

Ceredigion Local Health Board

FOREWORD

These accounts have been prepared by the Local Health Board under section 98(2) of the National Health Service Act 1977 (as amended) in the form in which the National Assembly for Wales has, with the approval of the Treasury, directed.

Statutory background

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

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

Performance Management and Financial Results

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

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

The primary performance measure for Local Health Boards is note 2.1 Achievement of Operational Financial Balance on page 11. This note compares net operating costs expended against Resource Limits allocated by the Assembly and measures whether operational financial balance has been achieved in year.

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

| | Note | Total | 2004-05 |
|----------------------------|------------------|---------------|----------------|
| | | £000 | Total |
| | | | £000 |
| Expenditure | 4.1,4.2,4.3, 4.4 | 96,515 | 92,509 |
| Miscellaneous income | 3.1 | 1,653 | 2,748 |
| Net operating costs | | 94,862 | 89,761 |

**STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2006**

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

BALANCE SHEET AS AT 31 MARCH 2006

| | Note | £000 | 31 March 2005 £000 |
|---|------|----------------|--------------------------|
| TOTAL FIXED ASSETS | | | |
| Intangible fixed assets | 5.1 | 0 | 0 |
| Tangible fixed assets | 5.2 | 0 | 0 |
| CURRENT ASSETS | | | |
| Debtors | 6.1 | 704 | 571 |
| Cash at bank and in hand | | 233 | 19 |
| Total Current Assets | | 937 | 590 |
| Creditors: amounts falling due within one year | 6.2 | 6,037 | 6,495 |
| Net current assets / (liabilities) | | (5,100) | (5,905) |
| Creditors: amounts falling due after more than one year | 6.3 | 0 | 0 |
| Provisions for liabilities and charges | 6.4 | 0 | 0 |
| TOTAL NET ASSETS | | (5,100) | (5,905) |
| FINANCED BY: | | | |
| General fund | 6.5 | (5,100) | (5,905) |
| Donated Assets Reserve | 6.6 | 0 | 0 |
| Revaluation Reserve | 6.7 | 0 | 0 |
| TOTAL | | (5,100) | (5,905) |

Signed for and on behalf of the Board

Director of Finance Chief Executive

Date : 28th June 2006

Date : 28th June 2006

Adopted by the Board on.....

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

| | £000 | 2004-05 £000 |
|--|-----------------|-----------------|
| Net operating costs | (94,862) | (89,761) |
| Adjust for non-cash transactions | (151) | (174) |
| Adjust for movements in working capital other than cash | (591) | (749) |
| Utilisation of provisions | (42) | (45) |
| | <hr/> | <hr/> |
| Net cash outflow from operating activities | (95,646) | (90,729) |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT: | | |
| Payments to acquire fixed assets | 0 | 0 |
| Receipts from the sale of fixed assets | 0 | 0 |
| | <hr/> | <hr/> |
| Net cash inflow / (outflow) from investing activities | 0 | 0 |
| | <hr/> | <hr/> |
| Net cash inflow / (outflow) before financing | (95,646) | (90,729) |
| FINANCING: | | |
| Net Assembly funding (including capital) | 95,860 | 90,681 |
| Surrender of income from sale of fixed assets | 0 | 0 |
| Donations | 0 | 0 |
| Capital element of finance lease rental payments | 0 | 0 |
| | <hr/> | <hr/> |
| Net cash inflow / (outflow) from financing | 95,860 | 90,681 |
| | <hr/> | <hr/> |
| Increase / (decrease) in cash | 214 | (48) |

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

| | £000 | 2004-05 £000 |
|---|--------------|-----------------|
| Depreciation and other write-offs | 0 | 0 |
| Impairment of fixed assets | 0 | 0 |
| (Profit) / Loss on disposal of fixed assets | 0 | 0 |
| Non-cash provisions | 42 | 45 |
| Capital charge interest | (193) | (219) |
| | <u>(151)</u> | <u>(174)</u> |

Adjust for movements in working capital other than cash

| | £000 | 2004-05 £000 |
|----------------------------------|--------------|-----------------|
| (Increase)/decrease in debtors | (133) | 339 |
| Increase/(decrease) in creditors | (458) | (1,088) |
| | <u>(591)</u> | <u>(749)</u> |

Reconciliation of net cash flow to movement in net debt

| | £000 |
|--|------------|
| Increase/(decrease) in cash in the period | 214 |
| Cash outflow from debt repaid and finance lease capital payments | <u>0</u> |
| Change in net debt resulting from cash flows | 214 |
| Non cash changes in debt | 0 |
| Net debt at 1 April 2005 | <u>19</u> |
| Net debt at 31 March 2006 | <u>233</u> |

Analysis of changes in net debt

| | As at 1 April 2005 | Cash flows | Other changes | As at 31 March 2006 |
|--------------------------|--------------------------|---------------|------------------|---------------------------|
| | £000 | £000 | £000 | £000 |
| Cash at bank and in hand | 19 | 214 | 0 | 233 |
| Bank overdraft | 0 | 0 | 0 | 0 |
| Debt due within one year | 0 | 0 | 0 | 0 |
| Debt due after one year | 0 | 0 | 0 | 0 |
| | <u>19</u> | <u>214</u> | <u>0</u> | <u>233</u> |
| Total | <u>19</u> | <u>214</u> | <u>0</u> | <u>233</u> |

Notes to the Account

1. Accounting Policies

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

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

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

Acquisitions and Discontinued Operations

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

1.2 Income and funding

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

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

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

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

1.3 Taxation

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

1.4 Intangible fixed assets

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

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

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

1.5 Tangible fixed assets

a. Capitalisation

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

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

b. Valuation

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

Land and Buildings

Land and buildings are restated at current cost using professional valuations every five years and appropriate indices in intervening years. The buildings indexation is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building and land values reported in the Property Market Report published by the Valuation Office. Valuations are carried out by the District Valuers of the Inland Revenue Government Department at five - yearly intervals. A five - yearly revaluation was carried out as at 30 September 2003.

