

Cwm Taf 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 Cwm Taf NHS Trust, Rhondda Cynon Taf Local Health Board and Merthyr Tydfil Local Health Board.

The Welsh Health Specialised Services Committee (WHSSC) was established on 1 April 2010, responsible for the joint planning of specialised and tertiary services on behalf of Local Health Boards in Wales. The Committee is hosted by Cwm Taf Local Health Board.

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 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 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.

These accounts are a consolidation of the Health Board and WHSSC activities, with the balances relating to Cwm Taf Health Board only separately disclosed where appropriate.

The prior period comparators have been restated to incorporate the balances of Health Commission Wales (predecessor of WHSSC) in line with merger accounting principles.

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

	Note	2010-11 £'000	2010-11 £'000	2009-10 £'000	2009-10 £'000
		Cwm Taf HB activities	Total	Restated Cwm Taf HB activities	Restated Total
Expenditure on Primary Healthcare Services	3.1	137,477	137,477	135,701	135,701
Expenditure on healthcare from other providers	3.2	127,547	660,476	75,209	677,101
Expenditure on Hospital and Community Health Services	3.3	370,097	372,491	383,490	386,013
		635,121	1,170,444	594,400	1,198,815
Less: Miscellaneous Income	4	84,280	619,603	81,395	74,260
LHB net operating costs before interest and other gains and losses		550,841	550,841	513,005	1,124,555
Investment Income	8	0	0	52	52
Other (Gains) / Losses	9	-7	-7	38	38
Finance costs	10	199	199	5,319	5,319
Net operating costs for the financial year		551,033	551,033	518,310	1,129,860

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	551,033
Less Non-discretionary expenditure	3,580
Less Revenue consequences of Bringing PFI schemes onto SoFP	153
Net operating costs less non-discretionary expenditure and revenue consequences of PFI	547,300
Revenue Resource Limit	547,331
Under / (over) spend against Revenue Resource Limit	31

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

Note 39 provides detail on the restatement of 2009 -10 balances

It should be noted that there were changes in funding flows between 2009-10 and 2010-11.

In 2010-11 WHSSC received their funding from Local Health Boards and this is recorded as Miscellaneous Income. In 2009 -10 funding for specialised services was provided direct from from the National Assembly and this is reported in the Statement of Changes in Tax Payers Equity as National Assembly Funding

Other Comprehensive Net Expenditure

	2010-11 £'000	2009-10 £'000 restated
Net gain / (loss) on revaluation of property, plant and equipment	0	6,584
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	332	1,201
(Gain) / loss on other reserves	0	(5)
Impairment and reversals	0	0
Transfers from donated and government grant reserves	(775)	(213)
Transfers (to) / from other bodies within the Resource Accounting Boundary	0	468
Other comprehensive net expenditure for the year	<u>(443)</u>	<u>8,035</u>
Net operating costs for the financial year	(551,033)	(1,129,860)
Total comprehensive net expenditure for the year	<u><u>(551,476)</u></u>	<u><u>(1,121,825)</u></u>

Statement of Financial Position as at 31 March 2011

		31 March 2011 £'000 Cwm Taf HB activities	31 March 2011 £'000 Total	31 March 2010 £'000 Cwm Taf HB activities Restated	31 March 2010 £'000 Total Restated
Non-current assets					
Property, plant and equipment	11	359,285	359,285	318,479	318,479
Intangible assets	12	0	0	0	0
Trade and other receivables	15	8,910	8,910	1,433	1,433
Other financial assets	19	0	0	0	0
Other assets	20	0	0	0	0
Total non-current assets		368,195	368,195	319,912	319,912
Current assets					
Inventories	14	3,632	3,632	3,226	3,226
Trade and other receivables	15	34,032	37,263	41,085	43,373
Other financial assets	19	0	0	0	0
Other current assets	20	0	0	0	0
Cash and cash equivalents	18	840	2,545	1,492	1,505
		38,504	43,440	45,803	48,104
Non-current assets classified as "Held for Sale"	11	0	0	1,500	1,500
Total current assets		38,504	43,440	47,303	49,604
Total assets		406,699	411,635	367,215	369,516
Current liabilities					
Trade and other payables	16	54,318	71,096	52,781	66,759
Other financial liabilities	22	0	0	0	0
Provisions	17	22,569	22,569	28,334	28,499
Other liabilities	21	0	0	0	0
Total current liabilities		76,887	93,665	81,115	95,258
Net current assets/ (liabilities)		(38,383)	(50,225)	(33,812)	(45,654)
Non-current liabilities					
Trade and other payables	16	2,707	2,707	2,841	2,841
Other financial liabilities	22	0	0	0	0
Provisions	17	17,163	17,163	8,610	8,610
Other liabilities	21	0	0	0	0
Total non-current liabilities		19,870	19,870	11,451	11,451
Total assets employed		309,942	298,100	274,649	262,807
Financed by :					
Taxpayers' equity					
General Fund		290,712	278,870	254,911	243,069
Revaluation reserve		15,804	15,804	15,869	15,869
Donated asset reserve		3,256	3,256	3,684	3,684
Government grant reserve		170	170	185	185
Total taxpayers' equity		309,942	298,100	274,649	262,807

The financial statements on pages 2 to 58 were approved by the Board on 7th June 2011 and signed on its behalf by:

Chief Executive: Mrs. A Williams

Date: 7th June 2011

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	243,069	15,869	3,684	185	262,807
Net operating cost for the year	(551,033)				(551,033)
Net gain/(loss) on revaluation of property, plant and equipment	0	0	0	0	0
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	0	0	0
Receipt / (disposal) of donated or government granted assets	0	0	332	0	332
Movements in other reserves	0	0	0	0	0
Release of reserves to SoCNE	0	0	(760)	(15)	(775)
Non-cash charges - cost of capital					0
Transfers between reserves	65	(65)	0	0	0
Transfers to/(from) other bodies within the Resource Accounting boundary	0	0	0	0	0
Total recognised income and expenditure for 2010-11	(550,968)	(65)	(428)	(15)	(551,476)
Net Assembly Government funding	586,769				586,769
Balance at 31 March 2011	278,870	15,804	3,256	170	298,100

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					Restated
Balance at 31 March 2009	240,949	9,667	2,814	0	253,430
Net operating cost for the year	(1,129,860)				(1,129,860)
Net gain/(loss) on revaluation of property, plant and equipment	0	6,517	67	0	6,584
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	0	0	0
Receipt / (disposal) of donated or government granted assets	0	0	1,016	185	1,201
Movements in other reserves	(5)	0	0	0	(5)
Release of reserves to OCS	0	0	(213)	0	(213)
Non-cash charges - cost of capital	0				0
Transfers between reserves	315	(315)	0	0	0
Transfers to/(from) other bodies within the Resource Accounting boundary	468	0	0	0	468
Total recognised income and expenditure for 2009-10	(1,129,082)	6,202	870	185	(1,121,825)
Net Assembly Government funding	1,131,202				1,131,202
Balance at 31 March 2010	243,069	15,869	3,684	185	262,807

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

Statement of Cash flows for year ended 31 March 2011

	2010-11	2010-11	2009-10	2009-10
	£'000	£'000	£'000	£'000
	Cwm Taf	Total	Cwm Taf	Total
	HB activities		HB activities	
	notes		Restated	Restated
Cash Flows from operating activities				
Net operating cost before interest		(550,841)	(513,005)	(1,124,555)
Movements in Working Capital	34	(3,506)	(6,310)	(11,096)
Other cash flow adjustments	35	40,135	60,357	60,990
Provisions utilised	17	(9,751)	(7,721)	(7,721)
Interest paid		(108)	(4,213)	(4,213)
Net cash outflow from operating activities		(524,071)	(470,892)	(1,086,595)
Cash Flows from investing activities				
Purchase of property, plant and equipment		(65,703)	(59,749)	(59,749)
Proceeds from disposal of property, plant and equipment		1,630	145	145
Purchase of intangible assets		0	0	0
Proceeds from disposal of intangible assets		0	0	0
Payment for other financial assets		0	0	0
Proceeds from disposal of other financial assets		0	0	0
Payment for other assets		0	0	0
Proceeds from disposal of other assets		0	0	0
Interest received		0	56	56
Rental Income		0	0	0
Net cash inflow/(outflow) from investing activities		(64,073)	(59,548)	(59,548)
Net cash inflow/(outflow) before financing		(588,144)	(530,440)	(1,146,143)
Cash flows from financing activities				
Welsh Assembly Government funding (including capital)		586,769	515,888	1,131,202
Capital receipts surrendered		0	0	0
Capital grants received		971	522	522
Capital element of payments in respect of finance leases and on-SoFP		(248)	(358)	(358)
Cash transferred (to)/ from other NHS bodies		0	0	0
Net financing		587,492	516,052	1,131,366
Net increase/(decrease) in cash and cash equivalents		(652)	(14,388)	(14,777)
Cash and cash equivalents (and bank overdrafts) at 1 April 2010		1,492	15,880	16,282
Cash and cash equivalents (and bank overdrafts) at 31 March 2011		840	1,492	1,505

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 these statements have been prepared to show the effect of the first-time adoption of the European Union version IFRS. 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 Boards (LHBs) are allocations (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 provider role. Income received from LHBs transacting with other LHBs is always treated as miscellaneous income. This includes funding received from other LHBs in relation to their agreed contribution to Welsh Health Specialised Services Committee.

- Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income has 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 cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

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 LHBs 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 LHBs 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 £5000.

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.

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 there from 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

Amounts due from lessees under finance leases are recorded as receivables at the amount of the LHB

net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the LHB's net investment outstanding in respect of the leases.

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 first-in first-out 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 determined by reference to quoted market prices where possible, otherwise by valuation techniques.

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

At the balance sheet date, the LHB assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence 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 balance sheet when the LHB becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

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 not entered into any pooled budgets with Local Authorities.

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 following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Significant estimations are made in relation to on going clinical negligence and personal injury claims. Assumptions as to the likely outcome, the potential liabilities and the timings of these litigation claims are provided by independent legal advisors. Any material changes in liabilities associated with these claims would be recoverable through the Welsh Risk Pool.

