

**SWANSEA
LOCAL HEALTH
BOARD**

**ANNUAL ACCOUNTS
2006/07**

Approved: 19th June 2007

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**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: 2007 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: 2007

Chief Executive: Dated: 2007

Director of Finance: Dated: 2007

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, 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 Welsh Risk Pool Standards provide a key framework upon which the LHB has based its risk management process.

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 2007 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, Service and Financial Framework targets and Welsh Risk Management 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.

During 2006/07 the LHB has internally assessed and scored its performance against the Welsh Risk Management Standards, particularly those deemed core to the management of risk:

- A Risk Management Policy and Strategy
- B Risk Assessment & Treatment
- C Incident and Hazard Reporting
- D Policies & Procedures
- E Governance
- F Financial Management
- G Facilitation of the Safe Provision of Primary Care
- H Claims & Complaints
- I Records Management

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The LHB is required to undertake self-assessments against these standards and they are subject to both Internal Audit Review and review by the Wales 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” for Local Health Boards have been developed for them to assess their own position and help support the improvement of risk management processes and internal control performance.

The Welsh Risk Pool’s 2006/07 report stated that, “As a minimum the LHBs needed to achieve a compliance score of 75% overall for all the standards assessed by the Welsh Risk Pool, inclusive of the core standards”. The Welsh Risk Pool assessment reported the following scores:

Standard	Score (%)
A (Core)	61
B (Core)	58
C (Core)	83
D	97
G	91
H	76
I	38
Weighted Average	73

The remaining two core standards, Standards E and F are not assessed by the WRP, Internal Audit is required to assess these Standards and have reported 88% in respect of Standard E (Governance) and 81% for Standard F (Finance).

It can be seen from the above that the LHB has not met the target set by the WRP. As a result action plans are in place for each Standard which has improved performance in the latter part of the year and which should improve the scores for 2007/08. The LHB Board approved the Risk Management Strategy in December 2006 and Records Management Strategy in May 2007. This will ensure that scores for the those standards are increased in 2007/08.

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

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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;

"Partial assurance can be given in relation to the systems of internal control and compliance with their requirements. Whilst some positive control measures have been demonstrated, some weaknesses in risk management, internal controls or their application have been highlighted by our work which undermine our ability to give a more robust assurance that LHB objectives have been achieved"

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 Annual Audit Report on the BSC produced by its internal auditors. Its auditors concluded that;

"In our opinion, we have concluded that subject to the implementation of high priority recommendations:

- a. the risk management activities and controls that we examined were adequately designed to achieve the risk management objectives required by management; and*
- b. those activities and controls, where tested, were operating with sufficient effectiveness to provide reasonable, but not absolute assurance, that the related risk management objectives and controls were achieved during the period under review."*

This LHB, like all others across Wales, had concerns over the monitoring and control over two new service areas of work taken over by the LHB during 2006/07 i.e. dental

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services and home oxygen. The national payments system for dentists had initially overpaid one dentist in another LHB area which raised initial concerns over the robustness of the system but these problems were resolved. The home oxygen service was also a cause for concern both in terms of patient supply and also the payments process. Both delivery difficulties and excess charging issues were resolved before the end of the financial year. However, national negotiations are still being held in relation to revising the original contract to avoid future problems linked to excess charges for emergency supplies.

6. Probity of Dental Expenditure:

A new Dental Contract was implemented from 1st April 2006, with payments being made on LHBs' behalf by the Business Services Authority of the Dental Practice Division (DPD) in England. In addition to the checks required to obtain assurance on the adequacy of the payment systems - undertaken by both the DPD's and the LHB's internal auditors - there should also be checks to ensure the probity of dental expenditure. In 2006/07 the following work was undertaken on the probity of dental expenditure:

- a) Exception reports are received from DPD and matched against practices with any discrepancies reviewed
- b) Monthly reconciliation of DPD reports to individual dental contracts was undertaken
- c) A probity activity report was received from the DPD informing the LHB of the checks on the eligibility of patients claiming remission or exemption from patient charges and there were no significant issues raised.

Although this work does not indicate that any material irregular dental expenditure occurred during 2006/07, it is not sufficient to provide the LHB with assurance that the risk of irregular payments to dentists is minimised. The LHB plans to increase the work undertaken in future years to identify and minimise any risk of irregular payments to dentists.

