

Pembrokeshire Local Health Board

FOREWORD

These accounts have been prepared by the Local Health Board under schedule 9 section 178 Para 3(1) of the National Health Service (Wales) Act 2006 (c.42) in the form in which the Welsh Ministers have, with the approval of the Treasury, directed.

Statutory background

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

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

Performance Management and Financial Results

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

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

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

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Note	Total £000	2006-07 Total £000
Expenditure	4.1,4.2,4.3, 4.4	168,385	160,542
Miscellaneous income	3.1	2,160	2,611
Net operating costs		<u>166,225</u>	<u>157,931</u>

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

	£000	£000
Unrealised surplus on revaluation / indexations of fixed assets	0	1
Net increases / reductions in General Fund due to transfers of assets	0	0
Fixed asset impairment losses	0	0
Recognised gain / (loss) for the year	<u>0</u>	<u>1</u>

BALANCE SHEET AS AT 31 MARCH 2008

	Note	£000	31 March 2007 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	9	11
Tangible fixed assets	5.2	41	56
CURRENT ASSETS			
Debtors	6.1	629	1,026
Cash at bank and in hand		34	96
Total Current Assets		663	1,122
Creditors: amounts falling due within one year	6.2	9,056	8,713
Net current assets / (liabilities)		(8,393)	(7,591)
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	285	0
TOTAL NET ASSETS		(8,628)	(7,524)
FINANCED BY:			
General fund	6.5	(8,629)	(7,525)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	1	1
TOTAL		(8,628)	(7,524)

Signed for and on behalf of the Board

Director of Finance: K Miles

Chief Executive: B . Rees

Date 18 June 2008

Date 18 June 2008

Adopted by the Board on 18 June 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	£000	2006-07 £000
Net operating costs	(166,225)	(157,931)
Adjust for non-cash transactions	16	(259)
Adjust for movements in working capital other than cash	740	(90)
Utilisation of provisions	0	0
	<hr/>	<hr/>
Net cash outflow from operating activities	(165,469)	(158,280)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:		
Payments to acquire fixed assets	0	(41)
Receipts from the sale of fixed assets	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from investing activities	0	(41)
	<hr/>	<hr/>
Net cash inflow / (outflow) before financing	(165,469)	(158,321)
FINANCING:		
Net Assembly funding (including capital)	165,407	158,327
Surrender of income from sale of fixed assets	0	0
Donations	0	0
Capital element of finance lease rental payments	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from financing	165,407	158,327
	<hr/>	<hr/>
Increase / (decrease) in cash	(62)	6

Notes to the cash flow statement

Adjust for non-cash transactions

	£000	2006-07 £000
Depreciation and other write-offs	17	11
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	285	0
Capital charge interest	(286)	(270)
	<u>16</u>	<u>(259)</u>

Adjust for movements in working capital other than cash

	£000	2006-07 £000
(Increase)/decrease in debtors	397	(138)
Increase/(decrease) in creditors	343	48
	<u>740</u>	<u>(90)</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	(62)
Cash outflow from debt repaid and finance lease capital payments	<u>0</u>
Change in net debt resulting from cash flows	(62)
Non cash changes in debt	0
Net debt at 1 April 2007	<u>96</u>
Net debt at 31 March 2008	<u>34</u>

Analysis of changes in net debt

	As at 1 April 2007	Cash flows	Other changes	As at 31 March 2008
	£000	£000	£000	£000
Cash at bank and in hand	96	(62)	0	34
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
	<u>96</u>	<u>(62)</u>	<u>0</u>	<u>34</u>
Total	<u>96</u>	<u>(62)</u>	<u>0</u>	<u>34</u>

Amount held in Office of Paymaster General bank accounts as at 31 March 2008 was £34,000

Analysis of capital expenditure, financial investments and associated receipts

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

Reconciliation of loan issues and repayments to cash movements

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

Reconciliation of fixed assets and disposals

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

Notes to the Account

1. Accounting Policies

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

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

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

Acquisitions and Discontinued Operations

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

1.2 Income and funding

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

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

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

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

1.3 Taxation

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

1.4 Intangible fixed assets

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

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

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

1.5 Tangible fixed assets

a. Capitalisation

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

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

b. Valuation

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

Land and Buildings

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

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

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

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

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

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

Equipment

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

Assets in the course of construction

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

c. Depreciation, amortisation and impairments

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

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

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

Leaseholds are depreciated over the primary lease term.