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

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

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

All adjustments arising from indexation and five - yearly revaluations are taken to the Revaluation Reserve.

All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for Depreciated Replacement Cost valuations.

Equipment

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

Assets in the course of construction

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

c. Depreciation, amortisation and impairments

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

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

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

Leaseholds are depreciated over the primary lease term.

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

Vehicles are depreciated over 7 years.

Intangible assets are amortised over the estimated lives of the assets.

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

1.6 Donated assets

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

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

1.7 Research and development

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

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

1.8 Pension Costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employees, General Practices and other bodies, allowed under the direction of Secretary of State. As a consequence it is not possible for the LHB to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The notional surplus of the scheme is £1.1 billion as per the last scheme valuation by the Government Actuary for the period 1 April 1994 to 31 March 1999. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis. It was recommended that employers' contributions remain at 7% of pensionable pay until 31 March 2003 and then be increased to 14% of pensionable pay with effect from 1 April 2003.

The Scheme is subject to a full valuation for FRS 17 purposes every four years. The last valuation took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999.

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

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

NHS bodies are directed by the National Assembly to charge employers pension costs contributions to operating expenses as and when they become due.

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

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

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

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

1.9 Foreign currency

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

1.10 Cost of Capital

The cost of capital applies to all the assets and liabilities of the LHB, less cash balances held at the OPG and donated assets. The interest rate applied to capital charges in the 2005/06 financial year was 3.5%.

1.11 Provisions

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

1.12 Liquid resources

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

1.13 Leases

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

1.14 Contingent liabilities

Contingent liabilities are recognised where the LHB has :

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

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

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

1.15 Deferred Income

Deferred income is recognised where income has been received with an obligation to use the monies for a specific purpose, but these monies have not yet been spent.

1.16 Expenditure

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

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

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

All other expenditure is classified as administration expenditure.

2.1 Achievement of Operational Financial Balance

| | £000 | £000 |
|--|---------------------|------------------|
| Net operating costs for the financial year | 94,861 | 89,761 |
| Non-discretionary expenditure | <u>(1,486)</u> | <u>614</u> |
| Operating costs less non-discretionary expenditure | 96,347 | 89,147 |
| Revenue Resource Limit | 95,749 | 89,222 |
| Under / (over) spend against Revenue Resource Limit | (598) | 75 |
| Unplanned resource brokerage received | <u>0</u> | <u>0</u> |
| Operational Financial Balance | <u>(598)</u> | <u>75</u> |

Footnote to Note 2.1

1) Ceredigion Local Health Board has not achieved operational financial balance and therefore failed its statutory duty as the requested brokerage from Welsh Assembly Government has not been made available.

2) The LHB is still in discussion with the Mid & West Wales Regional Office regarding the formal approval of the Strategic Change & Efficiency Plan (SCEP). As the SCEP has not been agreed at the time of completing these accounts, no brokerage has been forthcoming.

In its monitoring return for the period ending 31st December 2005, the LHB was projecting an underspend of £299k at year end. The LHB Board at its meeting of 2nd November 2005, approved the Audit Committee's recommendation that the forecast underspend be available to offset against the Ceredigion Health Economy deficit. This was in addition to the £300k already provided to Ceredigion & Mid Wales NHS Trust to meet unavoidable SaFF pressures

However, the LHB had to seek assistance following the receipt of correspondence from Mrs Ann Lloyd, Head, Health & Social Care Department, NHS Wales (dated 20th December 2005) instructing the LHB to account for the Ceredigion & Mid Wales Trust deficit in the LHB position.

The correspondence from Mrs Lloyd stated her decision that the Health Community deficit can best be managed by the LHB and to take the following actions –

- Utilise any LHB surplus to reduce the Community deficit and
- Take action to recover the £450k provided to the Local Authority for the development of the Joint Equipment Store as this has not been contractually committed
- Take further action to identify further surpluses or appropriate changes in priorities to free up resources to address the Community problem.

The outturn position at the end of March shows an over spend of £598k. This takes account of providing funding of £1.399m to cover the deficit reported in the Trust Month 8 monitoring returns (in addition to the £300k funding provided earlier in the year), the recovery of the £450k from the Local Authority in relation to funding of the Joint Equipment Store and offsetting avoidable year end expenditure following a thorough review of all budget headings.

Unfortunately, due to an error in the allocation process for NHS Funded Nursing Care the LHB has received £112k less than it should have. This has been highlighted to WAG who have stated that this needs to be resolved locally. However, this has not been possible to date and therefore was included within the brokerage requirement.

Brokerage of £598k was therefore requested from WAG to ensure the LHB did not breach its statutory duty to remain within its resource limit at year end. As noted above this has not been approved.

3.1 Miscellaneous income

| | £000 | 2004-05 £000 |
|-------------------------------------|---------------------|---------------------|
| Fees & Charges | 85 | 80 |
| Prescription charge income | 546 | 572 |
| Income for trust impairments | 0 | 0 |
| Deferred Income released to revenue | 0 | 1,602 |
| Other | <u>1,022</u> | <u>494</u> |
| Total | <u>1,653</u> | <u>2,748</u> |

Footnote to Note 3.1

| Analysis of Other Income; | £000 |
|-------------------------------|---------------------|
| GP Registrar Income | 318 |
| Joint Stores | 450 |
| Plas Bridell | 77 |
| Capacity Grant | 46 |
| Primary Care Estates Strategy | 20 |
| Other Sundry Income | <u>111</u> |
| Total | <u>1,022</u> |

