>0</b>	<b>7511</b>
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	7433	0	7433
<b>At 31 March 2008 (Prior year)</b>	<b>7433</b>	<b>0</b>	<b>7433</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]

## **7 Additional Information**

### **7.1 Joint Management Arrangements**

The following amounts were recharged between Ceredigion and Pembrokeshire LHBs during the year as part of the joint management arrangements.

Recharged to Pembrokeshire LHB by Ceredigion LHB £0.152m

Recharged to Ceredigion LHB by Pembrokeshire LHB £0.315m

### **7.2 Impact of the Grogan Judgement**

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

No provision has been made in these accounts in respect of cases arising specifically from the Grogan judgement. The LHB has limited knowledge of the value or extent of potential cases. This means that, at this stage, it is not possible for a reliable estimate to be made of the financial impact of the judgement.

### **7.3 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 merger of NHS Trusts and LHBs to create 7 new LHBs at 1 October 2009.

Ceredigion LHB will continue in its present form until that date. These financial statements are the final full year financial statements. Six month financial statements from 1 April 2009 to 30 September 2009 will then be produced and on 1 October 2009 the Hywel Dda LHB will be created from the Carmarthenshire LHB, the Pembrokeshire LHB, the Ceredigion LHB and the Hywel Dda NHS Trust. All of the assets and liabilities of the LHB will transfer to the new LHB at that date and all operations are continuing.

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

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

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

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

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

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

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

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

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

**By Order of the Board**

**Signed:**

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

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

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

## **PROFORMA 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.

Overall accountability and responsibility for risk management, including controls assurance, lies with the Board and Chief Executive. The Board is responsible for the LHB's system of internal control, including risk management. It is therefore the Board's responsibility to ensure that there are proper and independent assurances given on the soundness and effectiveness of the systems & processes in place for meeting the LHB's objectives which are derived from the Welsh Assembly Government's (WAG) Annual Operating Framework, and delivering appropriate outcomes.

Following the introduction of the Joint Management Structure with Pembrokeshire the previous financial year, during 2008/09 a joint review of the committee structure was undertaken in order to ensure that the reporting structures at the LHB were capable of providing a robust scrutiny process during a time of substantial change in light of the pending NHS Reorganisation in Wales. Integral to this process are the Audit Committee and the Joint Integrated Governance Committee. Under the LHB's Standing Orders specific responsibilities have been devolved to the Audit Committee, from which the Board receives regular reports. The Joint Integrated Governance Committee has delegated authority from the Board to adopt all policies, procedures etc., relating to clinical standards, risk management, complaints and performance management. This committee reports both directly to the Board and in retrospect to the Audit Committee, in order for the Audit Committee to fulfil its overall role for scrutiny on behalf of the Board.

The responsibilities and accountabilities of each committee are specified within the individual Terms of Reference and are also included in the Risk Management Strategy & Policy. The LHB's Risk Management Strategy & Policy include principles derived from the Treasury's Risk Management Framework and from the Welsh Risk Pool on behalf of WAG.

The Welsh Assembly Government is kept fully informed on the risk management processes in place within the organization through the Annual Operating Framework and Service and Financial Framework where significant risks are noted. In addition, financial risks are highlighted within the monthly financial monitoring returns submitted to the Welsh Assembly Government and at regular review meetings.

### **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**

The Board has in place a robust system of Internal Control with committee structures in place to support the Board and its activities in ensuring Corporate Governance. The organization's Risk Management Policy & Strategy defines the structures for the management and ownership of risk and also includes the delegation of certain responsibilities and accountabilities with regard to risk, to specific committees and individuals. These include the Audit Committee and the Joint Integrated Governance Committee together with some of the working groups and sub committees, such as the Risk Working Group, Joint Clinical Governance Committee, and Compliments, Complaints and Incidents Committee, which underpin the main Committees of the Board.

The LHB recognizes that embedding risk management into its core business processes, i.e. creating a culture where effective risk management is an integral and natural part of the way most people work, is a key objective for the organization. The Risk Management Policy & Strategy which has been approved by the Board therefore reflects these principles. It includes both individual & corporate responsibilities surrounding effective decision and policy making and the ability to manage risks inherent with the successful delivery of policies and initiatives. It also recognizes that services and projects are increasingly being delivered through or in conjunction with partner organizations, and that good risk management is integral to delivering successful partnerships.