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

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

1.6 Donated assets

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

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

1.7 Research and development

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

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

1.8 Pension Costs

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

The Scheme is subject to a full actuarial investigation every 4 years. The main purpose of which is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such investigation, on the conclusions of which scheme contribution rates are currently based, had an effective date of valuation on this basis took place as at 31 March 2004 and covers the period from 1 April 1999 to that date.

Between the full actuarial valuations, the Government Actuary provides an annual update of the scheme liabilities for FRS17 purposes. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the Business Service Authority - Pensions Division website at www.nhspa.gov.uk. Copies can also be obtained from the Stationary Office.

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

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

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

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

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

[Where the NHS body has employees who are members of pension schemes other than the NHS Pension Scheme described above, additional disclosure will be required to give details of those schemes e.g. stakeholder pensions.]

1.9 Foreign currency

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

1.10 Cost of Capital

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

1.11 Provisions

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

1.12 Liquid resources

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

1.13 Leases

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

1.14 Contingent liabilities

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

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

1.15 Deferred Income

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

1.16 Expenditure

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

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

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

1.17 New Dental Contract

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

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

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

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

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

2.1 Achievement of Operational Financial Balance

	2006-07
	£000
Net operating costs for the financial year	166,225
Non-discretionary expenditure	707
Operating costs less non-discretionary expenditure	165,518
Revenue Resource Limit	165,583
Under / (over) spend against Revenue Resource Limit	65
Unplanned resource brokerage received	0
Operational Financial Balance	65

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

The LHB repaid £1.5m of cash brokerage it received during 2006/07 during the year.

The Minister for Health and Social Services decided to increase the discretionary Near Cash Resource Allocation to LHB's in 2007/08 by £24m to address the cost pressures which LHB's have identified as arising from Continuing NHS Health Care. For Pembrokeshire LHB this amounted to £0.950m. This allocation has been brokered forward for use in 2008/09 and is repayable to the LHB in 2008/09.

3.1 Miscellaneous income

	£000	2006-07 £000
Fees & Charges	580	577
Prescription charge income	139	590
Dental fee income	413	254
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Other	1,028	1,190
Total	2,160	2,611

Other

Other Income amounting to £1.028m in Note 3.1 comprises of the following:

	£(000)	2006-07 £(000)
Core Business		
GP Registrars	406	295
Continuing Care and Free Nursing Care	275	234
Substance Misuse Community Safety Partnership	131	152
Palliative Care Funding	0	40
Immunisation Programme Funding	0	84
Food and Fitness	0	25
Hensol Resettlement	0	31
Out of Hours Recharges	0	24
Prescribing Incentive Scheme	120	0
Other	23	67
Non Core Business		
Acute Services Review Income	2	129
Critical Care Review	0	109
Three Counties Planning Forum	71	0
Total	1,028	1,190

Expenditure:

4.1 Primary health care

	Cash limited	Non cash limited	Total	2006-07 Total
	£000	£000	£000	£000
General Medical services	19,381	0	19,381	18,805
Pharmaceutical services	3,757	(260)	3,497	3,515
General Dental services	3,104	0	3,104	2,489
General Ophthalmic services	0	967	967	911
Other Primary health care expenditure	1,342	0	1,342	1,147
Prescribed drugs and appliances	19,188	0	19,188	18,823
Total	46,772	707	47,479	45,690

4.2 Secondary and Community health care

	Total	2006-07 Total
	£000	£000
NHS Trusts:		
Provider 1 - .. Pembrokeshire & Derwen NHS Trust	91,414	88,979
Provider 2 - .. Carmarthen NHS Trust	7,186	6,792
Provider 3 - .. Swansea NHS Trust	4,093	3,730
Provider 4 - .. Cardiff & Vale NHS Trust	1,858	1,710
Provider 5 - .. Ceredigion & Mid Wales NHS Trust	715	694
Provider 6 - .. Robert and Agnes Hunt NHS Trust	158	105
Provider 7 - .. Velindre NHS Trust	106	89
Provider 8 - .. Bro Morgannwg NHS Trust	102	180
Provider 9 - .. United Bristol HC NHS Trust	74	75
Provider 10 - Gwent NHS Trust	49	54
Other Welsh NHS trusts	127	148
Other non Welsh NHS trusts	445	404
Local Authorities	555	542
Voluntary Organisations	409	399
NHS Funded Nursing Care	2,099	2,024
Continuing Care	7,554	5,539
Private providers	480	176
Specific projects funded by Welsh Assembly Government	0	0
Other	21	20
Total	117,445	111,660

