

Betsi Cadwaladr University 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 established on 1 October 2009 following the merger of North Wales NHS Trust, North West Wales NHS Trust and the following Local Health Boards:

- Conwy Local Health Board
- Denbighshire Local Health Board
- Flintshire Local Health Board
- Gwynedd Local Health Board
- Wrexham Local Health Board
- Anglesey local Health Board

[The Local Health Board hosted the Welsh Risk Pool during the 2010/11 financial year and these financial statements report on both Healthcare and Welsh Risk Pool activities during the period.](#)

Performance Management and Financial Results

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

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

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

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

	Note	2010-11 £'000	2009-10 £'000 Restated
Expenditure on Primary Healthcare Services	3.1	287,965	285,113
Expenditure on healthcare from other providers	3.2	277,627	149,802
Expenditure on Hospital and Community Health Services	3.3	845,840	885,992
		<u>1,411,432</u>	<u>1,320,907</u>
Less: Miscellaneous Income	4	211,474	232,054
LHB net operating costs before interest and other gains and losses		<u>1,199,958</u>	<u>1,088,853</u>
Investment Income	8	0	93
Other (Gains) / Losses	9	-148	-320
Finance costs	10	1,437	10,067
Net operating costs for the financial year		<u>1,201,247</u>	<u>1,098,507</u>

Achievement of Operational Financial Balance

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

	2010-11 £000
Net operating costs for the financial year	1,201,247
Less Non-discretionary expenditure	1,101
Less Revenue consequences of Bringing PFI schemes onto SoFP	0
Net operating costs less non-discretionary expenditure and revenue consequences of PFI	<u>1,200,146</u>
Revenue Resource Limit	<u>1,200,230</u>
Under / (over) spend against Revenue Resource Limit	<u>84</u>

The notes on pages 8 to 58 form part of these accounts

Other Comprehensive Net Expenditure

	2010-11	2009-10
	£'000	£'000
Net gain / (loss) on revaluation of property, plant and equipment	698	(3,858)
Net gain / (loss) on revaluation of intangibles	0	0
Net gain / (loss) on revaluation of available for sale financial assets	0	0
Receipt of donated or government granted assets	1,848	1,545
(Gain) / loss on other reserves	0	0
Impairment and reversals	(21,913)	(580)
Transfers from donated and government grant reserves	(1,553)	(1,666)
Transfers (to) / from other bodies within the Resource Accounting Boundary	0	18,003
Other comprehensive net expenditure for the year	(20,920)	13,444
Total comprehensive net expenditure for the year	(1,222,167)	(1,085,063)

Statement of Financial Position as at 31 March 2011

	Notes	31 March 2011 £'000	31 March 2010 £'000
Non-current assets			
Property, plant and equipment	11	515,656	525,299
Intangible assets	12	2,102	2,378
Trade and other receivables	15	247,586	203,560
Other financial assets	19	0	0
Other assets	20	1,626	0
Total non-current assets		766,970	731,237
Current assets			
Inventories	14	10,503	10,482
Trade and other receivables	15	205,262	209,660
Other financial assets	19	0	0
Other current assets	20	3,048	4,713
Cash and cash equivalents	18	4,895	5,635
		223,708	230,490
Non-current assets classified as "Held for Sale"	11	380	1,145
Total current assets		224,088	231,635
Total assets		991,058	962,872
Current liabilities			
Trade and other payables	16	136,605	132,223
Other financial liabilities	22	0	0
Provisions	17	175,288	178,680
Other liabilities	21	0	0
Total current liabilities		311,893	310,903
Net current assets/ (liabilities)		(87,805)	(79,268)
Non-current liabilities			
Trade and other payables	16	99,157	83,479
Other financial liabilities	22	0	0
Provisions	17	153,235	130,014
Other liabilities	21	0	0
Total non-current liabilities		252,392	213,493
Total assets employed		426,773	438,476
Financed by :			
Taxpayers' equity			
General Fund		369,709	360,376
Revaluation reserve		43,884	65,931
Donated asset reserve		12,325	12,169
Government grant reserve		855	0
Total taxpayers' equity		426,773	438,476

The financial statements on pages 2 to 7 were approved by the Board on _____ and signed on its behalf by:

Chief Executive.....

Date

The notes on pages 8 to 58 form part of these accounts

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

	General Fund £000s	Revaluation Reserve £000s	Donated Asset Reserve £000s	Government Grant Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2010-11					
Balance at 1 April 2010	360,376	65,931	12,169	0	438,476
Net operating cost for the year	(1,201,247)				(1,201,247)
Net gain/(loss) on revaluation of property, plant and equipment	0	118	580	0	698
Net gain/(loss) on revaluation of intangible assets	0	0	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	0	0	0	0
Impairments and reversals	0	(21,102)	(811)	0	(21,913)
Receipt / (disposal) of donated or government granted assets	0	0	993	855	1,848
Movements in other reserves	0	0	0	0	0
Release of reserves to SoCNE	0	0	(1,553)	0	(1,553)
Non-cash charges - cost of capital					0
Transfers between reserves	116	(1,063)	947	0	0
Transfers to/(from) other bodies within the Resource Accounting boundary	0	0	0	0	0
Total recognised income and expense for 2010-11	(1,201,131)	(22,047)	156	855	(1,222,167)
Net Assembly funding	1,210,464				1,210,464
Balance at 31 March 2011	369,709	43,884	12,325	855	426,773

The notes on pages 8 to 58 form part of these accounts

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

	General Fund £000s	Revaluation Reserve £000s	Donated Asset Reserve £000s	Government Grant Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2009-10					
Balance at 31 March 2009	365,369	69,861	12,612	0	447,842
Net operating cost for the year	(1,098,507)				(1,098,507)
Net gain/(loss) on revaluation of property, plant and equipment	0	(3,316)	(542)	0	(3,858)
Net gain/(loss) on revaluation of intangible assets	0	0	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	0	0	0	0
Impairments and reversals	0	0	(580)	0	(580)
Receipt / (disposal) of donated or government granted assets	0	0	1,545	0	1,545
Movements in other reserves	0	0	0	0	0
Release of reserves to OCS	0	0	(1,666)	0	(1,666)
Non-cash charges - cost of capital	0				0
Transfers between reserves	614	(614)	0	0	0
Transfers to/(from) other bodies within the Resource Accounting boundary	17,203	0	800	0	18,003
Total recognised income and expense for 2009-10	(1,080,690)	(3,930)	(443)	0	(1,085,063)
Net Assembly funding	1,075,697				1,075,697
Balance at 31 March 2010	360,376	65,931	12,169	0	438,476

The notes on pages 8 to 58 form part of these accounts

Statement of Cash flows for year ended 31 March 2011

	2010-11	2009-10
	£'000	£'000
Cash Flows from operating activities		
Net operating cost before interest	(1,199,958)	(1,088,853)
Movements in Working Capital	34 (27,804)	619
Other cash flow adjustments	35 71,867	74,918
Provisions utilised	17 (14,657)	(9,312)
Interest paid	(70)	(82)
Net cash outflow from operating activities	(1,170,622)	(1,022,710)
Cash Flows from investing activities		
Purchase of property, plant and equipment	(42,383)	(58,298)
Proceeds from disposal of property, plant and equipment	1,903	1,167
Purchase of intangible assets	(324)	(726)
Proceeds from disposal of intangible assets	0	0
Payment for other financial assets	0	(48,000)
Proceeds from disposal of other financial assets	0	52,540
Payment for other assets	(1,626)	0
Proceeds from disposal of other assets	0	0
Interest received	0	96
Rental Income	0	0
Net cash inflow/(outflow) from investing activities	(42,430)	(53,221)
Net cash inflow/(outflow) before financing	(1,213,052)	(1,075,931)
Cash flows from financing activities		
Welsh Assembly Government funding (including capital)	1,210,464	1,075,697
Capital receipts surrendered	0	0
Capital grants received	1,848	0
Capital element of payments in respect of finance leases and on-SoFP	0	(92)
Cash transferred (to)/ from other NHS bodies	0	0
Net financing	1,212,312	1,075,605
Net increase/(decrease) in cash and cash equivalents	(740)	(326)
Cash and cash equivalents (and bank overdrafts) at 1 April 2010	5,635	12,878
Cash and cash equivalents (and bank overdrafts) at 31 March 2011	4,895	12,552

The notes on pages 8 to 58 form part of these accounts

Notes to the Accounts

1. Accounting policies

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

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income and funding

- The main source of funding for the Local Health Board (LHB) is an allocation (Assembly Funding) from the Welsh Assembly Government within an approved cash limit, which is credited to the General Fund of the Local Health Board. Assembly funding is recognised in the financial period in which the cash is received.
- Non discretionary funding outside the Revenue Resource Limit is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, or ophthalmic services identified by the Welsh Assembly Government. Non discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the Revenue Resource Limit. Funding for the acquisition of fixed assets received from the Welsh Assembly Government is credited to the general fund.
- Miscellaneous income is income which relates directly to the operating activities of the LHB and is not funded directly by the Welsh Assembly Government. This includes payment for services uniquely provided by the LHB for the Welsh Assembly Government such as funding provided to agencies and non-activity costs incurred by the LHB in its provides role. Income received from LHBs transacting with other LHBs is always treated as miscellaneous income.
- Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income had been received from third parties for a specific activity to be delivered in the following financial year, that income will be deferred. Only non-NHS income may be deferred.

