

Cardiff 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 Cardiff
- 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	Total £000	2005-06 Total £000
Expenditure	4.1,4.2,4.3, 4.4	387,741	336,643
Miscellaneous income	3.1	6,104	4,272
Net operating costs		<u>381,637</u>	<u>332,371</u>

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

	£000	£000
Unrealised surplus on revaluation / indexations of fixed assets	5	4
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>5</u>	<u>4</u>

BALANCE SHEET AS AT 31 MARCH 2007

	Note	£000	31 March 2006 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	125	171
CURRENT ASSETS			
Debtors	6.1	2,243	1,860
Cash at bank and in hand		90	42
Total Current Assets		2,333	1,902
Creditors: amounts falling due within one year	6.2	29,051	25,358
Net current assets / (liabilities)		-26,718	-23,456
Creditors: amounts falling due after more than one year	6.3	496	2,597
Provisions for liabilities and charges	6.4	21	155
TOTAL NET ASSETS		-27,110	-26,037
FINANCED BY:			
General fund	6.5	-27,119	-26,041
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	9	4
TOTAL		-27,110	-26,037

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

	£000	2005-06 £000
Net operating costs	-381,637	-332,371
Adjust for non-cash transactions	-1,006	-935
Adjust for movements in working capital other than cash	1,210	-3,954
Utilisation of provisions	0	-726
	<hr/>	<hr/>
Net cash outflow from operating activities	-381,433	-337,986
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	-381,433	-337,986
FINANCING:		
Net Assembly funding (including capital)	381,481	337,969
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	381,481	337,969
	<hr/>	<hr/>
Increase / (decrease) in cash	48	-17

Notes to the cash flow statement**Adjust for non-cash transactions**

	£000	2005-06 £000
Depreciation and other write-offs	50	48
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	-134	0
Capital charge interest	-922	-983
	<u>-1,006</u>	<u>-935</u>

Adjust for movements in working capital other than cash

	£000	2005-06 £000
(Increase)/decrease in debtors	-383	-697
Increase/(decrease) in creditors	1,593	-3,257
	<u>1,210</u>	<u>-3,954</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	48
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	<u>48</u>
Non cash changes in debt	-2,261
Net debt at 1 April 2006	2,303
Net debt at 31 March 2007	<u>90</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	42	48	0	90
Bank overdraft	0	0	0	0
Debt due within one year	2,261	0	-2,261	0
Debt due after one year			0	0
	<u>2,303</u>	<u>48</u>	<u>-2,261</u>	<u>90</u>
Total	2,303	48	-2,261	90

Amount held in Office of Paymaster General bank accounts as at 31 March 2007 was £156,428.07

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	2006-07 Repayments £'000	Net Movement £'000
		Total issues and repayments (per creditors note 6.3)	0
Accrued movement in loan capital	0	0	0
Non-cash adjustments	0	0	0
Total financial investment and associated receipts	0	2,261	2,261

Reconciliation of fixed assets and disposals

	Additions £'000	2005-06 Disposals £'000	Net Movement £'000
		Total assets and disposals (per fixed assets note 5.1 5.2)	0
Accrued movement in fixed asset additions	0	0	0
	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 (FReM) 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 £2,000.

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 (BCIS). The land index is based on the residential building and land values reported in the Property Market Report published by the Valuation Office. Valuations are carried out by the District Valuers of the Inland Revenue Government Department at five - yearly intervals. A five - yearly revaluation was carried out as at 30 September 2003.

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

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

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

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

All adjustments arising from indexation and five - yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses. 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.nhspa.gov.uk. Copies can also be obtained from the Stationary Office.

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

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 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.

1.15 Expenditure

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

Certain expenditure relating to reimbursement of General Practitioners for the provision of Family Health Services is defined by the National Assembly as "non-discretionary" and is deducted from net operating costs for the purposes of assessing output 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.