Expenditure with Local Authorities

S28 Expenditure £555,000

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

4.3 Other programme expenditure

	£000	2006-07 £000
Salaries and wages	480	372
National Public Health Service	720	695
Losses, special payments and irrecoverable debts	0	0
Research and development	0	0
Other	259	245
Total	1,459	1,312

4.4 Administration expenditure

	£000	2006-07 £000
Non-officer members' remuneration	89	88
Other salaries and wages	898	880
Consultancy services	24	50
Establishment expenses	161	168
Transport and moveable plant	0	0
Premises and fixed plant	187	116
External contractors	0	0
Auditors' remuneration - audit fee	84	74
Auditors' remuneration - other fees	0	0
Business Services Centre recharge	803	763
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation	17	11
Amortisation	0	0
Capital charge interest	(286)	(270)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	25	0
Total	2,002	1,880

Included in Business Service Centre recharge is an amount of £0.016m for the external audit of the Business Services Centre attributable to Pembrokeshire LHB.

Included in Note 4.3 above is expenditure of £0.195m relating to the Critical Care Network. The Critical Care Network is a project directly funded by Welsh Assembly Government for which the LHB acts as manager.

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

	Total	2006-07 Total
	£000	£000
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	0	0
Defence legal fees and other administrative costs	0	0
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Gross increase / decrease in provision for future payments	0	0
Contributions to Welsh Risk Pool/insurance premiums	0	0
Irrecoverable debts	0	0
Less: income received/due from Welsh Risk Pool	0	0
	<hr/>	<hr/>
Total	0	0
	<hr/>	<hr/>

Personal injury includes £ nil in respect of permanent injury benefits

4.6 Hire and operating lease rentals

	£000	2006-07 £000
Hire of plant and machinery	0	0
Other operating leases	35	29
Total	35	29

Commitments under non-cancellable operating leases:

	Land and Buildings £000	Other Leases £000	2006-07 Land and Buildings £000	2006-07 Other Leases £000
Operating leases which expire:				
Within 1 year	0	2	0	21
Between 1 and 5 years	0	13	0	8
After 5 years	0	0	0	0

4.7 Executive Directors and staff costs

	Total £000	2006-07 Total £000
Salaries and wages	3,171	2,501
Social security costs	253	209
Employer contributions to NHSPA	375	305
Other pension costs	0	0
Agency / seconded staff	144	37
Total	3,943	3,052
Note 4.7 Reconciliation	£000	£000
Note 4.1 Primary Care Staff	692	282
Note 4.2 Nursing Services	134	105
Note 4.3 Other Service Expenditure	480	372
Note 4.4 Administrative	898	880
OOH from Primary Care Note 7.4	1,739	1,413
	3,943	3,052

4.8 Board Directors' remuneration

	£000	2006-07 £000
Non-officer members' remuneration	89	87
Executive Directors' remuneration:		
basic salaries	317	297
benefits	1	4
performance related bonuses	0	0
pension contributions	47	41
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
Total	454	429

	Chief Chairman £000	Chief Executive £000
Basic Salary	28	58
Benefits	0	4
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	0	8
Total	28	70

Remuneration waived by directors and allowances paid in lieu:

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

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

Not Applicable

See also Note 7.1 for details of recharges between Ceredigion and Pembrokeshire LHB's under the joint management arrangements.

4.9 Average number of employees

The average number of employees during the year was:

	Permanent staff	Agency, temporary and contract staff	Staff on inward secondment	Total	2006-07
	Number	Number	Number	Number	Number
Executive Board Members	4	0	0	4	4
Other Local Health Board Staff	87	3	0	90	73
Recharged staff	(1)	0	1	0	0
Total	90	3	1	94	77

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

Expenditure on staff benefits

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

Pembrokeshire LHB's whole time equivalent staff figures include employees in the LHB's directly managed Out of Hours Service. This service provides Out of Hours cover for GP practices.

The movement on staff numbers during the year can be attributed to the following:

OOH Doctors	2
OOH Staff	4
Nurse	1
Primary Care	5
Administrative	4
Medical Advisor	1
	<u>17</u>

4.10 Retirements due to ill-health

During 2007-08 there were no early retirements from the LHB agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £nil.