7. Significant Internal Control Problems

During the year the LHB and Trust had protracted discussions over their combined recovery plan and the Long Term Agreement. There was no signed LTA agreed by both organisations, however the issues raised were considered by the Department of Health and Social Care and advice given on the handling of the issue. A timetable has been issued for agreeing the 2007-08 LTA.

Clearly the financial deficit of the LHB was and continues to be the major focus of attention. The LHB continues discussions with the Regional Office of the Welsh Assembly Government to agree the Service and Financial Framework for 2007-08 and a financial recovery plan.

..... Date 19th June 2007

Sue Heatherington
Chief Executive
(On behalf of the 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 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 7 to 12. 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 ii, 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 Welsh Ministers' directions made thereunder 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 Welsh Ministers' directions made thereunder, 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 have been unable to read the other information contained in the Annual Report because it was not available at the time of my audit.

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

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in

the financial statements and that part of 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 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 the 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 the remuneration report to be audited.

The LHB has breached its resource limit by spending £3.5m over the amount that it was authorised to spend in the year. This spend constitutes irregular expenditure.

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Swansea Local Health Board as at 31 March 2007 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 thereunder by Welsh Ministers;
- 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 thereunder by Welsh Ministers; and
- except for the irregular expenditure of £3.5m in the year, explained in the paragraph above, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

My conclusion on Swansea LHB's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007 will be reported separately in the published Annual Audit Letter.

Jeremy Colman
Auditor General for Wales
26 June 2007

Wales Audit Office
2-4 Park Grove
CF10 3PA

Swansea 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 [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 2007

	Note	2006-07 Total £000	2005-06 Total £000
Expenditure	4.1,4.2,4.3, 4.4	304,094	274,152
Miscellaneous income	3.1	5,192	4,496
Net operating costs		<u>298,902</u>	<u>269,656</u>

**STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2007**

	£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 2007

	Note	31 March 2007 £000	31 March 2006 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	0	0
CURRENT ASSETS			
Debtors	6.1	2,218	1,083
Cash at bank and in hand		16	2
Total Current Assets		2,234	1,085
Creditors: amounts falling due within one year	6.2	19,353	17,342
Net current liabilities		(17,119)	(16,257)
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	562	725
TOTAL NET LIABILITIES		(17,681)	(16,982)
FINANCED BY:			
General fund	6.5	(17,681)	(16,982)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	0
TOTAL		(17,681)	(16,982)

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 2007

	2006-07	2005-06
	£000	£000
Net operating costs	(298,902)	(269,656)
Adjust for non-cash transactions	(542)	(715)
Adjust for movements in working capital other than cash	876	521
Utilisation of provisions	(229)	(39)
	<hr/>	<hr/>
Net cash outflow from operating activities	(298,797)	(269,889)
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 outflow before financing	(298,797)	(269,889)
FINANCING:		
Net Assembly funding (including capital)	298,811	269,808
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 from financing	298,811	269,808
	<hr/>	<hr/>
Increase / (decrease) in cash	14	(81)

Notes to the cash flow statement

Adjust for non-cash transactions

	2006-07 £000	2005-06 £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	66	(127)
Capital charge interest	(608)	(588)
	<u>(542)</u>	<u>(715)</u>

Adjust for movements in working capital other than cash

	2006-07 £000	2005-06 £000
(Increase)/decrease in debtors	(1,135)	(315)
Increase/(decrease) in creditors	2,011	836
	<u>876</u>	<u>521</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	14
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	<u>14</u>
Non cash changes in debt	0
Net debt at 1 April 2006	<u>2</u>
Net debt at 31 March 2007	<u>16</u>

Analysis of changes in net debt

	As at 1 April 2006	Cash flows	Other changes	As at 31 March 2007
	£000	£000	£000	£000
Cash at bank and in hand	2	14	0	16
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>2</u>	<u>14</u>	<u>0</u>	<u>16</u>
Total	<u>2</u>	<u>14</u>	<u>0</u>	<u>16</u>

Amount held in Office of Paymaster General bank accounts as at 31 March 2007 was £16,288.58

Analysis of capital expenditure, financial investments and associated receipts

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

Reconciliation of loan issues and repayments to cash movements

	Issues £'000	2005-06 Repayments £'000	Net Movement £'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	2005-06 Disposals £'000	Net Movement £'000
Total assets and disposals (per fixed assets notes 5.1 and 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 (FRoM) issued by HM Treasury to the extent that the National Assembly for Wales has directed as being appropriate to LHBs. 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.