Significant estimations are also made for continuing care costs resulting from claims post 1 April 2003. An assessment of likely outcomes, potential liabilities and timings of these claims are made on a case by case basis. Material changes associated with these claims would be adjusted in the period in which they are revised.

Estimates are also made for contracted primary care services. These estimates are based on the latest payment levels. Changes associated with these liabilities are adjusted in the following reporting period.

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 trust. 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.

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. This shows Cwm Taf Local Health Board remained within its Revenue Resource Limit achieving an underspend of £31k.

2.2 Capital Resource Limit

2010-11
£000

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

Gross capital expenditure	68,375
Add: Loss in respect of disposals of donated assets	0
Less NBV of property, plant and equipment and intangible assets	(1,624)
Less capital grants	0
Less donations	(333)
Charge against Capital Resource Limit	66,418
Capital Resource Limit	66,421
(Over) / Underspend against Capital Resource Limit	3

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 Total £'000
General Medical Services	43,881	.....	43,881	43,193
Pharmaceutical Services	16,727	252	16,979	15,754
General Dental Services	15,226	.....	15,226	15,318
General Ophthalmic Services	0	3,328	3,328	3,344
Other Primary Health Care expenditure	3,266	.....	3,266	3,519
Prescribed drugs and appliances	54,797	.....	54,797	54,573
Total	133,897	3,580	137,477	135,701

Included within Note 3.1 General Medical Services are staff costs of £3.711m (2009-10:£5.810m)

3.2 Expenditure on healthcare from other providers

	2010-11 £'000	2010-11 £'000	2009-10 £'000	2009-10 £'000
	Cwm Taf HB activities	Total	Restated Cwm Taf HB activities	Restated Total
Goods and services from other NHS Wales Health Boards	26,430	328,461	27,167	321,903
Goods and services from other NHS Wales Trusts	7,405	151,260	7,273	179,999
Goods and services from other non Welsh NHS bodies	898	113,618	1,066	109,126
Goods and services from WHSSC / HCW	52,145	0	0	0
Local Authorities	153	153	122	122
Voluntary organisations	1,789	5,364	1,381	4,489
NHS Funded Nursing Care	2,639	2,639	2,499	2,499
Continuing Care	32,631	32,631	29,753	29,753
Private providers	881	23,774	305	23,099
Specific projects funded by the Welsh Assembly Government	445	445	230	698
National Public Health Service / Public Health Wales	0	0	1,979	1,979
Business Services Centre / Business Services Partnership	1,228	1,228	2,122	2,122
Other	903	903	1,312	1,312
Total	127,547	660,476	75,209	677,101

3.3 Expenditure on Hospital and Community Health Services

	2010-11 £'000	2010-11 £'000	2009-10 £'000	2009-10 £'000
			Restated	Restated
	Cwm Taf	Total	Cwm Taf	Total
	HB activities		HB activities	
Directors' costs	1,558	1,558	1,779	1,779
Staff costs	278,047	280,238	273,194	275,586
Supplies and services - clinical	34,390	34,390	33,643	33,643
Supplies and services - general	4,894	4,894	4,356	4,356
Consultancy Services	753	758	680	680
Establishment	5,761	5,803	5,951	5,951
Transport	620	620	518	613
Premises	11,968	12,070	11,380	11,380
External Contractors	50	50	102	102
Depreciation	15,994	15,994	15,691	15,691
Amortisation	0	0	0	0
Fixed asset impairments and reversals (Property, plant & equipment)	11,451	11,451	32,458	32,458
Fixed asset impairments and reversals (Intangible assets)	0	0	0	0
Impairments & reversals of financial assets	0	0	0	0
Impairments & reversals of non-current assets held for sale	0	0	0	0
Capital charge interest	0	0	0	0
Audit fees	506	555	865	901
Other auditors' remuneration	0	0	0	0
Losses, special payments and irrecoverable debts	2,821	2,821	1,824	1,824
Research and Development	0	0	0	0
Other operating expenses	1,284	1,289	1,049	1,049
Total	370,097	372,491	383,490	386,013

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:		
Clinical negligence	10,185	9,439
Personal injury	1,588	921
All other losses and special payments	668	8
Defence legal fees and other administrative costs	502	510
Gross increase/(decrease) in provision for future payments	12,943	10,878
Premium for other insurance arrangements	0	0
Irrecoverable debts	(27)	336
Less: income received/ due from Welsh Risk Pool	(10,095)	(9,390)
Total	2,821	1,824

Personal injury includes £477,362 (2009-10 £231,711) in respect of permanent injury benefits

4. Miscellaneous Income

	2010-11 £'000	2010-11 £'000	2009-10 £'000	2009-10 £'000
	Cwm Taf	Total	Restated Cwm Taf	Restated Total
	HB activities		HB activities	
Local Health Boards	37,367	580,164	34,263	34,334
WHSCC / Health Commission Wales	7,493	0	7,194	0
NHS trusts	2,223	2,223	2,374	2,374
Strategic health authorities and primary care trusts	311	311	410	410
Foundation Trusts	0	8	0	0
Local authorities	5,340	5,340	4,551	4,551
Welsh Assembly Government	1,967	1,967	324	324
Non NHS:				
Prescription charge income	0	0	0	0
Dental fee income	2,917	2,917	2,847	2,847
Private patient income	128	128	183	183
Overseas patients (non-reciprocal)	0	0	10	10
Injury Costs Recovery (ICR) Scheme	2,109	2,109	1,836	1,836
Other income from activities	400	485	209	209
Patient transport services	0	0	0	0
Education, training and research	10,150	10,150	9,622	9,622
Charitable and other contributions to expenditure	419	419	355	355
Transfer from the donated asset reserve	760	760	213	213
Transfer from the government grant reserve	15	15	0	0
Non-patient care income generation schemes	517	517	426	426
Business Services Centre / Business Services Partnership	0	0	0	0
Deferred income released to revenue	0	0	0	0
Contingent rental income from finance leases	0	0	0	0
Rental income from operating leases	0	0	0	0
Other income:				
Provision of laundry, pathology, payroll services	765	765	783	783
Accommodation and catering charges	1,752	1,752	1,535	1,535
Mortuary fees	143	143	131	131
Staff payments for use of cars	424	424	369	369
Business unit - Welsh Health Estates	3,745	3,745	3,629	3,629
Other	5,335	5,261	10,131	10,119
Total	84,280	619,603	81,395	74,260

5. Employee benefits and staff numbers

5.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2009-10 Restated
	£000	£000	£000	£000	£000
Salaries and wages	241,329	461	4,439	246,229	241,786
Social security costs	17,848	38	0	17,886	17,154
Employer contributions to NHS Pension Scheme	31,732	55	0	31,787	28,796
Other pension costs	0	0	0	0	205
Other employment benefits	0	0	0	0	0
Termination benefits	0	0	0	0	0
Total	290,909	554	4,439	295,902	287,941
Charged to capital				619	908
Charged to revenue				295,283	287,033
				295,902	287,941

5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2009-10 Restated
	Number	Number	Number	Number	Number
Medical and dental	624	2	30	656	649
Ambulance staff	0	0	0	0	0
Administrative and estates	1,433	5	1	1,439	1,514
Healthcare assistants and other support staff	1,761	0	0	1,761	1,613
Nursing, midwifery and health visiting staff	2,488	0	9	2,497	2,560
Nursing, midwifery and health visiting learners	19	0	0	19	19
Scientific, therapeutic and technical staff	983	0	1	984	987
Social care staff	0	0	0	0	0
Other	0	0	0	0	1
Total	7,308	7	41	7,356	7,343

5.3. Retirements due to ill-health

During 2010-11 (prior year 2009-10) there were 15 (21) 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 £1,413,523 (£1,205,751).

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

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

The lease information below relates to lease agreements for buildings, vehicles and equipment. There are no significant leasing arrangements that require further disclosure.

Payments recognised as an expense	2010-11	2009-10
	£000	£000
Minimum lease payments	2,228	1,689
Contingent rents	0	0
Sub-lease payments	0	0
Total	2,228	1,689

Total future minimum lease payments		
Payable	£000	£000
Not later than one year	2,129	1,432
Between one and five years	5,991	3,715
After 5 years	14,368	10,026
Total	22,488	15,173

Total future sublease payments expected to be received are £0

LHB as lessor

Rental revenue	£000	£000
Rent	0	0
Contingent rents	0	0
Total revenue rental	0	0

Total future minimum lease payments		
Receivable	£000	£000
Not later than one year	0	0
Between one and five years	0	0
After 5 years	0	0
Total	0	0

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	3,308	16,452	4,141	47,916
Total bills paid within target	3,264	16,162	4,041	47,394
Percentage of bills paid within target	98.7%	98.2%	97.6%	98.9%
Non-NHS				
Total bills paid	103,495	169,465	107,628	126,447
Total bills paid within target	100,762	166,835	103,586	123,371
Percentage of bills paid within target	97.4%	98.4%	96.2%	97.6%
Total				
Total bills paid	106,803	185,917	111,769	174,363
Total bills paid within target	104,026	182,997	107,627	170,765
Percentage of bills paid within target	97.4%	98.4%	96.3%	97.9%

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	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0
Total	0	0

8. Investment Income

	2010-11	2009-10
	£000	£000
		Restated
Rental revenue :		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue :		
Bank accounts	0	52
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Total	0	52

9. Other gains and losses

	2010-11	2009-10
	£000	£000
		Restated
Gain/(loss) on disposal of property, plant and equipment	7	(38)
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	7	(38)

10. Finance costs

	2010-11	2009-10
	£000	£000
		Restated
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	12	26
Interest on obligations under PFI contracts		
main finance cost	96	102
contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Provisions unwinding of discount	91	86
Other interest expense	0	0
Total interest expense	199	214
PDC dividends payable	0	5,105
Other finance costs	0	0
Total	199	5,319

