

Bridgend Local Health Board

FOREWORD

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

Statutory background

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

- agreeing the action which is necessary to improve the health and health care of the population of 128,645
- supporting and financing General Practitioner-led purchasing of the services needed to meet agreed priorities, including charter standards and guarantees;
- supporting and funding the contractor professions;
- the commissioning of health promotion, emergency planning and other regulatory tasks
- the stewardship of resources including the financial management and monitoring of performance in critical areas;
- eliciting and responding to the views of local people and organisations and changing and developing services at a pace and in ways that they will accept.

Performance Management and Financial Results

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

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

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

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	Note	Total £000	2004-05 Total £000
Expenditure	4.1,4.2,4.3, 4.4	170,995	159,407
Miscellaneous income	3.1	2,296	2,643
Net operating costs		<u>168,699</u>	<u>156,764</u>

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

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

BALANCE SHEET AS AT 31 MARCH 2006

	Note	£000	31 March 2005 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	0	0
CURRENT ASSETS			
Debtors	6.1	508	387
Cash at bank and in hand		530	886
Total Current Assets		1,038	1,273
Creditors: amounts falling due within one year	6.2	11,795	12,939
Net current assets / (liabilities)		(10,757)	(11,666)
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	216	114
TOTAL NET ASSETS		(10,973)	(11,780)
FINANCED BY:			
General fund	6.5	(10,973)	(11,780)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	0
TOTAL		(10,973)	(11,780)

Signed for and on behalf of the Board

Director of Finance Chief Executive

Date Date.....

Adopted by the Board on.....

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	£000	2004-05 £000
Net operating costs	(168,699)	(156,764)
Adjust for non-cash transactions	(252)	(433)
Adjust for movements in working capital other than cash	(1,265)	735
Utilisation of provisions	(47)	(23)
	<hr/>	<hr/>
Net cash outflow from operating activities	(170,263)	(156,485)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:		
Payments to acquire fixed assets	0	0
Receipts from the sale of fixed assets	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from investing activities	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) before financing	(170,263)	(156,485)
FINANCING:		
Net Assembly funding (including capital)	169,907	156,624
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	169,907	156,624
	<hr/>	<hr/>
Increase / (decrease) in cash	(356)	139

Notes to the cash flow statement

Adjust for non-cash transactions

	£000	2004-05 £000
Depreciation and other write-offs	0	1
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	149	(33)
Capital charge interest	(401)	(401)
	<u>(252)</u>	<u>(433)</u>

Adjust for movements in working capital other than cash

	£000	2004-05 £000
(Increase)/decrease in debtors	(121)	623
Increase/(decrease) in creditors	(1,144)	112
	<u>(1,265)</u>	<u>735</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	(356)
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	(356)
Non cash changes in debt	0
Net debt at 1 April 2005	<u>886</u>
Net debt at 31 March 2006	<u>530</u>

Analysis of changes in net debt

	As at 1 April 2005	Cash flows	Other changes	As at 31 March 2006
	£000	£000	£000	£000
Cash at bank and in hand	886	(356)	0	530
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>886</u>	<u>(356)</u>	<u>0</u>	<u>530</u>
Total	<u>886</u>	<u>(356)</u>	<u>0</u>	<u>530</u>

Notes to the Account

1. Accounting Policies

1.1 The financial statements have been prepared in accordance with the Financial Reporting Manual (FRoM) 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 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 30 September 2003.

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

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

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

All adjustments arising from indexation and five - yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Recognised Gains and Loses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for Depreciated Replacement Cost valuations.

Equipment

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

Assets in the course of construction

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

c. Depreciation, amortisation and impairments

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

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

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

Leaseholds are depreciated over the primary lease term.

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

Vehicles are depreciated over 7 years.