The Risk Management Policy & Strategy is supported by a detailed Risk Management Procedure and Desk Top Procedure for Risk Management. The desk top procedure for identifying risks and preparing action plans for inclusion on the risk register also accommodates both amendment to and removal of risks from the register, leaving a clear audit trail for each risk identified. All staff are made aware of the availability of these documents and are also informed of any updates. Both the Integrated Governance Committee & Board receive periodical updates on the risk profile of the organization and staff are also informed of these updates. These factors combined have contributed to a risk based approach to the achievement of the LHB's objectives during the year. The Welsh Risk Pool has highlighted the LHB's Desk Top Procedure as an example of best practice which has been shared across Wales.

Executive Directors & Senior Managers are also responsible for ensuring that staff understand and apply the LHB policy and strategy in relation to risk management. This is further reiterated in the job descriptions of all staff which makes reference to the individual's responsibility in having a proactive role in the management of risk. The induction programme for all new staff includes the individual's responsibility towards risk management with an information sheet included in the Induction Packs. During the year, training sessions were delivered on Financial Governance, Risk Management and Counter Fraud in order to provide regular updates on the subject to all staff. The sessions were designed to ensure that all staff are aware of the importance of financial governance, to ensure risk register awareness & the risk management process, incident & hazard reporting, and counter fraud processes. Further to Board approval to a revision of delegated financial limits, the Scheme of Delegation and authorized signatories list was disseminated to all staff, thus ensuring that all staff are equipped to manage risk in a way appropriate to their authority & duties.

#### 4. The risk & control framework

The LHB's Policy Statement on Risk Management is driven by the recognition that effective risk management is a key component of corporate and clinical governance & is integral to the delivery of its objectives in service provision. The risk management strategy has been developed & implemented to adapt to the changing regulatory environment, including the introduction of Healthcare Standards and to ensure that the principles derived from the Treasury's Risk Management Framework and the Welsh Risk Pool's Risk Management Toolkit are incorporated. These factors combined, ensure that an integrated approach to risk management is embedded into the activities of the organisation. The risk management strategy recognizes that risk is inherent in all the organisation's activities and that it is imperative that responsibilities and accountabilities are clearly defined. The strategy outlines responsibilities for managing risk from the Board down to individual staff, and identifies the corporate accountability arrangements within the LHB towards managing risk. These responsibilities include managing risks associated with the development and delivery of new services/activities and those associated with working with partners/stakeholders.

A documented framework exists which prioritizes risks according to their impact and probability and this is supported by an organisational risk register developed by analyzing the LHB's corporate and departmental objectives.

The introduction of healthcare standards reflects a performance approach to risk management and assessment of the adequacy of the actual processes in place at the LHB. During 2008/09 the LHB has continued with its consistent and systematic application of the standards throughout the organisation. This has included cross referencing Committee & Board papers, SaFF, Annual Operating Framework & Risk Register reporting requirements to the appropriate Healthcare Standard. This ensures that due diligence is therefore given to the healthcare standards across the whole of the organisation's activities.

In assessing the Healthcare Standards submission for 2007-08, HIW were specifically looking at whether improvements had been made for those 22 Standards where the LHB were assessed as being Aware or Responding at one or more of the three levels of assessment in 2006-07. It was concluded that although the LHB had made some progress in improving its maturity in respect of 4 the Standards which were assessed at Developing, the others remained at either Aware or Responding and the LHB needed to focus on these during 2008-09. With specific reference to those Standards that underpin the management of risk, whereas the LHB had assessed itself as Practising at all three levels for Standard 16 neither Internal Audit nor HIW concurred with this, resulting in an overall Responding level. A similar position applied to Standard 28, with HIW concluding with Developing at Corporate level and Responding at both Operational and User Experience levels whereas the LHB had considered itself again as Practising. One of the main criticisms was the lack of current & appropriate evidence to support the narrative in the responses and evidence of practical application & evaluation was not apparent. Although from the LHBs perspective the overall HIW conclusion was disappointing, it was encouraging in that it also concluded that the LHB had taken progressive steps to embed the Healthcare Standards into the organisation's governance processes and had demonstrated commitment to the Healthcare Standards agenda & assessment process.