1.16 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 have 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 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	2005-06
	£000	£000
Net operating costs for the financial year	381,636	332,371
Non-discretionary expenditure	<u>10,255</u>	<u>10,926</u>
Operating costs less non-discretionary expenditure	371,381	321,445
Revenue Resource Limit	371,386	321,458
Under / (over) spend against Revenue Resource Limit	5	13
Unplanned resource brokerage received	<u>0</u>	<u>0</u>
Operational Financial Balance	<u>5</u>	<u>13</u>

2006-07 is the fourth year of the LHB's Strategic Change and Efficiency Programme (SCEP) which was agreed by the Welsh Assembly Government in August 2004. This set out the LHB's intention to return to financial balance and repay all the brokerage by the end of 2009.

In 2004-05 brokerage of £4.3 m was received by the LHB.

During 2006-07 the LHB received brokerage of £1.000m from a local LHB, which will be repaid in 2007-08

In 2006-07 the LHB repaid the former Bro Taf loan of £2.261m.

The remaining value of brokerage to be repaid is calculated as follows:

	£m
2003-04 Brokerage	5.016
2004-05 Brokerage	4.300
Total Repayment	<u>9.316</u>

The LHB is planning to repay all brokerage by the end of the planned SCEP in 2009

The LHB is working with local Partners on the Programme for Health Services Improvement (PHSI).

Over the medium term this programme will deliver sustainable services for the Community.

3.1 Miscellaneous income

	£000	2005-06 £000
Fees & Charges	1,221	374
Prescription charge income	4,071	3,057
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Other	<u>812</u>	<u>841</u>
Total	<u>6,104</u>	<u>4,272</u>
Other		

Expenditure:**4.1 Primary health care**

	Cash limited	Non cash limited	Total	2005-06 Total
	£000	£000	£000	£000
General Medical services	42,158	0	42,158	39,496
Pharmaceutical services	10,048	7,614	17,662	17,309
General Dental services	19,201	0	19,201	279
General Ophthalmic services	0	2,641	2,641	2,667
Other Primary health care expenditure	833	0	833	646
Prescribed drugs and appliances	48,724	0	48,724	46,199
Total	120,964	10,255	131,219	106,596

4.2 Secondary and Community health care

	Total	2005-06 Total
	£000	£000
NHS Trusts:		
Provider 1 - Cardiff & Vale NHS Trust	213,773	194,300
Provider 2 - Velindre NHS Trust	6,420	5,534
Provider 3 - Bro Morgannwg NHS Trust	1,654	1,485
Provider 4 - Gwent Healthcare NHS Trust	1,002	1,076
Provider 5 - Pontypridd & Rhondda NHS Trust	2,328	1,864
Provider 6 - Conwy & Denbigh NHS Trust	8	0
Provider 7 - North Glamorgan NHS Trust	365	340
Provider 8 - Swansea NHS Trust	259	207
Provider 9 - Pembrokeshire & Derwen NHS Trust	100	86
Provider 10 - Carmarthen NHS Trust	135	123
Other Welsh NHS trusts	65	36
Other non Welsh NHS trusts	769	296
Local Authorities	125	125
Voluntary Organisations	2,444	2,661
NHS Funded Nursing Care	3,176	3,077
Continuing Care	8,589	8,379
Private providers	237	657
Specific projects funded by Welsh Assembly Government	5,001	2,187
Other	4,944	2,821
Total	251,394	225,254

4.3 Other programme expenditure

	2005-06	2005-06
	£000	£000
Salaries and wages	789	767
National Public Health Service	1,643	1,522
Losses, special payments and irrecoverable debts	0	0
Research and development	0	0
Other	152	0
	<hr/>	<hr/>
Total	2,584	2,289

4.4 Administration expenditure

	2005-06	2005-06
	£000	£000
Non-officer members' remuneration	97	86
Other salaries and wages	1,258	1,229
Establishment expenses	87	72
Transport and moveable plant	0	0
Premises and fixed plant	69	69
External contractors	19	47
Auditors' remuneration - audit fee	82	85
Auditors' remuneration - other fees	0	0
Business Services Centre recharge	1,797	1,846
Interest payable- unwinding of discount	0	0
Interest payable -other	0	48
Capital - depreciation	50	0
Amortisation	0	0
Capital charge interest	-922	-983
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	7	5
	<hr/>	<hr/>
Total	2,544	2,504

Business Service Centre recharge includes an audit fee of £17.8K.