4.11 Public Sector Payment Policy - Measure of Compliance

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

	Number	£000	2006-07 £000
Non- NHS			
Total bills paid 2007-2008	47,338	17,390	10,821
Total bills paid within target	47,093	16,885	10,654
Percentage of bills paid within target	99.5%	97.1%	98.5%

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

	Number	£000	2006-07 £000
NHS			
Total bills paid 2007-2008	696	108,614	105,484
Total bills paid within target	662	108,571	105,409
Percentage of bills paid within target	95.1%	100.0%	99.9%

	Number	£000	2006-07 £000
Total			
Total bills paid 2007-2008	48,034	126,004	116,305
Total bills paid within target	47,755	125,456	116,063
Percentage of bills paid within target	99.4%	99.6%	99.8%

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

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

5.1 Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2007	11	0	0	0	11
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross replacement cost at 31 March 2008	11	0	0	0	11
Accumulated amortisation at 1 April 2007	0	0	0	0	0
Provided during the year	2	0	0	0	2
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2008	2	0	0	0	2
Net book value at 1 April 2007	11	0	0	0	11
Net book value at 31 March 2008	9	0	0	0	9

Tangible fixed assets

5.2 Tangible assets at the balance sheet date:

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
At 1 April 2007	0	0	0	0	0	0	73	5	78
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
At 31 March 2008	0	0	0	0	0	0	73	5	78
Depreciation									
At 1 April 2007	0	0	0	0	0	0	17	5	22
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Provided during the year	0	0	0	0	0	0	15	0	15
At 31 March 2008	0	0	0	0	0	0	32	5	37
Net book value									
at 1 April 2007	0	0	0	0	0	0	56	0	56
Net book value									
at 31 March 2008	0	0	0	0	0	0	41	0	41
Net book value of assets held under finance leases and hire purchase contracts									
Total	0	0	0	0	0	0	0	0	0
The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:									
Total	0	0	0	0	0	0	0	0	0
Value of assets held at open market value	0	0	0	0	0	0	0	0	0

Tangible Fixed Assets (continued)

The net book value of land and buildings at 31 March 2008 comprises:

	£000	2006-07 £000
Freehold	0	0
Long leasehold	0	0
Short leasehold	0	0
	<hr/>	<hr/>
Total	0	0
	<hr/>	<hr/>

Net profit/(loss) on disposal of fixed assets

	£000	2006-07 £000
During the year the LHB disposed of fixed assets with the net book value of,	0	0
The gross proceeds from the sale(s) were	0	0
giving a net profit/(loss) on disposal of	<hr/> 0	<hr/> 0
The LHB paid over to the National Assembly for Wales the net proceeds from disposal of and retained the costs of disposal, met of,	0	0
	0	0

6.1 Debtors

Amounts falling due within one year:	£000	2006-07 £000
National Assembly for Wales	29	229
Health Commission Wales	0	0
Local Health Boards	135	78
Primary Care Trusts	0	0
NHS Trusts	30	242
Welsh Risk Pool	30	0
Capital debtors	0	0
Other debtors	367	447
Provision for irrecoverable debts	0	0
Pension Prepayments:	0	0
Other prepayments and accrued income	38	30
	<hr/>	<hr/>
Sub total	629	1,026
	<hr/>	<hr/>
Amounts falling due after more than one year:	£000	£000
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
	<hr/>	<hr/>
Sub total	0	0
	<hr/>	<hr/>
Total	629	1,026

6.2 Creditors

Amounts falling due within one year:	2006-07	
	£000	£000
National Assembly for Wales	7	8
Health Commission Wales	47	0
Local Health Boards	38	44
NHS Trusts	508	280
Primary Care Trusts	0	0
Income tax and social security	0	2
Non-NHS creditors	288	724
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and HP contracts	0	0
GPFH savings	0	6
Pensions: staff	0	0
Accruals	8,168	7,649
Deferred Income	0	0
Other creditors	0	0
Total	9,056	8,713

6.3 Creditors

Amounts falling due after more than one year:	2006-07	
	Total £000	Total £000
Obligations under finance leases and HP contracts	0	0
NHS creditors	0	0
Assembly loans	0	0
Pensions: staff	0	0
Other	0	0
Total	0	0

Analysis of Accruals in Note 6.2

	2008 £(000)	2007 £(000)
GMS	1,509	1,345
Continuing Care/IPC	944	567
Out of Hours	272	540
Drugs	3,429	3,525
Dental	264	177
Pharmacy	954	981
Other Primary Healthcare	107	198
Other Healthcare	328	133
Administrative	296	120
Other Accruals	65	63
Total	8,168	7,649