LHBs 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 are capitalised

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 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.)

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 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.

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 in England and Wales. 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 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 annually. These accounts can be viewed on the NHS Pensions Agency website at www.nhs.gov.uk. Copies can also be obtained from the Stationary Office.

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

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

Early payments of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice the final year's pensionable pay for death in service, and up to five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump 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 2006/07 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 Contingencies

- a possible obligation arising from past events whose existence will be confirmed by the occurrence of future events not wholly within the LHB's control;

- a present obligation arising from past events for which it is not probable that a transfer of economic benefits will be required to settle the obligation; or

- a present obligation where the amount of the obligation cannot be measured with sufficient accuracy.

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

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

1.15 Deferred Income

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

1.16 Expenditure

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

Certain expenditure relating to reimbursement of General Practitioners for the provision of Family Health Services 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. LHBs are now responsible for commissioning dental services and organising payment through the Dental Practice Division of the Business Services Authority.

Contractors who have underperformed against their contracted level of Units of Dental Activity, (UDAs) by a margin of 5% or less, are contractually allowed to retain their payments for the year and deliver the underperformance of UDAs within the new financial year 2007-08.

The valuation in the annual accounts is based on an estimate provided by the Dental Practice Division in May 2007. 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 2007-08.

The LHB's superannuation liability is contingent upon :

- the actual UDA performance against the annual contracted target to arrive at a final gross earnings for the year;
- the declared split of the gross final earnings over the performers registered on each individual contract.

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

2.1 Achievement of Operational Financial Balance

	2006-07 £000	2005-06 £000
Net operating costs for the financial year	298,902	269,656
Non-discretionary expenditure	<u>2,111</u>	<u>2,371</u>
Operating costs less non-discretionary expenditure	296,791	267,285
Revenue Resource Limit	293,291	262,705
Under / (over) spend against Revenue Resource Limit	(3,500)	(4,580)
Unplanned resource brokerage received	<u>0</u>	<u>0</u>
Operational Financial Balance	<u>(3,500)</u>	<u>(4,580)</u>

Footnote to Note 2.1

The overspend against the resource limit in the current year reflects an improvement over 2005/06. A number of non-recurrent actions assisted this improvement. Without the non-recurrent actions the deficit would have been £5,296k.

Since inception, the LHB has used non-recurrent actions to assist in delivering financial balance or to mitigate the underlying deficit.

There are a number of drivers for the deficit but a major driver is the growth in continuing care spend year on year compared to the growth in funding.

	2003/04 £m	2004/05 £m	2005/06 £m	2006/07 £m
Continuing Care spend	4.7	7.1	10.7	12.3

The LHB is working together with Swansea NHS Trust on a long term financial and clinical sustainability plan to enable the health economy to operate within the resources allocated by WAG.

3.1 Miscellaneous income

	2006-07 £000	2005-06 £000
Fees & Charges	0	0
Prescription charge income	3,398	1,655
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Other	<u>1,794</u>	<u>2,841</u>
Total	<u>5,192</u>	<u>4,496</u>

The 'Prescription charge income' line for 2006/07 includes £1,959k (£nil for 2005/06) relating to dental income.

The 'Other' line is analysed in more detail in note 7.1

Expenditure:**4.1 Primary health care**

	Cash limited	Non cash limited	2006-07 Total	2005-06 Total
	£000	£000	£000	£000
General Medical services	29,153	0	29,153	28,693
Pharmaceutical services	8,651	(66)	8,585	8,075
General Dental services	12,916	0	12,916	35
General Ophthalmic services	0	2,177	2,177	2,153
Other Primary health care expenditure	3,261	0	3,261	2,357
Prescribed drugs and appliances	36,000	0	36,000	35,602
Total	89,981	2,111	92,092	76,915