Expenditure:**4.1 Primary health care**

| | Cash limited | Non cash limited | Total | 2004-05 Total |
|---------------------------------------|-------------------------|-----------------------------|---------------|--------------------------|
| | £000 | £000 | £000 | £000 |
| General Medical services | 13,822 | 0 | 13,822 | 12,920 |
| Pharmaceutical services | 2,487 | (2,042) | 445 | 125 |
| General Dental services | 0 | 2 | 2 | 1 |
| General Ophthalmic services | 0 | 554 | 554 | 488 |
| Other Primary health care expenditure | 1,067 | 0 | 1,067 | 1,151 |
| Prescribed drugs and appliances | 15,698 | 0 | 15,698 | 15,859 |
| Total | 33,074 | (1,486) | 31,588 | 30,544 |

4.2 Secondary and Community health care

| | Total £000 | 2004-05 Total £000 |
|---|-----------------------|-----------------------------------|
| NHS Trusts: | | |
| Provider 1 - Ceredigion & Mid Wales NHS Trust | 35,698 | 32,872 |
| Provider 2 - Carmarthen NHS Trust | 9,910 | 9,335 |
| Provider 3 - Pembrokeshire & Derwen NHS Trust | 8,303 | 7,892 |
| Provider 4 - Swansea NHS Trust | 1,108 | 964 |
| Provider 5 - Robert Jones & Agnes Hunt NHS Trust | 689 | 496 |
| Provider 6 - Cardiff & The Vale NHS Trust | 615 | 586 |
| Provider 7 - Powys Healthcare NHS Trust | 189 | 360 |
| Provider 8 - Shrewsbury & Telford Hospitals NHS Trust | 72 | 67 |
| Provider 9 - Velindre NHS Trust | 65 | 167 |
| Provider 10 - Gwent Healthcare NHS Trust | 45 | 46 |
| Other Welsh NHS trusts | 99 | 100 |
| Other non Welsh NHS trusts | 89 | 283 |
| Local Authorities | 799 | 1,599 |
| Voluntary Organisations | 319 | 229 |
| NHS Funded Nursing Care | 593 | 558 |
| Continuing Care | 3,890 | 3,881 |
| Private providers | 391 | 417 |
| Specific projects funded by Welsh Assembly Government | 0 | 0 |
| Other | 0 | 0 |
| Total | 62,874 | 59,852 |

Expenditure with Local Authorities is as follows :

| | | |
|---|-----|-----|
| Ceredigion County Council - Joint Finance | 482 | 510 |
| Emergency Pressures | 153 | 257 |
| Wanless | 159 | 822 |
| Other | 5 | 10 |

4.3 Other programme expenditure

| | £000 | 2004-05 £000 |
|--|------------|-----------------|
| Salaries and wages | 208 | 116 |
| National Public Health Service | 426 | 399 |
| Losses, special payments and irrecoverable debts | 3 | 45 |
| Research and development | 0 | 0 |
| Other | 20 | 49 |
| | <hr/> | <hr/> |
| Total | 657 | 609 |

4.4 Administration expenditure

| | £000 | 2004-05 £000 |
|---|--------------|-----------------|
| Non-officer members' remuneration | 76 | 84 |
| Other salaries and wages | 710 | 751 |
| Establishment expenses | 130 | 182 |
| Transport and moveable plant | 14 | 0 |
| Premises and fixed plant | 64 | 131 |
| External contractors | 12 | 19 |
| Auditors' remuneration - audit fee | 64 | 50 |
| Auditors' remuneration - other fees | 0 | 0 |
| Business Services Centre recharge | 518 | 506 |
| Interest payable- unwinding of discount | 0 | 0 |
| Interest payable -other | 0 | 0 |
| Capital - depreciation and amortisation | 0 | 0 |
| Capital charge interest | (193) | (219) |
| Impairment | 0 | 0 |
| (Profit) / loss on disposal of fixed assets | 0 | 0 |
| Other | 1 | 0 |
| | <hr/> | <hr/> |
| Total | 1,396 | 1,504 |

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

| | Total | 2004-05 Total |
|--|----------|------------------|
| | £000 | £000 |
| Clinical negligence | 0 | 0 |
| Personal injury | 0 | 0 |
| All other losses and special payments | 3 | 45 |
| Defence legal fees and other administrative costs | 0 | 0 |
| | <hr/> | <hr/> |
| Gross increase / decrease in provision for future payments | 3 | 45 |
| Contributions to Welsh Risk Pool/insurance premiums | 0 | 0 |
| Irrecoverable debts | 0 | 0 |
| Less: income received/due from Welsh Risk Pool | 0 | 0 |
| | <hr/> | <hr/> |
| Total | 3 | 45 |
| | <hr/> | <hr/> |

Personal injury includes [£nil](#) in respect of permanent injury benefits

4.6 Hire and operating lease rentals

| | £000 | 2004-05 £000 |
|-----------------------------|-----------|-----------------|
| Hire of plant and machinery | 0 | 0 |
| Other operating leases | 24 | 19 |
| Total | 24 | 19 |

Commitments under non-cancellable operating leases:

| | Land and Buildings £000 | Other Leases £000 | 2004-05 Land and Buildings £000 | 2004-05 Other Leases £000 |
|---------------------------------------|-------------------------------|-------------------------|--|------------------------------------|
| Operating leases which expire: | | | | |
| Within 1 year | 0 | 0 | 0 | 0 |
| Between 1 and 5 years | 0 | 24 | 0 | 19 |
| After 5 years | 0 | 0 | 0 | 0 |

4.7 Executive Directors and staff costs

| | Total £000 | 2004-05 Total £000 |
|---------------------------------|---------------|--------------------------|
| Salaries and wages | 961 | 683 |
| Social security costs | 82 | 63 |
| Employer contributions to NHSPA | 136 | 105 |
| Other pension costs | 0 | 0 |
| Agency / seconded staff | 19 | 16 |
| Total | 1,198 | 867 |