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

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

1.6 Donated assets

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

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

1.7 Research and development

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

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

1.8 Pension Costs

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

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

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

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

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

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

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

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

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

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

1.9 Foreign currency

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

1.10 Cost of Capital

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

1.11 Provisions

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

1.12 Liquid resources

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

1.13 Leases

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

1.14 Contingent liabilities

Contingent liabilities are recognised where the LHB has :

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

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

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

1.15 Deferred Income

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

1.15 Expenditure

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

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

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

All other expenditure is classified as administration expenditure.

2.1 Achievement of Operational Financial Balance

	£000	£000
Net operating costs for the financial year	168,699	156,764
Non-discretionary expenditure	522	4,843
Operating costs less non-discretionary expenditure	168,177	151,921
Revenue Resource Limit	168,181	151,921
Under / (over) spend against Revenue Resource Limit	4	0
Unplanned resource brokerage received	0	0
Operational Financial Balance	4	0

3.1 Miscellaneous income

	£000	2004-05 £000
Fees & Charges	919	1,000
Prescription charge income	1,218	1,520
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Other	159	123
Total	2,296	2,643

Expenditure:**4.1 Primary health care**

	Cash limited	Non cash limited	Total	2004-05 Total
	£000	£000	£000	£000
General Medical services	17,940	0	17,940	16,308
Pharmaceutical services	4,895	403	5,298	3,861
General Dental services	1	13	14	11
General Ophthalmic services	0	1,240	1,240	1,232
Other Primary health care expenditure	711	(1,134)	(423)	799
Prescribed drugs and appliances	25,088	0	25,088	25,184
Total	48,635	522	49,157	47,395

4.2 Secondary and Community health care

	Total	2004-05 Total
	£000	£000
NHS Trusts:		
Provider 1 - .. Bro Morgannwg	103,154	93,572
Provider 2 - .. Cardiff & Vale	3,302	3,211
Provider 3 - .. Pontypridd & Rhondda	2,316	2,181
Provider 4 - .. Velindre	1,755	2,160
Provider 5 - .. Swansea	1,233	1,031
Provider 6 - .. United Bristol Healthcare	167	8
Provider 7 - .. Gwent	75	46
Provider 8 - .. North Glamorgan	61	346
Provider 9 - .. North Bristol	49	34
Provider 10 - Carmarthen	44	47
Other Welsh NHS trusts	163	193
Other non Welsh NHS trusts	115	33
Local Authorities	848	1,099
Voluntary Organisations	623	638
NHS Funded Nursing Care	1,471	1,275
Continuing Care	2,623	2,611
Private providers	161	173
Specific projects funded by Welsh Assembly Government	452	284
Other	52	(142)
Total	118,664	108,800

Expenditure with Local Authorities was made in accordance with Section 28A Agreements

4.3 Other programme expenditure

	£000	2004-05 £000
Salaries and wages	477	383
National Public Health Service	717	669
Losses, special payments and irrecoverable debts	0	(26)
Research and development	0	0
Other	62	320
	<hr/>	<hr/>
Total	1,256	1,346

4.4 Administration expenditure

	£000	2004-05 £000
Non-officer members' remuneration	99	91
Other salaries and wages	899	866
Establishment expenses	101	125
Transport and moveable plant	0	0
Premises and fixed plant	146	216
External contractors	1	19
Auditors' remuneration - audit fee	81	87
Auditors' remuneration - other fees	0	0
Business Services Centre recharge	892	852
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation and amortisation	0	1
Capital charge interest	(401)	(401)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	100	10
	<hr/>	<hr/>
Total	1,918	1,866

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

	Total	2004-05 Total
	£000	£000
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	0	(26)
Defence legal fees and other administrative costs	0	0
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	0	(26)
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	(26)
	<hr/>	<hr/>

Personal injury includes £nil in respect of permanent injury benefits

4.6 Hire and operating lease rentals

	£000	2004-05 £000
Hire of plant and machinery	2	1
Other operating leases	74	74
Total	76	75

Commitments under non-cancellable operating leases:

