

Cardiff and Vale University Local Health Board

FOREWORD

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

Statutory background

The Local Health Board was established on 1 October 2009 following the merger of Cardiff and Vale NHS Trust, Cardiff Local Health Board and the Vale of Glamorgan Local Health Board.

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 Statement of Comprehensive Net Expenditure, 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 Statement of Financial Position.

The statutory duty for Local Health Boards is enacted in the National Health Service (Wales) Act 2006. Net Operating Costs incurred by Local Health Boards should not exceed their allocated Resource Limit.

The primary performance measure for Local Health Boards is the Achievement of Operational Financial Balance on page 2. 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.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Note	2010-11 £'000	2009-10 £'000 Restated
Expenditure on Primary Healthcare Services	3.1	202,779	194,040
Expenditure on healthcare from other providers	3.2	230,556	124,696
Expenditure on Hospital and Community Health Services	3.3	700,534	694,306
		1,133,869	1,013,042
Less: Miscellaneous Income	4	365,854	367,203
LHB net operating costs before interest and other gains and losses		768,015	645,839
Investment Income	8	0	50
Other (Gains) / Losses	9	57	136
Finance costs	10	2,735	9,792
Net operating costs for the financial year		770,807	655,717

The net operating costs for 2009-10 have been amended on the instruction of the Welsh Assembly Government to reflect prior period adjustments in respect of the abolition of the cost of capital charge and the revised accounting treatment required in respect of economic impairments. As a result the net operating costs shown above are £6.096m lower than those reported in 2009/10.

Achievement of Operational Financial Balance

The LHBs performance for the year ended 31 March 2011 is as follows:

	2010-11 £000
Net operating costs for the financial year	770,807
Less Non-discretionary expenditure	16,662
Less Revenue consequences of Bringing PFI schemes onto SoFP	1,028
Net operating costs less non-discretionary expenditure and revenue consequences of PFI	753,117
Revenue Resource Limit	753,145
Under / (over) spend against Revenue Resource Limit	28

The notes on pages 8 to 58(a) form part of these accounts

Other Comprehensive Net Expenditure

	2010-11	2009-10
	£'000	£'000
Net (gain) / loss on revaluation of property, plant and equipment	(3,113)	(13,232)
Net (gain) / loss on revaluation of intangibles	0	0
Net (gain) / loss on revaluation of available for sale financial assets	(43)	(9)
Receipt of donated or government granted assets	(498)	(1,019)
Gain / (loss) on other reserves	0	(116)
Impairment and reversals	(26)	65,321
Transfers from donated and government grant reserves	829	610
Transfers to / (from) other bodies within the Resource Accounting Boundary	0	(14,887)
Other comprehensive net expenditure for the year	(2,851)	36,668
Total comprehensive net expenditure for the year	767,956	692,385

Statement of Financial Position as at 31 March 2011

		31 March 2011 £'000	31 March 2010 £'000
	Notes		
Non-current assets			
Property, plant and equipment	11	514,764	484,145
Intangible assets	12	904	737
Trade and other receivables	15	32,856	17,233
Other financial assets	19	0	0
Other assets	20	0	0
Total non-current assets		548,524	502,115
Current assets			
Inventories	14	11,225	9,752
Trade and other receivables	15	50,554	53,106
Other financial assets	19	0	0
Other current assets	20	150	145
Cash and cash equivalents	18	802	1,420
		62,731	64,423
Non-current assets classified as "Held for Sale"	11	150	1,500
Total current assets		62,881	65,923
Total assets		611,405	568,038
Current liabilities			
Trade and other payables	16	114,420	109,758
Other financial liabilities	22	0	0
Provisions	17	36,097	35,700
Other liabilities	21	3,343	3,268
Total current liabilities		153,860	148,726
Net current assets/ (liabilities)		(90,979)	(82,803)
Non-current liabilities			
Trade and other payables	16	11,160	12,886
Other financial liabilities	22	0	0
Provisions	17	34,465	18,627
Other liabilities	21	1,770	2,061
Total non-current liabilities		47,395	33,574
Total assets employed		410,150	385,738
Financed by :			
Taxpayers' equity			
General Fund		255,931	232,874
Revaluation reserve		145,074	143,431
Donated asset reserve		8,995	9,288
Government grant reserve		150	145
Total taxpayers' equity		410,150	385,738

The financial statements on pages 2 to 58(a) were approved by the Board on June 7th and signed on its behalf by:

Chief Executive.....

Date

The notes on pages 8 to 58(a) form part of these accounts

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2011

	General Fund £000s	Revaluation Reserve £000s	Donated Asset Reserve £000s	Government Grant Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2010-11					
Balance at 1 April 2010	232,874	143,431	9,288	145	385,738
Net operating cost for the year	(770,807)				(770,807)
Net gain/(loss) on revaluation of property, plant and equipment	0	3,113	0	0	3,113
Net gain/(loss) on revaluation of intangible assets	0	0	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0	43	43
Net gain/(loss) on revaluation of assets held for sale	0	0	0	0	0
Impairments and reversals	0	26	0	0	26
Receipt / (disposal) of donated or government granted assets	0	0	289	209	498
Movements in other reserves	0	0	0	0	0
Release of reserves to SoCNE	0	0	(582)	(247)	(829)
Non-cash charges - cost of capital					0
Transfers between reserves	1,496	(1,496)	0	0	0
Transfers to/(from) other bodies within the Resource Accounting boundary	0	0	0	0	0
Total recognised income and expense for 2010-11	(769,311)	1,643	(293)	5	(767,956)
Net Assembly funding	792,368				792,368
Balance at 31 March 2011	255,931	145,074	8,995	150	410,150

The notes on pages 8 to 58(a) form part of these accounts

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2010

	General Fund £000s	Revaluation Reserve £000s	Donated Asset Reserve £000s	Government Grant Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2009-10					
Balance at 31 March 2009	210,811	193,049	7,924	91	411,875
Net operating cost for the year	(655,717)				(655,717)
Net gain/(loss) on revaluation of property, plant and equipment	0	12,232	1,000	0	13,232
Net gain/(loss) on revaluation of intangible assets	0	0	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0	9	9
Net gain/(loss) on revaluation of assets held for sale	0	0	0	0	0
Impairments and reversals	0	(65,321)	0	0	(65,321)
Receipt / (disposal) of donated or government granted assets	0	0	974	45	1,019
Movements in other reserves	0	0	(610)	0	(610)
Release of reserves to OCS	116	0	0	0	116
Non-cash charges - cost of capital	0				0
Transfers between reserves	(3,471)	3,471	0	0	0
Transfers to/(from) other bodies within the Resource Accounting boundary	14,887	0	0	0	14,887
Total recognised income and expense for 2009-10	(644,185)	(49,618)	1,364	54	(692,385)
Net Assembly funding	666,248				666,248
Balance at 31 March 2010	232,874	143,431	9,288	145	385,738

The notes on pages 8 to 58(a) form part of these accounts

Statement of Cash flows for year ended 31 March 2011

	2010-11	2009-10
	£'000	£'000
Cash Flows from operating activities		Restated
Net operating cost before interest	(768,015)	(645,839)
Movements in Working Capital	34 (17,314)	(14,992)
Other cash flow adjustments	35 61,663	56,898
Provisions utilised	17 (9,650)	(9,736)
Interest paid	(1,682)	(1,691)
Net cash outflow from operating activities	(734,998)	(615,360)
Cash Flows from investing activities		
Purchase of property, plant and equipment	(58,556)	(50,833)
Proceeds from disposal of property, plant and equipment	1,451	271
Purchase of intangible assets	(413)	(438)
Proceeds from disposal of intangible assets	0	0
Payment for other financial assets	0	0
Proceeds from disposal of other financial assets	0	0
Payment for other assets	0	0
Proceeds from disposal of other assets	0	0
Interest received	0	59
Rental Income	0	0
Net cash inflow/(outflow) from investing activities	(57,518)	(50,941)
Net cash inflow/(outflow) before financing	(792,516)	(666,301)
Cash flows from financing activities		
Welsh Assembly Government funding (including capital)	792,368	666,248
Capital receipts surrendered	0	0
Capital grants received	289	1,315
Capital element of payments in respect of finance leases and on-SoFP	(759)	(576)
Cash transferred (to)/ from other NHS bodies	0	0
Net financing	791,898	666,987
Net increase/(decrease) in cash and cash equivalents	(618)	686
Cash and cash equivalents (and bank overdrafts) at 1 April 2010	1,420	734
Cash and cash equivalents (and bank overdrafts) at 31 March 2011	802	1,420

The notes on pages 8 to 58(a) form part of these accounts

Notes to the Accounts

1. Accounting policies

The accounts have been prepared in accordance with the 2010-11 Local Health Board Manual for Accounts and 2010-11 Financial Reporting Manual (FReM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the first-time adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Board are described below. They have been applied in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector.

Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Income and funding

The main source of funding for the Local Health Boards (LHBs) are allocations (Assembly Funding) from the Welsh Assembly Government within an approved cash limit, which is credited to the General Fund of the Local Health Board. Assembly funding is recognised in the financial period in which the cash is received.

Non discretionary funding outside the Revenue Resource Limit is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, or ophthalmic services identified by the Welsh Assembly Government. Non discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the Revenue Resource Limit.

Funding for the acquisition of fixed assets received from the Welsh Assembly Government is credited to the general fund.

- Miscellaneous income is income which relates directly to the operating activities of the LHB and is not funded directly by the Welsh Assembly Government. This includes payment for services uniquely provided by the LHB for the Welsh Assembly Government such as funding provided to agencies and non-activity costs incurred by the LHB in its provider role. Income received from LHBs transacting with other LHBs is always treated as miscellaneous income.

- Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income had been received from third parties for a specific activity to be delivered in the following financial year, that income will be deferred. Only non-NHS income may be deferred.

1.4 Employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

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

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the LHB commits itself to the retirement, regardless of the method of payment.

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme this is disclosed. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the LHBs accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Actuarial gains and losses during the year are recognised in the pensions reserve and reported as an item of other comprehensive income.

1.5 Other expenses

Other operating expenses for goods or services are recognised when, and to the extent that, they have been received. They are measured at the fair value of the consideration payable.

1.6 Property, plant and equipment**Recognition**

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the LHB;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land and buildings used for the LHBs services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales bodies have applied these new valuation requirements from 1 April 2009.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

Land and buildings have been indexed with indices supplied by the District Valuation Office (zero uplift for 2010/11). The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated replacement cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. This is a change in accounting policy from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter to expenditure. Gains and losses recognised in the Revaluation Reserve are reported in the Statement of Net Comprehensive Expenditure. However, to ensure that the outcome as reflected in the reserves figure on the Statement of Financial Position is consistent with the requirements of IAS 36 had this adaptation not been applied, the balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 should be transferred to the General Fund.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. In addition IAS16 requires that where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses. As highlighted in the previous year the NHS in Wales does not have systems in place to ensure that all items being "replaced" can be identified and hence the cost involved to be quantified. The NHS in Wales has thus established a national protocol to ensure it complies with the standard as far as it is able to. Hence to ensure that asset carrying values are not materially overstated, NHS bodies are required to get all All Wales Capital Schemes that are completed in a financial year revalued during that year (prior to them being brought into use) and also similar revaluations are needed for all Discretionary Building Schemes completed which have a spend greater than £0.5m. The write downs so identified are then charged to operating expenses. Cardiff and Vale has followed this protocol in 2010/11.

1.7 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the LHBs business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the LHB; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.8 Depreciation, amortisation and impairments

Freehold land and properties under construction are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the LHB expects to obtain economic benefits or service potential from the asset. This is specific to the LHB and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives.

At each reporting period end, the LHB checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

If there has been a non economic impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Economic impairments are charged in full to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.9 Research and Development

Research and development expenditure is charged to operating costs in the year in which it is incurred, except insofar as it relates to a clearly defined project, which can be separated from patient care activity 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 SoCNE on a systematic basis over the period expected to benefit from the project.

1.10 Donated assets

Donated assets are capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. Donated assets are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the Statement of Comprehensive Net Expenditure. On sale of donated assets the net book value is transferred from the donated asset reserve to the general fund.

1.11 Government grants

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by the Welsh Assembly Government. Revenue grants are treated as deferred income initially and credited to the statement of comprehensive expenditure to match the expenditure to which it relates. Capital grants are credited to the government grant reserve. Assets purchased from government grants are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the government grant reserve and, each year, an amount equal to the depreciation charge on the asset is released from the government grant reserve to the statement of comprehensive net expenditure.

1.12 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Net Expenditure. On disposal, the balance for the asset on the revaluation reserve, donated asset reserve or government grant reserve is transferred to the General Fund. For donated and government granted assets, a transfer is made to or from the relevant reserve to the General Fund so that no profit is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then transferred to the General Fund.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead it is retained as an operational asset and its economic life adjusted. The asset is derecognised when it is scrapped or demolished.