1.4 Employee benefits

Short-term employee benefits

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

The LHB does not ordinarily permit the carry forward of annual leave from one period to another. However, where the leave period differs from the accounting period any earned leave not taken at the balance sheet date is fully recognised in the financial statements.

Retirement benefit costs

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

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

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

1.5 Other expenses

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

1.6 Property, plant and equipment**Recognition**

Property, plant and equipment is capitalised if:

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

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

Valuation

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

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

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

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

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

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

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

Subsequent expenditure

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

1.7 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the LHB's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the LHB; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

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

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

Measurement

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

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

1.8 Depreciation, amortisation and impairments

Freehold land and properties under construction are not depreciated.

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

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

Where there is an impairment which has not resulted from a loss of either economic value or service potential, the asset is written down to its recoverable amount, with the loss being charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefits are charged to expenditure. Where an increase in revaluation reverses an impairment which has previously been recognised in expenditure the reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged and thereafter to the revaluation reserve.

1.9 Research and Development

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

1.10 Donated assets

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

1.11 Government grants

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

1.12 Non-current assets held for sale

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

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

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

1.13 Leases

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

1.13.1 The Local Health Board as lessee

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

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

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

1.13.2 The Local Health Board as lessor

The LHB does not have any finance lease receivables (as lessor).

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

1.14 Inventories

Inventories are valued at the lower of cost and net realisable value using the average cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.15 Cash and cash equivalents

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

1.16 Provisions

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

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

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

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

1.17 Clinical negligence costs

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

1.18 Financial assets

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

1.18.1 Financial assets are initially recognised at fair value.

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

1.18.2 Financial assets at fair value through SoCNE

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

1.18.3 Held to maturity investments

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

1.18.4 Available for sale financial assets

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

1.18.5 Loans and receivables

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value is determined, where possible, by reference to quoted market prices. Where the market for a financial instrument is not active, fair value is established using valuation techniques which make maximum use of market inputs and recent arm's length transactions, references to other substantially similar instruments, discounted cash flow analysis and option pricing models.

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

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

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

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

1.19 Financial liabilities

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

1.19.1 Financial liabilities are initially recognised at fair value.

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

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

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

1.19.3 Other financial liabilities

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

1.20 Cost of Capital

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

1.21 Value Added Tax

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

1.22 Foreign currencies

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

1.23 Third party assets

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

1.24 Losses and Special Payments

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

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

1.25 Pooled budget

The LHB has entered into two pooled budgets one with Flintshire County Council and Wrexham County Borough Council and another with Denbighshire County Council. Under the arrangement funds are pooled in accordance with section 33 of the NHS (Wales) Act 2006 for Community Equipment Services.

The pools are hosted by Flintshire County Council and Denbighshire County Council. Payments for services provided are accounted for as Miscellaneous Income. The LHB accounts for its share of the assets, liabilities, income and expenditure from the activities of the pooled budget, in accordance with the pooled budget arrangement.

1.26 Critical Accounting Judgements and key sources of estimation uncertainty

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

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

1.27 Key sources of estimation uncertainty

The LHB does not believe that estimates prepared as part of these financial statements carry a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1.28 Private Finance Initiative (PFI) transactions

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

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

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

Services received

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

PFI asset

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

PFI liability

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

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

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

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

Lifecycle replacement

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

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

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

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

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

Other assets contributed by the LHB to the operator

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

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

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

1.29 Contingencies

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

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

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

1.30 EU Emissions Trading Scheme

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

1.31 Accounting standards that have been issued but not yet been adopted.

All accounting standards which have been issued by the IASB have been adopted in the preparation of these financial statements.

2. Achievement of Operational Financial Balance

2.1 Revenue Resource Limit

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

2.2 Capital Resource Limit

2010-11
£000

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

Gross capital expenditure	52,587
Add: Loss in respect of disposals of donated assets	0
Less NBV of disposed property, plant and equipment and intangible assets	(1,755)
Less capital grants	(855)
Less donations	(993)
Charge against Capital Resource Limit	48,984
Capital Resource Limit	49,015
(Over) / Underspend against Capital Resource Limit	31

3. Analysis of gross operating costs

3.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2010-11 Total £'000	2009-10 £'000
General Medical Services	112,490		112,490	110,804
Pharmaceutical Services	29,648	(4,124)	25,524	24,295
General Dental Services	30,211		30,211	27,569
General Ophthalmic Services	0	5,225	5,225	6,293
Other Primary Health Care expenditure	4,799		4,799	6,693
Prescribed drugs and appliances	109,716		109,716	109,459
Total	286,864	1,101	287,965	285,113

3.2 Expenditure on healthcare from other providers

	2010-11 £'000	2009-10 £'000
		Restated
Goods and services from other NHS Wales Health Boards	5,454	3,278
Goods and services from other NHS Wales Trusts	4,158	6,069
Goods and services from other non Welsh NHS bodies	52,830	53,288
Goods and services from WHSSC / HCW	131,295	423
Local Authorities	0	109
Voluntary organisations	6,325	2,414
NHS Funded Nursing Care	8,699	7,978
Continuing Care	65,405	62,319
Private providers	173	3,277
Specific projects funded by the Welsh Assembly Government	0	0
National Public Health Service / Public Health Wales	1,940	3,209
Business Services Centre / Business Services Partnership	1,348	3,427
Other	0	4,011
Total	277,627	149,802

3.3 Expenditure on Hospital and Community Health Services

	2010-11 £'000	2009-10 £'000 Restated
Directors' costs	1,897	3,889
Staff costs	567,261	547,395
Supplies and services - clinical	86,819	87,814
Supplies and services - general	7,178	7,318
Consultancy Services	710	1,076
Establishment	13,090	12,389
Transport	3,385	4,733
Premises	24,092	24,206
External Contractors	0	51
Depreciation	28,834	27,599
Amortisation	600	460
Fixed asset impairments and reversals (Property, plant & equipment)	10,867	35,828
Fixed asset impairments and reversals (Intangible assets)	0	0
Impairments & reversals of financial assets	0	0
Impairments & reversals of non-current assets held for sale	0	0
Capital charge interest	0	0
Audit fees	624	1,658
Other auditors' remuneration	0	22
Losses, special payments and irrecoverable debts	98,978	122,138
Research and Development	381	23
Other operating expenses	1,124	9,393
Total	845,840	885,992

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

	2010-11 £000	2009-10 £000
Increase/(decrease) in provision for future payments:	£000	£000
Clinical negligence	71,278	134,931
Personal injury	3,439	2,867
All other losses and special payments	4,338	359
Defence legal fees and other administrative costs	19,339	21,752
Gross increase/(decrease) in provision for future payments	98,394	159,909
Premium for other insurance arrangements	527	25
Irrecoverable debts	57	381
Less: income received/ due from Welsh Risk Pool	0	(22,884)
Total	98,978	137,431

Personal injury includes £294k (2009-10 £142k) in respect of permanent injury benefits

4. Miscellaneous Income

	2010-11 £'000	2009-10 £'000 Restated
Local Health Boards	7,338	4,006
WHSSC / Health Commission Wales	31,857	29,506
NHS trusts	3,770	3,311
Strategic health authorities and primary care trusts	12,301	11,429
Foundation Trusts	716	32
Local authorities	9,799	9,350
Welsh Assembly Government	100,424	142,835
Non NHS:		
Prescription charge income	76	125
Dental fee income	5,829	5,635
Private patient income	939	950
Overseas patients (non-reciprocal)	157	111
Injury Costs Recovery (ICR) Scheme	2,201	2,763
Other income from activities	1,052	2,030
Patient transport services	0	0
Education, training and research	20,765	19,311
Charitable and other contributions to expenditure	2,144	3,428
Transfer from the donated asset reserve	1,553	1,666
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	344	992
Business Services Centre / Business Services Partnership	558	1,322
Deferred income released to revenue	217	127
Contingent rental income from finance leases	0	0
Rental income from operating leases	563	106
Other income:		
Provision of laundry, pathology, payroll services	105	953
Accommodation and catering charges	2,790	2,919
Mortuary fees	398	411
Staff payments for use of cars	537	427
Business unit (please state)	0	0
Other (please state)	5,041	(11,691)
Total	211,474	232,054

5. Employee benefits and staff numbers

5.1 Employee costs	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2009-10
	£000	£000	£000	£000	£000
Salaries and wages	466,328	890	15,624	482,842	473,723
Social security costs	34,191	0	0	34,191	33,444
Employer contributions to NHS Pension Scheme	57,321	0	0	57,321	55,127
Other pension costs	0	0	0	0	92
Other employment benefits	0	0	0	0	0
Termination benefits	795	0	0	795	0
Total	558,635	890	15,624	575,149	562,386
Charged to capital				1,880	2,201
Charged to revenue				573,269	560,185
				575,149	562,386

5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2009-10
	Number	Number	Number	Number	Number
Medical and dental	1,097	14	112	1,223	1,116
Ambulance staff	0	0	0	0	0
Administrative and estates	2,742	3	7	2,752	2,832
Healthcare assistants and other support staff	1,438	0	0	1,438	1,548
Nursing, midwifery and health visiting staff	6,660	1	45	6,706	6,768
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	2,179	0	2	2,181	2,215
Social care staff	0	0	0	0	1
Other	41	0	2	43	12
Total	14,157	18	168	14,343	14,492

5.3. Retirements due to ill-health

During 2010-11 there were 25 early retirements from the LHB agreed on the grounds of ill-health.