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	29,620	228,678	4,243	62,621	52,091	179	9,912	3,290	390,634
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	3,049	0	56,348	6,000	0	1,373	1,272	68,042
Additions - donated	0	165	0	0	52	0	36	80	333
Additions - government granted	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	202	13,215	290	(13,704)	45	2	(9)	(41)	0
Revaluations	0	0	0	0	0	0	0	0	0
Impairments	0	(11,230)	0	(285)	0	0	0	0	(11,515)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	(90)	(42)	0	0	0	0	0	0	(132)
Disposals	0	(38)	(24)	0	(1,874)	(18)	(614)	(234)	(2,802)
At 31 March 2011	29,732	233,797	4,509	104,980	56,314	163	10,698	4,367	444,560
Depreciation at 1 April 2010	0	26,910	103	0	37,460	143	5,003	2,536	72,155
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	(75)	78	0	3	1	(5)	(2)	0
Revaluations	0	0	0	0	0	0	0	0	0
Impairments	0	(63)	0	0	0	0	0	0	(63)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	(12)	0	0	0	0	0	0	(12)
Disposals	0	(38)	(24)	0	(1,875)	(18)	(610)	(234)	(2,799)
Provided during the year	0	10,893	118	0	3,611	8	1,194	170	15,994
At 31 March 2011	0	37,615	275	0	39,199	134	5,582	2,470	85,275
Net book value at 1 April 2010	29,620	201,768	4,140	62,621	14,631	36	4,909	754	318,479
Net book value at 31 March 2011	29,732	196,182	4,234	104,980	17,115	29	5,116	1,897	359,285
Net book value at 31 March 2011 comprises :									
Purchased	29,123	194,104	4,234	104,980	16,574	22	5,043	1,783	355,863
Donated	609	1,960	0	0	540	7	35	105	3,256
Government Granted	0	118	0	0	0	0	38	10	166
	29,732	196,182	4,234	104,980	17,114	29	5,116	1,898	359,285
Asset financing :									
Owned	29,582	194,111	1,030	104,980	17,095	29	5,116	1,898	353,841
Held on finance lease	0	213	0	0	20	0	0	0	233
On-SoFP PFI contracts	150	1,857	3,204	0	0	0	0	0	5,211
PFI residual interests	0	0	0	0	0	0	0	0	0
	29,732	196,181	4,234	104,980	17,115	29	5,116	1,898	359,285

The net book value of land, buildings and dwellings at 31 March 2011 comprises :

	£000
Freehold	229,935
Long Leasehold	0
Short Leasehold	213
	230,148

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	39,235	226,487	6,443	59,101	49,361	505	7,494	3,205	391,831
Indexation	0	0	0	0	964	5	0	62	1,031
Additions - purchased	0	3,975	0	47,437	3,854	0	1,470	305	57,041
Additions - donated	0	135	0	872	9	0	0	0	1,016
Additions - government granted	0	0	0	122	0	0	47	11	180
Transfer from/into other NHS bodies	35	(35)	0	(50)	302	(252)	0	0	0
Reclassifications	0	44,138	0	(44,861)	17	0	999	(293)	0
Revaluations	(8,039)	(28,470)	(2,200)	0	(42)	0	0	0	(38,751)
Impairments	0	(17,081)	0	0	0	0	0	0	(17,081)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	(1,475)	(25)	0	0	0	0	0	0	(1,500)
Disposals	(136)	(446)	0	0	(2,374)	(79)	(98)	0	(3,133)
At 31 March 2010	29,620	228,678	4,243	62,621	52,091	179	9,912	3,290	390,634
Depreciation at 1 April 2009	0	45,818	481	96	35,241	210	4,170	2,322	88,338
Indexation	0	0	0	0	684	4	0	45	733
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	149	0	(96)	5	0	(5)	(53)	0
Revaluations	0	(29,029)	(496)	0	(79)	0	0	0	(29,604)
Impairments	0	(53)	0	0	0	0	0	0	(53)
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	(432)	0	0	(2,340)	(79)	(99)	0	(2,950)
Provided during the year	0	10,457	118	0	3,949	8	937	222	15,691
At 31 March 2010	0	26,910	103	0	37,460	143	5,003	2,536	72,155
Net book value at 1 April 2009	39,235	180,669	5,962	59,005	14,120	295	3,324	883	303,493
Net book value at 31 March 2010	29,620	201,768	4,140	62,621	14,631	36	4,909	754	318,479
Net book value at 31 March 2010 comprises :									
Purchased	29,011	200,259	4,140	61,642	13,978	28	4,856	702	314,616
Donated	609	1,509	0	857	653	8	6	41	3,683
Government Granted	0	0	0	122	0	0	47	11	180
	29,620	201,768	4,140	62,621	14,631	36	4,909	754	318,479
Asset financing :									
Owned	29,470	199,592	863	62,621	14,475	36	4,909	754	312,720
Held on finance lease	0	239	0	0	156	0	0	0	395
On-SoFP PFI contracts	150	1,937	3,277	0	0	0	0	0	5,364
PFI residual interests	0	0	0	0	0	0	0	0	0
	29,620	201,768	4,140	62,621	14,631	36	4,909	754	318,479

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

	£000
Freehold	235,289
Long Leasehold	0
Short Leasehold	239
	235,528

i) Assets totalling £0.333m were purchased with donated funds.

		£'000
Macmillan	Chemotherapy Day Unit	305
Endowment Fund	Various - Medical Equipment	28

ii) Assets are restated to current value annually using indices provided by the District Valuer via the Welsh Assembly Government. At five yearly intervals an independent professional valuation is undertaken of Land and Buildings.

- The last valuation was carried out as at 1st April 2009.
- The valuation was carried out by the Valuation Office Agency
- The April 2009 valuation restated the Trust estate to Modern Equivalent Asset basis for specialised operational property and existing use value for non-specialised property.

Asset valuations have been updated in line with the valuation exercise carried out on 1st April 2009.

	£'000
iii) During 2010/11 the following Impairments arose:	
Phase 2 Ward Refurbishment scheme at Prince Charles Hospital	6,468
Combined Heat and Power Plant at Royal Glamorgan	1,933
Lifts at Prince Charles Hospital	1,808
Macmillan Oncology Unit & Ward 19	300
Ysybty Cwm Rhondda	40
Disposal of Treharris Health Centre	98
Mountain Ash Health & Social Care Facility	244
Acute Mental Illness Unit	42
Oncology Unit	518
Total Impairments	11,451

Impairments charges taken to the Statement of Comprehensive Net Expenditure relating to owned assets are funded by the Welsh Assembly Government.

iv) The Local Health Board has deemed that Aberdare Hospital and Mountain Ash Hospital will become surplus to requirements in 2011 upon completion of Cynon Valley Neighbourhood Hospital. The District Valuer's assessment of open market value in 2011 for Aberdare Hospital is £4million and for Mountain Ash Hospital £850k. Depreciation has been accelerated accordingly to achieve open market value at the disposal date.

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	1,475	25	0	0	0	1,500
Plus assets classified as held for sale in the year	90	30	0	0	0	120
Less assets sold in the year	(1,565)	(55)	0	0	0	(1,620)
Less impairment of assets held for sale	0	0	0	0	0	0
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	0	0	0	0	0	0
Balance brought forward 1 April 2009	0	0	0	0	0	0
Plus assets classified as held for sale in the year	1,475	25	0	0	0	1,500
Less assets sold in the year	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0
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	1475	25	0	0	0	1500

Treharris Health Centre became available for sale in April 2010 and was subsequently sold in October 2010.

Llwynypia Hospital became available for sale in 2009/10 and was subsequently sold in December 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	0	0	0	0	0	0
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	0	0	0	0	0	0
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	0	0	0	0	0	0
Gross cost at 31 March 2011	0	0	0	0	0	0
Amortisation at 1 April 2010	0	0	0	0	0	0
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	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Amortisation at 31 March 2011	0	0	0	0	0	0
Net book value at 1 April 2010	0	0	0	0	0	0
Net book value at 31 March 2011	0	0	0	0	0	0
At 31 March 2010						
Purchased	0	0	0	0	0	0
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	0	0	0	0	0	0

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	0	0	0	0	0	0
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	0	0	0	0	0	0
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	0	0	0	0	0	0
Gross cost at 31 March 2010	0	0	0	0	0	0
Amortisation at 1 April 2009	0	0	0	0	0	0
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	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Amortisation at 31 March 2010	0	0	0	0	0	0
Net book value at 1 April 2009	0	0	0	0	0	0
Net book value at 31 March 2010	0	0	0	0	0	0
At 31 March 2010						
Purchased	0	0	0	0	0	0
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 2010	0	0	0	0	0	0

There are no disclosures for intangible assets.

