

Swansea 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 [Swansea](#).
- 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	323,263	304,094
Miscellaneous income	3.1	4,569	5,192
Net operating costs		<u>318,694</u>	<u>298,902</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	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 2008

	Note	£000	31 March 2007 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	0	0
CURRENT ASSETS			
Debtors	6.1	1,694	2,218
Cash at bank and in hand		47	16
Total Current Assets		1,741	2,234
Creditors: amounts falling due within one year	6.2	18,102	19,352
Net current assets / (liabilities)		(16,361)	(17,118)
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	796	562
TOTAL NET ASSETS		(17,157)	(17,680)
FINANCED BY:			
General fund	6.5	(17,157)	(17,680)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	0
TOTAL		(17,157)	(17,680)

Signed for and on behalf of the Board

Director of Finance Chief Executive

Date 10th June 2008

Date 10th June 2008

Adopted by the Board on 10th June 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	£000	2006-07 £000
Net operating costs	(318,694)	(298,902)
Adjust for non-cash transactions	(108)	(542)
Adjust for movements in working capital other than cash	(726)	876
Utilisation of provisions	(269)	(229)
	<hr/>	<hr/>
Net cash outflow from operating activities	(319,797)	(298,797)
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	(319,797)	(298,797)
FINANCING:		
Net Assembly funding (including capital)	319,828	298,811
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	319,828	298,811
	<hr/>	<hr/>
Increase / (decrease) in cash	31	14

Notes to the cash flow statement

Adjust for non-cash transactions

	£000	2006-07 £000
Depreciation and other write-offs	0	0
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	503	66
Capital charge interest	(611)	(608)
	<u>(108)</u>	<u>(542)</u>

Adjust for movements in working capital other than cash

	£000	2006-07 £000
(Increase)/decrease in debtors	524	(1,135)
Increase/(decrease) in creditors	(1,250)	2,011
	<u>(726)</u>	<u>876</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	31
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	<u>31</u>
Non cash changes in debt	0
Net debt at 1 April 2007	<u>16</u>
Net debt at 31 March 2008	<u>47</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	16	31	0	47
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>16</u>	<u>31</u>	<u>0</u>	<u>47</u>
Total	<u>16</u>	<u>31</u>	<u>0</u>	<u>47</u>

Amount held in Office of Paymaster General bank accounts as at 31 March 2008 was £47,401.59

Analysis of capital expenditure, financial investments and associated receipts

	Capital		Loans		Net Total £'000
	Additions	Disposals	Issues	Repayments	
	£'000	£'000	£'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 £250,000

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 employees, 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 of 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 four 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, in the conclusions of which scheme contribution rates are currently based, had an effective date of 31 March 2004 and covered 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 FRS 17 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 Services Authority - Pensions Division website at www.nhspa.gov.uk. Copies can also be obtained from the Stationery Office.

The conclusion of the 2004 investigation was that the scheme has accumulated a notional deficit of £3.3 billion against notional assets as at 31 March 2004. This is after making some allowance for the one-off effect 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 benefit and contribution 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 scheme's 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 3 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 pensions 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.

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.

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.

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

	£000	2006-07 £000
Net operating costs for the financial year	318,694	298,902
Non-discretionary expenditure	2,373	2,111
Operating costs less non-discretionary expenditure	316,321	296,791
Revenue Resource Limit	316,330	293,291
Under / (over) spend against Revenue Resource Limit	9	(3,500)
Unplanned resource brokerage received	0	0
Operational Financial Balance	9	(3,500)

Swansea Local Health Board achieved its statutory duty in respect of the achievement of operational financial balance in 2007/08. This was made possible by the availability of centrally planned and managed resource brokerage from the Welsh Assembly Government in March 2008 of £7.998m and a non-recurring increase in funding of £2.095m for continuing health care expenditure.