Footnote to 4.7

Due to the change in disclosure requirements notified by WAG, a direct comparison cannot be made with the 2004/05 analysis.

| Reconciliation of Note 4.7 for 2005/06 | £000 |
|--|--------------|
| Note 4.1 - Primary Health Care | 307 |
| Note 4.3 - Other Programme expenditure | 208 |
| Note 4.4 - Administration | 683 |
| | 1,198 |

4.8 Board Directors' remuneration

| | £000 | 2004-05 £000 |
|---|------------|-----------------|
| Non-officer members' remuneration | 80 | 77 |
| Executive Directors' remuneration: | | |
| basic salaries | 255 | 233 |
| benefits | 8 | 5 |
| performance related bonuses | 0 | 0 |
| pension contributions | 30 | 27 |
| Compensation for loss of office | 0 | 0 |
| Pensions to former directors (early retirees) | 0 | 0 |
| Total | 373 | 342 |

| | Chief Chairman | Chief Executive |
|---------------------------------|-------------------|--------------------|
| | £000 | £000 |
| Basic Salary | 28 | 68 |
| Benefits | 0 | 0 |
| Compensation for loss of office | 0 | 0 |
| Performance related bonuses | 0 | 0 |
| Pension contributions | 4 | 9 |
| Total | 32 | 77 |

Remuneration waived by directors and allowances paid in lieu:

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

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

No bonus payments made.

4.9 Average number of employees

The average number of employees during the year was:

| | Permanent staff | Agency, temporary and cont- ract staff | Staff on inward second- ment | Total | 2004-05 |
|--------------------------------|--------------------|---|---------------------------------------|-----------|-----------|
| | Number | Number | Number | Number | Number |
| Executive Board Members | 4 | 0 | 0 | 4 | 4 |
| Other Local Health Board Staff | 36 | 1 | 0 | 37 | 25 |
| Recharged staff | 0 | 0 | 0 | 0 | 1 |
| Total | 40 | 1 | 0 | 41 | 30 |

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

Expenditure on staff benefits

| | £00 | £00 |
|-------------------------------|----------|----------|
| Nature of expenditure: | | |
| a. | 0 | 0 |
| b. | 0 | 0 |
| c. | 0 | 0 |
| d. | 0 | 0 |
| Total | 0 | 0 |

Footnote to Note 4.9

Due to the change in disclosure requirements notified by WAG, a direct comparison cannot be made with the 2004/05 analysis

4.10 Retirements due to ill-health

During 2005-06 there were no early retirements from the LHB agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £0

4.11 Public Sector Payment Policy - Measure of Compliance

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

| | Number | £000 | 2004-05 £000 |
|--|--------|-------|-----------------|
| Non- NHS | | | |
| Total bills paid 2005-2006 | 3,273 | 7,242 | 9,382 |
| Total bills paid within target | 3,205 | 7,198 | 9,045 |
| Percentage of bills paid within target | 97.9% | 99.4% | 96.4% |

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

| | Number | £000 | 2004-05 £000 |
|--|--------|--------|-----------------|
| NHS | | | |
| Total bills paid 2005-2006 | 400 | 58,949 | 54,805 |
| Total bills paid within target | 391 | 58,937 | 54,463 |
| Percentage of bills paid within target | 97.8% | 100.0% | 99.4% |

| | Number | £000 | 2004-05 £000 |
|--|--------|--------|-----------------|
| Total | | | |
| Total bills paid 2005-2006 | 3,673 | 66,191 | 64,187 |
| Total bills paid within target | 3,596 | 66,135 | 63,508 |
| Percentage of bills paid within target | 97.9% | 99.9% | 98.9% |

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

| | £ | 2004-05 £ |
|--|---|--------------|
| Amounts included within Interest Payable arising from claims made by small businesses under this legislation (see note 4.4). | 0 | 0 |
| Compensation payable to cover debt recovery costs | 0 | 0 |

5.1 Intangible Fixed Assets

| | Software licences £000 | Licenses and trademarks £000 | Patents £000 | Development expenditure £000 | Total £000 |
|--|------------------------------|------------------------------------|-----------------|------------------------------------|---------------|
| Gross cost at 1 April 2005 | 0 | 0 | 0 | 0 | 0 |
| Additions | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Gross replacement cost at 31 March 2006 | 0 | 0 | 0 | 0 | 0 |
| Accumulated amortisation at 1 April 2005 | 0 | 0 | 0 | 0 | 0 |
| Provided during the year | 0 | 0 | 0 | 0 | 0 |
| Additions | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Accumulated amortisation at 31 March 2006 | 0 | 0 | 0 | 0 | 0 |
| Net book value at 1 April 2005 | 0 | 0 | 0 | 0 | 0 |
| Net book value at 31 March 2006 | 0 | 0 | 0 | 0 | 0 |

Tangible fixed assets**5.2 Tangible assets at the balance sheet date:**

| Cost or valuation | Land £000 | Buildings, excluding dwellings £000 | Dwellings £000 | Assets under construction and payments on account | Plant and machinery £000 | Transport equipment £000 | Information technology £000 | Furniture and fittings £000 | Total £000 |
|---|--------------|--|-------------------|---|--------------------------------|--------------------------------|-----------------------------------|--------------------------------------|---------------|
| | | | | £000 | | | | | |
| At 1 April 2005 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Indexation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions - purchased | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions - donated government granted | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other in-year revaluations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2006 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation | | | | | | | | | |
| At 1 April 2005 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Indexation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions - purchased | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions - donated government granted | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other in-year revaluations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Provided during the year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2006 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net book value | | | | | | | | | |
| at 1 April 2005 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| at 31 March 2006 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net book value of assets held under finance leases and hire purchase contracts | | | | | | | | | |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts: | | | | | | | | | |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Value of assets held at open market value | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Tangible Fixed Assets (continued)