6.4 Provisions for liabilities and charges

	At 1 April 2007	Structured settlement cases trans- ferred to WRP	Transfer of prov- isions to creditors	Arising during the year	Reversed unused	Utilised during the year	Unwind- ing of discount	At 31 March 2008
	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0
Defence legal fees and other administration costs.	0	0	0	0	0	0	0	0
Sub-total	0	0	0	0	0	0	0	0
Pensions	0			0	0	0	0	0
Other	0			285	0	0		285
Total	0	0	0	285	0	0	0	285

Expected timing of cash flows:

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

The LHB estimates that in 2008-09 it will receive £nil , and in 2009-10 and beyond £nil from the Welsh Risk Pool in respect of losses and special payments.

Included in Provisions for Liabilities and Charges is an amount of £0.285m in respect of DDA work which is being undertaken at GP practices in Pembrokeshire.

6.5 General fund

The movement on the General fund in the year comprised:

	£000
At 1 April 2007	(7,525)
Net operating cost for the financial year	(166,225)
Net Assembly funding (including capital)	165,407
Capital charge interest	(286)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2008	(8,629)

6.6 Donated asset reserve

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

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

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

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

6.8 Contingent liabilities -

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

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

Uncertainties affecting outcome:

Impact of the Grogan Judgement - See Note 7.3

6.9 Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	39	0	54	0
Balances with local authorities	130	0	87	0
Balances with NHS trusts and Foundation trusts	60	0	508	0
Balances with Local Health Boards	135	0	38	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	265	0	8,369	0
Total at 31 March 2008	629	0	9,056	0
Balances with other central government bodies	245	0	10	0
Balances with local authorities	177	0	213	0
Balances with NHS trusts and Foundation trusts	242	0	280	0
Balances with Local Health Boards	78	0	44	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	284	0	8,166	0
Total at 31 March 2007	1,026	0	8,713	0

6.10 Post balance sheet events

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

1.	0
	
2.	0
	
Total		0

6.11 Capital commitments

The Local Health Board has the following capital commitments:

		2006-07
Contracted	0	0
Authorised but not contracted	0	0
Total	0	0

6.12 Related Party transactions**£000**

Total value of transactions with Board members and key senior staff in 2007-2008	0
--	----------

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

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

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

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

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

During the year, with the exception of the members listed below, none of the board members or members of the key management staff or other related parties has undertaken any material transactions with Pembrokeshire LHB.

- a). Mrs C. Oakley, Ms. M. Barnaby and Mr. R. Wilson associate directors of the LHB during the year, are officers of the Pembrokeshire and Derwen NHS Trust. Ms. M. Barnaby is a Governor of Pembrokeshire College and her spouse works for Age Concern. Mrs C. Oakley's spouse works for the Pembrokeshire and Derwen NHS Trust
- b). Mrs. S. James and Mr. D. Wildman who are non executive directors are members of Pembrokeshire County Council. Mr. D. Wildman is Vice President of PIPPA and Chair of Care and Repair Pembrokeshire. Mr. Wildman is a member of SHAPES Board and the FALLS Committee. Mr Wildman is also a member of Rosemarket Community Council and Burton Community Council.

Mrs S. James represents the Local Authority on the Boards of Frame and Pembrokeshire MIND. Mrs James does not have any voting rights in this capacity.

- c). Mr. J. Skone and Mr. P. Bevan non executive directors are officers of Pembrokeshire County Council.
- d). Dr. S. Lewis a non executive director is a partner and practitioner in a General Medical Practice within Pembrokeshire and received remuneration from the Local Health Board for treating patients registered with his practice.