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	285	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	32,458	0
Others - Disposals	98	0	0	0
Others - Writedown to Depreciated Replacement Cost	11,068	0	0	0
Total of all impairments	11,451	0	32,458	0

Analysis of impairments charged to reserves in year :

Charged to the Statement of Comprehensive Net Expenditu	11,451	0	0	0
Charged to Revaluation Reserve	0	0	0	0
	11,451	0	0	0

14. Inventories

	31 March	31 March
	2011	2010
	£000	£000
Drugs	1,363	1,120
Consumables	2,200	2,057
Energy	69	49
Work in progress	0	0
Other	0	0
Total	3,632	3,226
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	27,941	26,660
Write-down of inventories (including losses)	0	0
Reversal of write-downs that reduced the expense	0	0
Total	27,941	26,660

15. Trade and other Receivables

Current	31 March	31 March	31 March	31 March
	2011	2011	2010	2010
	£000	£000	£000	£000
	Cwm Taf	Total	Restated Cwm Taf	Restated Total
	HB activities		HB activities	
Welsh Assembly Government	642	642	626	697
HCW / WHSSC	559	0	102	0
Welsh Health Boards	4,088	6,742	4,685	6,313
Welsh NHS Trusts	234	575	320	546
Non - Welsh Trusts	108	909	1	502
Other NHS	50	50	64	64
Welsh Risk Pool	21,035	21,035	24,744	24,744
Local Authorities	1,563	1,563	1,896	1,896
Capital debtors	39	39	1,833	1,833
Other debtors	5,032	5,042	6,712	6,733
Provision for irrecoverable debts	(891)	(907)	(849)	(906)
Pension Prepayments	0	0	0	0
Other prepayments and accrued income	1,573	1,573	951	951
Sub total	34,032	37,263	41,085	43,373
Non-current				
Welsh Assembly Government	0	0	0	0
HCW / WHSSC	0	0	0	0
Welsh Health Boards	0	0	0	0
Welsh NHS Trusts	0	0	0	0
Non - Welsh Trusts	0	0	0	0
Other NHS	0	0	0	0
Welsh Risk Pool	8,682	8,682	1,192	1,192
Local Authorities	0	0	0	0
Capital debtors	0	0	0	0
Other debtors	0	0	0	0
Provision for irrecoverable debts	0	0	0	0
Pension Prepayments	0	0	0	0
Other prepayments and accrued income	228	228	241	241
Sub total	8,910	8,910	1,433	1,433
Total	42,942	46,173	42,518	44,806

Receivables past their due date but not impaired

By up to three months	1,484	1,535	2,461	2,599
By three to six months	97	97	335	386
By more than six months	183	368	122	443
	1,764	2,000	2,918	3,428

Provision for impairment of receivables

Balance at 1 April	(849)	(906)	(464)	(464)
Amount written off during the year	32	73	7	7
Amount recovered during the year	88	88	149	149
(Increase) / decrease in receivables impaired	(162)	(162)	(541)	(598)
Balance at 31 March	(891)	(907)	(849)	(906)

16. Trade and other payables

	31 March 2011 £000 Cwm Taf HB activities	31 March 2011 £000 Total	31 March 2010 £000 Cwm Taf HB activities	31 March 2010 £000 Total Restated
Current				
Welsh Assembly Government	199	199	40	713
WHSSC / HCW	79	0	0	0
Welsh Health Boards	1,836	3,390	2,656	4,304
Welsh NHS Trusts	496	995	351	548
Other NHS	519	1,627	624	624
Income tax and social security	6,053	6,100	6,327	6,327
Non-NHS creditors	3,404	4,130	3,069	4,725
Local Authorities	3,002	3,002	1,446	1,446
Capital Creditors	3,716	3,716	1,183	1,116
Overdraft	0	0	0	0
Rentals due under operating leases	41	41	0	0
Obligations under finance leases, HP contracts and PFI contracts	134	134	248	248
Pensions: staff	3,835	3,835	4,112	4,112
Accruals	27,536	40,459	29,392	39,263
Deferred Income	128	128	508	508
Other creditors	3,340	3,340	2,825	2,825
Total	54,318	71,096	52,781	66,759
Non-current				
Welsh Assembly Government	0	0	0	0
WHSSC / HCW	0	0	0	0
Welsh Health Boards	0	0	0	0
Welsh NHS Trusts	0	0	0	0
Other NHS	0	0	0	0
Income tax and social security	0	0	0	0
Non-NHS creditors	0	0	0	0
Local Authorities	0	0	0	0
Capital Creditors	0	0	0	0
Overdraft	0	0	0	0
Rentals due under operating leases	0	0	0	0
Obligations under finance leases, HP contracts and PFI contracts	2,707	2,707	2,841	2,841
Pensions: staff	0	0	0	0
Accruals	0	0	0	0
Deferred Income	0	0	0	0
Other creditors	0	0	0	0
Total	2,707	2,707	2,841	2,841

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	23,534	0	0	(7,664)	20,816	(6,563)	(10,841)	0	19,282
Personal injury	1,090	0	0	(7)	1,524	(1,004)	(555)	4	1,052
All other losses and special payments	66	0	0	0	1,044	(511)	(376)	0	223
Defence legal fees and other administration	882	0	0	(28)	1,047	(435)	(545)		921
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	208			7	0	0	0	0	215
Restructuring	0			0	0	0	0	0	0
Other	2,719			243	387	(266)	(2,207)		876
Total	28,499	0	0	(7,449)	24,818	(8,779)	(14,524)	4	22,569
Non Current									
Clinical negligence	1,294	0	0	7,664	210	(582)	0	0	8,586
Personal injury	2,112	0	0	7	625	(175)	(6)	54	2,617
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	45	0	0	28	0	0	0		73
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,531			(7)	0	(215)	0	33	1,342
Restructuring	0			0	0	0	0	0	0
Other	3,628			(243)	1,160	0	0	0	4,545
Total	8,610	0	0	7,449	1,995	(972)	(6)	87	17,163
TOTAL									
Clinical negligence	24,828	0	0	0	21,026	(7,145)	(10,841)	0	27,868
Personal injury	3,202	0	0	0	2,149	(1,179)	(561)	58	3,669
All other losses and special payments	66	0	0	0	1,044	(511)	(376)	0	223
Defence legal fees and other administration	927	0	0	0	1,047	(435)	(545)		994
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,739			0	0	(215)	0	33	1,557
Restructuring	0			0	0	0	0	0	0
Other	6,347			0	1,547	(266)	(2,207)		5,421
Total	37,109	0	0	0	26,813	(9,751)	(14,530)	91	39,732

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	27,868	0	0	27,868
Personal injury	1,700	898	1,071	3,669
All other losses and special payments	223	0	0	223
Defence legal fees and other administration	994	0	0	994
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	860	697	0	1,557
Restructuring	0	0	0	0
Other	5,421	0	0	5,421
Total	37,066	1,595	1,071	39,732

Other provisions include £5,302k for continuing healthcare claims

17. Provisions (continued)

	At 1 April 2009 Restated	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 Restated
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	20,061	0	0	0	14,674	(4,672)	(6,529)	0	23,534
Personal injury	1,080	0	0	85	930	(804)	(250)	49	1,090
All other losses and special payments	109	0	0	0	8	(51)	0	0	66
Defence legal fees and other administration	730	0	0	71	661	(381)	(199)		882
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	208			0	0	0	0	0	208
Restructuring	0			0	0	0	0	0	0
Other	2,785			0	2,149	(1,593)	(622)		2,719
Total	24,973	0	0	156	18,422	(7,501)	(7,600)	49	28,499
Non Current									
Clinical negligence	0	0	0	0	1,294	0	0	0	1,294
Personal injury	1,956	0	0	(85)	331	0	(90)	0	2,112
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	71	0	0	(71)	48	(3)	0		45
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	2,130			0	0	(217)	(419)	37	1,531
Restructuring	0			0	0	0	0	0	0
Other	2,756			0	981	0	(109)		3,628
Total	6,913	0	0	(156)	2,654	(220)	(618)	37	8,610
TOTAL									
Clinical negligence	20,061	0	0	0	15,968	(4,672)	(6,529)	0	24,828
Personal injury	3,036	0	0	0	1,261	(804)	(340)	49	3,202
All other losses and special payments	109	0	0	0	8	(51)	0	0	66
Defence legal fees and other administration	801	0	0	0	709	(384)	(199)		927
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	2,338			0	0	(217)	(419)	37	1,739
Restructuring	0			0	0	0	0	0	0
Other	5,541			0	3,130	(1,593)	(731)		6,347
Total	31,886	0	0	0	21,076	(7,721)	(8,218)	86	37,109

18. Cash and cash equivalents

	2010-11 £000 Cwm Taf HB activities	2010-11 £000 Total	2009-10 £000 Cwm Taf HB activities Restated	2009-10 £000 Total Restated
Balance at 1 April	1,492	1,505	15,880	16,282
Net change in cash and cash equivalent balances	(652)	1,040	(14,388)	(14,777)
Balance at 31 March	840	2,545	1,492	1,505
Made up of:				
Cash held at GBS	773	2,478	1,457	1,457
Commercial banks and cash in hand	67	67	35	48
Current Investments	0	0	0	0
Cash and cash equivalents as in Statement of Financial Position	840	2,545	1,492	1,505
Bank overdraft - GBS	0	0	0	0
Bank overdraft - Commercial banks	0	0	0	0
Cash and cash equivalents as in Statement of Cash Flows	840	2,545	1,492	1,505

19. Other Financial Assets

	Current		Non-current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000 Restated	31 March 2010 £000 Restated
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	0	0	0	0
	0	0	0	0

20. Other assets

	Current		Non-current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000 Restated	31 March 2010 £000 Restated
EU Emissions Trading Scheme Allowance	0	0	0	0
Prepayments	0	0	0	0
Other assets	0	0	0	0
	0	0	0	0

21. Other liabilities

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2011	2010	2011	2010
	£000	£000	£000	£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	31 March	31 March	31 March
	2011	2010	2011	2010
	£000	£000	£000	£000
	Financial assets carried at fair value through SoCNE	0	0	0
	0	0	0	0

23. Related Party Transactions

During the year none of the Board members or members of the key management staff or parties related to them has undertaken any material transactions with the Local Health Board.

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

	2010-11	2010-11	31 March 2011	31 March 2011
	Payments to related party £000	Receipts from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Welsh Assembly Government	9	603,390	199	642
WHSSC (see below)	52,145	7,647	79	559
NHS Trusts				
Public Health Wales	149	2,055	56	77
Velindre	7,451	830	429	152
Welsh Ambulance Services	1,491	70	10	5
Local Health Boards				
ABMU	10,150	8,775	595	549
Aneurin Bevan	1,431	22,781	67	1,078
Betsi Cadwaladr	255	238	9	19
Cardiff & Vale	20,622	10,262	1,034	2,309
Hywel Dda	548	568	92	48
Powys	1,326	1,388	38	94
TOTAL	95,577	658,004	2,608	5,532

In addition, the Local Health Board has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with:

Rhondda Cynon Taf County Borough Council	5,729	4,187	2,452	1,018
Merthyr Tydfil County Borough Council	1,216	1,384	385	493

The LHB has also received revenue payments from Cwm Taf NHS Charitable Funds totalling £0.419m (£0.355m in 2009-10) the Trustees for which are also members of the Board.