	Land and Buildings £000	Other Leases £000	2004-05 Land and Buildings £000	2004-05 Other Leases £000
Operating leases which expire:				
Within 1 year	0	0	0	0
Between 1 and 5 years	158	3	84	5
After 5 years	0	0	0	0

4.7 Executive Directors and staff costs

	Total £000	2004-05 Total £000
Salaries and wages	1,242	1,123
Social security costs	103	95
Employer contributions to NHSPA	176	159
Other pension costs	0	0
Agency / seconded staff	15	13
Total	1,536	1,390

The employment costs included in the summary Note 4.7 reflect the total expenditure on staff costs by Bridgend Local Health Board. The main elements of the staff costs are specifically reported in notes 4.3 and 4.4. as well as note 4.1 under the General Medical Services heading. The element reported in Note 4.1 totalled £159,619 reflected the continuing employment of staff engaged in the running of New Surgey, Pencoed as a managed practice in 2005-06.

4.8 Board Directors' remuneration

	£000	2004-05 £000
Non-officer members' remuneration	94	87
Executive Directors' remuneration:		
basic salaries	275	264
benefits	1	2
performance related bonuses	0	0
pension contributions	38	37
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
Total	408	390

	Chief Chairman	Chief Executive
	£000	£000
Basic Salary	34	79
Benefits	0	1
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	0	11
Total	34	91

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:

Bridgend Local Health Board did not operate a performance related pay scheme in 2005/2006

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	2004-05
	Number	Number	Number	Number	Number
Executive Board Members	4	0	0	4	4
Other Local Health Board Staff	41	1	0	42	39
Recharged staff	2	0	0	2	1
Total	47	1	0	48	44

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

Expenditure on staff benefits

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

The total included in Other Local Health Board Staff above includes 8 staff employed by the LHB to run New Surgery, Pencoed as a managed practice in 2005/2006.

4.10 Retirements due to ill-health

During 2005-06 there were no early retirements from the LHB agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £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	2004-05 £000
Non- NHS			
Total bills paid 2005-2006	3,869	8,354	6,086
Total bills paid within target	3,835	8,273	5,866
Percentage of bills paid within target	99.1%	99.0%	96.4%

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

	Number	£000	2004-05 £000
NHS			
Total bills paid 2005-2006	617	114,543	105,807
Total bills paid within target	613	114,534	105,726
Percentage of bills paid within target	99.4%	100.0%	99.9%

	Number	£000	2004-05 £000
Total			
Total bills paid 2005-2006	4,486	122,897	111,893
Total bills paid within target	4,448	122,807	111,592
Percentage of bills paid within target	99.2%	99.9%	99.7%

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

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

5.1 Intangible Fixed Assets

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

Tangible fixed assets

5.2 Tangible assets at the balance sheet date:

Cost or valuation	Buildings, excluding Land		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
	£000	£000							
At 1 April 2005	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
At 31 March 2006	0	0	0	0	0	0	0	0	0
Depreciation									
At 1 April 2005	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Provided during the year	0	0	0	0	0	0	0	0	0
At 31 March 2006	0	0	0	0	0	0	0	0	0
Net book value									
at 1 April 2005	0	0	0	0	0	0	0	0	0
Net book value									
at 31 March 2006	0	0	0	0	0	0	0	0	0
Net book value of assets held under finance leases and hire purchase contracts									
Total	0	0	0	0	0	0	0	0	0
The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:									
Total	0	0	0	0	0	0	0	0	0
Value of assets held at open market value	0	0	0	0	0	0	0	0	0

Tangible Fixed Assets (continued)

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

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

Net profit/(loss) on disposal of fixed assets

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

6.1 Debtors

	£000	2004-05 £000
Amounts falling due within one year:		
National Assembly for Wales	14	134
Health Commission Wales	0	0
Local Health Boards	4	0
Primary Care Trusts	0	0
NHS Trusts	120	126
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	347	115
Provision for irrecoverable debts	(2)	(7)
Pension Prepayments:	0	0
Other prepayments and accrued income	25	19
	<hr/>	<hr/>
Sub total	508	387
	<hr/>	<hr/>
Amounts falling due after more than one year:		
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	508	387