1.13 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

1.13.1 The Local Health Board as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are charged directly to the Statement of Comprehensive Net Expenditure.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

1.13.2 The Local Health Board as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the LHB

net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the LHB's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.14 Inventories

Whilst it is accounting convention for inventories to be valued at the lower of cost and net realisable value using the [first-in first-out/weighted average] cost formula, it should be recognised that the NHS is a special case in that inventories are not generally held for the intention of resale and indeed there is no market readily available where such items could be sold. Inventories are valued at cost and this is considered to be a reasonable approximation to fair value due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

1.15 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.16 Provisions

Provisions are recognised when the LHB has a present legal or constructive obligation as a result of a past event, it is probable that the LHB will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the statement of financial position date, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the LHB has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the LHB has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.17 Clinical negligence costs

The Welsh Risk Pool operates a risk pooling scheme which is paid for by top sliced allocations based on direct invoicing to the Welsh Assembly Government. The Welsh Risk Pool is hosted by Betsi Cadwaladr University Local Health Board.

1.18 Financial assets

Financial assets are recognised on the Statement of Financial Position when the LHB becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

1.18.1 Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through SoCNE'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1.18.2 Financial assets at fair value through SoCNE

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through SoCNE. They are held at fair value, with any resultant gain or loss recognised in the operating cost statement. The net gain or loss incorporates any interest earned on the financial asset.

1.18.3 Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

1.18.4 Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the operating cost statement on de-recognition.

1.18.5 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the statement of financial position date, the LHB assesses whether any financial assets, other than those held at 'fair value through the SoCNE' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Net Expenditure and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Net Expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.19 Financial liabilities

Financial liabilities are recognised on the statement of financial position when the LHB becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

1.19.1 Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities 'at fair value through the Statement of Comprehensive Net Expenditure' or other financial liabilities.

1.19.2 Financial liabilities at fair value through the Statement of Comprehensive Net Expenditure

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the SoCNE. The net gain or loss incorporates any interest earned on the financial asset.

1.19.3 Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

1.20 Cost of Capital

In years prior to 2010/11 the cost of capital applied to all the assets and liabilities of the LHB, less cash balances held at the Government Banking Service and donated assets. In 2010/11 HM Treasury has abolished capital charges but they will be shown as a comparator in these accounts for the final Public Capital Dividend paid by the abolished Trusts in 2009/10.

1.21 Value Added Tax

Most of the activities of the LHB are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.22 Foreign currencies

Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Statement of Comprehensive Net Expenditure. At the Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

1.23 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the LHB has no beneficial interest in them. Details of third party assets are given in Note 24 to the accounts.

1.24 Losses and Special Payments

Losses and special payments are items that the Welsh Assembly Government would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings in the Statement of Comprehensive Net Expenditure on an accruals basis, including losses which would have been made good through insurance cover had LHBs not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses register which is prepared on a cash basis.

1.25 Pooled budget

The LHB has entered into a pooled budget under S.33 of NHS Wales Act 2006 with Cardiff and the Vale of Glamorgan Local Authorities. However, as at the date of the statement of financial position the arrangement was still operating in shadow form and no pooling had occurred. Details of other arrangements the LHB has engaged in under the increased flexibilities allowed under the NHS Act of 1999 are given in Note 31 to these accounts.

1.26 Critical Accounting Judgements and key sources of estimation uncertainty

In the application of the LHB's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

1.27 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

A) The LHB provides for potential bad debts both as a result of specific disputes and based on historic collectability patterns. As a result of this, the LHB is carrying a bad debt provision of £1.613m re non NHS organisations and a credit note provision of £0.077m in respect of NHS debts. While this provision is considered prudent and accurate as at the statement of financial position date, due to the ongoing trading relationships it covers potentially there could be gains and losses re the ultimate recoverability in respect of amounts provided for.

1.27 Key sources of estimation uncertainty (Continued)

B) The LHB has provided for some £62.2m within note 17 in respect of potential clinical negligence, personal injury and permanent injury claims. These provisions have been arrived at on the advice of Welsh Health Legal Services and the LHB's own legal advisors Morgan Cole. Given the nature of such claims this figure could be subject to significant change in future periods. However, the potential financial effect of such uncertainty is mitigated by the fact that the LHB's ultimate liability in respect of individual cases is capped at £0.025m, with amounts above this excess level being reimbursed by the Welsh Risk Pool.

C) In line with IAS19 the LHB has reviewed the level of annual leave taken by its staff to March 31st 2011. Based on a sample the LHB has accrued £0.376m re untaken annual leave. This is based on a sample of the leave records of 66% of all LHB staff and reflects the LHB's policy of only allowing annual leave to be carried forward into 2011/2012 under exceptional circumstances.

D) The LHB has estimated a liability of £6.000m in respect of retrospective claims for continuing healthcare funding. The estimated provision is based upon an assessment of the likelihood of claims meeting criteria for continuing healthcare and the actual costs incurred by individuals in care homes. The provision is based on information made available to the LHB at the time of these accounts and could be subject to significant change as outcomes are determined.

E) During 2009/10 The LHB agreed with the WAO that for the first time it would count inventory (excluding drugs which were already being counted) held on wards as part of its year end inventory figure. From a practical perspective it would be extremely difficult for the LHB to physically count all such areas immediately prior to March 31st, hence an extrapolation method was agreed. As a result over the last two years the stock in 24 different wards has now been counted. This represents 709 beds out of a possible 2,339 across the LHB. In this way a figure of £0.644m has been calculated for ward stock and has been included within the inventory balance shown in note 14 of the accounts. As the number of wards counted increases a picture is emerging of the level of wards which have a typical level of stockholding and those which have higher than average levels. This intelligence is now being built in to the calculation of the balance involved.

F) As in other years due to the relatively short timescale available to prepare the annual accounts, the primary care expenditure disclosed contains a number of significant estimates where the value of actual liabilities was not available prior to the date of the accounts submission. The most material areas being:

- > GMS Enhanced Services
- > GMS Quality and Outcomes Framework
- > Prescribing
- > Dental
- > Pharmacy

1.28 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The LHB therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received;
- b) Payment for the PFI asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

PFI asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the LHBs approach for each relevant class of asset in accordance with the principles of IAS 16.

PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Net Expenditure.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Net Expenditure.

Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the LHBs criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Assets contributed by the LHB to the operator for use in the scheme

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the LHBs Statement of Financial Position.

Other assets contributed by the LHB to the operator

Assets contributed (e.g. cash payments, surplus property) by the LHB to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the LHB, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured at the present value of the minimum lease payments, discounted using the implicit interest rate. It is subsequently measured as a finance lease liability in accordance with IAS 17.

On initial recognition of the asset, the difference between the fair value of the asset and the initial liability is recognised as deferred income, representing the future service potential to be received by the LHB through the asset being made available to third party users.

1.29 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LHB, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.30 EU Emissions Trading Scheme

EU Emission Trading Scheme allowances are accounted for as government grant funded intangible assets if they are not expected to be realised within twelve months, and otherwise as other current assets. They are valued at open market value. As the NHS body makes emissions, a provision is recognised with an offsetting transfer from the government grant reserve. The provision is settled on surrender of the allowances. The asset, provision and government grant reserve are valued at fair value at the end of the reporting period.

1.31 Accounting standards that have been issued but not yet been adopted

All Accounting standards have been followed in line with the recommendations of the 2010/11 Local Health Board Manual of Accounts issued by the Welsh Assembly Government.

1.32 Accounting standards issued that have been adopted early

All Accounting standards have been followed in line with the recommendations of the 2010/11 Local Health Board Manual of Accounts issued by the Welsh Assembly Government.

2. Achievement of Operational Financial Balance

2.1 Revenue Resource Limit

The results reporting whether the LHB has achieved Operational Financial Balance are shown on the face of the Statement of Comprehensive Net Expenditure.

2.2 Capital Resource Limit

2010-11
£000

The LHB is required to keep within its Capital Resource Limit :

Gross capital expenditure	65,510
Add: Loss in respect of disposals of donated assets	0
Less NBV of property, plant and equipment and intangible assets disposed of	(1,509)
Less capital grants	0
Less donations	(289)
Charge against Capital Resource Limit	63,712
Capital Resource Limit	63,774
(Over) / Underspend against Capital Resource Limit	62

3. Analysis of gross operating costs

3.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2010-11 Total £'000	2009-10 £'000
General Medical Services	58,313		58,313	59,654
Pharmaceutical Services	19,866	12,109	31,975	29,827
General Dental Services	28,357		28,357	25,978
General Ophthalmic Services	0	4,553	4,553	4,412
Other Primary Health Care expenditure	3,923		3,923	558
Prescribed drugs and appliances	75,658		75,658	73,611
Total	186,117	16,662	202,779	194,040

3.2 Expenditure on healthcare from other providers

	2010-11 £'000	2009-10 £'000
		Restated
Goods and services from other NHS Wales Health Boards	49,666	22,339
Goods and services from other NHS Wales Trusts	17,383	41,878
Goods and services from other non Welsh NHS bodies	1,942	1,297
Goods and services from WHSSC / HCW	101,858	0
Local Authorities	104	7
Voluntary organisations	3,791	3,277
NHS Funded Nursing Care	5,260	5,286
Continuing Care	38,575	30,927
Private providers	6,253	6,669
Specific projects funded by the Welsh Assembly Government	63	3,264
National Public Health Service / Public Health Wales	4,195	6,925
Business Services Centre / Business Services Partnership	1,419	2,662
Other	47	165
Total	230,556	124,696

3.3 Expenditure on Hospital and Community Health Services

	2010-11	2009-10
	£'000	£'000
		Restated
Directors' costs	2,387	2,315
Staff costs	491,149	484,846
Supplies and services - clinical	124,535	120,141
Supplies and services - general	7,096	6,189
Consultancy Services	736	557
Establishment	11,197	10,811
Transport	1,240	1,150
Premises	21,153	22,639
External Contractors	0	7
Depreciation	22,376	28,208
Amortisation	246	282
Fixed asset impairments and reversals (Property, plant & equipment)	14,977	12,462
Fixed asset impairments and reversals (Intangible assets)	0	0
Impairments & reversals of financial assets	0	0
Impairments & reversals of non-current assets held for sale	105	0
Capital charge interest	0	0
Audit fees	528	888
Other auditors' remuneration	4	37
Losses, special payments and irrecoverable debts	2,049	2,449
Research and Development	0	0
Other operating expenses	756	1,325
Total	<u>700,534</u>	<u>694,306</u>

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

	2010-11	2009-10
	£000	£000
Increase/(decrease) in provision for future payments:		
Clinical negligence	21,154	19,373
Personal injury	775	1,195
All other losses and special payments	1,147	751
Defence legal fees and other administrative costs	608	744
Gross increase/(decrease) in provision for future payments	<u>23,684</u>	<u>22,063</u>
Premium for other insurance arrangements	0	0
Irrecoverable debts	2	(58)
Less: income received/ due from Welsh Risk Pool	<u>(21,637)</u>	<u>(19,556)</u>
Total	<u>2,049</u>	<u>2,449</u>

Personal injury includes £0.011k (2009-10 £0.392k) in respect of permanent injury benefits

4. Miscellaneous Income

	2010-11 £'000	2009-10 £'000 Restated
Local Health Boards	65,038	68,743
WHSSC / Health Commission Wales	165,508	161,694
NHS trusts	3,125	3,283
Strategic health authorities and primary care trusts	3,310	2,959
Foundation Trusts	0	0
Local authorities	4,691	4,632
Welsh Assembly Government	10,365	9,510
Non NHS:		
Prescription charge income	1,157	937
Dental fee income	4,192	4,185
Private patient income	1,973	2,016
Overseas patients (non-reciprocal)	124	(2)
Injury Costs Recovery (ICR) Scheme	2,711	3,350
Other income from activities	2,121	1,915
Patient transport services	0	0
Education, training and research	79,822	82,307
Charitable and other contributions to expenditure	1,243	1,324
Transfer from the donated asset reserve	582	625
Transfer from the government grant reserve	247	174
Non-patient care income generation schemes	955	913
Business Services Centre / Business Services Partnership	0	0
Deferred income released to revenue	0	0
Contingent rental income from finance leases	0	0
Rental income from operating leases	0	0
Other income:		
Provision of laundry, pathology, payroll services	3,281	3,402
Accommodation and catering charges	2,116	2,308
Mortuary fees	129	99
Staff payments for use of cars	0	0
Business unit (please state)	0	0
Other (please state)	13,164	12,829
Total	365,854	367,203
Other Income includes:		
Non Staff SLA's with Cardiff University	4,048	3,928
Programme Management Unit Funding	981	1,598
Informing Healthcare Funding	496	412
Pharmacy sales	719	729
Funding re All Wales Oracle Team	364	351
NHS Non Patient Care Income	1,681	1,534
Total	8,289	8,552

5. Employee benefits and staff numbers

5.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2009-10
	£000	£000	£000	£000	£000
Salaries and wages	399,926	364	14,650	414,940	411,101
Social security costs	29,942	0	0	29,942	29,197
Employer contributions to NHS Pension Scheme	48,957	0	0	48,957	47,116
Other pension costs	0	0	0	0	66
Other employment benefits	0	0	0	0	0
Termination benefits	1,277	0	0	1,277	727
Total	480,102	364	14,650	495,116	488,207
Charged to capital				631	645
Charged to revenue				494,485	487,562
				495,116	488,207

5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2009-10
	Number	Number	Number	Number	Number
Medical and dental	1,205	0	56	1,261	1,195
Ambulance staff	0	0	0	0	0
Administrative and estates	2,323	4	8	2,335	2,440
Healthcare assistants and other support staff	980	0	0	980	994
Nursing, midwifery and health visiting staff	5,163	0	33	5,196	5,152
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	2,550	1	1	2,552	2,510
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
Total	12,221	5	98	12,324	12,291

5.3. Retirements due to ill-health

During 2010-11 there were 19 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 £2,112,419.