The net book value of land and buildings at 31 March 2006 comprises:

| | £000 | 2004-05 £000 |
|-----------------|----------|-----------------|
| Freehold | 0 | 0 |
| Long leasehold | 0 | 0 |
| Short leasehold | 0 | 0 |
| | <hr/> | <hr/> |
| Total | 0 | 0 |
| | <hr/> | <hr/> |

Net profit/(loss) on disposal of fixed assets

| | £000 | 2004-05 £000 |
|--|---------|-----------------|
| During the year the LHB disposed of fixed assets with the net book value of, | 0 | 0 |
| The gross proceeds from the sale(s) were | 0 | 0 |
| giving a net profit/(loss) on disposal of | <hr/> 0 | <hr/> 0 |
| | | |
| The LHB paid over to the National Assembly for Wales the net proceeds from disposal of and retained the costs of disposal, met of, | 0 | 0 |
| | 0 | 0 |

6.1 Debtors

| Amounts falling due within one year: | £000 | 2004-05 £000 |
|--|-------------|-------------------------|
| National Assembly for Wales | 5 | 26 |
| Health Commission Wales | 0 | 0 |
| Local Health Boards | 60 | 0 |
| Primary Care Trusts | 0 | 0 |
| NHS Trusts | 168 | 104 |
| Welsh Risk Pool | 0 | 0 |
| Capital debtors | 0 | 0 |
| Other debtors | 239 | 241 |
| Provision for irrecoverable debts | 0 | (24) |
| Pension Prepayments: | 0 | 0 |
| Other prepayments and accrued income | 232 | 224 |
| | <hr/> | <hr/> |
| Sub total | 704 | 571 |
| | <hr/> | <hr/> |
| Amounts falling due after more than one year: | £000 | £000 |
| National Assembly for Wales | 0 | 0 |
| Health Commission Wales | 0 | 0 |
| Local Health Boards | 0 | 0 |
| Primary Care Trusts | 0 | 0 |
| NHS Trusts | 0 | 0 |
| Welsh Risk Pool | 0 | 0 |
| Capital debtors | 0 | 0 |
| Other debtors | 0 | 0 |
| Provision for irrecoverable debts | 0 | 0 |
| Pension Prepayments | 0 | 0 |
| Other prepayments and accrued income | 0 | 0 |
| | <hr/> | <hr/> |
| Sub total | 0 | 0 |
| | <hr/> | <hr/> |
| Total | 704 | 571 |

6.2 Creditors

| | £000 | 2004-05 £000 |
|---|--------------|-----------------|
| Amounts falling due within one year: | | |
| National Assembly for Wales | 0 | 0 |
| Health Commission Wales | 0 | 0 |
| Local Health Boards | 17 | 43 |
| NHS Trusts | 605 | 351 |
| Primary Care Trusts | 0 | 0 |
| Income tax and social security | 33 | 1 |
| Non-NHS creditors | 771 | 325 |
| Capital Creditors | 0 | 0 |
| Overdraft | 0 | 0 |
| Rentals due under operating leases | 0 | 0 |
| Obligations under finance leases and HP contracts | 0 | 0 |
| GPFH savings | (1) | (1) |
| Pensions: staff | 0 | 0 |
| Accruals | 4,612 | 5,776 |
| Deferred Income | 0 | 0 |
| Other creditors | 0 | 0 |
| | <hr/> | <hr/> |
| Total | 6,037 | 6,495 |

6.3 Creditors

| | Total | 2004-05 Total |
|--|----------|------------------|
| Amounts falling due after more than one year: | £000 | £000 |
| Obligations under finance leases and HP contracts | 0 | 0 |
| NHS creditors | 0 | 0 |
| Assembly loans | 0 | 0 |
| Pensions: staff | 0 | 0 |
| Other | 0 | 0 |
| | <hr/> | <hr/> |
| Total | 0 | 0 |

6.4 Provisions for liabilities and charges

| | At 1 April 2005 | Structured settlement cases trans- ferred to WRP | Transfer of prov- isions to creditors | Change in discount rate | Arising during the year | Reversed unused | Utilised during the year | Unwind- ing of discount | At 31 March 2006 |
|---|--------------------|--|--|-------------------------------|-------------------------------|--------------------|--------------------------------|-------------------------------|---------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Clinical negligence | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Personal injury | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| All other losses and special payments | 0 | 0 | 0 | 0 | 42 | 0 | (42) | 0 | 0 |
| Defence legal fees and other administration costs. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 |
| Sub-total | 0 | 0 | 0 | 0 | 42 | 0 | (42) | 0 | 0 |
| Pensions | 0 | | | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | | | 0 | 0 | 0 | 0 | | 0 |
| Total | 0 | 0 | 0 | 0 | 42 | 0 | (42) | 0 | 0 |

Expected timing of cash flows:

| | Within 1 year £000 | Between 2 and 5 years £000 | After 5 years £000 | Total £000 |
|---|--------------------------|-------------------------------------|--------------------------|---------------|
| Clinical negligence | 0 | 0 | 0 | 0 |
| Personal injury | 0 | 0 | 0 | 0 |
| All other losses and special payments | 0 | 0 | 0 | 0 |
| Defence legal fees and other administration costs | 0 | 0 | 0 | 0 |
| Pensions | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |

The LHB estimates that in 2006-07 it will receive £'000 , and in 2007-08 and beyond £'000 from the Welsh Risk Pool in respect of losses and special payments.