6.2 Creditors

Amounts falling due within one year:	2004-05	
	£000	£000
National Assembly for Wales	61	0
Health Commission Wales	12	10
Local Health Boards	65	9
NHS Trusts	1,417	1,743
Primary Care Trusts	0	0
Income tax and social security	39	33
Non-NHS creditors	9,761	10,549
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and HP contracts	0	0
GPFH savings	0	0
Pensions: staff	25	20
Accruals	415	575
Deferred Income	0	0
Other creditors	0	0
Total	11,795	12,939

6.3 Creditors

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

6.4 Provisions for liabilities and charges

	At 1 April 2005	Structured settlement cases trans- ferred to WRP	Transfer of prov- isions to creditors	Change in discount rate	Arising during the year	Reversed unused	Utilised during the year	Unwind- ing of discount	At 31 March 2006
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	0	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	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	0
Pensions	0			0	0	0	0	0	0
Other	114			0	216	(67)	(47)		216
Total	114	0	0	0	216	(67)	(47)	0	216

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	216	0	0	216
Total	216	0	0	216

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

6.5 General fund

The movement on the General fund in the year comprised:

	£000
At 1 April 2005	(11,780)
Net operating cost for the financial year	(168,699)
Net Assembly funding (including capital)	169,907
Capital charge interest	(401)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2006	<u>(10,973)</u>

6.6 Donated asset reserve

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

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

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

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

6.8 Contingent liabilities -

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

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

Uncertainties affecting outcome:

6.9 Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	21	-	137	-
Balances with local authorities	-	-	399	-
Balances with NHS trusts and Foundation trusts	120	-	1,417	-
Balances with Local Health Boards	4	-	65	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	363	-	9,777	-
Total at 31 March 2006	508	-	11,795	-

6.10 Post balance sheet events

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

1.	0
	
2.	0
	
Total		0

6.11 Capital commitments

The Local Health Board has the following capital commitments:

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

6.12 Related Party transactions**£000**

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

0

Bridgend 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 Bridgend 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 Neath Port Talbot, Swansea and Powys Local Health Boards and NHS Trusts as detailed in Note 4.2.

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 Bridgend County Borough Council in respect of Section 28A agreements, NHS Funded Nursing Care and other joint enterprises totalling £2.701 million.

The following Board Members received remuneration from business entities that had direct transactions with Bridgend Local Health Board:

Dr J Anthony - General Practitioner - Paid under standard terms and conditions of the General Medical Services contract
 Dr G Tinkler - General Practitioner - Paid under standard terms and conditions of the General Medical Services contract
 Mr D Woolf - Optometrist - Paid under standard terms and conditions of the General Ophthalmic Services contract
 Dr B Kirsop - Paid sessional rates by a GP practice receiving standard remuneration under the General Medical Services contract
 CH Thomas - Paid sessional rates by Pharmacists receiving standard remuneration under the new Pharmaceutical Services contract

A number of Board Members were also associated with organisations that completed transactions with Bridgend Local Health Board in 2005/2006. The organisations and the payments made to those organisations by the LHB in the course of normal business transactions are listed below. Also listed are the LHB Board Members who have an association with these organisations:-