5.4 Employee benefits

2010-11	2009-10
£000	£000

The LHB does not have an employee benefit scheme.

5.5 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004.

In order to defray the costs of benefits, employers pay contributions at the existing rate of 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%. Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, his Valuation report recommended that employer contributions could continue at the existing rate of 14% pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings. On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the scheme actuary. At this point the assumptions regarding the composition of the scheme membership are updated to allow the scheme liability to be valued.

The valuation of the scheme liability as at 31 March 2011, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 with summary global member and accounting data.

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 website. Copies can also be obtained from The Stationery Office.

c) Scheme provisions

The NHS Pension Scheme provides defined benefits which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a "final" salary scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last 3 years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Annual increases are applied to pension payments at rates defined by the Pensions (Increases) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year.

Early payment 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 final year's pensionable pay for death in service, and five times their annual pension for death after retirement.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the statement of comprehensive expenditure at the time the Health Board commits itself to the retirement, regardless of the method of payment.

The scheme provides the opportunity to members to increase their benefits through money purchase additional voluntary contributions (AVCs) provided by an approved panel of life companies or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

6. Operating leases

LHB as lessee

Payments recognised as an expense	2010-11	2009-10
	£000	£000
Minimum lease payments	1,087	1,021
Contingent rents	0	0
Sub-lease payments	0	0
Total	1,087	1,021

Total future minimum lease payments Payable	£000	£000
Not later than one year	856	746
Between one and five years	2,271	1,806
After 5 years	1,335	1,772
Total	4,462	4,324

Number of operating leases expiring	Land & Buildings	Vehicles	Equipment	Total
Not later than one year	4	1	16	21
Between one and five years	2	15	6	23
After 5 years	7	0	0	7
Total	13	16	22	51
Charged to the income statement (£'000)	649	90	348	1,087

LHB as lessor

Rental revenue	£000	£000
Rent	0	0
Contingent rents	0	0
Total revenue rental	0	0

Total future minimum lease payments Receivable	£000	£000
Not later than one year	0	0
Between one and five years	0	0
After 5 years	0	0
Total	0	0

Note the difference between payments recognised as an expense and future lease payments relates to operating leases where the lease expired during 2010/11 and has not been renewed.

7. Public Sector Payment Policy - Measure of Compliance

7.1 Prompt payment code - measure of compliance

The Assembly requires that Health Boards pay all their trade creditors in accordance with the CBI prompt payment code and Government Accounting rules. The Assembly has set as part of the Health Board financial targets a requirement to pay 95% of the number of non-NHS creditors within 30 days of delivery.

	2010-11	2010-11	2009-10	2009-10
NHS	Number	£000	Number	£000
Total bills paid	5,569	200,323	4,896	426,445
Total bills paid within target	5,230	196,133	3,583	414,777
Percentage of bills paid within target	93.9%	97.9%	73.2%	97.3%
Non-NHS				
Total bills paid	246,152	329,417	244,557	294,867
Total bills paid within target	235,290	315,118	133,965	212,120
Percentage of bills paid within target	95.6%	95.7%	54.8%	71.9%
Total				
Total bills paid	251,721	529,740	249,453	721,312
Total bills paid within target	240,520	511,251	137,548	626,897
Percentage of bills paid within target	95.6%	96.5%	55.1%	86.9%

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

	2010-11	2009-10
	£	£
Amounts included within finance costs (note 10) from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0
Total	0	0

8. Investment Income

	2010-11 £000	2009-10 £000
Rental revenue :		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue :		
Bank accounts	0	24
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	26
Total	0	50

9. Other gains and losses

	2010-11 £000	2009-10 £000
Gain/(loss) on disposal of property, plant and equipment	(57)	(126)
Gain/(loss) on disposal of intangible assets	0	(10)
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through SoCNE	0	0
Change in fair value of financial liabilities at fair value through SoCNE	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
Total	(57)	(136)

10. Finance costs

	2010-11 £000	2009-10 £000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	254	268
Interest on obligations under PFI contracts	0	0
main finance cost	1,429	1,424
contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Provisions unwinding of discount	1,052	784
Other interest expense	0	0
Total interest expense	2,735	2,476
PDC dividends payable	0	7,316
Other finance costs	0	0
Total	2,735	9,792

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2010	130,568	297,209	6,226	37,241	83,496	2,417	10,825	241	568,223
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	4,523	0	49,175	9,784	108	1,218	0	64,808
Additions - donated	0	70	0	0	181	0	38	0	289
Additions - government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	27,424	0	(27,424)	0	0	0	0	0
Revaluations	0	2,149	0	0	0	0	0	0	2,149
Impairments	(250)	(9,230)	0	(6,313)	0	0	0	0	(15,793)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	(150)	0	0	0	0	0	0	0	(150)
Disposals	0	0	0	0	(3,991)	(105)	(90)	0	(4,186)
At 31 March 2011	130,168	322,145	6,226	52,679	89,470	2,420	11,991	241	615,340
Depreciation at 1 April 2010	0	17,742	184	0	56,822	1,493	7,612	225	84,078
Indexation	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	(10)	0	10	0	0	0	0	0
Revaluations	0	(964)	0	0	0	0	0	0	(964)
Impairments	0	(816)	0	0	0	0	0	0	(816)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(3,903)	(105)	(90)	0	(4,098)
Provided during the year	0	13,546	184	0	6,944	229	1,469	4	22,376
At 31 March 2011	0	29,498	368	10	59,863	1,617	8,991	229	100,576
Net book value at 1 April 2010	130,568	279,467	6,042	37,241	26,674	924	3,213	16	484,145
Net book value at 31 March 2011	130,168	292,647	5,858	52,669	29,607	803	3,000	12	514,764
Net book value at 31 March 2011 comprises :									
Purchased	130,168	285,223	5,858	52,669	28,211	706	2,918	12	505,765
Donated	0	7,424	0	0	1,396	97	82	0	8,999
Government Granted	0	0	0	0	0	0	0	0	0
	130,168	292,647	5,858	52,669	29,607	803	3,000	12	514,764
Asset financing :									
Owned	118,982	257,347	4,919	52,669	28,213	803	3,000	12	465,945
Held on finance lease	1	1,472	0	0	1,394	0	0	0	2,867
On-SoFP PFI contracts	11,185	33,828	939	0	0	0	0	0	45,952
PFI residual interests	0	0	0	0	0	0	0	0	0
	130,168	292,647	5,858	52,669	29,607	803	3,000	12	514,764

The net book value of land, buildings and dwellings at 31 March 2011 comprises :

	£000
Freehold	433,917
Long Leasehold	46,242
Short Leasehold	1,183
	481,342

Of the totals at 31st March 2011, £0 related to land valued at open market value and £0 related to buildings, installations and fittings valued at open market value.

Figures for freehold land and buildings are given gross with separate accumulated depreciation.

The LHB had to charge accelerated depreciation on Whitchurch Hospital which has been earmarked for disposal. The additional depreciation charged in the period in relation to this amounted to £1.7m.

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2009	165,772	308,710	8,841	19,475	81,976	2,256	10,550	236	597,816
Indexation	0	0	0	0	1,597	45	0	5	1,647
Additions - purchased	0	6,619	0	36,812	4,558	116	599	0	48,704
Additions - donated	0	0	0	0	826	122	40	0	988
Additions - government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	7,000	7,887	0	0	0	0	0	0	14,887
Reclassifications	250	19,607	(1,100)	(18,757)	0	0	0	0	0
Revaluations	75	11,526	1,045	0	0	0	0	0	12,646
Impairments	(42,101)	(57,140)	(1,488)	(289)	0	0	0	0	(101,018)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	(428)	0	(1,072)	0	0	0	0	0	(1,500)
Disposals	0	0	0	0	(5,461)	(122)	(364)	0	(5,947)
At 31 March 2010	130,568	297,209	6,226	37,241	83,496	2,417	10,825	241	568,223
Depreciation at 1 April 2009	0	23,056	371	5	52,825	1,369	6,003	217	83,846
Indexation	0	0	0	0	1,045	28	0	4	1,077
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	29	(24)	(5)	0	0	0	0	0
Revaluations	0	(46)	(6)	0	0	0	0	0	(52)
Impairments	0	(22,862)	(374)	0	0	0	0	0	(23,236)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(5,279)	(120)	(365)	0	(5,764)
Provided during the year	0	17,565	217	0	8,231	216	1,974	4	28,207
At 31 March 2010	0	17,742	184	0	56,822	1,493	7,612	225	84,078
Net book value at 1 April 2009	165,772	285,654	8,470	19,470	29,151	887	4,547	19	513,970
Net book value at 31 March 2010	130,568	279,467	6,042	37,241	26,674	924	3,213	16	484,145
Net book value at 31 March 2010 comprises :									
Purchased	130,568	271,909	6,042	37,241	25,153	798	3,127	16	474,854
Donated	0	7,558	0	0	1,521	126	86	0	9,291
Government Granted	0	0	0	0	0	0	0	0	0
	130,568	279,467	6,042	37,241	26,674	924	3,213	16	484,145
Asset financing :									
Owned	119,382	243,021	5,082	37,241	24,576	924	3,213	16	433,455
Held on finance lease	1	1,666	0	0	2,098	0	0	0	3,765
On-SoFP PFI contracts	11,185	34,780	960	0	0	0	0	0	46,925
PFI residual interests	0	0	0	0	0	0	0	0	0
	130,568	279,467	6,042	37,241	26,674	924	3,213	16	484,145

The net book value of land, buildings and dwellings at 31 March 2010 comprises :

	£000
Freehold	404,726
Long Leasehold	47,247
Short Leasehold	1,345
	<u>453,318</u>

Of the totals at the 31st of March 2010, £0 related to land valued at open market value and £0 related to buildings, installations and fittings valued at open market value.

Figures for freehold land and buildings are given gross with separate accumulated depreciation.

During 2008/2009, the Cardiff and Vale NHS Trust (one of the predecessor organisations of the LHB) commissioned a firm of chartered surveyors (DTZ Ltd) to review the remaining lives previously allocated to its buildings by the District Valuer.

The lives allocated by DTZ were applied during that financial year, but from April 1st the LHB has reverted to using the lives identified by the District Valuer in his exercise as at that date. More information with regards to this issue is given in

Note 43 to these accounts. The LHB has also had to charge accelerated depreciation on Whitchurch Hospital which has been earmarked for disposal. The additional depreciation charged in the period in relation to this amounted to £6.9m.

11. Property, plant and equipment (continued.)

i) The LHB's Charitable Fund contributed £0.199m towards the purchase of capital equipment during the year. Other items worth £0.090m were given by various donors.

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

Professional valuations are carried out by the District Valuers of the Inland Revenue. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Assembly and HM Treasury.

The LHB will periodically instruct the District Valuer to Carry out "Good Housekeeping Valuations" when assets resulting from major capital schemes are first brought into use. During the year the LHB carried out 10 such revaluations the total effect of which was:
upward revaluations set against reserves were £3.114m, impairments written off via the Statement of Comprehensive Net Expenditure (SOCNE) were (£4.209m).

The significant schemes brought into use were:

Neurosciences wards & theatres at UHW (Valuation Date: 01/03/2011) (£1.296m) was written off the carrying value via the SOCNE.

Renal Unit at UHW (Valuation Date: 01/03/2011) (£2.322m) was written off the carrying value via the SOCNE.

UHW Womens Services (Valuation Date: 01/03/2011) £1.207m was added to the carrying value.

Llandough Post Graduate centre (Valuation Date: 01/05/2010) £1.775m was added to the carrying value.

iii) The useful economic life of LHB buildings has been determined on an asset by asset basis by the District Valuer. These lives are reviewed by the LHB on an annual basis to ascertain their appropriateness and are reviewed every five years by the District Valuer. Major new construction projects are allocated useful economic lives by the District Valuer when they are first brought into use, smaller alterations to existing structures are initially allocated a useful life of 30 years and alterations to mechanical and engineering assets are allocated 15 year lives. Equipment assets are allocated lives on an individual basis based on the professional judgement and past experience of clinicians, finance staff and other LHB professionals. Again the appropriateness of these lives is reviewed on an annual basis.

iv) During the year the LHB has received £15.080m Non Cash Allocation from The Welsh Assembly Government for assets impaired during the period and this Allocation is included in our Revenue Resource Limit.

v) In addition to the items disclosed in paragraph (ii) above The LHB impaired 2 of its existing assets in 2010/2011, the total value of this write down was (£10.289m). The assets impaired and the amount of the impairment for each was:

Rookwood Hospital (£3.976m) - as part of its 'Making the Difference' strategy the LHB intends to vacate the majority of Rookwood site and transfer services to other LHB sites. Although the land & the original house at Rookwood site are owned by the Cardiff and Vale LHB Charitable Funds and included in the Charitable Funds accounts the LHB had capitalised NHS monies spent on other areas of the site in the LHB accounts and these amounts needed to be written out of the Statement of Financial Position. The impairment has been charged to the SOCNE.