4.2 Secondary and Community health care

	2006-07 Total	2005-06 Total
	£000	£000
NHS Trusts:		
Provider 1 - Swansea	177,741	166,424
Provider 2 - Carmarthenshire	3,108	3,006
Provider 3 - Bro Morgannwg	2,289	2,107
Provider 4 - Cardiff and Vale	1,155	918
Provider 5 - Gwent Healthcare	163	165
Provider 6 - Powys Healthcare	121	127
Provider 7 - Pembrokeshire and Derwen	88	79
Provider 8 - Royal National Hospital for Rheumatic Diseases	78	70
Provider 9 - United Bristol Healthcare	50	33
Provider 10 - Pontypridd and Rhondda	43	35
Other Welsh NHS trusts	229	169
Other non Welsh NHS trusts	454	91
Local Authorities	814	1,142
Voluntary Organisations	789	746
NHS Funded Nursing Care	4,101	3,676
Continuing Care	12,281	10,745
Private providers	1,305	2,160
Specific projects funded by Welsh Assembly Government	366	391
Other	50	1
Total	205,225	192,085

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 :

	£'000
Assistive technologies	8
Prevention Priorities	12
Out of County looked after children	423
Substance misuse	183
Renal support project	8
Falls Management	6
Reach team	162
Safeguarding Children Board	12
	814

4.3 Other programme expenditure

	2006-07 £000	2005-06 £000
Salaries and wages	1,935	925
National Public Health Service	1,276	1,182
Losses, special payments and irrecoverable debts	2	0
Research and development	0	0
Other	1,225	697
	<hr/>	<hr/>
Total	4,438	2,804

4.4 Administration expenditure

	2006-07 £000	2005-06 £000
Non-officer members' remuneration	80	88
Other salaries and wages	1,035	944
Establishment expenses	175	177
Transport and moveable plant	0	0
Premises and fixed plant	83	142
External contractors	25	10
Auditors' remuneration - audit fee	117	114
Auditors' remuneration - other fees	3	0
Business Services Centre recharge	1,397	1,436
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation	0	0
Amortisation	0	0
Capital charge interest	(608)	(588)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	32	25
	<hr/>	<hr/>
Total	2,339	2,348

Included in Business Services Centre recharge is an amount of £17,852 for the external audit of the Business Services Centre attributable to Swansea LHB.

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

	2006-07	2005-06
	Total	Total
	£000	£000
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	2	0
Defence legal fees and other administrative costs	0	0
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	2	0
Contributions to Welsh Risk Pool/insurance premiums	0	0
Irrecoverable debts	0	0
Less: income received/due from Welsh Risk Pool	0	0
	<hr/>	<hr/>
Total	2	0
	<hr/>	<hr/>

Personal injury includes £ nil in respect of permanent injury benefits

4.6 Hire and operating lease rentals

	2006-07 £000	2005-06 £000
Hire of plant and machinery	0	0
Other operating leases	64	61
Total	64	61

Commitments under non-cancellable operating leases:

	2006-07 Land and Buildings £000	2006-07 Other Leases £000	2005-06 Land and Buildings £000	2005-06 Other Leases £000
Operating leases which expire:				
Within 1 year	0	0	64	0
Between 1 and 5 years	68	0	0	0
After 5 years	0	0	0	0

4.7 Executive Directors and staff costs

	2006-07 Total £000	2005-06 Total £000
Salaries and wages	2,206	1,394
Social security costs	177	115
Employer contributions to NHSPA	292	184
Other pension costs	0	0
Agency / seconded staff	289	170
Total	2,964	1,863

4.8 Board Directors' remuneration

	2006-07 £000	2005-06 £000
Non-officer members' remuneration	80	88
Executive Directors' remuneration:		
basic salaries	295	284
benefits	0	0
performance related bonuses	0	0
pension contributions	41	40
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
Total	416	412

	Chief Chairman £000	Chief Executive £000
Basic Salary	34	91
Benefits	0	0
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	0	13
Total	34	104

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 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	£000
Psec Ltd	Provision of services re: Mr C Leslie	65
Amboise Ltd	Provision of services re: Mr T Tonks	83

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	2006-07 Total	2005-06
	Number	Number	Number	Number	Number
Executive Board Members	4	1	0	5	4
Other Local Health Board Staff	67	2	1	70	43
Recharged staff	2	0	0	2	2
Total	73	3	1	77	49

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 2006-07 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.