Organisation	Name	Interests	Transaction Total £
Age Concern Bridgend	Mrs Christine Court	Committee Member	58,931
BAVO	Mr Mal Reeves	Chair	9,207
	Mrs Elizabeth Gibbs Murray	Member	
Bridgend County Borough Council	Cllr Ralph Hughes	Elected Member	2,701,614
	Cllr Don Brett	Elected Member	
	Cllr Lyn C Morgan	Elected Member	
	Mr Tony Garthwaite	Officer	
	Mr Mike Stoddart	Officer	
Bro Morgannwg NHS Trust	Mr Chris Johnson	Non Executive Board Member	103,904,664
	Ms C M Middlemiss	Senior Manager	
	Dr Chris Jones	Consultant Cardiologist	
Bridgend Care & Repair	Mrs Christine Court	Board Member	35,056
Cardiff Local Health Board	Mrs Susan Morgan	Consultancy provided	725
National Public Health Service	Dr Edward Coyle	Employee	717,001
	Dr Geoff Tinkler	PCQIS - Chair of Swansea Office	
Royal Institute of the Deaf	Prof Colin Jones	Chairman of advisory group for Wales	2,548
University of Glamorgan	Prof Colin Jones	Professor of Social Sciences	1,061
University of Swansea	Prof Colin Jones	Policy Board Member	49,997
Welsh Development Agency	Mr Jim Hancock	Non Exec Board Member	264

6.12 Related Party transactions

This page has intentionally been left blank.

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	0	0
Total losses and special payments	0	0

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
Sub-total	0	0	0
All other cases	0	0	0
Total cases	0	0	0

6.14 Financial Instruments

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

Liquidity Risk

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

Interest-rate Risk

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

Foreign Currency Risk

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

6.15 Finance lease obligations

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

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

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

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

6.16 Pooled Budgets

Bridgend Local Health Board did not participate in any formal Pooled Budget arrangements in 2005/2006.

7 Additional Information

[Bridgend LHB returned £0.500m Resource Limit as brokerage to the Welsh Assembly Government in 2005-06.](#)

This did not affect Bridgend LHB's achievement of Operational Financial Balance (Note 2.1) on the basis that this resource would alternatively have been deployed within the 2005-06 financial year.

The £0.500m brokerage is due to be repaid by the Welsh Assembly to the LHB as additional Resource Limit in the 2006-07 financial year.

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

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

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

Date: 2006 Chief Executive

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

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

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

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

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

By Order of the Board

Signed:

Chairman: Dated: 2006

Chief Executive: Dated: 2006

Director of Finance: Dated: 2006

Statement on Internal Control

1 Scope of Responsibility

The Board is accountable for internal control. As Accountable Officer and Chief Executive Officer 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.

There is a comprehensive reporting and accountability system throughout the management structure via Executive Directors to the Board. External and Internal Auditors as well as formal Committees, such as Audit, Risk Management, Clinical Risk Management, Remuneration and Clinical Governance, provide checks and balances. In place were a Board approved Risk Management Strategy and directorate Risk Registers for the whole financial year; in addition regular reports on risks are presented to the Board throughout the year.

The Local Health Board works closely with the Welsh Assembly Government both directly and via its Regional Office in managing the risk process. Workload is set via performance agreements and there is a system of regular written and verbal exception reporting in place to both the Regional Office and WAG, providing evidence of progress by the LHB. The LHB's main reporting tool is the Balanced Scorecard, which is submitted regularly to the LHB Performance Committee, Board and the Regional Office. The Welsh Risk Pool Standards provide a key framework upon which the LHB has based its risk management process.

The LHB is also supported in its control processes by numerous partnership organizations, via Non Officer participation at the Board e.g. Local Authority representation, NHS Trust representation, voluntary sector etc. There are also many joint meetings at all levels with partner/stakeholder organisations, creating an open environment for discussion and control. Examples of partner review groups include the Joint Executive Team (JET) and the Bridgend Partnership Board which contain representatives from the LHB, Trust, Bridgend County Borough Council and the Voluntary Sector.

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.
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the organisation for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3 Capacity to Handle Risk

Responsibility for the risk management process rests with the Chief Executive but is delegated to the Director of Finance & Commissioning who provides the overall direction ensuring risk management is embedded in the LHB culture, operations and processes.