The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £1,522,001.

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

5.5 Pension costs

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

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

a) Full actuarial (funding) valuation

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

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

b) Accounting valuation

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

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

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

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

c) Scheme provisions

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

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

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

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

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

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

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

6. Operating leases

LHB as lessee

Included within operating leases are the following types of lease:

- Lease of various medical and administrative equipment;
- Lease of cars over a period of 3 years;
- Lease of various properties over differing periods.

The rent payable is negotiated at the time the contract is entered into.

Payments recognised as an expense

	2010-11 £000	2009-10 £000
Minimum lease payments	4,051	3,287
Contingent rents	0	0
Sub-lease payments	0	0
Total	4,051	3,287

Total future minimum lease payments

	£000	£000
Payable		
Not later than one year	2,806	1,911
Between one and five years	4,592	4,207
After 5 years	6,799	5,363
Total	14,197	11,481

Total future sublease payments expected to be received are £0

LHB as lessor

Included in operating leases are the lease of various properties over differing periods.

The rent receivable is negotiated at the time the contract is entered into.

Rental revenue

	£000	£000
Rent	130	347
Contingent rents	0	0
Total revenue rental	130	347

Total future minimum lease payments

	£000	£000
Receivable		
Not later than one year	130	191
Between one and five years	282	617
After 5 years	946	1,761
Total	1,358	2,569

7. Public Sector Payment Policy - Measure of Compliance

7.1 Prompt payment code - measure of compliance

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

	2010-11	2010-11	2009-10	2009-10
NHS	Number	£000	Number	£000
Total bills paid	5,507	215,784	10,074	413,719
Total bills paid within target	4,993	212,723	9,556	412,135
Percentage of bills paid within target	90.7%	98.6%	94.9%	99.6%
Non-NHS				
Total bills paid	233,936	284,261	248,127	295,604
Total bills paid within target	226,869	277,102	240,426	288,728
Percentage of bills paid within target	97.0%	97.5%	96.9%	97.7%
Total				
Total bills paid	239,443	500,045	258,201	709,323
Total bills paid within target	231,862	489,825	249,982	700,863
Percentage of bills paid within target	96.8%	98.0%	96.8%	98.8%

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

	2010-11	2009-10
	£	£
Amounts included within finance costs (note 10) from claims made under this legislation	579	0
Compensation paid to cover debt recovery costs under this legislation	2210	0
Total	2789	0

8. Investment Income

	2010-11 £000	2009-10 £000
Rental revenue :		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue :		
Bank accounts	0	93
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Total	0	93

9. Other gains and losses

	2010-11 £000	2009-10 £000
Gain/(loss) on disposal of property, plant and equipment	148	320
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through SoCNE	0	0
Change in fair value of financial liabilities at fair value through SoCNE	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
Total	148	320

10. Finance costs

	2010-11 £000	2009-10 £000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	19	30
Interest on obligations under PFI contracts	0	0
main finance cost	50	52
contingent finance cost	0	0
Interest on late payment of commercial debt	1	0
Provisions unwinding of discount	1,367	1,371
Other interest expense	0	0
Total interest expense	1,437	1,453
PDC dividends payable	0	8,614
Other finance costs	0	0
Total	1,437	10,067

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2010	51,555	415,367	16,366	42,688	99,997	1,981	16,050	5,031	649,035
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	42	0	205	42,836	4,955	0	2,334	43	50,415
Additions - donated	0	0	0	129	859	0	5	0	993
Additions - government granted	0	0	0	806	0	0	49	0	855
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	45,271	2,358	(48,857)	47	0	1,181	0	0
Revaluations	32	(93)	0	0	0	0	0	0	(61)
Impairments	(963)	(49,323)	(2,030)	0	0	0	0	0	(52,316)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	(1,050)	0	0	0	(55)	0	0	0	(1,105)
Disposals	0	0	0	0	(10,848)	(173)	(1,061)	(366)	(12,448)
At 31 March 2011	49,616	411,222	16,899	37,602	94,955	1,808	18,558	4,708	635,368
Depreciation at 1 April 2010	0	46,399	1,368	0	61,760	1,311	10,613	2,285	123,736
Indexation	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	(29,856)	(1,306)	0	0	0	0	0	(31,162)
Impairments	0	10,650	102	0	0	0	0	0	10,752
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(10,848)	(173)	(1,061)	(366)	(12,448)
Provided during the year	0	15,805	478	0	9,589	154	2,339	469	28,834
At 31 March 2011	0	42,998	642	0	60,501	1,292	11,891	2,388	119,712
Net book value at 1 April 2010	51,555	368,968	14,998	42,688	38,237	670	5,437	2,746	525,299
Net book value at 31 March 2011	49,616	368,224	16,257	37,602	34,454	516	6,667	2,320	515,656
Net book value at 31 March 2010 comprises :									
Purchased	48,816	360,487	16,257	37,594	30,161	516	6,593	2,052	502,476
Donated	800	6,931	0	8	4,293	0	25	268	12,325
Government Granted	0	806	0	0	0	0	49	0	855
	49,616	368,224	16,257	37,602	34,454	516	6,667	2,320	515,656
Asset financing :									
Owned	49,616	367,053	16,257	37,602	34,449	516	6,541	2,320	514,354
Held on finance lease	0	83	0	0	5	0	126	0	214
On-SoFP PFI contracts	0	1,088	0	0	0	0	0	0	1,088
PFI residual interests	0	0	0	0	0	0	0	0	0
	49,616	368,224	16,257	37,602	34,454	516	6,667	2,320	515,656
The net book value of land, buildings and dwellings at 31 March 2011 comprises :									
									£000
Freehold									424,716
Long Leasehold									9,381
Short Leasehold									0
									434,097

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2009	55,017	405,503	17,710	46,993	104,548	1,896	17,664	5,343	654,674
Indexation	(5)	12	0	7	2,023	37	0	103	2,177
Additions - purchased	0	1,201	0	43,140	4,200	210	1,543	372	50,666
Additions - donated	0	48	0	590	901	0	0	6	1,545
Additions - government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	4,639	12,777	237	0	0	0	0	0	17,653
Reclassifications	7	47,051	(44)	(48,042)	780	(1)	140	109	0
Revaluations	954	(13,061)	17	0	(569)	0	(59)	(15)	(12,733)
Impairments	(8,379)	(37,667)	(1,337)	0	0	0	0	0	(47,383)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	(678)	(497)	(217)	0	0	0	0	0	(1,392)
Disposals	0	0	0	0	(11,886)	(161)	(3,238)	(887)	(16,172)
At 31 March 2010	51,555	415,367	16,366	42,688	99,997	1,981	16,050	5,031	649,035
Depreciation at 1 April 2009	0	49,726	1,514	0	63,329	1,316	11,414	2,630	129,929
Indexation	0	0	0	0	1,225	25	0	47	1,297
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	1	(1)	0	(107)	0	107	0	0
Revaluations	0	(19,957)	(359)	0	(373)	0	(59)	(7)	(20,755)
Impairments	0	2,093	(262)	0	0	0	0	0	1,831
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(11,879)	(161)	(3,238)	(887)	(16,165)
Provided during the year	0	14,536	476	0	9,565	131	2,389	502	27,599
At 31 March 2010	0	46,399	1,368	0	61,760	1,311	10,613	2,285	123,736
Net book value at 1 April 2009	55,017	355,777	16,196	46,993	41,219	580	6,250	2,713	524,745
Net book value at 31 March 2010	51,555	368,968	14,998	42,688	38,237	670	5,437	2,746	525,299
Net book value at 31 March 2010 comprises :									
Purchased	50,755	352,689	15,215	52,929	32,598	670	5,273	2,386	512,515
Donated	800	6,226	0	440	4,794	0	164	360	12,784
Government Granted	0	0	0	0	0	0	0	0	0
	51,555	358,915	15,215	53,369	37,392	670	5,437	2,746	525,299
Asset financing :									
Owned	50,755	349,917	15,215	53,369	37,362	670	5,165	2,746	515,199
Held on finance lease	800	7,848	0	0	30	0	272	0	8,950
On-SoFP PFI contracts	0	1,150	0	0	0	0	0	0	1,150
PFI residual interests	0	0	0	0	0	0	0	0	0
	51,555	358,915	15,215	53,369	37,392	670	5,437	2,746	525,299

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

Freehold	418,489
Long Leasehold	7,547
Short Leasehold	0
	426,036

11. Property, plant and equipment (continued.)

(i) Donated assets include schemes funded by:-

Charitable Funds	£515,000
League of Friends	£263,000
Maelor Voluntary Service	£115,000
Circle of Friends	£100,000

(ii) The District Valuer revalued all land, buildings and dwellings as at 1st April 2009, using the Modern Equivalent Asset basis. Since then there has been extensive enhancement work at Ysbyty Gwynedd and the completion of the New Mental Health Unit on the Wrexham Maelor site. Both completed schemes have been revalued by the District Valuer in March 2011.