	2006-07 Number	2006-07 £000	2005-06 £000
Non- NHS			
Total bills paid 2006-2007	8,388	33,143	20,721
Total bills paid within target	8,206	32,408	20,206
Percentage of bills paid within target	97.8%	97.8%	97.5%

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

	2006-07 Number	2006-07 £000	2005-06 £000
NHS			
Total bills paid 2006-2007	1,277	189,444	176,670
Total bills paid within target	1,241	189,206	176,656
Percentage of bills paid within target	97.2%	99.9%	100.0%

	2006-07 Number	2006-07 £000	2005-06 £000
Total			
Total bills paid 2006-2007	9,665	222,587	197,391
Total bills paid within target	9,447	221,614	196,862
Percentage of bills paid within target	97.7%	99.6%	99.7%

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

	2006-07 £	2005-06 £
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 2006	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross replacement cost at 31 March 2007	0	0	0	0	0
Accumulated amortisation at 1 April 2006	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 2007	0	0	0	0	0
Net book value at 1 April 2006	0	0	0	0	0
Net book value at 31 March 2007	0	0	0	0	0

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

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction and payments on account	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
				£000					
At 1 April 2006	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 2007	0	0	0	0	0	0	0	0	0
Depreciation									
At 1 April 2006	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 2007	0	0	0	0	0	0	0	0	0
Net book value									
at 1 April 2006	0	0	0	0	0	0	0	0	0
Net book value									
at 31 March 2007	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 2007 comprises:

	2006-07 £000	2005-06 £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

	2006-07 £000	2005-06 £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

	2006-07 £000	2005-06 £000
Amounts falling due within one year:		
National Assembly for Wales	167	285
Health Commission Wales	506	0
Local Health Boards	70	49
Primary Care Trusts	48	0
NHS Trusts	474	315
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	80	58
Provision for irrecoverable debts	(50)	0
Pension Prepayments:	0	0
Other prepayments and accrued income	923	376
	<hr/>	<hr/>
Sub total	2,218	1,083
	<hr/>	<hr/>
Amounts falling due after more than one year:	£000	£000
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
	<hr/>	<hr/>
Sub total	0	0
	<hr/>	<hr/>
Total	2,218	1,083

6.2 Creditors

	2006-07	2005-06
	£000	£000
Amounts falling due within one year:		
National Assembly for Wales	118	208
Health Commission Wales	0	0
Local Health Boards	37	202
NHS Trusts	4,086	1,671
Primary Care Trusts	0	145
Income tax and social security	1	43
Non-NHS creditors	12,644	12,041
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	0	24
Accruals	2,461	3,008
Deferred Income	0	0
Other creditors	6	0
	<hr/>	<hr/>
Total	19,353	17,342

6.3 Creditors

	2006-07	2005-06
	Total	Total
	£000	£000
Amounts falling due after more than one year:		
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 2006	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 2007
	£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	725	0	(28)	375	(281)	(229)	0	562
Defence legal fees and other administration costs.	0	0	0	0	0	0		0
Sub-total	725	0	(28)	375	(281)	(229)	0	562
Pensions	0			0	0	0	0	0
Other	0			0	0	0		0
Total	725	0	(28)	375	(281)	(229)	0	562

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	562	0	0	562
Defence legal fees and other administration costs	0	0	0	0
Pensions	0	0	0	0
Other	0	0	0	0
Total	562	0	0	562

The LHB estimates that in 2007-08 it will receive £nil , and in 2008-09 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 2006	(16,982)
Net operating cost for the financial year	(298,902)
Net Assembly funding (including capital)	298,811
Capital charge interest	(608)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2007	(17,681)

6.6 Donated asset reserve

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

	£000
Balance at 1 April 2006	0
Additions	0
Impairments	0
Revaluation and indexation	0
Disposals and write-offs	0
Depreciation	0
	<hr/>
Balance at 31 March 2007	0

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
Balance at 1 April 2006	0
Revaluation	0
Indexation	0
Transfer to general fund - realised revaluation	0
	<hr/>
Balance at 31 March 2007	0

6.8 Contingent liabilities -

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

Nature:	2006-07	2005-06
	£000	£000
Legal claims for third parties liabilities	0	0
Doubtful debts	0	0
Other	1,385	608
	<hr/>	<hr/>
Total	1,385	608
	<hr/>	<hr/>

Uncertainties affecting outcome:

This amount 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 2006/07.