During 2007/08 the Swansea Health Community worked on a joint Financial Recovery Plan which was submitted to the Welsh Assembly Government on the 29th October 2007. This has not yet been formally approved. In accordance with the requirements set, this recovery plan focused on the cost reductions which could be achieved through efficiency measures. Addressing the financial challenges of the LHB and the wider Swansea Health Community is part of an ongoing process with the newly formed Abertawe Bro Morgannwg University NHS Trust.

3.1 Miscellaneous income

	£000	2006-07 £000
Fees & Charges	0	0
Prescription charge income	564	1,439
Dental fee income	2,349	1,959
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Other	<u>1,656</u>	<u>1,794</u>
Total	<u>4,569</u>	<u>5,192</u>

The main component of the 'other' income line is the GP Registrar scheme with income of £1,298k received in the year (2006/07: £1,386k). Full analysis of the 'Other' line is provided in note 7.1.

The prior year figure for 'Prescription charge income' has been re-stated due to the insertion of the new 'Dental fee income' line

Expenditure:**4.1 Primary health care**

	Cash limited	Non cash limited	Total	2006-07 Total
	£000	£000	£000	£000
General Medical services	29,510	0	29,510	29,153
Pharmaceutical services	8,587	139	8,726	8,585
General Dental services	14,014	0	14,014	12,916
General Ophthalmic services	0	2,234	2,234	2,177
Other Primary health care expenditure	3,073	0	3,073	3,261
Prescribed drugs and appliances	37,213	0	37,213	36,000
Total	92,397	2,373	94,770	92,092

4.2 Secondary and Community health care

	Total	Restated 2006-07 Total
	£000	£000
NHS Trusts:		
Provider 1 - .. Swansea	184,558	177,741
Provider 2 - .. Carmarthenshire	3,262	3,108
Provider 3 - .. Bro Morgannwg	2,380	2,289
Provider 4 - .. Cardiff and Vale	1,387	1,155
Provider 5 - .. Pontypridd and Rhondda	1,005	43
Provider 6 - .. South London and Maudsley	339	115
Provider 7 - .. Pembrokeshire and Derwen	258	88
Provider 8 - .. Powys Healthcare	121	121
Provider 9 - .. Gwent Healthcare	82	163
Provider 10 - .. Royal National Hospital for Rheumatic Diseases	62	78
Other Welsh NHS trusts	125	229
Other non Welsh NHS trusts	661	389
Local Authorities	976	814
Voluntary Organisations	798	789
NHS Funded Nursing Care	3,095	4,101
Continuing Care	19,558	12,281
Private providers	2,156	1,305
Specific projects funded by Welsh Assembly Government	236	366
Other	0	50
Total	221,059	205,225

The prior year NHS Trust figures have been re-stated to reflect the change in order of the top ten providers

Expenditure with local authorities is as follows :

	2006-07	2006-07
	£'000	£000
Community Equipment Store	40	0
Out of County looked after children	406	423
Substance misuse	181	183
Renal support project	15	8
Reach team / Intermediate care	322	162
Assistive technologies	0	8
Prevention Priorities	0	12
Falls Management	0	6
Safeguarding Children Board	12	12
	<u>1,976</u>	<u>814</u>

4.3 Other programme expenditure

	£000	2006-07 £000
Salaries and wages	2,473	1,935
National Public Health Service	1,320	1,276
Losses, special payments and irrecoverable debts	0	2
Research and development	0	0
Other	1,247	1,225
Total	5,040	4,438

4.4 Administration expenditure

	£000	Restated 2006-07 £000
Non-officer members' remuneration	75	80
Other salaries and wages	1,027	1,035
Consultancy services	1	3
Establishment expenses	126	175
Transport and moveable plant	0	0
Premises and fixed plant	157	83
External contractors	7	22
Auditors' remuneration - audit fee	133	117
Auditors' remuneration - other fees	1	3
Business Services Centre recharge	1,458	1,397
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation	0	0
Amortisation	0	0
Capital charge interest	(611)	(608)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	20	32
Total	2,394	2,339