(iii) Asset lives for buildings and dwellings are provided by the District Valuer. Asset lives for equipment assets are assessed by the owner/user and are regularly reviewed.

(iv) There has been no compensation from third parties for assets impaired, lost or given up.

(v) There have been no write-downs to recoverable amount and any reversals of such write-downs.

(vi) There are no temporarily idle assets.

(vii) The gross carrying amount of any fully depreciated assets still in use is £35m

11. Property, plant and equipment (continued)

11.2 Non-current assets held for sale	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
Balance brought forward 1 April 2010	677	468	0	0	0	1,145
Plus assets classified as held for sale in the year	1,050	0	55	0	0	1,105
Less assets sold in the year	(1,376)	(324)	(55)	0	0	(1,755)
Less impairment of assets held for sale	(115)	0	0	0	0	(115)
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance carried forward 31 March 2011	236	144	0	0	0	380
Balance brought forward 1 April 2009	419	127	0	0	0	546
Plus assets classified as held for sale in the year	677	715	0	0	0	1,392
Less assets sold in the year	(485)	(355)	0	0	0	(840)
Less impairment of assets held for sale	66	(19)	0	0	0	47
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance carried forward 31 March 2010	677	468	0	0	0	1145

Five assets were classified as "Held for Sale" during the year

Land

Dobshill Hospital - sold during the year to the Welsh Ambulance Trust

Penyffordd Clinic - sold during the year

Lluesty Hospital - sold April 2011

Equipment

MRI Scanner - Sold - Due for replacement in 2010/11 -New Scanner was delivered in March 2011

Ultrasound Scanner - Sold -due for replacement in 2010/11 -New Scanner was delivered in May 2010

12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2010	3,653	0	0	0	0	3,653
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
Additions- purchased	324	0	0	0	0	324
Additions- internally generated	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals	(78)	0	0	0	0	(78)
Gross cost at 31 March 2011	3,899	0	0	0	0	3,899
Amortisation at 1 April 2010	1,275	0	0	0	0	1,275
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0
Provided during the year	600	0	0	0	0	600
Reclassified as held for sale	0	0	0	0	0	0
Disposals	(78)	0	0	0	0	(78)
Amortisation at 31 March 2011	1,797	0	0	0	0	1,797
Net book value at 1 April 2010	2,378	0	0	0	0	2,378
Net book value at 31 March 2011	2,102	0	0	0	0	2,102
At 31 March 2010						
Purchased	2,102	0	0	0	0	2,102
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0
Total at 31 March 2011	2,102	0	0	0	0	2,102

12. Intangible non-current assets (continued)

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2009	4,554	0	0	0	0	4,554
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
Additions- purchased	726	0	0	0	0	726
Additions- internally generated	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals	(1,627)	0	0	0	0	(1,627)
Gross cost at 31 March 2010	3,653	0	0	0	0	3,653
Amortisation at 1 April 2009	2,442	0	0	0	0	2,442
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0
Provided during the year	460	0	0	0	0	460
Reclassified as held for sale	0	0	0	0	0	0
Disposals	(1,627)	0	0	0	0	(1,627)
Amortisation at 31 March 2010	1,275	0	0	0	0	1,275
Net book value at 1 April 2009	2,112	0	0	0	0	2,112
Net book value at 31 March 2010	2,378	0	0	0	0	2,378
At 31 March 2010						
Purchased	2,377	0	0	0	0	2,377
Donated	1	0	0	0	0	1
Government Granted	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0
Total at 31 March 2010	2,378	0	0	0	0	2,378

The assets lives for intangible assets are assessed by the appropriate department on acquisition and are reviewed annually.

There are no assets where the useful lives are indefinite or finite.

13 . Impairments

	2010-11		2009-10	
	Property, plant & equipment £000	Intangible assets £000	Property, plant & equipment £000	Intangible assets £000
Impairments arising from :				
Loss or damage from normal operations	0	0	0	0
Abandonment in the course of construction	0	0	0	0
Over specification of assets (Gold Plating)	0	0	0	0
Loss as a result of a catastrophe	0	0	0	0
Unforeseen obsolescence	0	0	0	0
Changes in market price	0	0	0	0
Others (specify)	31,969	0	35,828	0
Total of all impairments	31,969	0	35,828	0
Analysis of impairments charged to reserves in year :				
Charged to the Statement of Comprehensive Net Expenditu	10,867	0	35,828	0
Charged to Revaluation Reserve	21,102	0	0	0
	31,969	0	35,828	0

The tangible impairments relate to the revaluation of land, buildings and dwellings at Ysbyty Gwynedd to their depreciated replacement cost following a major enhancement of the site, and the initial revaluation of the New Mental Health Unit in Wrexham following construction.

Both valuations were carried out by the District valuer in accordance with the requirements of IFRS.

14. Inventories

	31 March	31 March
	2011	2010
	£000	£000
Drugs	4,232	4,228
Consumables	5,852	5,904
Energy	398	342
Work in progress	0	0
Other	21	8
Total	10,503	10,482
Of which held at realisable value	0	0

14.2 Inventories recognised in expenses

	31 March	31 March
	2011	2010
	£000	£000
Inventories recognised as an expense in the period	0	0
Write-down of inventories (including losses)	104	32
Reversal of write-downs that reduced the expense	0	0
Total	104	32

Write-down of inventories relates to the disposal of pharmacy stock which had either expired or been damaged. This write-down figure represents 0.3% of pharmacy stock purchases during the year.

15. Trade and other Receivables

Current	31 March 2011 £000	31 March 2010 £000 Restated
Welsh Assembly Government	186,830	191,411
HCW / WHSSC	1,013	15
Welsh Health Boards	777	1,313
Welsh NHS Trusts	610	821
Non - Welsh Trusts	2,942	2,498
Other NHS	0	0
Welsh Risk Pool	0	0
Local Authorities	3,226	2,934
Capital debtors	0	0
Other debtors	9,014	10,274
Provision for irrecoverable debts	(1,145)	(1,931)
Pension Prepayments	0	0
Other prepayments and accrued income	1,995	2,325
Sub total	205,262	209,660
Non-current		
Welsh Assembly Government	246,553	201,920
HCW / WHSSC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool	0	0
Local Authorities	0	0
Capital debtors	0	0
Other debtors	1,964	1,963
Provision for irrecoverable debts	(931)	(323)
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
Sub total	247,586	203,560
Total	452,848	413,220

Receivables past their due date but not impaired

By up to three months	1,496	5,541
By three to six months	1,032	638
By more than six months	1,871	3,110
	4,399	9,289

Provision for impairment of receivables

Balance at 1 April	(2,254)	(1,520)
Amount written off during the year	236	0
Amount recovered during the year	0	0
(Increase) / decrease in receivables impaired	(58)	(734)
Balance at 31 March	(2,076)	(2,254)

16. Trade and other payables

Current	31 March	31 March
	2011	2010
	£000	£000
Welsh Assembly Government	83	0
WHSSC / HCW	750	405
Welsh Health Boards	16,333	11,653
Welsh NHS Trusts	654	774
Other NHS	11,736	13,360
Income tax and social security	7,538	10,786
Non-NHS creditors	34,445	30,047
Local Authorities	4,335	1,844
Capital Creditors	15,693	5,813
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts and PFI contracts	221	277
Pensions: staff	0	21
Accruals	39,324	49,885
Deferred Income	798	1,392
Other creditors	4,695	5,966
Total	136,605	132,223
Non-current		
Welsh Assembly Government	0	0
WHSSC / HCW	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Other NHS	0	0
Income tax and social security	0	0
Non-NHS creditors	97,711	81,487
Local Authorities	0	0
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts and PFI contracts	1,446	1,664
Pensions: staff	0	328
Accruals	0	0
Deferred Income	0	0
Other creditors	0	0
Total	99,157	83,479

17. Provisions

	At 1 April 2010	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2011
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	166,224	0	0	(3,728)	25,373	(7,303)	(15,967)	0	164,599
Personal injury	3,904	0	21	26	1,447	(1,247)	(554)	52	3,649
All other losses and special payments	0	0	0	0	4,298	(4,297)	(1)	0	0
Defence legal fees and other administration	853	0	0	(216)	1,139	(636)	(482)		658
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	876			(719)	134	(154)	(9)	41	169
Restructuring	0			0	0	0	0	0	0
Other	6,823			0	2,645	(1,020)	(2,235)		6,213
Total	178,680	0	21	(4,637)	35,036	(14,657)	(19,248)	93	175,288
Non Current									
Clinical negligence	126,409	0	0	3,728	18,366	0	0	0	148,503
Personal injury	2,333	0	328	(26)	(110)	0	0	0	2,525
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	274	0	0	216	0	0	0		490
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	998			719	0	0	0	0	1,717
Restructuring	0			0	0	0	0	0	0
Other	0			0	0	0	0	0	0
Total	130,014	0	328	4,637	18,256	0	0	0	153,235
TOTAL									
Clinical negligence	292,633	0	0	0	43,739	(7,303)	(15,967)	0	313,102
Personal injury	6,237	0	349	0	1,337	(1,247)	(554)	52	6,174
All other losses and special payments	0	0	0	0	4,298	(4,297)	(1)	0	0
Defence legal fees and other administration	1,127	0	0	0	1,139	(636)	(482)		1,148
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,874			0	134	(154)	(9)	41	1,886
Restructuring	0			0	0	0	0	0	0
Other	6,823			0	2,645	(1,020)	(2,235)		6,213
Total	308,694	0	349	0	53,292	(14,657)	(19,248)	93	328,523

Expected timing of cash flows:

	In the remainder of spending review to 31 March 2015	Between 1 April 2015- 31 March 2020	Thereafter	Total
				£000
Clinical negligence	313,102	0	0	313,102
Personal injury	4,276	870	1,026	6,172
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	1,150	0	0	1,150
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	676	835	375	1,886
Restructuring	0	0	0	0
Other	6,213	0	0	6,213
Total	325,417	1,705	1,401	328,523

The expected timing of cashflows is based on best available information for each individual provision as at 31st March 2011 and may be subject to changes in future periods.