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

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

Personal injury includes £ nil in respect of permanent injury benefits

4.6 Hire and operating lease rentals

	£000	2005-06 £000
Hire of plant and machinery	0	0
Other operating leases	0	0
Total	0	0

Commitments under non-cancellable operating leases:

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

4.7 Executive Directors and staff costs

	Total	2005-06 Total
	£000	£000
Salaries and wages	1,513	1,560
Social security costs	141	131
Employer contributions to NHSPA	229	222
Other pension costs	0	0
Agency / seconded staff	164	83
Total	2,047	1,996

4.8 Board Directors' remuneration

	£000	2005-06 £000
Non-officer members' remuneration	97	85
Executive Directors' remuneration:		
basic salaries	462	433
benefits	2	1
performance related bonuses	0	0
pension contributions	65	69
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
Total	626	588

	£000	Chief Executive £000
Basic Salary	39	106
Benefits	0	2
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	0	15
Total	39	123

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:

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4.9 Average number of employees

The average number of employees during the year was:

	Permanent staff Number	Agency, temporary and cont- ract staff Number	Staff on inward second- ment Number	Total Number	2005-06 Number
Executive Board Members	5	0	1	6	5
Other Local Health Board Staff	39	1	0	40	40
Recharged staff	0	0	2	2	2
Total	44	1	3	48	47

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 £ nil.

4.11 Public Sector Payment Policy - Measure of Compliance

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

	Number	£000	2005-06 £000
Non- NHS			
Total bills paid 2006-2007	3,179	23,302	19,435
Total bills paid within target	3,143	23,199	19,271
Percentage of bills paid within target	98.9%	99.6%	99.2%

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	2005-06 £000
NHS			
Total bills paid 2006-2007	841	244,607	220,981
Total bills paid within target	832	244,586	220,455
Percentage of bills paid within target	98.9%	100.0%	99.8%

	Number	£000	2005-06 £000
Total			
Total bills paid 2006-2007	4,020	267,909	240,416
Total bills paid within target	3,975	267,785	239,726
Percentage of bills paid within target	98.9%	100.0%	99.7%

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

	2005-06 £	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 £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
At 1 April 2006	0	0	0	0	0	0	244	0	244
Indexation	0	0	0	0	0	0	6	0	6
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	250	0	250
Depreciation									
At 1 April 2006	0	0	0	0	0	0	73	0	73
Indexation	0	0	0	0	0	0	2	0	2
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	50	0	50
At 31 March 2007	0	0	0	0	0	0	125	0	125
Net book value									
at 1 April 2006	0	0	0	0	0	0	171	0	171
Net book value									
at 31 March 2007	0	0	0	0	0	0	125	0	125
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:

	£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

	£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, net of,	0	0
	0	0

6.1 Debtors

	£000	2005-06 £000
Amounts falling due within one year:		
National Assembly for Wales	238	139
Health Commission Wales	157	124
Local Health Boards	305	467
Primary Care Trusts	54	46
NHS Trusts	432	100
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	705	348
Provision for irrecoverable debts	-172	-15
Pension Prepayments:	0	0
Other prepayments and accrued income	361	440
	<hr/>	<hr/>
Sub total	2,080	1,649
	<hr/>	<hr/>
Amounts falling due after more than one year:		
National Assembly for Wales	0	0
Health Commission Wales	124	0
Local Health Boards	0	199
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	39	12
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
	<hr/>	<hr/>
Sub total	163	211
	<hr/>	<hr/>
Total	2,243	1,860