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

Name	Details	Interests
Dr Chris D V Jones	Chairman	Partner at Taff Vale Medical Practice
Professor Vivienne Harpwood	Vice Chair	Professor of Law, Cardiff University (to December 2010)
Mr David Lewis	Director of Finance and Procurement	Non executive member of the Board, University of Glamorgan
Cllr Russell Roberts	Independent Member	Leader of Rhondda Cynon Taf County Borough Council
Cllr Clive Jones	Independent Member	Councillor of Merthyr Tydfil County Borough Council
Dr. Chris Turner	Independent Member	Director of Registry, Governance and Students, Cardiff University
Professor Donna Mead	Independent Member	Dean of Faculty of Health Sport and Science, University of Glamorgan

23. Related Party Transactions(cont)

WHSSC is a statutory sub-committee of each of the 7 Local Health Boards in Wales. Therefore, any related transactions would form part of each LHB's statutory financial statements.

Whilst WHSSC has an executive team these are not executive directors and they are employed by Cwm Taf LHB as the host organisation.

During 2010/2011, the WHSSC Joint Committee adopted a risk sharing approach which is applied to all financial transactions.

In accordance with the Joint Committee's Standing Orders, the Joint Committee must agree the total budget to plan and secure the relevant services delegated to it. The Joint Committee must also agree the appropriate contribution of funding required from each LHB.

Each LHB will be required to make available to the Joint Committee the level of funds outlined in the annual plan.

The income received from each LHB during 2010/2011 as per note 4 is as follows

	Cardiff and Vale	Abertawe Bro Morgannwg	Cwm Taf	Aneurin Bevan	Hywel Dda	Powys	Betsi Cadwalladr	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Income allocation	101,858	109,156	52,144	103,275	70,548	26,669	131,295	594,945

The main contractual agreements WHSSC has with providers of tertiary and specialist services are as follows

	£000's
Cardiff and Vale LHB	161,278
Aneurin Bevan LHB	2,961
Betsi Cadwalladr LHB	31,173
Abertawe Bro Morgannwg LHB	100,777
Cwm Taf LHB	7,210
Hywel Dda LHB	380
Velindre NHS Trust	29,600
Welsh Ambulance Services NHS Trust	113,936
Total Welsh Organisations	447,315

There are other ad hoc arrangements for individual patients and treatments which are not reported here

24. Third Party assets

The LHB held £64,550 cash at bank and in hand at 31 March 2011 (31 March 2010: £80,897) which relates to monies held by the LHB on behalf of patients. Cash held in Patient's Investment Accounts amounted to £92,653 at 31st March 2011 (31 March 2010 : £70,653), 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	642	0	199	0
Welsh Local Health Boards	8,662	0	7,782	0
Welsh NHS Trusts	575	0	842	0
Welsh Health Special Services Committee	0	0	0	0
All English Health Bodies	953	0	13,192	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	6	0	4	0
Miscellaneous	0	0	0	0
Credit note provision	(25)	0	0	0
Sub total	10,813	0	22,019	0
Other Central Government Bodies				
Other Government Departments	0	0	8	0
Revenue & Customs	503	0	6,100	0
Local Authorities	1,563	0	3,003	0
Balances with Public Corporations and trading funds	0	0	2	0
Balances with bodies external to Government	24,384	8,910	39,964	2,707
TOTAL	37,263	8,910	71,096	2,707
2009-10 :				
	Restated	Restated	Restated	Restated
Welsh Assembly Government	698	0	713	0
Welsh Local Health Boards	6,315	0	4,332	0
Welsh NHS Trusts	1,766	0	552	0
Health Commission Wales	0	0	0	0
All English Health Bodies	654	0	14,602	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	3	0	5	0
Miscellaneous	0	0	0	0
Credit note provision	(154)	0	0	0
Sub total	9,282	0	20,204	0
Other Central Government Bodies				
Other Government Departments	16	0	92	0
Revenue & Customs	475	0	6,327	0
Local Authorities	1,896	0	1,446	0
Balances with Public Corporations and trading funds	0	0	4	0
Balances with bodies external to Government	31,704	1,433	38,686	2,841
TOTAL	43,373	1,433	66,759	2,841

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	69	7,145,292	26	5,542,179
Personal injury	98	1,179,254	80	897,804
All other losses and special payments	241	520,735	243	561,243
Total	408	8,845,281	349	7,001,226

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				
Case reference	Case type			
01RRSEM0001	Other	0	393,487	0
01RRSMN0016	Clinical Negligence	1,308,425	1,729,182	0
02RRSMN0012	Clinical Negligence	233,000	947,726	0
03RRSPI0020	Personal Injury	38,669	333,025	0
04RRSMN0038	Clinical Negligence	575,000	575,000	0
04RRSMN0039	Clinical Negligence	1,397,946	1,846,828	0
05RRSMN0014	Clinical Negligence	615,437	615,437	0
05RRSMN0043	Clinical Negligence	0	1,095,000	1,095,000
06RVEMN0014	Clinical Negligence	475,000	475,000	0
06RVEMN0021	Clinical Negligence	65,000	1,700,000	1,700,000
06RVEPI0012	Personal Injury	287,059	287,059	0
07RVEMN0025	Clinical Negligence	410,000	410,000	0
09RVEMN0003	Clinical Negligence	430,851	445,851	0
99RVEMN0020	Clinical Negligence	0	1,657,049	1,657,049
				0
Sub-total		5,836,387	12,510,644	4,452,049
All other cases		3,008,894	6,217,603	2,549,178
Total cases		8,845,281	18,728,247	7,001,227

27. Contingencies

27.1 Contingent liabilities

	2010-11 £'000	2009-10 £'000
Legal claims for alleged medical or employer negligence	51,785	61,243
Doubtful debts	0	9
Equal Pay costs	0	0
Defence costs	1,388	1,522
Continuing Health Care costs	4,481	3,376
Other	0	0
Total value of disputed claims	<u>57,654</u>	<u>66,150</u>
Amounts recoverable in the event of claims being successful	50,189	59,282
	<u>7,465</u>	<u>6,868</u>

CONTINGENT LIABILITY – CHC

Potential liabilities for Continuing Care costs continue to be a significant financial issue for the Local Health Board(LHB)

The LHB is responsible for claims that relate to periods post 1 April 2003. Any claims that relate to periods prior to this date will be accounted for elsewhere within the NHS Wales economy in accordance with Welsh Assembly Government requirements.

The LHB has included £5.302m within the total provision shown in Note 17 in respect of 235 claims received as at 31st March 2011.

Cwm Taf LHB has a contingent liability for any further claims that it may receive in the future in respect of the period post 1 April 2003.

27.2 Contingent assets

	2010-11 £'000	2009-10 £'000
	0	0
	0	0
	0	0
	<u>0</u>	<u>0</u>

28. Capital commitments

Contracted capital commitments at 31 March

	2010-11	2009-10
Property, plant and equipment	27,420	58,793
Intangible assets	0	0
	<u>27,420</u>	<u>58,793</u>

Commitments relating to capital expenditure contracts at the balance sheet date were £27.42m (2009/10: £58.793m). The majority of the commitments are comprised of the Cynon Valley Neighbourhood Hospital Scheme, the Prince Charles Hospital Ward Refurbishment Scheme, the Prince Charles Hospital Emergency Care Centre and the Merthyr Tydfil Health Park.

The Cynon Valley build commenced in November 2008 and is due for completion in the Autumn of 2011. The approved allocation on this scheme is £78.907m.

The refurbishment of the wards at Prince Charles Hospital commenced in 2008 and is due for completion in the Autumn of 2012. The planned spend on this scheme is £53.267m and funding has been approved by the Welsh Assembly Government.

The Emergency Care Centre commenced in April 2009 and is due for completion in Summer 2011. The planned spend on this scheme is £23.226m and funding has been approved by the Welsh Assembly Government.

The Merthyr Tydfil Health Park allocation of £33.42m was approved by the Welsh Assembly Government in April 2011. The scheme is due for completion in the Autumn of 2012.

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

The Buildings finance lease reported on page 49 relates to the building improvements to the Dental Teaching Unit. Other leases relate to equipment leases. There are no significant leasing arrangements which require further disclosure.

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	36	38
Between one and five years	131	137
After five years	88	121
Less finance charges allocated to future periods	(44)	(58)
Minimum lease payments	<u>211</u>	<u>238</u>
Included in:		
Current borrowings	26	26
Non-current borrowings	<u>185</u>	<u>212</u>
	<u>211</u>	<u>238</u>
Present value of minimum lease payments		
Within one year	26	26
Between one and five years	103	103
After five years	82	109
Less finance charges allocated to future periods	0	0
Present value of minimum lease payments	<u>211</u>	<u>238</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>
Other	31 March 2011 £000	31 March 2010 £000
Minimum lease payments		
Within one year	0	123
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	(3)
Minimum lease payments	<u>0</u>	<u>120</u>
Included in:		
Current borrowings	0	120
Non-current borrowings	<u>0</u>	<u>0</u>
	<u>0</u>	<u>120</u>
Present value of minimum lease payments		
Within one year	0	123
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	(3)
Present value of minimum lease payments	<u>0</u>	<u>120</u>
Included in:		
Current borrowings	0	120
Non-current borrowings	<u>0</u>	<u>0</u>
	<u>0</u>	<u>120</u>

29.2 Finance lease receivables (as lessor)

. The Local Health Board has no Finance leases where the Local Health Board acts as a 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	<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	<u>0</u>	<u>0</u>

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

The Local Health Board has no PFI schemes off-statement of Financial Position.

30.2 PFI schemes on-Statement of Financial Position**Capital value of schemes included in Fixed Assets Note 11**

£000

Staff Residences - Royal Glamorgan Hospital

3,354

Contract start date:

09/10/1998

Contract end date:

21/09/2028

Scheme Description

The staff residences scheme covers the design, build, financing and operation of staff accommodation on the Royal Glamorgan Hospital site. A project agreement was entered into with Charter Housing Association on the 9th October 1998.