Adult Mental Health Unit - The LHB have reviewed the former Trust decision to site the new Adult Mental Health Unit at Whitchurch. Following a public consultation process the LHB developed proposals to site the new unit at Llandough Hospital and a new business case was submitted to the Welsh Assembly Government in support of this decision. The LHB now has to write off those costs already incurred which are not transferable to the new development. This impairment of (£6.313m) has been charged to the SOCNE.

vi) The LHB is to sell Splott Clinic and this asset has now been classified as an 'Asset Held for Sale' and is no longer included within Note 11.1, please see Note 11.2 for details. The District Valuer revalued this property to Open Market value and an impairment of (£0.479m) has been charged to the SOCNE.

vii) All fully depreciated assets still in use are being carried at nil net book value.

11. Property, plant and equipment (continued)

11.2 Non-current assets held for sale	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
Balance brought forward 1 April 2010	428	1,072	0	0	0	1,500
Plus assets classified as held for sale in the year	150		0	0	0	150
Less assets sold in the year	(349)	(1,072)	0	0	0	(1,421)
Less impairment of assets held for sale	(105)	0	0	0	0	(105)
Plus reversal of impairment of assets held for sale	26	0	0	0	0	26
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance carried forward 31 March 2011	150	0	0	0	0	150
Balance brought forward 1 April 2009	250	0	0	0	0	250
Plus assets classified as held for sale in the year	428	1,072	0	0	0	1,500
Less assets sold in the year	(214)	0	0	0	0	(214)
Less impairment of assets held for sale	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(36)	0	0	0	0	(36)
Balance carried forward 31 March 2010	428	1072	0	0	0	1500

Assets sold in the period

During 2010/2011 the LHB sold 7 of its residential properties that it had previously taken out of use due to their poor state of repair.

One of these sold for a profit of £0.009m after reversing an impairment of £0.026m suffered when it was previously taken out of use. The other six were impaired due to further deterioration in their state of repair and a worsening in the state of the housing market. As a result an impairment loss of £0.105m has been recognised in the Statement of Comprehensive Net Expenditure (page 2)

Assets classified as held for sale during the year

As mentioned on page 31 the LHB has decided to sell Splott Clinic. As a result, the property has been revalued to open market value and the impairment has been included in Note 11.1. The LHB expects the sale to be completed in 2011/2012.

12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2010	1,913	0	0	0	0	1,913
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
Additions- purchased	413	0	0	0	0	413
Additions- internally generated	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Gross cost at 31 March 2011	2,326	0	0	0	0	2,326
Amortisation at 1 April 2010	1,176	0	0	0	0	1,176
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0
Provided during the year	246	0	0	0	0	246
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Amortisation at 31 March 2011	1,422	0	0	0	0	1,422
Net book value at 1 April 2010	737	0	0	0	0	737
Net book value at 31 March 2011	904	0	0	0	0	904
At 31 March 2011						
Purchased	904	0	0	0	0	904
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0
Total at 31 March 2011	904	0	0	0	0	904

12. Intangible non-current assets (continued)

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2009	1,503	0	0	0	0	1,503
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
Additions- purchased	438	0	0	0	0	438
Additions- internally generated	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals	(28)	0	0	0	0	(28)
Gross cost at 31 March 2010	1,913	0	0	0	0	1,913
Amortisation at 1 April 2009	912	0	0	0	0	912
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0
Provided during the year	282	0	0	0	0	282
Reclassified as held for sale	0	0	0	0	0	0
Disposals	(18)	0	0	0	0	(18)
Amortisation at 31 March 2010	1,176	0	0	0	0	1,176
Net book value at 1 April 2009	591	0	0	0	0	591
Net book value at 31 March 2010	737	0	0	0	0	737
At 31 March 2010						
Purchased	737	0	0	0	0	737
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0
Total at 31 March 2010	737	0	0	0	0	737

12. Intangible non-current assets (continued)

Additional disclosures re Intangible Assets

i) On initial recognition Intangible non-current assets are measured at cost. Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent asset basis), indexed for relevant price increases, as a proxy for fair value.

ii) The useful economic life of Intangible non-current assets are assigned on an individual basis based on the professional judgement and past experience of clinicians, finance staff and other LHB professionals. The appropriateness of these lives is reviewed on an annual basis.

iii) All fully depreciated assets still in use are being carried at nil net book value.

13 . Impairments

	2010-11		2009-10	
	Property, plant & equipment £000	Intangible assets £000	Property, plant & equipment £000	Intangible assets £000
Impairments arising from :				
Loss or damage from normal operations	0	0	0	0
Abandonment in the course of construction	6,313	0	0	0
Over specification of assets (Gold Plating)	0	0	0	0
Loss as a result of a catastrophe	0	0	0	0
Unforeseen obsolescence	0	0	0	0
Changes in market price	105	0	0	0
Others (specify)	8,664	0	77,781	0
Total of all impairments	15,082	0	77,781	0
Analysis of impairments charged to reserves in year :				
Charged to the Statement of Comprehensive Net Expenditure	15,082	0	12,462	0
Charged to Revaluation Reserve	0	0	65,319	0
	15,082	0	77,781	0

Note: More information with regards to impairments is given in Note 11, Property, Plant & Equipment.

14. Inventories

	31 March	31 March
	2011	2010
	£000	£000
Drugs	3,748	3,675
Consumables	7,392	6,006
Energy	85	71
Work in progress	0	0
Other	0	0
Total	11,225	9,752
Of which held at realisable value	0	0

14.2 Inventories recognised in expenses

	31 March	31 March
	2011	2010
	£000	£000
Inventories recognised as an expense in the period	126,528	120,081
Write-down of inventories (including losses)	183	180
Reversal of write-downs that reduced the expense	0	0
Total	126,711	120,261

15. Trade and other Receivables

Current	31 March 2011 £000	31 March 2010 £000 Restated
Welsh Assembly Government	1,756	1,643
HCW / WHSSC	1,812	844
Welsh Health Boards	2,872	6,619
Welsh NHS Trusts	638	1,373
Non - Welsh Trusts	1,143	1,180
Other NHS	134	(65)
Welsh Risk Pool	30,338	29,559
Local Authorities	1,115	995
Capital debtors	0	0
Other debtors	9,961	9,864
Provision for irrecoverable debts	(1,613)	(1,584)
Pension Prepayments	0	0
Other prepayments and accrued income	2,398	2,678
Sub total	50,554	53,106
Non-current		
Welsh Assembly Government	0	0
HCW / WHSSC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool	29,961	13,990
Local Authorities	0	0
Capital debtors	0	0
Other debtors	2,895	3,243
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
Sub total	32,856	17,233
Total	83,410	70,339

Receivables past their due date but not impaired

By up to three months	4,549	5,949
By three to six months	717	1,129
By more than six months	5,755	5,106
	11,021	12,184

Of the debtors past due (but not impaired) which are greater than six months old £4.83m relates to RTA and personal injury which is generally considered collectable (2009-10 £4.755m).

Provision for impairment of receivables

Balance at 1 April	(1,584)	(1,529)
Amount written off during the year	108	95
Amount recovered during the year	0	9
(Increase) / decrease in receivables impaired	(137)	(159)
Balance at 31 March	(1,613)	(1,584)

Provisions for impairment are recognised on receivables which are past their due date based on historic collectability rates, together with the need exceptionally to provide for other invoices based on documented evidence of disputes existing with the debtors in question.

16. Trade and other payables

Current	31 March 2011 £000	31 March 2010 £000 Restated
Welsh Assembly Government	2,051	88
WHSSC / HCW	50	677
Welsh Health Boards	4,599	5,617
Welsh NHS Trusts	1,378	4,768
Other NHS	10,749	8,304
Income tax and social security	10,559	10,065
Non-NHS creditors	20,712	48,496
Local Authorities	2,150	2,286
Capital Creditors	12,548	6,007
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts and PFI contracts	2,720	1,754
Pensions: staff	0	0
Accruals	42,978	17,065
Deferred Income	0	0
Other creditors	3,926	4,631
Total	114,420	109,758
Non-current		
Welsh Assembly Government	0	0
WHSSC / HCW	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Other NHS	0	0
Income tax and social security	0	0
Non-NHS creditors	0	0
Local Authorities	0	0
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts and PFI contracts	11,160	12,886
Pensions: staff	0	0
Accruals	0	0
Deferred Income	0	0
Other creditors	0	0
Total	11,160	12,886

The Other Creditors Figure also includes £0.165m owed to WEQAS in respect of surpluses generated by that body which have been recorded and retained on their behalf by Cardiff and Vale LHB.

Amounts falling due after more than one year are expected to be settled with the following profile:

Amounts falling due:	31 March 2011 £000	31 March 2010 £000
Between one and two years	561	1,723
Between two and five years	870	1,187
In five years or more	9,729	9,976
Sub-total	11,160	12,886

17. Provisions

	At 1 April 2010	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2011
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	28,095	0	0	(10,882)	22,614	(5,908)	(6,580)	379	27,718
Personal injury	1,117	0	0	82	1,508	(983)	(733)	78	1,069
All other losses and special payments	0	0	(289)	0	1,147	(858)	0	0	0
Defence legal fees and other administration	806	0	0	(119)	1,053	(256)	(593)		891
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	221			128	38	(220)	0	50	217
Restructuring	0			0	0	0	0	0	0
Other	5,461			0	2,716	(659)	(1,316)		6,202
Total	35,700	0	(289)	(10,791)	29,076	(8,884)	(9,222)	507	36,097
Non Current									
Clinical negligence	13,880	0	0	10,882	6,765	(731)	(1,645)	545	29,696
Personal injury	2,476	0	0	(82)	0	0	0	0	2,394
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	214	0	0	119	214	(35)	(66)		446
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	2,057			(128)	0	0	0	0	1,929
Restructuring	0			0	0	0	0	0	0
Other	0			0	0	0	0	0	0
Total	18,627	0	0	10,791	6,979	(766)	(1,711)	545	34,465
TOTAL									
Clinical negligence	41,975	0	0	0	29,379	(6,639)	(8,225)	924	57,414
Personal injury	3,593	0	0	0	1,508	(983)	(733)	78	3,463
All other losses and special payments	0	0	(289)	0	1,147	(858)	0	0	0
Defence legal fees and other administration	1,020	0	0	0	1,267	(291)	(659)		1,337
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	2,278			0	38	(220)	0	50	2,146
Restructuring	0			0	0	0	0	0	0
Other	5,461			0	2,716	(659)	(1,316)		6,202
Total	54,327	0	(289)	0	36,055	(9,650)	(10,933)	1,052	70,562

Expected timing of cash flows:

	In the remainder of spending review to 31 March 2015	Between 1 April 2015- 31 March 2020	Thereafter	Total
				£000
Clinical negligence	57,414	0	0	57,414
Personal injury	1,506	640	1,317	3,463
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	1,337	0	0	1,337
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	833	922	391	2,146
Restructuring	0	0	0	0
Other	6,202	0	0	6,202
Total	67,292	1,562	1,708	70,562

The expected timing of cashflows in respect of provisions arising from clinical negligence or personal injury claims (together with the associated defence costs) are based on legal opinion obtained by the LHB. The nature of litigation however means that these could be subject to change.

Amounts due in respect of pensions are profiled based on the regime which the NHS Pensions agency currently uses to recover payments in respect of such amounts. This could be subject to change in the future.

The LHB is able to recover amounts paid out in respect of clinical negligence or personal injury claims (subject to an excess per case of £25k) from the Welsh Risk Pool. An amount of £60.299m has been shown within note 15 (Trade and Other receivables) in respect of such expected reimbursements.

Other Provisions include:

Continuing Healthcare IRP & Ombudsman claims £6.000m
Potential Payments to staff in respect of time off in lieu £0.202m

As per above the Local Health Board has estimated a liability of £6.00m in respect of retrospective claims for Continuing Healthcare funding. The estimation method used to calculate the provision for 2009/10 has been reviewed and amended for the accounting period to 31 March 2011. In the continuing absence of detailed assessment information the University Health Board (UHB) has utilised a mixture of actual assessments and the proxy of whether individual claimants were already receiving NHS Funded Nursing Care to determine whether an individual claimant provision would be established or not

Uncertainties about the amount and timing of transfer of economic benefits

The provision for outstanding Continuing Healthcare claims has been based on information made available to the LHB at the time of these accounts, and where the outcome and amount of the claims have yet to be determined.

Uncertainties affecting outcome

In January 2006 the High Court concluded that if, following a health assessment, a person's health 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. Where specific cases, justifying provision, have been identified through patient claims, then these costs have been provided in the accounts. However, the LHB considers there may be cases that have yet to be brought to their attention or that are under investigation, and therefore a reliable estimate of the financial impact of these cases cannot be made at this time. No provision in respect of these cases has been made in these accounts.