6.5 General fund

The movement on the General fund in the year comprised:

| | £000 |
|--|----------------|
| At 1 April 2005 | (5,905) |
| Net operating cost for the financial year | (94,862) |
| Net Assembly funding (including capital) | 95,860 |
| Capital charge interest | (193) |
| Transfers to NHS bodies | 0 |
| Transfer to general fund of realised elements of the revaluation reserve | 0 |
| | <hr/> |
| Balance at 31 March 2006 | (5,100) |

6.6 Donated asset reserve

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

| | £000 |
|---------------------------------|----------|
| Balance at 1 April 2005 | 0 |
| Additions | 0 |
| Impairments | 0 |
| Revaluation and indexation | 0 |
| Disposals and write-offs | 0 |
| Depreciation | 0 |
| | <hr/> |
| Balance at 31 March 2006 | 0 |

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

| | £000 |
|---|----------|
| Balance at 1 April 2005 | 0 |
| Revaluation | 0 |
| Indexation | 0 |
| Transfer to general fund - realised revaluation | 0 |
| | <hr/> |
| Balance at 31 March 2006 | 0 |

6.8 Contingent liabilities -**The following contingent losses/gains have not been included in the accounts**

| Nature: | 2004-05 | |
|--|----------------|-------------|
| | £000 | £000 |
| Legal claims for third parties liabilities | 0 | 0 |
| Doubtful debts | 0 | 0 |
| Other | 180 | 592 |
| Total | 180 | 592 |

Uncertainties affecting outcome:

Ombudsman Review Cases for Continuing Healthcare

6.9 Intra Government balances

| | Debtors: Amounts falling due within one year £000 | Debtors: Amounts falling due after more than one year £000 | Creditors: Amounts falling due within one year £000 | Creditors: Amounts falling due after more than one year £000 |
|---|--|---|--|---|
| Balances with other central government bodies | 10 | 0 | 33 | 0 |
| Balances with local authorities | 272 | 0 | 303 | 0 |
| Balances with NHS trusts and Foundation trusts | 168 | 0 | 610 | 0 |
| Balances with Local Health Boards | 60 | 0 | 12 | 0 |
| Balances with public corporations and trading funds | 0 | 0 | 0 | 0 |
| Balances with bodies external to government | 194 | 0 | 5,079 | 0 |
| Total at 31 March 2006 | 704 | 0 | 6,037 | 0 |

6.10 Post balance sheet events

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

| | | |
|--------------|-------|----------|
| 1. | ..... | 0 |
| | | |
| 2. | ..... | 0 |
| | | |
| Total | | 0 |

6.11 Capital commitments

The Local Health Board has the following capital commitments:

| | | |
|-------------------------------|----------|----------------|
| | | 2004-05 |
| Contracted | 0 | 0 |
| Authorised but not contracted | 0 | 0 |
| Total | 0 | 0 |

6.12 Related Party transactions

£000

Total value of transactions with Board members and key senior staff in 2005-2006

0

Ceredigion Local Health Board is a body corporate established by order of the National Assembly.

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

Welsh NHS Trusts with whom the Local Health Board contracts for the purchase of healthcare, and in particular those scheduled in note 4.2.

Carmarthenshire, Pembrokeshire and Powys Local Health Boards, and in particular Powys LHB with whom the Local Health Board contracts for the provision of services provided by the Business Services Centre.

Velindre NHS Trust with whom the Local Health Board contracts for the provision of Public Health and Health Promotion Services provided by the National Public Health Service.

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

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

During the year, with the exception of the board members listed over leaf, none of the Board Members, Members of the key management staff or other related parties have undertaken any material transactions with Ceredigion LHB.

6.12 Related Party transactions

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

| Name | Details | Interests |
|---|--------------------------|--|
| Mr. A.L. Jones | Non-Executive Director } | |
| Mrs. M. Morris | Non-Executive Director } | Members of Ceredigion County Council |
| Mr H. Harries | Non-Executive Director } | |
| Mr. P Davies | Non-Executive Director | Officer of Ceredigion County Council |
| Dr. D. Williams | Non-Executive Director } | Are in General Medical Practices within Ceredigion and receive remuneration from the LHB in accordance with the Statement of Fees and Allowances under the terms of the GMS Contract |
| Dr. C. Langley | Non-Executive Director } | |
| Dr. R. Morgan (left 19th January 2006) | Non-Executive Director } | |
| Mrs. K Giles | Non-Executive Director | Therapist Representative, employed by Ceredigion & Mid Wales NHS Trust |
| Mrs. Ll. James | Non-Executive Director | Nurse Representative, employed by Ceredigion & Mid Wales NHS Trust |
| Mrs. A. Walker | Non-Executive Director | Trustee of a Voluntary Sector Body that receive a grant from the LHB |
| Mrs. J. Regan | Non-Executive Director | Trustee of a Voluntary Sector Body that receive a grant from the LHB |
| Mr. R. Hughes-Jones | Non-Executive Director | Locum Pharmacist in Ceredigion |
| Mrs. A. Williams | Associate Member | Employee of Ceredigion & Mid Wales NHS Trust |
| Dr. J. Williams | Associate Member | Employee of Carmarthen NHS Trust |
| Dr. D.A.T. Roberts | Co-opted Member | Practitioner in a General Medical Practice in Ceredigion |
| Mr. D. Pick | Co-opted Member | Employee of Pembrokeshire & Derwen NHS Trust |

6.13 Losses and special payments

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

| | Number of cases | Value of cases £ |
|--|-----------------|---------------------|
| Personal injury | 0 | 0 |
| Fraud cases | 0 | 0 |
| All other losses and special payments | 14 | 66 |
| Total losses and special payments | 14 | 66 |

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

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

6.14 Financial Instruments

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

Liquidity Risk

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

Interest-rate Risk

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

Foreign Currency Risk

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

6.15 Finance lease obligations

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

| | £000 | 2004-05 £000 |
|--|----------|-----------------|
| Within 1 year | 0 | 0 |
| Between 1 and 5 years | 0 | 0 |
| After 5 years | 0 | 0 |
| | <hr/> | <hr/> |
| Subtotal | 0 | 0 |
| | <hr/> | <hr/> |
| Less finance charges allocated to future periods | 0 | 0 |
| | <hr/> | <hr/> |
| Total | 0 | 0 |

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

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

6.16 Pooled Budgets

Ceredigion LHB has no Pooled Budget arrangements in place during 2005/06

7 Additional Information

Continuing Care Provision Note - Additional Disclosure for continuing care cases that have been accounted for elsewhere

All costs for which a provision has been established relating to periods pre 1st April 2003, will be accounted for elsewhere in the Wales health economy (in accordance with National Assembly requirements) as although they relate to residents in the Ceredigion LHB area, they were incurred before Ceredigion LHB was established.