Included within Other Provisions are:

The expected future costs of the Agneda for Change initiative, including bank nurses (£1,924k);
 Continuing Healthcare Costs subject to further review (£3,915k);
 Expected future costs of consultants removal expenses (£228k);
 Costs relating to a General Medical Services exceptional claim (£123k);
 Other miscellaneous provisions (£23k).

17. Provisions (continued)

	At 1 April 2009	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2010
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	169,795	0	0	0	4,309	(5,000)	(2,880)	0	166,224
Personal injury	3,666	0	0	0	1,218	(644)	(337)	1	3,904
All other losses and special payments	0	0	0	0	276	(276)	0	0	0
Defence legal fees and other administration	1,086	0	0	0	854	(403)	(684)		853
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	873			0	52	(154)	65	40	876
Restructuring	0			0	0	0	0	0	0
Other	9,242			0	2,590	(1,533)	(3,476)		6,823
Total	184,662	0	0	0	9,299	(8,010)	(7,312)	41	178,680
Non Current									
Clinical negligence	61,263	0	0	0	67,337	(1,151)	(1,040)	0	126,409
Personal injury	2,908	0	0	0	(442)	(135)	(37)	39	2,333
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	154	0	0	0	157	(16)	(21)		274
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	994			0	3	0	0	1	998
Restructuring	0			0	0	0	0	0	0
Other	0			0	0	0	0		0
Total	65,319	0	0	0	67,055	(1,302)	(1,098)	40	130,014
TOTAL									
Clinical negligence	231,058	0	0	0	71,646	(6,151)	(3,920)	0	292,633
Personal injury	6,574	0	0	0	776	(779)	(374)	40	6,237
All other losses and special payments	0	0	0	0	276	(276)	0	0	0
Defence legal fees and other administration	1,240	0	0	0	1,011	(419)	(705)		1,127
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,867			0	55	(154)	65	41	1,874
Restructuring	0			0	0	0	0	0	0
Other	9,242			0	2,590	(1,533)	(3,476)		6,823
Total	249,981	0	0	0	76,354	(9,312)	(8,410)	81	308,694

18. Cash and cash equivalents

	2010-11	2009-10
	£000	£000
Balance at 1 April	5,635	12,878
Net change in cash and cash equivalent balances	(740)	(7,243)
Balance at 31 March	<u>4,895</u>	<u>5,635</u>
Made up of:		
Cash held at GBS	4,638	4,975
Commercial banks and cash in hand	257	660
Current Investments	<u>0</u>	<u>0</u>
Cash and cash equivalents as in Statement of Financial Position	4,895	5,635
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	<u>0</u>	<u>0</u>
Cash and cash equivalents as in Statement of Cash Flows	<u>4,895</u>	<u>5,635</u>

19. Other Financial Assets

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

20. Other assets

	Current		Non-current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
EU Emissions Trading Scheme Allowance	0	0	0	0
Prepayments	3,048	4,713	1,626	0
Other assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	3,048	4,713	1,626	0

21. Other liabilities

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

22. Other financial liabilities

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

Narrative disclosures - Financial Instruments

Financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies. The NHS LHB has limited 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 NHS LHB in undertaking its activities.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

23. Related Party Transactions

	Payments to related party £	Receipts from related party £	Amounts owed to related party £	Amounts due from related party £
Total value of transactions with Board members and key senior staff in 2010/11	0	0	0	0

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

	Payments to related party £000	Receipts from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Abertawe Bro Morgannwg University LHB	9,039	4,197	705	98
Aneurin Bevan LHB	41	157	11	59
Cardiff & Vale University LHB	514	790	209	112
Cwm Taf LHB	238	255	19	9
Hywel Dda LHB	3,509	345	219	62
Powys LHB	2,019	5,144	901	956
WHSSC	131,295	31,856	750	1,013
Public Health Wales	2,165	3,364	30	183
Velindre NHS Trust	3,422	742	132	198
Welsh Ambulance Services NHS Trust	3,994	1,847	70	224
Welsh Risk Pool	0	0	2	49,127
Welsh Assembly Government	717	1,237,102	83	1,410

Betsi Cadwaladr University LHB also had material transactions with other organisations within and outside of Wales, namely

	Payments to related party £000	Receipts from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Aintree University Hospitals NHS Foundation Trust	1,313	37	467	2
Countess of Chester Hospital NHS Trust	22,682	58	126	9
Robert Jones & Agnes Hunt Orthopaedic & District Hospital NHS Trust	12,255	11	425	2
Royal Liverpool & Broadgreen University Hospital NHS Trust	6,261	11	196	5
Shropshire County NHS PCT	117	2,979	3	99
University Hospital of South Manchester NHF	1,075	5	176	0
Western Cheshire PCT	9	2,210	0	3,015
Wirral University Teaching Hospital NHS Foundation Trust	1,160	317	109	66
University of Wales, Bangor	1,263	1,073	40	583
Conwy County Borough Council	5,682	928	1,086	527
Denbighshire County Council	4,245	815	481	371
Flintshire County Council	4,865	1,798	593	173
Gwynedd County Council	4,176	1,775	731	728
Isle of Anglesey County Council	2,899	1,310	555	582
Wrexham County Borough Council	6,211	1,860	856	958

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

Name	Details	Interests
Dr L Miles	Vice Chair	Partner at Bron Derw Medical Centre, Bangor.
Dr K Griffiths	Director of Therapies and Health Sciences	Henry Leach Associates.
A Jones	Director of Public Health	Spouse is an employee of the LHB.
Dr C Tillson	Independent Board Member	GP Partner in Bodnant Medical Centre, Bangor.
Rev H Davies	Independent Board Member	Menter Mon; Tearfund Cymru; Crossroads Ynys Mon.
H O Jones	Independent Board Member	President of Age Concern North East Wales; Trustee of Flintshire Local Voluntary Council.
H Stevens	Independent Board Member	Board Member, Wales Council for Voluntary Action; Trustee of Denbighshire Voluntary Services Council; Ron and Margaret Smith Cancer Appeal Committee; NEWCIS.
K McDonogh	Independent Board Member	Trustee of the Roman Catholic Diocese of Wrexham; Chair of the Roman Catholic Diocese of Wrexham Finance and Property Advisory Committee; Safeguarding Co-ordinator (Diocese of Wrexham); Vice-Chair - St Mary's RC Primary School, Wrexham; Governor - St Winifreds RC Primary School, Holywell (ended December 2010).

The following Directors have declared no related party interests:

TM Williams	Chairman
M Burrows	Chief Executive
H Simpson	Director of Finance
M Scriven	Medical Director and Director of Clinical Services
G Lang	Director of Primary, Community and Mental Health Services
G Lewis-Parry	Director of Governance and Communications
M Common	Director of Improvement and Business Support
N Bradshaw	Director of Planning
J Galvani	Director of Nursing, Midwifery and Patient Services
JM Jones	Director of Workforce and Organisational Development
J Dean	Independent Board Member

The LHB has also received revenue and capital grants of approximately £2,133k from a number of Charitable Funds for which the LHB Board is the corporate trustee,

24. Third Party assets

The LHB held £276,213 cash at bank and in hand at 31 March 2011 (31 March 2010: £227,829) which relates to monies held by the LHB on behalf of patients. This has been excluded from cash and cash equivalents figure reported in the accounts.