6.12 Related Party transactions

- e). Mr. P. Parry, a non executive director, is a proprietor in a business that receives payments from the Local Health Board for the provision of Pharmaceutical services. Mr Parry is also Chair of Community Pharmacy Wales, a member of the Pharmaceutical Services Negotiating Committee, a Welsh Executive Member of the Royal Pharmaceutical Society of Great Britain, and a member of Community Pharmacy Wales Mid and West Wales Committee.
- f). Mr. R. Baker, a non executive director, is a registered optometrist practicing in Pembrokeshire and is an employee of a business that receives payments from the LHB for the provision of optometric services. Mr Baker is Treasurer of the Regional Optometric Committee for which he receives a Honoraria.
- g). Mr. A. Warlow, an associate member of the board, is an officer of Pembrokeshire Community Health Council and a director of the Pembrokeshire Lottery a non profit making scheme.
- h). Mr. I. Jones, a non executive director, is a partner in a dental practice in Pembrokeshire and receives payments from the LHB for the provision of dental services.
- i). The spouse of Mrs B. Rees, the Chief Executive, is an employee of the Pembrokeshire and Derwen NHS Trust.
- j). Mr. R. Jeffery and Mr. D. James are officers of the Welsh Ambulance Services NHS Trust.
- k). Dr. J. Picton the Medical Director is a director of Nu Yu Cosmetics a company undertaking cosmetic medical procedures. The company had no commercial dealings with the LHB. In addition to this Dr. Picton is employed by the National Public Health Service as a Port Health doctor.
- l). Ms. J. Ritchie, a non executive director, is a director of Speech Link Multimedia and a company undertaking healthcare training and consultancy. Neither company had commercial dealings with the LHB.
- m). Mr. C. Martin, the Chairman, is managing director of Richam Developments Limited. Mr. Martin is a self employed pharmacist undertaking locum and consultancy work. Richam Developments had no commercial dealings with the LHB.
- n). Mr. C. Le Breton, a non executive director, is a trustee of The Paul Satori Foundation, a voluntary sector body that receives a grant from the Local Health Board. Mr. Le Breton also operates a limited company providing consultancy in environmental engineering and energy issues. He has undertaken business with NHS organisation but has had no commercial dealing with the LHB.
- o). Mrs C. Mason, a non executive director, is chair of the Pembrokeshire Parent Carers High Support Needs Group.
- p). The civil partner of Ms S. Williams, the Director of Primary and Community Care is an employee of Pembrokeshire County Council.
- q). Mr P Irvine a non executive director is an employee of Action for Advocacy.
- r). Under the management arrangements with Ceredigion LHB the following directors hold joint posts in both LHB's.

Mrs B. Rees Chief Executive

Mrs K. Miles Director of Finance and Commissioning

6.12 Related Party transactions

Mrs H. Williams Director of Nursing

Mrs S.Hurds Director of Corporate Strategy

Ms S. Williams Director of Director of Primary and Community Care.

6.13 Losses and special payments

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

	Number of cases	Value of cases £
Personal injury	0	0
Fraud cases	0	0
All other losses and special payments	5	147
Total losses and special payments	5	147

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

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

6.14 Financial Instruments

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

Liquidity Risk

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

Interest-rate Risk

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

Foreign Currency Risk

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

6.15 Finance lease obligations

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

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

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

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

6.16 Pooled Budgets

The LHB had no pooled budget arrangements in 2007/08.

7 Additional Information

7.1 Joint Management Arrangements

In October 2007, joint management arrangements were introduced between Pembrokeshire LHB and Ceredigion LHB; whereby, under the joint arrangements, recharges were made between the LHB's for the services provided by the staff from the other LHB. In the financial year 2007/08 these were as follows:

Recharged to Ceredigion LHB by Pembrokeshire LHB £90,000

Recharged to Pembrokeshire LHB by Ceredigion LHB £43,000

7.2 Out of Hours Service Provision

Unlike other LHB's in Wales, Pembrokeshire LHB operates a directly managed Out of Hours Service and employ directly the staff who provide this service.

Included in Note 4.1 under General Medical Services is expenditure of £2.328m relating to the costs of running the LHB's directly managed Out of Hours service. Taking account of the income that the LHB receives for services it provides to external bodies the net cost of providing the service is analysed below.

	£(000)
Salaries	
Doctors	599
Nurses	482
Call Handling and Administration	<u>658</u>
Total Salaries and Wages	1,739
General Practitioner Costs	347
Non Pay Costs	<u>242</u>
	2,328
Less: Income in Note 3.1	<u>-413</u>
Net Out of Hours Costs	<u><u>1,915</u></u>

See also Note 4.7 for analysis of staff costs

7.3 Impact of the Grogan Judgement

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

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

**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: 18 June 2008

B .Rees

Chief Executive

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

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

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

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

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

By Order of the Board

Signed:

Chairman: C. Martin

Dated:18 June 2008

Chief Executive: B. Rees

Dated:18 June 2008

Director of Finance: K. Miles

Dated:18 June 2008

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

Overall accountability and responsibility for risk management, including controls assurance, lies with the Board and Chief Executive.