6.2 Creditors

		2005-06
Amounts falling due within one year:	£000	£000
National Assembly for Wales	3,413	1,653
Health Commission Wales	0	0
Local Health Boards	105	122
NHS Trusts	2,959	3,005
Primary Care Trusts	0	0
Income tax and social security	0	0
Non-NHS creditors	22,574	20,578
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	0
Accruals	0	0
Deferred Income	0	0
Other creditors	0	0
	<hr/>	<hr/>
Total	29,051	25,358

6.3 Creditors

		2005-06
Amounts falling due after more than one year:	£000	£000
Obligations under finance leases and HP contracts	0	0
NHS creditors	186	336
Assembly loans	0	2,261
Pensions: staff	0	0
Other	310	0
	<hr/>	<hr/>
Total	496	2,597

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	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	155			0	(134)	0		21
Total	155	0	0	0	(134)	0	0	21

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	21	0	0	21
Total	21	0	0	21

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	-26,041
Net operating cost for the financial year	-381,637
Net Assembly funding (including capital)	381,481
Capital charge interest	-922
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2007	-27,119

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	4
Revaluation	0
Indexation	5
Transfer to general fund - realised revaluation	0
	<hr/>
Balance at 31 March 2007	9

6.8 Contingent liabilities -

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

Nature:	2005-06	
	£000	£000
Legal claims for third parties liabilities	0	0
Doubtful debts	0	0
Other	0	0
Total	0	0

Uncertainties affecting outcome:

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: 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	486	124	3,413	310
Balances with local authorities	209	0	2,197	0
Balances with NHS trusts and Foundation trusts	486	0	2,959	161
Balances with Local Health Boards	305	0	105	25
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	766	39	20,377	0
Total at 31 March 2007	2,252	163	29,051	496
Balances with other central government bodies	340	0	1,653	2,261
Balances with local authorities	101	0	2,024	0
Balances with NHS trusts and Foundation trusts	151	0	3,005	214
Balances with Local Health Boards	474	199	122	122
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	598	12	18,554	0
Total at 31 March 2006	1,664	211	25,358	2,597

6.10 Post balance sheet events

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

1.	0
	
2.	0
	
Total		0

6.11 Capital commitments

The Local Health Board has the following capital commitments:

		2005-06	
Contracted	0	0	0
Authorised but not contracted	0	0	0
Total		0	0

6.12 Related Party transactions**£000**

Total value of transactions with Board members and key senior staff in 2006-2007 **0**

Cardiff 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 Cardiff 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,

NHS providers with which the LHB has had material transactions are disclosed in note 4.2 to the accounts.

Other related entities with which the LHB has had material transactions include:

Vale of Glamorgan LHB;Expenditure	128
Vale of Glamorgan LHB;Income	190
Powys LHB; in respect of the BSC SLA (expenditure)	1,874
Net Assembly funding	381,481
Welsh Assembly year end creditor figure in respect of second offer	3,911

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 Cardiff County Council in respect of joint enterprises.

During the year none of the Board members or members of the key management staff or other related parties has undertaken any material transactions with Cardiff LHB

GP, Optometrist and Pharmaceutical Board Members received payments to their practices from the LHB. These payments were made under normal trading conditions between the LHB and the practices, i.e. as arm's length transactions.

Name of Practitioner	Practice Name	Board poition
Mr Mansel Thomas - Dental member	Catherdral Road Dental Surgery	Paid by normal trading conditions
Dr OM Aggarwal - GP member	The City Surgery	Paid by normal trading conditions
Dr Charles Allanby - GP member	Clifton Surgery	Paid by normal trading conditions
Dr Jacqueline Gantley - GP member	North Road Medical Praticce	Paid by normal trading conditions
Mr Adrian Ben Cope - Optician member	AP & HM Cope Optician	Paid by normal trading conditions
Mary Lydon	Brynderwen Surgery	Paid by normal trading conditions
Mr Ian Phillips - Pharamcist member	Phillips Chemists Limited	Paid by normal trading conditions
Dr Noel Mcloughlin	St Isan Road Surgery	Paid by normal trading conditions

6.12 Related Party transactions

Enter text here

6.13 Losses and special payments

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

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

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

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

6.14 Financial Instruments

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

Liquidity Risk

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

Interest-rate Risk

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

Foreign Currency Risk

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

6.15 Finance lease obligations

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

	£000	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

Where Local Health Boards are part of a project financed by a pooled budget, they should include details in this note. The Local Health Board should disclose its contribution to the pooled budget, a description of the project and the total annual expenditure. A memorandum account of the fund should also be disclosed. The account must be prepared by **31 May 2007** at the latest so that the Auditor General for Wales can complete his audit by **28 June 2007**.