25. Intra Government balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
2010-11 :				
Welsh Assembly Government	186,830	246,553	83	0
Welsh Local Health Boards	1,412	0	16,333	0
Welsh NHS Trusts	610	0	654	0
Welsh Health Special Services Committee	1,013	0	750	0
All English Health Bodies	5,128	0	4,209	0
All N. Ireland Health Bodies	4	0	0	0
All Scottish Health Bodies	6	0	5	0
Miscellaneous	0	0	0	0
Credit note provision	(2,830)	0	0	0
Sub total	192,173	246,553	22,034	0
Other Central Government Bodies				
Other Government Departments	0	0	7,522	0
Revenue & Customs	0	0	7,538	0
Local Authorities	3,226	0	4,335	0
Balances with Public Corporations and trading funds	0	0	0	0
Balances with bodies external to Government	9,863	1,033	95,176	99,157
TOTAL	205,262	247,586	136,605	99,157
2009-10 :				
Welsh Assembly Government	191,411	201,920	14,613	0
Welsh Local Health Boards	1,313	0	-2,829	0
Welsh NHS Trusts	821	0	643	0
Health Commission Wales	15	0	405	0
All English Health Bodies	2,484	0	13,360	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	14	0	0	0
Miscellaneous	0	0	2,276	0
Credit note provision	(1,931)	(323)	0	0
Sub total	194,127	201,597	28,468	0
Other Central Government Bodies				
Other Government Departments	124	0	1,013	328
Revenue & Customs	812	0	7,876	0
Local Authorities	2,934	0	1,844	0
Balances with Public Corporations and trading funds	0	0	0	0
Balances with bodies external to Government	11,663	1,963	93,022	83,151
TOTAL	209,660	203,560	132,223	83,479

26. Losses and special payments

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

Gross loss to the Exchequer

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

	Amounts paid out during period to 31 March 2011		Approved to write-off to 31 March 2011	
	Number	£	Number	£
Clinical negligence	90	7,303,315	52	4,589,789
Personal injury	82	1,249,208	30	545,835
All other losses and special payments	317	4,297,346	316	4,297,546
Total	489	12,849,869	398	9,433,170

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

Cases exceeding £250,000	Case reference	Case type	Amounts	Cumulative	Approved to
			paid out in year £	amount £	write-off in year £
	95RT8MN0004	Medical Negligence	4,000	363,000	363,000
	99RT7MN0012	Medical Negligence	0	270,000	0
	00RT7MN0002	Medical Negligence	150,000	969,964	0
	03RT9MN0044	Medical Negligence	320,000	355,000	0
	04RT8MN0044	Medical Negligence	0	591,500	591,500
	05RT8MN0017	Medical Negligence	20,000	545,000	0
	05RT8MN0033	Medical Negligence	409,500	447,000	447,000
	06RT7MN0003	Medical Negligence	0	556,000	0
	06RT8MN0009	Medical Negligence	90,000	400,000	400,000
	06RT9MN0032	Medical Negligence	20,200	279,469	0
	06RT9MN0039	Medical Negligence	347,500	347,500	0
	07RT8MN0007	Medical Negligence	1,078,503	1,245,000	0
	07RT8MN0010	Medical Negligence	95,000	285,000	285,000
	07RT8MN0020	Medical Negligence	1,182,250	1,281,720	0
	07RT9MN0002	Medical Negligence	0	445,000	445,000
	07RT9MN0011	Medical Negligence	0	1,235,000	0
	08RT7MN0019	Medical Negligence	270,000	270,000	0
	08RT7MN0029	Medical Negligence	275,000	275,000	0
	08RT8MN0003	Medical Negligence	474,611	489,611	0
	08RT8MN0008	Medical Negligence	19,500	259,500	259,500
	08RT8MN0004	Medical Negligence	391,430	391,430	0
	08RT9PI0014	Personal Injury	353,512	353,512	0
	117A1EG0024 (i)	Ex Gratia	4,117,494	4,117,494	4,117,494
Sub-total			9,618,500	15,772,700	6,908,494
All other cases			3,231,369	6,921,629	2,524,676
Total cases			12,849,869	22,694,329	9,433,170

(i) This case represents all costs incurred during the year in respect of the Voluntary Early Release Scheme (VERS).

27. Contingencies

27.1 Contingent liabilities

	2010-11	2009-10
	£'000	£'000
		Restated
Legal claims for alleged medical or employer negligence	73,792	49,344
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	1,515	839
Continuing Health Care costs	4,290	4,503
Other	0	0
Total value of disputed claims	79,597	54,686
Amounts recovered in the event of claims being successful	71,381	46,286
	8,216	8,400

27.2 Contingent assets

Betsi Cadwaladr University LHB has no contingent assets	0	0
	0	0
	0	0
	0	0

28. Capital commitments

Contracted capital commitments at 31 March	2010-11	2009-10
Property, plant and equipment	7,089	18,334
Intangible assets	0	0
	7,089	18,334

29. Finance leases**29.1 Finance leases obligations (as lessee)**

The LHB has one buildings finance lease, for the part lease of Clwydian House. This lease commenced in 1996 and is for a term of 19 years, hence it will cease in March 2015. The annual rental is for £30,000. There is no option to purchase the building at the end of the lease.

The LHB has two leases for medical equipment. These leases both expire within the next year and are for varying values. There is no option to purchase these assets.

The LHB has four year photocopier leases, all for various values and with varying end dates. There is no option to purchase these assets.

Amounts payable under finance leases:

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

29.1 Finance leases obligations (as lessee) continued**Amounts payable under finance leases:**

Buildings	31 March 2011 £000	31 March 2010 £000
Minimum lease payments		
Within one year	30	30
Between one and five years	90	120
After five years	0	0
Less finance charges allocated to future periods	(55)	(70)
Minimum lease payments	<u>65</u>	<u>80</u>
Included in:		
Current borrowings	16	15
Non-current borrowings	<u>49</u>	<u>65</u>
	<u>65</u>	<u>80</u>
Present value of minimum lease payments		
Within one year	16	15
Between one and five years	49	65
After five years	0	0
Less finance charges allocated to future periods	0	0
Present value of minimum lease payments	<u>65</u>	<u>80</u>
Included in:		
Current borrowings	16	15
Non-current borrowings	<u>49</u>	<u>65</u>
	<u>65</u>	<u>80</u>
Other	31 March 2011 £000	31 March 2010 £000
Minimum lease payments		
Within one year	169	241
Between one and five years	0	169
After five years	0	0
Less finance charges allocated to future periods	(3)	(25)
Minimum lease payments	<u>166</u>	<u>385</u>
Included in:		
Current borrowings	164	222
Non-current borrowings	<u>2</u>	<u>163</u>
	<u>166</u>	<u>385</u>
Present value of minimum lease payments		
Within one year	167	239
Between one and five years	2	169
After five years	0	0
Less finance charges allocated to future periods	(3)	(23)
Present value of minimum lease payments	<u>166</u>	<u>385</u>
Included in:		
Current borrowings	164	222
Non-current borrowings	<u>2</u>	<u>163</u>
	<u>166</u>	<u>385</u>

29.2 Finance lease receivables (as lessor)

Betsi Cadwaladr University LHB has no finance lease receivables (as lessor).

Amounts receivable under finance leases:

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

30. Private Finance Initiative contracts**30.1 PFI schemes off-Statement of Financial Position**

Betsi Cadwaladr University LHB has no PFI schemes off-statement of financial position

30.2 PFI schemes on-Statement of Financial Position

The contribution of Fresenius was to finance, design, build and equip (including the provision of consumables) a Renal Diabetic Unit. Fresenius also have defined responsibilities for maintenance of the Unit. The LHB is responsible for the delivery of all clinical care and other support services. The Unit is treated as an asset of the Health Board and is included in Non Current Assets in Note 11 Property, Plant and Equipment.

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

	31 March 2011	31 March 2010
	£000	£000
Not later than one year	90	90
Later than one year, not later than five	362	362
Later than five years	1,665	1,755
Sub total	2,117	2,207
Less: interest element	681	732
Total	1,436	1,475

30.3 Charges to expenditure

The total charged in the year to expenditure in respect of the service element of on-statement of financial position PFI contracts was £0.2m (prior year £0.2m).

The LHB is committed to the following annual charges

	31 March 2011	31 March 2010
	£000	£000
PFI scheme expiry date:		
Not later than one year	0	0
Later than one year, not later than five years	0	0
Later than five years	251	237
Total	251	237

30.4 The LHB has no Public Private Partnerships

31. Pooled budgets

The LHB has 2 pooled budgets; 1 jointly with Flintshire County Council and Wrexham County Borough Council and another with Denbighshire County Council.

Under the arrangements, funds are pooled under the NHS (Wales) Act 2006 for Community Equipment Services within Flintshire/Wrexham (North East Wales) and Denbighshire respectively. Management Boards comprising the partner organisations oversee the operational management of the pooled budgets.

North East Wales Community Equipment Service Memorandum Accounts 20010/11

The North East Wales pool is hosted by Flintshire County Council and the formal partnership agreement commenced on 8th July 2009. A memorandum of account has been produced by Flintshire County Council, as shown below.

Pooled Budget contributions	£ 000
Flintshire County Council	(362)
Wrexham County Borough Council	(255)
Betsi Cadwaladr University Local Health Board	(209)
Other	(116)
Total Pooled Budget contributions for the year	(942)
Expenditure	
Equipment Purchases	497
Operating Expenditure	461
Non Operating Expenditure	0
Total Expenditure for the year	958
Net (Surplus)/Deficit on the Pooled Budget for the Year	16

Denbighshire Community Equipment Service Memorandum Accounts 2010/11

The Denbighshire pool is hosted by Denbighshire County Council and the current three year partnership agreement commenced on 1st April 2009. A memorandum of account has been produced by Denbighshire County Council which is shown below:

Pooled Budget contributions	£ 000
Denbighshire County Council	(218)
Betsi Cadwaladr University Local Health Board	(128)
Other joint working grant, etc	(174)
Total Pooled Budget contributions for the year	(520)
Expenditure	
Equipment Purchases	182
Operating Expenditure	270
Non Operating Expenditure	0
Total Expenditure for the year	452
Net Surplus/Deficit on the Pooled Budget for the Year	(68)

Note: The underspend related to operating expenditure and some one-off funding. The Pooled Budget Manager has recommended that the under-spend be carried forward into 2011/12 to offset the loss of the Joint Working Grant. This was ratified at the Partnership Management Group Meeting on 18th April 2011.