The LHB recognizes that it is not possible to eliminate all risks but has sought to create a culture that both identifies risks and quantifies the potential impact upon the organisation. Executives, Non Officer Members, staff from all levels within the LHB, primary care contractors and representatives from partner organisations are all actively encouraged to identify risks and report near miss incidents in a “no blame ” environment. The aim is to learn from these events and to ensure that they are avoided in future. The Risk Management Strategy is available to the public, staff and other stakeholders via the LHB website and intranet.

Annual risk management training and awareness is provided to staff and new employees as part of their induction. A specific training and development session was held in 2005-06 with the Board which involved members discussing real risk management cases and the action, impact and lessons learnt. During 2005/06 staff were encouraged to identify all risks directly linked to their own work environment, both physical and system risks as well as risks around the services the LHB commissions or the providers of those services. Staff were sent copies of the Risk Management Strategy, which includes a procedure and toolkit to explain how to score risks. Further training will be provided in 2006/07. Where appropriate training has been provided by experts in particular fields, such as the Local Counter Fraud Specialist, Clinical Governance Facilitator and Fire Safety Officer. There has been an increasing use of national web based training support for high-risk issues such as Fire training and Manual Handling training and this will extend into other aspects of risk management and control. The quarterly risk management report presented to the public Board identifies the risk management training and awareness sessions received by staff, Board members and primary care contractors.

Regular dialogue with partner organisations and other stakeholders at all levels helps to further assist the identification and scale of risks that exists in the services the LHB commissions and common areas of work.

The LHB regularly reports on identified risks and progress against mitigating or removing those risks to the Audit, Risk Management and Clinical Risk Management Committees and also to the Board.

4 The Risk and Control Framework

The Risk Management Strategy includes the following: -

- The purpose, aims and objectives for Risk Management within the organisation
- Details of the interactive roles of individual officers, Board approved committees, staff and the Board itself.
- Description of methods for capturing and evaluating risks as well as their management where appropriate.
- Definition of risk management, risk and the purpose of the Risk Register etc.

The Risk Register is a fundamental tool of the LHB and its progress is reviewed regularly by both the Board, Audit, Risk Management and Clinical Risk Management Committees for progress against actions and control procedures aimed at mitigating or removing risk. It identifies the following:

- Type of risk
- Description of the risk
- Adequacy of existing key controls and assurances
- The likelihood of the risk taking place
- The potential impact of the risk upon the organisation
- Overall risk score
- Action plans to reduce to an acceptable level or eliminate the risks, identifying officers responsible for implementation of plans and timescales
- Revised risk score after implementation of action.
- Resources required to implement actions

Where there are planned changes of commissioned services the LHB would consult widely with partners, general public and other stakeholder groups upon the impact on risk and any movement of risk associated with the changes.

A key part of the LHB's risk and control framework are the Welsh Risk Pool (WRP) Risk Management Standards. The WRP and the National Assembly for Wales, through the forum of the Non Trust Risk Advisory Group, have developed a series of Welsh Risk Management Standards customised for Local Health Boards. The aim of the exercise was to produce a single compendium of guidance on risk management for the NHS in Wales. The LHB is required to undertake self-assessments against these standards and they are subject to both Internal Audit Review and review by the Welsh Risk Pool Assessors.

This process is designed to help NHS bodies achieve continuous and sustained improvement in their performance through effective risk management and internal control. A series of Corporate Governance "milestones" have been developed for LHBs to assess their own position against, and help support the improvement of risk management processes and internal control performance.

Whilst there is no requirement for Internal Auditors to report on compliance with the "milestones", the Welsh Assembly Government has indicated that NHS bodies should monitor themselves against the following targets:

Level 1 performance attainment by 31 March 2004;
Level 2 by 31 March 2006; and
Level 3 by 31 March 2007.