Under the LHB's Standing Orders specific responsibilities have been devolved to the Audit Committee, from which the Board receives regular reports. Both the Governance Committee and the Clinical Governance Committee also report directly to the Board.

In order to adapt to the changing regulatory environment, including the introduction of Healthcare Standards and to ensure that the principles derived from the Treasury's Risk Management Framework are incorporated, during 2007/08 the Board approved an addendum to the Risk Management Strategy & Policy.

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

2. The purpose of the system of internal control

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

3. Capacity to handle risk

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

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

The Risk Management Policy & Strategy is supported by a detailed Risk Management Procedure and Desk Top Procedure for Risk Management. The desk top procedure for identifying risks and preparing action plans for inclusion on the risk register also accommodates both amendment to and removal of risks from the register, leaving a clear audit trail for each risk identified. The Board receives periodical updates on the risk profile of the organization. These factors combined have contributed to a risk based approach to the achievement of the LHB's objectives during the year.

Executive Directors & Senior Managers are also responsible for ensuring that staff understand and apply the LHB policy and strategy in relation to risk management. This is further reiterated in the job descriptions of all staff which makes reference to the individual's responsibility in having a proactive role in the management of risk. The induction programme for all new staff includes the individual's responsibility towards risk management.

4. The risk and control framework

Pembrokeshire LHB's Policy Statement on Risk Management is driven by the recognition that the LHB is committed to the active management of risk. Effective risk management is a key component of corporate and clinical governance & is integral to the delivery of its objectives in service provision.

In order to adapt to the changing regulatory environment, including the introduction of Healthcare Standards and to ensure that the principles derived from the Treasury's Risk Management Framework are incorporated, during 2007/08 the Board approved an addendum to the Risk Management Strategy & Policy. The risk management strategy recognizes that risk is inherent in all the organization's activities and that it is imperative that responsibilities and accountabilities are clearly defined. The strategy outlines responsibilities for managing risk from the Board down to individual staff, and identifies the corporate accountability arrangements within the LHB towards managing risk. These responsibilities include managing risks associated with the development and delivery of new services/activities and those associated with working with partners/stakeholders.

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

The introduction of healthcare standards reflects movement from a scoring sheet approach to risk management to an assessment of the adequacy of the actual

processes in place in the LHB. During 2007/08 Pembrokeshire LHB has endeavoured to secure consistent and systematic application of the standards throughout the organisation. This included introducing a system that cross references Board papers, Balance Scorecard, SaFF, and Annual Operating Framework reporting requirements to the appropriate Healthcare Standard. This ensures that due diligence is therefore given to the healthcare standards across the whole of the organisation's activities.

The overall conclusion from the HIW 2006/07 verification process was that responses and evidence submitted were of a good standard. The verification process further concluded in HIW agreeing with 56% of the LHB scores and disagreeing on 44%.

Further to the 2006/07 self assessment and the HIW verification of performance, the Board approved a Healthcare Standards Improvement Plan for 2007-08. This contained key actions to improve the position from November 2007 to March 2008 across 9 prioritised standards, agreed at a workshop attended by both Board & staff. This course of action was agreed as it was deemed ineffective (mainly due to the capacity of the LHB being a small organisation) to attempt to address all of the standards in any one year. The plan was also agreed by the Regional Office of WAG. The Board is presented with regular updates of progress against the improvement plan by means of a traffic light status report, with the latest update revealing all on green.

The fact that the Board agreed a 9 point priority plan has not detracted from enacting improvements across other standards. In particular the LHB has been working to improve at the user experience level as this is where it was evaluated that most organizations needed further development. Of the standards deemed core to the management of risk, 14, 16, 27 & 28 only standard 16 was included in the prioritized 9 standards action plan, as performance against the others did not indicate significant variances between the self assessment and the HIW assessment, with the LHB being considered as developing for most elements. The comments made by HIW in respect of these standards referred mainly to the individual experience (difficult to assess whether it is improving) and involvement process. Standard 16 was considered a priority due to the inextricable link with managing overall patient safety and that the LHB was assessed only at the responding level for the Corporate, Operational/Clinical Outcomes & User Experience levels.

For the purpose of underpinning the SIC however, the fact that the LHB was considered as either practicing or developing, gives the assurances that the Board is taking steps to address the key issues through the development of strategic plans with evidence of good practice across the organization. It also demonstrates that steps are being taken to address the key issues and that the individual(s) experience is improving in many areas.

The action plan agreed for Standard 16 will provide the same level of assurance.