**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.

Significant risk issues are highlighted to the Welsh Assembly Government as part of the formal reporting and quarterly review process and as part of my regular discussions with the Regional Director and Director of NHS Wales. In addition, a financial risk assessment is submitted with the Monthly Monitoring Returns.

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

All Executive Directors have a responsibility for managing risks within their own delegated responsibilities. Furthermore, all LHB personnel have some responsibility for risk management and internal control in order to achieve their individual, and the LHB's corporate, aims and objectives.

A Risk Management Committee was established in early 2004, chaired by the LHB's Vice Chair and consisting of both Executive and Non Officer members to oversee the risk management agenda. This closely integrated with both the Clinical Governance Committee where clinical risks were considered and with the Audit Committee which scrutinised management progress on responding to Internal Audit and Welsh Risk Pool recommendations. This structure was revised in early 2007, and there are now two main committees - an Audit and Risk Management Committee and a Quality and Performance Committee.

As Accountable Officer, I fully recognise the importance of risk management and in response to earlier concerns of the Audit and Risk Management Committee in earlier years, I secured additional capacity within the organisation to support and progress the risk management agenda.

Training needs have been identified and Board members and LHB staff have had the opportunity to attend formal risk management training and awareness sessions. These will continue to be held on a regular basis and form part of the induction programme of new Board members and staff.

The LHB also participated as a pilot site in the NLIAH's Governance of Health Project during the financial year. Implementation of the recommendations of that review will be overseen by the Audit and Risk

4. The risk and control framework

The LHB's Risk Management Policy and Strategic Framework was updated and approved by the Audit and Risk Management Committee in January 2006 and includes:-

- a clear policy statement on risk management
- accountability and responsibilities of staff within the LHB
- roles of the Audit and Risk Management Committee in leading the development of the risk management infrastructure
- requirements for incident reporting and working within an open and fair culture
- risk assessment processes
- the development of a risk profile
- performance monitoring mechanisms for risk management.

Identification of risk is a standing item at each LHB Board, Executive Team and internal directorate meetings. This ensures that the risk management culture pervades the organisation rather than being concentrated in one individual officer. The corporate risk register and management action is reviewed and monitored regularly by the Executive Team and traditionally by the Risk Management Committee and under the new committee structure by the Audit and Risk Management Committee.

The LHB has adopted the Welsh Risk Management Standards issued by the Assembly. These standards are a key tool for measurement and management of risk within the LHB. For 2006-07, the eight standards were:-

- Standard A: Risk Management Policy and Strategy
- Standard B: Risk Assessment and Treatment
- Standard C: Incident and Hazard Reporting
- Standard D: Policies and Procedures
- Standard E: Governance
- Standard F: Financial Management
- Standard G: Facilitating Safe Provision of Primary Care
- Standard I: Records Management

The LHB has to demonstrate a compliance score of 75% in all of the core standards A, B, C, E and F in order for Internal Audit to sign the Statement of Internal Control. The Welsh Risk Pool (WRP) require Local Health Boards to achieve a compliance score of 75% in Standards A, B, C, and 50% in Standard G, with a score of 70% overall.

All standards were self assessed at the year end and verification of achievement against the five core standards was conducted by Internal Audit .