17. Provisions (continued)

	At 1 April 2009	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2010
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	26,395	0	0	1,465	20,397	(6,099)	(14,621)	558	28,095
Personal injury	1,060	0	0	0	1,691	(963)	(741)	70	1,117
All other losses and special payments	0	0	(372)	0	751	(379)	0	0	0
Defence legal fees and other administration	610	0	0	107	1,166	(442)	(635)		806
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	218			0	175	(224)	0	52	221
Restructuring	0			0	0	0	0	0	0
Other	4,815			0	3,924	(1,515)	(1,763)		5,461
Total	33,098	0	(372)	1,572	28,104	(9,622)	(17,760)	680	35,700
Non Current									
Clinical negligence	1,757	0	0	(1,465)	13,952	(113)	(355)	104	13,880
Personal injury	2,230	0	0	0	246	0	0	0	2,476
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	109	0	0	(107)	268	(1)	(55)		214
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	2,136			0	0	0	(79)	0	2,057
Restructuring	0			0	0	0	0	0	0
Other	0			0	0	0	0		0
Total	6,232	0	0	(1,572)	14,466	(114)	(489)	104	18,627
TOTAL									
Clinical negligence	28,152	0	0	0	34,349	(6,212)	(14,976)	662	41,975
Personal injury	3,290	0	0	0	1,937	(963)	(741)	70	3,593
All other losses and special payments	0	0	(372)	0	751	(379)	0	0	0
Defence legal fees and other administration	719	0	0	0	1,434	(443)	(690)		1,020
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	2,354			0	175	(224)	(79)	52	2,278
Restructuring	0			0	0	0	0	0	0
Other	4,815			0	3,924	(1,515)	(1,763)		5,461
Total	39,330	0	(372)	0	42,570	(9,736)	(18,249)	784	54,327

The expected timing of cashflows in respect of provisions arising from clinical negligence or personal injury claims (together with the associated defence costs) are based on legal opinion obtained by the LHB. The nature of litigation however means that these could be subject to change.

Amounts due in respect of pensions are profiled based on the regime which the NHS Pensions agency currently uses to recover payments in respect of such amounts. This could be subject to change in the future.

The LHB is able to recover amounts paid out in respect of clinical negligence or personal injury claims (subject to an excess per case of £25k) from the Welsh Risk Pool. An amount of £43.549m has been shown within note 15 (Trade and Other receivables) in respect of such expected reimbursements.

Other provisions include £1.160m in respect to Agenda for Change. Expert advice from within the LHB suggests that all outstanding claims will be settled during 2010/11. However, organisational change to the NHS in Wales could result in additional work load for those involved in the process leading to some slippage to the expected profile.

Other Provisions also include:

Continuing Healthcare IRP & Ombudsman claims £3.811m
- Ophthalmic Investigation £0.051m

As per above the Local Health Board has estimated a liability of £3.811m in respect of retrospective claims for Continuing Healthcare funding. The estimated provision is based upon an assessment of the likelihood of claims meeting criteria for continuing healthcare and the actual costs incurred by individuals in care homes. The estimation method used to calculate the provision for 2008/09 has been reviewed and amended for the accounting period to 31 March 2010.

Uncertainties about the amount and timing of transfer of economic benefits

The provision for outstanding Continuing Healthcare claims has been based on information made available to the LHB at the time of these accounts, and where the outcome and amount of the claims have yet to be determined.

Uncertainties affecting outcome

In January 2006 the High Court concluded that if, following a health assessment, a person's health 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. Where specific cases have been identified through patient claims, then these costs have been provided in the accounts. However, the LHB considers there may be cases that have yet to be brought to their attention or that are under investigation, and therefore a reliable estimate of the financial impact of these cases cannot be made at this time. No provision in respect of these cases has been made in these accounts.

18. Cash and cash equivalents

	2010-11	2009-10
	£000	£000
Balance at 1 April	1,420	734
Net change in cash and cash equivalent balances	<u>(618)</u>	<u>686</u>
Balance at 31 March	<u>802</u>	<u>1,420</u>
Made up of:		
Cash held at GBS	637	1,484
Commercial banks and cash in hand	165	(64)
Current Investments	<u>0</u>	<u>0</u>
Cash and cash equivalents as in Statement of Financial Position	802	1,420
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	<u>0</u>	<u>0</u>
Cash and cash equivalents as in Statement of Cash Flows	802	1,420

19. Other Financial Assets

	Current		Non-current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Financial assets				
Finance lease receivables	0	0	0	0
Financial assets carried at fair value through SoCNE	0	0	0	0
Held to maturity investments carried at amortised cost	0	0	0	0
Available for sale financial assets carried at fair value	0	0	0	0
Loans carried at amortised cost	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

20. Other assets

	Current		Non-current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
EU Emissions Trading Scheme Allowance	150	145	0	0
Prepayments	0	0	0	0
Other assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>150</u>	<u>145</u>	<u>0</u>	<u>0</u>

21. Other liabilities

	Current		Non-current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Lease incentives	0	0	0	0
PFI asset -deferred credit	292	292	1,770	2,061
Other [specify]	3,051	2,976	0	0
	<u>3,343</u>	<u>3,268</u>	<u>1,770</u>	<u>2,061</u>
Other Comprises:				
Payments on Account	1,260	1,163		
Deferred Income	1,791	1,813		
	<u>3,051</u>	<u>2,976</u>		

The £1.791m deferred income is wholly in respect of research and development projects which were incomplete at the date of the statement of financial performance. The income will be released to match expenditure over the life of the trials.

22. Other financial liabilities

Financial liabilities	31 March		31 March	
	2011 £000	2010 £000	2011 £000	2010 £000
Financial assets carried at fair value through SoCNE	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

23. Related Party Transactions

The Welsh Assembly Government is regarded as a related party. During the accounting period the Cardiff and Vale University Local Health Board has had a significant number of material transactions with the Welsh Assembly Government and with other entities for which the Welsh Assembly Government is regarded as the parent body:

	Income £'000s	Expenditure £'000s
Welsh Assembly Government	878,007	25
Abertawe Bro Morgannwg University LHB	15,256	41,698
Aneurin Bevan Health Board	32,544	4,311
Betsi Cadwaladr LHB	514	790
Cwm Taf LHB	20,622	10,262
Hywel Dda LHB	5,235	1,415
Powys LHB	1,376	1,607
Velindre NHS Trust	2,946	18,698
Public Health Wales NHS Trust	2,683	4,840
Welsh Ambulance Trust	127	5,325
Welsh Health Specialist Service Commission	165,550	101,907
Total £'000s	1,124,860	190,878

During the period, other than the individuals set out below, there were no other material related party transactions involving other board members or key senior management staff.

Mr David Francis is Chair of Cardiff and Vale University Local Health Board. He is also a trustee of Safer Wales.

Mrs Jan Williams OBE is the Chief Executive of Cardiff and Vale University Local Health Board. Her husband is a Reader in Strategic Management and Public Policy at the University of Wales Institute, Cardiff (UWIC).

Dr K Baboolal is the Director for Acute Hospital Services. He occasionally receives travel or research grants from and undertakes consultancy work for the following companies: Wyeth, Roche, Novartis, Cardiff Research Consortium, Astellas and Pfizer.

Ms Neelam Bhardwaja is an Associate Director of Cardiff and Vale University Local Health Board. She is also Corporate Director at Cardiff City Council.

Mr Stuart Egan is a Non Executive Member of Cardiff and Vale University Local Health Board. He is a County Councillor for the Vale of Glamorgan Council and Town Councillor for Barry Town Council.

Ms Morgan Fackrell is a Non Executive Director of Cardiff and Vale University Local Health Board. She is also Chair of Voluntary Action Cardiff.

Mr David Wyn Jones is a Non Executive Director of Cardiff and Vale University Local Health Board. He is also a Non Executive Director of Sequence Collective Ltd and has undertaken consultancy work for this organisation.

Dr M W Bourne is a Divisional Director. He also undertakes consultancy work for GE Medical Systems.

Dr George Findlay is a Divisional Director. He is also the clinical lead on the National Confidential Examination into Patients Outcome and Death (NCEPOD)

Ms Linda Walker is Acting Divisional Nurse (Theatres). She is also an associate lecturer with the Open University and a clinical reviewer for NCEPOD

Ms Helen Benett is a Divisional Nurse. She is also a Board Member of Awetu, a Cardiff-based mental health charity, and acts as an advisor to the charity MIND UK.

The material transactions involving the related parties were as follows:

	Payments to related party £'000	Receipts from related party £'000	Amounts owed to related party £'000	Amounts due from related party £'000
Awetu	68	0	10	0
Cardiff Council	8,964	2,355	1,713	820
Cardiff Research Consortium	0	55	0	8
Cardiff University	13,932	7,182	3,344	1,655
GE Medical Systems	823	0	788	0
Mind UK	183	0	0	0
National Confidential Examination into Patient Outcomes and Deaths (CEPOD)	0	28	0	0
Novartis	2,621	80	9	41
The Open University	40	0	35	0
Roche Diagnostics Ltd	396	215	19	31
Roche Products Ltd	2,938	58	159	12
Safer Wales Ltd	17	2	0	0
Sequence Collective Ltd	60	0	16	0
University of Wales Institute Cardiff (UWIC)	0	76	0	2
Vale of Glamorgan Council	2,860	749	422	151
Voluntary Action Cardiff	301	0	0	0
Wyeth Research	0	32	0	0

The LHB has close links with Cardiff University which includes the sharing of staff as well as sharing accommodation on the University Hospital of Wales Site. The University is therefore treated as a related party and their transactions are shown above.

The LHB is a member of the Welsh Risk Pool for Clinical Negligence and Personal Injury claims. The LHB has received settlement payments of £4.888m in respect of claims made.

The corporate body is a registered charity and as a Corporate Trustee the LHB Board were responsible for the management of charitable expenditure of £1.800m in the period connected with the University Hospital of Wales, Llandough, Whitchurch and Community Services.

The Welsh Assembly Government has not notified us of any related parties relating to Ministers in 2010-11.

24. Third Party assets

The LHB held £248,186 cash at bank and in hand at 31 March 2011 (31 March 2010: £254,091) which relates to monies held by the LHB on behalf of patients. This has been excluded from cash and cash equivalents figure reported in the accounts.
In addition the LHB had located on its premises a significant quantity of consignment stock. This stock remains the property of the supplier until it is used. The value of the stock was not quantified at 31st March 2011.

25. Intra Government balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
2010-11 :				
Welsh Assembly Government	1,756	0	2,051	0
Welsh Local Health Boards	2,872	0	4,599	0
Welsh NHS Trusts	638	0	1,378	0
Welsh Health Special Services Committee	1,812	0	50	0
All English Health Bodies	1,099	0	8,951	0
All N. Ireland Health Bodies	17	0	4	0
All Scottish Health Bodies	26	0	31	0
Miscellaneous	211	0	1,762	0
Credit note provision	(77)	0	0	0
Sub total	8,354	0	18,826	0
Other Central Government Bodies				
Other Government Departments	4,046	2,891	105	0
Revenue & Customs	489	0	10,571	0
Local Authorities	1,115	0	2,150	0
Balances with Public Corporations and trading funds	21	0	45	0
Balances with bodies external to Government	36,529	29,965	86,066	12,930
TOTAL	50,554	32,856	117,763	12,930
2009-10 :				
Welsh Assembly Government	1,643	0	88	0
Welsh Local Health Boards	6,619	0	5,618	0
Welsh NHS Trusts	1,373	0	4,768	0
Health Commission Wales	844	0	677	0
All English Health Bodies	1,097	0	8,270	0
All N. Ireland Health Bodies	22	0	0	0
All Scottish Health Bodies	61	0	21	0
Miscellaneous	232	0	13	0
Credit note provision	(307)	0	0	0
Sub total	11,584	0	19,455	0
Other Central Government Bodies				
Other Government Departments	6,553	0	33	0
Revenue & Customs	680	0	10,081	0
Local Authorities	995	0	2,286	0
Balances with Public Corporations and trading funds	5	0	491	0
Balances with bodies external to Government	33,289	17,233	80,680	14,947
TOTAL	53,106	17,233	113,026	14,947

26. Losses and special payments

Losses and special payments are charged to the Statement of Comprehensive Net Expenditure in accordance with IFRS but are recorded in the losses and special payments register when payment is made. Therefore this note is prepared on a cash basis.

Gross loss to the Exchequer

Number of cases and associated amounts paid out or written-off during the financial year

	Amounts paid out during period to 31 March 2011		Approved to write-off to 31 March 2011	
	Number	£	Number	£
Clinical negligence	91	5,449,807	45	2,875,739
Personal injury	83	982,559	57	730,569
All other losses and special payments	413	1,602,725	413	1,602,725
Total	587	8,035,091	515	5,209,033

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				
Case reference	Case type			
00RRBMN0018	Clinical Negligence	30,000	4,005,000	0
06RWMMN0051	Clinical Negligence	45,000	395,000	0
08RWMMN0003	Clinical Negligence	393,000	455,000	0
08RWMMN0010	Clinical Negligence	185,596	276,291	0
08RWMMN0024	Clinical Negligence	385,000	385,000	385,000
08RWMMN0027	Clinical Negligence	513,500	548,500	548,500
08RWMMN0038	Clinical Negligence	145,000	645,000	0
08RWMMN0042	Clinical Negligence	259,800	259,800	0
09RWMMN0016	Clinical Negligence	681,000	745,000	745,000
10RWMMN0013	Clinical Negligence	391,250	516,250	0
07RWMPI0033	Personal Injury	280,449	295,701	0
CA78	Fruitless Payment	0	6,313,000	0
Sub-total		3,309,595	14,839,542	1,678,500
All other cases		4,725,495	7,069,531	3,530,533
Total cases		8,035,090	21,909,073	5,209,033

Note

The Fruitless Payment relates to an abandoned Capital project, details of which are given on Page 31 of these Accounts

27. Contingencies

27.1 Contingent liabilities

	2010-11 £'000	2009-10 £'000
Legal claims for alleged medical or employer negligence	31,777	33,706
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	349	316
Continuing Health Care costs	6,939	16,730
Other	0	0
Total value of disputed claims	<u>39,065</u>	<u>50,752</u>
Amounts recovered in the event of claims being successful	30,146	32,299
	<u>8,919</u>	<u>18,453</u>

The amounts disclosed as contingent liabilities in relation to potential clinical negligence or personal injury claims against the LHB arise where legal opinion as to the possibility of the claims success has deemed this to be possible, rather than remote, and no provision has already been made for such items within note 17. The LHB is assuming that all such costs would be reimbursed by The Welsh Risk Pool (subject to a £25k excess per claim). The net contingent liability contains £1.197m re clinical negligence and £0.783m re personal injury.