32. Financial Instruments

Financial assets	At "fair value" through SoCNE £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	192,172	0	0	192,172
Cash at bank and in hand	4,895	0	0	4,895
Other financial assets	258,681	0	0	258,681
Total at 31 March 2011	455,748	0	0	455,748

Financial liabilities	At "fair value" through SoCNE £000	Other £000	Total £000
Embedded derivatives	0	0	0
PFI and finance lease obligations	1,667	0	1,667
Other financial liabilities	225,759	0	225,759
Total at 31 March 2011	227,426	0	227,426

Financial assets	At "fair value" through SoCNE £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	196,058	0	0	196,058
Cash at bank and in hand	5,635	0	0	5,635
Other financial assets	214,837	0	0	214,837
Total at 31 March 2010	416,530	0	0	416,530

Financial liabilities	At "fair value" through SoCNE £000	Other £000	Total £000
Embedded derivatives	0	0	0
PFI and finance lease obligations	1,941	0	1,941
Other financial liabilities	201,234	0	201,234
Total at 31 March 2010	203,175	0	203,175

33. Financial risk management

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

Currency risk

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

34. Movements in working capital

	2010-11	2009-10
	£000	£000
(Increase)/decrease in inventories	(21)	(1,992)
(Increase)/decrease in trade and other receivables	(39,628)	(8,972)
(Increase)/decrease in other current assets	1,665	(129)
Increase/(decrease) in trade and other payables	10,180	11,712
Increase/(decrease) in other current liabilities	0	0
Total	(27,804)	619

35. Other cash flow adjustments

	2010-11	2009-10
	£000	£000
Depreciation	28,834	27,599
Amortisation	600	460
Impairments and reversals	10,867	35,828
Cost of Capital Charge	0	(11,615)
Release of PFI deferred credits	0	0
Transfer from donated asset reserve	(1,553)	(1,667)
Transfer from government grant reserve	0	0
Non-cash movements in provisions	33,119	24,313
Total	71,867	74,918

36. Cash flow relating to exceptional items

There were no cash flows relating to exceptional items

37. Events after the Reporting Period

There are no events after the reporting period which require disclosure.

38. Operating segments

The following information segments the results of Betsi Cadwaladr University Local Health Board by:-

- Healthcare activities; and
- the Welsh Risk Pool.

	Activities 2010-11 £000	Welsh Risk Pool 2010-11 £000	Total 2010-11 £000
Operating expenditure	1,318,223	93,209	1,411,432
less Miscellaneous income	116,991	94,483	211,474
less Interest and other gains and losses	-15	-1,274	-1,289
Net operating costs for the financial year	1,201,247	0	1,201,247
Less Non-discretionary expenditure	1,101		1,101
Sub-total	1,200,146	0	1,200,146
Revenue Resource Limit (RRL)	1,200,230		1,200,230
Under / (over) spend against RRL	84	0	84

This note includes inter-segment trading which amounted to £6,918k. This is "netted-off" from the consolidated position shown in the main Operating Cost Statement.

The accounts of the healthcare activities of the LHB are on pages 1 to 58 of the Healthcare Accounts and the accounts of the Welsh Risk Pool are on Pages 1 to 19 of the Welsh Risk Pool Accounts.

39. Other Information

The Statement of Comprehensive Net Expenditure for 2009/10 has been restated to reflect changes in accounting policies for capital charges interest and fixed asset impairments. Some items of expenditure have also been reclassified from "Expenditure on Hospital and Community Health Services" to "Expenditure on healthcare from other providers", in accordance with the Manual for Accounts.

The impact of these restatements is as follows:

- Reduction in "Expenditure on Hospital and Community Health Services" of £5,826k due to the removal of capital charge interest;
- Reduction in "Expenditure on Hospital and Community Health Services" of £11,837k with a corresponding increase in "Expenditure on healthcare from other providers" due to the reclassification of expenditure;
- The net impact is an overall reduction in net operating costs for 2009/10 of £5,826k

**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.....2011 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:2011

Chief Executive: Dated:2011

Director of Finance: Dated:2011

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

LOCAL HEALTH BOARDS

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

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

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

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

FORM AND CONTENT

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

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

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

MISCELLANEOUS

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

Signed by the authority of Welsh Ministers

Signed : Chris Hurst

Dated : 17.06.2010

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

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

I have ensured that the organisation has put in place appropriate accountable measures to enable me to exercise my responsibilities as Accountable Officer. I have given particular attention to working with the Welsh Assembly Government on performance improvement whilst ensuring that the organisation works closely with partner organisations such as local authorities and the voluntary sector, to discuss and address health inequalities and promote community engagement. Routine performance reporting is provided to the WAG through the National Performance Framework, Healthcare Standards for Wales Improvement Plan, Annual Operating Framework and Financial Monitoring Returns. In particular, the process for the management of risk with the Welsh Assembly Government is implemented via the Annual Operating Framework and the 5 Year Plan. The Business Support Partnership was part of the BCUHB and as from 1st April 2011 this function transferred into the NHS Wales Shared Services Partnership.

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 first month period 1 April 2010 ending 31 March 2011 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 arrangements for Risk Management from April 2010 were contained within the Risk Management Policy and Strategy approved by the Board in October 2009. In April 2010 a work plan was produced for integrating and streamlining the risk management process for BCULHB in alignment with organisations Strategic Direction. An integrated risk management solution was developed during 2010/2011 which addresses the practicalities of adopting a system that responds to the strategic needs of the organisation as well as the operational needs of Clinical Programme Groups (CPG) and Corporate Functions. A revised Risk Management Policy and Strategy was approved by the Board in December 2010. A Risk Management Framework, based upon the Welsh Assembly Government document "Your Risk and Assurance Framework: A Structured approach" was approved by the Quality and Safety Committee in February 2011.

I have delegated the responsibilities for risk management to the Director of Governance and Communications. In embedding the risk management process as an integral part of the business of the organisation, a committee structure has been established to assist the Board to discharge its responsibilities.

The Risk Management Sub-Committee meets to assist the Board. The Sub-Committee is Chaired by the Vice Chair of the LHB and is charged with developing, implementing and monitoring the Risk Management Strategy. The Risk Management Sub Committee reports to the Quality and Safety Committee, through to the Board. This Committee met four times during the accounting period.

The Risk Management Policy and Strategy was approved by the Board in December 2010 and sets out the responsibilities of all employees in relation to risk management. All employees job descriptions detail their responsibilities with regard to risk management, which is linked to their Knowledge and Skills Framework. Clinical Programme Groups and Corporate Functions inherited and have built upon existing risk registers to support their own operational functions. These risk registers provide the opportunity for risks to be mitigated and managed locally and escalated to the Board should the need arise. Clinical Programme Groups, via the Chiefs of Staff, escalate risks to the Board via the appropriate Executive Director. A standard template for CPG and Corporate Function Risk Registers has been developed and is being implemented. The risk arrangements of CPGs and Corporate Functions were discussed at the March 2011 meeting of the Risk Management Sub Committee. This work will be further progressed during 2011/12.

A cyclical training programme for all staff is provided on risk management, incident reporting and developing risk profiles and registers through risk assessment. This ensures staff are aware of their responsibilities and feedback mechanisms within the organisation once incidents have occurred or a hazard has been identified. The communication of this information throughout the organisation includes, but not restricted to, by specific "alerts" e.g. Clinical, Health & Safety, Manual Handling or Medical Devices. The Health Board also shares these alerts with other LHB's in Wales to highlight the lessons learnt, and with other external organisations such as the National Patient Safety Agency.

4. The risk and assurance framework

The risk management and assurance framework is set out in the Risk Management Policy and Strategy for BCULHB. The key elements of the risk and assurance framework are to:

- a) create a culture that puts citizens at the centre of everything we do;
- b) create a fully 'risk aware' approach – where risk management is embraced within the organisation's culture which includes adopting the National Patient Safety Agency Seven Steps to Patient Safety and Being Open Policies are integrated into the working practices of all grades and disciplines of staff;
- c) encourage the open reporting of mistakes made, within an open and fair culture, and ensures that lessons are learnt from those mistakes and that measures to prevent recurrence are promptly applied; and
- d) clarify that Risk Management is everyone's responsibility.

The objectives that of the Risk Management Strategy (that will be supported by the organisation's Risk Management processes) are:

- a) To define the organisational management of risk throughout the LHB;
- b) To ensure the continuing development of a system that will review the risk management process on a regular basis;
- c) To ensure that the LHB satisfies all statutory duties and undertakings and complies with all appropriate legislation (e.g. Health and Safety at Work Act, Equality Act);
- d) To ensure that efficient links are developed between Risk Management, Governance, Audit, including clinical audit and Finance.
- e) To ensure continuing development of the system that will enable the LHB to achieve the requirements of the Healthcare Standards for Wales and the Welsh Risk Management Standards;
- f) To raise the awareness of all staff to risk issues through communication and training;
- g) To address cultural issues related to the management of risk;

- h) To improve the quality of care. Provide a safe environment for the benefit of patients, staff and visitors by reducing and, where possible, eliminating the risk of loss/harm;
- i) Protect its assets and reputation;
- j) To introduce and maintain cost effective risk control measures to eliminate or reduce risks to an acceptable level, e.g. risk assessment, cost benefit analysis, identification of opportunity costs, planning risk treatments, as well as evaluating and monitoring of these;
- k) To reduce the severity and number of incidents of actual loss/harm and to ensure that any lessons learnt and corrective measures reduce the probability of recurrent loss/harm;
- l) To analyse near misses, hazards, incidents, serious incidents, complaints and legal claims to identify trends, actions and lessons learnt to consider any current or future risks to the Health Board;
- m) To monitor the implementation and adoption of standards that control risks at the lowest practicable level, for example implementing safety Alerts; and
- n) To ensure there are fast, clear pathways where decisions need to be made quickly and to ensure support systems are in place.