The LHB believes it has now met the first two target levels and is undertaking continuous improvements in its control systems to ensure it meets the March 2007 Level 3 target. As part of the WRP risk management assessment process, LHBs need to achieve a weighted average compliance score of 70% for all the standards and a weighted average compliance score of 75% against the core standards assessed by the WRP. The five core standards are:-

- Standard A Risk Management Policy and Strategy - Assessed by WRP
- Standard B Risk Assessment and Treatment - Assessed by WRP
- Standard C Incident and Hazard Reporting - Assessed by WRP
- Standard E Governance - Assessed by Internal Audit
- Standard F Financial Management - Assessed by Internal Audit

The results of the various assessments are as follows:-

Standard	2004/05 WRP Score or Internal Audit Assessment of score	Target 2005-06	2005/06 LHB Self Assessment	2005/06 Internal Audit Assessment of Score *	2005/06 WRP Assessment of Score **
A Risk Management Policy and Strategy	87%	75%	90%	90%	85%
B Risk Assessment and Treatment	77%	75%	85%	85%	77%
C Incident and Hazard Reporting	77%	75%	82%	82%	79%
D Policies and Procedures	N/A	75%	75%	75%	76%
E Governance	85%	75%	90%	90%	Not reviewed
F Financial Management	80%	75%	86%	86%	Not reviewed
G Facilitating Safe Provision of Primary Care	74%	50%	91%	Not reviewed	79%
I Records Management	N/A	75%	75%	Not reviewed	70%
Weighted Average Score ***		70%	86%	86%	79%

* Internal Audit did not score each standard but confirmed that if the recommended additional evidence was placed on the LHB files that they would concur with the LHB self assessment scores. Internal Audit has agreed that the Internal Audit scores should be the same as the self assessed scores.

**The WRP assessment scores show that the LHB has achieved a score of 80% against the target of 75% for the core standards assessed by the WRP (3 of the 5 core standards). The LHB's overall score for the six standards assessed by the WRP was 79% against a target of 70%.

***Whilst the LHB exceeded the overall weighted average target score of 70% for all standards and 75% for core standards, there is nevertheless a requirement to continue to improve the LHB's control systems. The LHB is already reviewing the recommendations made by Internal Audit and WRP to ensure its systems and processes continue to improve and are enhanced to ensure the March 2007 Level 3 target is achieved.

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 that 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, Risk Management Working Group, Clinical Governance Committee and Clinical Risk Management Group and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The whole organisation, including Board Members, Associate Board Members, Executive Directors, Senior Managers and staff at all levels are actively encouraged to participate in the continuous improvement of the Risk and Control Framework System. Everyone is encouraged to participate in the process through the development of a "no blame" culture, designed to identify and then eliminate risks and errors rather than attach blame for past mistakes.

The Board receives regular reports and position statements from the Audit, Risk Management, Clinical Governance, Clinical Risk Management and Remuneration Committees as well as reports produced directly by Executive Directors and Senior Managers which identify key operational risks. These reports are designed, not only to inform the Board of the LHB's level of strategic/corporate, financial and operational risks, but also to encourage full participation by the Board in both the debating and problem solving of these issues where appropriate. The Board receives at each Public Meeting, as a minimum, reports on the financial and commissioning performance as well as at appropriate intervals, updates on the Risk Register, reports on achievement against Corporate Objectives etc. The process has been further refined by the introduction and refinement of the Balanced Scorecard process.

The Audit and Risk Management Committees, consisting of Non Officer Members (Non Executive Directors) forms a direct line of communication to the Board from the Internal and External Auditors and the Local Counter Fraud Specialist Team. The Board has therefore been able to reassure itself, that it can receive advice on control and risk issues independently of Executive Officers on a regular basis. The Audit Committee receives reports from these three independent groups on control systems within the LHB. This Committee reviews management responses to the reports and oversees the implementation of corrective action plans as part of a continuous improvement process. In addition, the LHB's Audit Committee receives assurance from the Business Service Centre's (BSC) Internal Auditors via relevant reports to the Powys LHB's Audit Committee.