The prior year figure for 'External contractors' has been re-stated due to the inclusion of legal fees within the new 'Consultancy services' line

Included in Business Services Centre recharge for 2006/07 is an amount of £17,852 for the external audit of the Business Services Centre attributable to Swansea LHB. In 2007/08 this was removed from the BSC SLA and invoiced directly to the LHB. The 2007/08 value of £16,286 is shown under 'Auditors' remuneration - audit fee'

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	2
Defence legal fees and other administrative costs	0	0
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	0	2
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	2
	<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	68	64
Total	68	64

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	0	0	0
Between 1 and 5 years	68	0	68	0
After 5 years	0	0	0	0

4.7 Executive Directors and staff costs

	Total £000	2006-07 Total £000
Salaries and wages	2,648	2,206
Social security costs	212	177
Employer contributions to NHSPA	351	292
Other pension costs	0	0
Agency / seconded staff	283	289
Total	3,494	2,964

The total Executive Director and staff costs are engaged within the Administrative and Programme functions of LHB, as disclosed in notes 4.3 and 4.4.

	£000	2006-07 £000
Note 4.3 - Salaries and wages	2,473	1,935
Note 4.4 - Other salaries and wages	1,027	1,035
Note 4.4 - Other salaries and wages (removal of non officer member on costs)	(6)	(6)
	3,494	2,964

4.8 Board Directors' remuneration

	£000	2006-07 £000
Non-officer members' remuneration	75	80
Executive Directors' remuneration:		
basic salaries	291	295
benefits	0	0
performance related bonuses	0	0
pension contributions	41	41
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
Total	407	416

	Chairman £000	Chief Executive £000
Basic Salary	34	92
Benefits	0	0
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	0	13
Total	34	105

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:

Performance related bonuses are not paid

The above note does not include costs incurred in respect of the Interim Director of Resources post or the Director of Resources post which are included in note 4.7 and disclosed in note 6.12.

The payments made in relation to fees for this post are detailed below. These figures differ from those shown note 6.12 as they do not include any payments made in relation to expenses.

Organisation paid	Description	Post	Effective period	£000
Amboise Ltd	Provision of services re:Mr T Tonks	Interim Director of Resources	01/04/07 - 14/09/07 22/08/07 -	72
Powys LHB	Provision of services re:Mr H George	Director of Resources	31/03/08	66

4.9 Average number of employees

The average number of employees during the year was:

	Permanent staff Number	Agency, temporary and contract staff Number	Staff on inward second- ment Number	Total Number	2006-07 Number
Executive Board Members	4	0	1	5	5
Other Local Health Board Staff	82	1	2	85	70
Recharged staff	3	1	0	4	2
Total	89	2	3	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

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 £0.

4.11 Public Sector Payment Policy - Measure of Compliance

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

	Number	£000	2006-07 £000
Non- NHS			
Total bills paid 2007-2008	104,006	44,004	33,143
Total bills paid within target	103,622	42,670	32,408
Percentage of bills paid within target	99.6%	97.0%	97.8%

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	1,344	203,822	189,444
Total bills paid within target	1,244	201,135	189,206
Percentage of bills paid within target	92.6%	98.7%	99.9%

	Number	£000	2006-07 £000
Total			
Total bills paid 2007-2008	105,350	247,826	222,587
Total bills paid within target	104,866	243,805	221,614
Percentage of bills paid within target	99.5%	98.4%	99.6%

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	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross replacement cost at 31 March 2008	0	0	0	0	0
Accumulated amortisation at 1 April 2007	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 2008	0	0	0	0	0
Net book value at 1 April 2007	0	0	0	0	0
Net book value at 31 March 2008	0	0	0	0	0