The LHB has completed its self-assessment against the healthcare standards for 2007/08.

The self assessment for 2007/08 on the standards integral to the SIC has either improved or maintained the previous verified position. With reference to Standards 14, 15 and 27, in the main the LHB is now confident that the strategic agenda is being progressed with significant evidence of continuous improvement, well developed plans are being implemented to address key issues and that the individual(s) experience is generally good.

This has been a process which has seen significant Board involvement. All Board members and staff involved in the process were issued with a copy of the Self Assessment Tool User Guide for assisting with the completion of the self assessment, the scrutiny function, validation of the return and improvement plan. In order to ensure that the healthcare standards are embedded in the culture of the organization, the LHB has a nominated Executive Lead for each standard, supported by lead officers. Each executive will retain the lead role for the same standards during the year and will coordinate delivery against the improvement plan. A maturity score of between 1 and 3 in the self assessment process must be accompanied by a meaningful improvement for the coming year.

The Board, in February 2008, participated in a development session which reflected, discussed and agreed the future direction and scrutiny and use of the Healthcare Standards Self Assessment Tool and the Improvement Plan. The Board agreed to a scrutiny process which has involved each Non Officer Member being given responsibility for 2/3 standards. Any scrutiny comments received from the Non Officer Members have been fed back to the Executive Leads and officers for further action. Final scrutiny is placed with the Integrated Governance & Performance Management Committee on behalf of the Board, prior to sign off. The LHB's Internal Auditors have also been involved in the scrutiny process, working to an All Wales minimum programme of work as agreed with HIW.

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

5. Review of effectiveness

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

The Risk Management Policy & Strategy has also been revised and approved by the Board during the year to reflect the changing regulatory framework within which the LHB is expected to operate. Clinical Governance principles, processes and systems are monitored by the Clinical Governance Committee and encompassed within the Healthcare Standards Improvement Plan. The LHB employs a Clinical Governance Officer whose remit encompasses all clinical risks facing the organization, whilst the Business Manager is the designated Risk Co-ordinator.

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

6. Significant internal control problems

Primary care prescribing poses a significant risk to the LHB both in predicting its out turn and in controlling expenditure during the year. Information regarding prescribing is provided to the LHB by Health Solutions Wales. The information is received two months in arrears with information regarding prescribing in March 2008 not being received until late May 2008. The delay in receiving the information is such that it does not allow the LHB to take management action in response to any changes in prescribing behaviour.

The new dental contract was introduced in Wales in April 2006. Since this time the LHB has developed the systems that it now has in place to monitor the new dental contract. This includes monitoring the performance of dental contractors on a regular basis, both in terms of activity and finance, practice visits and PPV work. This work is addition in to the PPV work carried out on its behalf by the Dental Services Division of the NHS Business Services Agency.

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

Date:18 June 2008

ACCOUNT OF PEMBROKESHIRE LOCAL HEALTH BOARD - 2007-2008

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

LOCAL HEALTH BOARDS

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

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

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

FORM AND CONTENT

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

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

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

MISCELLANEOUS

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

Signed by the authority of Welsh Ministers

Signed :

Dated :

ACCOUNT OF PEMBROKESHIRE LOCAL HEALTH BOARD 2007-2008

SCHEDULE 1

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

Companies Act

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

Accounting Standards

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

SCHEDULE 2

ADDITIONAL REQUIREMENTS

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

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 Pembrokeshire LHB for the year ended 31st March 2008 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is required to be audited.

Respective responsibilities of Directors, the Chief Executive and the Auditor

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

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

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

In addition I report to you if in my opinion, Pembrokeshire LHB has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects Pembrokeshire LHB's compliance with HM Treasury's and Welsh Ministers' guidance and report if it does not. I am not required to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of Pembrokeshire LHB's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Foreword, the unaudited part of the Remuneration Report, the Chairman's Statement and the remaining elements of the Operating and Financial Review. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with the Public Audit Wales Act 2004 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and that part of remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Pembrokeshire LHB's circumstances, and are consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- the financial statements give a true and fair view in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by Welsh Ministers of the state of affairs of Pembrokeshire LHB as at 31 March 2008 and of its net operating costs, recognised gains and losses and cash flows for the year then ended; and
- the financial statements and that part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

My conclusion on Pembrokeshire LHB's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008 will be reported separately in the published Annual Audit Letter.

Jeremy Colman
Auditor General for Wales
20th June 2008

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