Continuing Healthcare Cost Uncertainties

Liabilities for continuing care costs continue to be a significant financial issue for the LHB. The December 2009 deadline for reclaiming pre-1/4/2003 care costs has resulted in a large increase in the number of claims registered, regarding both pre and post 1/4/2003 costs. Cardiff and Vale LHB is responsible for post 1/4/2003 costs and the financial statements include the following amounts relating to those uncertain continuing healthcare costs:

Note 17 sets out the £6.000m provision made for probable continuing care costs relating to claims received which have been assessed as likely to succeed by our specialist CHC nursing teams.

Note 27.1 sets out a £6.939m contingent liability relating to the element of claims received; but assessed as being unlikely to succeed.

The assessment process described is highly complex, involves multi-disciplinary teams and for those reasons can take many months. At this stage, the LHB does not have the information to make a definitive judgement on the likely success or otherwise of the claims included above, however potential costs have been calculated on either a cost per case basis where actual detail is known or based on whether the claimant was already in receipt of funded nursing care financial assistance during the period of the claim.

Any continuing healthcare claims, or period thereof, which relate to pre-1/4/2003 are included in the Welsh Assembly Government Resource Accounts.

27.2 Contingent assets

The LHB has no contingent assets

28. Capital commitments

Contracted capital commitments at 31 March

	2010-11	2009-10
Property, plant and equipment	8,345	7,930
Intangible assets	0	0
	<u>8,345</u>	<u>7,930</u>

29. Finance leases**29.1 Finance leases obligations (as lessee)**

The LHB currently has 3 finance lease agreements in place for the lease of buildings. All three of the lease agreements are due to expire in more than 5 years . The LHB also has 5 finance lease agreements in respect of equipment. Two of which expire in more than two years but less than five years, and three which expire in 2011/12. The present value of the minimum lease payments has been arrived at by applying a discount rate comprising the treasury discount rate (3.5%) plus the rate of inflation as at March 2011 (5.3%)

Amounts payable under finance leases:

Land	31 March 2011 £000	31 March 2010 £000
Minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>
Present value of minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>

29.1 Finance leases obligations (as lessee) continued**Amounts payable under finance leases:**

Buildings	31 March 2011 £000	31 March 2010 £000
Minimum lease payments		
Within one year	195	197
Between one and five years	780	780
After five years	416	611
Less finance charges allocated to future periods	(66)	(86)
Minimum lease payments	1,325	1,502
Included in:		
Current borrowings	180	179
Non-current borrowings	1,145	1,323
	1,325	1,502
Present value of minimum lease payments		
Within one year	179	181
Between one and five years	583	583
After five years	238	336
Less finance charges allocated to future periods	(51)	(62)
Present value of minimum lease payments	949	1,038
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0
Other	31 March 2011 £000	31 March 2010 £000
Minimum lease payments		
Within one year	2,402	1,665
Between one and five years	341	1,741
After five years	0	4
Less finance charges allocated to future periods	(34)	(268)
Minimum lease payments	2,709	3,142
Included in:		
Current borrowings	2,377	1,429
Non-current borrowings	332	1,713
	2,709	3,142
Present value of minimum lease payments		
Within one year	1,321	1,530
Between one and five years	560	1,434
After five years	0	2
Less finance charges allocated to future periods	(28)	(244)
Present value of minimum lease payments	1,853	2,722
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0

29.2 Finance lease receivables (as lessor)**Amounts receivable under finance leases:**

	31 March 2011 £000	31 March 2010 £000
Gross investment in leases		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>
Present value of minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>

30. Private Finance Initiative contracts**30.1 PFI schemes off-Statement of Financial Position**

The LHB has no PFI schemes which are deemed to be off-statement of financial position

30.2 PFI schemes on-Statement of Financial Position**The LHB has one PFI operational schemes deemed to be on-Statement of Financial Position**

On 31st March 2000, a 31 year Private Finance Initiative (PFI) Contract was signed between the former Cardiff & Vale Trust and IMC (Impregilo/Macob consortium) for the provision of a new hospital to be built on the former St. David's site. The hospital, which opened on 1st March 2002 provides a range of services but primarily services linked to the care for older people.

The estimated capital value of the scheme at the time of construction was £13.847m and the annual payments to be made for the provision of the site and for a range of facilities management services is £3.5m.

30.3 Charges to expenditure

	31 March 2011 £000
Amounts included within operating expenses in respect of the service element of <u>PFI transactions deemed to be on-statement of financial position</u>	3,504
Amortisation of PFI deferred asset	428
Operating expenses	3,932

Imputed finance lease obligations comprise:	2010 £000	2011 £000
Within one year	1,278	1,300
Between one and two years	1,300	1,322
Between two and five years	4,032	4,099
After five years	24,770	23,381
Sub-total	31,380	30,102
Less interest element	(22,042)	(20,718)
Total	9,338	9,384

The LHB is committed to make the following **service** payments during the next year:

PFI scheme which expires:

Within one year	0	0
Years 2-5 (inclusive)	0	0
Years 6-10 (inclusive)	0	0
Years 11-15 (inclusive)	0	0
Years 16-20 (inclusive)	0	3,655
Years 21-25 (inclusive)	3,506	0

Capital value of scheme included in Property, Plant and Equipment Note 11 **16,214**

Contract start date: 01/02/2002
 Contract end date: 31/01/2033

30.4 The LHB has 5 Public Private Partnerships

In addition to the St David's PFI Scheme set out previously in Note 30.1, the LHB has five other Public Private Partnerships (PPP) Schemes as set out below:

UHW Car Park

In 1996/7 the former UHW Trust granted a 20 year leasehold interest in land owned by the Trust with the exclusive rights for the Private Partner (Impregilo UK Ltd) to collect all car park income, (at rates set out in the contract), in exchange for the building of a multi storey car park and infrastructure works with a capital cost of £6.7m. Impregilo UK Ltd later sold their interests to VINCI Park Ltd in 2001.

At the end of 20 years, the LHB will receive the residual interest in the multi storey car parks and the reversionary interest in the land for nil consideration. The scheme has been assessed as being "on- statement of financial position" under IFRIC 12. These assets are therefore included in the LHB's statement of financial position (note 11) with current values of £14.062m for the buildings and £10.000m for the land.

On initial recognition of the asset a deferred income creditor balance was recognised in the LHB's accounts at a value of £3.745m. In line with Department of Health Guidance this creditor is being released to the SoCNE annually over the 20 year life of the contract. The amount that has been credited to operating expenses in 2010/11 was £0.187m

Concourse

In 1998/99 the former UHW Trust granted a 20 year leasehold interest in land owned by the Trust, together with the rights for a Private Partner (Gentian Ltd) to collect rent from shop outlets, in exchange for the building of a Concourse entrance to the hospital, with a capital cost of £1.982m.

At the end of the 20 years the LHB will receive the residual interest in the Concourse building and the reversionary interest in the land for nil consideration. The scheme has been assessed as being "on- statement of financial position" under IFRIC 12. These assets are therefore included in the LHB's statement of financial position (note 11) with current values of £2.369m for the buildings and £0.765m for the land.

On initial recognition of the asset a deferred income creditor balance was recognised in the LHB's accounts at a value of £1.730m. In line with Department of Health Guidance this creditor is being released to the SoCNE annually over the 20 year life of the contract. The amount that has been credited to operating expenses in 2010/11 was £0.087m

Llandough Hospital Staff Accommodation

On 28th October 1999, the former University Hospital and Llandough NHS Trust entered into an agreement with Charter Housing for the design, construction, fit out and the subsequent operation of its staff accommodation at Llandough Hospital. The contract period is 25 years; however Charter Housing have since undergone a restructure which has seen a transfer of its interest in the contract to Fairlake Properties Limited. This transfer was completed during 2007/8.

In return for the provision of the new serviced accommodation, the Trust transferred a parcel of surplus land to Charter on which seven of its existing properties resided. These properties were subsequently demolished and the land sold off by Charter. The accommodation is located on the remaining land, which had previously housed three additional properties. This is granted to Charter under a 99 year head lease for a peppercorn rent. Charter then leases the properties back to the LHB in return for an annual unitary payment of £0.056m. The LHB then leases the property back to Charter under a 27 year sub-underlease. The value of the property transferred to Charter in 1999/2000 was £0.763m

The scheme has been assessed as being "on- statement of financial position" under IFRIC 12 and therefore the building is currently valued at £0.939m and the land at £0.420m on the LHB's statement of financial position (note 11)

On initial recognition of the asset a deferred income creditor balance was recognised in the LHB's accounts at a value of £0.454m. In line with Department of Health Guidance this creditor is being released to the SoCNE annually over the 25 year life of the contract. The amount that has been credited to operating expenses in 2010/11 was £0.018m

30.4 The LHB has 5 Public Private Partnerships (Continued)

Llandough Energy Management

On 15th July 2008 the former Cardiff and Vale NHS Trust entered into a revised service agreement with Dalkia Utilities Services PLC for the provision of an energy service at Llandough Hospital until March 31st 2013.

With effect from the agreement date the LHB has to pay Dalkia £0.259m annually. This sum being the aggregate of a financing charge (£0.092m), an operating element (£0.132m) and a maintenance element (£0.035m). The operating element effectively secures the LHB the sole use of the fixed plant that has been fitted by the contractor at Llandough for the purposes of the contract.

The scheme has been assessed as being "on- statement of financial position" under IFRIC 12 and therefore fixed plant (recorded within buildings) is currently valued at £0.264m on the LHB's statement of financial position (note 11).

On initial recognition of the asset a PFI "finance lease" creditor balance was recognised in the LHB's statement of financial position to the value of £0.627m. This will be extinguished by the payment of the operating element within the contractors annual charge, over the life of the contract.

Llandough Operating Theatre

On 27th November 1998, the former University Hospital and Llandough NHS Trust entered into an agreement with Dalkia Utilities Services for the design, construction, fit out and the subsequent maintenance of an ultraclean operating theatre at Llandough Hospital. The contract period is 15 years.

The fair value of the capital cost incurred by Dalkia was £0.732m and the availability of these assets is being secured by 12 unitary payments of £0.078m.

The scheme has been assessed as being "on-statement of financial position" under IFRIC 12 albeit that the asset was already being recorded on the LHB's statement of financial position as it had been included within past valuations of the hospital by the District Valuer. The asset had a carrying value of £0.919m on the LHB's statement of financial position as at March 31st 2011.

On initial recognition of the asset a PFI "finance lease" creditor balance was recognised in the LHB's statement of financial position to the value of £0.732m. This will be extinguished by the payment of the operating element within the contractors annual charge, over the life of the contract.

31. Pooled budgets

The LHB signed an agreement to operate a joint equipment store with Cardiff and the Vale Councils during 2009-10. As at March 31st 2011, however the store was still operating in shadow form and no pooling of budgets had occurred.

In addition the LHB had the following schemes which fell under the increased flexibilities provisions set out in the NHS Act 1999.

Mental Health Reablement Project.

This is a 3 year project with revenue costs of £0.180m in 2010/11. The partner in the scheme is Cardiff Council and the project aims "to improve the co-ordination of care for an individual from assessment, care planning, and commissioning of services, to meet the needs of the individual". 2010/11 is the last year of this project.

Rehabilitation and Reablement Team.

The project expenditure in 2010/11 was £0.222m. The partner in the scheme is Cardiff Council and the project aims to improve the provision of Community Rehabilitation and Reablement to the whole of Cardiff, with a focus on enhancing existing services currently available to patients in certain parts of Cardiff only. This will include the Cardiff Rapid Response/ Reablement team, the Elderly Care Assessment Service and the Acute Response Team. Grant funding for this project ceased on 31st March 2011. It is the intention that the UHB will continue to fund this initiative alone in 2011/12.

Specialist Rehabilitation Liaison Nurse.

The project expenditure in 2010/11 was £0.031m. The partner in this scheme is the Vale of Glamorgan Council. The project aims to ensure that all patients with complex needs admitted to Llandough Hospital are given access to specialist assessment / rehabilitation in order to maximise timely recovery and independence; to improve links between the community services and specialist geriatric/rehabilitation services by providing access to urgent geriatric assessment and interventions and to reduce dependency levels and thus costs associated with long-term care/domiciliary care packages for an increasing ageing population.