All costs since 1st April 2003 are the responsibility of each LHB. The costs and number of appeals is difficult to quantify in full. The LHB has estimated a contingent Liability of £180,000

7 Additional Information Cont'd

[Community Pharmacy Contract](#)

On 1st April 2005 the Community Pharmacy Contract came into existence. As a result of this change, payments for the provision of community pharmacy services which were treated as Non Cash Limited expenditure in 2004/05 in the LHBs accounts became Cash Limited as a charge against the LHBs resource limit in the 2005/06 accounts.

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

The National Assembly has 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: 28th June 2006

..... Chief Executive

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

The directors are required under the National Health Service Act 1977 to prepare accounts for each financial year. The National Assembly, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the LHB and of the income and expenditure of the LHB for that period. In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting policies laid down by the Assembly 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 Assembly.

By Order of the Board

Signed:

Chairman: Dated:28th June 2006

Chief Executive: Dated:28th June 2006

Director of Finance: Dated:28th June 2006

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

Overall accountability and responsibility for risk management lies with the Board and Chief Executive. Under the LHB's Standing Orders specific responsibilities have been devolved to the Audit Committee, from which the Board receives regular reports. It is by this mechanism that the work of the Governance & Risk Sub Committee is received by the Board on a regular basis. In addition, the Clinical Governance Sub-Committee reports both directly to the Board and in retrospect to the Audit Committee, in order for the Audit Committee to fulfill its overall role for scrutiny on behalf of the Board. Responsibilities and accountabilities of each committee / sub-committee are specified within the risk management strategy which was revised, and approved by the Board during the year, in order to adapt to the changing regulatory environment. To further assure the Chief Executive that risk is being actively identified, managed and reported within Ceredigion LHB, a Risk Working Group, reporting to the Management Team and Governance & Risk Sub Committee, meets monthly as a working forum. The group has the remit of providing advice and support to the directorates on their individual elements of the Risk Register and associated action plans together with ensuring implementation of the action plans arising from the Welsh Risk Pool standards assessments.

The Welsh Assembly Government is kept fully informed on the risk management processes in place within the organization through the Service and Financial Framework where significant risk areas are noted and also through the Balanced Scorecard quarterly monitoring of targets. In addition risk issues are highlighted within the monthly financial monitoring returns submitted to the Welsh Assembly Government and at regular review meetings.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the organisation for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to handle risk

The Board has in place a robust system of Internal Control with committee structures in place to support the Board and its activities in ensuring Corporate Governance. The organization's risk management strategy defines the structures for the management and ownership of risk and also includes the delegation of certain responsibilities and accountabilities with regard to risk, to specific committees and individuals, including the Risk Working Group. Senior Managers are also responsible for ensuring that staff understand and apply the LHB policy and strategy in relation to risk management.

In setting the LHB's corporate objectives an assessment of the constraints and potential risks was undertaken and these risks are inherent within directorate and individual staff's objectives. This is further reiterated in the job descriptions of all staff which makes reference to the individual's responsibility in having a proactive role in the management of risk. The induction programme for all new staff includes the individual's responsibility towards risk management, whilst a training programme has been developed in order to provide regular updates on the subject to all staff. Risk is also a set agenda item for all committee, sub-committee and meetings of any other forum. A further development has been the introduction of a desk top procedure for identifying risks and preparing action plans for inclusion on the risk register, which has been disseminated to every member of staff. These factors combined have contributed to a risk based approach to the achievement of the LHB's objectives during the year.

The Board has also been kept informed throughout the year of the contents of the risk register, with particular attention drawn to the Risk Profile of those risks requiring immediate action.

STATEMENT ON INTERNAL CONTROL**4. The risk and control framework**

Ceredigion LHB's Policy Statement on Risk Management is driven by the recognition that effective risk management is a key component of corporate and clinical governance & is integral to the delivery of its objectives in service provision. The risk management strategy recognizes that risk is inherent in all the organization's activities and that it is imperative that responsibilities and accountabilities are clearly defined. The strategy outlines responsibilities for managing risk from the Board down to individual staff, and identifies the corporate accountability arrangements within the LHB towards managing risk.

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

During 2005/06 the LHB was subject to an external assessment by the Welsh Risk Pool of Standards A, B, C, D, G & I. The principle of the standards is that compliance was reviewed for the whole of financial year for all standards with an overall target of not less than 70% with the exception of Standard G which remained at 50%.