Further to the 2007/08 self assessment and the HIW verification of performance, the Board approved a Healthcare Standards Improvement Plan, which was also agreed by the Regional Office of WAG. Following the assessment, HIW participated in a workshop and have been working with the LHB in order to improve its maturity in those 18 areas which required strengthening. The Board is presented with regular updates of progress against the improvement plan by means of a traffic light status report and a Healthcare Standards Improvement Plan Progress Report is also submitted to Regional Office on a quarterly basis. Both show significant progress made against all the 18 areas requiring improvement.

The LHB has completed its self-assessment against the healthcare standards for 2008/09 which will be reviewed by Health Inspectorate Wales at a later date. This has been a process which has seen significant Board engagement and staff involvement. In order to ensure that the healthcare standards are embedded in the culture of the organization, all staff were issued with a pro forma containing all 32 Standards and were asked either individually or as a team, to indicate where & how elements of the individual/team role contributed to the Standards. A team of Lead Officers, in conjunction with the relevant Executive & Officer input were then assigned to complete the Standards, a process which has involved to some extent all staff within the organisation.

The Board agreed to a scrutiny process which has involved each Non Officer Member being given responsibility for 2/3 standards. Any scrutiny comments received from the Non Officer Members have been fed back to the Leads Officers for further action. Final scrutiny, in the form of a workshop, was placed with the Joint Integrated Governance Committee on behalf of the Board, prior to sign off.

The LHB's Internal Auditors have also been involved in the scrutiny process, working to an All Wales minimum programme of work as agreed with HIW. An Internal Audit review has been undertaken on a sample of Standards in order to ensure that the evidence adequately supports the responses and that the self assessed score is appropriate in consideration of the maturity matrix requirements. The sample included Standards 14, 16, 27 & 28 which underpin this Statement of Internal Control. The Internal Audit review also considered whether the Board was appropriately engaged and the level of scrutiny involved in the process, both of which were deemed to be effective.

In completing the self assessment for 2008/09, progress made against the HCSIP, as reported quarterly to Regional Office, has enabled the LHB to assess itself as either Responding or Developing in those areas previously deemed weak. With reference to the standards integral to the SIC, the position has either been maintained or improved from the previous verified position. Performance against these 4 Standards has been assessed as follows:

- 14 – Level 4, Practising
- 16 – Level 3, Developing
- 27 - Level 4, Practising
- 28 - Level 4, Practising

As Accountable Officer, I am reassured by the positive feedback that all the necessary processes, together with the action plans are now in place and provide sufficient evidence that the LHB is doing its reasonable best to manage itself against risks of all kinds, and therefore meets all the requirements of acceptable internal control.

## **5. Review of effectiveness**

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



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

In order to reflect the joint management structure with Pembrokeshire LHB, a further review of the committee structure was undertaken during 2008/09, concluding in a Joint Committee Structure with clear Leads & Support assigned to deliver the LHBs objectives. This Board approved revised structure provides the necessary assurances regarding the system of internal control.

The Risk Management Policy & Strategy has also been revised and approved by the Integrated Governance Committee on behalf of Board to accommodate the changes necessitated by the review of Committee Structure and to ensure that it remains appropriate & current. The Risk Working Group during the course of the year has ensured that the Board is kept informed of the risks facing the organisation and the action plans to control such risk. Clinical Governance principles, processes and systems are monitored by the Joint Clinical Governance Committee and encompassed within the Healthcare Standards Improvement Plan. The LHB employs a Clinical Governance Officer whose remit encompasses all clinical risks facing the organization, whilst the Finance Manager is the designated Risk Co-coordinator.

The Audit Committee has played a significant role in approving and monitoring the action arising out of the significant control problems relating to dental contracts which were identified in the 2007-08 SIC.

The LHB receives Internal Audit Services via a Service Level Agreement with the Internal Audit Agency managed by Hywel Dda NHS Trust and has been actively involved in the assessment of the Healthcare Standards self assessment submission.

Signed:.....  
Chief Executive  
(on behalf of board)

Date: 10th June 2009

## **Ceredigion Local Health Board**

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

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

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

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

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

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

In addition I report to you if in my opinion, Ceredigion 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 Ceredigion 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 Ceredigion 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 Ceredigion 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 Ceredigion Local Health Board as at 31 March 2009 and of its net operating costs, recognised gains and losses and cash flows for the year then ended; and
- the financial statements and that part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by Welsh Ministers.

### **Opinion on Regularity**

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

### **Report**

I have no observations to make on these financial statements.

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

Jeremy Colman  
Auditor General for Wales  
15 June 2009

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