The assessment scores are summarised as follows:-

Standard	Self-Assessment	Internal Audit
Standard A: Risk Management Policy and Strategy	84%	80%
Standard B: Risk Assessment and Treatment	92%	91%
Standard C: Incident and Hazard Reporting	97%	99%
Standard D: Policies and Procedures	96%	
Standard E: Governance	100%	100%
Standard F: Financial Management	87%	86%
Standard G: Facilitating Safe Provision of Primary Care	95%	
Standard I: Records Management	85%	
Overall	90%	91%

The Welsh Risk Pool (WRP) undertook an audit of Standards A, B, C, D, G and I in May 2006, and has reported that LHB has demonstrated compliance with the standards, with an overall score of 78%.

The BSC provides Counter Fraud Services through a Service Level Agreement with the LHB. The LHB, working with the Counter Fraud Service, is committed to eradicating fraud and recovering monies obtained from such activity. During the year, work has continued on the Post Payment Verification (PPV) programme.

The Local Health Board entered into new contractual arrangements for NHS dental services from April 1 2006. Under the new NHS dental contract the Local Health Board is responsible for planning and commissioning dental health services in Cardiff. The responsibility for administering payments to dentists is outsourced to the NHSBSA Dental Practice Division which is responsible for providing LHBs in Wales with modern on-line payment systems that enable accurate and timely payments to providers of NHS dentistry within an appropriate framework of governance and control.

The LHB recognises the significant risk in relation to the delivery of the Strategic Change and Efficiency Programme (SCEP). A Project Board, under my Chairmanship, reviews progress and agrees any remedial actions to ensure that the total savings plan is delivered. The delivery of a balanced Service and Financial Framework (SAFF) achieving the access targets required in the health community's Local Delivery Plan(LDP) for 2006-07 has been a major challenge across Wales. It is even more so in this local Health Community as a result of the inherited deficit position of both LHBs and the fact that the local Trust was in financial recovery. The LHB is committed to producing a balanced SAFF for 2007-08 and continues to work with its partners to ensure that services commissioned are in line with the funding envelope available.

Given the resource outlook for NHS Wales, the LHB recognises that it will need to continue to take difficult decisions and processes are being reviewed to ensure that commissioning decisions are taken with in a robust framework and consistent with Designed for Life. Locally this is being progressed through a Cardiff and Vale health community approach: "The Programme for Health Services Improvement". I am the chair of the Programmes Project Board.

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 by the executive officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and by 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, it's formal Sub Committees and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The LHB Board and the Audit and Risk Management Committee hold me to account for delivery of the LHB's objectives through a robust internal control framework. Corporate performance is scrutinised by the LHB Board and the Board agenda is set out against the LHB's objectives as set out in the Accountable Officer Memorandum, and by the Welsh Assembly Government through a formal quarterly and annual review process.

The LHB has a contract for a robust and professional internal audit service which focuses on key risks within the LHB as part of their core programme of work. A system is in place to review internal audit recommendations through the Audit and Risk Management Committee.

Objectives are set for staff against the headings in the Accountable Officer memorandum. As the Accountable Officer, I personally set and performance manage the objectives and personal development plans of the LHB's Directors. In turn, the LHB Chair monitors my personal objectives and provides a full performance report to the Accounting Officer of NHS Wales.

As an employer with staff entitled to membership of the NHS Pension Scheme control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with.

Signed:.....

Date:.....

Chief Executive

(on behalf of board)

AUDITORS' REPORT

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

I certify that I have audited the Financial Statements on pages 1 to 35 under Section 61 of the Public Audit (Wales) Act 2004. These Financial Statements have been prepared under the accounting policies set out on pages 6 to 11.

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

Respective responsibilities of Directors, the Chief Executive and Auditor

As described on page 37 the Directors and the Chief Executive are responsible for the preparation of the Financial Statements in accordance with Section 98(2) of the National Health Service Act 1977 and National Assembly for Wales directions made 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 National Assembly for Wales 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 and consider whether it is consistent with the audited financial statements as it was not available at the time of my audit.

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

Basis of Opinion

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

Opinion

In my opinion:

- the Financial Statements give a true and fair view of the state of affairs of Cardiff 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

- 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 the National Assembly for Wales; and

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

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

Jeremy Colman
Auditor General for Wales
28th June 2007

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