In January 2006 the High Court concluded that if, following a health care assessment, a person's health care needs formed the primary reason for their residence in a nursing home the NHS should fund the totality of their care (Grogan v Bexley NHS PCT). The judgement will also apply to retrospective reviews where requested. No provision has been made in these accounts in respect of cases arising specifically from the Grogan judgement. The LHB has limited knowledge of the value or extent of potential cases. This means that, at this stage, it is not possible for a reliable estimate to be made of the financial impact of the judgement.

6.9 Intra Government balances

	Debtors:	Debtors:	Creditors:	Creditors:
	Amounts	Amounts	Amounts	Amounts
	falling	falling	falling	falling
	due	due after	due	due after
	within	more	within	more
	one year	than one	one year	than one
	year	year	year	year
	£000	£000	£000	£000
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	13,983	0
Total at 31 March 2007	2,218	0	19,353	0
	<hr/>	<hr/>	<hr/>	<hr/>
Balances with other central government bodies	285	0	251	0
Balances with local authorities	45	0	1,476	0
Balances with NHS trusts and Foundation trusts	315	0	1,671	0
Balances with Local Health Boards	49	0	202	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	389	0	13,742	0
Total at 31 March 2006	1,083	0	17,342	0
	<hr/>	<hr/>	<hr/>	<hr/>

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	2005-06
Contracted	0	0
Authorised but not contracted	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 2006-2007

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
 Vale of Glamorgan 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:

		2006-07 £000	2005-06 £000
Swansea NHS Trust	C Campbell, J Calvert	177,741	166,424
City and County of Swansea	R Owen, W Fitzgerald, G Sullivan, M Smith, J Straw	814	1,142

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

		2006-07 £000	2005-06 £000
Psec Ltd	Provision of services re: Mr C Leslie	68	0
Amboise Ltd	Provision of services re: Mr T Tonks	91	0

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
A Norton - GP Member	The Grove Medical Practice	Partner
A Norton - GP Member	Swansea Out of Hours Service	Employee
P Edwards - Former Medical Director	Tal-y-Bont Surgery	Partner
SR Newbury - 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

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	2
Total losses and special payments	9	2

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	2	0	0
Total cases	2	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 LHBs 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 LHBs 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 LHBs 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 LHBs 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	2005-06 £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

	2006-07 £000	2005-06 £000
City and County of Swansea: HSCWB	66	46
WAG: Diabetic Retinopathy Services	0	103
Reclaim of miscoded prescriptions	48	0
Unscheduled care project contribution	37	0
Orthodontics funding	9	0
Reshaping MH Services recharge	12	0
WAG: Asylum Seekers	0	195
Dental transitional income	18	0
Dental Emergency Access recharge	19	0
Agency travel and subsistence	16	0
GP Registrar Scheme	1,386	1,373
Mental Health Action Programme	8	18
AIM project	0	10
Dental Dispensing Committee	0	17
Chemists Methadone Admin	59	60
All Wales Eye Care Initiative	74	64
Violent Patients recharge	0	18
Other	42	937
Total	1,794	2,841

ACCOUNT OF - 2005-2006

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

LOCAL HEALTH BOARDS

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

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

(a) generally accepted accounting practice in the United Kingdom (UK GAAP);

(b) the accounting and disclosure requirements of the Companies Act;

(c) all relevant accounting standards issued or adopted by the Accounting Standards Board, in so far as they are appropriate to the NHS and are in force for the financial year for which the accounts are to be prepared;

(d) accounting guidance approved by the FRAB and contained in the Financial Reporting Manual (FReM), as detailed in the LHB Manual for Accounts, but specifically excluding schedules 1 and 5;

(e) the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

FORM AND CONTENT

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

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

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

MISCELLANEOUS

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

Signed by the authority of the National Assembly of Wales

Signed : Christine Daws

Dated :

ACCOUNT OF - 2005-2006

SCHEDULE 1

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

Companies Act

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

Accounting Standards

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

SCHEDULE 2

ADDITIONAL REQUIREMENTS

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