Expansion of Vale Community Rehabilitation Team and Integration with Vale Short-term Intervention Service.

The project expenditure in 2010/11 was £0.068m. The partner in this scheme is the Vale of Glamorgan Council and the project aims to work with the Vale Local Authority to progress the integration of the Vale Short-Term Intervention Service and Community Rehabilitation Team; to expand the therapy element of the service in order to be able to provide for the needs of a larger range of patients; to continue to work with the Local Authority to maximise patient outcomes/potential for living at home, thus reducing costs associated with long-term/care packages and to improve the co-ordination and administration for the above.

32. Financial Instruments

Financial assets	At "fair value" through SoCNE £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	0	8,355	0	8,355
Cash at bank and in hand	0	802	0	802
Other financial assets	28,756	39,801	0	68,557
Total at 31 March 2011	28,756	48,958	0	77,714

Financial liabilities	At "fair value" through SoCNE £000	Other £000	Total £000
Embedded derivatives	0	0	0
PFI and finance lease obligations	4,184	2,720	6,904
Other financial liabilities	0	107,343	107,343
Total at 31 March 2011	4,184	110,063	114,247

Financial assets	At "fair value" through SoCNE £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	0	11,594	0	11,594
Cash at bank and in hand	0	1,418	0	1,418
Other financial assets	13,480	38,881	0	52,361
Total at 31 March 2010	13,480	51,893	0	65,373

Financial liabilities	At "fair value" through SoCNE £000	Other £000	Total £000
Embedded derivatives	0	0	0
PFI and finance lease obligations	5,043	1,754	6,797
Other financial liabilities	0	99,438	99,438
Total at 31 March 2010	5,043	101,192	106,235

Financial Liabilities shown at fair value relate to PFI and Finance Lease Balances due after one year or more.

Financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies. The Local Health Board has limited powers 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 in undertaking its activities.

As outlined on page 55, The LHB is not significantly exposed to liquidity risk.

33. Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The LHB is 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 listed companies, to which these standards mainly apply. The LHB has limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHB in undertaking its activities.

Currency risk

The LHB is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The LHB has no overseas operations. The LHB therefore has low exposure to currency rate fluctuations.

Interest rate risk

LHBs are not permitted to borrow. The LHB therefore has low exposure to interest rate fluctuations

Credit risk

Because the majority of the LHB's funding derives from funds voted by the Assembly the LHB has low exposure to credit risk.

Liquidity risk

The LHB is required to operate within cash limits set by the Welsh Assembly Government for the financial year and draws down funds from the Assembly as the requirement arises. The LHB is not, therefore, exposed to significant liquidity risks.

Maturity of financial liabilities

	31 March	31 March
	2011	2010
	£'000	£'000
In one year	110,063	101,192
In more than one year but not more than two years	763	1,458
In more than two years but not more than five years	634	869
In more than five years	2,787	2,716
Total	114,247	106,235

34. Movements in working capital

	2010-11	2009-10
	£000	£000
(Increase)/decrease in inventories	(1,473)	(673)
(Increase)/decrease in trade and other receivables	(13,071)	(16,701)
(Increase)/decrease in other current assets	0	0
Increase/(decrease) in trade and other payables	(2,845)	2,287
Increase/(decrease) in other current liabilities	75	95
Total	(17,314)	(14,992)

35. Other cash flow adjustments

	2010-11	2009-10
	£000	£000
Depreciation	22,376	28,208
Amortisation	246	282
Impairments and reversals	15,082	12,462
Cost of Capital Charge	0	(7,086)
Release of PFI deferred credits	(292)	(292)
Transfer from donated asset reserve	(582)	(625)
Transfer from government grant reserve	0	0
Non-cash movements in provisions	24,833	23,949
Total	61,663	56,898

36. Cash flow relating to exceptional items

The LHB had no such items in 2010/11

37. Events after the Reporting Period

The LHB has not experienced any events having a material effect on the accounts, between the date of the statement of financial position and the date on which these accounts were approved by its Board.

38. Operating segments

IFRS 8 requires bodies to report information about each of its operating segments.

The LHB has formed the view that the activities of its divisions are sufficiently similar for the results of their operations not to have to be disclosed separately. In reaching this decision we are satisfied that the following criteria are met:

- (1) Aggregation still allows users to evaluate the business and its operating environment.
- (2) Divisions have similar economic characteristics.
- (3) The Divisions are similar re all of the following:
 - (1) The nature of the services provided.
 - (2) The Divisions operate fundamentally similar processes.
 - (3) The end customers to the processes (the patients) fall into broadly similar categories.
 - (4) They share a common regulatory environment.

The LHB is also home to a small number of hosted or managed services:

- > The Programme Management Unit
- > The Welsh Medicines Partnership
- > The Welsh Medicines Resource Centre
- > The All Wales Oracle Team
- > The National Poisons Information Service
- > The Diabetic Retinopathy Screening Service

We have separately considered if the results of these bodies should be reported by segment. In determining this we have considered both materiality, whether or not that they comprise direct healthcare services and clearly provide services to a different client base than the main organisations services.

The Standard requires that an entity shall report separately information about each identifiable operating segment that exceeds the quantitative thresholds i.e. if any of the following apply:

- its reported revenue, including both sales to external customers and inter-segments sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments;
- the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss (ii) the combined reported loss of all operating segments that reported a loss; and
- its assets are 10% or more of the combined assets of all operating segments

None of the hosted services are close to breaching the above materiality limits which would require them to be disclosed as a discrete business segment in Cardiff and Vale's Accounts. Two of the hosted bodies (PMU & the All Wales ORACLE Team) do not have as their main purpose the provision of healthcare and arguably offer their services to a different client basis. However, they comprise such a small percentage of the overall business that to claim that they constitute discrete operating units would in effect be misleading.

39. Other Financial Information

1) Welsh Health Specialist Services Committee

Welsh Health Specialist Service Committee (WHSCC) is the successor body to Health Commission Wales. It came into being on 1st April 2010, as a service transfer from the WAG into health. While WHSSC is hosted by Cwm Taf LHB, it is still an individual organisation in its own right but has no legal standing.

Regarding income, expenditure, debtors and creditors, organisations across Wales and England must still contract with and raise invoices to WHSSC.

However, regarding day-to day funding and direction, WHSSC is governed through a Board made up of the Chief Executives and DOFs of each of the 7 LHBs in Wales. WHSSC still commissions specialist, novel and high cost healthcare services for the people of Wales but now reports to each of the LHBs regarding the services commissioned for their patient populations.

WHSSC does not receive a direct funding allocation from WAG but is instead funded via an income stream from each of the LHBs making up the WHSSC board. Each LHB has a separate resource allocation for specialist services. This allocation is based on activity shares by organisation and forms the basis for the risk sharing agreement across LHBs

At year end any under or over spend incurred by an individual organisation as a result of utilisation of specialist services, is notified to them by WHSSC and will be included in their annual accounts. Such adjustments being calculated in line with the agreed risk sharing methodology.

It has been determined at a national level that in line with the requirements of merger accounting the assets, liabilities, income and expenditure of WHSCC will be consolidated into the Cwm Taf Annual Accounts and annual report. No adjustment has therefore been made to the Cardiff and Vale Accounts to include as a segment an appropriate share of WHSCC's income, expenditure or statement of financial position.

2) Transfer of services to NHS Information Service (NWIS)

The UHB hosts The Programme Management Unit (PMU) on behalf of WAG. On April 1st 2010 two sections of the PMU transferred to NWIS which is hosted by the Velindre NHS Trust. These sections were:

- > The Corporate Health Information Programme
- > The Primary Care Information Programme

While this transfer does fall under the rules of merger accounting, it has been agreed with The Welsh Assembly Government that given the amount involved in the transfer, it is completely immaterial to the Cardiff and Vale Annual Accounts and therefore no adjustment needs be made to opening balance sheet values and comparatives. It is believed that the reduction to income and expenditure arising from this transfer is around £0.3m annually.

3) Prior period Adjustments

The Statement of Comprehensive Net Expenditure for 2009-10 has been re-stated to reflect changes in accounting policies for capital charge interest and fixed asset impairments. Some items of expenditure have also been reclassified from 'Expenditure on Hospital and Community Health Services' to 'Expenditure on healthcare from other providers', in accordance with the Manual for Accounts. The impact of these restatements is as follows:

- Reduction in 'Expenditure on Hospital and Community Health Services' of £6,315,000 due to the removal of capital charge interest
- Increase in 'Expenditure on Hospital and Community Health Services' of £219,000 as impairment losses arising from a clear consumption of economic value are now treated as expenditure
- Reduction in 'Expenditure on Hospital and Community Health Services' of £47,736,000 with a corresponding increase in 'Expenditure on healthcare from other providers' due to the reclassification of expenditure

The net impact is an overall reduction in net operating costs for 2009-10 of £6,096,000.

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

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

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

Date.....2011 Chief Executive

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

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

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

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

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

By Order of the Board

Signed:

Chairman: Dated:2011

Chief Executive: Dated:2011

Director of Finance: Dated:2011

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

LOCAL HEALTH BOARDS

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2010 and subsequent financial years in respect of the Local Health Boards (LHB)¹, in the form specified in paragraphs [2] to [7] below.

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

(a) the accounting guidance of the Government Financial Reporting Manual (FReM), which is in force for the financial year in which the accounts are being prepared, and has been applied by the Welsh Assembly Government and detailed in the NHS Wales LHB Manual for Accounts;

(b) any other specific guidance or disclosures required by the Welsh Assembly Government..

FORM AND CONTENT

3. The account of the LHB for the year ended 31 March 2010 and subsequent years shall comprise an operating cost statement, a statement of financial position, a statement of cash flows and a statement of changes in taxpayers' equity as long as these statements are required by the FReM and applied by the Welsh Assembly Government, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2010 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, changes in taxpayers' equity and cash flows during the year.

5. The account shall be signed and dated by the Chief Executive of the LHB.

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.

Signed by the authority of Welsh Ministers

Signed : Chris Hurst

Dated : 17.06.2010

1. Please see regulation 3 of the 2009 No.1559 (W.154); NATIONAL HEALTH SERVICE, WALES; The Local Health Boards (Transfer of Staff, Property, Rights and Liabilities) (Wales) Order 2009

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.

The vision of the Cardiff and Vale University Health Board (UHB) is to be the flagship Health Board in Wales, with an international reputation for excellence and innovation. To achieve this it will ensure that our skilled and committed workforce, provide safe, high quality care, at the right time and in the right place. The effective management of risk is integral to the delivery of this vision and to achieve this across the breadth of the UHB clear lines of accountability/responsibility have been put in place. To assist me in the management of risk, the following post holders continue to have designated responsibilities.

- The Director of Governance is responsible at an executive level for ensuring that risk management is discharged appropriately and embedded throughout the organisation. She is also responsible for ensuring that the UHB has arrangements in place to deliver high standards of corporate governance. She acts as the principal advisor to the Board, and the UHB as a whole, on all aspects of corporate governance.
- The Medical Director, Director of Nursing and Director of Therapies and Health Science share the responsibility at an executive level for ensuring that patient safety and clinical governance is discharged appropriately and embedded throughout the UHB. The Director of Nursing also has responsibility for patient experience and quality. This includes the arrangements for meeting the requirements of the Standards for Health Services in Wales. These Standards are integral to the strategic framework and are key to underpinning the vision, values, governance and accountability framework for the UHB and the wider NHS in Wales.
- Executive Directors, Divisional Directors, Divisional Managers and Divisional Nurses are responsible for ensuring that risk is managed within their area of responsibility in accordance with UHB policies and procedures. They have a responsibility to identify, evaluate and manage operational risks and highlight any emerging significant risks. The Divisional teams have clear clinical leadership and at Directorate level they are supported by Clinical Directors, Lead Nurses and Directorate Managers.
- Corporate functions including: Quality and Safety; Patient Experience; Health, Safety and Environment Unit; Finance Division; Workforce and Organisational Development Division and others, assist managers and myself by providing advice and support in their specialist areas.
- The work of the Internal Audit Service provides annual assurance to myself and the UHB Board against the effectiveness of existing internal controls and risk management systems and processes.

The most important aspect in the management of risk is to embed a culture so that everyone in the organisation takes responsibility for risk management and internal control to achieve their personal objectives and divisional objectives and the overall aims and objectives of the UHB.

In addition to the internal process of continuous review, I have communicated with the Welsh Government where there have been significant issues that present a risk to the UHB. These communications have either been as part of specific meetings arranged to discuss such issues or as part of the regular review meetings.

In support of these arrangements, independent external assurance has also been provided to the UHB by the Wales Audit Office (WAO), Healthcare Inspectorate Wales (HIW) and the Welsh Risk Pool (WRP) as well as other statutory licensing and inspection bodies.

The WAO has provided a number of reports during the year and actions have been identified and taken where necessary. The Audit Committee has had oversight of all reports and actions to ensure that reports have been appropriately scrutinised and responded to by the appropriate managers, Directors and Board Committees.

HIW has provided independent and objective assurance of the quality, safety and effectiveness of healthcare services. They have visited UHB premises on a number of occasions as part of their announced and unannounced visits programme. Prioritised action plans have been developed in response to these visits. They have also scrutinised the implementation of the Standards for Health Services within the UHB. This has included meetings with the whole Board.