Tangible fixed assets

5.2 Tangible assets at the balance sheet date:

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction and payments on account £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	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 2008	0	0	0	0	0	0	0	0	0
Depreciation									
At 1 April 2007	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 2008	0	0	0	0	0	0	0	0	0
Net book value									
at 1 April 2007	0	0	0	0	0	0	0	0	0
Net book value									
at 31 March 2008	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 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

	£000	2006-07 £000
Amounts falling due within one year:		
National Assembly for Wales	50	167
Health Commission Wales	57	506
Local Health Boards	74	70
Primary Care Trusts	0	48
NHS Trusts	654	474
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	105	80
Provision for irrecoverable debts	0	(50)
Pension Prepayments:	0	0
Other prepayments and accrued income	754	923
	<hr/>	<hr/>
Sub total	1,694	2,218
	<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	1,694	2,218

6.2 Creditors

	£000	2006-07 £000
Amounts falling due within one year:		
National Assembly for Wales	0	118
Health Commission Wales	47	0
Local Health Boards	45	37
NHS Trusts	955	4,086
Primary Care Trusts	0	0
Income tax and social security	0	1
Non-NHS creditors	14,375	12,644
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	45	0
Accruals	2,635	2,461
Deferred Income	0	0
Other creditors	0	5
	<hr/>	<hr/>
Total	18,102	19,352

6.3 Creditors

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

6.4 Provisions for liabilities and charges

	At 1 April 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
Sub-total	0	0	0	0	0	0	0	0
Pensions	0			0	0	0	0	0
Other	562			585	(82)	(269)		796
Total	562	0	0	585	(82)	(269)	0	796

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	796	0	0	796
Total	796	0	0	796

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.

Other provisions of £796k relate to continuing healthcare costs subject to further review. In previous years, these costs have been included as losses and special payments. The classification for such payments is those that the Welsh Assembly Government would not have contemplated when it agreed funds for the health service of passed legislation. As such, the provision has been reclassified as 'other'.

In February 2003, the report by the Ombudsman on NHS funding for long term care concluded that the departmental guidance on who should receive financial support for nursing care had been misinterpreted and misapplied by Health Authorities. As a consequence, claims for recompense are expected and where following a full examination of the facts it is accepted that someone had been wrongly denied care and incurred costs as a result recompense may be due.

The provision for claims for continuing care of £796k included in the accounts relates only to those costs for continuing care after 1 April 2003. All costs for which a provision has been established relating to periods pre 1 April 2003 will be accounted for elsewhere in the Welsh health economy (in accordance with National Assembly requirements) as although they relate to residents in the Swansea LHB area, they were incurred before Swansea LHB was established.

6.5 General fund

The movement on the General fund in the year comprised:

	£000
At 1 April 2007	(17,680)
Net operating cost for the financial year	(318,694)
Net Assembly funding (including capital)	319,828
Capital charge interest	(611)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2008	<u>(17,157)</u>

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	<u>0</u>

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

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

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	1,767	1,385
Total	1,767	1,385

Uncertainties affecting outcome:

Of the total amount, £1,728k relates to Continuing Care Ombudsman cases for which the claimant does not have power of attorney. There is a degree of uncertainty as to whether power of attorney will be obtained by the claimants. There is also uncertainty as to whether the claim will be successfully progressed even if power of attorney is received. Without power of attorney, the LHB is unable to determine whether a claim is valid or the period to which it relates, hence the above figure is based on the maximum potential claim period which is from the inception of the LHB to the end of 2007/08.

Subsequent to the deadline for agreement of NHS Wales balances a statement from Health Commission Wales identified a balance for 2007/08 which had not previously been notified to the LHB in accordance with agreed timescales. Furthermore the LHB believes that responsibility for these patients did not transfer to it until April 2008. It is not therefore providing for them. The amount included above in relation to this issue is £39k.