It is recognised by the Board that any recently established organisation will inevitably not achieve a perfect control system in its early years and must continue to seek improvements and enhance its systems over time. The LHB also recognizes that its staff, managers and Board Members also require time to develop the appropriate skills and experience necessary for effective control. However, information contained within the various reports on both the LHB systems and the BSC systems by the various independent auditors, coupled with the scores achieved in the Welsh Risk Standards targets, provides sufficient evidence to conclude that the LHB at least has its core controls in place and that the LHB has a firm foundation upon which it can develop further improvements.

The LHB Internal Auditors reported :-

"It is our opinion that for the identified principal risks covered by Internal Audit work the Board has reasonable assurance that there is a fundamentally sound risk management and control framework that meets the organisation's objectives subject to the effective implementation of the recommendations we have made .

The Welsh Risk Pool External Assessor reported:-

"Good risk management systems in place. Staff training sessions provided regularly and promote a good learning culture. Key indicators for improvement of records management needs to be developed."

"Examples of good practice to highlight within the LHB to be shared across Wales include:

- . Training programme for LHB staff
- . Clinical Governance Newsletters
- . GP Clinical Governance leads meeting forum
- . Organisational Development & Training Strategy
- . Policy for checking NMC registration
- . Policy for Nursing alerts re:NMC registration"

Whilst the LHB achieved the overall 70% average target as per the WRP, in the records management assessment it did not meet the 75% target. Work is underway to correct this shortfall so as to ensure that the target is met in 2006-07. In addition, work is underway to implement the key recommendations of both Internal Audit and the WRP Assessor. The LHB will seek to strengthen the following areas to achieve the March 2007 Corporate Governance Milestones in line with recommendations: -

- . Arrange update training on risk management for staff and Board members
- . Implement a software package so as to enhance performance management and automate risk management reporting and control
- . Improve risk sharing links with other external bodies
- . Develop further internal performance measures

6 Significant Internal Control Problems

It is the view of the Accountable Officer that there were no significant internal control problems identified within 2005/06, although the LHB will seek to further strengthen its internal controls by implementing those recommendations from the All Wales Risk Pool, Internal and External Auditors, that will allow the LHB to achieve the March 2007 Corporate Governance Milestone Level 3.

Signed:..... Date:.....
Chief Executive
(on behalf of the Board)

AUDITORS' REPORT

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

I certify that I have audited the financial statements on pages 2 to 35 under Section 61 of the Public Audit (Wales) Act 2004. These financial statements have been prepared under the accounting policies set out on pages 6 to 11.

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

Respective responsibilities of Directors, the Chief Executive and Auditor

As described on page 37 the Directors and the Chief Executive are responsible for the preparation of the financial statements in accordance with Section 98(2) of the National Health Service Act 1977 and National Assembly for Wales directions made there under and for ensuring the regularity of financial transactions. The Directors and the Chief Executive are also responsible for the preparation of the Foreword and contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 38 to 43 reflects the Board's compliance with the Treasury and Assembly's guidance on the Statement on Internal Control and I report if it does not, or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

Basis of Opinion

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

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Bridgend Local Health Board as at 31 March 2006 and of its net operating costs, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made there under by the National Assembly for Wales;
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and directions made there under by the National Assembly for Wales; and
- in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

Jeremy Colman
Auditor General for Wales
3 July 2006

Wales Audit Office
Deri House
Park Grove
Cardiff

ACCOUNT OF - 2005-2006

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

LOCAL HEALTH BOARDS

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

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

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

FORM AND CONTENT

3. The account of the LHB for the year ended 31 March 2006 and subsequent years shall comprise an operating cost statement, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.
4. For the financial year ended 31 March 2006 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.
5. The balance sheet shall be signed by the chief executive and the director of finance of the LHB and dated.

MISCELLANEOUS

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

Signed by the authority of the National Assembly of Wales

Signed : Christine Daws

Dated : 2006

ACCOUNT OF - 2005-2006

SCHEDULE 1

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

Companies Act

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

Accounting Standards

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

SCHEDULE 2

ADDITIONAL REQUIREMENTS

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