The Community Health Council (CHC) has also provided objective assessment and assurance in their role as independent "watchdogs".

The WRP Annual Assessment against the four Welsh Risk Management Standards is a key part of the controls assurance process within the UHB. The review this year was particularly encouraging where the UHB was able to demonstrate an improvement in the management and response to claims and concerns. The WRP concluded that the revised structures and processes once embedded throughout the UHB should prove effective in securing the objectives of ensuring good organisational learning and in the implementation of the spirit and intent of Putting Things Right/ NHS Redress.

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 period 1 April 2010 ending 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Welsh Government guidance.

3. Capacity to handle risk

The UHB is absolutely committed to improving safety and the quality of patient care. As previously indicated the Director of Nursing, Medical Director and Director of Therapies and Health Science have specific responsibilities with regard to the management of clinical risk and governance. Leadership of the corporate risk management process is provided by the Director of Governance supported by her Executive Director colleagues, Divisional Directors, Divisional Managers and Divisional Nurses. The Director of Finance is responsible for ensuring financial governance within the UHB. To reflect the complexity of the UHB and the many differing categories of risk it is necessary to have a number of stages of risk management. The Risk Management Policy clarifies the roles and responsibilities of individuals and committees within the UHB. This policy together with the strengthened Risk Assessment and Risk Register Procedure was approved by the Audit Committee in January 2011. The procedure allows for the assessment of all categories of risk, for example clinical, corporate and financial risks.

The Director of Governance has worked with the Audit Committee, as the Board Committee responsible for undertaking scrutiny on the management of risk, on the development of a Board Assurance Framework (BAF). The BAF aligns the strategic objectives of the UHB, identifies the inherent risks that may threaten their achievement, the required actions to mitigate these risks and the assurance required to satisfy the Board that appropriate arrangements are in place. The live risks identified within the

Corporate Risk Register have also been linked to the BAF. The risks contained within the Corporate Risk Register have been used to inform the priorities for action within the UHB Operational Plan. The Board, through its Statement of Intent and stated core values, requires the consideration and management of risk to be embedded in all decision making processes. Committees of the Board consider appropriate risk related issues throughout the year. At an operational level the Divisional Quality and Safety Groups lead on the management of risk. These Groups have been established with approved generic terms of reference and clear reporting arrangements into the Quality and Safety Committee. In addition, and in rotation, each Division attends the Quality and Safety Committee for further discussion and scrutiny of their work. Reference to these reports is made within the Quality and Safety Committee Annual Report. The Corporate Risk and Governance Lead and members of the Patient Safety Team attend the Divisional meetings.

The UHB has embraced “1000 Lives Plus”; a five year Programme to reduce waste, harm and variation in healthcare. This will improve patient safety and clinical outcomes through implementing evidence based processes and driving forward system wide changes creating a safer environment for patients and staff. Demonstrable improvements include Hospital Acquired Infection Rates, Stroke Care, and Risk Adjusted Hospital Mortality Rates.

The Patient Safety Friday Walkround initiative, one of the ways the Board demonstrates leadership and commitment to improving outcomes for patients and staff, has continued throughout the period. The weekly Walkrounds inform and develop a positive culture and reinforce that quality and safety of care for patients is of paramount importance to the Board. It also provides front line staff with the opportunity to engage with Board Members on key related patient safety issues.

As indicated by the WRP, the UHB has strengthened processes for learning when things have gone wrong and I have personally overseen a complete review of the complaints management process. This has resulted in the establishment of a Complaints Panel chaired where a selection of complaints/claims files are personally reviewed by myself and the Chair. Further work is also underway to ensure that the UHB is implementing fully the legislative requirements of Putting Things Right / NHS Redress.

To ensure the UHB consistently delivers high standards of patient safety and governance, all staff must be competent and appropriately qualified to perform their particular functions. All staff will identify, in association with their manager, ongoing development needs as part of their Individual Performance and Development Review in accordance with the Knowledge and Skills Framework.

A number of specialist training courses, mandatory training and development days take place throughout the year to ensure that staff are equipped to manage risk. The Mandatory Training Programme to update staff of key legislative requirements/developments provides training for staff at agreed intervals. This is delivered through a combination of e-learning and tutor led sessions.

4. The risk and assurance framework

The organisation uses the Doing Well, Doing Better: Standards for Health Services in Wales as its framework for gaining assurance on its ability to fulfil its aims and objectives for the delivery of safe, high quality health services. This involves self assessment of performance against the standards across all activities and at all levels throughout the organisation.

As part of this process, the organisation has completed the Governance and Accountability Assessment Module and achieved the following level of performance for 2010/2011:

Governance and Accountability Module	We do not yet have a clear, agreed understanding of where we are (or how we are doing) and what / where we need to improve.	We are aware of the improvements that need to be made and have prioritised them, but are not yet able to demonstrate meaningful action.	We are developing plans and processes and can demonstrate progress with some of our key areas for improvement.	We have well developed plans and processes and can demonstrate sustainable improvement throughout the organisation / business.	We can demonstrate sustained good practice and innovation that is shared throughout the organisation / business, and which others can learn from.
Setting the direction			✓		
Enabling delivery			✓		
Delivering results achieving excellence			✓		
Overall Maturity level			✓		

The Self Assessment was completed by Independent Members of the UHB. The overall maturity level was arrived at following detailed consideration of a number of statements that were posed within the HIW Governance and Accountability Module. It recognises that whilst making good progress the UHB has further work to do to demonstrate sustainable improvements across the breadth of our services. An action plan is to be developed arising from the review that will be monitored through the Board Governance and Accountability Group.

The process has been subject to independent internal assurance by the organisations Head of Internal Audit.

The organisation has plans in place to achieve the improvement actions identified and within clearly defined timescales proportionate to the risk.

The UHB must embed the Standards for Health Services in Wales throughout the organisation. Action to date includes:

- All developments and plans, including the Five Year Strategic Framework and Operational Plans must identify which of the Standards they will deliver
- All Board and Committee reports must indicate which of the Standards will be affected by the decision requested
- Standards have been allocated to Committees of the Board for specific assurance and scrutiny and also have Executive and Senior Operational manager leads
- Independent Member Committee Chairs reviewed the assessments of their allocated Standards to inform the overall assessment process
- Each of the Corporate Functions and each of the eight Divisions undertook a detailed assessment of progress against the Standards. This identified where further improvements are required.
- Arrangements have been put in place in order that the UHB can move away from the annual self-assessment to one where the standards are embedded in practice and support continuous improvement.

As the emphasis on partnership working increases, it is important to ensure that there is a clear understanding of the risks that we face together. The UHB is fully engaged in the Local Service Boards for Cardiff and the Vale of Glamorgan. An Integrated Health and Social Care Programme Board is also in place, now chaired by the UHB Chair, focusing on partnership issues that will ensure that commitments are fully implemented. A partnership Board is also in place with Cardiff University with a similar one to be established with UWIC. A partnership governance framework is to be developed in 2011/12 to clarify the expectations of the partners with regard to the management of risk.

The important role that the third sector plays in the delivery of health and social care is fully recognised. The Third Sector Strategic Alliance and Investment Strategy Steering Group, and supporting Task Group, with representation from the UHB, Cardiff and Vale of Glamorgan County Councils, Voluntary Action Cardiff and Vale Centre for Voluntary Services has been established to steer the vision of the UHB Third Sector Strategic Alliance and Investment Strategy and ensure alignment to UHB priorities and service models.

The Community Health Council as a representative of the wider population attends Board meetings and a number of other forums within the UHB. In addition to this the UHB is required have three advisory groups to ensure stakeholder engagement and dialogue with regard to risk management issues. These are the:

- Stakeholder Reference Group;
- Local Partnership Forum; and
- Healthcare Professionals' Forum.

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 a plan to address weaknesses and ensure continuous improvement of the system is in place.

The UHB Board has a number of Committees to oversee that risk is effectively managed to a reasonable level. Each Committee has defined Terms of Reference that identify aims and functions. Committee Chairs all submit minutes to the UHB Board and highlight any key risks and developments of which the full Board should be aware.

Board Committees having specific responsibility for risk and governance have discharged these as follows:

- The Quality and Safety Committee has provided the Board with assurance relating to issues of a clinical and patient safety nature. The Chair of the Committee produced an Annual Report on its activities against its agreed work programme and specifically monitored the independent and external assurance work of Healthcare Inspectorate Wales and the Welsh Risk Pool.
- The Audit Committee met seven times during the period. It also met on the 1 June 2011 to consider the Annual Accounts. It received and monitored progress against reports on compliance and risk management, reports from the Internal Auditors, Counter Fraud Specialists and External Auditors. It also considered reports produced by the Wales Audit Office relating to performance and Value for Money reviews. As part of this process it agreed action that was required to address any shortfalls highlighted and seek to ensure best practice.
- The Information Governance Committee was established to advise and provide assurance to the Board on the quality and integrity of information, the safety and security of information and the appropriate access and use of information.
- The Workforce and Organisational Development Committee provided advice to the UHB Board on all matters relating to the staff and staffing. It also provides assurance to the Board for all issues relating to human resources and organisational development.
- The UHB Health and Safety Committee has had oversight of the UHB health and safety action plan and has undertaken the statutory responsibility to consult with staff representatives on matters relating to health and safety.

Internal Audit provides a statement of assurance, which sets out an overall opinion as to the adequacy of the systems of internal control operating within the organisation. The statement is based upon the work undertaken by Internal Audit as set out in the audit committee approved plan. The opinion concluded that the level of assurance given as to the effectiveness of the system of internal control in place was "Adequate Assurance". There were however a number of reports issued during the course of the year that identified specific areas where the level of control was inadequate which were given "Limited Assurance". Management action plans have been developed to strengthen the control weaknesses identified in these reports and are subject to continual follow up.

In addition to the Value for Money reviews mentioned above, between August and November 2010 the Wales Audit Office used a "Structured Assessment" methodology to review the Health Boards' corporate arrangements for governance, management of resources and financial management. The findings of the assessment were reported to the Board in March 2011. The overall conclusion was that the UHB is making good progress in establishing its governance arrangements although more needs to be done to strengthen important "enablers" including improving arrangements for financial planning and monitoring. The UHB is responding to the specific areas for action that were raised.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

The Board approved the Single Equality Scheme – Fair Care on the 6 July 2010. The Scheme sets out a comprehensive, strategic manageable agenda to deliver the UHB commitment to equality and diversity. The Scheme and supporting action plan provide a framework to integrate equality, diversity and human rights into all UHB activities and to embed the approach as part of day to day working. To help the UHB to discharge its responsibilities it has an Equality Steering Group that is chaired by an Independent Member. The Group reports to the Workforce and Organisational Development Committee.

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. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

The organisation has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements as based on UKCIP 2009 weather projections to ensure that the organisation's obligation under the climate change Act and the Adaptation Reporting requirements are complied with.

6. Significant internal control problems

The UHB reported in last years Statement on Internal Control that the Human Tissue Authority (HTA) had undertaken an Inspection Site Visit at the Mortuary and Post Mortem Department, University Hospital of Wales (UHW) resulting in a Notice of Suspension in respect of two of the three HTA licences relating to the department, and Notice of Proposal to Revoke the third licence. Action was taken to secure reinstatement of the suspended licences, and avoid the proposed revocation, and in so doing to identify and deal with all relevant matters and issues of concern.

It was apparent that there were deficiencies in the governance, assurance and internal controls mechanisms. To ensure that there was clear leadership within the UHB a command and control structure was established. "Gold Command" chaired by myself has continued to meet during the period with regular reports to the Quality and Safety Committee. I am now satisfied that the appropriate control arrangements are in place and the Gold Command arrangement will be stood down June 2011; responsibility for management of the licences will revert to the Clinical Diagnostics and Therapeutics Division.

The effectiveness of this approach was evident in the very successful inspection of the Mortuary at the University Hospital Llandough in April 2010 that resulted in the facility being designated as an HTA reference site.

As the Accountable Officer I will endeavour to ensure that, through robust management and accountability frameworks, significant internal control problems do not occur in the future. However, if such situations do arise, swift and robust action will be taken, as demonstrated in the approach to the HTA inspection response, to manage the event and to ensure that learning is spread throughout the UHB.

Signed
Chief Executive
(On behalf of the Board))

Date:

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

I certify that I have audited the financial statements of Cardiff and Vale University Local Health Board for the year ended 31 March 2011 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Tax Payers Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs). I have also audited the information in the Remuneration Report that is described as having been audited.

Respective responsibilities of Directors, the Chief Executive and the Auditor

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities set out on pages 59 and 60, the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Cardiff and Vale University Local Health Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors and Chief Executive; and the overall presentation of the financial statements.

I am also required to obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of affairs of Cardiff and Vale University Local Health Board as at 31 March 2011 and of its net operating costs, its recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

Opinion on Regularity

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

Opinion on other matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers;
- 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.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- the Statement on Internal Control does not reflect compliance with HM Treasury's and Welsh Ministers' guidance;
- proper accounting records have not been kept;
- information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed; or
- I have not received all the information and explanations I require for my audit.

Report

- I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
10 June 2011

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