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	110	0	47	0
Balances with local authorities	78	0	1,645	0
Balances with NHS trusts and Foundation trusts	654	0	955	0
Balances with Local Health Boards	74	0	45	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	778	0	15,410	0
Total at 31 March 2008	1,694	0	18,102	0

Balances with other central government bodies	673	0	119	0
Balances with local authorities	90	0	1,128	0
Balances with NHS trusts and Foundation trusts	474	0	4,086	0
Balances with Local Health Boards	70	0	37	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	911	0	13,982	0
Total at 31 March 2007	2,218	0	19,352	0

6.10 Post balance sheet events

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

1.	0
	
2.	0
	
Total		<u>0</u>

6.11 Capital commitments

The Local Health Board has the following capital commitments:

		2006-07	
Contracted	0	0	0
Authorised but not contracted	0	0	0
Total		<u>0</u>	<u>0</u>

6.12 Related Party transactions**£000**

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

Swansea 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 Swansea 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 Local Health Board
 Carmarthenshire Local Health Board
 Powys Local Health Board
 Rhondda Cynon Taf Local Health Board
 Vale of Glamorgan Local Health Board
 Bridgend Local Health Board
 Pembrokeshire Local Health Board
 Health Commission Wales
 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 City and County of Swansea

During the year there were normal business transactions with the following organisations that currently employ some Swansea LHB members or their partners or who are linked with members:

	2007-08	2006-07
	£000	£000
Swansea NHS Trust - C Campbell, J Calvert, E Howells, M Price, R Desir	184,558	177,741
City and County of Swansea - R Owen, W Fitzgerald, J Evans, C Maggs, J Straw	976	814

During the year there were normal business transactions with the following companies for the provision of the services of Interim Director of Resources:

	2007-08	2006-07
	£000	£000
Amboise Ltd for Provision of services re: Mr T Tonks for period 01/04/07 to 14/09/07	79	91

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

Member Name	Organisation	Interests
JS Hilliard - GP Member	Gower Medical Practice	Partner
JS Hilliard - GP Member	Swansea Out of Hours Service	Member
A Norton - GP Member	The Grove Medical Practice	Partner
A Norton - GP Member	Swansea Out of Hours Service	Employee
SR Newbury - Former Pharmacist Member	S R Newbury Pharmacist	Proprietor
L Browes - Optometrist Member	Loveleen Browes Optometrist	Proprietor
M Hughes - Vol Sector Member	Age Concern (Swansea)	Trustee / Vice Chair
M Hughes - Vol Sector Member	Swansea College	Governor
S Hailey - Acting Medical Director	Gower Medical Practice	Partner
T Tonks - Interim Director of Resources	Amboise Ltd	Director

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	9	180
Total losses and special payments	9	180

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

The total value of the nine 'Other losses and special payments' cases disclosed above is £180.02

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

Swansea Local Health Board has no such arrangements.

7 Additional Information

7.1 Details of 'Other Income' line

	2007-08	2006-07
	£000	£000
City and County of Swansea: HSCWB	82	66
Reclaim of miscoded prescriptions	0	48
Unscheduled care project contribution	0	37
Orthodontics funding	30	9
Reshaping MH Services recharge	17	12
A&E Pilot:50% contribution (Swan Trust	14	0
Dental transitional income	0	18
Dental Emergency Access recharge	0	19
Agency travel and subsistence	13	16
GP Registrar Scheme	1,298	1,386
Mental Health Action Programme	0	8
Chemists Methadone Admin	65	59
All Wales Eye Care Initiative	95	74
Other	42	42
Total	<u>1,656</u>	<u>1,794</u>

7 Additional Information

7.2 Consultancy costs incurred against notes 4.1, 4.2 and 4.3

Under note 4.4 'Administration expenditure', on page 16, the Welsh Assembly Government now require Local Health Boards to separately disclose their expenditure for the year on consultancy services. Consultancy services are defined by HM Treasury under PES (2207) 08 and include professional services for:

- General Management Consultancy;
- Legal:
- Human Resources:
- Financial:
- IT Consultancy;
- Property Services / Estates

Due to the nature and variety of services provided and commissioned by the Local Health Board, some consultancy services are charged to headings other than Administration.