The Risk Management Framework describes the process for the control and evaluation of risks.

The Health Board has worked with Executive and Independent Members individually and collectively to develop a relevant and dynamic assurance framework. Although not yet finalised and published this framework is a live tool. The tool is already populated, and takes the form of columns describing the lead officer; corporate objective; (such as making it safe); key controls; any known gaps in controls; method of assurance; and whether the assurance is complete.

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

Governance and Accountability Module	We do not yet have a clear, agreed understanding of where we are (or how we are doing) and what / where we need to improve.	We are aware of the improvements that need to be made and have prioritised them, but are not yet able to demonstrate meaningful action.	We are developing plans and processes and can demonstrate progress with some of our key areas for improvement.	We have well developed plans and processes and can demonstrate sustainable improvement throughout the organisation	We can demonstrate sustained good practice and innovation that is shared throughout the organisation/business and which others can learn from
Setting the direction			3		
Enabling delivery			3		
Delivering results achieving excellence			3		
Overall Maturity level			3		

It was agreed by the Quality & Safety Committee that, over and above the completion of the Governance & Accountability assessment module, five Standards for Health Services in Wales would also be completed for 2010/11 to provide additional assurance. The following levels of performance has been agreed:

Standard 1 - Governance & accountability: 3
Standard 6 - Participating in quality improvement activities:3
Standard 7 - Safe & clinically effective practice: 3
Standard 22 - Managing risk and health & safety: 3
Standard 23 - Dealing with concerns & managing incidents: 3

Key: 1- Urgent 2- Plans in development 3 - Review existing plans 4 - Normal practice
5 - Continually improving

This process has been subject to independent internal assurance by the organisations Head of Internal Audit. This process was also subject to scrutiny via a Star Chamber approach with a number of Independent Members and Executive Directors and Directors.

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

- a Healthcare Standards Improvement Plan for 2010/11 was developed and progress was monitored by the Quality & Safety Committee;
 - each standard has been allocated a nominated Executive, operational and Independent Member lead;
 - The Quality & Safety Committee agreed the process for the implementation of the Standards for Health Services in Wales . Monitoring mechanisms have been developed and are being implemented at CPG and Corporate Function level and a rolling programme of reporting during 2011/12 has been agreed;
 - the standards are being used to underpin the LHBs the Strategic Direction 2009 - 2012 “Bringing people and services together for North Wales” and the 5 year plan in response to the Welsh Assembly Government’s 5-Year Service Workforce and Financial Strategic Framework plans;
 - CPGs and Corporate Functions are using the standards to assess risk and prioritise improvements in 2011/12;
 - the Board gains assurance that the organisation is meeting the standards across the range of its activities, including those being provided by others on its behalf on receipt of reports to the Board and its Committees and Sub Committees. All Committee coversheets require the identification of which Healthcare Standard it supports.
-
- The 5 Year Plan was discussed with stakeholders and areas of the plan reflect input from partners;
 - The Board adopted the Welsh Assembly Government Citizen Centred principles in October 2009 and we are now working to implement the guidance for engagement and consultation on changes to health services;
 - Significant progress in the development and implementation of a comprehensive service user engagement strategy has been made, and includes robust mechanisms for gathering and responding to service user views, systematic approaches to patient surveys, service user involvement on some CPG Boards, and the development and collation of patient stories;
 - Clear and robust arrangements are also developing in terms of engagement with service users, and other stakeholders, these are illustrated by the strategic service reviews;
 - The Health Board believes the 3-cycle model ensures wide and ongoing stakeholder engagement, together with the development of clinical consensus;
 - The Board meets with Community Health Council (CHC) twice a year and there are Bi annual meeting with Council scrutiny committees;
 - The Health Board engages on an ongoing basis with trade unions and across professional groups. This includes attendance at the Medical Advisory Committee, Local Medical Committee, Local Negotiating Committee as well as other primary care contractor committees. In addition the health board has established a Local Partnership Forum as a joint advisory committee;
 - The Local Health Board has also established a Stakeholder Reference Group and Health Professionals Forum as part of our governance process; and
 - The Health Board work closely with GP’s to deliver their aims and objectives and to develop and deliver services within localities.

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

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control, included:

- The Board has approved a of Risk Management Policy and Strategy and Risk Management Framework to support the implementation of risk management processes and arrangements;
- The Audit Committee, as part of the integrated committee structure, was pivotal in advising the Board on the effectiveness of the system of internal control.
- The Quality and Safety Committee supported the development of services by ensuring continuous quality improvement, safeguarding high standards of care and creating an environment in which excellence in clinical care can flourish;
- The Risk Management Sub Committee provided the Board with the overall assurance on the effectiveness of risk management;
- Internal Audit have conducted reviews of Risk Management and Incident Reporting arrangements and action plans are being implemented for these areas.

Additional reports are also received on, or from, the following:

- Healthcare Inspectorate Wales;
- Welsh Risk Management Standards assessment reports;
- Health and Safety Executives (HSE) visits and reports;
- Wales Audit Office reviews and reports

Welsh Health Specialist Services Committee

In accordance with the Welsh Health Specialised Services Committee (Wales) Directions 2009 (2009 No.35), the LHBs are required to establish a Joint Committee for the purpose of jointly exercising its Delegated Functions and providing the Relevant Services from 1 April 2010. The Welsh Health Specialised Services Committee (WHSSC) (Wales) Regulations 2009 (SI 2009 No 3097) make provision for the constitution of the "Joint Committee" including its procedures and administrative arrangements.

The Joint Committee has been established in accordance with the Directions and Regulations to enable the seven LHBs in NHS Wales to make collective decisions on the review, planning, procurement and performance monitoring of agreed specialised and tertiary services (Relevant Services) and in accordance with their defined Delegated Functions. The Joint Committee therefore comprises, and is established by, all the LHBs.

Opinion of the Director of internal Audit

During 2010/2011 the LHB received internal audit services from two providers, In-house Internal Audit and Mersey Internal Audit Agency (MIAA) which operated as a single service under the overall leadership of the MIAA Director of Audit.

Mersey Internal Audit Agency

MIAA have issued a Head of Audit Opinion for BCULHB for 2010/11 of adequate assurance, in that there is a generally sound system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weaknesses in the design or inconsistent application of controls could put the achievement of a particular objective at risk.

The Head of Internal Audit has also undertaken a review of the Standards for Health Services Wales, as part of the 'Star Chamber' process, in accordance with the requirements identified in WHC(2008) 001. The overall opinion was that the self assessment scores in respect of the five core standards, as agreed by the Quality and Safety Committee, are appropriate and that there are adequate mechanisms for the compilation and review of the self assessment documentation. There are opportunities for the LHB to further enhance its quality assurance processes, particularly with Clinical Programme Groups (CPGs) as the organisation matures.

I am also supported by the Board's role, which is to provide active leadership of the LHB within a framework of prudent and effective controls that enable risk to be assessed and managed.

The Internal Audit annual plan is agreed by the Director of Governance and Communication, the Executive Team and the Audit Committee and encompasses the priorities set out in the Assurance Framework. The annual plan is reviewed throughout the year and progress reports are presented to the Audit Committee. A separate Internal Audit Plan is in place for the BSP. Detailed reports on areas of work covered are provided to the Director of Finance and to the relevant Manager. These reports and agreed action plans are also subject to Audit Committee review.

The Wales Audit Office provides a further assurance mechanism in particular through its review of the Annual Accounts.

Risk Management is an integral part of everyone's job and are seen as a valuable aid to achieving the objectives of the Health Board.

It is by nature an interactive process and the key elements of building the Assurance Framework will remain under continuous scrutiny from the Board level down to all operational levels throughout the LHB.

- Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.
- As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.
- The organisation has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements as based on UKCIP 2009 weather projections to ensure that the organisation's obligation under the climate change Act and the Adaptation Reporting requirements are complied with.

6. Significant internal control problems

No significant internal control problems have been identified

(Signature of Accountable Officer and date of signature)

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

I certify that I have audited the financial statements of Betsi Cadwaladr University Local Health Board which incorporate the Health Board's Healthcare Accounts and the Welsh Risk Pool Accounts for the year ended 31 March 2011 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Tax Payers Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs). I have also audited the information in the Remuneration Report that is described as having been audited.

Respective responsibilities of Directors, the Chief Executive and the Auditor

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities set out on pages 59 and 60, the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of financial statements

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

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

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

Opinion on financial statements

In my opinion the financial statements:

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

Opinion on Regularity

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

Opinion on other matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers;
- I have been unable to read the 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.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
14 June 2011

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