£000

Combined Heat and Power Plant-Prince Charles Hospital

1,857

Contract start date:

01/04/2004

Contract end date:

31/03/2029

Scheme Description

The contract is for the installation, operation, maintenance and ownership of a Combined Heat and Power plant and the complete management and operation of a central boiler plant installation, light fittings and building management system on the Prince Charles Hospital site.

The contract includes performance guarantees for the supply of hot water and electricity.

The charging structure requires the LHB to pay for heat (in the form of hot water) created from the electricity generated by the Combined Heat and Power plant being supplied free of charge to the LHB.

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

	31 March 2011	31 March 2010
	£000	£000
Not later than one year	199	198
Later than one year, not later than five years	794	794
Later than five years	2,437	2,635
Sub total	3,430	3,627
Less: interest element	800	896
Total	2,630	2,731

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 £229k (prior year £194k).

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	304	294
Total	304	294

30.4 The LHB has no Public Private Partnerships

31. Pooled budgets

The Health Board has no pooled budgets.

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	0	8,918	0	8,918
Cash at bank and in hand	0	2,545	0	2,545
Other financial assets	0	35,444	0	35,444
Total at 31 March 2011	0	46,907	0	46,907

Financial liabilities	At "fair value" through SoCNE £000	Other £000	Total £000
Embedded derivatives	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	0	67,575	67,575
Total at 31 March 2011	0	67,575	67,575

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	0	8,122	0	8,122
Cash at bank and in hand	0	1,505	0	1,505
Other financial assets	0	35,492	0	35,492
Total at 31 March 2010	0	45,119	0	45,119

Financial liabilities	At "fair value" through SoCNE £000	Other £000	Total £000
Embedded derivatives	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	0	62,765	62,765
Total at 31 March 2010	0	62,765	62,765

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	2010-11	2009-10	2009-10
	£000	£000	£000	£000
	Cwm Taf	Total	Cwm Taf	Total
	HB activities		HB activities	
			Restated	Restated
(Increase)/decrease in inventories	(406)	(406)	(172)	(172)
(Increase)/decrease in trade and other receivables	(2,218)	(2,992)	(7,452)	(6,352)
(Increase)/decrease in other current assets	0	0	0	0
Increase/(decrease) in trade and other payables	(882)	1,749	1,314	(4,572)
Increase/(decrease) in other current liabilities	0	0	0	0
Total	(3,506)	(1,649)	(6,310)	(11,096)

35. Other cash flow adjustments

	2010-11	2010-11	2009-10	2009-10
	£000	£000	£000	£000
	Cwm Taf	Total	Cwm Taf	Total
	HB activities		HB activities	
			Restated	Restated
Depreciation	15,994	15,994	15,691	15,691
Amortisation	0	0	0	0
Impairments and reversals	11,451	11,451	32,458	32,458
Cost of Capital Charge			0	0
Release of PFI deferred credits	0	0	0	0
Transfer from donated asset reserve	-760	-760	(213)	(213)
Transfer from government grant reserve	-15	-15	0	0
Non-cash movements in provisions	13,465	13,300	12,693	12,858
Non-cash notional charges	0	0	-272	196
Total	40,135	39,970	60,357	60,990

36. Cash flow relating to exceptional items

Provide details of each exceptional item.

37. Events after the Reporting Period

38. Operating segments

The following information segments the results of Cwm Taf Local Health Board by:-

- Healthcare activities

- Welsh Health Specialised Services Committee (WHSSC)

Operating Costs

	Healthcare activities £'000	WHSSC £'000	Inter-segment transactions £'000	Cwm Taf LHB Total £'000
Expenditure on Primary Healthcare Services	137,477	0	0	137,477
Expenditure on healthcare from other providers	127,547	592,527	(59,598)	660,476
Expenditure on Hospital and Community Health Services	370,097	2,511	(117)	372,491
	<u>635,121</u>	<u>595,038</u>	<u>(59,715)</u>	<u>1,170,444</u>
Less: Miscellaneous Income	(84,280)	(595,038)	59,715	(619,603)
LHB net operating costs before interest and other gains and losses	550,841	0	0	550,841
Investment Income	0	0	0	0
Other (Gains) / Losses	(7)	0	0	(7)
Finance costs	199	0	0	199
Net operating costs for the financial year	551,033	0	0	551,033

Net Assets

	£'000	£'000	£'000	£'000
Total non-current assets	368,195	0	0	368,195
Total current assets	38,504	5,574	(638)	43,440
Total current liabilities	(76,887)	(17,416)	638	(93,665)
Total non-current liabilities	(19,870)	0	0	(19,870)
Total assets employed	309,942	(11,842)	0	298,100
Total taxpayers' equity	309,942	(11,842)	0	298,100

39. Reconciliation of restated balances

The 2009-10 figures have been restated following

1. Consolidation of Health Commission Wales balances transferred from Welsh Assembly Government as part of hosting arrangements of Welsh Health Specialised Services Committee (WHSSC)
2. Changes in accounting policies in accordance with the manual of accounts relating to
 - a) Capital charges removal
 - b) Impairments arising from clear consumption of economic value are now treated as expenditure
3. Reclassification of some expenditure between Note 3.2. Expenditure on healthcare from other providers and Note 3.3 Expenditure on hospital and community health services

	Cwm Taf HB activities £'000	WHSSC £'000	Consolidation Total £'000
Net operating costs as report 2009-10	522,283	611,057	1,133,340
Removal of Capital Charges - Note 3.2	-4,284	493	-3,791
Change in accounting treatment of impairments - Note 3.2	311		311
Reclassification changes Note 3.2	4,732		
Reclassification changes Note 3.3	-4,732		
Net Operating cost 2009-10 restated	518,310	611,550	1,129,860

**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: 7th June 2011

Chief Executive: Mrs. A Williams

**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: Dr. CDV Jones

Dated: 7th June 2011

Chief Executive: Mrs. A Williams

Dated: 7th June 2011

Director of Finance: Mr. D H Lewis

Dated: 7th June 2011

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.

Local Health Board and Trust Chief Executives' performance in the discharge of these personal responsibilities is assessed by the Head of the Department for Health & Social Services / Chief Executive NHS Wales. In addition, the Health Board's performance across a range of associated areas, including the management of risk, governance, financial and non-financial control, is monitored by the Welsh Government.

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 risk assurance and internal control framework, and comments made by the External Auditors in their management letter and other reports. In addition, the work of Healthcare Inspectorate Wales (both investigations and reviews) informs the review. 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 and the work of the Integrated Governance Committee, Audit Committee, Quality Patient Safety & Public Health Committee and the Corporate Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The scrutiny of these arrangements is in part informed through the internal mechanisms already referred to, but also through the independent and impartial views and opinions expressed by a range of bodies external to the Health Board. These include:

- Welsh Government;
- Wales Audit Office;
- Internal Audit (Price Waterhouse Coopers)
- Healthcare Inspectorate Wales (HIW);
- Welsh Risk Pool (WRP);
- Community Health Councils;
- Health & Safety Executive;
- Post Graduate Medical Education and Training Board (PMETB), Post Graduate and Under Graduate Deanery's, Royal Colleges and other Academic bodies;
- Mental Health Act Commissioners
- Other Accredited Bodies.

The Board received additional assurance from the detailed scrutiny of its governance arrangements undertaken by the Wales Audit Office.

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 from the 1st April 2010 ending March 31st 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 Board has overall responsibility and authority for the risk management programme through the receipt and evaluation of reports indicating the status and progress of Health Board wide risk management activities. The Integrated Governance, Audit, Quality Patient Safety & Public Health and Corporate Risk Committees, comprising a variety of Independent Members and Executive Directors, plus representatives from the Community Health Council, oversee the Health Board's risk management arrangements, making recommendations for change as appropriate.

Operational responsibility in terms of regularly monitoring progress with specific risks is delegated to the various sub-groups of the Board Sub Committees who then report to the relevant Committee as required. These include the Health Board's Divisional Integrated Governance Groups and the Workplace Safety and Health Committee, which includes membership from Executive Directors and divisional/directorate and locality representatives, specialist risk personnel and staff safety representatives.

The Cwm Taf Health Board's Risk Management Strategy and Policy, was identified as an essential Policy to help inform the establishment of the new organisation which reinforced the principle that effective risk management practice is dependent upon ownership of the management of risks throughout the whole of the organisation. Staff are encouraged to take a proactive role in the identification and reporting of risks, with an emphasis on not apportioning blame, but rather to promote a learning culture within the Health Board. The Policy clearly defines the respective roles and responsibilities of the Health Board, sub Committees, Managers and staff.

Staff awareness of the need to manage risks has been encouraged through the provision of regular and ongoing information via the website and ongoing training programmes. Case studies and patient stories are presented to the organisation's committees in order that lessons learnt can be disseminated and shared. In addition to generic training, such as the managing safely, specific training is provided such as the use of medical devices and safeguarding is provided on an ongoing basis.

In addition, the organisation has set in place arrangements to share lessons learnt from investigations such as, for example, incidents and complaints involving junior medical staff so that reoccurrences can be prevented.

4. The risk and assurance framework

The organisation is committed to the principle that risk must be managed, and as a result will continue to work to ensuring that:

- there is compliance with legislative requirements where non compliance would pose a serious risk;
- evidence based guidance and best practice is utilised in order to support the highest standard of clinical practice;
- all sources and consequences of risk are identified and risks are assessed and either eliminated or minimised;
- information concerning risk is shared with staff across the Health Board and, where appropriate partner organisations;
- damage and injuries are minimised, and people's health and wellbeing is optimised;
- resources diverted away from patient care to fund risk reduction are minimised;
- lessons are learnt from compliments, incidents, complaints, and claims in order to share best practise and reduce the likelihood of reoccurrence.

The purpose of the organisation's Risk Management Strategy and Risk Assurance Framework is to provide a clear pathway for the management of risk within the organisation. It has provided a clear focus on the major issues to be tackled as well as identifying clear goals and key actions to be achieved. It outlined the way in which the Risk Management Policy and processes will be embedded within the organisation, taking note of the various requirements of external agencies and statutory bodies.