In addition to the consultancy services of £1,000 reported against note 4.4 on page 16, the Local Health Board has also incurred consultancy services expenditure against the following other headings:

Nature of costs incurred	Accounts note	2007-08 £000
Legal fees re:General Medical Services	Note 4.1 - GMS cash limited	1
Legal fees re:Continuing Health Care	Note 4.2 - Continuing Care	1
Re-shaping Mental Health Consultancy	Note 4.3 - Salaries and Wages	12
Unscheduled Care Project review	Note 4.3 - Salaries and Wages	1
Health Community Review	Note 4.3 - Other	51
	Total	66

**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: 10th June 2008

..... 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: Dated: 10th June 2008

Chief Executive: Dated: 10th June 2008

Director of Finance: Dated: 10th 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.

To discharge that responsibility the Board has approved, through the Standing Orders, three Board committees to take forward the corporate governance and controls assurance arrangements:

- Audit Committee
- Clinical Governance Committee
- Risk Management Committee

These committees report directly to the Board. To ensure that there is complete coverage and linkages between the Board committees there is cross membership between committees at both Non Officer Member and Executive Director level.

The Local Health Board works closely with the Welsh Assembly Government (WAG), 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 Board and the Regional Office. The Healthcare Standards provide a key framework upon which the LHB has based its risk management process. A Healthcare Standards sub committee was set up in 2007/08 to oversee the processes.

In the delivery of overall internal control the Business Services Centre, (BSC), has a key role given that, in particular, Finance and Contractor Services departments have fundamental responsibilities in running key payments, authorisation and reporting processes on behalf of Local Health Boards. Assurance on the discharge of these responsibilities is obtained through the Service Level Agreements and internal audit reports.

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

At officer level, the leadership for clinical governance is given by the Director of Clinical Development, supported by the Medical Director for medical matters, and for risk management by the Deputy Chief Executive and for financial control is given by the Director of Resources. Staff are being trained to manage risks, both clinical and other, initially through the development of systems and processes to identify and manage risks. This includes both the work with the National Patient Safety Agency on clinical risks and incidents, and the bottom up approach to identify, prioritise and develop action plans to address individual, directorate and corporate risks.

A key element has been to review national guidance, good practice and strategies developed for similar organisations and incorporate them into the Risk Management Strategy and Risk Register. The Risk Management Strategy and Risk Register also attribute actions, timescales and responsibilities to lead Executive Directors and Senior Managers.

This approach is consistent with how corporate objectives, Annual Operating Framework targets and Healthcare Standards are allocated to the responsible Executive Directors and Senior Managers.

In addition to internal processes, assurance is also given via the services provided by internal and external audit and by the Local Counter Fraud Service.

4. The Risk And Control Framework

The Risk Management Strategy sets out the various roles and responsibilities of the Executive Directors, Senior Managers and Board Committees towards risk management. It also sets out how the various types of risks, such as organisational, staffing and clinical risks will be managed. The key element of the strategy is the Risk Register and action plan. The development of the Risk Register involved both a top down and bottom up identification and scoring of risks. The register also includes the actions to mitigate those risks, and clear identification of responsibilities to manage those risks. This Risk Register and action plan is reviewed and updated via the Senior Managers and Executive Directors and a revised Risk Register is submitted to the Risk Management Committee on a regular basis.

Internal Audit undertook an assessment of the Healthcare Standards and were able to provide a medium level of assurance regarding the process adopted for populating the healthcare standard self-assessment tool and the internal validation / scrutiny process.

Internal Audit reported the following:

"The Board has been engaged during 2007/8 on matters relating to the Standards through dedicated reports and briefings. At a time of significant workload pressures management at all levels of the organisation have demonstrated a commitment to demonstrating compliance with standards and population of the self-assessment tool. There are several areas within LHB processes where improvement could be made for 2008/9 to facilitate population of the standard and present a more effective self-assessment.