The draft report issued by the Welsh Risk Pool has assessed the Standards with having an overall compliance score of 75%, detailed as follows:-

| Standard No | Title | Raw Score | WRP Weighting | |
|--------------------|---|------------------|-------------------------|------------|
| A | Risk Management Policy and Strategy | 84 | 100 | 84 |
| B | Risk Assessment & Treatment | 82 | 100 | 82 |
| C | Incident and Hazard Reporting | 66 | 100 | 66 |
| D | Policies and Procedures | 73 | 25 | 18 |
| G | Facilitating safe provision of primary care | 64 | 100 | 64 |
| I | Records management | 82 | 25 | 21 |
| | | | WRP Weighted Ave | 75% |

It is recognised within the Welsh Risk Pool's draft report that significant improvements have been made since the previous year's assessments which had an overall rating of 65%. As a minimum, the LHBs needed to achieve a compliance score of not less than 70% overall and 75% in the core standards being assessed by the WRP. The core standards are defined as:-

- A) Risk Management Policy & Strategy
- B) Risk Assessment & Treatment
- C) Incident & Hazard Reporting

This year the LHB achieved 78% compliance with the core standards.

Although full compliance has not been achieved on Standards C & D, I am confident that this is not due to any significant weaknesses in the policies & procedures of the LHB, but are issues of interpretation which arose during the assessment process which we have raised with the Welsh Risk Pool. I am also confident that there are now adequate processes and actions in place to ensure full compliance in the future and that the LHB is therefore doing its reasonable best to manage itself against risks of all kinds.

A further 2 Standards were subject to a baseline self-assessment supported by an independent review undertaken by Internal Audit. Compliance was reviewed for the whole of the financial year for Standards E & F with a target of 75%.

Internal Audit has assessed the Standards with the following compliance:-

- Standard E - Governance 93%
- Standard F - Financial Management 93%

Action Plans in relation to items to be addressed to further improve compliance with the standards have been developed for approval by the Governance & Risk Sub -Committee. Progress on implementation will be monitored by the Risk Working Group and reported to the Management Team, Governance & Risk Sub Committee & in turn through the Audit Committee to the Board.

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

5. Review of effectiveness

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

The Risk Management Strategy has been revised during the year to reflect the recommendations arising from the 2004/05 assessments, and approved by the Board. Clinical Governance principles, processes and systems are implemented through a rolling three year development plan which was reviewed during the year to monitor progress against targets. This was further supported by the Clinical Governance Annual Report which informed the Board & Assembly of completion and progress against the targets and identified any actions required to achieve longer term targets. These documents are subject to periodic review by the Audit Committee, Governance & Risk Sub-Committee and Clinical Governance Sub-Committee and any subsequent revisions presented to the Board for approval.

The LHB employs a Clinical Governance Officer whose remit encompasses all clinical risks facing the organization, whilst the Finance Manager is the designated Risk Co-ordinator.

The LHB receives Internal Audit Services via a Service Level Agreement with the Internal Audit Agency managed by Carmarthenshire NHS Trust and during the year the agency has reviewed a number of the LHB's activities, including those arrangements for managing risk. The final audit reports issued all achieved either a medium or high rating and any recommendations made by the Internal Audit Agency are being addressed, with relevant action plans in place which are monitored routinely by the Audit Committee.

Signed:.....

Date: 28th June 2006

Chief Executive
(on behalf of board)

AUDITORS' REPORT

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

I certify that I have audited the financial statements on pages 1 to 36 under Section 61 of the Public Audit (Wales) Act 2004. These financial statements have been prepared under the accounting policies set out on pages 6 to 11.

I certify that I have audited that part of the remuneration report to be audited.

Respective responsibilities of Directors, the Chief Executive and Auditor

As described on page 38 the Directors and the Chief Executive are responsible for the preparation of the financial statements in accordance with Section 98(2) of the National Health Service Act 1977 and National Assembly for Wales directions made there under and for ensuring the regularity of financial transactions. The Directors and the Chief Executive are also responsible for the preparation of the Foreword and contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion to you as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and National Assembly for Wales directions made there under, and whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Board has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on page 39 to 41 reflects the Board's compliance with the Treasury and Assembly's guidance on the Statement on Internal Control and I report if it does not, or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinion

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

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

In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements and that part of remuneration report to be audited.

The LHB has not met its resource limit by spending £598,000 over the amount that it was authorised to spend in the year. In the absence of further resource allocation from the Welsh Assembly Government, this constitutes irregular expenditure.

Without qualifying my opinion, I draw your attention to Note 2.1, which sets out the financial position of the Board and the actions being taken to achieve financial balance.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Ceredigion Local Health Board as at 31 March 2006 and of its net operating costs, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and directions made there under by the National Assembly for Wales; and
- except for net resource expenditure of £598,000 in excess of the amount authorised referred to above, 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.

Jeremy Colman
Auditor General for Wales
6th July 2006

Wales Audit Office
Deri House
Park Grove
Cardiff

ACCOUNT OF - 2005-2006

THE NATIONAL HEALTH SERVICE IN WALES ACCOUNTS DIRECTION GIVEN BY THE NATIONAL ASSEMBLY FOR WALES IN ACCORDANCE WITH SECTION 98(2) OF THE NATIONAL HEALTH SERVICE ACT 1977 AND WITH THE APPROVAL OF TREASURY

LOCAL HEALTH BOARDS

1. The National Assembly for Wales (NAW) directs that an account shall be prepared for the financial year ended 31 March 2006 and subsequent financial years in respect of the Local Health Boards (LHB). The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

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

FORM AND CONTENT

3. The account of the LHB for the year ended 31 March 2006 and subsequent years shall comprise an operating cost statement, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2006 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.

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

MISCELLANEOUS

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

Signed by the authority of the National Assembly of Wales

Signed : Christine Daws

Dated :

ACCOUNT OF - 2005-2006

SCHEDULE 1

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

Companies Act

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

Accounting Standards

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

SCHEDULE 2

ADDITIONAL REQUIREMENTS

1. The foreword shall include a statement that the account has been prepared to comply with a Direction given by the National Assembly for Wales in accordance with section 98(2) of the NHS Act 1977.
2. The foreword shall also contain a description of the statutory background and main functions of the LHB together with a fair review of their operational and financial activities and a summary of their performance against targets.