In addition, the Risk Management Strategy and Risk Assurance Framework has defined the strategic direction for risk management, and has provided the Health Board with a clear path on which to base all future risk management initiatives.

As the minimisation of risk is the responsibility of staff at all levels within the Health Board its management must be mainstreamed into our functions and is not seen as separate to the day to day work of our employees. In order for this to be achieved every member of staff will need the passion, confidence, knowledge and skills to minimise the harm to patients and risk of injury or ill health to staff and visitors.

In addition, patients and the public have an important part to play by proactively participating in their care and the organisation will address this requirement within this and other strategies. Those that we have contractual relationships* with are responsible for identifying and managing their own risks, due to the Health Boards contractual relationship with them. *These would include for example: independent contractors (GPs, Pharmacists, Dental Practitioners and Optometrists) Care Homes (with nursing), Voluntary Organisations, and those where we have partnership relationships for service delivery, e.g. Local Authorities, other Health Boards Learning Disability Teams.

The Health Boards clinical governance processes provides assurance to the Board that services are safe and meet organisational, external and professional standards. In order to achieve that, the organisation has developed robust processes in place to identify areas of high risk and address concerns, and is committed to supporting the independent contractor services with risk management. These include:

- embedding the Standards for Health Services in Wales into the everyday working of the organisation, with appropriate linkages to the Annual Quality Framework, Performance Management Arrangements and SWAFF Programme of the Health Board;
- implementing effective risk management systems, procedures and policies, reducing risk to the Health Board by protecting its capital, financial resources and reputation;
- making risk management an integral aspect of the governance agenda within all service and strategic plans;
- recognising risk management, clinical governance, health and safety, occupational health and quality improvement overlap into the overall assurance and governance framework.

Over the life of the Risk Management Strategy systems will be refined for identifying and categorising risks which clearly states under what circumstances and at what level the organisation would be willing to carry risk.

In addition, the Health Board will integrate its governance arrangements and mainstream NHS Wales sponsored campaigns e.g '1000 Lives Plus', and the Passport Schemes so as to ensure the development of effective arrangements which enhance the quality and safety of patient care.

The organisation uses the Doing Well, Doing Better: Standards for Health Services in Wales as its framework for gaining assurance on its ability to fulfil 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,

As part of this process, the organisation has completed the Governance & Accountability assessment module and achieved the following level of performance for 2010/11.

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Governance and Accountability Module	Strongly disagree	Disagree	Neither agree or disagree	Agree	Strongly agree
	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/business	We can demonstrate sustained good practice and innovation that is shared throughout the organisation/business, and which others can learn from.
Setting the direction				√	
Enabling delivery			√		
results achieving excellence			√		
OVERALL MATURITY LEVEL			3		

Scores

- 1 Identified as something we must address urgently.
- 2 Identified as something we need to do, and plans are being developed for this.
- 3 We are doing this but have identified a number of gaps and need to review existing plans.
- 4 This has been built into our normal practice. We are making progress in this area.
- 5 We have been doing this for some time, have continually improved and shared learning.

This process has been subject to independent internal assurance by Internal Audit and a moderate level of assurance has been assigned in the report.

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

The requirements to use the Standards incorporate several elements, requiring an organisational wide response. A programme of work to embed the Standards was commenced to embed the standards within frontline services so that they are utilised to underpin the delivery of the 5-Year Service Workforce and Financial Strategic Framework plans and contribute to the overall framework of internal assurance.

Information about the revised Standards was communicated to managers, staff and the public with the intention of using the standards to examine the organisations internal processes and controls in order to identify gaps and issues to be addressed as part of the ongoing continuous improvement cycle, using the PDSA (Plan, Do, Study, Act) methodology. In addition, the Health Board's Risk Matrix has been utilised in order to provide the basis for confirming the risk appetite of the organisation.

Information gained from the self assessment will be used in the formation of the risk assurance systems and processes to support teams and in order to provide the Board with assurance that the organisation has met the requirements placed upon by external standards and requirements. In addition, issues and actions from the previous standards have been mapped across to the new standards in order to maintain continuity and delivery of the organisation's plans.

In addition it has been acknowledged that clearer direction and leadership is needed to ensure that the entire organisation is giving appropriate priority to the Standards

In moving the process forward the organisation will develop its systems for sharing completed reviews and monitoring improvement. This will entail identifying the review cycle for the various standards and will need to be developed in conjunction with clearer central guidance and information.

In reviewing the review process Internal Audit identified a number of key strengths that will contribute to the Board's assurance that the organisation has met/will meet the requirements of the standards:

- the Initial Board briefing and Core briefs were good in content
- Identifying leads for corporate and service Reviews
- the methodology adopted, including the development and use of a standardised template, with the ability to use it flexibly, as appropriate to the area
- piloting the process with selected areas was seen as a very positive approach
- intention to gain feedback prior to roll-out

A key aspect of the organisations risk assurance and management process is the work that has been undertaken with eg staff organisations, the voluntary sector, independent contractors and other partner organisations and groups to identify and manage the risks that need to be addressed by the wider health community.

The LHB has provided a strong commitment to stakeholder engagement and has adopted a proactive, 'no surprises' approach to continuous engagement. This requires ongoing, open dialogue with partners. With regards to partner agencies, each of the statutory partnerships (i.e. Health Social Care & Well-being, Children & Young People's Partnerships and Community Safety Partnerships) has its own process for managed risk, as managed by its respective partnerships support team. In relation to the wider public, the main forum for discussion are the LHB's 4 public forum meetings, each of which meets on a quarterly basis covering issues from strategic direction to, service development, patient safety and sustainability.

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 Integrated Governance, Audit Committee, the Corporate Risk Committee, Quality, Patient Safety & Public Health Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board

The principal role of the LHB's Board is to add value to the organisation through the exercise of strong leadership and control, including:

- Setting the organisation's strategic direction
- Establishing and upholding the organisation's governance and accountability framework, including its values and standards of behaviour
- Ensuring delivery of the organisation's aims and objectives through effective challenge and scrutiny of the LHB's performance across all areas of activity.

Welsh Health Specialised 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.

The Statement of Internal Control has been approved by its Audit Committee and is attached as **Appendix 1**.

Integrated Governance Committee

The role of the Committee is to ensure that it:

- maintains an oversight of the work of the three Board Sub Committees ensuring integration of the governance work, addressing issues which fall outside or between the work of the three committees, ensuring no duplication and coordinating issues which need the attention of all three committees;
- ensures that appropriate mechanisms are in place to manage risk issues, identifying and reviewing the top 20 risks and ensuring that plans are in place to manage those risks;
- oversees the Board's major policy objectives such as the SWAFF, identifying issues which need Board action or involvement, and scrutinising the delivery and performance in those areas.

Audit Committee

The role of the Committee is to review the establishment and maintenance of an effective system of internal control and risk management, in particular reviewing the adequacy of: -

- all risk and control related disclosure statements, together with any accompanying Head of Internal Audit statement, prior to endorsement by the Board;
- the structures, processes and responsibilities for identifying and managing key risks facing the organisation;
- the policies for ensuring that there is compliance with relevant regulatory, legal and code of conduct requirements as set out in the Standards for Health Services in Wales, Welsh Risk Management Standards and other relevant guidance;
- the operational effectiveness of policies and procedures;
- the policies and procedures for all work related to fraud and corruption as set out in the Directions and as required by the Welsh Assembly Government;
- proposed changes to the Standing Orders, Standing Financial Instructions and Financial Control Procedures;
- circumstances associated with each occasion where Standing Orders or Standing Financial Instructions are waived.

Corporate Risk Committee

The role of the Committee is to provide the Board with assurances that the Health Board has appropriate arrangements for effective internal control, identifying compliance with statutory requirements and for the identification and management of risk.

Quality, Patient Safety & Public Health Committee

The purpose of the Committee is to provide the Board with evidence based and timely advice in order to assist it discharge its functions and meeting its responsibilities with regard to the quality and safety of healthcare in accordance with its stated objectives and the requirements and standards determined for the NHS in Wales; and ensure delivery of the overall vision statement of Cwm Taf Health Board, which is to prevent ill health, protect good health and promote better health

- 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

The Health and Safety Executive issued four Improvement Notices during 2010-11. Three were concerned with the management of asbestos and one required the development of a Wet Work Risk Assessment.

Good progress has been made in taking forward the actions needed to lift these notices and the current position is that the Wet Work Risk Assessment notice and one of the Asbestos Management notices have been lifted and we are on target to comply with the remaining notices.

In addition, the Fire Authority issued two Enforcement Notices concerning the Centre Core and the Ground & First Floor at Prince Charles Hospital and again good progress has been made in respect of the work required to achieve compliance. It is anticipated that the Enforcement Notice for the Centre Core will be lifted at the end of June 2011 when the required works will be assessed as complete. In respect of the Enforcement Notice relating to the Ground and First Floor at Prince Charles Hospital, a Strategic Outline Case has been prepared and discussed with the Welsh Government to secure the capital resource necessary to meet the requirements of the notice. It is anticipated that this will be jointly reviewed with the Fire Authority when the SOC for the capital works is submitted to agree an appropriate extension or withdrawal in line with the approved capital work programme and timetable.

Systems were put in place to monitor implementation of the actions needed to comply with the enforcement and improvement notices and the Executive Board has received regular update reports to ensure that Directors are taking individual responsibility for the appropriate improvements.

During the course of the year a number of internal audit reviews have been assessed as providing limited assurance and as a result of this, the overall assessment in the Annual Report has been defined limited assurance.

It is usual practice for the Internal auditors to provide "limited" assurance in the annual opinion where they have identified high or critical rated risks during the audit work on business critical systems. The auditors arrived at the assessment as there were a number of high risks identified in the audit outcomes, a significant number of which referred to processes within the Workforce and Organisational Development Unit . There were no critical issues identified in any of the audit reports and some of the reports were assigned a high level of assurance.