At the conclusion of our review, we are satisfied that the maturity levels assessed for the four core standards are reasonable:

Standard 14, Health & Safety – developing (3)
Standard 16, Incident Reporting – developing (3)
Standard 27, Corporate Governance – developing (3)
Standard 28, Clinical Governance – developing (3)"

The LHB will after this self assessment stage, as in previous years, now produce an action plan so as to ensure that it has a process of ongoing self improvement.

The Board has also been engaged appropriately during 2007/8 on matters relating to the Standards and the monitoring of the HCS Improvement Plan.

Welsh Risk Pool will continue to undertake assessments of claims management within the LHB during 2008. Internal Audit reviewed this standard and reported "In our view, evidence available supports 100% compliance with the requirements of Standard H within Swansea LHB."

5. Review Of Effectiveness

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

The Board receives regular reports and position statements from the Audit Committee, Risk Management Committee, the Clinical Governance Committee, the Remuneration Committee as well as individual reports produced directly by Executive Directors and Senior Managers. These reports are designed, not only to inform the Board of the LHB's level of corporate and financial risks but also to encourage full participation by the Board in both debating and problem solving 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 Matrix/Register, and reports on achievement against Corporate Objectives.

The Audit Committee, consisting of Non Officer Members, provides a direct line of communication to the Board from the Internal Auditors, External Auditors and the Local Counter Fraud Specialist Team. The Board has therefore been able to reassure itself that it has received 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. In addition the LHB's Audit Committee also receives assurance from a review of the Business Support Centre's (BSC) Internal Auditors' relevant reports to the Powys LHB's Audit Committee.

The process applied in maintaining and reviewing the effectiveness of the system of internal control, includes the full involvement of the Board, Board Committees, Executive Directors and Senior Managers.

The LHB recognises that it must continue to seek improvements and enhance its systems over time. The LHB also recognises that the development of its staff, managers and Board Members to acquire the appropriate skills and experience necessary for effective control is a key priority. Information contained within the reports on both the LHB systems and the BSC systems by the independent auditors, coupled with the scores achieved in the Welsh Risk Standards targets, provides evidence to conclude that the LHB now 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;

"A medium level of assurance can be given that there is a system of internal control designed to meet the organisation's objectives, and that there is, in general, operational compliance with that system. However, some weaknesses have been found in the design of, or compliance with, controls during the year which could have put the achievement of some of the organisation's objectives at risk. Recommendations have been made to rectify these perceived deficiencies."

The LHB is very dependent upon systems operated by the Business Support Centre and so it needs to include within this Statement of Control extracts from the Draft Annual Audit Report on the BSC produced by its internal auditors. Its auditors concluded that;

"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Business Services Centre's risk management, control and governance processes.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2008 the Business Services Centre has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives."

6. Significant Internal Control Problems

There were no significant internal control problems encountered during the year.

Operating financial balance was achieved in 2007/08 through the receipt of brokerage arranged by the Welsh Assembly Government in March 2008. The duty to maintain expenditure within its resource limit remains an ongoing challenge for Swansea LHB.

In the second year of the Dental Contract the LHB has continued to work with contractors and internal audit to ensure a robust system of control is established.

Signed:.....

Date: 10 June 2008

Sue Heatherington

Chief Executive

(on behalf of board)

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 Swansea Local Health Board for the year ended 31 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, Swansea Local Health 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 HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects Swansea Local Health Board'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 Swansea Local Health Board's corporate governance procedures or its risk and control procedures.

I have been unable to read other information contained in the Annual Report because it was not available at the time of my audit.

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 the 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 Swansea Local Health Board'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 the 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 Swansea Local Health Board 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 Swansea Local Health Board'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
16 June 2008

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

ACCOUNT OF - 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 - 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.