The reports assessed as providing limited assurance were as follows: -

- Budgetary control
- Payroll
- Cash, bank and treasury management
- Patient's property
- Acute and Accident and Emergency
- Out of Hours
- Staff training
- Sickness absence

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Management actions have been agreed for all of the above reports. Responsible Directors will attend the Audit Committee in July 2011 to ensure that the high risk recommendations identified in the individual reports have been actioned. The responsible Directors will submit a report to the July meeting of the Audit Committee for discussion and approval of the agreed actions to increase the level of assurance in each of these areas.

The Chair of the Audit Committee will report the outcome of these discussions to the Integrated Governance Committee to ensure that the Board is aware of the position and to ensure that the actions needed to improve this level of assurance are being taken forward in line with the agreed timescales. It is therefore planned that the issues underpinning the "Limited Assurance" opinion are rectified prior to the July Audit Committee which provides the requisite additional assurance for the Board in response to the 2010/11 transition issues.

Signed:



Date: 8th June 2011

Mrs. A Williams
Chief Executive (on behalf of the Board)



GIG
CYMRU
NHS
WALES

Pwyllgor Gwasanaethau Iechyd
Arbenigol Cymru (PGIAC)
Welsh Health Specialised
Services Committee (WHSSC)

**To : Mrs Allison Williams, Chief Executive Cwm Taf Local Health Board
cc : Joint Committee Members**

**WELSH HEALTH SPECIALISED SERVICES COMMITTEE
STATEMENT ON INTERNAL CONTROL**

1. Scope of responsibility

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 is a statutory committee established under sections 12 (1)(b) and (3), 13(2)(c), (3)(c) and (4)(c) and 203(9) and (10) of the Act. The LHBs are required to jointly exercise the Relevant Services.

Cwm Taf LHB has been identified as Host LHB to provide administrative support for the running of the Welsh Health Specialised Services Committee and to establish the Welsh Health Specialised Services Team as per Direction 3(4) and Regulation 3(1) (d) and the interpretation sections of both the Directions and the Regulations and the Joint Committee Standing Orders: Statutory Framework and Joint Committee Framework.

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.

The Joint Committee is accountable for internal control. As Director of Specialised and Tertiary Services for the Joint Committee, I have the responsibility for maintaining a sound system of internal control that supports achievement of the Joint Committee's policies, aims and objectives and to report the adequacy of these arrangements to the Chief Executive of Cwm Taf Local Health Board. Under the terms of the establishment arrangements, Cwm Taf Health Board are deemed to be held harmless and have no additional financial liabilities beyond their own population.

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 period 1 April 2010 ending 31st March 2011.

3. Capacity to handle risk

I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aim and objectives and need to be satisfied that appropriate policies and strategies are in place and that systems are functioning effectively. The Joint Committee's sub committees have assisted me in providing these assurances and I am supported by the Head of Internal Audit's annual work, report and opinion on the effectiveness of our system of internal control.

An Independent Member of the Joint Committee Chairs the Audit Committee and three other Independent Members from NHS Wales Boards are Members of the Audit Committee. The Director of Finance, Committee Secretary and other Senior Managers (as required) attend the meetings. The links with sub committees have been established by setting up an Integrated Governance Committee which is chaired by the Chair of the Joint Committee and the Members include the Chairs of the sub committees. The minutes of the Joint Committee are circulated to all LHBs and Trusts for reporting to their Boards and the Joint Committee and Integrated Governance Committee receives a copy of all the minutes to ensure that an integrated and efficient approach to risk management is maintained in the organisation.

All staff have some responsibility for risk management and internal control and risk management is integrated into the day-to-day management and planning of our activities. Training is available for all staff on Risk Management and specifically during the year, Local Counter Fraud training has been provided. Other training available to staff includes health and safety, fire safety, information security and data protection.

4. The risk and assurance framework

The Joint Committee utilises Cwm Taf's Committee arrangements to assist it in discharging its governance responsibilities and has adopted the risk assessing mechanisms of the host subject to appropriate adaptation to take into account the specific functions of the Joint Committee.

The Cwm Taf Health Board has in place a comprehensive Risk Management Strategy, which is reviewed by the Corporate Risk Committee and this document is available to all staff on the intranet site. The Strategy describes Cwm Taf Local Health Board's overall risk management objectives, corporate and Divisional responsibilities for managing risks, the risk management process and the risk identification, evaluation and control system. The strategy includes the risk assessment framework which is used for evaluating and quantifying risks, escalation and de-escalation processes.

Risk Management is embedded in the activities of WHSSC through a number of processes. WHSSC has developed a Corporate Risk Register and all the risks are monitored by the Joint Committee, Sub Committee of the Joint Committee or the Corporate Risk Committee. The Risk Register is monitored at every meeting of the Audit Committee and the Quality and Patient Safety Committee. The Committee Secretary is also a member of the Cwm Taf Corporate Risk Committee.

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

- The adoption by the Joint Committee of the Governance and Accountability Framework which comprises of the Standing Orders, Standing Financial Instructions, Memorandum of Agreement and Hosting Agreement;
- An Audit Committee, Quality and Patient Safety Committee, Integrated Governance Committee and the Welsh Renal Clinical Network;
- Appointment of Internal Auditors; and
- An approved financial plan and regular reporting of financial and performance information to the Joint Committee and LHBs.

Information Governance

The Committee Secretary is the Lead Officer in relation to Information Governance for the WHSSC and the Director of Specialised and Tertiary Services is the Caldicott Guardian. Both officers are members of the Cwm Taf Local Health Board Information Governance Group. WHSSC has established an internal Information Governance Group which is chaired by the Committee Secretary and ensures appropriate arrangements are embedded into the activities of WHSSC.

Health and Safety

The Committee Secretary is the Lead Officer in relation to Health and Safety for WHSSC. Cwm Taf Local Health Board has a Health and Safety Group and a representative of WHSSC attends these meetings. The Health and Safety Group reports to the Cwm Taf Corporate Risk Committee.

Equality and Diversity

The WHSSC follows the policies and procedures of the Cwm Taf Local Health Board, as the Host LHB. All staff have access to the Intranet where these are available. The Hosting Agreement includes provision for specific support around Equality and Diversity and the WHSSC has been working with the Equality Officer in the LHB and the NHS Wales Equality Unit to look at ways of integrating equality and diversity issues into our work. The Committee Secretary is a member of the Equality Group within Cwm Taf and therefore any issues are integrated into this process.

“Doing Well – Doing Better”

During 2010/11 the WHSSC developed a Healthcare Standards Improvement Plan and this was approved by the Joint Committee and monitored by the Audit Committee and Quality and Patient Safety Committee. WHSSC has started to take steps to integrate Doing Well, Doing Better: Standards for Health Services in Wales as its framework for gaining assurance on its ability to fulfil 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. Senior Officers have been allocated Leads for each of the Standards and each report considered by the Joint Committee and relevant Sub Committees provides a link to the relevant standard.

WHSSC recognises that the organisation is in the the early stages of the process for embedding the standards into the organisation and performing self assessments against the standards at all levels and across all activities. This is mainly due to the timescale in issuing the guidance and that WHSSC was established as a new body in 2010. Significant work will be taken forward in 2011/12 to embed all the standards across all activities.

As part of this process, the organisation has completed the Governance & Accountability assessment module and achieved the following level of performance for 2010/11 : We are developing plans and processes and can demonstrate progress with some of our key areas for improvement.

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/ business	We can demonstrate sustained good practice and innovation that is shared throughout the organisation/ business, and which others can learn from.
Setting the direction			✓		
Enabling delivery			✓		
Delivering results achieving excellence			✓		
OVERALL MATURITY LEVEL			✓		

This process has been subject to independent internal assurance by the organisations Head of Internal Audit. This was judged to be a reasonable process.

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

Public and Patient Engagement

The Joint Committee is committed to effective involvement of stakeholders in the way that services are planned and secured. Each of the Programme Teams has mechanisms in place to engage with stakeholders, a representative of the Community Health Council is a Member of the Quality and Patient Safety Committee.

The Committee Secretary is the lead for Public and Patient Engagement and work is underway to develop a Corporate Framework which is consistent and complements existing arrangements already in place at a Local Health Board level.

5 Review of effectiveness

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 Joint Committee, the Audit Committee, Integrated Governance Committee and Quality and Patient Safety Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The role of the Joint Committee is:

- to determine in conjunction with the Welsh Assembly Government a long-term strategic plan for the development of the Relevant Services in Wales;
- to identify and evaluate existing, new and emerging treatments and services and advise on the designation of such services;
- to develop national policies for the equitable access to safe and sustainable, high quality Relevant Services across Wales, whether planned, funded and secured at national, regional or local level;

The Joint Committee has established the following Sub Committees :

- Integrated Governance Committee
- Audit Committee
- Quality and Patient Safety Committee
- Welsh Renal Clinical Network

The Integrated Governance Committee provides assurance to the Joint Committee that effective governance and scrutiny arrangements are in place across WHSSC activities.

The Audit Committee advises and assure the Joint Committee on whether effective arrangements are in place – through the design and operation of the Joint Committee’s assurance framework – to support them in their decision taking and in discharging their accountabilities for securing the achievement of the Joint Committee’s Delegated Functions,

The **Quality and Patient Safety Committee** provides assurance to the Joint Committee in relation to the arrangements for safeguarding and improving the quality and safety of specialised healthcare services within the remit of the Joint Committee.

The **Welsh Renal Clinical Network** is a vehicle through which specialised renal services is planned and developed on an all Wales basis in an efficient, economical and integrated manner and will provide a single decision-making framework with clear remit, responsibility and accountability.

6. Significant internal control problems

There are no significant internal control problems that have been identified during the year. The Head of Internal Audit has given moderate assurance on the design adequacy and effectiveness of the system of internal control for WHSSC.

Signed: Cerilan Rogers

Date: 7th June 2011

Director of Specialised and Tertiary Services

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

I certify that I have audited the financial statements of Cwm Taf Local Health Board 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 Cwm Taf 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 for Wales 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 Cwm Taf 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

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

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